Chapter I
Finances of the State Government

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 (2008-09) vis-à-vis the previous year while Appendix 1.4 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

(Rupees in crore)

2007-08	Receipts	2008-09	2007-08	Disbursements	2008-09		
Section-A: Revenue					**Non Plan**	**Plan**	**Total**
15,324.92	**Revenue receipts**	**18,077.04**	**12,744.16**	**Revenue expenditure**	**11,132.67**	**3,110.66**	**14,243.33**
3,359.50(a)	Tax revenue	4,150.21 (a)	4,924.42	General services	5,149.36	216.46	5,365.82
2,134.59	Non-tax revenue	2,271.90	4,956.75	Social services	4,348.32	1,496.04	5,844.36
4,918.21(b)	Share of Union Taxes/ Duties	5,189.89 (b)	2,854.05	Economic services	1,487.48	1,398.16	2,885.64
4,912.62	Grants from Government of India	6,465.04	8.94	Grants-in-aid and Contributions	147.51	-	147.51
Section-B: Capital							
-	Misc. Capital Receipts	-	1688.11	Capital Outlay	86.86	2286.15	2373.01
40.33	Recoveries of Loans and Advances	34.82	142.89	Loans and Advances disbursed			88.74
1,138.30	Public Debt receipts[1]	2,877.51	575.14	Repayment of Public Debt[1]	-		780.80
	Contingency Fund		-	Contingency Fund			-
6,093.34	Public Account receipts	7,793.70	6,190.20	Public Account disbursements			7,214.43
2,702.69	Opening Cash Balance	3,959.08	3,959.08	Closing Cash Balance			8,041.84
25,299.58	**Total**	**32,742.15**	**25,299.58**	**Total**			**32,742.15**

a) Excluding share of net proceeds of taxes and duties assigned to State under various heads viz. 0020, 0021, 0028, 0032, 0037, 0038, 0044 and 0045.

b) Share of net proceeds assigned to State.

Following are the significant changes during 2008-09 over the previous year:

- Revenue receipts grew by Rs.2,752 crore (18 *per cent*) over the previous year. The increase was mainly contributed by tax revenue (Rs.791 crore), Non-tax revenue (Rs.137 crore), State's share of Union Taxes and Duties (Rs.272 crore) and Grant-in-aid from Government of India (Rs.1,552 crore). The revenue receipts at Rs.18,077 crore is, however, higher by

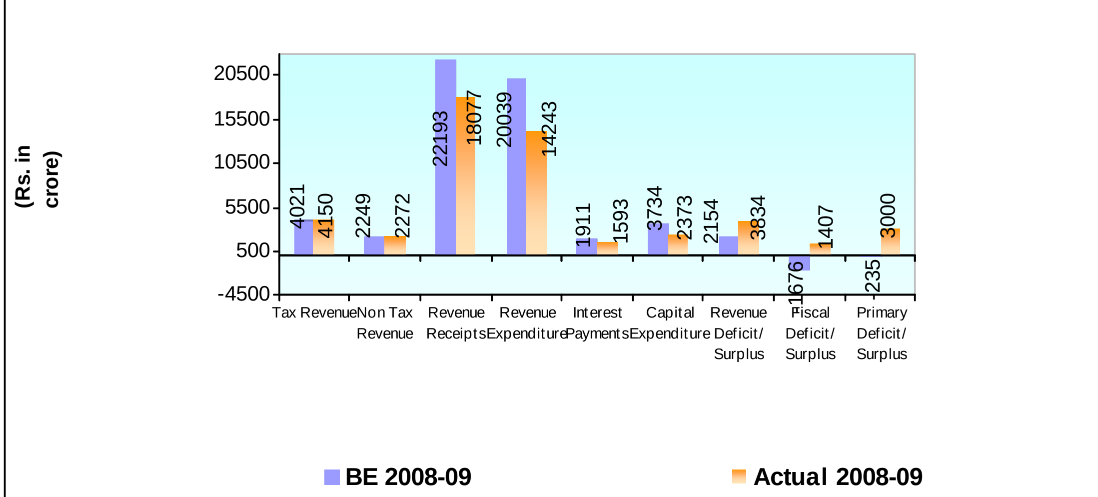
[1] Excluding net transactions under ways and means advances and overdraft.

Rs.116 crore than the assessment made by the State Government in its fiscal correction Path (FCP) (Rs.17,961 crore), but lower by Rs.4,116 crore than the assessment made in its Five Year Fiscal Plan (FYFP) (Rs.22,193 crore) for the year 2008-09;

- Revenue expenditure and Capital expenditure increased by Rs.1,499 crore (12 *per cent*) and Rs.685 crore (41 *per cent*) respectively, over the previous year. The revenue expenditure was lower by Rs.2,817 crore (17 *per cent*) than the assessment made by the State Government in its FCP (Rs.17,060 crore) and also lower by Rs 5,796 crore (29 *per cent*) than the assessment made in FYFP (Rs.20,039 crore);
- Disbursement of Loans and Advances and recoveries of the same decreased by Rs.54 crore (38 *per cent*) and Rupees six crore (14 *per cent*) respectively over the previous year;
- Public Debt receipts and repayments increased by Rs.1,739 crore (153 *per cent*) and Rs.206 crore (36 *per cent*) respectively over the previous year; thus net receipts increased by Rs.1,533 crore;
- Public Accounts receipts and disbursements increased by Rs.1,700 crore (28 *per cent*) and Rs. 1,024 crore (17 *per cent*) over the previous year. Thus, net receipts increased during the year by Rs.676 crore; and
- Cash balance of the State increased by Rs.4,083 crore (103 *per cent*) over the previous year.

Several reasons may account for the deviation of the actual realization from the budget estimates. It may 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. Chart 1.1 presents the budget estimates and actuals for some important fiscal parameters.

Chart 1.1: Selected Fiscal Parameters: Budget Estimates vis-a-vis Actuals



The above chart depicts that revenue receipts fell short by Rs.4,116 crore against the estimated Rs.22,193 crore. Revenue expenditure was Rs.14,243 crore during 2008-09 against the estimated Rs.20,039 crore. Against the estimation of revenue surplus of Rs.2,154 crore, there was revenue surplus of Rs.3,834 crore during 2008-09. Fiscal surplus and Primary surplus were Rs.1,407 crore and Rs.3,000 crore during 2008-09 against the estimated fiscal deficit and primary deficit of Rs.1,676 crore and Rs.235 crore respectively. The performance of the State during 2008-09 in terms of key fiscal targets set for selected variables laid down in AFRBM Act, 2005 vis-à-vis achievements are given in Table-1.2.

Table-1.2

Trends in Major fiscal parameters/variables vis-à-vis projections for 2008-09

(Rupees in crore)

Fiscal variables	2008-09			
	Targets as per prescribed in FRBM Act	Projections made in		Actuals
		Fiscal Correction Path	Five Year Fiscal plan Statement	
Revenue Deficit (Rs. in crore)	0.0 (By 31.3.2009)	(+) 901	(+) 2,154	(+) 3,834
Fiscal Deficit (Rs. in crore)	-	1778	(-) 1,676	(+) 1,407
Fiscal Deficit/GSDP (*per cent*)	3 *per cent* of GSDP (By 31.3.2009)	3	2	**
Salary as percentage of State's own resources*	60 *per cent* (By 31.3.2010)	112	117	91
Ratio of the Total Debt Stock including Government guarantees to GSDP	45 *per cent* (By 31.3.2010)	42	28	34
Ratio of State Guarantees to State's Own Resources of second preceding Year	50 *per cent*	21	15	15

*State's Own Resources: Tax and Non-tax revenue of the State

**There was revenue surplus

The above table reveals that the State has achieved all the FRBM targets, before the time lines prescribed in the Act except containing expenditure on salary. The State Government has to initiate requisite measures to contain the expenditure on salaries relative to its own resources, to achieve the corresponding FRBM target within the time frame prescribed in the Act. As a result of Debt Consolidation under 'Debt Consolidation and Relief Facility (DCRF)[2] scheme', the state has received debt relief of Rs.105.41 crore and interest relief of Rs.6.49 crore during 2008-09 from the Government of India (GOI).

1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

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

[2] 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.

from the GOI as well as accruals from Public Account. Table-1.1 presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while Chart 1.2 depicts the trends in various components of the receipts of the State during 2003-09. Chart 1.3 depicts the composition of resources of the State during the current year.

Chart 1.2: Trends in Receipts

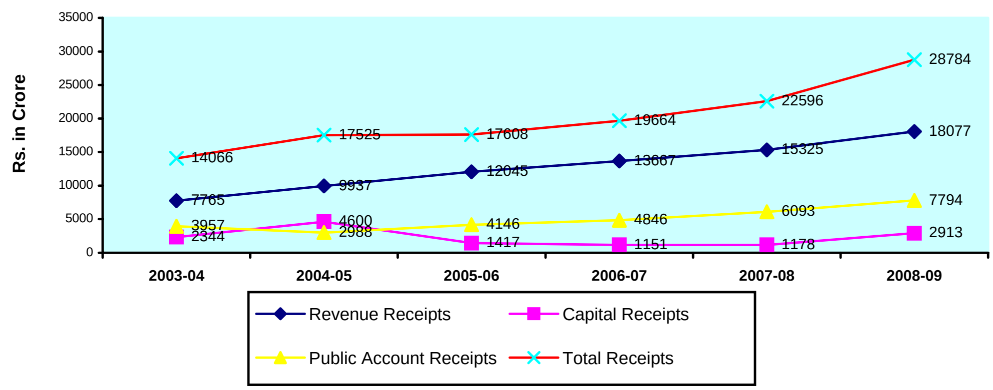
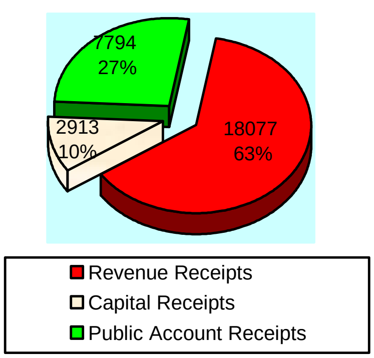


Chart 1.3: Composition of Receipts during 2008-09
(Rs. in crore)



The total receipts of the State Government for 2008-09 was Rs.28,784 crore, of which Rs.18,077 crore (63 *per cent*) came from revenue receipts and balance (37 *per cent*) from borrowings and Public Account. The total receipts of the State increased by Rs.14,718 crore (105 *per cent*) from Rs.14,066 crore in 2003-04 to Rs.28,784 crore in 2008-09.

The share of Revenue receipts of the State to total receipts increased from 55 *per cent* in 2003-04 to 63 *per cent* in 2008-09. On the other hand, the Capital receipts together with Public account receipt ranged between 37 and 45 *per cent* of total receipts during 2004-09. Revenue receipts increased steadily by 133 *per cent* from Rs.7,765 crore in 2003-04 to Rs.18,077 crore in 2008-09, whereas the debt Capital receipts which create future repayment obligation with inter year fluctuation decreased from Rs.2,344 crore (17 *per cent* of total receipts) in 2003-04 to Rs.2,913 crore (10 *per cent* of total receipts). Except during 2003-04, Public account receipts increased steadily from Rs.2,988 crore in 2004-05 to Rs.7,794 crore in 2008-09 ranging between 17 and

27 *per cent* of total receipts. Revenue Buoyancy, Capital receipts buoyancy and Public Account Buoyancy[3] increased from 1.16, 0.22 & 2.46 in 2007-08 to 1.79, 14.68 & 2.78 in 2008-09 respectively.

1.2.2 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 Agencies[4] for the implementation of various schemes/ programmes in social and economic sectors recognized as critical. As these funds are not routed through the State Budget/State Treasury System, Annual Finance Accounts do not capture the flow of these funds and to that extent, State's receipts and expenditure as well as other fiscal variables/ parameters derived from them are underestimated. To present a holistic picture on availability of aggregate resources, an attempt was made in audit and the scheme-wise funds directly transferred to State Implementing Agencies were obtained from four Departments as detailed in Table 1.3.

Table-1.3: Funds Transferred Directly to State Implementing Agencies

(Rupees in crore)

Programme/Scheme (Centre: State Share)	Implementing Agency in the State	2007-08			2008-09		
		Central Share	State Share, if applicable	Total	Central Share	State Share, if applicable	Total
1) Sarva Siksha Abhiyan (SSA)	Mission Director, SSA, Assam	288.77	31.80	320.57	421.60	50.00	471.60
2) National Rural Health Mission (NRHM)	Mission Director, NRHM, Assam	574.42	60.00	634.42	564.20	86.77	650.97
3) Member of Parliament Local Area Development Schemes (MPLADs)	District Authority	41.00	--	41.00	37.00	-	37.00
4) National Rural Employment Guarantee Scheme (NREGS)	Project Director, District Rural Development Agency	523.63	40.83	564.46	959.05	81.09	1040.14
5) Indira Awas Yojana (IAY)	Project Director, District Rural Development Agency	324.30	97.80	422.10	654.33	132.85	787.18
6) SwarnaJayanti Gram Swarojgar Yojana (SGSY)	Project Director, District Rural Development Agency	135.66	26.70	162.36	175.68	64.77	240.45
7) National Programme For Prevention & Control of Diabetes, CVD & Stroke (NPDCS)	Health Department	0.49	--	0.49	[5]-		
8) Integrated Wasteland Development Programme/(IWDP)	Project Director, District Rural Development Agency	25.96	3.33	29.29	38.93	2.82	41.75
9) DRDA Administration	Project Director, District Rural Development Agency	12.46	5.24	17.70	15.19	4.40	19.59
10) Sampoorna Gramin Rojgar Yojana (SGRY)	Project Director, District Rural Development Agency	192.77	84.62	277.39	-	-	-
Total:		**2,119.46**	**350.32**	**2,469.78**	**2,865.98**	**422.70**	**3,288.68**

Source: Departmental records

[3] Definitions included in Appendix-1.2.

[4] State Implementing Agencies include Mission Director, Sarva Siksha Abhiyan (SSA), Mission Director, National Rural Health Mission (NRHM) and Project Director, District Rural Development Agencies in Assam.

[5] Information not furnished by the Department.

The GOI directly transferred to State Implementing Agencies Rs.2,866 crore during 2008-09 against transfer of Rs.2,119 crore in 2007-08 i.e. an increase of Rs.747 crore (35 *per cent*) over the previous year. Out of total transfer of Rs.2,866 crore, the transfer of Rs.1,843 crore (64 *per cent*) was to DRDA alone and 33 *per cent* of the total transferred funds was for National Rural Employment Guarantee Scheme. Thus, with the transfer of Rs.2,866 crore during 2008-09 by the GOI to the State Implementing Agencies, the total availability of State resources increased from Rs.28,784 crore to Rs.31,650 crore.

1.3 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 2004-09 are presented in Appendix 1.3 and also depicted in Chart 1.4 and 1.5 respectively.

Chart 1.4: Trends in Revenue Receipts

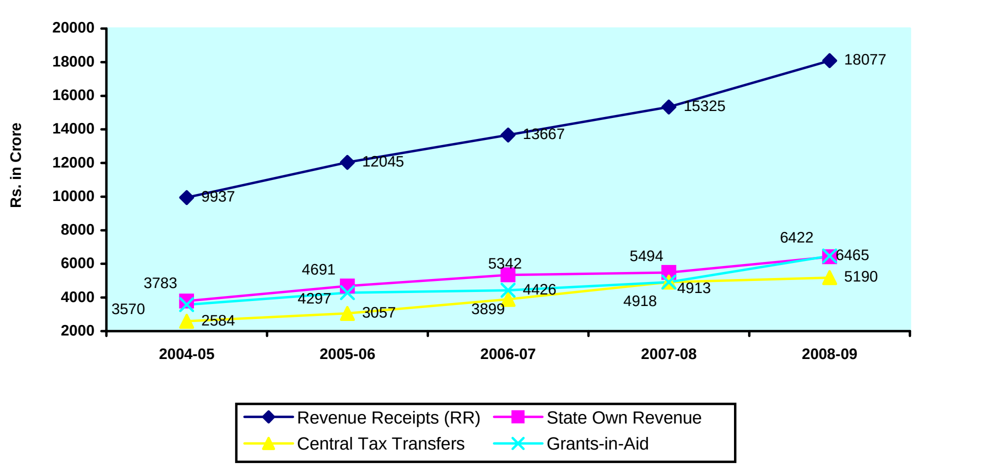
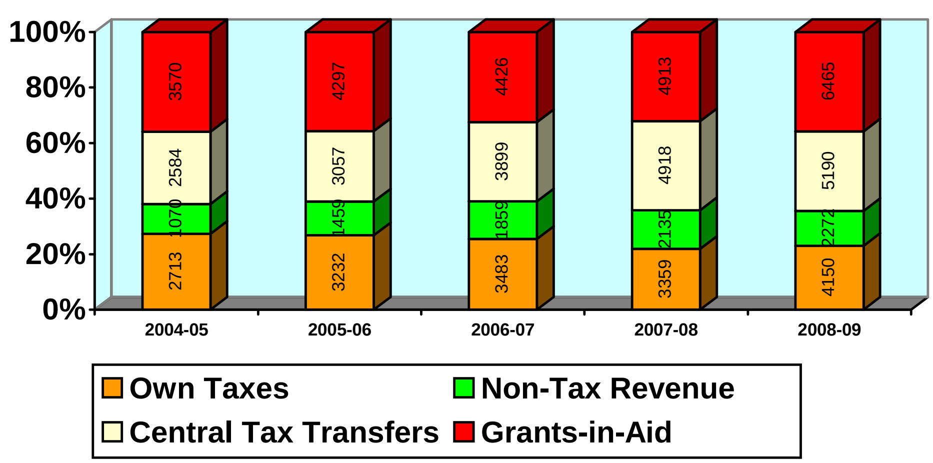


Chart 1.5: The composition of Revenue Receipts during 2004-09 (Rs. in crore)



The Revenue receipts of the State increased from Rs.9,937 crore in 2004-05 to Rs.18,077 crore in 2008-09 at an annual average rate of 16.38 *per cent* while 35 *per cent* of the Revenue receipts during 2008-09 have come from the State's own resources, central tax transfers and grants-in-aid together contributed about 65 *per cent*.

Tax Revenue: The percentage of tax revenue to total revenue receipts ranged between 22.96 and 27.30 *per cent* during 2004-09. Tax revenue has increased by Rs.791 crore (23.55 *per cent*) from Rs.3,359 crore in 2007-08 to Rs.4,150 crore in 2008-09. The increase in tax revenue during 2008-09 over previous year was mainly due to increase in Sales tax (Rs.419 crore), taxes on goods and passengers (Rs.272 crore) and Land revenue (Rs.34 crore).

Non-tax Revenue: Non-tax revenue constituted 12.57 *per cent* of the total revenue receipts and increased by Rs.137 crore during 2008-09 recording a growth rate of 6.42 *per cent* over the previous year. Non-tax revenue as a percentage of revenue receipts ranged between 11 and 13 during 2004-09. The increase in non-tax revenue during 2008-09 over the previous year was mainly due to increased realization of interest on Cash balance investment (Rs.119.19 crore), receipts from environmental forestry (Rs.13.23 crore), Roads and Bridges (Rs.22.62 crore). A part of the increase, was, however, offset by decrease in labour and employment (Rs.10.77 crore) and dividends and profits (Rs.4.55 crore).

Central tax transfers: Central tax transfers increased by Rs.272 crore from Rs.4,918 crore in 2007-08 to Rs.5,190 crore in 2008-09 and constituted 28.71 *per cent* of the revenue receipts during the year. The increase was mainly due to increase in Corporation tax (Rs.141.08 crore), Service tax (Rs.69.57 crore) and Customs (Rs.62.43 crore).

Grants-in-aid: Grants-in-aid from the GOI increased by 31.59 *per cent* from Rs.4,913 crore in 2007-08 to Rs.6,465 crore in 2008-09 mainly due to increases in grants for State Plan Schemes (Rs.1,212.37 crore), Grants for Central Plan Schemes (Rs.220.39 crore), Grants for Centrally Sponsored Plan Schemes (Rs.271.27 crore) and Grants for Special Plan Schemes (Rs.13.11 crore). A part of the increase, was however, offset by decrease in non-plan grants by Rs.164.74 crore.

Increase in State Plan Schemes was mainly due to increased receipt of grants under Block Grants (Rs.1,070.25 crore), Grants under proviso to Article 275 (1) of the Constitution (Rs.92.92 crore) over the previous year. Grants under Centrally Sponsored Plan Schemes increased due to receipt of increased grants under National Programme of Nutritional Support to Primary Education (Mid-day Meal) (Rs.207.13 crore) and Accelerated Rural Water Supply Programme (Rs.88.96 crore). The decrease in non-plan grants during 2008-09 over the previous year was, however, mainly due to decreased receipt of grants under the proviso 1 Article 275 (1) of the Constitution (Rs.117.12 crore). The TFC had recommended additional grants of Rs.240.53 crore for Education Sector and Rs.212.89 crore for Health Sector during 2008-09. The specific grants amounting to Rupees eight crore for maintenance of

Forests as recommended by TFC has also been included in total Grants-in-aid transferred to State during the year. The trends in revenue receipts relative to GSDP are presented in Table 1.4 below:

Table 1.4: Trends in Revenue Receipts relative to GSDP

	2004-05	2005-06	2006-07	2007-08	2008-09
Revenue Receipts (RR) (Rs. in crore)	**9,937**	**12,045**	**13,667**	**15,325**	**18,077**
Rate of growth of RR (*per cent)*	27.97	21.21	13.46	12.13	17.96
R R/GSDP (*per cent)*	18.78	20.83	21.43	21.76	23.32
Buoyancy Ratios[6]					
Revenue Buoyancy w.r.t GSDP	2.30	2.29	1.31	1.16	1.79
State's Own Tax Buoyancy w.r.t GSDP	2.56	2.07	0.76	(-) 0.34	2.35
Revenue Buoyancy with reference to State's own taxes	0.90	1.11	1.72	(-) 3.43	0.76

The Revenue Receipts of the State grew by 17.96 *per cent* during 2008-09 over the previous year due to increase in tax revenue by Rs.791 crore (23.55 *per cent*), non-tax revenue by Rs.137 crore (6.42 *per cent*), Central tax transfers by Rs.272 crore (5.53 *per cent*) and Grants-in-aid by Rs.1,552 crore (31.59 *per cent*). For every one *per cent* increase in GSDP, State's own taxes increased by 0.76 *per cent* during 2008-09.

1.3.1 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.

Tax revenue of the State increased from Rs.2,713 crore in 2004-05 to Rs.4,150 crore in 2008-09 at an annual average rate of 10.59 *per cent*. The major contributors in the State's own tax during 2008-09 are taxes on sales, trade etc.,: Rs.3,111 crore (75 *per cent* of tax revenue), taxes on goods and passengers: Rs.272 crore (seven *per cent* of tax revenue) and State Excise: Rs.199 crore (five *per cent* of tax revenue). Collection of Sales tax, trade etc., has increased by Rs.419.15 crore in 2008-09 over the previous year, mainly due to increase in trade tax by Rs.889.04 crore which was offset by decrease in receipts under State Sales Tax Act by Rs.475.04 crore. The increase in State Excise by Rs.9.97 crore during 2008-09 over the previous year was mainly due to increase in receipts in country spirits by Rs.6.56 crore and foreign liquors and spirits by Rs.28.38 crore was offset by decrease in receipts under other receipts by Rs.25.69 crore.

Non-tax revenue on the other hand increased from Rs.1,070 crore in 2004-05 to Rs.2,272 crore in 2008-09 at an annual average rate of 22.47 *per cent*. The major contributors in State's non-tax revenue during 2008-09 are Petroleum: Rs.1,430 crore (63 *per cent* of non-tax revenue), interest receipts, dividends and profits: Rs.453 crore (20 *per cent* of non-tax revenue) and Forestry and wild life: Rs.116 crore (five *per cent* of non-tax revenue).

[6]Buoyancy 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 1.79 implies that revenue receipts tend to increase by 1.79 percentage points, if the GSDP increases by one *per cent*.

The performance of State in regard to the mobilization of its own resources vis-à-vis assessment made by the TFC and the State Government in its FCP and FYFP statement for 2008-09 were as under:

(Rupees in crore)

Parameters	Assessment made by TFC	FCP	FYFP	Actual
(1)	(2)	(3)	(4)	(5)
Tax Revenue	4,534	4,631	4,021	4,150
Non-Tax Revenue	1,535	1,621	2,249	2,272

The above table indicates that tax revenue of the State fell short by eight *per cent* and 10 *per cent* than the assessments made by the TFC and FCP respectively and increased by three *per cent* against the assessments made in FYFP. However, non-tax revenue increased by 48 *per cent*, 40 *per cent* and one *per cent* against the assessments made by the TFC, and in FCP and FYFP respectively.

1.3.2 Loss of Revenue due to Evasion of Taxes, Write off/Waivers and Refunds

During 2008-09, evasion of tax (including interest) amounting to Rs.19.97 crore due to concealment of turnover (Rs.78.14 crore) in 41 cases of taxes on sales was reported by the Government. Thus, the State had suffered a revenue loss of Rs.19.97 crore.

In 29 cases (including four reviews), non/short levy of taxes, duties, interest and penalty etc., involving Rs.1,155.59 crore were noticed during audit in 2008-09.

1.3.3 Revenue Arrears

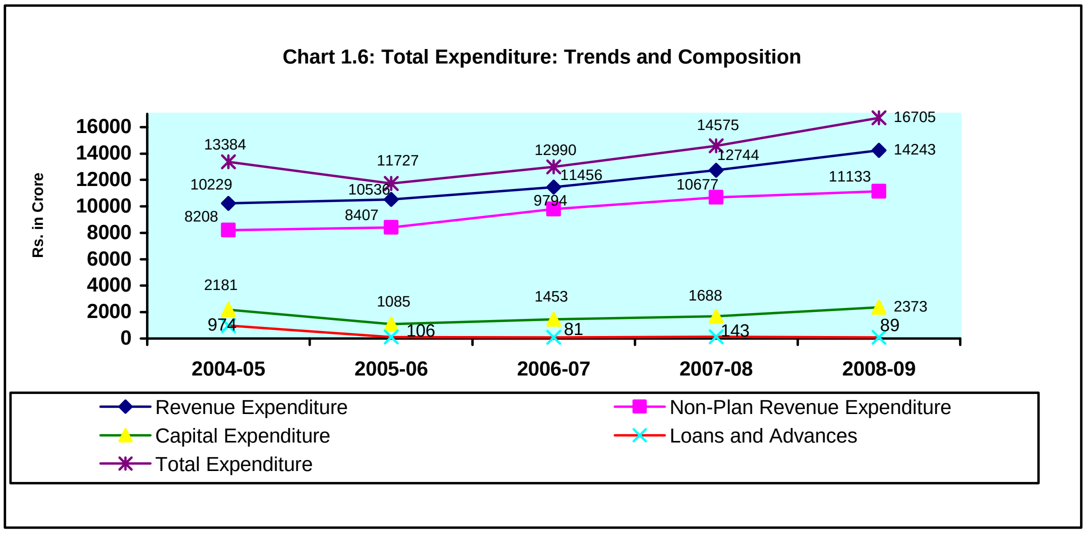
The arrears of revenue decreased by Rs.3.21 crore from Rs.725.33 crore in 2004-05 to Rs.722.12 crore at the end of 2008-09. Of these, Rs.342.36 crore was outstanding for a period of more than five years. The arrears of revenue decreased by Rs.34.35 crore from Rs.756.47 crore in 2007-08 to Rs.722.12 crore in 2008-09. Arrears were mainly in respect of taxes on sales, cess on land, agricultural income etc. (Rs.667.23 crore), land revenue (Rs.45.13 crore), forestry and wildlife (Rs.6.09 crore), royalty on coal, lignite and limestone (Rs.3.67 crore).

1.4 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.

1.4.1 Growth and Composition of Expenditure

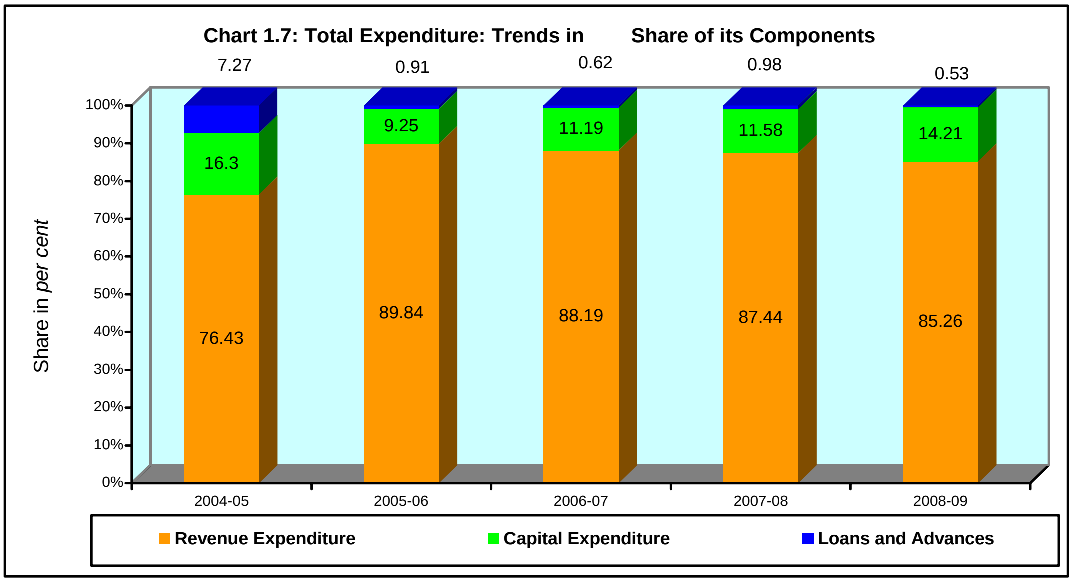
Chart 1.6 presents the trends in total expenditure over a period of five years (2004-09) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted respectively in Charts 1.7 and 1.8.

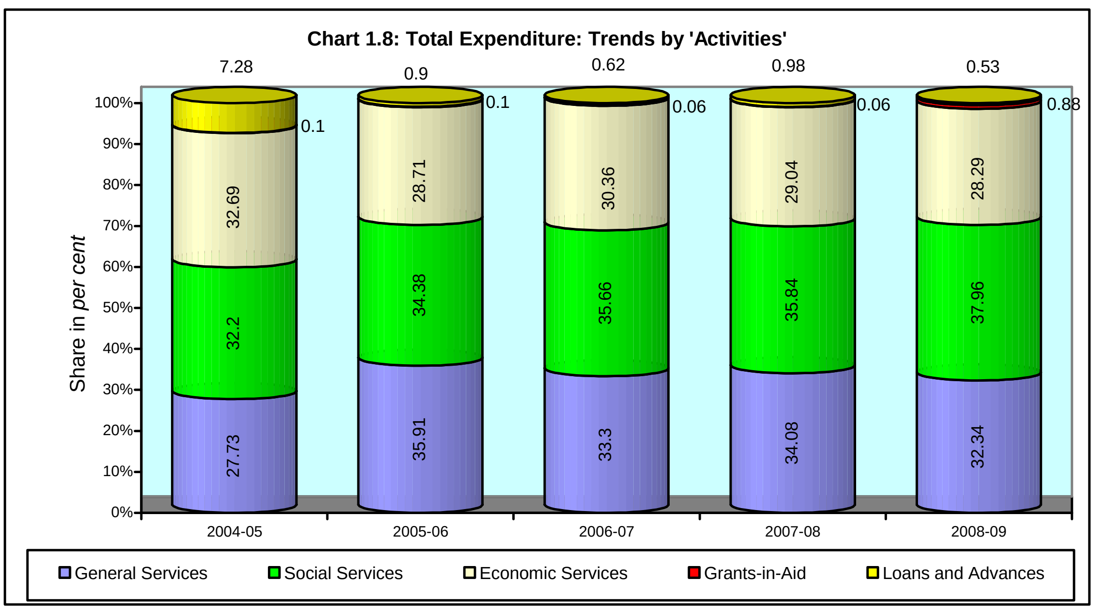


Statement-12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. The total expenditure of the State increased from Rs.13,384 crore in 2004-05 to Rs.16,705 crore in 2008-09 at an annual average rate of 4.96 *per cent* and increased by 15 *per cent* from Rs.14,575 crore in 2007-08 to Rs.16,705 crore in 2008-09. The Revenue expenditure increased from Rs.10,229 crore in 2004-05 to Rs.14,243 crore in 2008-09 at an annual average rate of eight *per cent*. Of the revenue expenditure, non-plan revenue expenditure increased from Rs.8,208 crore in 2004-05 to Rs.11,133 crore in 2008-09 at an annual average rate of seven *per cent*. Capital expenditure increased from Rs.2,181 crore in 2004-05 to Rs.2,373 crore in 2008-09 at an annual average rate of two *per cent*.

The break up of total expenditure during 2008-09 in terms of plan and non-plan expenditure reveals that while the share of plan expenditure constituted 32.75 *per cent* (Rs.5,471 crore), the remaining 67.25 *per cent* (Rs.11,234 crore) was non-plan expenditure. The increase in total expenditure during 2008-09 over the previous year was due to increase in revenue expenditure by Rs.1,499 crore and capital expenditure by Rs.685 crore despite decrease in disbursement of loans and advances by Rs.54 crore. The capital expenditure increased by 41 *per cent* over the previous year and was 36 *per cent* lower than projected in FYFP.

The increase in revenue expenditure during 2008-09 over the previous year was mainly due to increase in expenditure on Education, Sports, Art and Culture (Rs.331.66 crore), Health and Family Welfare (Rs.256.44 crore), Water Supply, Sanitation, Housing and Urban Development (Rs.140.70 crore), Welfare of Scheduled Castes, Scheduled Tribes & Other Backward Classes (Rs.78.38 crore) in Social sector and Agriculture and Allied activities (Rs.224.64 crore) in Economic Sector. The increase in Capital expenditure of Rs.685 crore over the previous year was mainly due to in plan capital expenditure on Water supply, Sanitation, Housing and Urban Development (Rs.221.82 crore), Irrigation and Flood Control (Rs.323.35 crore) and Energy (Rs.78.86 crore). Loans and advances constituted 0.53 *per cent* of the total expenditure and decreased by Rs.54 crore over the previous year. The decrease in loans and advances was mainly due to decrease in disbursement of other loans to Electricity Boards by Rs.44.19 crore over the previous year.





In terms of activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, Grant-in-aid and loans and advances. The movement of relative share of these components of expenditure indicated that all components of expenditure had inter-year variations. But expenditure on General Services and interest payments, which are considered as non-developmental, together accounted for 32.34 *per cent* in 2008-09 as against 34.08 *per cent* in 2007-08. On the other hand, development expenditure i.e., expenditure on Social and Economic Services together accounted for 66.25 *per cent* in 2008-09 as against 64.88 *per cent* in 2007-08. This indicates that there was decrease in non-developmental expenditure and increase in developmental expenditure in comparison to the previous year.

Revenue expenditure had predominant share in total expenditure. Revenue expenditure is increased 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. The overall revenue expenditure of the State increased by 39.24 *per cent* from Rs.10,229 crore in 2004-05 to Rs.14,243 crore in 2008-09 at an annual average rate of 7.85 *per cent* and increased from Rs.12,744 crore in 2007-08 to Rs.14,243 crore in 2008-09. *A comparative position of Non-Plan Revenue Expenditure (NPRE) vis-à-vis assessment made by TFC and FCP revealed that NPRE was 16 per cent (Rs.2,131 crore) less than the projection made in FCP but higher by 13 per cent (Rs. 1,270 crore) relative to TFC assessment as indicated below*:

(Rupees in crore)

	Assessment/Projection		**Actual**
Non-Plan Revenue Expenditure	**TFC**	**FCP**	
	9,863	13,264	11,133

The **Plan Revenue Expenditure** (PRE) increased by Rs.1,043 crore from Rs.2,067 crore in 2007-08 to Rs.3,110 crore in 2008-09, mainly due to increase in Social Welfare and Nutrition (Rs.149.61 crore), Health and Family Welfare (Rs.106.48 crore), Agriculture and Allied Activities (Rs.237.70 crore), Special Areas Programmes (Rs.83.01 crore) and Rural Development(Rs.37.81 crore) over the previous year.

The ratio of NPRE to GSDP decreased from 15.51 *per cent* to 14.36 *per cent* during 2004-09. The buoyancy of NPRE to GSDP decreased from 0.86 crore in 2007-08 to 0.43 crore in 2008-09, while with reference to Revenue Receipts it decreased from 0.74 in 2007-08 to 0.24 in 2008-09. Similarly, buoyancy of Revenue Expenditure to Revenue Receipts decreased from 0.93 in 2007-08 to 0.65 in 2008-09.

1.4.2 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 1.5 and Chart 1.9 present the trends in the expenditure on these components during 2004-09.

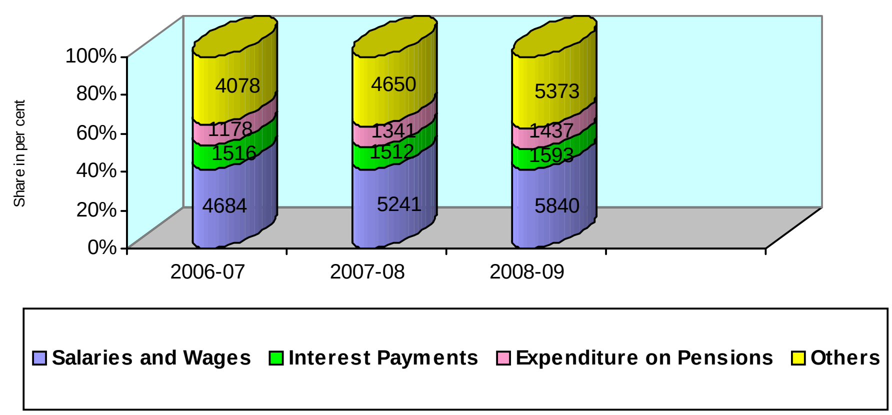
Table-1.5: Components of Committed Expenditure

(Rupees in crore)

Componenets of Committed Expenditure	2004-05	2005-06	2006-07	2007-08	2008-09	
					BE	Actuals
Salaries & Wages , *Of which*	5,194[7] (51.87)	4,238 (35.18)	4,684 (34.27)	5,241 (34.20)	7,360 (33.16)	5,840 (32.31)
Non-Plan Head	4,376	3,883	4,484	5,068	6,905	5,584
Plan Head	818	355	200	173	455	256
Interest Payments	1,404 (14.13)	1,510 (12.54)	1,516 (11.09)	1,512 (9.87)	1,911 (8.61)	1,593 (8.81)
Expenditure on Pensions	1,062 (10.69)	1,011 (8.39)	1,178 (8.62)	1,341 (8.75)	1,537 (6.93)	1,437 (7.95)
Other Components	2,569 (25.85)	3,777 (31.36)	4,078 (29.84)	4,650 (30.34)	9,231 (41.59)	5,373 (29.72)
Total	**10,229 (102.94)**	**10,536 (87.47)**	**11,456 (83.82)**	**12,744 (83.16)**	**20,039 (90.29)**	**14,243 (78.79)**

Figures in the parentheses indicate percentage to Revenue Receipts

Chart 1.9: Share of Committed Expenditure in Non-Plan Revenue Expenditure during 2006-09 (Rs. in Crore)



Salaries alone accounted for more than 32 *per cent* of revenue receipts of the State during the year. It increased by about 12 *per cent* from Rs.5,241 crore in 2007-08 to Rs.5,840 crore in 2008-09. Salary expenditure under Non-plan head during 2008-09 increased by Rs.516 crore (10.18 *per cent*) over the previous year whereas the salary expenditure on plan head increased by Rs.83 crore (47.98 *per cent*) over the previous year. Non-plan salary expenditure ranged between 33.43 and 34.77 *per cent* of total expenditure on salaries during 2006-09. Expenditure on salaries during 2008-09 was less by Rs.1,145 crore (16.39 *per cent*) than assessed (Rs.6,985 crore) by the State Government in its FCP and less by Rs.1,520 crore (20.65 *per cent*) against the projection of Rs.7,360 crore in FYFP. The expenditure on salaries was 52.08 *per cent* of the revenue expenditure, net of interest payments and pension as against TFC norm of 35 *per cent* and constituted 90.94 *per cent* of total tax and non-tax revenue during 2008-09, requiring attention of the Government to achieve the target of limiting it to 60 *per cent* by 2010 as laid down in FRBM Act, 2005.

[7] Represents salaries only and includes salaries spent from Grants-in-aid but excludes wages upto 2004-05.

Pension payments grew at an annual average rate of 7.33 *per cent* from Rs.1,178 crore in 2006-07 to Rs.1,437 crore in 2008-09. Pension payment alone accounted for nearly eight *per cent* of revenue receipts of the State during the year and increased by Rs.96 crore (7.16 *per cent*) over the previous year. Pension payment was Rs.180 crore (12.53 *per cent*) less than the projections made by the State Government in its FCP (Rs.1,617 crore), Rs.100 crore (6.51 *per cent*) less than the projections made in FYFP (Rs.1,537 crore) and also Rs.170 crore less than the assessment made by the TFC (Rs.1,607 crore). Increase of Rs.96 crore in pension payments during 2008-09 over the previous year was mainly due to increase in expenditure under superannuation and retirement allowances (Rs.101.46 crore), family pension (Rs.83.67 crore). A part of the increase was offset by decrease in payment of gratuities (Rs.52.57 crore) and leave encashment (Rs.32.79 crore). The State Government has not introduced the new pension policy so far.

Interest payments increased by 5.36 *per cent* from Rs.1,512 crore in 2007-08 to Rs.1,593 crore in 2008-09. The interest payment on internal debt (Rs.1,150 crore), loans and advances from Central Government (Rs.162 crore) and Small Savings, Provident Fund etc. (Rs.281 crore). The interest payment was Rs.983 crore less than that projected (Rs.2,576 crore) in FCP for the year 2008-09, Rs.318 crore (19.96 *per cent*) less than the projections made (Rs.1,911 crore) in FYFP and Rs.375 crore less than that projected (Rs.1,968 crore) by TFC. *The interest payment relative to revenue receipts at 8.81 per cent was well within the norm of 15 per cent recommended by TFC to be achieved during the award period.* Due to enactment of *FRBM Act* by the State Government in May 2005, the State could avail the benefit of Interest relief of Rs.6.49 crore in 2008-09. 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 with interest rates ranging from 6.76 *per cent* to 7.66 *per cent* per annum during the period 2006-09. The ratio's of salaries, interest payments and pensions to revenue receipts decreased by four percentage points over the previous year.

1.4.3 Financial Assistance by State Government to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous years is presented in Table 1.6.

Table 1.6: Financial Assistance to Local Bodies etc.

(Rupees in crore)

Financial Assistance to Institutions	2004-05	2005-06	2006-07	2007-08	2008-09	
					BE	Actual
Zilla Parishads and Other Panchayati Raj Institutions	23.04	27.30	27.19	42.53	-	0.15
Municipal Corporations/Urban Sewerage Board	65.28	16.71	17.66	24.47	30.70	9.25
Co-operative Societies and Co-operative Institutions	1.85	0.04	0.04	1.64	0.10	0.10
Universities and Educational Institutions	919.04	922.90	892.58	822.57	919.98	829.40
Assam State Electricity Board (ASEB)	946.92	81.26	70.53	102.36	3.10	3.10
Assam State Housing Board (ASHB)	0.97	1.42	1.34	1.34	-*	0.08
Assam Khadi & village Industries Board	5.90	6.96	6.80	11.25	6.42	5.90
Guwahati Metropolitan Development Authority	26.13	33.88	27.79	0.12	17.56	10.10
Other Institutions	69.58	76.56	61.44	109.22	308.63	191.49
Autonomous Councils	135.24	83.28	167.75	83.86	73.10	92.54
Total	**2,193.95**	**1,250.31**	**1,273.12**	**1,199.36**	**1,359.59**	**1,142.11**
Assistance as percentage of RE	21.45	11.87	11.11	9.41	9.55	8.02

* Information not available in Detailed Appropriation Account.

The total assistance at the end of the year 2008-09 had decreased by 48 *per cent* over the level of 2004-05. The assistance to local bodies as a percentage of total revenue expenditure had decreased from 21.45 *per cent* in 2004-05 to 8.02 *per cent* in 2008-09. Financial assistance to universities and educational institutions alone constituted 73 *per cent* of the total assistance of the State Government during 2008-09.

1.5 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e. adequate provisions for providing public services); efficiency of expenditure use; and the effectiveness (assessment of outlay-outcome relationships for select services).

1.5.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to social sector and economic infrastructure are largely assigned to the State Government. Enhancing human development levels requires the States to step up their expenditure on key social services like, education, health etc. The low level of spending on any sector by a particular State may be either due to low fiscal priority attached by the State Government or on account of the low fiscal capacity of the State Government or due to both working together. The low fiscal priority (ratio of expenditure category to aggregate expenditure) is attached to a particular sector if it is below the respective national average while the low fiscal capacity would be reflected if the State’s per capita expenditure is below the respective national average even after having a fiscal priority that is more than or equal to the national average. Table 1.7 analyses the fiscal priority and fiscal capacity of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year.

Table-1.7: Fiscal Priority and Fiscal capacity of the State during 2005-09

Fiscal Priority by the State	**AE/GSDP**	**DE/AE**	**SSE/AE**	**CE/AE**
All States/National Average* (Ratio) 2005-06	**19.50**	**61.44**	**30.41**	**14.13**
Assam's Average (Ratio) 2005-06	**24.89**	**64.00**	**34.38**	**9.25**
All States/National Average* (Ratio) 2008-09	**19.16**	**67.68**	**33.90**	**16.87**
Assam's Average (Ratio) 2008-09	**21.55**	**66.76**	**37.96**	**14.21**
Fiscal Capacity of the State	**DE#**	**SSE**	**CE**	
All States Average Per Capita Expenditure 2005-06	**3,010**	**1,490**	**692**	
Assam's Per Capita Expenditure (Amount in Rs.) in 2005-06	**2,633**	**1,415**	**381**	
Adjusted Per Capita Expenditure (Amount in Rs.) in 2005-06**	**NR**	**NR**	**582**	
All State's Average per capita expenditure 2008-09	**5,030**	**2,520**	**1,254**	
Assam's Per Capita Expenditure (Amount in Rs.) in 2008-09	3,768	2,142	802	
Adjusted Per Capita** Expenditure (Amount in Rs.) in 2008-09	3,819	NR	952	

*As *per cent* to GSDP

**Calculated as per the methodology explained in the Appendix 1.2

AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure

CE: Capital Expenditure

Population of Assam 2.85 crore in 2005-06 and 2.96 crore in 2008-09

Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

Source: (1) For GSDP, the information was collected from the State's Directorate of Economics and Statistics (2) Population figures were taken from Projection 2001-2026 of the Registrar General & Census Commissioner, India (Website: http://www.censusindia.gov.in) Population = Average of Projected population for 2005 and 2006.

NR = No adjustment required since the state is giving adequate fiscal priority. Data for Arunachal Pradesh has not been included in All States average.

In Table 1.7, we are comparing the fiscal priority given to different categories of expenditure and fiscal capacity of Assam in 2005-06 (the first year of the Award Period of the Twelfth Finance Commission) and the current year 2008-09. In 2005-06, the Assam Government gave adequate fiscal priority to Aggregate Expenditure (AE), Development Expenditure (DE) and Social Sector Expenditure (SSE) since AE/GSDP, DE/AE and SSE/AE in the case of Assam was higher than the national average. The priority given to Capital Expenditure in Assam in 2005-06 was, however, not adequate as the CE/AE ratio for Assam (9.25 *per cent*) was much lower than the All States Average of 14.13 *per cent*. In 2008-09, however, it is observed that while adequate fiscal priority was given to AE and SSE, DE as a percentage of GSDP in Assam (66.76 *per cent*) was marginally lower than the All States Average (67.68 *per cent*). A major area of concern is that Assam continues to give lower priority to CE compared to the other states in the country as indicated by the All states average.

In 2005-06, the per capita expenditure of DE, SSE and CE was lower than the national average (Rs.2,633, Rs.1,415 and Rs.381 compared to the national per capita expenditure in these categories of Rs.3,010 and Rs.1,490 and Rs.692 respectively). Similarly in the current year also the per capita expenditure in all these categories was lower in the case of Assam in comparison with the national average. Wherever the state is not giving adequate fiscal priority to a particular head of expenditure, adjustments have been made as explained in the Appendix 1.2 (Part-A) to see whether the per capita expenditure figures improve. While marginal improvement has been noticed, even the adjusted figures are lower than the national average. This means that the absorptive capacity[8] in Assam is relatively low and that effective systems are required to be put in place to benefit to the people.

1.5.2 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 goods[9]. Apart from improving the allocation towards development expenditure[10], 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 1.8 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 1.9 provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

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[8] Absorptive capacity in this case refers to the ability of a state to implement a developmental scheme in such a way that with given resources, there is maximum benefits to the people. This is usually achieved when the design of schemes are well planned with careful risk mitigation strategy in place, administrative costs are low, operation, maintenance, monitoring and control mechanisms are in place etc so that the state is able to effectively achieve targeted outcomes.

[9] *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.

[10] The 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.

Table-1.8: Development Expenditure

(Rupees in crore)

Components of Development Expenditure	2004-05	2005-06	2006-07	2007-08	2008-09	
					BE	Actual
Development Expenditure (a to c)	9,656 (72)	7,502 (64)	8,653 (67)	9,596 (66)	15,342(16)	11,152(67)
a. Development Revenue Expenditure	6,527 (49)	6,324 (54)	7,146 (55)	7,811 (54)	11,533(46)	8,730(52)
b. Development Capital Expenditure	2,158 (16)	1,075 (9)	1,430 (11)	1,645 (11)	3,678(15)	2,337(14)
c. Development Loans and Advances	971 (7)	103 (1)	77 (-)	140 (1)	131 (-)	85 (-)
Figures in parentheses indicate percentage to aggregate expenditure						

The development expenditure was less than the assessment made by the State Government in budget estimates by Rs.4,190 crore during 2008-09. The development revenue and capital expenditure increased by 12 *per cent* (Rs.919 crore) and 42 *per cent* (Rs.692 crore) respectively over the previous year.

Table 1.9 –Efficiency of Expenditure Use in Selected Social and Economic Services

(in per cent)

Social/ Economic Infrastructure	2007-08			2008-09		
	Ratio of CE to TE	In RE, the share of S&W	In RE, the share of O&M[11]	Ratio of CE to TE	In RE, the share of S&W	In RE, the share of O&M
Social Services (SS)						
Education, Sports, Art and Culture	0. 01	19.39	0.28	0.01	19.27	-
Health and Family Welfare	0.03	2.90	0.01	0.01	3.03	-
WS, Sanitation, & HUD	1.78	1.06	0.08	2.95	1.15	0.07
Other Social Services	0.01	1.17	0	0.01	1.54	-
Total (SS)	**1.83**	**24.52**	**0.37**	**2.98**	**24.99**	**0.07**
Economic Services (ES)						
Agri & Allied Activities	0.01	2.86	-	0.02	2.72	-
Irrigation and Flood Control	1.35	2.01	0.01	3.11	1.93	-
Power & Energy	2.88	--	-	2.42	--	-
Transport	3.54	2.01	1.02	3.50	1.94	0.67
Other Economic Services	1.68	1.76	0.09	1.96	1.43	-
Total (ES)	**9.46**	**8.64**	**1.12**	**11.01**	**8.02**	**0.67**
Total (SS+ES)	**11.29**	**33.16**	**1.49**	**13.99**	**33.01**	**0.74**
TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance						

The ratio of salary and wage component expenditure under economic services, the salary and wage component increased by four *per cent* and non-salary and wage component decreased by one *per cent*.

Operation and Maintenance (O&M) expenditure decreased by Rs.37.53 crore from Rs.47.57 crore in 2007-08 to Rs.10.04 crore under social services whereas under economic services, O&M expenditure decreased by Rs.46.13 crore from Rs.141.81 crore in 2007-08 to Rs.95.68 crore in 2008-09. Out of total O&M expenditure of Rs.105.72 crore, during 2008-09, Rs.95.51 crore (90 *per cent*) alone

[11] The O&M expenditure relates to few grants only as the information for all grants are not available.

was paid for development services under strategic and Border Roads under Roads and Bridges (Transport Sector).

Expenditure on General Education increased by Rs.332 crore (11 *per cent*) from Rs.3,048 crore in 2007-08 to Rs.3,380 crore in 2008-09, while the increase in expenditure on Health and Family Welfare was Rs.255 crore (39 *per cent*) from Rs.657 crore in 2007-08 to Rs.912 crore. Recognizing the need to improve the quality of education and health services, TFC recommended that non-plan salary expenditure under Education and Health & Family Welfare department should increase by 5-6 *per cent* while non-salary expenditure under non-plan head should increase by 30 *per cent* during the award period. Trends in expenditure reveal that the salary and wage component and non-salary and wage component under Education increased by 11 *per cent* and 10 *per cent* respectively over 2007-08 while under Health and Family Welfare sector, these components increased by 17 *per cent*.

Out of total expenditure on Economic services during 2008-09, an increase was observed in Agriculture & Allied activities (34 *per cent*), Transport services (1 *per cent*), Irrigation & Flood Control (70 *per cent*) and a decrease in Power and Energy (10 *per cent*).

The trends in revenue and capital expenditure on Economic services indicate that the capital expenditure increased by 33 *per cent* from Rs.1,379 crore in 2007-08 to Rs.1,839 crore in 2008-09, while the revenue expenditure increased marginally by Rs.32 crore during 2008-09.

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

Results of performance reviews indicating the outlay-outcome relationship are inter-alia included in the State Civil and Commercial Audit Report. The effectiveness of the expenditure as brought out in two schemes *viz,* (i) Urban Water Supply Projects; and (ii) Non-lapsable Central Pool of Resources taken up during 2008-09 covering the period 2004-09 are summarized below:

(a) Urban Water Supply Projects

The State Government, under centrally sponsored and State plan schemes, implemented water supply projects in selected urban agglomerations during 2004-09. The objective of providing safe drinking water to the targeted beneficiaries was not fulfilled, as only eight *per cent* projects (2 out of 24 projects due for completion between 1986-87 and 2008-09) were recorded to have been completed. Although, five other projects were partially commissioned during 2004-09, the actual coverage of population under the schemes was only 0.12 lakh (two *per cent*). Water supply facilities were not provided to 72 out of 87 towns and the targeted population of 5.52 lakh (out of 5.64 lakh people as per 2001 census) was not covered as of March 2009 due to poor planning and inadequate monitoring of the execution of the schemes. No evaluation studies had been carried out by the Nodal Department to ascertain the extent of achievement of the objectives of the programme in the State.

(b) Non-lapsable Central Pool of Resources

Government of India (GOI), created the Non-lapsable Central Pool of Resources (NLCPR) in 1998 with the aim of speeding up the execution of infrastructure projects in the North Eastern States. The objectives of the NLCPR funding have not been achieved in the State, as more than 71 *per cent* of the projects approved and due for completion during 2004-09, remained incomplete as on March 2009. Infrastructure gaps were not identified clearly and more than 55 *per cent* of the works were taken up for execution from outside the priority list prepared during 2002-09. The major hurdles in the timely completion of the project were lack of adequate planning, delays in transmission of funds to the executing agencies and lack of proper initiative by the Nodal Department. The contract and works management were not satisfactory. These problems could have been addressed suitably had there been an effective supervision and monitoring mechanism in the State.

1.6 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.

1.6.1 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2009 is given in Table 1.10.

Table 1.10: Department-wise Profile of Incomplete Projects

(Rupees in Crore)

Department	No. of Incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects*	Cost Overrun	Cumulative actual expenditure (March 2009)
Public Works (Roads)	61	843.71	2,433.02	2,401.80	242.51
Public Works (Buildings)	8	38.24	298.21	296.51	25.04
Public Health Engineering	4	31.82	--	--	10.02
Irrigation	12	105.41	8.91	4.26	72.65
Water Resources	20	77.94	--	--	54.78
Total	**105**	**1,097.12**	**2,740.14**	**2,702.57**	**405.00**

**** Pertaining to 5 incomplete projects.***

As per information received from the State Government, as of 31 March 2009, there were 105 incomplete projects (total cost more than Rupees one crore of each project) in which Rs.405 crore were blocked. Of these, 51 projects involving Rs.170.17 crore remained incomplete for less than five years. 32 Projects involving an amount of Rs.158.56 crore remained incomplete for periods ranging from five to ten years, four projects involving Rs.10.88 crore remained incomplete for periods ranging from 10 to 20 years and four projects involving Rs.9.36 crore remained incomplete beyond 20 years. Details in respect of 14 projects involving Rs.56.03 crore were not available. The revised cost of five incomplete projects increased by 7110 *per cent* from Rs.37.57 crore (initial budgeted cost) to Rs.2,740 crore (total revised cost). Out of total cost overrun of Rs.2,703 crore, Rs.2,433 crore pertained to Public Works Department (Roads) projects which was 90.01 *per cent* of initial budgeted cost. The cost overrun of Rs.2,402 crore is mainly under Improvement of Riding Quality Project (89 *per cent* of total cost overrun). Reasons for time /cost overrun were paucity of funds, price escalation and natural calamities.

1.6.2 Investment and returns

As of 31 March 2009, Government had invested Rs.2,079 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (Table 1.11). The average return on this investment was 0.87 *per cent* during 2004-2009 while the Government paid an average interest rate of 7.64 *per cent* on its borrowings during 2004-2009.

Table-1.11: Return on Investment

Investment/Return/Cost of Borrowings	2004-05	2005-06	2006-07	2007-08	2008-09	
					BE	Actual
Investment at the end of the year (Rs in crore)	1,952.91	1,969.95	1,984.46	1,989.32	NA	2,079.04
Return (Rs in crore)	9.29	15.47	18.54	24.00	25.68	19.45
Return *(per cent)*	0.48	0.79	0.93	1.21	-	0.94
Average rate of interest on Govt borrowing *(per cent)*	8.47	8.18	7.66	7.14	-	6.76
Difference between interest rate and return *(per cent)*	7.99	7.39	6.73	5.93	-	5.82

During the last five years, i.e. 2004-09, the State Government's investments have increased by Rs.126.13 crore. During the current year, Government has invested Rs.73.99 crore in Statutory Corporations, Rs.1.60 crore in Government Companies and Rs.3.78 crore in Cooperative Societies. Out of four Statutory Corporations in the State, the accumulated loss of two Statutory Corporations was Rs.76.76 crore as of March 2008 and the accumulated loss of the remaining two Statutory Corporations was Rs.427.43 crore as of March 2004. The accumulated loss of the Statutory Corporations was Rs.504 crore as of March 2008. The major loss sustaining organisations are Assam State Transport Corporation (investment: Rs.414.93 crore; loss Rs.422.63 crore), Assam State Electricity Board (investment: Rs.1,398.75 crore; loss Rs.66.59 crore), Assam Financial Corporation (investment: Rs.7.75 crore; loss Rs.10.17 crore). In view of the heavy losses, the Government should review their working so as to wipe out their losses in the short run and to make them self-sustaining in medium to long term.

1.6.3 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 1.12 presents the outstanding loans and advances as on 31 March 2009, interest receipts vis-à-vis interest payments during the last three years**.**

Table-1.12: Average Interest Received on Loans Advanced by the State Government

(Rupees in Crore)

Quantum of Loans/ Interest Receipts/ Cost of Borrowings	2006-07	2007-08	2008-09	
			BE	Actual
Opening Balance	2,675	2,721	**2,824**	2,824
Amount advanced during the year	81	143	138	89
Amount repaid during the year	35	40	44	35
Closing Balance	**2,721**	**2,824**	**2,918**	**2,878**
Of which Outstanding balance for which terms and conditions have been settled			-	
Net addition	46	103	94	54
Interest Receipts	8	8	-	81
Interest receipts as *per cent* to outstanding Loans and advances	0.29	0.28	-	2.81
Interest payments as *per cent* to outstanding fiscal liabilities of the State Government.	7.66	7.14	-	6.76
Difference between interest payments and interest receipts (*per cent*)	7.37	6.86	-	3.95

Total amount of outstanding loans and advances as on 31 March 2009 was Rs.2,878 crore. Interest received against these loans and advances continued to be negligible which increased by 913 *per cent* from Rs.8 crore in 2007-08 to Rs.81 crore in 2008-09. Major recipients of the loans during 2008-09 were Assam State Electricity Board (Rs.58.17 crore), Consumer Industries (Rs.6.69 crore), Financial and Trading Institutions (Rs.10 crore) and Government servants (Rs.3.45 crore). During 2008-09, only 1.24 *per cent* of outstanding loans were repaid by institutions/ organizations/Government servants and Rs.2,531 crore of loans was not repaid for last six years.

1.6.4 Cash Balances and Investment of Cash balances

Table 1.13 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table-1.13: Cash Balances and Investment of Cash balances

(Rupees in Crore)

Particulars	As on 1 April 2008	As on 31 March 2009	Increase/ Decrease
Cash Balances	3959	8042	(+) 4083
Investments from Cash Balances (a to d)	5,984.61	9,853.98	(+) 3,869.37
a. GOI Treasury Bills	5,146.33	8,858.16	(+) 3,711.83
b. GOI Securities	4.35	3.35	(-) 1.00
c. Other Securities	-	-	-
d. Other Investments	833.93	992.47	(+) 158.54
Funds-wise Break-up of Investment from Earmarked balances (a to c)			
a. Reserve Funds	834	992	(+) 158
b. Deposits and Advances	-	-	
Interest Realized	232	352	(+) 120

Cash balances of the State Government at the end of the current year increased from Rs.3,959 crore in 2007-08 to Rs.8,042 crore in 2008-09. The State Government has invested Rs.8,858.16 crore in GOI Treasury Bills and Rs.3.35 crore in GOI Securities and earned an interest of Rs.352 crore during 2008-09. Further, the Government invested Rs.992 crore in reserve funds during 2008-09. The interest receipts against investment on cash balance was four *per cent* during 2008-09 while Government paid interest at the rate of 6.76 *per cent* on its borrowings during the year.

The efficiency of handling the cash balances by the State can also be assessed by monitoring the trends in monthly daily average of cash balances held by the State to meet its normal banking transactions. Table 1.14 presents the trends in monthly average daily cash balances and the investments in Auction Treasury Bills for the last three years (2006-09).

Table-1.14: Trends in Monthly Average Daily Cash Balances and the Investments in Auction Treasury Bills

(Rupees in crore)

Month	Monthly Average Daily Cash balances			Investment in 14 days Treasury Bills			Investment in Auction Treasury Bills		
	2006-07	2007-08	2008-09	2006-07	2007-08	2008-09	2006-07	2007-08	2008-09
April	1,383.07	2,377.03	3,756.41	2,991.00	4,486.35	8,463.06	246.67	--	--
May	1,735.50	2,642.62	4,767.28	4,073.22	5,883.81	9,873.51	--	--	--
June	1,899.58	3,237.69	4,115.16	3,657.64	8,187.68	11,912.62	--	--	--
July	2,528.71	3,651.26	5,592.33	6,019.25	8,174.84	12,361.27	233.68	234.80	228.55
August	2,802.13	3,979.07	5,999.77	6,583.52	9,126.96	13,622.17	--	--	--
September	3,030.90	3,927.38	5,921.94	6,352.47	7,747.15	13,976.87	--	--	--
October	2,789.66	3,496.18	6,041.45	6,542.53	7,717.57	10,789.06	--	--	--
November	2,492.08	3,471.06	6,279.17	5,301.34	7,603.00	12,416.37	--	--	--
December	2,757.52	3,607.08	6,125.66	5,821.72	8,207.60	14,353.87	233.23	232.27	237.40
January	2,902.68	3,939.34	6,467.42	6,013.42	9,887.01	13,161.33	--	--	--
February	3,125.01	4,005.50	6,647.45	6,313.73	8,095.97	12,915.64	--	--	--
March	3,049.58	4,112.04	7,528.23	6,547.02	9,326.32	18,485.91	232.00	232.72	238.97

The State Government had maintained a minimum cash balance of Rs.1.08 crore as per agreement with the Reserve Bank of India during the last three years.

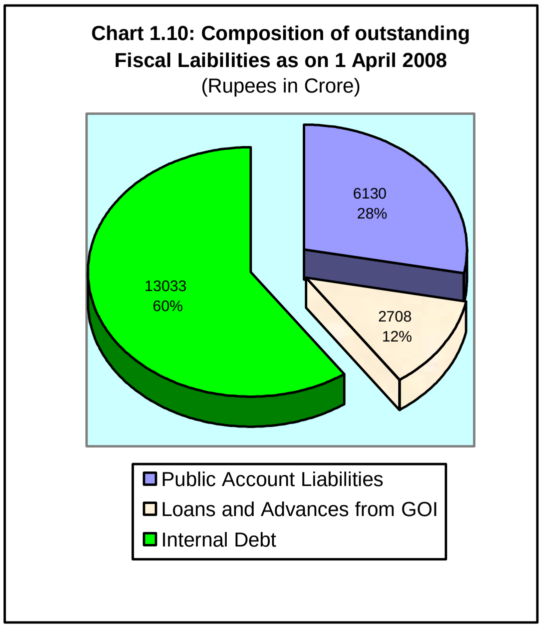
1.7 Assets and Liabilities

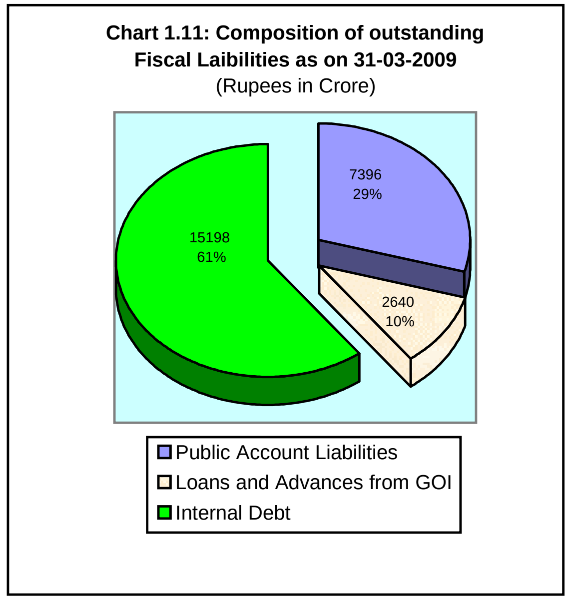
1.7.1 Growth and composition of Assets and Liabilities

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 1.4 gives an abstract of such liabilities and the assets as on 31 March 2009, compared with the corresponding position on 31 March 2008. 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.

1.7.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in Appendix 1.3. The composition of fiscal liabilities during the current year vis-à-vis the previous year are presented in Charts 1.10 and 1.11.





The overall fiscal liabilities of the State Government increased by Rs.3,363 crore from Rs.21,871 crore in 2007-08 to Rs.25,234 crore in 2008-09. The increase in fiscal liabilities was mainly due to increase in the internal debt (Rs.2,165 crore) and Public Account liabilities (Rs.1,266 crore), which was partially offset by a decrease in loans and advances from the GOI (Rs.68 crore). The ratio of fiscal liabilities to GSDP has increased from 31.05 *per cent* in 2007-08 to 32.56 *per cent* in 2008-09. *These fiscal liabilities stood at nearly 1.4 times the Revenue receipts (as against projections of 3 times in the FRBM Act) and 3.93 times of State's own resources at the end of 2008-09. In line with the recommendation of the TFC, the State Government set up the sinking fund for amortization of market borrowings as well as other loans and debt obligations.* As on 31 March 2009, the balance in the sinking fund was Rs.949 crore. During 2008-09, Rs.108 crore has been invested in the sinking fund.

1.7.3 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. The State Government is yet to implement (March 2009) the recommendations of the TFC by setting up guarantee redemption funds through earmarked guarantee fees.

As per Statement 6 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 1.15.

Table-1.15: Guarantees given by the Government of Assam

(Rupees in crore)

Guarantees	2006-07	2007-08	2008-09
Maximum amount guaranteed	1,563	1,189	1,092
Outstanding amount of guarantees	904	951	796
Percentage of maximum amount guaranteed to total revenue receipts	11.44	7.76	6.04
Criteria as per FRBM Act/any other Act or Order of the State	State Government guarantees shall be restricted at any point of time to fifty per cent 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 guaranteed loans raised by various corporations and others which at the end of 2008-09 stood at Rs.796 crore. It was 15 *per cent* of State's own revenue of the second preceding year i.e. well within the limit recommended by TFC. Out of the total outstanding guarantees, Rs.587 crore (74 *per cent*) pertained to Assam State Electricity Board.

1.8 Debt Sustainability

Apart from the magnitude of debt of State Government, it is important to analyze various indicators that determine the debt sustainability[12] of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization[13]; sufficiency of non-debt receipts[14]; net availability of borrowed funds[15]; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. Table 1.16 analyzes the debt

[12] 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.

[13] 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.

[14] 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.

[15] 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.

sustainability of the State according to these indicators for the period of five years beginning from 2004-05.

Table 1.16: Debt Sustainability: Indicators and Trends

Indicators of Debt sustainability	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Debt Stabilization (Quantum Spread + Primary Deficit)	655+ (-) 654 = **1**	204+1866 = **2,090**	542+2228 = **2,770**	726+2302 = **3,028**	825+3000 = **3,825**
Sufficiency of Non-debt Receipts (Resource Gap)	(-) 665	(-) 2414	(+) 356	(+) 78	(+)617
Net Availability of Borrowed Funds	1,097	(-) 284	(-) 115	(-) 124	(+) 1771
Burden of Interest Payments (IP/RR Ratio)	14.13	12.54	11.09	9.87	8.81
Maturity Profile of State Debt (In Years)*					
0 - 1	Not available	Not available	Not available	1,121.86	1,246.50
1 – 3				1,734.04	1,850.85
3 – 5				2,029.07	2,806.13
5 – 7				2,752.70	2,671.10
7 and above				8,103.32	9,263.12

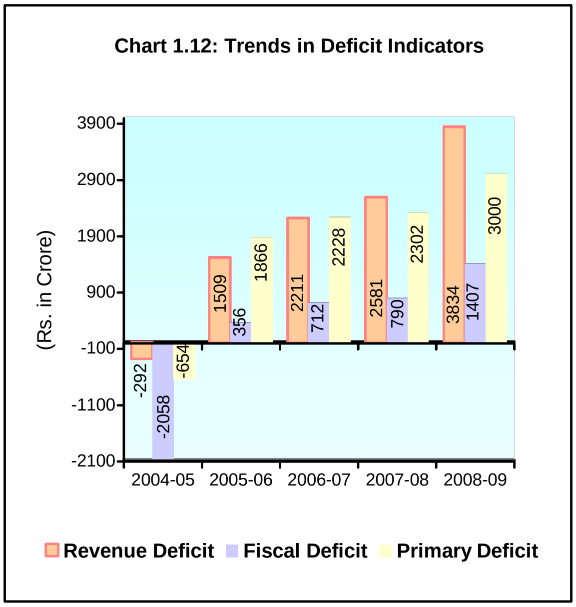
The sum of the quantum spread and primary deficit was positive during 2004-09 resulting in declining trend of debt-GSDP ratio. This trend indicated that the State is moving towards debt stabilization. The persistent positive resource gap during the last three years is a pointer towards fiscal and debt stability of the State. During 2008-09, net fund available was positive indicating that Rs.1,771 crore of total debt receipts were utilized for other purposes rather than for discharging past debt obligations. The maturity profile of the State Government indicates that 33.09 *per cent* of the total Public Debt is repayable within the next five years while the remaining 66.90 *per cent* loans are required to be paid in more than five years time.

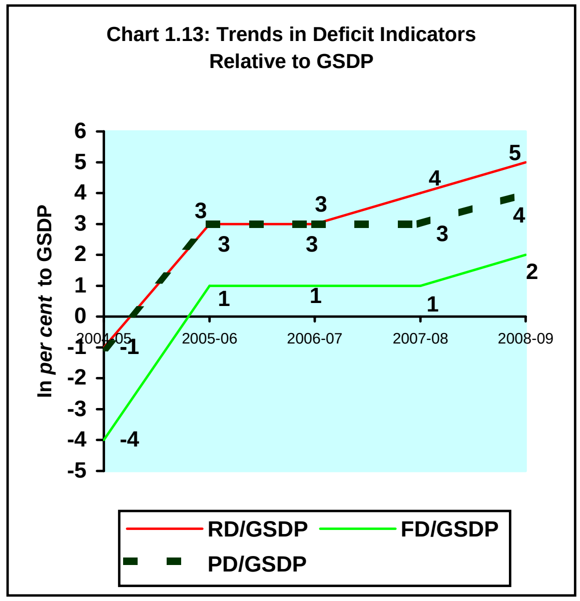
1.9 Fiscal Imbalances

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 2008-09.

1.9.1 Trends in Deficits

Charts 1.12 and 1.13 present the trends in deficit indicators over the period 2004-09.





The revenue deficit of the State, which indicates the excess of its revenue expenditure over revenue receipts decreased continuously from Rs.292 crore in 2004-05 to revenue surplus of Rs.3,834 crore in 2008-09. The State had continued to experience revenue surplus from 2005-06 and showed a revenue surplus of Rs.1,509 crore in 2005-06, Rs.2,211 crore in 2006-07, Rs.2,581 crore in 2007-08, which further increased to Rs.3,834 crore by 49 *per cent* in 2008-09. This improvement on revenue account during 2008-09 was mainly on account of steep increase in Central Transfers by Rs.1,824 crore in 2008-09 over the previous year. Revenue expenditure on the other hand increased by Rs.1,499 crore in 2008-09 over the previous year resulting in huge surplus on revenue account during the current year.

Increase in revenue surplus as well as marginal decrease of Rs.5 crore in non-debt capital receipts along with increase of Rs.685 crore in capital expenditure and decrease of Rs.54 crore in disbursement of loans and advances during 2008-09 over the previous year led to an increase in fiscal surplus by Rs.617 crore (78 *per cent*). The increase in fiscal surplus accompanied by an increase of Rs.81 crore in interest payments led to an increase of Rs.698 crore (30 *per cent*) in primary surplus during the year.

1.9.2 Components 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. 17.

Table-1.17: Components of Fiscal Deficit and its Financing Pattern

(Rupees in crore)

Particulars		2004-05	2005-06	2006-07	2007-08	2008-09
Decomposition of Fiscal Deficit		(+) 2,058	(-) 356	(-) 712	(-) 790	(-) 1,407
1	Revenue Deficit	(+) 292	(-) 1,509	(-) 2,211	(-) 2,581	(-) 3,834
2	Net Capital Expenditure	(+) 2,181	(+) 1,085	(+) 1,453	(+) 1,688	(+) 2,373
3	Net Loans and Advances	(-) 415	(+) 68	(+) 46	(+) 103	(+) 54
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	(+) 1,648.37	(+) 717.65	(+) 592.01	(+) 544.56	(+) 2,014.77
2	Loans from GOI	(+) 169.80	(-) 4,029.24	(-) 99.71	(-) 66.86	(-) 68.88
3	Special Securities Issued to NSSF	-	(+) 4,602.21	(+) 86.06	(-) 8.60	(+) 17.37
4	Loans from Financial Institutions	(-) 58.09	(+) 45.76	(+) 42.63	(+) 94.06	(+) 133.46
5	Small Savings, PF etc	(+) 381.82	(+) 385.63	(+) 349.39	(+) 317.96	(+) 390.23
6	Deposits and Advances	(-) 24.21	(-) 51.27	(-) 126.62	(-) 561.70	(+) 30.47
7	Suspense and Misc	(-) 487.97	(-) 1,652.56	(-) 1,799.65	(-) 1,943.01	(-) 3,549.14
8	Remittances	(+) 2.03	(+) 15.01	(-) 43.99	(+) 33.78	(+) 99.12
9	Reserve Fund	(+) 190.94	(-) 184.34	(+) 76.88	(+) 161.39	(-) 109.97
10	Decrease in cash balance with RBI	(+) 215.38	(+) 112.92	(+) 191.64	(+) 638.35	(-) 364.21
11	Others	(+) 19.93	(-) 317.49	-	-	-

Figures in brackets indicate the *per cent* to GSDP.
*All these figures are net of disbursements/outflows during the year

The State had fiscal surpluses during the last four years (2005-09) which increased from Rs.356 crore in 2005-06 to Rs.1,407 crore in 2008-09. During the current year fiscal surplus increased by Rs.617 crore.

1.9.3 Quality of Deficit/Surplus

Table-1.18: Primary Surplus – Bifurcation of factors

(Rupees 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)**
2004-05	11,326	8,825	2,184	974	11,983	(+) 2,501	(-) 657
2005-06	12,083	9,026	1,085	106	10,217	(+) 3,057	(+) 1,866
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

The non-debt receipts of the State during 2004-05 to 2008-09 was sufficient to meet the primary revenue expenditure. The non-debt receipts of the State increased by 60 *per cent* from Rs.11,326 crore to Rs. 18,112 crore in 2004-09. The primary revenue expenditure, however, increased by 26 *per cent* from Rs. 11,983 crore in 2004-05 to Rs.15,112 crore in 2008-09.

1.9.4 State's Own Revenue and Deficit Correction

It is worthwhile to observe the extent to which the deficit correction is achieved by the State on account of improvement in its own resources, which is an indicator of the durability of the correction in deficit indicators. Table 1.19 presents the change in revenue receipts of the State and the correction of the deficit during the last three years.

Table-1.19: Change in revenue Receipts and Correction of Deficit

(*Per cent* of GSDP)

Parameters	2006-07	2007-08	2008-09	
			BE	Actual
Revenue Receipts (a to d)	21.43	21.75	28.39	23.32
a. State's Own Tax Revenue	5.46	4.77	5.14	5.35
b. State's Own Non- tax Revenue	2.92	3.03	2.88	2.93
c. State's Share in Central Taxes and Duties	6.11	6.98	7.41	6.70
d. Grants-in-Aid	6.94	6.97	12.96	8.34
Revenue Expenditure	17.96	18.09	25.63	18.38
Revenue Surplus	3.47	3.66	2.75	4.95
Fiscal Surplus	1.12	1.12	(-) 2.14	1.82

Ratio of revenue receipts to GSDP increased over the previous year and decreased over budget estimates of 2008-09 by 1.57 *per cent* and 5.07 *per cent* respectively. Ratio of revenue expenditure to GSDP increased marginally from 18.09 *per cent* in 2007-08 to 18.38 *per cent* in 2008-09 which was 7.25 *per cent* below the budget estimates. The Revenue Receipts to GSDP fell short by 5.07 *per cent* in 2008-09 over the budget estimates for the year due to decrease in the State's share in Central Taxes and Duties (0.71 *per cent*) and Grants-in-aid (4.62 *per cent*).

1.10 Conclusion and Recommendations

During the current year the revenue account increased by Rs.1,253 crore as the growth of revenue receipts was 18 *per cent* while growth of revenue expenditure was 12 *per cent* over the previous year. The tax revenue of the State fell short by eight *per cent* and 10 *per cent* than the assessments made by the TFC and FCP respectively and increased by three *per cent* against the assessments made in FYFP. However, non-tax revenue increased by 48 *per cent*, 40 *per cent* and one *per cent* against the assessments made by the TFC, FCP and FYFP respectively.

The non-plan revenue expenditure (NPRE) increased by four *per cent* over the previous year. The non-plan revenue expenditure vis-à-vis assessment made by TFC and FCP revealed that NPRE was 16 *per cent* (Rs.2,131 crore) less than the projection made in FCP but higher by 13 *per cent* (Rs.1,270 crore) relative to TFC assessment. The plan revenue expenditure (PRE) increased by Rs.1,043 crore from Rs.2,067 crore in 2007-08 to Rs.3,110 crore in 2008-09.

The Capital expenditure increased by 41 *per cent* over the previous year and was 36 *per cent* lower than projected in FYFP.

Besides the normal central transfers, the GOI also directly transferred Rs.2,866 crore to the State Implementing Agencies during 2008-09 as ascertained from four Departments. The direct transfers had increased by Rs.747 crore over the previous year.

The expenditure on salaries was 52 *per cent* of the revenue expenditure, net of interest payments and pension as against TFC norm of 35 *per cent* and constituted 90.94 *per cent* of total tax and non-tax revenue during 2008-09 requiring attention of the Government to achieve the target of limiting it to 60 *per cent* by 2010 as laid down in FRBM Act, 2005. The ratio of salaries, interest payments and pensions to revenue receipts decreased by four percentage points over the previous year.

The ratio of fiscal liabilities to GSDP has increased from 31.05 *per cent* in 2007-08 to 32.56 *per cent* in 2008-09. These fiscal liabilities stood at nearly 1.4 times the revenue receipts and 3.93 times of State's own resources at the end of 2008-09.

As of 31 March 2009, there were 105 incomplete projects in which Rs.405 crore were blocked.

Despite the State giving adequate fiscal priority to development expenditure and expenditure on Social sector, the per capita expenditure in these two categories is lower than the national average. This means that the absorptive capacity of Assam to utilize these funds is low and systems have to be improved so that per capita expenditure improves.

During 2008-09, only 1.24 *per cent* of outstanding loan up to 2007-08 were repaid by institutions/organizations/Government servants and Rs.2,531 crore of loans was not repaid for last six years.

In view of the heavy losses of some of the undertakings, the Government should review their working so as to wipe out their losses in the short run and to make them self sustaining in medium to long term.

Fiscal Correction: Assam is one of earliest of States to have passed the Fiscal Responsibility and Budget Management Act. Although the State has achieved the deficit targets, before the time lines prescribed in the Act, it has to initiate requisite corrective measures to contain the expenditure on salaries relative to its own resources, to achieve the corresponding FRBM targets within the time frame prescribed in the Act. However, the State has the reasonable prospect of achieving the targets set out in the FRBM Act of 2005 provided an effort is made to increase tax compliance, reduce tax administration costs, make efforts to collect revenue arrears (Para-1.3.3).

Greater priority to Capital expenditure: The State may consider enhancing the priority it gives to capital expenditure as a proportion of Aggregate Expenditure as this ratio is lower for Assam than All States Average (Table-1.7).

Enhancing fiscal capacity: As indicated in Table-1.7, the per capita development expenditure and per capita social sector expenditure in Assam is much lower than the national average even though the State is spending adequate amounts compared to the rest of the country. Further analysis may be required by the State Government to see whether the capacity of the State to utilize expenditure for developmental and social outcomes can be improved by better design of schemes, reducing administration costs, timely implementation, careful monitoring etc. Cost and time overruns of incomplete projects (Para-1.6.1) will have to be reduced so that people of Assam benefit from these sunk costs.

Review of Government investments: The average return on Assam Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives varied between 0.93 to 1.21 *per cent* in the past three years whereas its average interest outgo was in the range of 6.76 to 7.66 *per cent* (Para-1.6.2). It would be advisable for the State Government to ensure better value for money in investments, otherwise high cost borrowed funds will continue to be invested in projects with low financial return. Projects which are justified on account of low-financial but high socio-economic return may be identified and prioritized with full justification on why high cost borrowings should be channeled there. It would also be prudent to review the working of those organizations, which are incurring huge losses and work out either a revival strategy (for those that are strategic in nature and can be made viable) or closed down (if they are not likely to be viable given current market conditions).

Prudent cash management: The cost of holding surplus cash balances is high. In 2008-09, the interest received against investment on cash balance was four *per cent* while Government paid interest at the rate of 6.76 *per cent* on its borrowings during the year. (Para-1.6.4). Proper debt management through advance planning could minimize the need for the State Government to hold large cash surpluses.

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. Maintaining a calendar of borrowings to avoid bunching towards the end of the fiscal year and clear understanding of the maturity profile of debt payments will go a long way in prudent debt management.

Oversight of funds transferred directly from the GOI to the State implementing agencies: As long as these funds remain outside the State budget, there is no single agency monitoring its use 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 State implementing agencies and are funded directly by the GOI. A system has to be urgently put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government as well as the Accountant General (A&E).