

CHAPTER-I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 *Introduction*

This chapter discusses the financial position of the State Government, based on the analysis of the information contained in the Finance Accounts. The analysis is based on the trends in the receipts and expenditure, the quality of expenditure and the financial management of the State Government. In addition, the chapter also contains a section on the analysis of financial performance of the Government, based on certain ratios and indices developed on the basis of the information contained in the Finance Accounts and other information furnished by the State Government. Some of the terms used in this chapter are described in the Appendix-I.

1.2 *Financial position of the State*

In the Government accounting system comprehensive accounting of the fixed assets like land and buildings *etc.*, 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 by the Government. **Exhibit-I** shows an abstract of such liabilities and assets as on 31 March 2002, compared with their corresponding position on 31 March 2001. While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. It would be seen from the statement that while the liabilities grew by 17.60 *per cent*, the assets grew only by 10.82 *per cent* during 2001-2002 over the previous year.

1.3 *Financial operations of the State Government*

Exhibit-II gives the details of receipts and disbursements made by the State Government. The revenue expenditure (Rs.6,846.24 crore) during the year exceeded the revenue receipt (Rs.5,964.86 crore) resulting in a revenue deficit of Rs.881.38 crore. The revenue receipts comprised tax revenue (Rs.1,556.98 crore), non-tax revenue (Rs.533.20 crore), State's share of Union taxes and duties (Rs.1,705.88 crore) and grants-in-aid from the Central Government (Rs.2,168.80 crore). The main sources of tax revenue were sales tax (69 *per cent*), State excise (10 *per cent*) other taxes (15 *per cent*) and taxes on vehicles (6 *per cent*). Non-tax revenue came mainly from petroleum (85 *per cent*) and Forestry and Wildlife (3 *per cent*).

Against the receipts of Rs.28.59 crore from recoveries of loans and advances and Rs.1,946.31 crore from public debt, the expenditure was Rs.513.15 crore on capital outlay, Rs.82.20 crore on disbursement of loans and advances and Rs.1,108.77 crore on repayment of public debt. The receipts in the Public Account amounted to Rs.2,276.09 crore, against which the disbursements of Rs.2,149.10 crore were made. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account increased the cash balance from a negative figure of Rs.(-) 119.84

crore at the beginning of the year to a negative figure of Rs.(-) 77.70 crore at the end of the year.

The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs, with reference to the information contained in **Exhibit-II** and the time series data for the five years period from 1997-98 to 2001-2002 presented in **Exhibit-IV**.

Exhibit-I
SUMMARISED FINANCIAL POSITION OF THE
GOVERNMENT OF ASSAM AS ON 31 March 2002
(Reference: Paragraph 1.2; Pages 1)

(Rupees in crore)

Amount as on 31 March 2001	Liabilities	Amount as on 31 March 2002
2768.64	Internal Debt	3405.70
	(i) Market Loans bearing interest	2790.35
	(ii) Market Loans not bearing interest	1.85
	(iii) Loans from L.I.C.	6.63
	(iv) Loans from General Insurance Corporation of India	18.04
	(v) Loans from NABARD	179.63
	(vi) Compensation and other Bonds	0.08
	(vii) Loans from NCDC*	(-) 23.44
	(viii) Loans from other Institutions	255.12
	(ix) Ways and Means Advances from Reserve Bank of India	176.71
	(x) Other Loans	0.73
5328.79	Loans & Advances from Central Government	5529.26
	(i) Pre 1984-85 Loans	646.58
	(ii) Non-Plan Loans	3082.34
	(iii) Loans for State Plan Schemes	1186.97
	(iv) Loans for Central Plan Schemes	258.57
	(v) Loans for Centrally Sponsored Plan Schemes	35.15
	(vi) Loans for Special Plan Schemes	23.05
	(vii) Ways and Means Advances	296.60
1468.73	Small Savings Provident Funds etc	1738.66
423.59	Deposits	573.78
272.08	Reserve Funds	385.36
15.00	Contingency Fund	15.00
	Surplus on Government Account	
500.87	Overdraft with Reserve Bank of India	1026.62
10777.70		12674.38
Amount as on 31 March 2001	Assets	Amount as on 31 March 2002
5537.30	Gross Capital Outlay on Fixed Assets	6050.45
	(i) Investment in shares of Companies, Corporations etc.	514.36
	(ii) Other Capital Outlay	5536.09
2778.20	Loans and Advances	2831.80
	(i) Loans for Power Project	2158.02
	(ii) Other Development loans	463.14
	(iii) Loans to Government Servants and Misc. Loans	210.64
369.02	Civil Advances	442.61
330.87	Remittance Balances	376.44
450.99	Suspense and Miscellaneous Balances	678.24
37.93	Investments out of Reserve Funds	97.93
1393.23	Deficit on Government Account	2274.61
	Deficit of Current year	881.38
	Less: Miscellaneous Government Account	-
	Add: Accumulated deficit upto 31 st March 2001	1393.23
(-) 119.84	Closing Cash Balances	(-) 77.70
	(i) Departmental Cash Balances including permanent Advances	13.43
	(ii) Cash Balance Investment	11.20
	(iii) Deposit with Reserve Bank of India	(-) 102.33
10777.70		12674.38

* Note: Minus balance is under investigation.

Explanatory Notes for Exhibit-I

1. The summarised financial statements are based on the Finance Accounts and the Appropriation Accounts of the State Government and are subject to notes and explanations contained therein.
2. Government accounts being mainly on cash basis, the revenue surplus or deficit has been worked out on cash basis. Consequently, items payable or receivable or items like depreciation or variation in stock figures *etc.*, do not figure in the accounts.
3. Although a part of revenue expenditure (grants) and the loans are used for capital formation by the recipients, its classification in the accounts of State Government remains unaffected by end use.
4. Under the Government system of accounting, the revenue surplus or deficit is closed annually to Government account with the result that cumulative position of such surplus or deficit is not ascertainable. The balancing figure Rs.17.18 crore as on 31 March 1983, was, therefore, treated as cumulative surplus for drawing up the first installment of financial position for 1983-84 which took the place of a Balance Sheet.
5. The closing cash balance as per Reserve Bank of India was (-) Rs.1,126.89 crore against the general cash balance of (-) Rs.102.33 crore shown in the accounts. The difference of Rs.1,024.56 crore has been explained in Statement No.6 of Finance Accounts.

Exhibit-II**ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2001-2002**

(Reference: Paragraphs 1.3; Page 1)

SECTION-A-REVENUE

(Rupees in crore)

Receipts			Disbursements					
2000-2001		2001-2002	2000-2001				2001-2002	
5637.64	I. Revenue Receipts	5964.86	6417.12	I. Revenue Expenditure				6846.24
	(i) Tax Revenue*	1556.98		Sector	Non-plan	Plan	Total	
	(ii) Non-Tax Revenue	533.20		(i) General Services	2919.82	5.70	2925.52	
	(iii) State's Share of Union Taxes & Duties	1705.88		(ii) Social Services	1781.34	920.28	2701.62	
	(iv) Non-Plan Grants	366.16		(iii) Economic Services	694.81	520.40	1215.21	
	(v) Grants for State Plan Schemes	1434.66		(a) Agriculture and Allied Activities	234.86	190.56	425.42	
	(vi) Grants for Special Plan Schemes	29.27		(b) Rural Development	57.41	216.83	274.24	
	(vii) Grants for Central and Centrally Sponsored Schemes	338.71		(c) Special Areas Programme	0.14	18.58	18.72	
				(d) Irrigation and Flood Control	126.05	0.23	126.28	
				(e) Energy	0.01	18.15	18.16	
				(f) Industry and Minerals	42.83	37.57	80.40	
				(g) Transport	199.72	4.79	204.51	
				(h) Science, Technology and Environment	0.26	1.30	1.56	
				(i) General Economic Services	33.53	32.39	65.92	
			-	(iv) Grants-in-aid and Contributions	3.89	-	3.89	
				Total (I+ ii+ iii+iv)	5399.86	1446.38	6846.24	
779.48	II. Revenue Deficit carried over to Section B	881.38		II. Revenue Surplus carried over to Section B.				--
6417.12		6846.24	6417.12					6846.24

* Total tax receipt minus 901-share of net proceeds assigned to States under various heads viz., 0020, 0021, 0028, 0032, 0037, 0038, 0044 & 0045.

SECTION-B-OTHERS

(Rupees in crore)

Receipts				Disbursements				
2000-2001			2001-2002	2000-2001				2001-2002
(-) 125.33	III. Opening Cash Balance Departmental Balances including Permanent Advance and Cash Balance Investment		(-) 119.84	425.58	III Opening Overdraft from Reserve Bank of India			500.87
--	IV. Misc. Capital Receipts		--	561.46	IV. Capital Outlay			513.15
					Sector	Non-Plan	Plan	Total
					(i) General Services	3.69	6.11	9.80
					(ii) Social Services	10.62	23.71	34.33
					(iii) Economic Services	23.43	445.59	469.02
					(a) Agriculture and Allied Activities	--	0.01	0.01
					(b) Rural Development	--	--	--
					(c) Special Areas programme	--	96.25	96.25
					(d) Irrigation and Flood Control	0.49	140.17	140.66
					(e) Energy	--	38.98	38.98
					(f) Industry and Minerals	--	1.61	1.61
					(g)Transport	22.94	164.45	187.39
					(i) General Economic Services	--	4.12	4.12
					Total (i, ii, iii)	37.74	475.41	513.15
17.92	V. Recoveries of Loans and Advances		28.59	216.92	V. Loans and advances Disbursed			82.20
	(i) From Government Servants	27.41			(i) To Government Servants			11.83
	(ii) From Others	1.18			(ii) For Power Projects			46.78
					(iii) To others			23.59
--	VI. Revenue Surplus brought down		--	779.48	VI. Revenue Deficit brought down			881.38

(Rupees in crore)

Receipts				Disbursements			
2000-2001			2001-2002	2000-2001			2001-2002
1530.39	VII. Public Debt Receipts		1946.31	435.41	VII. Repayment of Public Debt		1108.77
	(i) Internal Debt other than Ways & Means Advances & Overdrafts	686.63			(i) Internal Debt other than Ways and Means Advances and Overdrafts	50.55	
	(ii) Net transactions under Ways & Means Advances	0.99			(ii) Net transactions under Ways & Means Advances	--	
	(iii) Loans and Advances from Central Government	1258.69			(iii) Repayment of Loans and Advances to Central Government	1058.22	
2344.55	VIII Public Account Receipts		2276.09	1969.39	VIII Public Account Disbursements		2149.10
	(i) Small Savings and Provident Funds <i>etc.</i> ,	401.51			(i) Small Savings and provident funds <i>etc.</i>	131.57	
	(ii) Reserve Funds	113.28			(ii) Reserve Funds	60.00	
	(iii) Deposits	642.97			(iii) Deposits	492.78	
	(iv) Advances	292.11			(iv) Advances	365.70	
	(v) Suspense and Miscellaneous	16.77			(v) Suspense and Miscellaneous	244.03	
	(vi) Remittances	809.45			(vi) Remittances	855.02	
	IX. Contingency Fund	--			IX. Contingency Fund	--	
500.87	X. Closing Overdraft from Reserve Bank of India		1026.62	(-) 119.84	X. Closing Cash Balance		(-) 77.70
					(i) Departmental Cash Balance including Permanent Advances	13.43	
					(ii) Cash Balance Investment	11.20	
					(iii) Deposit with Reserve Bank of India	(-)102.33	
4268.40			5157.77	4268.40			5157.77

Exhibit-III
SOURCES AND APPLICATION OF FUNDS FOR 2001-2002

(Reference: Paragraph 1.4.1; Page 11)

(Rupees in crore)

2000-2001	A. SOURCES	2001-2002
5637.64	1. Revenue Receipts	5964.86
17.92	2. Recoveries of Loans and Advances	28.59
1094.98	3. Increase in Public Debt	837.54
	4. Net receipts from Public Account	
455.42	Increase in Small Savings, Provident Funds <i>etc.</i> ,	269.94
(-) 87.00	Effect in Deposits and Advances	76.60
22.01	Increase in Reserve Funds	53.28
(-) 17.95	Effect on Remittance Balance	(-) 45.57
2.68	Effect on Suspense and Miscellaneous Balance	(-) 227.26
(-) 5.49	5. Decrease in Cash balance	-
500.87	6. Overdraft from RBI.	1026.62
7621.08	TOTAL	7984.60
2000-2001	B. APPLICATION	2001-2002
6417.12	1. Revenue Expenditure	6846.24
216.92	2. Lending for Development and other purposes	82.20
561.46	3. Capital Expenditure	513.15
-	4. Increase in Cash balance	42.14
425.58	5. Repayment of overdraft	500.87
7621.08	TOTAL	7984.60

Exhibit-IV
TIME SERIES DATA ON STATE GOVERNMENT FINANCES
(Reference: Paragraphs 1.3 and 1.7; Pages 2 and 14)

(Rupees in crore)

		1997-98	1998-99	1999-2000	2000-2001	2001-2002
Part A. Receipts						
1.	Revenue Receipts	4325.65	4506.54	4840.94	5637.64	5964.86
(i)	<i>Tax Revenue</i>	<i>881.94(20)</i>	<i>982.56(22)</i>	<i>1224.76(25)</i>	<i>1409.69(25)</i>	<i>1556.98 (26)</i>
	Taxes on Agricultural Income	84.30 (9)	103.26(11)	74.82 (6)	40.70 (3)	15.26 (1)
	Taxes on Sales, Trade etc.	507.66(58)	550.40(56)	742.32(61)	917.89(65)	1072.76 (69)
	State Excise	77.73 (9)	100.46(10)	117.74(10)	137.56(10)	150.91 (10)
	Taxes on vehicles	43.26 (5)	40.83 (4)	68.69 (5)	73.77 (5)	93.59 (6)
	Stamps and Registration fees	24.50 (3)	29.66 (3)	34.96 (3)	38.63 (3)	41.97 (3)
	Land Revenue	60.89 (7)	65.95 (7)	69.08 (5)	67.20 (5)	63.26 (4)
	Taxes and duties on Electricity	1.86	1.69	11.80 (1)	13.22 (1)	2.89
	Other Taxes	81.73 (9)	90.31 (9)	105.35 (9)	120.72 (9)	116.34 (7)
(ii)	<i>Non Tax Revenue</i>	<i>381.21 (9)</i>	<i>451.97(10)</i>	<i>444.92 (9)</i>	<i>526.77 (9)</i>	<i>533.20 (9)</i>
(iii)	<i>State's share of Union taxes and duties</i>	<i>1475.25(34)</i>	<i>1349.33(30)</i>	<i>1448.78(30)</i>	<i>1682.93(30)</i>	<i>1705.88 (29)</i>
(iv)	<i>Grants-in-aid from Government of India</i>	<i>1587.25(37)</i>	<i>1722.68(38)</i>	<i>1722.48(36)</i>	<i>2018.25(36)</i>	<i>2168.80 (36)</i>
2.	Misc. Capital Receipts	-	-	-	-	-
3.	Total revenue and non-debt Capital Receipts (1+2)	4325.65	4506.54	4840.94	5637.64	5964.86
4.	Recoveries of Loans and Advances	9.13	11.31	14.44	17.92	28.59
5.	Public Debt Receipts	886.12	918.07	1604.61	1530.39	1946.31
	Internal Debt (excluding Ways & Means advances overdrafts)	214.49	463.13	470.89	560.82	686.63
	Net transactions under Ways and Means Advances and Overdraft	--	4.58	43.38	47.76	0.99
	Loans and Advances from Government of India	671.63	450.36	1090.34	921.81	1258.69
6.	Total Receipts in the Consolidated Fund (3+4+5)	5220.90	5435.92	6459.99	7185.95	7939.76
7.	Contingency Fund Receipts	NA	NA	NA	NA	NA
8.	Public Account Receipts	1648.47	1504.38	1963.07	2344.55	2276.09
9.	Total receipts of the State (6+7+8)	6869.37	6940.30	8423.06	9530.50	10215.85
Part B. Expenditure/Disbursement						
10.	Revenue Expenditure	4038.55	4416.34	5845.67	6417.12	6846.24
	<i>Plan</i>	<i>973.05(24)</i>	<i>1038.74(24)</i>	<i>1239.57(21)</i>	<i>1269.81(20)</i>	<i>1446.38 (21)</i>
	<i>Non-Plan</i>	<i>3065.50(76)</i>	<i>3377.60(76)</i>	<i>4606.10(79)</i>	<i>5147.31(80)</i>	<i>5399.86 (79)</i>
	General Services (including Interest payment)	1558.20(39)	1593.55(36)	2461.90(42)	2547.85(40)	2925.52 (43)
	Social Services	1745.28(43)	1962.08(45)	2377.55(41)	2814.60(44)	2701.62 (39)
	Economic Service	735.07(18)	850.61(19)	999.59(17)	1045.84(16)	1215.21 (18)
	Grants-in-aid and Contributions	--	10.10	6.63	8.83	3.89

11.	Capital Expenditure	329.31(8)	363.79(8)	482.48(8)	561.46(9)	513.15 (7)
	Plan	309.85(94)	332.97(91)	448.79(93)	519.88(93)	475.41 (93)
	Non Plan	19.46(6)	30.82(9)	33.69(7)	41.58(7)	37.74 (7)
	General Services	6.08(2)	3.40(1)	10.54(2)	7.87(1)	9.80 (2)
	Social Services	28.00(8)	46.42(13)	51.52(11)	34.69(6)	34.33 (7)
	Economic Services	295.23(90)	313.97(86)	420.42(87)	518.90(92)	469.02 (91)
12.	Disbursement of Loans and Advances	109.01	75.92	133.04	216.92	82.20
13.	Total (10+11+12)	4476.87	4856.05	6461.19	7195.50	7441.59
14.	Repayment of Public Debt	589.72	462.97	625.04	435.41	1108.77
	Internal Debt (excluding Ways & Means Advances and Overdraft)	28.87	39.61	45.91	39.54	50.55
	Net transactions under Ways and Means Advances and Overdraft	43.01	113.00	--	--	-
	Loans and Advances from Government of India	517.84	310.36	579.13	395.87	1058.22
15.	Appropriation of Contingency Fund			--	--	-
16.	Total Disbursement out of Consolidated Fund (13+14+15)	5066.59	5319.02	7086.23	7630.91	8550.36
17.	Contingency Fund disbursements				--	-
18.	Public Account disbursements	1880.99	1665.73	1794.41	1969.39	2149.10
19.	Total disbursement by the State (16+17+18)	6947.58	6984.75	8880.64	9600.30	10699.46
Part C. Deficit/Surplus						
20.	Revenue Deficit (1-10)	*	*	1004.73	779.48	881.38
21.	Fiscal Deficit {13-(3+4)}	142.09	338.20	1605.81	1539.94	1448.14
22.	Primary Deficit (21-23)	(-) 496.84	(-) 182.49	634.93	654.83	386.15
Part D. Other data						
23.	Interest Payments (included in revenue expenditure)	638.93	520.69	970.88	885.11	1061.99
24.	Arrears of Revenue (Percentage of Tax & non-tax Revenue Receipts)	208.40(5)	0.04	NA	NA	NA**
25.	Financial Assistance to local bodies etc.	83.57	25.85	183.08	412.91	300.21
26.	Ways and Means Advances/Overdraft availed (days)	137	66	113	293	312
27.	Interest on WMA/Overdraft	6.48/9.51	6.14/13.97	8.77/11.55	6.78/18.10	121.53/17.70
28.	Gross State Domestic Product (GSDP)	23053.04	25380.94	29263.25	30710.62 (P)	32428.36 (Q)
29.	Outstanding Debt (year end)	5454.77	6022.88	7002.45	8097.43	8934.96
30.	Outstanding guarantees (year end)	NA	NA	1477.50	1583.32	1853.77
31.	Maximum guaranteed amount (year end)	NA	NA	1737.93	1943.55	2864.94
32.	Number of incomplete projects	297	209	143	314	341
33.	Capital blocked in incomplete projects.	59.90	62.37	31.53	89.74	83.96

Note: Figures in brackets represent percentages (rounded) to total of each sub-heading.

*There was Revenue Surplus

(P) = Provisional estimates

(Q) = Quick estimates

** Finance/Administrative Departments did not furnish year-wise position of arrears of revenue during 1999-2000 to 2001-2002. Arrears of revenue on AGST, cess on specified items, entertainment tax, luxury tax, taxes on vehicles, forestry and wildlife, state excise, interest receipt by ASEB etc., aggregated Rs.2,783.59 crore as on 31 March 2002. Such information on other tax/non-tax revenues was awaited as of September 2002.

1.4 Sources and application of fund

1.4.1 Exhibit-III gives the position of sources and application of funds during the current and preceding year. The main sources of funds include the revenue receipts of the Government, recoveries of the loans and advances, public debt, receipts in Public Account and overdraft from RBI. These are applied mainly on revenue and capital expenditure and lending for developmental purposes. The revenue receipts constitute the most significant source of funds for the State Government. Their relative share in total receipts went up marginally from 74 *per cent* in 2000-2001 to 75 *per cent* during 2001-2002. The net receipt from Public Account, in relation to total receipts, came down from five *per cent* in 2000-01 to two *per cent* in 2001-2002. This was mainly due to reduction in receipts under small savings and provident fund, *etc.* The net receipt from public debt also came down from 14 *per cent* in the preceding year to 10 *per cent* in the current year. Besides borrowings and receipts from small savings and provident funds, the Government had to resort to obtaining overdrafts from RBI which increased from seven *per cent* in 2000-2001 to 13 *per cent* in 2001-2002.

1.4.2 The funds were mainly applied for revenue expenditure the share of which in total expenditure increased from 84 *per cent* in 2000-01 to 86 *per cent* in 2001-2002 and remained significantly higher than the share of revenue receipts (75 *per cent*) in the total receipts of the State Government. Revenue expenditure exceeded revenue receipts resulting in revenue deficit of Rs.881.38 crore. The increase in revenue expenditure and consequent revenue deficit was mainly due to high expenditure on Social Services and General Services including interest payment (39 *per cent* and 43 *per cent* respectively of total revenue expenditure). Percentage of capital expenditure remained around seven *per cent* and lending for development purposes declined from three *per cent* to one *per cent*.

1.5 Revenue receipts

1.5.1 The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India. Their relative shares are shown in Figure-I below. The growth rate of revenue receipts was erratic between 1997-98 to 1999-2000 ranging from four to 12 *per cent*. In 2000-01 the rate went up as high as 16 *per cent* but came down to six *per cent* in 2001-2002. The reasons for such decrease in growth rate are discussed in subsequent paragraphs.

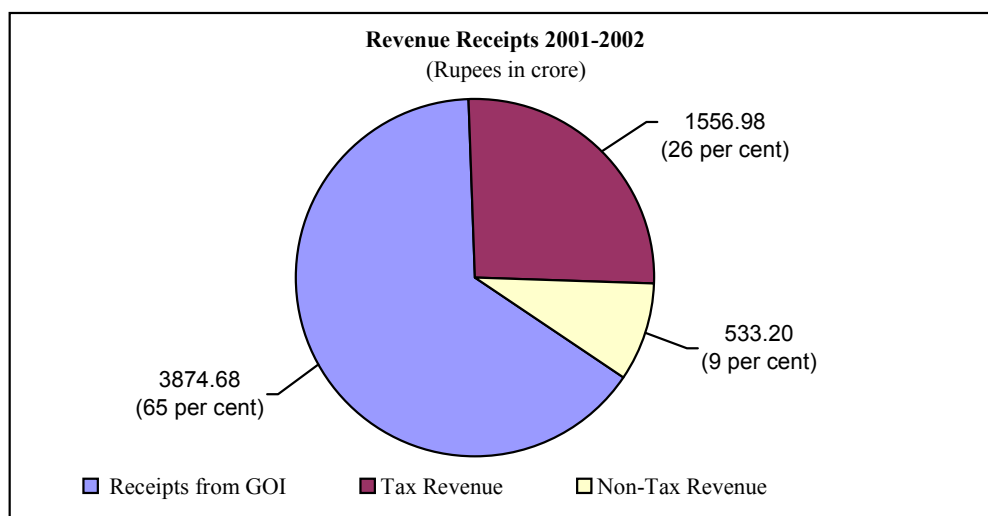


Figure-I

1.5.2 Tax revenue

Tax revenue constitutes the second major share of the revenue receipts and its share increased from 20 per cent in 1997-98 to 26 per cent in 2001-2002. The main component (69 per cent) of tax revenue is Sales Tax, receipts from which had gone up during the year by Rs.154.87 crore (four per cent over 2000-2001). The share of State excise had remained stagnant at nine to ten per cent during the last five years. Taxes on Vehicles and Stamps and Registration remained almost static between four-six per cent and three per cent respectively during 1997-2002. Relative contribution of Agricultural income tax has come down from three per cent in 2000-2001 to one per cent in 2001-2002. There was also a fall of 79 per cent in realisation of taxes and duties on electricity over the previous year.

1.5.3 Non-tax revenue

The share of non-tax revenue in revenue receipts remained stagnant at nine-ten per cent during the period 1997-98 to 2001-02. However, in absolute terms, it had increased from Rs.381.21 crore in 1997-98 to Rs.33.20 crore in 2001-2002.

1.5.4 State's share of union taxes and duties and grants-in-aid from the Central Government

The State's share of Union taxes and duties increased by five to six per cent during the years 1997-98 to 2001-2002. As a percentage of revenue receipts the grants-in-aid from Central Government decreased from 37 per cent in 1997-98 to 36 per cent in 2001-2002 while the share of Union taxes decreased from 34 per cent to 29 per cent during the same period.

1.6 Revenue expenditure

1.6.1 The revenue expenditure accounted for 93 per cent of the total revenue and capital expenditure of the State Government during 2001-2002 with a growth rate of seven per cent as compared to the previous year. Growth of non-Plan component of revenue expenditure over the five years period (76 per cent) far surpassed that of Plan expenditure (49 per cent), as can be seen in Figure-II below:

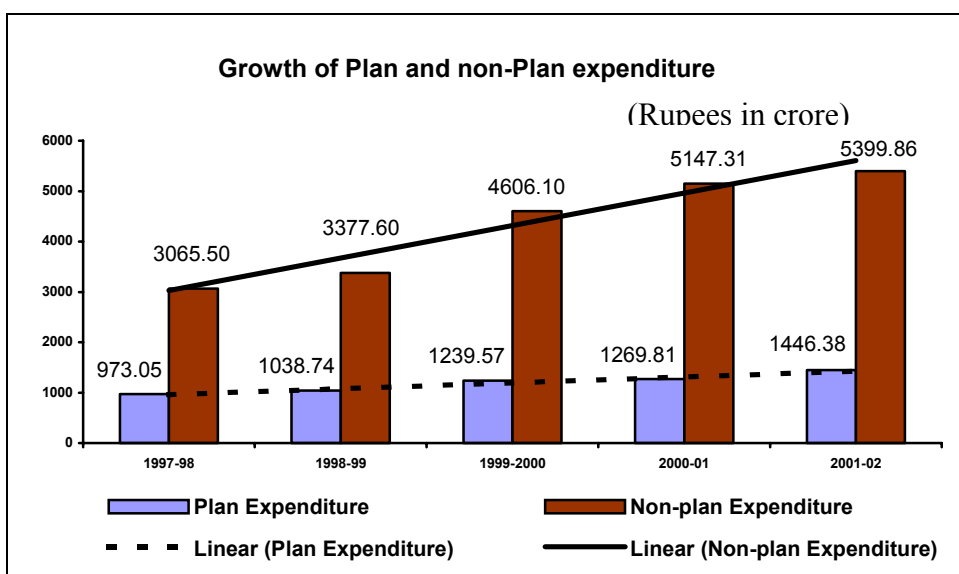


Figure-II

Though the revenue expenditure increased from Rs.4,038.55 crore in 1997-98 to Rs.6,846.24 crore in 2001-2002, its share in the total revenue and capital expenditure remained static (92 per cent) in all the years except 2001-2002.

1.6.2 Sector-wise analysis shows that while the expenditure on General Services increased by 88 per cent, from Rs.1,558.20 crore in 1997-98 to Rs.2,925.52 crore in 2001-02, the corresponding increases in expenditure on Social Services and Economic Services were 55 and 65 per cent respectively. As a proportion to total expenditure*, the share of General Services increased from 39 per cent in 1997-98 to 43 per cent in 2001-2002 whereas, that of Economic services varied between 16 and 19 per cent during the same period. Revenue expenditure during 2001-2002 in comparison to the previous year increased due to increase in expenditure of Rs.377.67 crore under General Services and Rs.169.37 crore under Economic Services even after a decrease of Rs.112.98 crore under Social Services.

The increase under General Services was mainly due to steep rise in the interest payment liability of the State Government owing to persistent dependence on borrowed funds.

1.6.3 Interest payments

Interest payments increased by 66 per cent from Rs.638.93 crore in 1997-98 to Rs.1,061.99 crore in 2001-2002. Interest payment accounted for 16 per cent of revenue expenditure, which is identical to that for the year 1997-98. This is further discussed in the section on financial indicators.

1.6.4 Financial assistance to local bodies and others

The financial assistance provided to autonomous bodies and other institutions during the three years period ending 2001-2002 was as follows:

Sl. No.	Category of Institution	(Rupees in crore)					
		Amount of assistance paid					
		1999-2000		2000-2001		2001-2002	
		Loans	Grants	Loans	Grants	Loans	Grants
1.	Universities and educational institutions	-	120.60	-	253.54	-	199.24
2.	Municipal Corporation/Urban Sewerage Board	10.43	2.00	1.70	14.89	5.08	2.29
3.	Cultural institutions	-	2.48	-	3.64	-	1.00
4.	Assam State Housing Board	-	-	0.38	0.41	-	0.59
5.	Animal Husbandry	-	-	-	0.47	-	-
6.	Assam State Electricity Board	-	-	89.80	-	-	-
7.	Assam Livestock and Poultry Corporation Limited	-	-	2.19	-	-	-
8.	Assam Khadi and Village Industries Board	-	-	-	-	-	4.10
9.	Guwahati Metropolitan Development Authority	-	-	-	-	0.10	-
10.	Panchayat Institutions	-	-	-	-	-	14.82
11.	Co-operative Societies and Co-operative Institutions	-	-	-	-	8.09	-
12.	Other Institutions	-	2.65	5.30	8.94	34.85	-
13.	Autonomous Councils						
	(a) General area	-	19.31	-	18.65	--	10.78
	(b) Sixth Schedule area	-	25.61	0.02	12.98	0.34	2.00
	Total	10.43	172.65	99.39	313.52	48.46	251.75
	Total assistance paid		183.08		412.91		300.21
	Assistance as a percentage of revenue expenditure		3.13		6.43		4.38
	Assistance as a percentage of revenue receipts		3.78		7.32		5.03

Source: Detailed Appropriation Accounts.

* Revenue and Capital expenditure.

The assistance during the year decreased by Rs.112.70 crore (27 per cent) as compared to the previous year.

1.6.5 Loans and advances by the State Government

The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, co-operatives, non-Government institutions, etc., for developmental and non-developmental activities. The position for the last five years given below shows that during 2001-2002 the net addition (after repayment) was Rs.53.61 crore against Rs.199.00 crore during the previous year.

The departmental officers have not furnished to the Accountant General (Accounts and Entitlements) the details of arrears in recovery of principal and interest as on 31 March 2002 in respect of the loans and advances to municipalities, local bodies, Panchayats and Autonomous District Councils etc., the detailed accounts of which were maintained by them.

	(Rupees in crore)				
	1997-98	1998-99	1999-2000	2000-2001	2001-2002
Opening Balance	2296.11	2395.99	2460.60	2579.20	2778.20
Amount advanced during the year	109.01	75.91	133.04	216.92	82.20
Amount repaid during the year	9.13	11.31	14.44	17.92	28.59
Closing balance	2395.99	2460.60	2579.20	2778.20	2831.80
Net addition	99.88	64.60	118.60	199.00	53.61
Interest received and credited to revenue	0.51	0.48	0.63	2.54	1.40

Source: Finance Accounts of the State Government.

It would be seen that while the loan advanced during 2001-2002 as compared to the previous year decreased by 62 per cent the repayment received during the same period increased by 60 per cent.

1.7 Capital expenditure

1.7.1 Capital expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government i.e., public sector undertakings (PSUs), corporations, etc., and loans and advances. Capital expenditure remained almost stagnant hovering between 7 and 9 per cent of the total expenditure. Time series data (**Exhibit-IV**) shows that for the last five years most of the capital expenditure has been on economic services and on the plan side.

1.8 Quality of expenditure

1.8.1 Government spends money for different activities ranging from maintenance of law and order and regulatory functions to various developmental activities. Government expenditure is broadly classified into Plan and non-Plan and revenue and capital. While the Plan and capital expenditure are usually associated with asset creation, the non-Plan and revenue expenditure are identified with expenditure on establishment, maintenance and services.

1.8.2 Wastage in public expenditure, diversions of funds and funds locked up in incomplete projects would also impinge negatively on the quality of expenditure. Similarly, funds transferred to Deposit heads in the Public Account, after booking them as expenditure, can also be considered as a negative factor in judging the quality of expenditure. As the expenditure was not actually incurred in the concerned year it should be excluded from the figures of expenditure for that year. Another possible indicator is the increase in the expenditure on General Services, to the detriment of Economic and Social Services.

1.8.3 *The following table lists out the trend in these indicators:*

	1997-98	1998-99	1999-2000	2000-2001	2001-2002
1. Plan expenditure as a percentage of:					
- Revenue expenditure	24	24	21	20	21
- Capital expenditure	94	91	93	93	93
2. Capital expenditure (<i>per cent</i>)	8	8	8	9	7
3. Expenditure on General Services (<i>per cent</i>)					
- Revenue	39	36	42	40	43
- Capital	2	1	2	1	2
4. Amount of wastages and diversion of funds detected during test audit (Rupees in crore).	33.22	60.80	196.14	276.48	318.96
5. Non-remunerative expenditure on incomplete projects (Rupees in crore).	59.90	65.26	31.53	89.74	83.96
6. Unspent balances under deposit heads, booked as expenditure at the time of their transfer to deposit head (Rupees in crore).	-	1.42	1.89	0.40	-

It would be seen that the share of Plan expenditure on revenue side and capital side varied between 20 and 24 and 91 and 94 respectively during the years 1997-98 to 2001-2002. The percentage expenditure on General Services to Revenue expenditure was highest (43) in 2001-02 during the last five years and on the capital side it had remained almost static at one to two *per cent* during the last five years.

1.9 *Financial management*

The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this report deal extensively with these issues especially as they relate to the expenditure management in the Government, based on the findings of the test audit. Some other parameters, which can be segregated from the accounts and other related financial information of the Government, are discussed in this section.

1.9.1 Investments and returns

Investments are made out of the capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The sector-wise details of investments made and the number of concerns involved were as under:

(Rupees in crore)

Sl. No.	Sector	Number of concerns	Amount invested	
			As on 31-03-2002	During 2001-2002-
1.	Statutory corporations	3	282.92	37.75
2.	Government companies	23	131.04	0.62
3.	Joint stock companies	15	18.04	-
4.	Co-operative institutions	1447	82.35	-
Total		1488	514.35	38.37

The details of investments and the returns realised during the last five years by way of dividend and interest were as follows:

(Rupees in crore)

Year	Amount invested upto the end of the year	Return on investment		
		Amount	As percentage of investment	Rate of interest on Government borrowing (Per cent)
1997-1998	415.98	0.35	0.08	7.75 to 14
1998-1999	429.19*	0.02	0.005	8.75 to 14
1999-2000	460.38	0.44	0.10	8.75 to 14
2000-2001	475.98	0.73	0.15	8.75 to 14
2001-2002	514.35	0.83	0.16	8.75 to 14

Thus, while the Government was raising high cost borrowings from the market, its investments in Government companies *etc.*, fetched insignificant returns. As on 31 March 2002, 25 of the 26 Government companies/corporation in which Government had invested Rs.403.58 crore, were incurring losses and the accumulated loss was Rs.421.25 crore upto the period mentioned against each as detailed in Appendix-II.

1.9.2 Incomplete projects

As of 31 March 2002 there were 341 incomplete projects in which Rs.83.96 crore were invested so far. The position did not improved as compared to the position as on 31 March 2001 (314 projects with investment of Rs.89.74 crore).

1.9.3 Arrears of revenue

Arrears of revenue on AGST, cess on specified items, entertainment tax, luxury tax, taxes on vehicles, forestry and wildlife, state excise, interest receipts by Assam State Electricity Board *etc.*, aggregated Rs.2,783.59 crore as on 31 March 2002. Of this arrears of Rs.1,523.94 crore (55 *per cent*) were outstanding for more than five years. Such information on other tax/non-tax revenues was awaited as of September 2002.

* Please see footnote at page 196 of Finance Accounts.

Arrears of revenue pending collection as on 31 March 2002 though called for, has not been intimated (September 2002) by the concerned departments.

1.9.4 Ways and Means Advances and Overdraft

Under an agreement with the Reserve Bank of India (Bank), the State Government had to maintain with the Bank a minimum daily cash balance of Rs.108 lakh. If the balance falls below the agreed minimum on any day, the deficiency has to be made good by taking ways and means advances (WMA)/special ways and means advances from the Bank. In addition, overdrafts are also made by the bank whenever necessary. Recourse to WMA/OD means a mismatch between the receipts and expenditure of the Government, and hence reflects poorly on financial management in Government.

The position of ways and means advances/overdrafts taken by the State Government and interest paid thereon during 1997-98 to 2001-2002 is detailed below:

	(Rupees in crore)				
	1997-98	1998-99	1999-2000	2000-2001	2001-2002
<u>Ways and Means Advances</u>					
i) Taken during the year	568.16	583.52	892.00	1054.60	608.66
ii) Outstanding at the end of year	80.00	84.58	127.96	175.72	176.71
iii) Interest paid	6.48	6.14	8.77	6.78	121.53
<u>Overdraft</u>					
i) Taken during the year	2360.62	3053.80	3651.65	4187.61	5749.87
ii) Outstanding at the end of year	117.58	--	425.58	500.87	1026.62
iii) Interest paid	9.51	13.97	11.55	18.10	17.70

The position indicates poor cash management by the State Government leading to drawal of ways and means advances and overdrafts and consequent payment of interest thereon. The annual interest liability had increased from Rs.15.99 crore in 1997-98 to Rs.139.23 crore in 2001-2002.

1.9.5 Deficit

1.9.5.1 Deficit in Government account represent gap between the receipts and expenditure. The nature of deficit is an important indicator of the prudence of financial management in Government. Further, the ways of financing the deficit and the application of the funds raised for the purpose are important pointers of the fiscal prudence of the Government. The discussion in this section relates to three concepts of deficit *viz.*, Revenue Deficit, Fiscal Deficit and Primary Deficit.

1.9.5.2 Revenue Deficit is the excess of revenue expenditure over revenue receipts. Fiscal Deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received). Primary Deficit is fiscal deficit less interest payments. The following exhibit gives a break-up of the deficit in Government account.

(Rupees in crore)

CONSOLIDATED FUND				
Receipts	Amount		Disbursements	Amount
Revenue	5964.86	Revenue Deficit: 881.38	Revenue	6846.24
Misc. Capital receipts	--		Capital	513.15
Recoveries of loans and advances	28.59		Loans and advances	82.20
Sub-total	5993.45	Gross fiscal deficit: 1448.14	Sub-total	7441.59
Public debt receipts	1946.31		Public debt repayment	1108.77
Overdraft	5749.87		Repayment of overdraft	5224.12
Total	13689.63		Total	13774.48
(A) Deficit: 84.85				
PUBLIC ACCOUNT				
Small Savings P.F etc.	401.51		Small Savings P.F etc.	131.57
Deposits and advances	935.08		Deposits and advances	858.48
Reserve funds	113.28		Reserve funds	60.00
Suspense and Misc.	16.77		Suspense and Misc.	244.03
Remittances	809.45		Remittances	855.02
Total: Public Account	2276.09		Total: Public Account	2149.10
(B) Deficit in Consolidated Fund financed by Public Account: (-) 126.99				
Increase in cash balance (B minus A): (-) 42.14				

Even after meeting the gross fiscal deficit of Rs.1,448.14 crore from borrowings and overdrafts, there was a deficit of Rs.84.85 crore under Consolidated Fund which was financed from Public Account.

1.9.5.3 Application of the borrowed funds (Fiscal Deficit)

The fiscal deficit (FD) represents total net borrowings of the Government. These borrowings are applied for meeting the revenue deficit (RD), for making the capital expenditure (CE) and for giving loans to various bodies for developmental and other purposes. The relative proportions of these applications would indicate the financial prudence of the State Government and also the sustainability of its operations because

continued borrowing for revenue expenditure would not be sustainable in the long run. The following table shows the position in respect of the Government of Assam for the last five years.

Ratio	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
RD/FD	(-) 2.02	(-) 0.27	0.63	0.51	0.61
CE/FD	2.32	1.08	0.30	0.36	0.35
Net loans/FD	0.70	0.19	0.07	0.13	0.04
Total	1.00	1.00	1.00	1.00	1.00

It could be seen that for the years 1997-98 and 1998-99 there was revenue surplus to meet some portion of capital expenditure or for extending loans. During 1999-2000 to 2001-2002 borrowed funds have been applied for meeting the revenue expenditure. Its application to capital expenditure declined during the year indicating that uncontrolled revenue expenditure led to reduction in capital formation.

1.9.6 Guarantees given by the State Government

Under the provisions of Article 293 of the Constitution and within the limit prescribed by the Legislature, the State Government stands as guarantor to the loans raised by various public sector undertakings (PSUs), Government companies, co-operative institutions, local bodies, *etc.* in the State from various financial institutions upon the security of the Consolidated Fund of the State. The guarantees given by the State Government constitute contingent liabilities on the revenues of the State.

While no legislation was enacted for regulation of Government guarantees till 1999-2000, from April 2000, the State Government laid down the procedure for issue of guarantees and fixed a ceiling of Rs.1,500[#] crore on guarantees to be given. A mandatory levy of one *per cent* guarantee commission on the loanee institutions which shall not be waived under any circumstances was also envisaged. Test-check (June 2002) of records of the Finance Department revealed the following:

1.9.6.1 Non-maintenance of records

Finance department/administrative departments did not maintain any consolidated records for guarantees given by the Government and for collection of guarantee fee. The Finance Department has been collecting information/details of guarantees from State PSUs through administrative departments for incorporation in the Finance Accounts. As per information furnished by the Finance Department the year wise position of guarantee given by Government upto 2001-2002 was as shown below.

[#] Constituted 31 *per cent* and 27 *per cent* of Revenue Receipts of Rs.4840 94 crore and Rs.5637.64 crore for the years 1999-2000 and 2000-2001 respectively.

(Rupees in crore)

Year	Amount of guarantee given	Outstanding loan and interest as on 31 March 2002
Upto 1996-1997	2684.47	1474.18
1997-1998	3.50	5.22
1998-1999	17.50	12.64
1999-2000	229.93	118.32
2000-2001	48.18	37.11
2001-2002	189.48	48.73
Total	3173.06	1696.20[@]

Outstanding loan and interest of Rs.1,696.20 crore constituted 53 *per cent* of the total guaranteed amount of Rs.3,173.06 crore till 2001-2002. Of this, outstanding of Rs.222.02 crore (45 *per cent*) was against the guarantees for Rs.488.59 crore given during the 5 year period ending 2001-2002.

In the absence of the consolidated records the correctness of the figures of guarantees and outstandings were not verifiable in audit nor these guarantees were monitored by the Finance and administrative departments. Finance Department stated (June 2002) that monitoring cell for the purpose did not exist either in Finance Department or administrative departments.

1.9.6.2 *Non-receipt of guarantee commission*

No register for receipt of guarantee commission was maintained to watch the payment of guarantee commission. Payment of guarantee commission was also not insisted upon and enforced. Only one* out of six units** deposited guarantee commission partly during 2000-2002 as shown below:

(Rupees in crore)

Year	Total amount guaranteed	Guarantee commission receivable @ 1%	Guarantee commission received	Guarantee commission not received
2000-2001	48.18	0.48	0.05	0.43
2001-2002	189.48	1.90	0.25	1.65
Total	237.66	2.38	0.30	2.08

Non-receipt of guarantee commission of Rs.2.08 crore was a loss of revenue to the Government. Finance Department stated (August 2002) that guarantee commission in respect of 4 of the 5 defaulting units was not insisted as they were incurring losses since long and these units were providing large-scale employment and subsidiary livelihood to many people. The other unit i.e. Guwahati Metropolitan Development Authority (GMDA) was not to pay the guarantee commission as the loan was raised

[@] Differs with the figures appearing in the Finance Account 2001-2002, which was also based on information furnished by the Finance Department. The matter is under reconciliation.

* Assam Gas Company Limited.

** (i) Assam Tea Corporation Ltd. (ii) Nowgong Co-operative Sugar Mills Ltd. (iii) Assam Gas Company Ltd. (iv) Guwahati Metropolitan Development Authority (v) Assam State Electricity and (vi) Assam Petrochemicals Limited.

by State Government from HUDCO through GMDA to build up capital asset for the State and debt liability against this loan was paid out of State budget. The contention of the Finance Department was not tenable; as such relaxation in payment of guarantee commission was not envisaged.

1.9.6.3 *Infringement of conditions of guarantee*

As per procedure for issue of Government guarantees notified on 30 March.2000 no guarantee shall be given for working capital. Test-check of the relevant records revealed that the Government had given guarantee for loan raised for working capital of Rs.44.66 crore to two units (Assam Tea Corporation Ltd.: Rs.37.72 crore and Nagaon Co-operative Sugar mills Ltd.: Rs.6.94 crore) during 2000-2002 and thus, the Government infringed its laid down procedure. Admitting the facts the Finance Department stated (June 2002) that fresh guarantees for working capital loan raised by PSUs were not provided by the State Government after the issue of notification in March 2000. But the contention was not tenable as in the instant cases guarantees were issued in 2000-2001 and 2001-2002.

1.9.6.4 *Guarantees given to loss making unviable units*

Government gave guarantees to loss making units whose accumulated losses crossed crore of rupees upto the year of preparation of annual accounts. Nine such cases are cited in Appendix-III. It may be seen therefrom that against outstanding guarantees of Rs.199.46 crore, the accumulated loss was Rs.121.75 crore with consequential erosion in paid up capital which ranged between 184 and 370 *per cent*. Existing procedures prohibit giving guarantee to unviable and defaulting units which were incapable of generating income and sustain the venture to repay the loans. But the Government infringed this provision of the procedure and guarantees were given to unviable and defaulting units. Resultantly, the Government had to repay the principal and interest aggregating Rs.109.04 crore (during 1997-2002: Rs.65.59 crore besides Rs.43.45 crore upto 1996-97) for which guarantees were given to 12 defaulting units[#] as detailed below.

(Rupees in crore)

Year of payment	Amount guaranteed	Defaulted amount paid by Government including interest
Upto 1996-97	86.87	43.45
1997-1998	NA	22.03
1998-1999	NA	5.52
1999-2000	40.84	13.49
2000-2001	NA	15.96
2001-2002	10.00	8.59
Total:	137.71	109.04

[#] (i) Assam Polytex Ltd.: Rs.10 crore; (2) Assam State Minor Irrigation Development Corporation: Rs.39.62 crore; (3) Assam State o-operative Agriculture and Rural Development Bank: Rs.19.30 crore; (4) West Assam Milk Producers Co-operative Union Ltd.: Rs.7.19 crore; (5) Nowgong Co-operative Sugar Mill Ltd.: Rs.0.98 crore; (6) Swahid Kushal Konwar Samabai Sutakol: Rs.0.87 crore; (7) Assam Co-operative Spinning Mills: Rs.1.01 crore; (8) Assam Syntex Ltd.Rs.0.58 crore; (9) Assam State Weaving and Manufacturing Co. Ltd.: Rs.3.59 crore; (10) Cachar Sugar Mill: Rs.0.79 crore; (11) Assam State Textile Corporation Ltd.: Rs.2.17 crore, (12) Assam State Co-operative Marketing and Consumers Federation Ltd.: Rs.22.94 crore.

1.9.6.5 Guarantees given under 100 per cent Special Margin Money Scheme (SMMS)

Under the 100 per cent SMMS, launched for rehabilitation of misguided youth, the State Government stood guarantor for loans of Rs.69 crore offered by various commercial banks in 18 districts during 1992-97. The outstanding Government guaranteed loan including interest stood at Rs.75 crore upto 31 March 2001 as the individual beneficiaries failed to repay the loans. One of the commercial banks[@] filed suit in DRT^{@@} against the Government and the DRT decreed attachment of Deputy Commissioner's office building and three vehicles for outstanding loan of Rs.11.83 lakh. The latest position in respect of the other districts could not be made available as of June 2002. The Finance Department stated (August 2002) that the concerned administrative departments would be asked to recover the amount from the individual beneficiaries through *Bakijai*^{*} cases. Further development is awaited (September 2002).

1.9.6.6 Overall assessment

Guarantees of loans to various institutions were sanctioned as a matter of course and not based on close scrutiny as to the viability and sustainability of the units. Procedures were not followed scrupulously. This resulted in giving guarantees to many units which proved unviable and the Government had to pay crores of rupees on behalf of the defaulting units. Monitoring was non-existent.

1.10 Public debt

1.10.1 The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an act of legislature of the State. No law had been passed by the State legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table. During the five-year period, the total liabilities of the Government had grown by 72 per cent. This was on account of 161 per cent growth in internal debt, 33 per cent growth in loans and advances from Government of India and 103 per cent growth in other liabilities. During 2001-2002, Government borrowed Rs.531.28 crore in the open market at interest rates of eight per cent and 13.85 per cent per annum.

[@] State Bank of India, Bongaigaon

^{@@} DRT=Debt Recovery Tribunal

^{*} Process of recovery of outstandings through the Deputy Commissioners of the district.

(Rupees in crore)

Year	Internal Debt	Loans & advances from GOI	Total Public Debt	Other liabilities*	Total liabilities	Ratio of debt to GSDP [#]
1997-1998	1303.14	4151.63	5454.77	1323.25	6778.02	0.29 [^]
1998-1999	1731.25	4291.63	6022.88	1385.41	7408.29	0.29
1999-2000	2199.60	4802.85	7002.45	1694.19	8696.64	0.29
2000-2001	2768.64	5328.79	8097.43	2164.40	10261.83	0.33
2001-2002	3405.70	5529.26	8934.96	2697.80	11632.76	0.36

1.10.2 The amount of funds raised through Public Debt, the amount of repayment and net funds available are given in the following table:

(Rupees in crore)

	1997-98	1998-99	1999-2000	2000-2001	2001-2002
Internal debt					
Receipt	3143.27	4100.45	5014.54	5803.03	7045.16
Payment (Principal + Interest)	3162.36	3957.42	4368.44	5483.06	6355.48
Net funds available (per cent)	(-) 19.09 (1)	143.03 (4)	646.10 (13)	319.97 (6)	689.68 (10)
Loans & Advances from GOI					
Receipt during the year	671.63	450.36	1090.34	921.81	1258.69
Repayment	944.69	612.38	1185.22	840.12	1537.73
Net funds available	(-) 273.06	(-) 162.02	(-) 84.88	81.69	(-) 279.04
Other liabilities*					
Receipt during the year	588.46	612.79	839.17	1042.32	1157.77
Repayment	668.66	599.16	647.32	688.60	794.30
Net funds available (per cent)	(-) 80.20 (-14)	13.63 (2)	191.85 (23)	353.72 (34)	363.47 (31)

It would be seen that very little of the borrowings were available for investment and other expenditure after meeting the repayment obligations. Except for the year 2000-2001, the entire loan received from the Government of India has been consumed for repayment of loans and interest thereon. Considering increasing trend of the outstanding debt, year after year the net availability of funds through public borrowings is going to reduce further. This is evident from the fact that while fresh borrowings under Internal debt did add Rs.689.68 crore to the availability of funds, the net yield from loans and advances from GOI was negative to the extent of Rs.279.04 crore.

1.11 Indicators of financial performance

1.11.1 A Government may either wish to maintain its existing level of activity or increase its level of activity. For maintaining its current level of activity it would be necessary to know how far the means of financing are sustainable. Similarly, if Government wishes to increase its level of activity it would be pertinent to examine the flexibility of the means of financing, and finally, Government's increased

* Other liabilities includes Small Savings, Provident Fund, Deposit and Reserve Funds.

[#] GSDP: Gross State Domestic Product

[^] Differs with previous figures due to adoption of revised GSDP figure.

vulnerability in the process. All the State Governments continue to increase the level of their activity principally through five year plans, which translate to annual development plans and are provided for in the State budget. Broadly, it can be stated that non-Plan expenditure represents Government maintaining the existing level of activity*, while Plan expenditure entails expansion of activity. Both these activities require resource mobilization increasing Government's vulnerability. In short, financial health of a Government can be described in terms of sustainability, flexibility, vulnerability and transparency. These terms are defined as follows:

(i) Sustainability

Sustainability is the degree to which a Government can maintain existing programmes and meet existing creditor requirements without increasing the debt burden.

(ii) Flexibility

Flexibility is the degree to which a Government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden.

(iii) Vulnerability

Vulnerability is the degree to which a Government becomes dependent on and therefore vulnerable to sources of funding outside its control or influence, both domestic and international.

(iv) Transparency

The issue of transparency concerns the issue of financial information provided by the Government. This consists of annual financial statement (Budget) and the Accounts. As regards the budget the important parameters are timely presentation indicating the efficiency of budgetary process and the accuracy of the estimates. As regards accounts, timeliness in submission, for which milestones exist and completeness of accounts would be the principal criteria.

1.11.2 Information available in Finance Accounts can be used to flesh out Sustainability, Flexibility, and Vulnerability that can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in the Appendix-IV. **Exhibit-V** indicates the behaviour of these indices/ratios over the period from 1997-98 to 2001-02. The implications of these indices/ratios for the state of the financial health of the State Government are discussed in the following paragraphs.

* There are exceptions to this, notably transfer of Plan to the Non-plan at the end of Plan period.

Exhibit-V

(Reference: Paragraph 1.11.2; Page 24)
Financial indicators for Government of Assam

(Rupees in crore)

	1997-98**	1998-99**	1999-2000	2000-2001	2001-2002
(1)	(3)	(4)	(5)	(6)	
Sustainability					
BCR (Rs. in crore)	(+) 15.52	(-) 294.63	(-) 1335.56	(-) 1253.59	(-) 1237.64
Primary Deficit (PD) (Rs. in crore)	(-) 496.84	(-) 182.49	634.93	654.83	386.15
Interest Ratio	0.15	0.12	0.20	0.16	0.18
Capital outlay/Capital receipts	0.61	0.42	0.42	0.36	0.35
Total Tax receipts/GSDP	0.11	0.09	0.09	0.10	0.10
State Tax Receipts/GSDP	0.04	0.04	0.04	0.09	0.09
Return on Investment ratio	0.08	0.005	0.10	0.15	0.16
Flexibility					
BCR (Rs. in crore)	(+) 15.52	(-) 294.63	(-) 1335.56	(-) 1253.59	(-) 1237.64
Capital repayments/ Capital borrowings	0.54	0.26	0.40	0.29	0.27
State tax receipts/GSDP	0.04	0.04	0.04	0.09	0.09
Debt/GSDP	0.29	0.29	0.29	0.33	0.36
Vulnerability					
Revenue Deficit (RD) (Rs. in crore)	*	*	1004.73	779.48	881.38
Revenue Surplus (Rs. in crore)	287.10	90.20	-	-	-
Fiscal Deficit (FD) (Rs. in crore)	142.09	338.20	1605.81	1539.94	1448.14
Primary Deficit (PD) (Rs. in crore)	(-) 496.84	(-) 182.49	634.93	654.83	386.15
PD/FD	(-) 3.50	(-) 0.54	0.40	0.37	0.27
RD/FD	*	*	0.63	0.51	0.61
Outstanding Guarantees/ Revenue Receipts			0.31	0.28	0.31
Assets/Liabilities	1.04	1.05	0.93	0.87	0.82

Note: 1. The interest payment during 1997-98 to 1998-99 was more than the fiscal deficit, hence the negative figure for primary deficit.

2. Fiscal deficit has been calculated as: Revenue expenditure + Capital expenditure + Net loans and advances – Revenue receipts – Non-loan capital receipts.

3. In the ratio Capital outlay vs. Capital receipts, the denominator has been taken as Internal loans+Loans and Advances from Government of India+Net receipts from small savings PF etc. +Repayments received from loans advanced by the State Government – Loans advanced by State Government.

4. The working paper to indicators of financial performance of State is given in Appendix-V.

** Figures of 1997-98 and 1998-99 recast based on availability of revised GSDP.

1.11.3 The behavior of the indices/ratios is discussed below:

(i) Balance from Current Revenues (BCR)

BCR is defined as revenue receipts minus plan assistance grants minus non-plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting plan expenditure. The table shows that the State Government has had negative BCRs in four out of the five years (except 1997-98) suggesting that Government had to depend only on borrowings for meeting its plan expenditure.

(ii) Interest ratio

The higher the ratio the lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. The ratio had shot up to 0.20 during 1999-2000 after having been in the range of 0.12 to 0.15 during the preceding two years. During the year the ratio stood at 0.18 against 0.16 during 2000-2001. A rising interest ratio has adverse implications for sustainability since it points to rising interest burden.

(iii) Capital outlay/Capital receipts

This ratio indicates to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term in as much as it indicates that a part of the capital receipt was being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments were being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement in the performance. In the case of Assam, the ratio has all along been less than one and ranged between 0.35 and 0.61 indicating a part of capital receipt was being diverted to other than capital expenditure.

(iv) Tax receipts vs Gross State Domestic Product (GSDP)*

Tax receipts consist of State taxes and State's share of central taxes. The latter can also be viewed as central taxes paid by people living in the State. Tax receipts suggest sustainability. But the ratio of tax receipts to GSDP would have implications for the flexibility as well. While a low ratio would imply that the Government can tax more, and hence its flexibility, a high ratio may not only point to the limits of this source of finance but also its inflexibility. Time series analysis shows that in case of Assam this ratio was between 0.11 and 0.09 during the period 1997-98 to 2001-2002. However, the ratio of State tax receipts compared to GSDP has increased from 0.04 in 1997-98 to 0.09 in 2001-2002 indicating that efforts of the State Government to raise its revenue resources could not keep pace with the rise in GSDP. The Government continued to depend on borrowings to meet its commitments.

*GSDP for 2000-2001 is provisional and for 2001-2002 is a quick estimates furnished by Director of Economics and Statistics, Government of Assam.

(v) Return on Investment (ROI)

The ROI is the ratio of earnings to capital employed. A high ROI suggests sustainability. The table presents the return on Government's investments in statutory corporations, Government companies, joint stock companies and co-operative institutions. It shows that the ROI in case of Government of Assam has been negligible and varied between 0.005 and 0.16 *per cent* from 1997-98 to 2001-2002.

(vi) Capital repayments vs capital borrowings

This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment. In case of Assam Government this ratio has been erratic being in the range of 0.26 to 0.54 *per cent* during 1997-2002 indicating reduced availability of the borrowings for investment.

(vii) Debt vs. Gross State Domestic Product (GSDP)

The GSDP is the total internal resource base of the State Government, which can be used to service debt. An increasing ratio of Debt/GSDP would signify a reduction in the Government's ability to meet its debt obligations and therefore increasing risk for the lender. In the case of Assam, this ratio increased from 0.29 in 1997-98 to 0.36 in 2001-2002 indicating Government's inability to meet its growing debt obligations.

(viii) Revenue deficit/fiscal deficit

The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings *etc.* Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus, the higher the ratio the worse off the State because that would indicate that the debt burden is increasing without adding to the repayment capacity of the State. The State has had revenue surplus in 1997-98 and 1998-99. Though the ratio increased marginally from 0.51 in 2000-2001 to 0.61 in 2001-2002, the State continued to be vulnerable.

(ix) Primary deficit vs fiscal deficit

Primary deficit is the fiscal deficit minus interest payments. This means that the less the value of the ratio the less the availability of funds for capital investment. In case of Government of Assam, this ratio has been negative during the years from 1997-98 to 1998-99 indicating that there was no primary deficit during these years. However during 1999-2000 the ratio jumped to 0.40 from (-) 0.54 of previous year i.e. the ratio increased by 0.94. During 2001-2002 the ratio stood at 0.27 against 0.37 during 2000-2001 suggesting that the sustainability is adversely affected. The heavy interest payments during these years had contributed to fiscal deficit.

(x) Guarantees vs revenue receipts

Outstanding guarantees, including the letters of comfort issued by Government, indicate the risk exposure of a State Government and should therefore be compared

with the ability of the State Government to pay *viz.*, its revenue receipts. Thus, the ratio of the outstanding guarantees to the total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. The ratio's movement from 0.28 to 0.31 during 2000-2002 indicated more commitments during the year.

(xi) Assets vs liabilities

This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than 1 would be a contra indicator. This ratio gradually increased from 1.04 to 1.05 indicating rising solvency of the State Government from 1997-98 to 1998-99. However, the ratio steadily dropped from 0.93 in 1999-2000 to 0.82 during 2001-2002 indicating reduced solvency due to the revenue deficit.

(xii) Budget

There was no delay in submission of the budget and their approval. The detail are given in the following table:

Preparation	Month of Submission	Month of approval
Budget	March 2001	March 2001
Supplementary-I	June 2001	June 2001
Supplementary-II	October 2001	October 2001
Supplementary-III	March 2002	March 2002

Chapter II of this Report carries a detailed analysis of variations in the budget estimates and the actual expenditure as also of the quality of budgetary procedure and control over expenditure. It indicates defective budgeting and inadequate control over expenditure, as evidenced by persistent resumption (surrenders) of significant amounts every year *vis-a-vis* the final modified grant. Significant variations (excess/saving) between the final modified grant and actual expenditure were also persistent.

1.11.4 Conclusion

The financial condition of the State Government worsened during the last three years due to mounting revenue and fiscal deficit. During the year revenue deficit rose to Rs.881.38 crore compared to Rs.779.48 crore in the previous year. Though there was decline in fiscal deficit, there has been continuous increase in indebtedness owing to heavy borrowing resorted to by State Government to meet revenue deficit. Most of the borrowings have been applied for meeting debt services and revenue expenditure leaving little for capital investment. Consequently capital expenditure declined to seven *per cent* compared to nine in the previous year. Ways and means advances/overdrafts were availed on 312 days during 2001-2002 compared to 113 days in 1999-2000 and 293 days in 2000-2001 indicating greater and greater reliance on high cost bank finance.

FINANCE DEPARTMENT

1.12 Implementation of Fiscal Reform Programme in Assam

The main objectives of the agreement on Fiscal Reform Programme signed between Government of India and the Government of Assam were to reduce the revenue deficit, rationalize manpower, implement additional resource measures, rationalize user charges, reduce non-plan revenue expenditure, improve functioning of the power sector and leasing out of loss making public sector units (PSUs). Review of the follow-up-action on the agreement revealed that the programme for downsizing the Government departments did not materialize. Various measures as agreed upon in the agreement to increase additional revenues were delayed. State Government could not also fulfill its commitments relating to Public Sector

Highlights

Against the targeted identification and abolition of 15,000 posts in two phases by September 2000 only 1,338 vacant posts have been abolished till July 2002.

There were substantial delays in introducing tax reforms and amendments; resultantly, outcome in terms of increase in collection of tax revenue had not emerged as of August 2002.

Only Rs.14.99 crore (6 per cent) of arrears of tax was realised against Rs. 230.80 crore which fell into arrears till March 2000.

1.12 1 *Introduction*

In the context of the decision taken (20 March 1999) by the Committee of the National Development Council stressing joint effort by the Central and the State Governments for the fiscal reform measures aimed at strengthening the financial situation of the State, an agreement was signed (13 January 2000) between Government of India, Ministry of Finance and the State Government regarding measures to be adopted to deal with the fiscal imbalance arising out of revenue deficits and the resultant recurring overdrafts of the State Government.

1.12 2 *Objectives*

The main objectives of Fiscal Reform Programme are:

(A) **Reduction of Revenue Deficits through**

(i) Administrative reforms by way of reduction in size of the Government departments.

Expenditure reforms by introducing various economy measures.

(ii) Tax Reforms to mobilize additional resources.

(iii) Rationalisation of user charges through reforms in non-tax revenue.

(B) Sectoral Reforms

- (i) Power Sector Reforms to improve functioning of Power Sector and cost recovery of Power.
- (ii) Transport Sector Reforms to make the Assam State Transport Corporation commercially viable.
- (iii) Review and identify sick Public Sector Undertakings (PSUs) for leasing out to private parties.

1.12.3 Organisational set up

The Commissioner and Secretary (Finance), Government of Assam is the nodal officer. He is vested with the responsibility of implementation of the reform programme with assistance and in co-ordination with various other departments and Public Sector Undertakings.

1.12.4 Audit Coverage

Records of the Finance Department along with eight other administrative departments*, six directorates[#] and one commercial undertaking[@] of the Government of Assam, for the period from January 2000 to March 2002, were test checked during July and August 2002.

1.12.5 Implementation

1.12.5.1 Administrative Reforms

The State Government agreed to rationalize the manpower in the Government departments. The Government was to:

- (i) remove excess slack deployment of Government staff, create a pool of surplus manpower and re-deploy them against vacant posts in essential sector within February 2000.
- (ii) identify all vacant posts and abolish 15,000 vacant posts in non-essential sectors in two phases. 5,000 in first phase (within 31 March 2000) and the remaining 10,000 in second phase (within 30 September 2000).

Test-check revealed the following shortcomings:

The Personnel (B) Department, which is the nodal department to regulate all appointments, postings *etc.*, under the Government, identified only 4,080 posts in 49 departments for abolition in first phase against which only 1,338 vacant posts were abolished in 13 departments between April 2000 and July 2002. These abolished posts were lying vacant for many years. Therefore there was no immediate impact on the fiscal position of the Government. The Government did not identify and abolish any post thereafter. The surplus pool of manpower was yet to be created.

* 1. Revenue, 2 Transport, 3. Irrigation, 4. Public Enterprise, 5 Industries, 6. Personnel, 7 Excise and 8. Secretariat Administration (E).

[#]Two Commissioners of Taxes and Transport, Four Directors of Higher Education, Secondary Education, Technical Education and Health Services.

[@] Assam State Electricity Board.

The nodal department did not maintain any record of sanctioned strength of Government employees nor did they collect information from various departments for a realistic assessment of surplus manpower indicating lack of proper planning and concerted effort. In the absence of sanctioned strength, the entire process of identification and abolition of surplus posts appeared to be ad hoc.

1.12.5.2 Expenditure Reforms

(a) For reducing non-plan revenue expenditure, the State Government agreed to maintain their non-plan non-salary expenditure (excluding debt servicing, police expenditure on anti insurgency measure, law and order) at 1998-99 actuals at Rs.410 crore. But the Finance Department allowed drawal of Rs.543 crore in 1999-2000, Rs.729 crore in 2000-2001 and Rs.637 crore in 2001-2002 for non-plan non-salary expenditure by the various departments through ceiling system. The Finance Department stated (August 2002) that the expenditure could not be restricted to Rs.410 crore as the Government had to spend above this limit on account of calamity relief measures, election and payment to Assam State Electricity Board as per Hon'ble High court order *etc.* Thus, the agreement on freezing the non-plan non-salary expenditure at 1998-99 actuals remains unfulfilled till March 2002.

(b) As per agreement the State Government was to draw a comprehensive plan by February 2000 to reduce subsidy expenditure of the Industries & Commerce, Co-operation, and Agriculture departments *etc.*, by 15 *per cent* in the year 1999-2000 over the previous year. But the trend of subsidy payment did not decrease at the desired level in the Industries and Commerce Department as detailed below.

Nature of subsidy	Year	Amount of subsidy (Rupees in crore)	Remarks
Implementation of New Industrial Policy	1998-1999	1.86	
	1999-2000	2.35	26.33 <i>per cent</i> increase over 1998-99.
	2000-2001	1.81	Decrease by 3 <i>per cent</i> from 1998-99.
	2001-2002	1.78	Decrease by 4 <i>per cent</i> from 1998-99

Similar information from other concerned departments was not available for verification by audit.

1.12.5.3 Tax Reforms

(a) The State Government was to raise new taxes, amend various tax structure/rates for raising additional resources. But these changes/amendments were inordinately delayed and the impact of these changes/amendment, on the State revenue was yet to emerge (March 2002) as discussed below.

(i) **Entry Tax:** Against the stipulated date of 31 March 2000 the tax was made effective from October 2001. Due to delay in introducing Entry tax Rs.7.84 crore (60 *per cent*) could only be realised against the target of Rs.13 crore during 2001-2002.

(ii) Luxury Tax 1997: This tax, introduced in 1997, was amended with effect from 19 February 2002 to cover additional items for additional resources. Thus the impact of the amended act was not ascertainable in audit till March 2002.

(iii) Assam Professions, Traders, Callings and Employment Taxation Act: The existing rates of this tax have been increased by an amendment w.e.f 1 April 2002.

(iv) Rationalisation of Sales Tax rates: The existing rates of tax on different commodities under the Assam General Sales Tax Act were effective from 1 January 2000 as per uniform floor rates (UFR) of taxes. However to generate additional resources, sale on potable liquor and certain oil and oil seeds were brought under Sales Tax Act by amendment only in February 2002.

(v) Motor Vehicle Taxation Act: The existing rates of taxes under this Act effective from 1999 were revised by amendment only in May 2002.

(vi) Assam Passenger and Goods Taxation Rules 1962: The existing rates of taxes under this Rule were revised in November 2001. The collection of taxes under this rule during 2001-2002 (Rs.10.83 crore) was 49 *per cent* less than that of 1999-2000 (Rs.21.11 crore) and only marginally higher at six *per cent* than that of 2000-2001 (Rs.10.23crore).

(vii) Assam Amusement and Betting Tax: An amendment to the Assam Amusement and Betting tax was brought in January 2000 to bring cable TV service under Entertainment Tax from 1 February 2000. However the total revenue generated through this measure since introduction (April 2000) could not be stated by the department.

(b) To improve tax compliance, the State Government agreed to conduct a survey of potential tax payers and to check their assessment by engaging a third party. The proposed survey and innovative measures to be evolved to improve tax compliances and issue of notification therefor was to be completed within 31 March 2000. However no action was taken in this regard even after the lapse of two years. Meanwhile against arrears of tax revenue, which stood at Rs.230.80* crore, as on 31 March 2000, the realisation during 2000-2001 was only Rs.14.99 crore (6 percent). Realisation of arrears during 2001-2002 made by the Government could not be furnished to audit.

(c) Collection of Land Revenue indicated a declining trend. As against realisation of Rs.69.08 crore during 1999-2000 realisation dropped to Rs.67.20 crore and Rs.63.26 crore during 2000-2001 and 2001-2002 respectively for reasons neither on record nor stated. Of the arrears of Land Revenue, which stood at Rs.42.74 crore as on 31 March 2000, the department could collect Rs.5.30 crore (12 *per cent*) and Rs.0.64 crore (two *per cent*) during 2000-2001 and 2001-2002 respectively. It was seen that Revenue Department took initiative only in January 2002 to reassess the land revenue in urban and rural areas.

* Under Appeal: Rs.24 crore; Under Revision: Rs.4.85 crore; Under High Court/Supreme Court : Rs.62.55 crore; Under Bakijai Recovery Officer : Rs.77.58 crore; With Superintendent of Taxes : Rs.61.82 crore.

1.12.5.4 *Reforms in Non-tax Revenue*

Rationalisation in user charge

The Irrigation Department enhanced rates of user charges by 100 percent in respect of various crops from April 2000. However, against the annual collection of Rs.58,766 in 1999-2000, the collection for the year 2000-2001 and 2001-2002 declined sharply to Rs.18,695 and Rs.7,446 respectively. Thus enhancement of the rates proved to be counterproductive. The department did not analyse the reasons for fall in revenue collection even as of August 2002. The Industries and Commerce Department revised the existing user charges in respect of various Industrial Sheds with effect from 1 January 2000 effecting increase ranging between 200 and 666 *per cent*. The department did not analyse the impact of enhancement of rates nor the amount collected on this account could be stated to audit. The commitment to double the rates of user charges was not fulfilled by the Higher Education Department.

1.12.5.5 *Sectoral Reforms*

(a) *Power Sector*

Pursuant to the agreement, the Government of Assam constituted (February 2001) the Assam Electricity Regulatory Commission (AERC) to (i) determine the tariff for Electricity, (wholesale, bulk, grid or retail), (ii) determine the tariff payable for use of transmission facilities, (iii) regulate power purchase and procurement process of transmission and distribution utilities, and (iv) promote competition, efficiency and economy in the activities of Electricity industry. Further, the State Government appointed (14 August 2001) the chairperson of the single member AERC. The tariff petition was submitted to the AERC by the Assam State Electricity Board only in June 2002 and impact of reform is yet to emerge*.

(b) *Transport Sector*

Transport Department initiated steps to make the Assam State Transport Corporation (ASTC) commercially viable by way of (i) reduction of employees, (ii) increase in fleet strength and (iii) mobilisation for increasing additional revenue. Against 2,000 identified additional employees, the corporation applied Voluntary Retirement Scheme (VRS) in respect of 727 employees during 2001-2002. However, the department could not furnish the actual position of salary expenditure saved through the VRS.

(c) *Disinvestments and leasing out of sick Public Sector Units*

As on 31 March 2002 there were 38 Government Companies (Working Companies: 28; Non-Working Companies: 10) and four working Statutory Corporations with no change in position as that of 31 March 2001, under the control of the State Government. Department of Public Enterprise (DPE) acted as nodal department for all these 38 Companies/Corporations. To review and identify sick PSUs for leasing

* A comprehensive review on Memorandum of Understanding on Power Sector reforms signed between Government of Assam and Government of India, Ministry of Power on 26 March 2001 has appeared in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2002 (Commercial)-Government of Assam.

them to private parties by 31 January 2000 as envisaged in the agreement, DPE called for the required information from the concerned administrative departments only in July 2002. DPE stated (July 2002) that the disinvestments policy formulated for non-working/sick units *etc.* was to be approved by the Cabinet after obtaining the views of the Finance Department which were awaited (August 2002).

According to the agreement three* PSUs were to be leased out to private parties by 31 January 2000. But the State Government could not furnish information on leasing out any of these units as of August 2002.

1.12.6 *Monitoring and Evaluation*

Finance (Economic Affairs) Department constituted (January 2000) a committee for monitoring the implementation of Fiscal Reform Programme with the Chief Secretary as Chairman. The Committee was to:

- (i) review periodically the steps taken by various departments to implement the Fiscal Reform Programme;
- (ii) review the benefit accrued to the State Government as a result of implementation of the Programme and;
- (iii) suggest measures to ensure the success of the Fiscal Reform Programme.

The Government also declared the Finance (Economic Affairs) Department as nodal department, for providing ministerial support to the committee.

The nodal department could not furnish any report on monitoring and evaluation of the implementation of the programme. No status report after 23 June 2000 was prepared and furnished to the Government of India. The department did not compile any report on the benefits, if any, accrued to the State Government as a result of implementation of the programme.

1.12.7 *Report of Committee on Fiscal Reforms (COFR)*

The State Government constituted (August 2001) COFR to (i) study the fiscal scenario of the State and the structural imbalances afflicting the State's finances and to (ii) recommend policy measures for achieving fiscal balance and stabilization through appropriate policy initiatives to increase revenue and control and restructuring of expenditure.

The Committee submitted (7 December 2001) a report with various recommendations to improve the fiscal position of the State. The Finance Department stated (August 2002) that the report was accepted in principle

1.12.8 *Non furnishing of information*

Following departments, one Directorate and one PSU did not furnish any information or record on the Implementation of Fiscal Reform Programme in response to audit queries.

(1) Assam Syntex Ltd.; (2) Fertichem Ltd.; (3) Assam State Fertiliser Corporation.

(a) Public Health Engineering Department (b) Education Department (c) Forest Department (d) Municipal Administration Department (e) Health & Family Welfare Department (f) Director of Elementary Education, Assam and (g) Assam Industrial Development Corporation (AIDC).

1.12.9. The foregoing observations were reported to Government in September 2002; their reply had not been received (October 2002).