

WHITE PAPER ON FINANCIAL STATUS



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Background

1. The Chief Secretary, in the press conference held on 9th August 2020, had explained in detail about the current financial status of Arunachal Pradesh. The detailed note was also circulated during this press conference. However, for the benefit of all, the finance department has edited the note by adding few more data tables.
2. The current fiscal situation in Arunachal Pradesh should be seen in the backdrop of global economic slowdown and consequent impact on Indian Economy due to covid-19 pandemic.
3. IMF in its June World Economic Outlook has predicted that the global economic growth will be negative 4.9 percent in this year as against positive 2.9 percent of last year. It has also predicted that Indian Economy will have a negative growth of 4.5 percent this year. It has clearly indicated that covid-19 will have more severe economic fallout than anticipated.
4. The World Bank in its latest report has mentioned that the COVID-19 has triggered the deepest global recession in decades. While the ultimate outcome is still uncertain, the pandemic will result in contractions across the vast majority of emerging market and developing economies. It has predicted that while global economy will contract by 7.7 percent the Indian Economy will witness a contraction of 9.0 percent.
5. The latest monthly economic report published by the Department of Economic Affairs mention that India is well on the path to a recovery from a trough in April, ably supported by proactive Government and Central Bank policies. However, the increase in the COVID cases and subsequent intermittent lockdowns make the recovery prospects fragile and call for constant and dynamic monitoring.
6. It is but obvious that the Arunachal Pradesh finances will also be affected by these developments at international and national level. The state government has taken many measures in tune with current reality and has created a very fine balance of funding development needs including health sector and urgent expenditure and maintaining exchequer's health.

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Arunachal Finances

7. Broadly there are four sources of financing plan and non-plan expenditure in Arunachal Pradesh. These are (i) devolution of taxes from Government of India based on the finance commission recommendations (ii) states own resources in the form of tax and non-tax revenues (iii) borrowings including market borrowing and RIDF (iv) funding under centrally sponsored schemes and programmes.
8. Historically it is observed that the States own resources contribute only 10% - 15% of our total finances while devolution of taxes by GOI, borrowings and CSS contribute to around 85-90 percent of our finances.
9. It has been well reported that the Government of India's tax collection has been seriously impacted during past few months due to covid-19 pandemic. Though the Government of India has tried its best to support the states like Arunachal Pradesh, the impact on devolution of taxes is observed and therefore the state must prepare itself for such impact.
10. The Share of Central Taxes for the period from 2015-16 to 2019-20 as per the 14th Finance Commission Recommendation was estimated at Rs.54090.14 Crore, whereas the actual receipt was Rs.44126.38 Crore with a shortfall of Rs.9963.76 Crore i.e., **18.40% shortfall**. Similarly, the Share of Central Taxes for the period from 2015-16 to 2019-20 as per the Union Budget was estimated at Rs.46776.61 Crore, whereas the actual receipt was Rs.44126.38 Crore with a **shortfall of Rs.2650.23 Crore i.e., 5.67% shortfall**.
11. Against the Share of Central Taxes estimated in the BE 2019-20 of Union Government to the tune of Rs.11571.10 Crore, the State Government has received Rs.8987.57 Crore during Financial Year 2019-20, which is less by Rs.2583.53 Crore for the Year 2019-20 i.e., **22.40% shortfall**.
12. This severe shortfall under Share of Central Taxes has affected development activities of the State within last year.


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Estimated Receipt During BE 2019-20 and RE 2019-20

Rs. in Crore

Sl. No.	Components	BE 2019-20	RE 2019-20
1	Share of Central Taxes	11571.10	8987.57
2	Tax Revenue	1440.00	1254.92
3	Non Tax Revenue	1050.00	860.72
4	Market Borrowings	790.90	1719.00
5	NABARD Loan	251.71	251.71
6	NSSF	144.90	169.06
7	NCDC	11.36	10.32
8	Ways & Means Advance	293.76	188.29
9	CBEC (Revenue Account)	700.00	600.00
10	Recovery of Loan and Advance	42.90	10.00
11	CSS/CASP	5200.00	4202.78
12	NLCPR	225.00	200.00
13	NEC	200.00	150.00
14	FFC (PRI/ULBs)	159.82	43.16
15	SDRF	57.00	57.00
16	MPF/ IRBN etc.	55.00	10.00
17	CRF	200.00	200.00
18	NDRF	0.00	0.00
	Total	22393.45	18914.53
		SHORTFALL	3478.92

Share of Central Taxes

Rs. in Crore

Sl. No.	Financial Year	As per Union Budget BE	Received in Actual	Shortfall
1	FY 2015-16	7231.74	7075.58	(-) 156.26
2	FY 2016-17	7868.96	8355.30	(+) 519.34
3	FY 2017-18	9306.23	9238.79	(-) 67.55
4	FY 2018-19	10798.47	10436.14	(-) 362.33
5	FY 2019-20	11571.10	8987.57	(-) 2583.53
	Total	46776.61	44126.38	(-) 2650.23

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Share of Central Taxes for the LFY 2019-20

Rs. in Crore

Sl. No.	Month	As per Union Budget BE 2020-21	Received in Actual	Shortfall
1	April, 2019	826.51	678.74	(-) 147.77
2	May, 2019	826.51	678.74	(-) 147.77
3	June, 2019	826.51	678.74	(-) 147.77
4	July, 2019	826.51	702.56	(-) 123.95
5	August, 2019	826.51	762.44	(-) 64.07
6	September, 2019	826.51	762.44	(-) 64.07
7	October, 2019	826.51	762.44	(-) 64.07
8	November, 2019	826.51	762.44	(-) 64.07
9	December, 2019	826.51	762.44	(-) 64.07
10	January, 2020	826.51	762.44	(-) 64.07
11	February, 2020	826.50	418.53	(-) 407.97
12	March, 2020			
	1 st Instalment	826.50	418.53	(-) 407.97
	2 nd Instalment	826.50	418.53	(-) 407.97
	3 rd Instalment	826.50	418.56	(-) 407.94
	Total	11571.10	8987.57	(-) 2583.53

States Own Revenue (SOR) during 2019-20

Rs. in Crore

Sl. No.	Type of Revenue	As per BE 2019-20	Received in Actual
1	Tax Revenue	1440.00	1180.69
2	Non-Tax Revenue	1050.00	335.28
	Total	2490.00	1515.97

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13. The Share of Central Taxes as per Union Budget BE 2020-21 is Rs.13801.59 Crore. The Share of Central Taxes expected per month is Rs.985.83 Crore. However, the actual receipt for the months of April & May 2020 was Rs.1620.56 Crore @Rs.810.28 Crore per month and Rs.738.60 Crore in June & July 2020 which is Rs.247.23 Crore less. The State received Rs.845.56 Crore (**21.44%**) less during the first four month of the CFY 2020-21. However, the trend of LFY 2019-20 coupled with the economic situation of the Country due to COVID-19, an unpredictable situation prevails on the receipt of Share of Central taxes. Therefore, the state must prepare for such uncertain situation.

Receipt of Share of Central Taxes during CFY 2020-21

Rs. In Crore

Sl. No.	Month	As per Union BE	Received in Actual	Shortfall
1	April, 2020	985.83	810.28	(-) 175.55
2	May, 2020	985.83	810.28	(-) 175.55
3	June, 2020	985.83	738.60	(-) 247.23
4	July, 2020	985.83	738.60	(-) 247.23
Total		3943.32	3097.76	(-) 845.56
Percentage		100%	78.56%	21.44%


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Estimated Receipt during BE 2020-21 & Probable Receipt during 2020-21

Rs. In Crore

Sl. No.	Components	BE 2020-21	Probable Receipt during 2020-21
1	Share of Central Taxes	13801.59	9000.00
2	Tax Revenue	1316.00	1000.00
3	Non Tax Revenue	600.00	400.00
4	Market Borrowings	974.00	1000.00
5	NABARD Loan	251.71	251.71
6	NSSF	140.00	140.00
7	NCDC	10.00	10.00
8	Ways & Means Advance	300.00	300.00
9	CBEC (Revenue Account)	400.00	300.00
10	Recovery of Loan and Advance	10.00	10.00
11	CSS/CASP	3600.00	3000.00
12	NLCPR / NESIDS	100.00	100.00
13	NEC	75.00	75.00
14	FFC (ULBs)	111.00	111.00
15	FFC (PRIs)	231.00	231.00
16	SDRF	250.00	250.00
17	MPF/ IRBN etc.	10.00	10.00
18	CRF	100.00	100.00
	Total	22280.30	16288.71

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PFMS Expenditure Authorization (LFY 2019-20 Vs 2018-19)

Rs. In Crore



Sl. No.	Department	FY 2018-19	FY 2019-20
1	Agriculture	57.58	92.27
2	Animal Husbandry and Veterinary	8.30	7.22
3	Administrative Training Institute	0.57	0.00
4	Cooperation	0.03	1.42
5	Hydro Power Development	0.00	2.19
6	Disaster Management	163.20	64.50
7	DoKAA	0.00	1.31
8	Economics and Statistics	4.05	8.58
9	Education	506.03	677.94
10	Election	0.10	0.00
11	Environment and Forest	20.96	41.91
12	Fisheries	4.79	4.93
13	Food and Civil Supplies	30.30	25.18
14	Health and Family Welfare	359.89	307.11
15	Home	51.31	0.88
16	Horticulture	11.60	47.19
17	Industries	0.14	10.00
18	Information Technology	0.00	39.70
19	Law and Judicial	3.24	2.89
20	Legal Metrology	0.00	0.40
21	Parliamentary Affairs	0.02	0.00
22	Panchayati Raj	91.28	61.89
23	PHED	256.35	223.22
24	Planning & Investment	149.17	38.30
25	Power	167.67	401.94
26	Public Works Department	173.84	204.27
27	RD	238.85	276.99
28	Rural Works Department	1008.10	921.20
29	Secretariat Administration	1.59	0.00
30	Skill Development	2.81	11.82
31	SJETA	192.76	269.72
32	State Election	0.01	0.00
33	Sports and Youth Affairs	0.00	4.35
34	Textile and Handicraft	0.92	3.73
35	Town Planning	120.51	31.05
36	UD and Housing	34.16	64.32
37	Water Resource Department	36.91	64.53
38	WCD	254.68	226.80
Total		3951.72	4139.75

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14. At this juncture State needs to make provision for expenditure of Rs.2614.53 Crore against CSS including NEC, NLCPR, NESIDS, etc.; Rs.1588.72 Crore against CAMPA; Rs.1194.65 Crore against repayment of Loans & Advances, Market Borrowing Interests, GPF, Group Insurance and contribution towards Consolidated Sinking Fund (CSF) and Guarantee Redemption Fund (GRF); and around Rs.825 Crore against SIDF / Additional RE. In addition to the above, the liability of the State Government in-respect of the funds released by the Government of India against CSS including NEC, NLCPR, NESIDS, etc. during CFY 2020-21 upto 11.08.2020 is Rs.1182.66 Crore.

15. Fund Released during CFY 2020-21 (01.04.2020 to 11.08.2020) :

By lifting the ban on encashment of un-encashed cheques of FY 2019-20 issued by various Works and Forest Departments, payments were made in the month of May, 2020 to the tune of Rs.495.31 Crore, Rs.447.77 Crore Pending LOC Authorization of 2019-20 was released in June 2020 and PFMS Expenditure Authorization to the tune of Rs.1359.28 Crore provided. In addition to the above, Reserve Bank of India has deducted Rs.227.94 Crore at source. The details are as below :

Rs. In Crore

1	Pending un-cashed Cheque and LOC authorization of LFY 2019-20	943.08
2	PFMS Expenditure Authorization	1359.28
3	Deducted at Source by Reserve Bank of India (RBI)	227.94
	Total	2530.30

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**Details of Pending un-cashed Cheques and LOC Authorization of
LFY 2019-20 released during CFY 2020-21**



Rs. In Crore

Sl. No	Name of Department	Name of Zone	Amount
1	PWD	Western Zone	121.74
		Eastern Zone	98.96
		Central Zone-A	105.61
		Central Zone-B	50.12
		Highway Zone	20.72
		North West Zone	7.20
		PWD	404.35
2	RWD	Eastern Zone	96.52
		Western Zone	92.50
		RWD	189.02
3	PHED	Eastern Zone	68.95
		Western Zone	95.12
		PHED	164.06
4	WRD	Eastern Zone	22.63
		Western Zone	26.22
		WRD	48.85
5	Power	Eastern Zone	13.35
		Western Zone	24.84
		Central Zone	23.57
		TP&M Zone	11.65
		Commercial cum CEI	1.48
		Power	74.88
6	Hydro Power	Eastern Zone	9.84
		Western Zone	6.35
		Hydro Power	16.19
7	UD		39.00
8	Forest		6.73
		Grand Total (1+2+3+4+5+6+7+8)	943.08

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**PFMS Expenditure Authorization to Departments
for State / Central Schemes (01.04.2020 to 11.08.2020)**



		Rs. in Crore
1	Agriculture	7.21
2	Animal Husbandry and Veterinary	3.44
3	Disaster Management	51.50
4	Economics & Statistics	4.54
5	Education	179.98
6	Environment & Forest	9.28
7	Health & Family Welfare	28.97
8	Horticulture	0.78
9	Hydro Power	0.38
10	Panchayati Raj	154.67
11	Public Health Engineering and Water Supply	76.18
12	Planning	12.34
13	Power	175.07
14	Rural Development	263.06
15	Rural Works Department	288.32
16	SJETA	3.17
17	Town Planning	61.97
18	Urban Development	7.33
19	Women & Child Development	31.09
	Total	1359.28

Receipts during CFY 2020-21 (01.04.2020 – 11.08.2020)

Rs. In Crore

a)	Market Borrowing	428.81
b)	Share of Central Taxes	3097.76
c)	NSSF	87.54
d)	NABARD	49.86
e)	GST (SGST + IGST)	182.25
f)	Released by various Ministries	1196.26
g)	Agency Bank Credit	294.80

Expenditure during CFY 2020-21 (01.04.2020 – 11.08.2020)

Rs. In Crore

a)	Debited by RBI at Source	227.94
b)	Salary, Wages, Pension & Pensionary Benefits (March to July 2020)	2800.00
c)	Pending un encashed Cheque released	495.31
d)	Pending LOC Authorization of 2019-20 released	447.77
e)	Budgetary Support / Allocation	2641.00

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Prioritisation

16. In the background of serious financial resource shortfall for two consecutive years, in the first four months of this financial year, state has given priority for (i) health and covid related expenses (ii) salary, wages and pensions (iii) mandatory provisions like interest payments etc. (iv) expenditure under CSS including state share (v) MLALAD and such other development expenditure (vi) phased wise release of funds for developmental schemes including for SIDF/Additional RE etc.
17. It is worth mentioning that our measures do not completely ban floating of tenders and and issuance of work order but provide sufficient room for addressing the concerns related to urgent and important projects. The orders dated 14th May 2020 and 03rd August 2020 clearly provide for going ahead with tendering and expenditure for cases which are urgent and important in nature. Accordingly, the State has been giving approval for many cases based on the urgency and importance.
18. Certainly we are in a far better position than many other states which have to go for more stringent austerity measures including deferment or reduction of salary, suspending all developmental schemes including MLALAD and such other harsh measures.
19. Our concern at this juncture in the state plan is pending liability of SIDF and additional RE and tendering of important projects including CCI approved last year. With the continuing of prudent expenditure management approach, we will start permitting tendering of important projects including those approved in CCI in a phased manner while taking adequate care of all important and emergent fiscal needs of the State.

Conclusion- road ahead

20. The state's finances are impacted by the global and national economic slowdown. Since state dependence on GOI is to the tune of 85-90 percent, therefore need to calibrate our expenses looking at the national trend. We need to prepare ourselves for a long battle ahead and plan our expenses based on the ground reality.


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21. It is worth mentioning that the state has accorded highest priority for the development needs and in spite of such acute shortage in resources have managed to provide sufficient allocation for all important works.
22. In spite of such tight financial situation the state has been able to successfully release in the first four months of CFY Rs. 2800.00 Crore for salary and wages, pending un-cashed cheques of Rs. 495.00 Crore of last year and LOC authorization of Rs. 447.00 Crore of last year. We have released Rs. 1359.28 Crore to various departments through PFMS. We have released first instalment of Rs.45.00 Crore under MLALAD. In spite of austerity measures, the State have kept window open for expenses which are urgent and important in nature. We have not defaulted in our repayments of market borrowings.
23. We have been providing budgetary support and expenditure authorisation for all CSS schemes and important and urgent state plan schemes. We have not out suspended the floating of tenders but we do it based on urgency and importance. We have approved for tendering for projects worth Rs. 240.00 Crore.
24. The departments are advised to expedite the expenditure under CSS schemes so that we can claim the next instalment from GOI. There is around Rs.1900.00 Crore available in PFMS accounts of various departments. The departments have been advised to spend the money on priority.
25. The state will make full endeavours to address the pending liabilities under SIDF and Additional RE and allow tenders for schemes under CCI and such other plan schemes which will be further accelerated once the resource position witnesses improvements.
26. Till date State has been managing finances in a prudent manner while balancing the need for development finances and projects of urgent and important nature and maintaining exchequers health.



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