REPORT OF

THE EXPERT COMMITEE

ON

REVIEW OF FINANCES OF NAGALAND GOVERNMENT

DEPARTMENT OF ECONOMICS

NAGALAND UNIVERSITY

LUMAMI

2014

LIST OF TABLES

List of Abbreviations

SCS- Special Category States
GST- Goods and Services Tax
FCR -Fiscal Consolidation Roadmap

CHAPTER-I
INTRODUCTION

The Fourteenth Finance Committee has given an assignment to the Department of Economics on the basis of agreement between two parties (Fourteenth Finance Commission and the Department of Economics, Nagaland University) to review the financial status of Nagaland vide letter no of Fourteenth Financce Commission D.O. No. 11015/02/2013-FFC dated 28th March 2013 under the chairmanship of Prof Mithilesh Kumar Sinha, Head, Department of Economics, Nagaland University, Lumami. Prof B. Kilangla Jamir, Department of Economics, Prof H. John Sema, Department of Political Science, Dr. Temjenzulu Jamir, Senior Assistant Professor, Department of Economics, Dr. Giri Banu, M. Department of Economics were nominated as Members of the team. The team was constituted in the context of reviewing the Nagaland State's Financial Status in order to suggest the measures for enhancing state's revenue under the twelve heads.

TERMS OF REFERENCE (TOR)

1. The study should provide an analysis of the State Finances over a period of 10 years starting from 1st April, 2002. Specifically, the study should include (and may not be restricted to) the following:

    i. Estimation of revenue capacities of State and Measures to improve the tax-GSDP ratio during last five years. Suggestions for enhancing the revenue productivity of the tax system in the State
    ii. Analysis of the state's own non-tax revenues and suggestions to enhance revenues from user charges and profits from departmental enterprises and dividends from non-departmental commercial enterprises.
    iii. Expenditure pattern and trends separately for Non-Plan and Plan, Revenue and Capital, and major components of expenditure thereunder. Measures to enhance allocative and technical efficiency in expenditures during the last 5 years. Suggestions for improving efficiency in public spending.
    iv. Analysis of Deficits-Fiscal and Revenue along with Balance of Current Revenues for Plan financing.
    v. The level of Debt: GSDP ratio and the use of debt (i.e. whether it has been used for capital expenditure or otherwise). Composition of the state's debt in terms of market borrowing, Central Government debt (including those from bilateral/multilateral lending agencies routed through the Central government), liabilities in public account (small savings, provident funds etc(and borrowing from agencies such as NABARD, LIC etc.

vi. Implementation of FRBM Act and commitment towards targets. Analysis of MTFP of various departments and aggregate.
vii. Analysis of the state's transfers to urban and rural local bodies in the state. Major decentralisation initiatives. Reforms undertaken under JNNURM conditionalities.
viii. Impact of State Public Enterprises finances on the State's financial health and measures taken to improve their performance and/or alternatives of closure, disinvestment etc.
ix. Public Expenditure and Financial Management (PEFM) Reforms implemented in the State.
x. Impact of Power Sector Reforms on State's fiscal health. In case reforms have not been implemented, the likely outcome on the state's fiscal health.
xi. Analysis of contingent liabilities of the state.
xii. Subsidies given by the States (other than Central subsidies), its targeting and evaluation.

Nagaland was formed on 1 December 1963 as a Special Category State and is situated in the North-Eastern region of India bordering three States viz. Assam in North and West, Arunachal Pradesh in East and Manipur in the South. It has an international border with Myanmar in the East. Topographically, the State is mountainous and the altitude varies approximately between 194 metres and 3048 metres above the sea level. With a geographical area of 16579 sq. kms i.e. about 0.51 *per cent* of country's total geographical area, Nagaland provides shelter to 0.16 *per cent* population of the country. Nagaland has a lower density of population, higher proportion of rural population, higher literacy rate and lower infant mortality rate as compared to the All India Average figures. The compound annual growth rate of GSDP in respect of Nagaland for the period 2001-02 to 2011-12 was 10.99 *per cent*.

Table 1.1 State Profile

General Data

Sl. No	Particulars	Figures
1	Area (in sq. kms.)	16579
2	Population as per 2011 census (In crore)	0.20
4	Density of Population (2011) (per sq. kms.) (All India Average 382 person per sq km)	119
5	Literacy (2011) (in per cent) (All India Average 74.04%)	80.11
6	Infant Mortality (per 1000 live births) (All India Average 47 per 1000 live birth)	23
7	Gross State domestic Product (GSDP) 2011-12 (` In crore)	12064.53
8	GSDP CAGR (2001-02 to 2011-12)	10.99

CHAPTER-II
STATE ECONOMY

The compound annual growth rate of GSDP in respect of Nagaland for the period 2001-02 to 2011-12 was 10.99 *per cent*.

Trend in State Finance 1991-95:

During 1991-95, growth rate of primary revenue receipts was less than one percent in Nagaland. Thus, revenue growth was low in the state.. The poor performance of primary revenue receipts was mainly due to poor growth in central inflow in Nagaland. Nagaland had primary deficit which was mainly because of higher growth of primary expenditure than primary revenue receipts. Thus, Nagaland allowed their primary expenditure to grow positively. Therefore, it is important to analyse the contribution made by different components of primary expenditure to its growth.

Factors contributing to the growth of Primary Expenditure and reasons of high gross fiscal deficit

In Nagaland, non-developmental revenue and capital expenditure contributed 78 percent to the growth which was disproportionately higher than the share enjoyed in primary expenditure. The positive contribution made by developmental capital outlay was very low. The state had primary deficit of 7.74 percent of GSDP, which was mainly because of non-developmental revenue expenditure growth. With high interest payment of 5.13 percent, gross fiscal deficit became 12.87 percent of GSDP.

Thus, in Nagaland a distorted growth of primary expenditure occurred in 1991-95, which was mainly because of low or negative growth of central inflow and the sufferer was the developmental capital outlay. The primary deficit of Nagaland was mainly due to revenue and non-developmental expenditure. Again with high interest payment, gross fiscal deficit turned out to be very high. Thus, the low growth rate of central inflow resulted in low capital outlay in all the states.

Trend in State Finance 1995-2000

Growth rate of primary revenue improved in Nagaland. Growth rate of primary expenditure was less than primary revenue receipts in Nagaland. The important point is that, in Nagaland, the growth in expenditure was less than the growth in revenue and there was primary deficit.

Factors contributing to the growth of Primary Expenditure and reasons of high gross fiscal deficit

In Nagaland, negative contribution came from developmental revenue expenditure to the growth of primary expenditure. Contribution by overall developmental capital outlay was equitable, but contribution of economic service was very low. However, disproportionately high contribution made by non-developmental revenue expenditure pushed-up the growth of primary expenditure, which resulted in high primary deficit of 4.82 percent of GSDP. Again with high interest payment of 5.26 percent of GSDP, gross fiscal deficit became 10.08 percent. Low capital outlay in developmental economic service resulted in low growth rate of GSDP (1.91 percent).

Thus, non-developmental revenue expenditure in Nagaland pushed-up the growth rate of primary expenditure. Distortion took place in developmental capital outlay in Nagaland where one can infer that borrowing was used for non-developmental purpose in 1995-2000. Further, the process was refuelled with high interest payment, resulting in high gross fiscal deficit in all states. Again, reduction in capital outlay resulted in low growth rate of GSDP in those states where public expenditure weight in GSDP was high.

Trend in State Finance 2000-05

In 2000-05, growth of revenue receipts went up sharply in Nagaland. As a percentage of GSDP, revenue receipts declined in the state. This was mainly due to high growth of GSDP in the state in 2000-05 as compared to the previous period. This was also due to the new series of GSDP (1999-2000 series) used to compute the GSDP from 1999-2000 onwards. So the variables as a percentage of GSDP of period 2000-05 were not comparable with that of previous periods.

The rise in the growth of revenue receipts was mainly due to good performance of both own revenue and central inflow in all states

The growth rate of primary expenditure is less than revenue receipts in Nagaland and it had primary deficit. In Nagaland, the growth rate of primary receipts was greater than the expenditure and the state had primary deficit. Thus, in 2000-05 Nagaland had not primary surplus as in 1995-2000. Therefore, it is important to examine the factors responsible for high growth of primary expenditure.

Factors contributing to the growth of Primary Expenditure and reasons of high gross fiscal deficit

In Nagaland, both developmental and non-developmental revenue expenditure contributed significantly to the growth (273.48 percent) and heavy compression (-129.04 percent) was done in developmental capital outlay which resulted in low growth of primary expenditure. Finally, the state ended up with a low primary deficit of 0.64 percent of GSDP. The process was highly distortionary as deficit was used for current expenditure at the cost of capital outlay. The primary deficit of 0.64 percent of GSDP and high interest payment of 4.90 percent made gross fiscal deficit 5.54 percent of GSDP. The growth rate in GSDP achieved was 6.25 percent because of better performance of other sectors of the economy.

Thus, in the period 2000-05, distorted growth of revenue expenditure in Nagaland forced it for primary deficit and with high interest payment, gross fiscal deficit became high. But, high interest payment in state exceeded its gross fiscal deficits above 5 percent of GSDP.

Trend in State Finance 2005-09:

In Nagaland growth rate of revenue increased but as a percentage of GSDP, a decline was observed. In Nagaland, though the growth of primary expenditure was less than the revenue receipts but as a percentage of GSDP, it was more than revenue receipts. The process resulted in primary deficit. In Nagaland, as a percentage of GSDP, central inflow declined, though the growth rate increased. Poor performance of Nagaland in total primary revenue was mainly because of poor performance of both central inflow and own revenue.

Since, in the state primary surplus and primary deficit was realized, it is important to examine how the states achieved surplus or deficit in 2005-09. Analysis below examines the contribution to growth of primary expenditure by its different components.

Factors contributing to the growth of Primary Expenditure and reasons of high gross fiscal deficit

Nagaland’s, primary expenditure growth was less than the growth of revenue. As a percentage of GSDP the reverse was true. Here, revenue receipts declined in 2005 09 by 3.13 percentage points over the previous period as a percentage of GSDP. Again, during the same time capital expenditure increased and revenue expenditure declined.

Contribution made to primary expenditure reveals an equitable trend in revenue and developmental capital expenditure but contribution made by non-developmental capital expenditure was distorted. Thus, borrowing was used for non-developmental capital expenditure, which was distortionary. Finally high interest payment made gross fiscal deficit high. The growth rate of the economy declined to 5.58 percent.

In brief

1991-1995

Primary revenue receipts grew at a rate of less than one percent (0.20) in the state. This was mainly because of either negative or low growth rate of revenue from the centre.

Growth rate of own revenue receipts of Nagaland was even higher the non-special category states. Growth rate of primary capital expenditure in state was less than even the non-special category states.

1995-2000

Primary receipts fell down in 1995-2000 the state. This decline was mainly because of poor performance of own revenue.

Growth rate of primary capital expenditure in Nagaland was -0.49 per cent in contrast to low or negative in six special category states. Interest payment in the state was higher than the non-special category states.

2000-2005

Growth rate of own revenue receipts was higher (7.58 per cent) in the state than the non-special category states. In Nagaland, primary capital expenditure grew at a lesser rate (-3.58 per cent) than the non-special category states. In the state interest payment was higher (4.9 per cent) than the non-special category states.

2005-2009

Growth rate of own revenue receipts in the state was lower (2.56 per cent) than many special category states. As a percentage of GSDP also the same trend was observed. Growth rate in primary expenditure in the state was less (5.46 per cent) than the non-special category states. Primary capital expenditure grew at a rate of 11.56 per cent per cent in the state that is lower than non-special category states. In the state interest payment was higher than the non-special (3.74 per cent) category states

2010-12

For Nagaland, the process of fiscal consolidation has been relatively slow and painful. Owing to limited avenues to raise tax collections, the state is dependent on the transfers by the Centre to a large extent. Amongst the SCS, Nagaland has seen a sharp deterioration in its fiscal health. The 2012-13RE spiked to 9.1% as against the BE for 3.5%.

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

- Revenue receipts increased by `586.39 crore (11.73 *per cent*) from `4999.99 crore in 2010-11 to `5586.38 crore in 2011-12 due to increase in grants from Government of India (GOI) (`346.28 crore), State's Own Tax revenue (`76.56 crore), State's Non-Tax revenue (`49.81 crore) and State's share of Union taxes and duties (`113.74 crore). The revenue receipts at `5586.38 crore was however, lower than the assessment made by the State Government in its Fiscal Consolidation Roadmap (FCR) `5777.64 crore) for the year 2011-12 by `191.26 crore.

- Revenue expenditure of the State, on the other hand increased by `687.82 crore (16.42 *per cent*) from `4187.84 crore in 2010-11 to `4875.66 crore in 2011-12, mainly under the heads Administrative services (`171.81 crore), Interest payment and Servicing of Debt (`26.06 crore), Pension and Miscellaneous General Services (`251.63 crore), Education, Sports and Art & Culture (`16.95 crore), Health and Family Welfare (`35.32 crore), Agriculture and Allied Activities (`37.31 crore), Energy (`71.94 crore) and Transport (`70.29 crore) offset by decrease in Rural Development (`36.36 crore) and Social Welfare & Nutrition (`29.53 crore). The revenue expenditure (`4875.66 crore) was higher than the assessment made by the State Government in its FCR (`4787.18 crore) for the year 2011-12 by `88.48 crore.

- Capital Expenditure increased by `126.45 crore (11.26 *per cent*) from `1122.94 crore in 2010-11 to `1249.39 crore in 2011-12, mainly under the head General Service (`18.58 crore), Education, Sports, Art & Culture (`18.45 crore), Water Supply, Sanitation, Housing & Urban Development (`14.69 crore), Agriculture & Allied Activities (`32.60 crore), Transport (`26.30 crore) and Energy (`23.53 crore) offset by decrease in Industry (`4.91 crore), Social Welfare and Nutrition (`2.32 crore) and Irrigation and Flood Control (`1.15 crore).
- Recoveries of Loans and Advances increased by `0.13 crore and disbursement decreased by `1.37 crore in 2011-12 over the previous year.
- During the year 2011-12 public debt receipts3 increased by `855.50 crore from `463.35 crore in 2010-11 to `1318.85 crore in 2011-12 and repayment also increased by `537.41 crore from `261.16 crore in 2010-11 to `798.57 crore in 2011-12 over the previous year.

- Public Account Receipts increased by `343.85 crore and disbursement also increased by `204.98 crore during 2011-12 over the previous year.

The total inflow increased by `1785.87 crore (23.09 *per cent) from* `7733.18 crore in 2010-11 to `9519.05 crore in 2011-12. The total outflow also increased by `1555.29 crore (20.11 *per cent)* from ` 7735.65 crore in 2010-11 to `9290.94 crore in 2011-12 the cash balance of the

State at the end of 2011-12 increased by `228.11 crore (227.93 *per cent*) from `100.08 crore in 2010-11 to `328.19 crore in 2011-12.

Table 2.1: Fiscal Parameters

Variable		**1991-2009**	**1991-1995**	**1995-2000**	**2000-05**	**2005-09**
Own Revenue Receipts (Tax + Non Tax)	Growth (%)	4.85	9.74	4.89	7.58	2.56
	% of GSDP	3.07	4.4	3.4	2.59	2.86
Revenue from Centre (Tax +Grants)	Growth (%)	5.67	-1.14	2.67	5.74	8.56
	% of GSDP	35.44	41.84	40.06	34.72	31.42
Non-Debt Capital Receipts	Growth (%)	-6.9	-0.56	-20.56	-1.87	-8.88
	% of GSDP	0.19	0.51	0.29	0.15	0.06
Primary Receipts	Growth (%)	5.52	0.2	2.69	5.89	8.02
	% of GSDP	38.7	46.75	43.74	37.47	34.34
Primary Expenditure	Growth (%)	4.62	4.63	0.66	0.64	5.46
	% of GSDP	41.42	54.49	48.56	38.11	36.07
Primary Revenue Expenditure	Growth (%)	4.05	5.28	0.91	1.84	3.44
	% of GSDP	32.15	43.78	39.29	29.72	26.53
Primary Capital Expenditure	Growth (%)	6.54	2.01	-0.49	-3.51	11.56
	% of GSDP	9.27	10.71	9.27	8.39	9.54
Primary Deficit	% of GSDP	2.72	7.74	4.82	0.64	1.73
Interest Payment	% of GSDP	4.58	5.13	5.26	4.9	3.74
Fiscal Deficit	% of GSDP	7.3	12.87	10.08	5.54	5.47
GSDP	Growth (%)	7.86	9.78	1.91	6.25	5.58

Notes: (1) All calculation are done at constant price (1999-2000=100)
(2) Data of 2007-08 and 2008-09 refers to Revised Estimate and Budgeted respectively

Table 2.2: Fiscal Overview: NAGALAND

(Rs. crore)

Sl. No.	Item/Year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
					(Prov. Actuals)	BE	(BE/Est)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Tax Revenue	531.14	577.86	590.45	916.78	1107.08	1286.03
1a	State's Own Tax Revenue	131.36	156.02	156.42	227.32	303.88	292.11
1b	Share in Central Taxes	399.78	421.84	434.03	689.46	803.20	993.92
2	Non-Tax Revenue	2464.87	2800.81	3158.18	4083.21	4479.30	5364.06
2a	State's Own Non-Tax Revenue	119.48	158.34	179.31	183.14	232.95	201.69
2b	Grants	2345.39	2642.47	2978.87	3900.07	4246.35	5162.37
3	Total Revenue Receipts	2996.01	3378.67	3748.63	4999.99	5586.38	6650.09
4	Non-Debt Capital Receipts	3.06	2.57	4.20	2.31	2.44	3.33
5	Total Receipts	2999.07	3381.24	3752.83	5002.30	5588.82	6653.42
6	Revenue Expenditure	2572.27	2889.54	3252.44	4187.84	4875.66	5586.21
6a	Plan	484.89	543.65	588.55	883.45	821.58	1049.71
6b	Non- Plan Revenue Expenditure	2087.38	2345.89	2663.89	3304.39	4054.08	4536.50
	of which						
	i) Interest Payment	270.46	313.99	362.51	394.33	417.39	479.23
	ii) Pensions	259.73	228.96	279.06	335.97	586.68	556.75
	iii) Salaries	1123.47	1254.32	1493.87	2036.36	2339.19	2485.44
	iv) Others	433.72	548.62	528.45	537.73	710.82	1015.08
7	Capital Expenditure	86.80	103.93	274.60	261.16	349.81	380.42
7a	Plan	0.00	0.00	0.00	0.00	0.00	0.00
7b	Non-Plan	86.80	103.93	274.60	261.16	349.81	380.42
8	Capital Outlay	821.48	853.08	989.53	1124.54	1249.39	1686.86
8a	Plan	809.47	853.08	976.63	1121.94	1245.39	1683.06
8b	Non-Plan	12.01	0.00	12.90	2.60	4.00	3.80
9	Loans and Advances	2.61	0.02	3.56	4.12	2.76	0.00
9a	Plan	2.61	0.01	3.37	4.03	2.42	0.00
9b	Non-Plan	0.00	0.01	0.19	0.09	0.34	0.00
10	Total Expenditure	3483.16	3846.57	4520.13	5577.66	6477.62	7653.49

10a	Plan	1296.97	1396.74	1568.55	2009.42	2069.39	2732.77
10b	Non-Plan	2186.19	2449.83	2951.58	3568.24	4408.23	4920.72
11	Revenue Deficit (+)	423.74	489.13	496.19	812.15	710.72	1063.88
12	Fiscal Deficit (-)	-397.29	-361.40	-492.70	-314.20	-538.99	-619.65
13	Primary Deficit (-)	-126.83	-47.41	-130.19	+80.13	-121.60	-140.42
14	Total Outstanding Liabilities	3884.11	4571.70	5139.47	5864.53	6759.87	7263.87
	(as at the end of the year)						
15	GSDP (at current prices) – CSO	8075.00	9436.00	10527.00	11315.00	12272.00	13322.00

(+) denotes surplus & (-) denotes deficit.

CHAPTER-III
TAX AND NON-TAX REVENUE

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

Table-3.1 presents the receipts and disbursements of the State during the last two years as recorded in its Annual Finance Accounts while **Chart 3.1** depicts the trends in various components of the receipts of the State during 2007-12. **Chart 3.2** depicts the composition of resources of the State during the current year and **Table 1.2** presents the trends in growth and composition of receipts for the years 2007-08 to 2011-12.

Table 3.1: Summary of Receipts for two Years (2010-11 and 2011-12)

(Rupees in crore)

Revenue	2010-11	2011-12
Revenue receipts[1]	4999.99	5586.38
Tax revenue	227.32	303.88
Non-tax revenue	183.14	232.95

Share of Union Taxes/Duties	689.46	803.20
Grants from Government of India	3900.07	4246.35
Capital		
Misc. Capital Receipts	0.00	0.00
Recoveries of Loans and Advances	2.31	2.44
Public Debt receipts	463.35	1318.85
Contingency Fund	0.00	0.00
Public Account receipts	2267.53	2611.38
Opening Cash Balance	102.55	100.08
Total	**7835.73**	**9619.13**

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

- Revenue receipts increased by `586.39 crore (11.73 *per cent*) from `4999.99 crore in 2010-11 to `5586.38 crore in 2011-12 due to increase in grants from Government of India (GOI) (`346.28 crore), State's Own Tax revenue (`76.56 crore), State's Non-Tax revenue (`49.81 crore) and State's share of Union taxes and duties (`113.74 crore). The revenue receipts at `5586.38 crore was however, lower than the assessment made by the State Government in its Fiscal Consolidation Roadmap (FCR) (`5777.64 crore) for the year 2011-12 by `191.26 crore.
- Recoveries of Loans and Advances increased by `0.13 crore.
- During the year 2011-12 public debt receipts[3] increased by `855.50 crore from `463.35 crore in 2010-11 to `1318.85 crore in 2011-12.
- Public Account Receipts increased by `343.85 crore.

The total inflow increased by `1785.87 crore (23.09 *per cent) from* `7733.18 crore in 2010-11 to `9519.05 crore in 2011-12. The cash balance of the State at the end of 2011-12 increased by `228.11 crore (227.93 *per cent*) from `100.08 crore in 2010-11 to `328.19 crore in 2011-12

Chart 3.1: Trends in Receipts

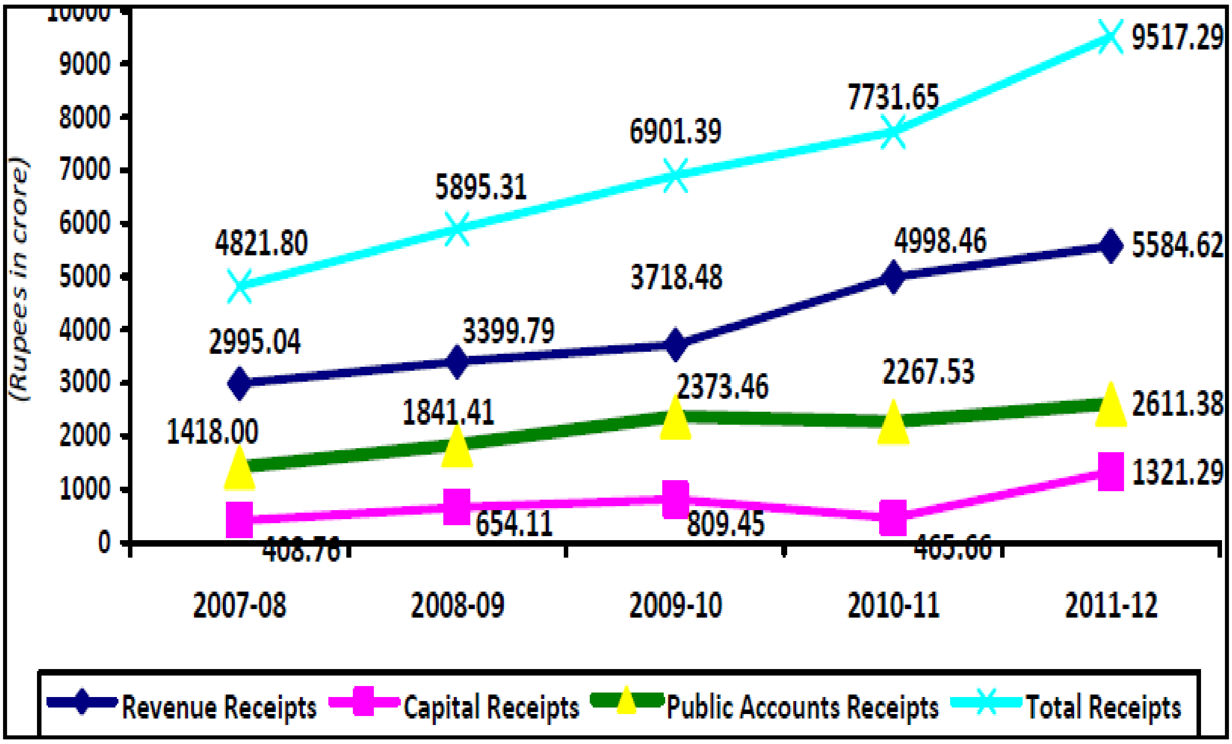
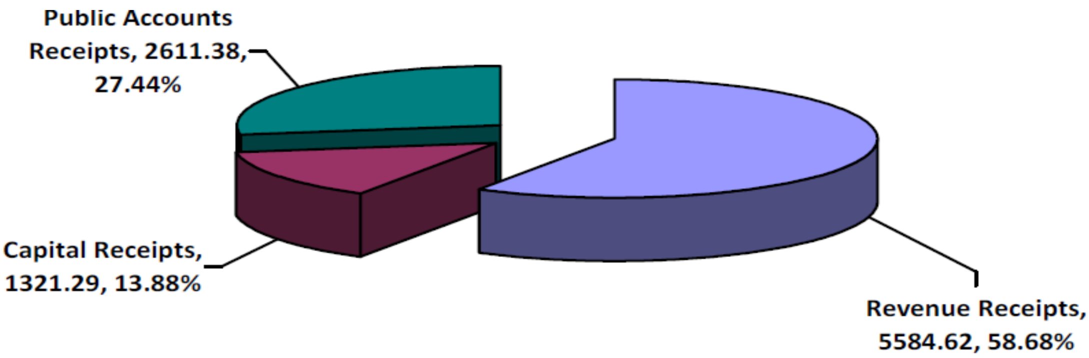


Chart 3.2: Composition of Receipts during 2011-12



[4] *Revenue receipts is net of receipts and expenditure under State Lottery.*

Table 3.2: Trends in growth and composition of receipts

(Rupees in crore)

	Sources of State receipts	2007-08	2008-09	2009-10	2010-11	2011-12
I	**Revenue receipts**	**2995.04**	**3399.79**	**3718.48**	**4998.46**	**5584.62**
II	**Capital Receipts (CR)**	**408.76**	**654.11**	**809.45**	**465.66**	**1321.29**
	Miscellaneous Capital Receipts	-	-	-	-	-
	Recovery of Loans and	3.06	2.57	4.20	2.31	2.44

	Advances					
	Public Debt Receipts	405.70	651.54	805.25	463.35	1318.85
	Rate of growth of non-debt CR	(-)29.33	(-)16.01	63.42	(-)45.00	5.63
	Rate of growth of debt CR	(-)6.26	60.60	23.59	(-)42.46	184.63
	Rate of growth of Revenue Receipt	8.06	13.51	9.37	34.42	11.73
	Rate of growth of GSDP	**11.27**	**16.85**	**8.87**	**8.26**	**8.48**
	Rate of growth of CR	(-)6.49	60.02	23.75	(-)42.47	183.75
	Debt Capital buoyancy w.r.t GSDP	(-)0.56	3.60	2.66	(-)5.14	21.77
	Non Debt Capital Buoyancy w.r.t GSDP	(-)2.60	(-)0.95	7.15	(-)5.45	0.66
	Revenue Receipt Buoyancy w.r.t GSDP	0.72	0.80	1.06	4.16	1.38
III	**Contingency Fund**	**-**	**-**	**-**	**-**	**-**
IV	**Public Account Receipts**	**1418.00**	**1841.41**	**2373.46**	**2267.53**	**2611.38**
	Small Savings, Provident Fund etc	135.42	122.44	149.54	191.57	196.97
	Reserve Fund	6.85	5.37	26.49	36.96	29.00
	Deposits and Advances	209.02	134.09	786.40	545.72	718.11
	Suspense and Miscellaneous	51.07	27.29	52.94	21.17	24.79
	Remittances	1015.64	1057.59	1358.09	1472.11	1642.51
	Total Receipts	**4821.80**	**5895.31**	**6901.39**	**7731.65**	**9517.29**

Chart 3.2 shows that the total receipts of the State Government for the year 2011-12 was `9517.29 crore out of which, the revenue receipts was `5584.62 crore constituting 58.68 *per cent* of the total receipts. The balance came from capital receipts and Public Account receipts. The revenue receipts of the State increased from `2995.04 crore in 2007-08 to `5584.62 crore in 2011-12 at a compound annual growth rate of 13.27 *per cent*. The buoyancy of Revenue receipts w.r.t GSDP during the year was 1.38 *per cent*.

The capital receipts (including Public Account receipts) constituted 41.32 *per cent* of the total receipts of the State during the year 2011-12, an increase of 115.28 *per cent* from `1826.76 crore in 2007-08 to `3932.67 crore in 2011-12.

Public Account receipts increased by `343.85 crore (15.16 *per cent*) in 2011-12 over the previous year due to increase in Deposit and Advances (`172.39 crore), Remittances (`170.40

crore), Provident Fund (`5.40 crore) and Suspense and Miscellaneous (`3.62 crore) offset by decrease in Reserve Fund (`7.96 crore).

Revenue Receipts

The revenue receipts consist of its own tax and non-tax revenues, central tax transfers and grants-in-aid from GOI. The tax and non tax revenue raised by Government of Nagaland during the year 2005-06, the State's share of divisible Union taxes and grants in aid received from Government of India during the year and the corresponding figures for the preceding four years are given in **Table 3.3**. The tax and non-tax revenue raised by the Government of Nagaland during the year 2011-12, the State's share of net proceeds of divisible Union taxes and grant-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

Table 3.3: Revenue Receipts from 2001-02 to 2005-06

(Rupees in crore)

Sl. No	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
I.	**Revenue raised by the State Government**					
	Tax revenue	54.90[1]	62.00	68.55	78.31[2]	105.53[3]
	Non tax revenue	43.41	43.94	60.91	77.90	96.82
	Total: I	**105.80**	**105.94**	**129.46**	**156.21**	**202.35**
II.	**Receipts from the Government of India**					
	State's share of divisible Union taxes	30.71	46.01	256.97[4]	160.15	248.50
	Grants in aid	1195.51	1194.95	1973.36	1523.16	816.35
	Total: II	**1218.73**	**1240.96**	**2230.33**	**1683.31**	**2064.85**
III.	**Total receipts of the State Government(I plus II)**	**1324.53**	**1346.90**	**2359.79**	**1839.52**	**2267.20**
IV.	**Percentage of I to III**	**8**	**8**	**5**	**8**	**9**

(Source: Finance Accounts)

1Components of net share of divisible Union taxes i.e., corporation tax – Rs.7.90 crore, tax on wealth – Rs.0.09 crore and service tax-Rs.0.31 crore which were included in Table 6.1 and 6.2 as State's own tax revenue in the Audit Report for the year 2001-02 have been rectified and included in the State's share of divisible Union taxes.
2 Figures under the share of net proceeds assigned to States under the following major heads booked in the Finance Accounts under 'A'-tax revenue have been excluded from revenue raised by the State Government and included in State's share of divisible union taxes in this table. (0020- Corporation tax, 0021- taxes on income other than corporation tax, 0028- Other taxes on income and expenditure, 0032- taxes on wealth, 0037- customs, 0038- union excise duties, 0044- service taxes, 0045- other taxes and duties on commodities and services).
3 For details see Statement no. 11-detailed accounts of revenue by minor heads of the Finance Accounts of Government of Nagaland for 2005-06. Figures under major heads 0020, 0021, 0028, 0032, 0037, 0038, 0044 and 0045 showing State's share of divisible union taxes booked in the Finance Accounts under A-tax revenue have been excluded from revenue raised by the State and included in the State's share of divisible union taxes in this table.
4 The figures for 2003-04 include unadjusted share of central taxes of Rs.52.15 crore and Rs.52.02 crore for the years 2001-02 and 2002-03 respectively.

Total revenue receipts show a high growth rate from 2002-03 to 2005-06, but it has become negative declining in 2009-10 (-8.83%) under the impact of global recession. The State‘s Own Tax Revenue, however, behaved in a slightly different manner. The high growth rates of 2003-04, 2004-05, 2005-06 and2008-09 at 22.20 percent, 20.66 percent, 29.54 percent and 34.17 per cent showed a sharp decline in 2009-10 but bounced back to register a significant increase in 2010-11 and 2011-12. The lower growth rate in 2009-10 is attributable to sharp decrease in the growth in collection of State Excise tax, Taxes and Duties on Electricity and Taxes on Goods and Passengers.

The growth rate of collection of State‘s Own Non Tax Revenue has been uneven. It is mainly on account of wide variations in receipt from sources like Interest, Housing, Minor Irrigation, nonferrous mining and metallurgical industries, and receipts from Village and Small Industries. Interest receipts had a progressive rise till 2010-11 primarily on account of interest on cash balance of the State Government with RBI. However, in 2011-12 the collection from interest receipts registered a lower growth rate (9.62 i.e. decline of -33 per cent). Housing, Minor Irrigation, nonferrous mining and metallurgical industries, and receipts from Village and Small Industries receipts also do not show any persistent trend.

The growth rate of collection of State‘s share in Central taxes has been uneven The State‘s share in Central taxes from 2003-04 and 2010-11 reflects the buoyancy in collection from Central taxes which declined in 2005-06 and 2011-12. Grants-in-Aid received from Government of India show a robust growth indicative of the State‘s ability to leverage higher Central transfers through higher utilization.

The Revenue Receipts of the State during the last 5 years are furnished in Table 1.4. The growth in total revenue Receipts of the State during the period 2007-12 averaged around 18 percent. However, the impact of Global recession substantially reduced the growth in revenue realization, mainly through lower growth of the State‘s share in Central taxes. On the other count, i.e. State‘s own revenue, the growth was uneven.

The trends and composition of revenue receipts over the period 2007-12 are presented in **Table 3.4** and depicted in **Charts 3.3** and **3.4** respectively.

Chart: 3.3 Trends in Revenue Receipts

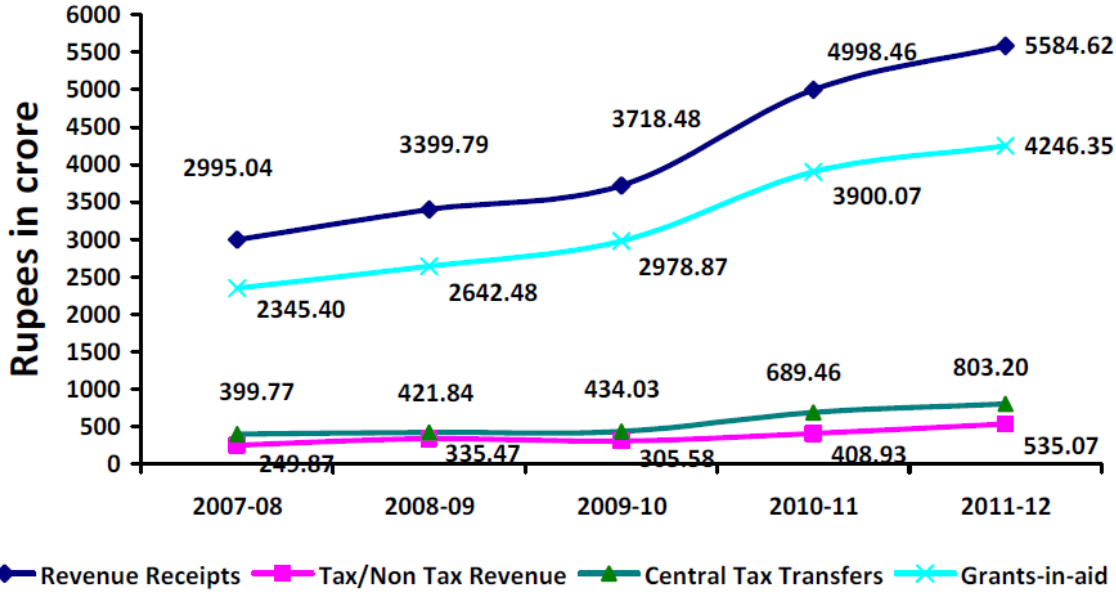


Chart: 3.4 Compositions of Revenue Receipts during 2007-12

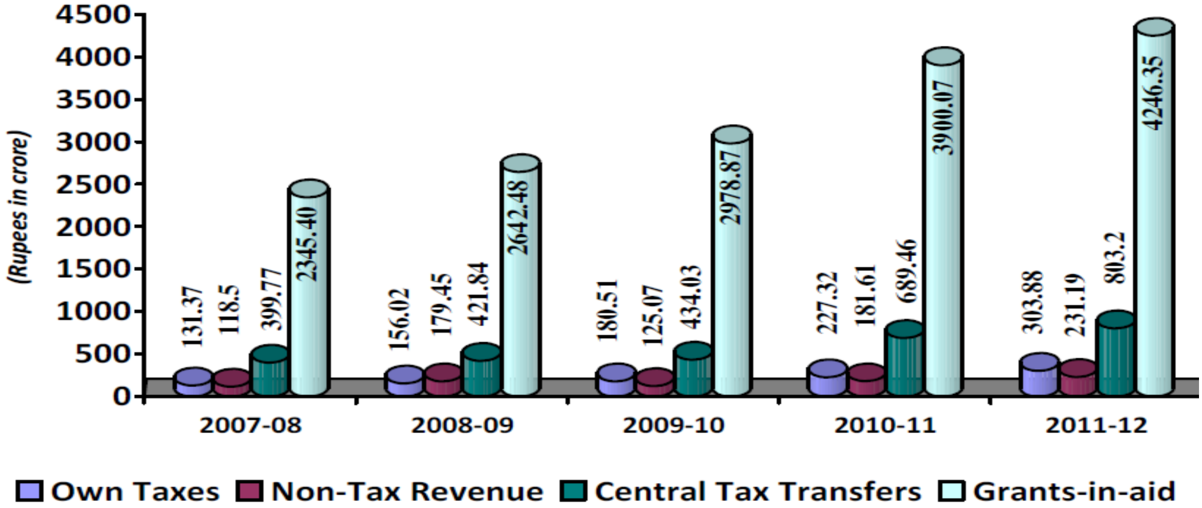


Table 3.4: Time Series Data on State's Revenue

(Rupees in crore)

	2007-08	2008-09	2009-10	2010-11	2011-12
1. Revenue Receipts	**2995.04**	**3399.79**	**3718.48**	**4998.46**	**5584.62**
(i) Tax Revenue	**131.37**	**156.02(5)**	**180.51**	**227.32**	**303.88**
Taxes on Agricultural Income	-	-	-	-	-

Taxes on Sales, Trade, etc.	94.79	114.70	132.22	167.22	231.12
State Excise	2.83	3.34	3.14	3.00	3.37
Taxes on Vehicles	12.30	14.14	16.73	23.92	34.58
Stamps and Registration fees	1.02	1.01	1.19	1.35	1.85
Land Revenue	0.50	0.60	0.63	0.59	0.68
Other Taxes	2.19	2.34	3.96	6.62	4.85
(ii) Non Tax Revenue	17.74	19.89	22.64	24.62	27.43
(iii) State's share of Union taxes and duties	**118.50**	**179.45**	**125.07**	**181.61**	**231.19**
(iv) Grants in aid from Government of India	**399.77**	**421.84**	**434.03**	**689.46**	**803.20**
2. Miscellaneous Capital Receipts	**2345.40**	**2642.48**	**2978.87**	**3900.07**	**4246.35**
3. Recoveries of Loans and Advances	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
4. Total Revenue and Non debt capital receipts (1+2+3)	**3.06**	**2.57**	**4.20**	**2.31**	**2.44**
5. Public Debt Receipts	**2998.10**	**3402.36**	**3722.68**	**5000.77**	**5587.06**
Internal debt (excluding Ways and Means Advances and Overdrafts)	511.92	667.41	805.25	463.35	651.25
Net transactions under Ways and Means Advances and Overdrafts	(-)95.32	0.00	0.00	0.00	646.63
Loans and Advances from Government of India	(-)10.90	(-)15.87	0.00	0.00	20.97
6. Total Receipts in the Consolidated Fund (4+5)	**3403.80**	**4053.90**	**4527.93**	**5464.12**	**6905.91**
7. Contingency Fund Receipts	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
8. Public Account Receipts	**1418.00**	**1841.41**	**2373.46**	**2267.53**	**2611.38**
9. Total Receipts of the State (6+7+8)	**4821.80**	**5895.31**	**6901.39**	**7731.65**	**9517.29**

The revenue receipts have shown a progressive increase with inter-year variations and changes in its composition i.e. the share of own taxes, non-tax revenue and Central transfers during the period 2007-12.Tax and non-tax revenue receipts together increased by `285.20 crore from `249.87 in 2007-08 to `535.07 crore in 2011-12 at a compound annual growth rate of 16.45 *per cent.*

The Revenue Receipts of the State increased from `2995.04 crore in 2007-08 to `5584.62 crore in 2011-12 at a compound annual growth rate of 13.27 *per cent.* While 9.58 *per cent* of the revenue receipts during 2011-12 have come from the State’s Own Resources comprising taxes and non-taxes, Central Tax Transfers and Grants-in-aid together contributed 90.42 *per cent*. The percentage share of State’s Own Resources and the Central Transfers in Revenue receipts of the State exhibited relative stability during the last five years (2007-12).

Central tax transfers to the State increased by `113.74 crore (16.50 *per cent*) from ` 689.46 crore in 2010-11 to `803.20 crore in 2011-12. This was due to increase in Corporation Tax

(`46.70 crore), Tax on Income other than Corporation Tax (`18.20 crore), Tax on Wealth (`0.67 crore), Service Tax (`27.06 crore), Customs (`18.71 crore) and Union Excise Duties (`2.40 crore). The trends in revenue receipts relative to GSDP are presented in **Table 3.5** below:

Table 3.5: Trends in Revenue Receipts relative to GSDP

(Rupees in crore)

	2007-08	2008-09	2009-10	2010-11	2011-12
Revenue Receipts (RR) (Rupees in crore)	**2995.04**	**3399.79**	**3718.48**	**4998.46**	**5584.62**
Rate of growth of RR (*per cent*)	8.06	13.51	9.37	34.42	11.73
R R/GSDP (*per cent*)	37.09	36.03	36.20	44.95	46.29
Buoyancy Ratios					
Revenue receipts Buoyancy w.r.t GSDP	0.72	0.80	1.06	4.17	1.38
State's Own Tax Buoyancy w.r.t GSDP	0.92	1.11	1.77	3.14	3.97
Gross State Domestic Product (Rupees in crore)	8075.27	9436.07	10272.88	11121.00	12064.53
Rate of growth of GSDP	11.27	16.85	8.87	8.26	8.48

The Revenue Receipts buoyancy with respect to GSDP was 4.17 per cent in 2010-11 which decreased to 1.38 per cent in 2011-12. The growth rate of Revenue Receipts was however, less than the growth rate of GSDP in 2007-08 and 2008-09. The State's own tax buoyancy with respect to GSDP was 3.14per cent in 2010-11 which increased to 3.97 per cent in 2011-12.

The break-up of Grants-in-aid received from GOI during 2007-12 is given in the table below:

Table 3.6: Grants-in-aid from Government of India

(Rupees in crore)

	2007-08	2008-09	2009-10	2010-11	2011-12
Grants for State Plan Schemes	818.62	1003.27	1041.00	936.32	985.20
Non-Plan Grants	1246.03	1316.76	1460.86	2658.28	2841.16
Grants for Central Plan Schemes, Centrally Sponsored Plan Schemes and Special Plan Schemes	280.75	322.45	477.01	305.47	419.99
Total	**2345.40**	**2642.48**	**2978.87**	**3900.07**	**4246.35**
Percentage of increase/decrease over previous year	4.45	12.67	12.73	30.92	8.88

Grants-in-aid from Government of India have increased by `346.28 crore (8.88 *per cent*) from `3900.07 crore in 2010-11 to ` 4246.35 crore in 2011-12 contributing 76.04 *per cent* of the total Revenue Receipts during 2011-12. This increase was due to enhanced grants for non-plan grants (`182.88 crore), Grants for State Plan Schemes (`48.88 crore), Centrally Sponsored Plan

Schemes (`47.39 crore), Grants for Special Plan Schemes (`35.98 crore) and Grants for Central Plan Schemes (`31.15 crore).

Tax Revenue

As the State's share in Central taxes and Grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of Central tax receipts and Central assistance for plan schemes etc, the State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. Major item-wise collection of Own Tax Revenue during last 5 years along with year-wise growth is furnished below in Tables 1.7 and 1.8. Sales Tax/ VAT being the primary source of Own Tax revenue, it plays the driving role in the overall tax performance of the State. Other important items of Own Tax Revenue are Taxes on Vehicles, Other Taxes on Income and Expenditure, Taxes Goods and Passengers followed by Excise Duty and Stamp Duty & Registration Fees. Within Non-tax Revenue, Power, Miscellaneous General Services, Interest Receipts and Other Administrative Services provides the major share followed by Water Supply and Sanitation and Housing.

The details of tax revenue raised during the year 2005-06 along with the figures for the preceding four years are given in **Tables 3.7 and 3.8.** The following table presents the details of tax revenue raised during the period 2007- 08 to 2011-12.

Table 3.7: Tax Revenue from 2001-02 to 2005-06

(Rupees in crores)

Sl. No.	Head of revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase(+)/ decrease (-) in 2005-06 over 2004-05
1.	Taxes on sales, trade etc.	34.42	41.15	45.63	53.08	77.16	(+) 45
2.	Taxes on vehicles	5.35	4.74	6.00	7.30	8.71	(+) 19
3.	Other taxes on income and expenditure	11.32	12.23	12.63	13.56	14.89	(+) 10
4.	State excise	1.87	1.98	1.99	2.07	1.96	(-) 5
5.	Stamp duty registration fees	0.91	0.57	0.66	0.73	0.89	(+) 22
6.	Other taxes and duties	0.30	0.10	0.06	0.03	0.01	(-) 67

7.	Land revenue	0.62	0.41	0.54	0.43	0.55	(+) 28
8.	Taxes and duties on electricity	0.01	0.01	0.01	0.01	0.01	-
9.	Taxes on goods and passengers	0.10	0.81	1.03	1.10	1.35	(+) 23
	Total:	**54.90[5]**	**62.00**	**68.55**	**78.31**	**105.53**	**(+) 35**

(Source: Finance Accounts)

Reasons for variations, though called for, have not been intimated by concerned departments (November 2006).

Table 3.8: Tax Revenue from2007-08-2011-12

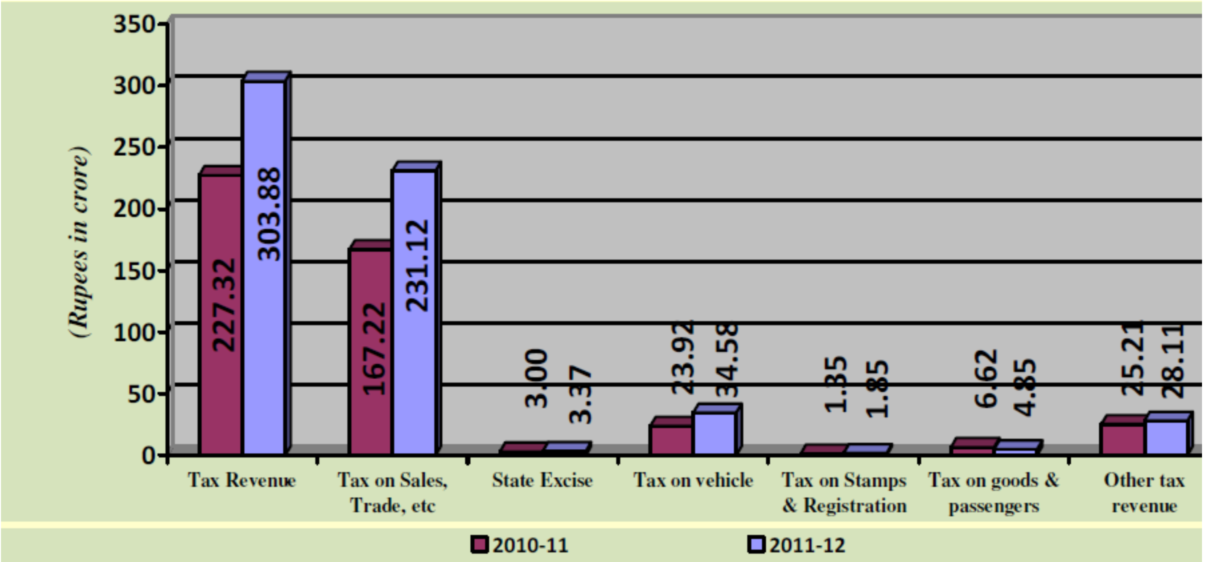
*(Rupees **in crore)***

Sl. No.	**Head of revenue**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**Percentage of increase(+)/ decrease (-) in 2011-12 over 2010-11**
1.	Sales Tax/Vat	94.79	114.70	132.22	167.22	231.12	(+)38
2.	Taxes on vehicles	12.30	14.14	16.73	23.92	34.58	(+)45
3.	Other taxes on income and expenditure	17.72	19.86	22.54	24.57	27.03	(+)10
4.	State excise	2.83	3.34	3.13	3.00	3.36	(+)12
5.	Stamp duty registration fees	1.02	1.01	1.19	1.35	1.85	(+)37
6.	Other taxes and duties	0.00	0.00	0.00	0.00	0.37	(+)100
7.	Land revenue	0.50	0.60	0.63	0.59	0.68	(+)15
8.	Taxes and duties on electricity	0.02	0.03	0.11	0.05	0.04	**(-)20**
9.	Taxes on goods and passengers	2.19	2.34	3.96	6.62	4.85	(-)27
	Total:	131.37	156.02	180.51	227.32	303.88	(+)34

(Source: Finance Accounts)

The tax revenue for the years 2010-11 and 2011-12 are detailed in **Charts 3.5**

Chart 3.5 : Tax Revenue component during 2010-11 and 2011-12 (Rupees in crore)



The tax revenue increased by `76.56 crore (33.68 *per cent*) from `227.32 crore in 2010-11 to `303.88 crore in 2011-12. The major contribution to the State's tax revenue during the year were sales tax (`231.12 crore), Taxes on Vehicles (`34.58 crore) and Tax on Goods and Passengers (`4.85 crore).The increase in sales tax revenue by `63.90 crore from `167.22 crore in 2010-11 to `231.12 crore in 2011-12 represented around 83.46 *per cent* of incremental tax revenue of the State during the year.

Non-Tax Revenue

Non-tax revenue is a significant source of budgetary receipts for State Governments. Its importance is now being realized in the context of fiscal deficits and the heavy financial requirements for upgrading and modernizing basic infrastructure. It is also needed for human resources development. Non-tax revenues ensure that the sources of revenue to the State exchequer are broad-based and buoyant. Unlike tax revenues, in the case of non-tax revenues, the agencies of the Government first provide a service and then collect the user charges.

Non-tax revenue is one of the constituents of the revenue receipts of the Indian States. In the decade of the nineties, States own non-tax revenue constituted between 13.7 and 17.7 percent of the total revenue receipts and between 9.2 and 13.1 percent of the total receipts of the States. These proportions have since then declined considerably. States own non-tax revenue as percent of the total revenue receipts is reported to be 12.1 percent and as percent of total receipts of the States as 2.9 percent in 2003-04.

Non-tax revenue as a percentage of GSDP is an indicator of the efficiency in mobilization of these revenues in the total revenue receipts. While the proportion of States own non-tax revenue to GSDP in Indian States has varied between 1.5 and 2.4 percent over the years, The details of the major non-tax revenue raised during the year2001-02 to 2005-06 along with the figures for the preceding four years are given in Table-3.9

Table 3.9(a): Major Non-tax Revenue from 2001-02 to 2005-06

(Rupees in crore)

Sl. No.	**Head of revenue**	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**% (+) / (-) in 2005-06 over 2004-05**
1.	Interest receipts	1.62	1.72	5.61	3.27	5.60	(+) 71
2.	Public service commission	0.06	0.13	0.23	0.13	0.01	(-) 92
3.	Police	0.51	0.56	0.17	0.41	1.56	(+) 280
4.	Stationery and printing.	0.01	0.01	0.01	0.01	0.05	(+) 400
5.	Public works	0.97	0.62	0.75	0.22	0.17	(-) 23
6.	Other administrative services	3.14	3.14	3.96	5.54	7.10	(+) 28
7.	Contribution and recoveries towards pension & other retirement benefits	1.04	0.11	0.12	0.10	0.40	(+) 300
8.	Miscellaneous general services	0.44	2.11	2.10	11.70	15.64	(+) 34
9.	Education, sports, art and culture	0.46	0.15	0.19	0.19	0.22	(+) 16
10.	Medical and public health	0.12	0.15	0.06	0.06	0.07	(+) 17
11.	Water supply and sanitation	0.36	0.63	0.80	0.97	1.06	(+) 9
12.	Housing	2.22	2.25	2.19	2.18	2.23	(+) 2
13.	Social security and welfare	0.01	0.13	0.56	0.03	0.31	(+) 933
14.	Crop husbandry	0.10	0.10	0.06	0.09	0.06	(-) 33
15.	Animal husbandry	0.22	0.20	0.22	0.33	0.37	(+) 12
16.	Forestry and wildlife	2.04	3.54	3.43	3.88	6.21	(+) 60
17.	Food storage and warehousing	0.07	0.01	0.05	0.02	0.02	-
18.	Co-operation	1.30	0.97	0.42	0.84	0.89	(+) 6
19.	Other agricultural programmes	0.03	0.02	0.04	0.05	0.04	(-) 20
20.	Minor irrigation	0.01	---	0.01	0.03	0.01	(-) 67
21.	Power	22.93	19.59	29.30	39.66	42.71	(+) 8
22.	Village and small industries	0.18	0.62	0.25	0.46	1.30	(+) 183
23.	Nonferrous mining and metallurgical industries	0.02	0.01	0.05	0.10	0.05	(-) 50
24.	Road transport	5.10	5.52	5.75	6.79	7.34	(+) 8
25.	Tourism	0.10	0.16	0.20	0.17	0.26	(+) 53
26.	Other general economic services	0.05	.06	0.07	0.06	2.57	(+) 4184
27.	Miscellaneous	0.30	1.43	4.31	0.61	0.57	(-) 7
	Total	**43.41**	**43.94**	**60.91**	**77.90**	**96.82**	**(+) 24**

The following table presents the details of Non-tax revenue raised during the period from 2007-08 to 2011-12.

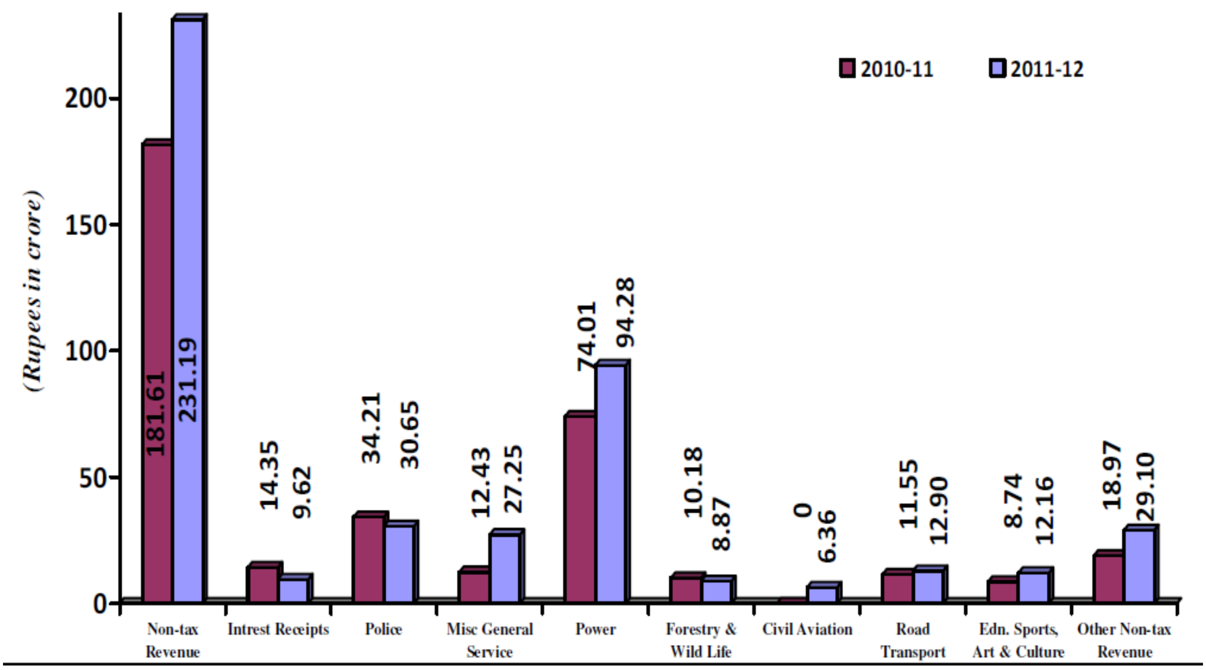
Table 3.9(b): Major Non-tax Revenue from 2007-08 to 2011-12

(Rupees in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase(+)/ decrease (-) in 2005-06 over 2004-05
1.	Interest Receipts	5.66	11.57	10.02	14.35	9.62	(-)33
2.	Housing	2.11	2.97	3.43	3.63	4.38	(+) 21
3.	Water Supply & Sanitation	1.07	0.98	0.94	1.29	1.62	(+) 26
4.	Forestry and Wildlife	4.81	4.78	7.70	10,18	8.87	(-) 13
5.	Education, Sports Art and Culture	0.48	0.55	0.43	8.74	12.16	(+)39
6.	Miscellaneous General Services	19.44	28.05	7.04	12.43	29.01	(+) 133
7.	Power	69.47	111.49	75.17	74.01	94.28	(+) 27
8.	Medical & Public Health	0.16	0.17	0.09	0.09	0.21	(+)133
9.	Co-operation	0.17	0.79	3.15	0.34	3.54	(+) 941
10.	Public Works	0.10	0.10	0.54	0.72	0.69	(-) 4
11.	Police	2.73	0.61	0.44	34.21	30.65	(-) 10
12.	Other Administrative Services	1.93	1.21	1.42	2.90	2.38	(-) 18
13.	Crop Husbandry	0.12	0.11	0.13	0.16	0.20	(+) 25
14.	Others	11.23	17.17	15.85	20.09	35.34	(+) 76
	Total	119.48	180.55	126.35	183.14	232.95	

The non-tax revenue for the years 2010-11 and 2011-12 are detailed in **Charts 3.6**

Chart 3.6: Non-tax Revenue component during 2010-11 and 2011-12



The major contributors in the non-tax revenue during the year included Power (`94.28 crore), Police (`30.65 crore), Miscellaneous General Services (`27.25 crore), Road Transport (`12.90 crore), Education, Sports, Arts & Culture (`12.16 crore), Interest Receipts (`9.62 crore), Forestry and Wildlife (`8.87 crore) and Civil Aviation (`6.36 crore). Increase in Non Tax Revenue (NTR) in 2011-12 (`49.58 crore) over the previous year was mainly on account of Power (`20.27 crore), Miscellaneous General Service (`14.82 crore) and Road Transport (`1.35 crore).

Buoyancy of Major items of Own Tax and Non-Tax Revenue

Buoyancy is a summary measure of the revenue performance of a State *vis-à-vis* the growth in economy. Table 1.10 captures yearly buoyancy of important items of Tax and Non-Tax revenue of the State. Steady buoyancy is not seen in most of the tax and non-tax items. Taxes on Sales, Trade etc and Power has registered buoyancy during 2001-2012, Collection from Forest and Wild Life shows most erratic behaviour among the non-tax items mainly on account of seasonal effect.

Table 3.10: Revenue Receipts and State's Own-tax Buoyancy Ratios relative to GSDP

	2007-08	2008-09	2009-10	2010-11	2011-12
Revenue receipts Buoyancy w.r.t. GSDP	0.72	0.80	1.06	4.17	1.38
State's Own-tax Buoyancy w.r.t. GSDP	0.92	1.11	1.77	3.14	3.97
Gross State Domestic Product (Rupees in crore	8075.27	9436.07	10272.88	11121.00	12064.53
Rate of Growth of GSDP	11.27	16.85	8.87	8.26	8.48

The Revenue Receipts buoyancy with respect to GSDP was 4.17 in 2010-11 which decreased to 1.38 in 2011-12. The growth rate of Revenue Receipts was however, less than the growth rate of GSDP in 2007-08 and 2008-09. The State's own tax buoyancy with respect to GSDP was 3.14 in 2010-11 which increased to 3.97 in 2011-12.

Table 3.11: State Own Tax Revenue - Nagaland
(A comparison with neighbouring states)

SL NO.	States	2007-08 (Actuals)	2008-09 (Actuals)	2009-10 (Actuals)	2010-11 (Actuals)	2011-12 (Pre Actuals)	2012-13 (BE)	Average
	Special Category							
1.	Arunachal Pradesh	2.04	2.39	2.32	2.46	2.45	2.27	2.32
2.	Assam	4.73	5.12	4.20	6.79	5.77	5.09	5.28
3.	Manipur	2.17	2.30	2.37	3.44	3.54	2.78	4.19
4.	Meghalaya	3.28	3.18	3.50	3.93	4.31	3.92	3.69
5.	Mizoram	2.03	2.07	2.05	2.15	2.42	2.26	2.15
6.	**Nagaland**	**1.63**	**1.65**	**1.49**	**2.01**	**2.48**	**2.19**	**1.90**
7.	Sikkim	7.90	6.17	3.65	3.91	3.50	3.74	4.81
8.	Tripura	3.14	3.26	3.42	3.55	4.31	4.04	3.62
9.	Himachal Pradesh	5.77	5.41	5.34	6.46	6.44	7.02	6.07
10.	Jammu & Kashmir	6.90	6.34	6.26	6.11	7.26	7.12	6.66
11.	Uttarakhand	5.97	5.44	5.03	5.31	6.03	5.56	5.56
	Average SCS	**4.14**	**3.94**	**3.60**	**4.19**	**4.41**	**4.20**	**4.08**

Source: Based on CSO - new series 2004-05 current prices as on 27.02.2013

Tax performance of a State is often judged from the Tax/GSDP ratio. If we go by the assessment of the CSO (new series 2004-05), the Own Tax/GSDP (Average of 2007-08 and 2012-13) ratio of Nagaland stands at 1.90 percent compared to the all Special Category States' average of 4.08 percent. Tax/GSDP ratio of Nagaland stands at bottom level than the comparable. This is an indication of underperformance of the State on the revenue front compared to potential.

Value Added Tax (VAT)

State level exercises to identify measures for additional revenue generation often depend heavily on sales/value added tax, primarily because its wide base allows substantial revenue mop-up with small changes. This Study Team, however, feels somewhat constrained in this matter simply because the scenario with respect to this tax is in a flux; as of now, introduction of goods and services tax (GST – a VAT on both goods and services unlike the present tax which is on goods only) in the near future is a certainty, but its detailed structure and the actual date of introduction is somewhat uncertain. As such, our general recommendation would be to prepare for the eventual introduction of GST as best as is possible (in terms of tax administration and a first draft of the state level legislation); other recommendations below are essentially short-term revenue enhancement measures that may have to be reworked at the time of introduction of GST.

Table 3.12: Growth in VAT Collection

Year	VAT Collection (` In crore)	Growth Rate
2007-08	94.79	-
2008-09	114.70	**21.00%**
2009-10	132.22	**15.27%**
2010-11	167.22	**26.47%**
2011-12	231.12	**38.00%**

Although revenue generation from sales tax/VAT has picked up considerably since 2007-08 with annual average growth rate of 25.18 percent and 38.00 percent as the maximum (Table 3.12), its ratio to the GSDP in the State is at the bottom (Table 3.13). Assam, Manipur and Arunachal are contiguous to Nagaland, which constrains its revenue efforts through sales tax in the sense that the possibility of trade diversion is a real one, if and when Nagaland steps up its revenue efforts through higher effective rates. Similarly, the extant statutory rate on petroleum products including petrol and diesel can be enhanced from 18 percent to 20 percent, emulating several other States that have already done so. The rate recommended by the Empowered Committee also is 20 percent, it may be noted.

Table 3.13: VAT/ GSDP Ratio of different States Collection

(in crore)

S. No	State/UT	VAT Collection in 2008-09	GSDP	VAT to GSDP Ratio
1.	Andhra Pradesh	21851.66	376897	5.80%
2.	Arunachal Pradesh	105.68	4538	2.33%
3.	Assam	3110.57	79167	3.93%
4.	Bihar	3016.47	142665	2.11%
5.	Chhatishgarh	3610.94	95120	3.80%
6.	Goa	1131.64	19751	5.73%
7	Gujarat	16810.65	337000	4.99%
8.	Haryana	8154.73	183033	4.46%
9.	Himachal Pradesh	1246.31	36931	3.37%
10.	Jammu & Kashmir	1852.50	34829	5.32%
11.	Jharkhand	3715.00	75785	4.90%
12.	Karnataka	14622.73	270618	5.40%
13.	Kerala	11377.13	189824	5.99%
14.	Madhya Pradesh	6842.99	171341	3.99%
15.	Maharashtra	30680.53	693955	4.42%

16.	Manipur	141.38	6342	2.23%
17.	Meghalaya	281.83	9610	2.93%
18.	Mizoram	77.51	3808	2.04%
19.	**Nagaland**	**114.70**	**7057**	**1.63%**
20.	NCT Delhi	9152.09	165895	5.52%
21.	Orissa	4803.34	133601	3.60%
22.	Pudducherry	381.86	11791	3.24%
23.	Punjab	6435.62	165846	3.88%
24.	Rajasthan	8904.50	201519	4.42%
25,	Sikkim	101.14	2611	3.87%
26.	Tamil Nadu	20674.70	339189	6.10%
27.	Tripura	314.79	11834	2.66%
28.	Uttar Pradesh	17482.05	411895	4.24%
29.	Uttarakhand	1910.64	40241	4.75%
30.	West Bengal	8955.09	353962	2.53%

(Source: RBI Report on State Finances- A Study of Budgets, 2010-11)

The department has already initiated action on reorganisation of the tax administration along functional lines, changing the present organisation by location. Even though in practice, it will probably not be possible to completely jettison the present organisational setup at least during the transitional phase, a beginning has to be made by identifying the major functions, instituting senior departmental staff in charge of each function, and carrying this functional organisation vertically downwards to a currently feasible level. In particular, the functional domains for registration, back-office auditing (primarily to detect evasion on the basis of submitted returns), and tax collection need to be urgently delimited.

This is somewhat tied up with the issue of computerisation and IT-based provision of various services in the Department, which is also work-in-progress at present. This has been under implementation for a long time, but has picked up only recently. This momentum cannot be wasted, and this task needs to be quickly completed. However, one of the cautions that seems to be in order is that if a departmental reorganisation is on the cards, the software being used has to be checked for compatibility with the envisaged new organisational structure. In this context, the special importance of the back-office audit supported by cross verification of claimed transactions – setoff claims in particular – cannot be overemphasised. The software being used must fulfil this essential requirement with respect to at least e-filed returns and those that are ‘inputted’ into the system by the departmental staff. Further, cases unearthed by the back-office audit as candidates for further investigation need to be followed up with physical verification of books of account and other usual procedures. These activities need to be maintained at a consistently high level to ensure better voluntary compliance as the first objective, and not necessarily to garner significantly greater amount of revenue through this process.

Last, but not the least, the government must provide adequate staff at the required levels to the Department to make the most of this tax, which is the only broad-based tax at the state level and is the main component of the State‘s own tax revenue. With current state of under-provision of staff, it will be difficult to carry out the day-to-day activities of the Department (it is pertinent to note that the Department is responsible for the administration of several taxes), let alone giving effect to many of the recommendations we have made in this Report (reorganisation for the administration of Profession tax, for example).

The Members of the Committee have been duly apprised of the human resource constraint of the Commercial Tax organization. It needs to be recognised that with introduction of VAT, not only has the tax base expanded but also the dealer population has gone up manifold. This, in turn, has resulted in increased work load for the Department. On the other hand, as a part of the fiscal reform measures, a large number of posts in Group-C & Group-D categories have been abolished between the years 2000 and 2007. Also, in these categories which provide necessary support services to the statutory functionaries for administration of the taxing statutes, there are a large number of vacancies that have been persisting for some time. There are also a large number of vacancies in the cadre of statutory functionaries starting from Assistant Sales Tax Officer onwards. The Committee strongly feels that such a significant number of vacancies in the premier revenue earning Department affect the operational efficiency as well as tax effort of the Department. Therefore, the State Government should take expeditious steps for filling up of the post of line functionaries which will help improve the tax performance of the Department.

Profession Tax

The Tax on Professions, Trades, Callings and Employment (profession tax in short) has been levied in Nagaland since 2000-01, but collections have been well below potential all through. There are several states (Assam, Tripura) where this tax garners a substantial amount of revenue, while collections in Nagaland are relatively low. The reasons essentially are twofold: low voluntary compliance and inadequate departmental effort.

Table 3.14: Collection of Taxes on Profession of Nagaland
(` in lakh**)**

Year	2006-07	2007-08	2008-09	2009-10	2010-11
Tax Collection	1616.77	1763.75	1920.93	2234.45	1656.65

Source: Finance Department, Government of Nagaland

Suggestion

- This tax has faced non-compliance since it was first introduced from certain groups of taxpayers, which continues to date; this constitutes one of the most blatant (and so far successful) challenges to the sovereign powers of the state. This has been facilitated by the inability of the Commercial Tax Department to vigorously pursue tax defaulters in general, hamstrung as they are by lack of personnel (see the chapter on value added tax). Given the relatively low returns to personnel time devoted to profession tax administration in terms of additional tax revenue collection, the Department is rational in utilising the limited personnel time for more profitable activities. However, this needs to be tackled urgently because issues larger than mere tax revenue are involved; the very authority of the state government is at stake. Even so, the Department cannot selectively target any particular group of (potential) taxpayers; it must mount a systematic campaign to bring all potential taxpayers into the tax net.

- At present, administration of profession tax is an add-on responsibility for the officials who consider the administration of value added tax as their main responsibility. As such, within the Department itself, there is no driving force behind the administration of profession tax. Assuming that the Department is allocated adequate number of personnel, a separate wing for profession tax administration under an Additional Commissioner has to be created, who would not be involved in VAT administration. Since there is a possibility of few departmental officials opting for the same, officials may be moved between wings within the Department, with a minimum length of stint with profession tax administration being compulsory. This will create a dedicated group of officials with a stake in profession tax administration that has been missing in the current system.

- Since there is a statutory cap on the tax rates applicable which only the Parliament can change, there is not much scope for rate enhancement, although this may be possible to a limited extent when tax rates are below the currently applicable ceiling. What is more important is to widen the tax base. In the case of this tax, there are usually two types of assessees: those who are salaried employees and those who are self-employed. While the former are normally easy to tax, the statistics on the number of taxpayers indicates that even this group is only partially covered in Orissa, either through liberal exemptions or non-compliance. Careful examination of this aspect and necessary action should bring a substantial number of new taxpayers into the net. Also, a legal requirement of furnishing an annual return on number of employees engaged, salary paid, and profession tax deducted at source has to be imposed on all employers. Similarly, those potential taxpayers who are registered under VAT should also be fairly easy to tax, with a requirement of furnishing an annual profession tax return.

- At present, administration of profession tax is an add-on responsibility for the officials who consider the administration of value added tax as their main responsibility. As such, within the Department itself, there is no driving force behind the administration of profession tax. Assuming that the Department is allocated adequate number of personnel, a separate wing for profession tax administration under an Additional Commissioner has to be created, who would not be involved in VAT administration. Since there is a possibility of few departmental officials opting for the same, officials may be moved between wings within the Department, with a minimum length of stint with profession tax administration being compulsory. This will create a dedicated group of officials with a stake in profession tax administration that has been missing in the current system.

- Much greater difficulty is likely to be faced with the identification and assessment of rest of the self-employed potential taxpayers, mainly various types of professionals like doctors, lawyers, architects, and various other service providers. A beginning can be made by carrying out surveys of such potential taxpayers in major urban areas and industrial townships of the state using various sources of information like membership of professional associations, municipal records and points of professional registration where applicable, apart from locality-based surveys. Identification of potential but non-complying taxpayers must be followed up with serving of notice for compulsory submission of return, even in zero-tax liability cases. The relevant Act in Orissa also does not cover all types of professionals. Only those that are listed under the Schedule of the Act are covered, and there is no inclusive category of taxpayers, as for example, in Karnataka. The Schedule should be expanded to include several specific types of professionals, and the schedule should have at the end an entry termed as _Other persons engaged in trades, callings or professions not specified above‘.

- The rules governing the tax administration may also provide for a system of profession tax deduction at source, when payments above `10,000/- are made to professionals and service providers engaged by government departments, public sector undertakings and non-government organisations above a specified size. This requirement may be waived if the payee provides a certificate stating his/her profession tax registration number and that s(he) would file a profession tax return as required by law.

- Relevant provisions of Nagaland Municipal Corporation Act and Municipal Act as well as Rules made there under may be amended to provide for issue of licenses for running nursing homes, clinics, tutorials, consultancies and other services so as to enable the taxing authorities to create a data base of the persons to be brought under the profession tax net. For renewal of such licensees there should be a mandatory provision to call for profession tax clearance certificate.
- Finally, to aid recovery of tax due, an amendment of the relevant Act to provide a special mode of recovery of arrears and attachment of Bank Accounts may be considered.

- The Committee feels that compulsory registration of various types of instruments - different kinds of long term lease deeds for long term payments, mortgage documents, advertisement to mass media, assignment of copyright, PPP contracts, works contract would bring in additional revenue. Compulsory registration of Power of Attorney on the basis of the value of the property for which the conveyance is made along with transfer of title is also advisable, so that registration of the document will be treated as an evidence of title and would also earn more revenue for the State.

- In the cases of conversion of agricultural land, deeds are not being registered as in the past, thereby foregoing the registration fee and stamp duty that was payable on the execution of fresh lease document. Large tracts of agricultural land in close proximity to urban centres are being converted for non-agricultural use i.e., commercial, industrial and educational purposes.

Variations between budget estimates and actual

The variations between budget estimates and actual of revenue receipts for the year 2005-06 in respect of the principal heads of tax and non tax revenue are given in **Table 3.15**

Table 3.15: Variations between budget estimates and actual during 2005-06

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actual receipts	Variations Excess (+) Shortfall (-)	Percentage of variation
1.	Other taxes on income and expenditure	13.00	14.89	(+) 1.89	(+) 15
2.	State excise	2.50	1.96	(-) 0.54	(-) 22
3.	Taxes on sales, trade etc.	85.00	77.16	(-) 7.84	(-) 9
4.	Taxes on vehicles	6.80	8.71	(+) 1.91	(+) 28
5.	Interest receipts	3.50	5.60	(+) 2.10	(+) 60
6.	Police	0.47	1.56	(+) 1.09	(+) 232
7.	Stationery and printing	0.22	0.05	(-) 0.17	(-) 77
8.	Public works	1.10	0.17	(-) 0.93	(-) 85
9.	Other administrative services	4.00	7.10	(+) 3.10	(+) 78
10.	Contribution and recoveries and other retirement benefits	0.18	0.40	(+) 0.22	(+) 122
11.	Miscellaneous general services	10.00	15.64	(+) 5.64	(+) 56
12.	Social security and welfare	0.17	0.31	(+) 0.14	(+) 82
13.	Forestry & wildlife	3.50	6.21	(+) 2.71	(+) 77
14.	Co-operation	0.05	0.89	(+) 0.84	(+) 1680
15.	Power	38.00	42.71	(+) 4.71	(+) 12
16.	Village and small industries	0.18	1.30	(+) 1.12	(+) 622
17.	Roads and bridges	0.11	0.38	(+) 0.27	(+) 245
18.	Road transport	7.85	7.34	(-) 0.51	(-) 6
19.	Other general economic services	0.08	2.57	(+) 2.49	(+) 3113
	Total	**176.71**	**194.95**	**(+) 18.24**	

(Source: Budget documents and Finance Accounts)

The variation between the budget estimates and actual of revenue receipts can negatively be found in Taxes on Sales, Trade, etc, Roads and Bridges, Public Works, State Excise and Stationary and Printing.

The variation between the budget estimates and actual of revenue receipts under the Principal heads of Tax and Non-Tax revenue for the year 2011-12 are mentioned in the following table:

Table 3.16: Variation between the budget estimates and actual during 2011-12

Sl. No.	Head of revenue	Budget estimates	Actual receipts	Variations Excess (+) Shortfall (-)	Percentage of variation
	Tax Revenue				
1.	Sales Tax/VAT	185.50	231.12	(+)45.62	25
2.	State Excise	3.91	3.36	(-) 0.55	(-)14
3.	Stamps and Registration fees	1.26	1.85	(+) 0.59	47
4.	Taxes on vehicles	27.86	34.58	(+) 6.72	24
5.	Taxes on Goods and Passengers	2.74	4.85	(+) 2.11	77
6.	Land revenue	0.87	0.68	(-)0.19	(-)22
	Non-Tax Revenue				
7.	Interest Receipts	12.02	9.62	(-) 2.40	(-)20
8.	Other Administrative Service	4.43	2.38	(-) 2.05	(-)46

9.	Medical & Public Health	0.22	0.21	(-) 0.01	(-)5
10	Public Works	0.68	0.69	(+) 0.01	1
11	Forestry & Wildlife	10.80	8.87	(-) 1.93	(-)18
12	Education, sports, art and culture	0.35	12.16	(+)11.81	3374
13.	Power	110.00	94.28	(-) 15.72	(-)14

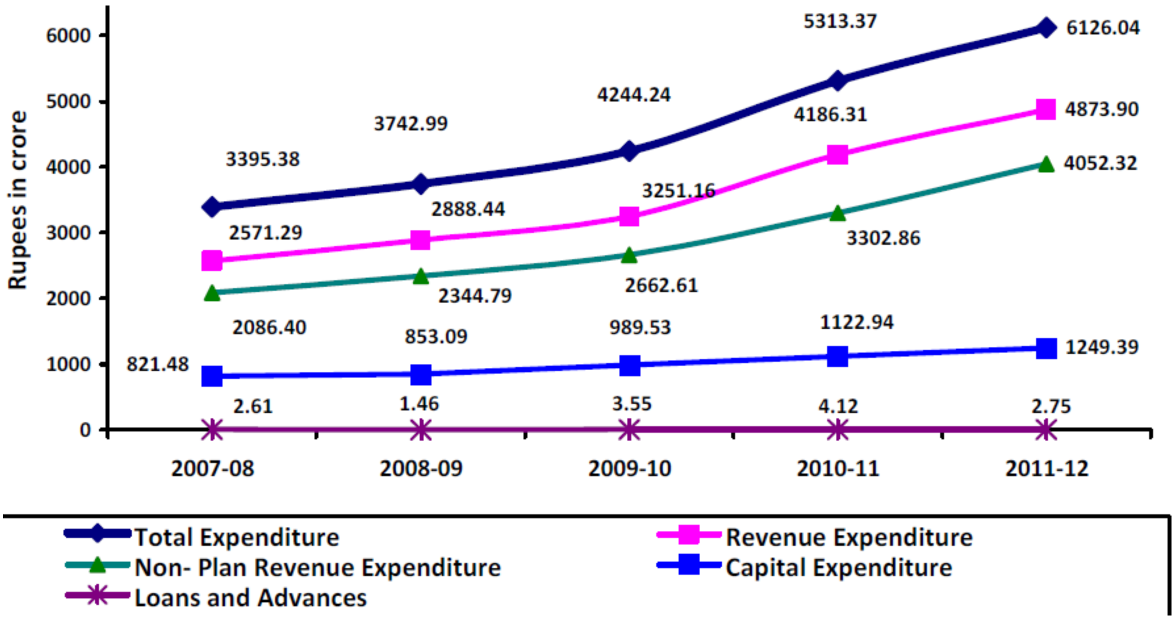
The variation between the budget estimates and actual of revenue receipts can negatively be found in Power, Interest Receipts, Land Revenue, Medical and Public Health, Other Administrative and Services and Forestry and Wildlife.

CHAPTER-IV
EXPENDITURE PATTERN

Growth and Composition of Expenditure

Chart 4.1 presents the trends in total expenditure over a period of five years (2007-12) and its composition both in terms of 'classification of expenditure' and 'expenditure by activities' is depicted respectively in **Charts 4.2 and 4.3.**

Chart 4.1: Trends in Total Expenditure over a period of 2007-12



States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services and extend the network of these services through capital expenditure and investments to discharge their debt service obligations. The total expenditure of the State increased from `3395.38 crore in 2007-08 to `6126.04 crore in 2011-12.

Total expenditure during 2011-12 at `6126.04 crore increased by `812.67 crore (15.29 *per cent*) over the previous year. Out of the total expenditure in 2011-12, revenue expenditure was 79.56 *per cent* (`4873.90 crore) while capital expenditure was 20.39 *per cent* (`1249.39 crore) and loans and advances was 0.05 *per cent* (`2.75 crore). The increase in total expenditure during 2011-12 over the previous year was due to increase of revenue expenditure by `687.59 crore and capital expenditure by `126.45 crore offset by decrease in disbursement of loans and advances by `1.37 crore.

The non-plan revenue expenditure (`4052.32 crore) increased by `352.06 crore (9.51 *per cent*) during the year as compared to the projection made by the State Government in its Fiscal Consolidation Roadmap (FCR) for 2011-12 (`3700.26 crore). The capital expenditure (`1249.39 crore) was lower by `165.99 crore (11.73 *per cent*) as compared *to* the assessment made by the State Government in its FCR (`1415.38 crore).

Chart 4.2: Total Expenditure: Trends in share of its Components

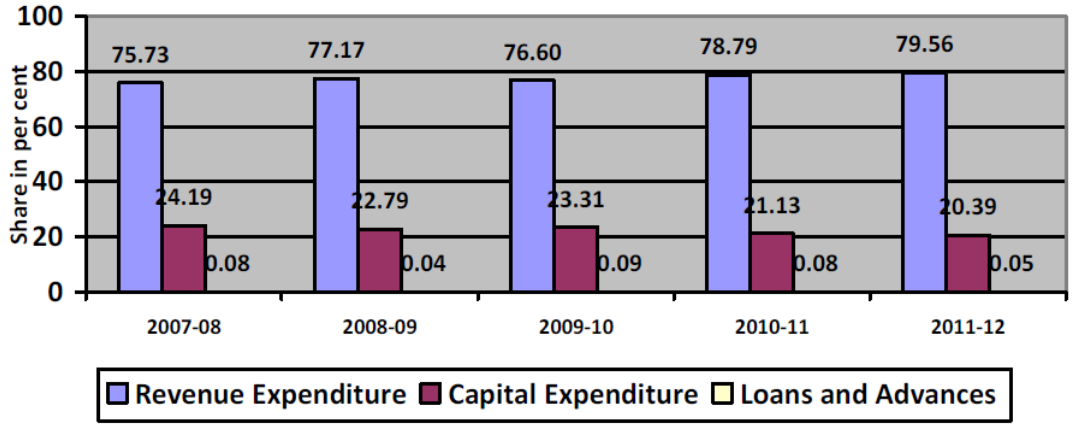
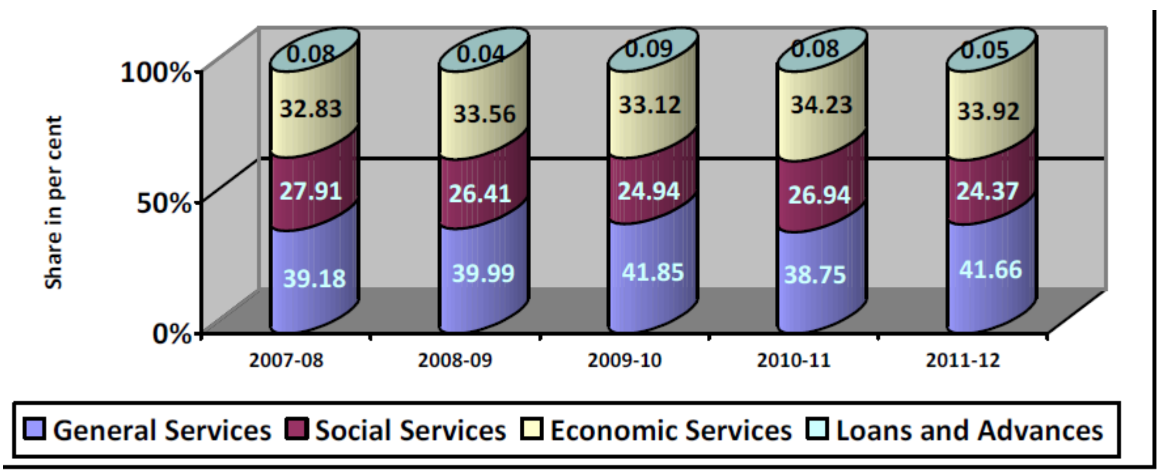


Chart 4.3: Total Expenditure: Trends by 'Activities'



The total expenditure, its annual growth rate, the ratio of expenditure to the GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in

Table 4.1.

Table 4.1: Total expenditure-basic parameters

	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Total Expenditure (TE) (`in crore)	3395.38	3742.99	4244.24	5313.37	6126.04
Rate of growth of TE (*per cent)*	15.80	10.24	13.39	25.19	15.29
TE/GSDP ratio (*per cent)*	42.05	39.67	41.31	47.78	50.78
RR/TE (*per cent)*	88.21	90.83	87.66	94.07	91.16
Buoyancy of Total expenditure with reference to:					
GSDP (ratio)	1.40	0.61	1.51	3.05	1.80
Revenue Receipt (ratio)	1.96	0.76	1.43	0.73	1.30
GSDP (Rupees in crore)	8075.27	9436.07	10272.88	11121.00	12064.53
Rate of growth of GSDP (*per cent*)	11.27	16.85	8.87	8.26	8.48
Revenue Receipts (Rupees in crore)	2995.04	3399.79	3718.48	4998.46	5584.62
Rate of growth of RR (*per cent*)	8.06	13.51	9.37	34.42	11.73

During the current year, 91.16 *per cent* of the total expenditure was met from revenue receipts and the remaining from capital receipts and borrowed funds.

The General Service expenditure increased by `493.45 crore (23.97 *per cent*) from `2058.81 crore in 2010-11 to `2552.26 crore in 2011-12, Social Services expenditure increased by `61.08 crore (4.26 *per cent*) and Economic Services expenditure increased by `259.51 crore (14.27 *per cent*).

The pattern of total expenditure in the form of non-plan and plan expenditure during 2011-12 showed that they contributed 66.16 *per cent* (`4052.69 crore) and 33.84 *per cent* (`2073.35 crore) respectively. The non-plan expenditure increased by `749.73 crore as compared to the previous year due to increase in revenue expenditure under General Services, Social Services and Economic Services by `460.01 crore, `112.68 crore and `176.77 crore respectively, capital expenditure under Economic Services by `0.03 crore and Loans & Advances by `0.24 crore.

Plan expenditure increased by `62.94 crore as compared to the previous year due to increase in revenue expenditure under General Services by `14.87 crore, Economic Services by `7.54 crore, capital expenditure under General Services by `18.58 crore, Social Services by `32.68 crore and Economic Services by `75.16 crore offset by decrease in revenue expenditure under Social Services by ` 84.28 crore and Loans & Advances by `1.61 crore.

Trends in total expenditure in terms of activities

In terms of activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, Grants-in-aid and Loans & Advances.

The expenditure on General Services and Interest Payments, which are considered as non-developmental, together contributed 41.66 *per cent* in 2011-12 as against 38.75 *per cent* in 2010-11 and 39.18 *per cent* in 2007-08. On the other hand, developmental expenditure i.e., expenditure on Social and Economic Services together accounted for 58.29 *per cent* in 2011-12 as against 61.17 *per cent* in 2010-11 and 60.74 *per cent* in 2007-08. This indicates that the non-developmental expenditure had increased by 2.91 *per cent* in 2011-12 as compared to previous year while the developmental expenditure had decreased by 2.88 *per cent* over the same period.

Revenue Expenditure

Revenue expenditure had predominant share varying from 75.73 *per cent* to 79.56 *per cent* of the total expenditure of the State during 2007-12. Revenue expenditure is incurred to maintain the current level of services and payments for the past obligations and as such does not result in any addition to the State’s infrastructure and service network.

The revenue expenditure, its rate of growth, the ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy is indicated in **Table 4.2.**

Table 4.2: Revenue expenditure-basic parameters

	2007-08	2008-09	2009-10	2010-11	2011-12
Revenue Expenditure (RE), of which (Rupees in crore)	2571.29	2888.44	3251.16	4186.31	4873.90
Non-plan Revenue Expenditure (NPRE) (Rupees in crore)	2086.40	2344.79	2662.61	3302.86	4052.32
Plan Revenue Expenditure (PRE) (Rupees in crore)	484.89	543.65	588.55	883.45	821.58
Rate of growth of RE (*per cent*)	15.76	12.33	12.56	28.75	16.42
Rate of growth of NPRE (*per cent*)	18.04	12.38	13.55	24.05	22.69
Rate of growth of PRE (*per cent*)	6.88	12.12	8.26	50.11	(-)7.00
RE as percentage to TE	75.73	77.17	76.60	78.79	79.56
NPRE/GSDP (*per cent*)	25.84	24.85	25.92	29.70	33.59
NPRE/TE (*per cent*)	61.45	62.64	62.73	62.16	66.15
NPRE/RR (*per cent*)	69.66	68.97	71.60	66.08	72.56
Buoyancy of RE with GSDP (ratio)	1.40	0.73	1.42	3.48	1.94
Buoyancy of RE with RR (ratio)	1.96	0.91	1.34	0.84	1.40

Revenue expenditure of the State had increased by `2302.61 crore (89.55 *per cent*) from `2571.29 crore in 2007-08 to `4873.90 crore in 2011-12 at a compound annual growth rate of 13.64 *per cent*. Both non plan revenue expenditure (NPRE) and plan revenue expenditure (PRE) had shown an increase over the period 2007-12. Of the total increase of `687.59 crore in revenue expenditure during 2011-12 over the previous year, increase in NPRE contributed 109.00 *per cent* (`749.46 crore) while decrease in PRE accounted for 9.00 *per cent* (`61.87 crore). The increase of `749.46 crore in NPRE during 2011- 12 over the previous year was mainly due to increase in Education, Sports, Art & Culture by `79.73 crore, Pensions and Miscellaneous General Services `251.63 crore, Administrative Service `163.41 crore, Health and Family Welfare `30.82 crore, Energy `70.81 crore, Interest Payment and Servicing of Debt `26.06 crore and Transport `69.34 crore. The PRE had decreased by `61.87 crore from `883.45 crore in 2010-11 to `821.58 crore in 2011-12 mainly due to decrease in expenditure under Education, Sports, Art & Culture `62.78 crore, Social Welfare and Nutrition `26.99 crore and Rural Development `23.91 crore offset by increase in Irrigation and Flood Control by `17.01 crore, Administrative Services by `8.41 crore, Special Area Programmes by `7.11 crore, Fiscal Services by ` 5.84 crore, Agriculture & Allied Activities by `5.57 crore, Health & Family Welfare by `4.50 crore, Labour & Labour Welfare by `1.39 crore, Information & Broadcasting by `1.20 crore and Energy by `1.12 crore.

The actual non-plan revenue expenditure vis-à-vis assessment made by XIII-FC and State Government are given below:-

Table 4.3: NPRE assessments made by XIII-FC and FCR

(Rupees in crore)

	Assessment made by XIII-FC	**Assessment made by State Government in FCR**	**Actual**
Non-Plan Revenue Expenditure	2593.85	3700.26	4052.32

The actual NPRE exceeded the normative assessment made by XIII-FC by `1458.47 crore (56.23 *per cent*) and also assessment made by the State in FCR by `352.06 crore (9.51 *per cent*).

Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 4.4** present the trends in the expenditure on these components during 2007-12.

The committed expenditure (i.e., interest payment, pension, salaries and subsidies) of the State Government increased from `2784.78 crore in 2011-12 to `3287.82 crore in 2011- 12. The overall percentage of committed expenditure on NPRE and total Revenue Receipts was 81.13 *per cent* and 58.87 *per cent*.

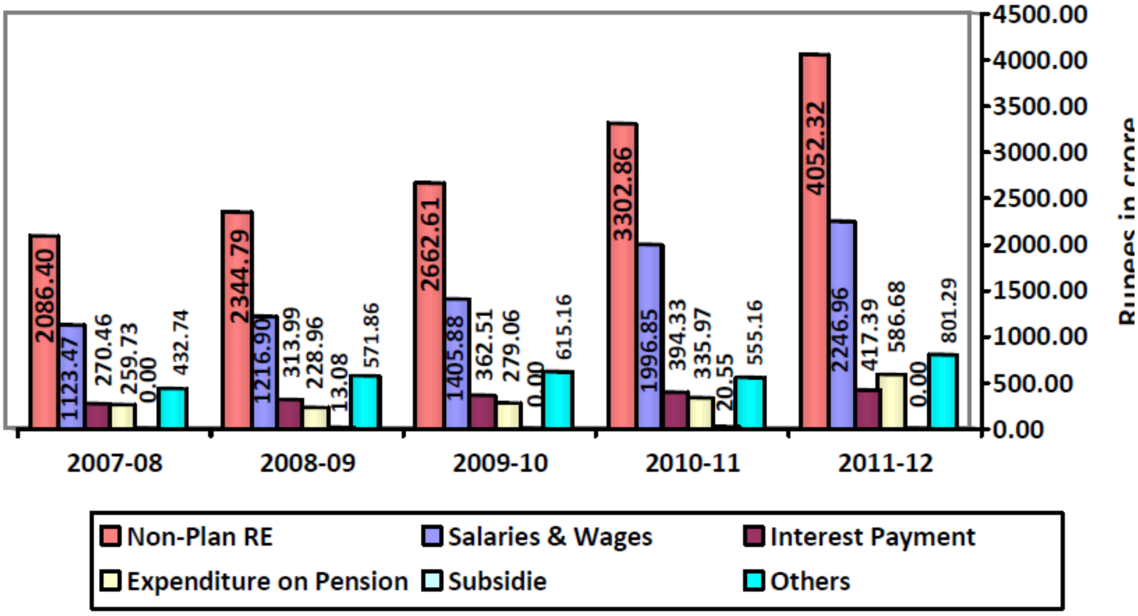
Table 4.4: Components of Committed Expenditure

(Rupees in crore)

	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Salaries & Wages, of which	1143.25	1249.39	1442.85	2033.93	2283.75
Non-plan	1123.47	1216.90	1405.90	1996.85	2246.96
Plan	19.78	32.49	36.95	37.08	36.79

Interest Payment	270.46	313.99	362.51	394.33	417.39
Expenditure on Pension	259.73	228.96	279.06	335.97	586.68
Subsidies	0.00	13.08	0.00	20.55	0.00
Total	**1673.44**	**1805.42**	**2084.42**	**2784.78**	**3287.82**
As *per cent* of RR					
Salaries & Wages	38.17	36.75	38.80	40.69	40.89
Interest Payment	9.03	9.24	7.50	7.89	7.47
Expenditure on pension	8.67	6.73	9.75	6.72	10.51
Subsidies	0.00	0.38	0.00	0.41	0.00

Chart 4.4: Share of Committed Expenditure in Non Plan Revenue- Expenditure during 2007-12



Salaries & Wages:

Expenditure on salaries under Non-Plan and Plan during the current year was `2246.96 crore and `36.79 crore respectively. The expenditure on salaries increased by `1140.50 crore (99.76 *per cent*) from `1143.25 crore in 2007-08 to `2283.75 crore in 2011-12 and was `808.90 crore more than the projection made in XIII-FC (`1474.85 crore). Expenditure on salaries and wages increased by `249.82 crore (12.28 *per cent*) over the previous year mainly due to release of dearness allowance installments and incremental benefits. Salary and wages accounted for 40.89 *per cent* of the revenue receipts during 2011-12.

Pension Payment:

The expenditure on pension had increased by `326.95 crore (125.88 *per cent*) from `259.73 crore in 2007-08 to `586.68 crore in 2011-12. The pension payment were `154.44 crore more than the assessment made by XIII-FC (`432.24 crore) and also `10.39 crore more than the assessment made by the State Government in its MTFPS (`576.29 crore) for the year 2011-12. The pension payment recorded a growth of 74.62 *per cent* (`250.71 crore) over the previous year mainly due to introduction of new pension policy by the State Government.

Interest Payments:

Chart 4.5: Components of Interest Payment during 2010-11

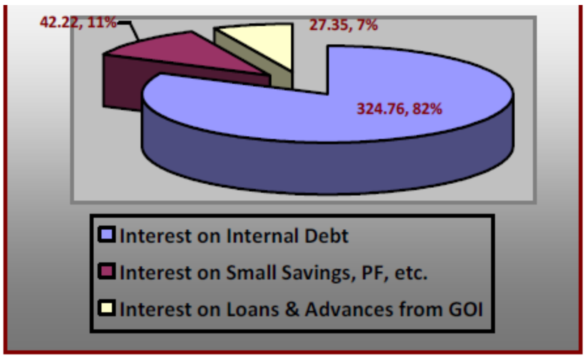
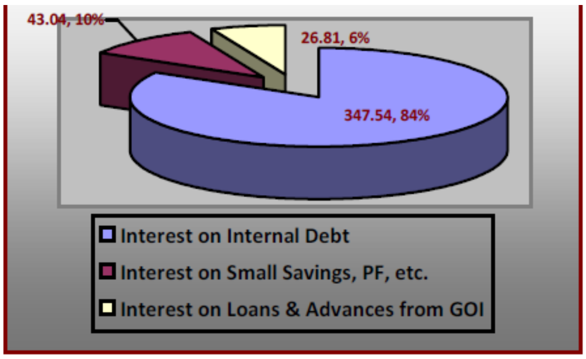


Chart 4.6: Components of Interest Payment during2010-11



Interest payment increased by `146.93 crore (54.33 *per cent*) from `270.46 crore in 2007-08 to `417.39 crore in 2011-12. The interest payment increased by `23.06 crore (5.85 *per cent*) during 2011-12 over the previous year due to increase in interest payment on Internal Debt (`22.78 crore) and Small Savings, Provident Fund etc. (`0.82 crore) offset by decrease in Interest on Loan and Advances from Central Government (`0.54 crore).

The interest payment for the year 2011-12 was lower than the projection made by the State Government in MTFPS (`439.67 crore) but higher than the projections made in XIII-FC (`358.72 crore).

Financial Assistance by State Government to local bodies and other Institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous years is presented in **Table 4.5.**

Table 4.5: Financial Assistance to Local Bodies etc.

(Rupees in crore)

Financial Assistance to Institutions	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	2.40	14.70	18.44	5.50	6.40
Co-Operation	..	..	0.07	3.44	6.55
Municipal councils	0.27	2.11	1.20	…	2.98
Development Agencies	29.03	40.34	62.20	26.56	28.29
Hospitals and Other Charitable Institutions	8.73	10.16	10.78	12.59	14.70
Old Age Pension Scheme	…	…	…	16.67	1.43
Special Area Programme	---	---	---	---	4.75
Other Institutions	1.41	7.47	6.21	38.13	99.63
Total	**41.84**	**74.78**	**98.90**	**102.89**	**164.73**
Assistance as percentage of RE	1.40	2.20	2.66	2.46	3.38

The total assistance to local bodies etc. increased by `61.84 crore (60.10 *per cent*) from 102.89 crore in 2010-11 to `164.73 crore in 2011-12. **Table 4.5** shows that the assistance increased by `1.73 crore (6.51 *per cent)* from `26.56 crore in 2010-11 to `28.29 crore in 2011-12 in respect of development agencies whereas, it declined by `15.24 crore (91.42 *per cent*) from `16.67 crore in 2010-11 to `1.43 crore in 2011-12 in respect of Old Age Pension Scheme.

Quality of Expenditure

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

Adequacy of Public Expenditure

The expenditure responsibilities relating to social sector and economic infrastructure are largely assigned to State Governments. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. **Table 4.6** analyses the fiscal priority given by the Nagaland Government to various expenditure heads in 2008-09 and the current year viz 2011-12 with regard to developmental expenditure, social sector expenditure and capital expenditure.

Table-4.6: Fiscal priority of the State in 2008-09 & 2011-12

Fiscal priority by the State	AE/GSDP	DE/AE	SSE/AE	CE/AE	Education/AE	Health/AE
Nagaland 2008-09	39.67	60.01	26.41	22.79	11.79	3.97
Nagaland 2011-12	50.78	58.33	24.37	20.39	12.75	4.55

AE: Aggregate Expenditure DE: Developmental Expenditure SSE: Social Sector Expenditure CE: Capital Expenditure

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

Source: For GSDP, the information was collected from the State's Directorate of Economics and Statistics

The AE to GSDP ratio of the of Nagaland had increased by 11.11 *per cent* from 39.67 *per cent* in 2008-09 to 50.78 *per cent* in 2011-12. The DE to AE marginally decreased by 1.68 *per cent* whereas, SSE to AE and CE to AE declined by 2.04 *per cent* and 2.40 *per cent* respectively as compared to 2008-09. Further, the expenditure on the education sector and health sector as proportion of Aggregate expenditure was 12.75 *per cent* and 4.55 *per cent* respectively in 2011-12 which is marginally higher as compared to 2008-09.

Efficiency of Expenditure Use

In view of the importance of public expenditure on developmental heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods6. Apart from improving the allocation towards developmental expenditure*7*, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table 4.7** presents the trends in developmental expenditure relative to the aggregate expenditure of the State during the current year vis-à-vis budgeted and the previous years, **Table 4.8** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table-4.7: Developmental Expenditure

(Rupees in crore)

Components of Developmental Expenditure	2007-08	2008-09	2009-10	2010-11	2011-12	
					BE	**Actual**
Developmental Expenditure (a to c)	2065.21 (60.82)	2246.10 (60.01)	2467.96 (58.15)	3254.56 (61.25)	3441.95	3573.45 (58.33)
a. Developmental Revenue Expenditure	1378.83 (40.61)	1540.70 (41.16)	1668.46 (39.31)	2344.67 (44.13)	2488.84	2557.39 (41.74)
b. Developmental Capital Expenditure	683.77 (20.14)	703.94 (18.81)	795.95 (18.75)	905.77 (17.05)	949.20	1013.64 (16.55)
c. Developmental Loans and Advances	2.61 (0.08)	1.46 (0.04)	3.55 (0.09)	4.12 (0.08)	3.91	2.42 (0.04)

Figures in parentheses indicate percentage to aggregate expenditure

The developmental expenditure (`3573.45 crore) exceeded the assessment made by the State Government in the budget by `131.50 crore. The developmental revenue and capital expenditure increased by `212.72 crore (9.07 *per cent*) and `107.87 crore (11.91 *per cent*) respectively over the previous year. The increase in developmental revenue expenditure was mainly under Education, Sports, Art & Culture (`16.95 crore), Health & Family Welfare (`35.32 crore), Agriculture & Allied Activities (`37.30 crore), Energy (`71.94 crore), Irrigation & Flood Control (`19.42 crore) and Transport (`70.29 crore) offset by decrease in Social Welfare & Nutrition (`29.53 crore), Rural Development (`36.36 crore).

Table 4.8 –Efficiency of Expenditure Use in Selected Social and Economic Services

(In per cent)

Social/Economic Infrastructure	2010-11		2011-12	
Social Services (SS)	**Ratio of CE to TE**	**In RE, the share of S&W**	**Ratio of CE to TE**	**In RE, the share of S&W**
General Education	6.51	78.84	6.25	88.63
Health and Family Welfare	16.36	92.24	14.86	85.79
WS, Sanitation, & HUD	69.10	67.19	76.85	91.78
Total (SS)	**21.38**	**70.63**	**22.69**	**76.57**
Economic Services (ES)				
Agri & Allied Activities	12.51	48.14	17.90	50.47
Irrigation and Flood Control	1.41	13.70	0.35	12.43
Power & Energy	21.88	24.67	22.57	19.51
Transport	71.69	94.68	63.90	70.72
Total (ES)	**32.97**	**37.10**	**32.47**	**40.77**
Total (SS+ES)	**27.87**	**53.20**	**28.38**	**56.93**

TE: Total Expenditure of respective section; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages

Table 4.8 shows that the ratio of CE to TE under Water Supply, Sanitation, Housing and Urban Development increased by 7.75 *per cent* whereas it decreased in General Education by 0.26 *per cent* and Health and Family Welfare by 1.50 *per cent.* The ratio of CE to TE under Social Services increased from 21.38 per cent in 2010-11 to 22.69 per cent in 2011-12 whereas under Economic Services it decreased from 32.97 *per cent* in 2010-11 to 32.47 *per cent* in 2011-12.

The share of salary and wages on General Education under Social service was 88.63 *per cent* of its revenue expenditure and on Health & Family Welfare and Water Supply Sanitation, Housing & Urban Development the share was 85.79 *per cent* and 91.78 *per cent* respectively. The percentage of salary and wages relative to its revenue expenditure on Social services was 5.94 *per cent* higher than the previous year.

The salary and wage expenditure in terms of percentage of revenue expenditure under Economic services was higher by 3.67 *per cent* over the previous year.

The percentage of salary and wage expenditure relative to revenue expenditure under Social and Economic services taken together was higher by 3.73 *per cent* during 2011-12 over the previous year.

Recommendations

- The DUDA being a Government Department should not act as a Nodal agency. It does not require DLSC or SLSC but should act as a Government established Department at par with other Government departments by formulating concrete guidelines for UADP and strictly implement the guidelines of BADP of GOI. The Department should immediately move for such functions through official Notification to the effect with immediate effect.
- Since the Department lacks in administrative calibre, it should function under a Minister instead of an Advisor. The Directorate level Ministerial Staff should also be streamlined by recruiting regular staff by imparting accounting training henceforth.
- The Department should extend its wings to the Police Engineering Project under the establishment of Home Department. The Department should work out its modalities to achieve this in reality.
- The Department should intimate the fate of `4 crore released against Angphang Model Village and completion of all 11 components of work within the specific period.

- The Department should not maintain leniency to any pressure and abide by its guidelines and objectives framed under UDAP and BADP guidelines. Proper Monitoring System may also be formulated and all reports prepared based on ground reality.
- The SLSC meeting should be held timely to enable the State Government to submit the proposal and obtain sanction from GOI in time.
- Selection of projects should be done on need basis as envisaged in the perspective plan.
- The State Government should ensure timely release of funds and utilisation certificates should be based on actual utilisation of funds.
- Assets created should be promptly handed over to the end users and its proper utilisation ensured.
- Project monitoring should be streamlined and the impact of the scheme should be periodically assessed.

Revenue Expenditure: A Comparative Study of Special Category States

Disaggregated analysis of State expenditures (Table 4.9a&b) brings out some important stylised facts with implications for macroeconomic stability and allocative and technical efficiency in States' public expenditure policy. These are summarised below:

- Despite attempts to contain the growth of expenditures from 2008-13, the States' revenue expenditure - GDP ratio has increasing trend. It increased by 2.17 point in 2009-10, then it witnessed a sharp rise by 6.37 point in 2010-11, it registered a declining trend by 3.49 point in 2011-12 and again it showed a rise by 1.18 point. This contributed to the severity of fiscal imbalance at the State level broadly by the same magnitude as the reduction in the revenue-GDP ratio. The share of revenue expenditures in GDP increased from 30.7 percent in 2004-08 to 36.17 per cent in 2009-10 and further 37.9 per cent 2011-12.
- A substantial proportion of increase in revenue expenditures is due to interest payments. Both the volume of liabilities and average rate of interest have increased significantly. As increasing share of States' loans are used for revenue expenditures, the vicious cycle of higher interest payments increasing expenditures feed back into larger borrowings. The problem is exacerbated by low productivity of even capital expenditures. The proliferation of projects spread the resources thinly and inadequate financial allocation causes severe cost and time over-runs.

- The principal reason for increase in expenditures however, is the pay and pension revision. The impact of pay revision has been much more severe on the State than the Centre because the share of salary expenditure in State is higher; revisions had to be extended to aided institutions and local bodies besides government administration. Thus, general service expenditure excluding interest payment increased by average 12.6 per cent during nine years (2004-13) reflecting the increases in pay scales and pension payments.

- Despite significant increase in the salary component of social services expenditures, expenditure-GDP ratio varied uneven ranging from 7.0 to 10.0 per cent of GDP. Variation in social services expenditure-GDP ratio in the wake of increasing salary cost implies growth in non-salary inputs with positive impact on their quality.
- The impact of declining revenue-GDP ratio and inevitability of meeting increasing commitments on pay and pension revisions and interest payments has been to crowd out capital expenditure-GDP ratio from 10.75 per cent in 2007-08 to 2.86 per cent in 2012-13. Within revenue expenditures, sharp decline in the expenditure-GDP ratio in respect of economic services signifies the inability of the States to make adequate provision for maintenance of physical infrastructure. The effect has been to put pressure on both the availability and quality of physical infrastructure.
- A major structural cause of expenditure proliferation is the artificial and often, meaningless distinction made between plan and non-plan expenditures. Implicit in this is the assumption that plan expenditures are productive and non-plan expenditures are not. This is incorrect, for, a number of projects classified as "plan" in the revenue account are merely salary payments that are not productive. Similarly, completed plan schemes are classified as "non-plan". Maintenance expenditures on roads, irrigation works and buildings are certainly productive and inadequate provision for these to contain non-plan expenditures has been a major shortcoming in expenditure management in States. Often, for convenience and strategic reasons various developmental projects are initiated in the non-plan side. The classification itself is unscientific, and this has led to inadequate expenditure allocation to maintenance of assets. Emphasis on increasing the plan size in every successive plan irrespective of resources position has caused proliferation of plan schemes even when they cannot be justified on economic considerations. As already mentioned, emphasis on increasing

the plan size has also had the effect of allocating expenditures to large number of projects resulting in the thin spread of resources causing time and cost over-runs.

- Increasing emphasis on plan expenditures by containing non-plan expenditures has had another undesirable effect on State finances. One way to increase the plan size is to classify some of the expenditures considered as "non-plan" in earlier years into "plan". Besides, the emphasis has shifted to revenue expenditures under the plan category.

The expenditure pattern of the State had undergone significant change during the fiscal consolidation phase (2004-05 to 2007-08). During this period, efforts made by the Central government through the introduction of the Debt Swap Scheme (DSS) and provision of Debt Consolidation and Relief Facility (DCRF) based on the Twelfth Finance Commission recommendations led to a decline in both the interest payments (IP)- GSDP and IP-RR ratios of the States. State governments had also laid considerable emphasis on rationalisation of their expenditure during this period. Consequently, there was a gradual decline in the (RE) - GSDP ratios of the States while development expenditure, capital outlay, and social sector expenditures improved across States during this period. However, the implementation of the Sixth Pay Commission award and fiscal stimulus measures taken in the post-global financial crisis period led to a sharp increase in the RE-GSDP ratios of States during 2008-09 and 2009-10, while capital outlays and development expenditure were affected adversely during these years. Not with standing some improvement in capital outlays and development expenditure (DE)- GSDP ratios in 2010-11 (RE) and 2011-12 (BE), these are yet to reach their pre-crisis levels.

RE-GSDP increased in Nagaland in 2010-11(RE) mainly due to the impact of Sixth Pay Commission awards. The consolidated REGSDP ratio of special category States increased further during 2011-12(BE), reflecting the decrease in development revenue expenditure (DRE) - GSDP ratio. It may be mentioned that Nagaland has budgeted for a decline in their RE-GSDP ratio during 2011-12, though this is mainly on account of a decline in the DRE-GSDP ratio in the State

The DRE accounted for 49.07 percent, 54.38 per cent, 54.08 per cent, 53.60 per cent, 54.38 per cent, 55.44 per cent, 55.98 per cent, 54.49 per cent and 54.04 per cent of total revenue expenditure in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13 respectively in Nagaland. The DRE of total revenue expenditure remained more or less constant at about 55 per cent.   Nagaland has been continuing to record the highest ratio. The DREGSDP ratio of State was more or less stagnant in 2009-10 but it showed sharp rise in 2010-11(RE), it is budgeted to decline marginally in 2011-12.

The non-development revenue expenditure- GSDP (NDRE-GSDP) ratio, with a share of 50.93 percent, 45.61 per cent, 45.92 per cent, 46.40 per cent, 45.62 per cent, 44.55 per cent, 44.01 per cent, 45.51 per cent and 45.96 per cent in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13 respectively in total revenue expenditure of State increased in 2009-10. The NDRE-GSDP ratio for Nagaland increased steadily during 2009-10 to 2011-12(BE).

Table 4.9(a): Revenue Expenditure of the State Governments

(in %)

State	2004-08 (Avg.)*					2009-10				
	RE/ GS DP	**DR E/ GS DP**	**ND RE/ GS DP**	**IP/ GS DP**	**PN/ GS DP**	**RE/ GS DP**	**DR E/ GS DP**	**ND RE/ GS DP**	**IP/ GS DP**	**PN/ GS DP**
Special Category										
Arunachal Pradesh	45.4	31.9	13.4	4.1	2.0	54.0	37.1	17.0	3.3	2.7
Assam	18.1	11.2	6.9	2.4	1.8	23.0	12.2	9.0	2.0	1.9
Himachal Pradesh	24.4	13.7	10.7	5.8	2.7	25.8	15.6	10.1	4.5	3.1
Jammu and Kashmir	31.9	18.6	13.3	4.6	2.8	34.9	19.8	15.1	4.7	3.5
Manipur	35.1	21.5	13.6	4.6	3.4	36.3	20.4	14.3	3.9	3.5
Meghalaya	23.1	14.7	8.4	2.4	1.3	24.9	16.3	8.6	1.8	1.6
Mizoram	51.9	33.6	18.3	6.3	2.8	48.0	31.2	16.8	4.5	2.9
Nagaland	**30.7**	**16.2**	**14.4**	**3.8**	**2.8**	**31.5**	**16.1**	**15.3**	**3.5**	**2.7**
Sikkim	92.2	30.9	61.3	5.2	2.0	57.8	24.7	33.1	3.3	2.7
Tripura	23.8	12.6	10.8	3.7	2.5	27.5	14.7	12.1	2.7	3.6
Uttarakhand	18.1	10.9	6.7	2.7	1.4	16.0	10.0	5.5	2.0	1.6

Note: Avg.: Average; RE: Revised Estimates; RE: Revenue Expenditure; DRE: Development Revenue Expenditure; NDRE: Non-Development Revenue Expenditure; IP: Interest Payment; PN: Pension; GSDP: Gross State Domestic Product

Source: Based on Budget Documents of the States

Table 4.9(b): Revenue Expenditure of the State Governments

State	2010-11 (RE)					2011-12 (BE)				
	RE/ GS DP	**DR E/ GS DP**	**ND RE/ GS DP**	**IP/ GS DP**	**PN/ GS DP**	**RE/ GS DP**	**DR E/ GS DP**	**ND RE/ GS DP**	**IP/ GS DP**	**PN/ GS DP**
Special Category										
Arunachal Pradesh	46.7	32.5	14.2	3.1	2.5	37.2	26.0	11.2	2.8	2.2
Assam	31.9	18.7	9.8	2.3	2.4	26.9	15.6	8.7	1.8	2.0
Himachal Prades	23.9	14.2	9.7	3.7	3.6	23.3	13.8	9.5	3.6	3.7
Jammu and Kashmir	37.9	21.5	16.5	4.7	4.3	42.6	21.6	21.0	4.5	5.0
Manipur	46.8	27.7	17.8	4.1	3.9	46.5	29.4	16.3	3.8	3.8
Meghalaya	27.7	19.8	7.9	1.8	1.4	29.9	21.6	8.3	1.8	1.4
Mizoram	58.8	39.3	19.4	4.1	4.0	47.5	30.3	17.1	3.8	3.8

Nagaland	**39.1**	**21.9**	**17.2**	**3.6**	**3.6**	**37.9**	**20.5**	**17.4**	**3.6**	**4.7**
Sikkim	55.2	26.4	28.4	3.5	2.6	51.5	23.9	27.2	3.1	2.4
Tripura	26.5	14.3	11.6	2.9	3.8	24.8	13.3	11.0	2.9	3.6
Uttarakhand	16.5	10.3	5.5	2.0	1.3	16.4	10.1	5.7	2.1	1.6

Note: Avg.: Average; RE: Revised Estimates; RE: Revenue Expenditure; DRE: Development Revenue Expenditure; NDRE: Non-Development Revenue Expenditur; IP: Interest Payment; PN: Pension; GSDP: Gross State Domestic Product
Source: Based on Budget Documents of the States

Development Expenditure

5.26 Social sector expenditure (SSE) as a ratio to GSDP of Nagaland declined during 2009-10. Reflecting the improvement in the SSE-GSDP ratios of State in 2010-11(RE), the SSE-GSDP ratio increased further by 3.9 percentage points to 15.2 percent and is budgeted to decline by 1.6 percentage points to 13.6 per cent l during 2011-12. The SSE-GSDP ratios of special category States at the consolidated level increased during 2009-10 and 2010-11 (RE) but it is budgeted to decline in 2011-12.

5.27 The CO-GSDP ratio of Nagaland increased persistently over the years. in 2010-11 (RE) over the previous year but it is budgeted to increase in 2011-12. The CO-GSDP ratio of special category States at the consolidated level increased in 2010-11 (RE), but it is budgeted to decline in 2011- 12 (BE). There were considerable differences across special category States in terms of the CO-GSDP ratio, which seem to have persisted over the years (Table 4.10)

Table 4.10: Development Expenditure: Select Indicators

	2004-08 (Avg.)*			2009-10			2010-11 (RE)			2011-12 (BE)		
	DEVE / GSDP	**SSE/ GSDP**	**CO/ GSDP**	**DEVE / GSDP**	**SSE/ GSDP**	**CO/ GSDP**	**DEVE / GSDP**	**SSE/ GSDP**	**CO/ GSDP**	**DEVE / GSDP**	**SSE/ GSDP**	**CO/ GSDP**
Arunachal Pradesh	44.5	19.7	13.0	54.2	25.8	16.0	55.2	20.8	37.5	35.3	13.4	26.1
Assam	14.4	8.3	2.6	15.1	9.9	2.8	22.0	13.5	3.2	19.3	11.6	3.8
Himachal Prades	17.0	10.5	3.4	20.1	11.4	4.5	17.8	10.8	3.4	16.5	10.2	2.5
Jammu and Kashmir	28.3	13.3	11.2	32.7	16.0	15.3	33.8	17.0	14.4	33.4	16.6	13.4
Manipur	33.2	16.9	12.8	38.4	18.5	19.1	47.5	23.1	22.7	16.1	21.8	19.4
Meghalaya	18.5	10.7	3.8	19.7	11.0	3.8	24.3	13.4	4.7	27.5	14.6	5.9
Mizoram	47.8	24.3	14.0	41.0	26.0	10.2	50.8	26.9	11.9	37.0	19.5	6.9
Nagaland	**23.7**	**12.2**	**8.6**	**23.9**	**11.3**	**9.6**	**31.4**	**15.2**	**10.9**	**28.3**	**13.6**	**11.8**
Sikkim	47.2	26.1	17.3	37.3	21.3	13.7	42.2	23.8	17.0	40.9	22.3	16.8
Tripura	19.1	11.7	7.3	22.1	14.2	8.7	21.4	13.6	8.4	18.3	12.2	7.8
Uttarakhand	15.7	8.9	4.9	13.0	8.4	3.2	13.1	8.8	2.8	13.7	9.2	3.6

Avg: Average RE: Revised Estimates.
DEVE: Development Expenditure. SSE: Social Sector Expenditure.
CO: Capital Outlay. GSDP: Gross State Domestic Product.
#: Data for All States are as percent to GDP.
Source: Based on Budget Documents of the State Governments

Table 4.11: Pattern of Revenue Expenditure, Capital Expenditure, Capital Outlay and Loans & Advances

(crore)

		Revenue Expenditure	Capital Expenditure	Capital Outlay	Loans and Advances	Total Expenditure	GSDP (at current prices)
2007-08	Plan	484.89 (6.00%)	0.00 (0.00%)	809.47 (10.02%)	2.61 (0.03%)	1296.97 (16.06%)	8075.00
	Non-Plan	2087.38 (25.85%)	86.80 (10.75%)	12.01 (0.15%)	0.00 (0.00%)	2186.19 (27.07%)	
	Total	**2572.27 (31.85%)**	**86.80 (10.75%)**	**821.48 (10.17%)**	**2.61 (0.03%)**	**3483.16 (43.13%)**	
2008-09	Plan	543.65 (5.76%)	0.00 (0.00%)	853.08 (9.04%)	0.01 (0.00%)	1396.74 (14.80%)	9436.00
	Non-Plan	2345.89 (24.86%)	103.93 (1.10%)	0.00 (0.00%)	0.01 (0.00%)	2449.83 (25.96%)	
	Total	**2889.54 (30.53%)**	**103.93 (1.10%)**	**853.08 (9.04%))**	**0.02 (0,00%)**	**3846.57 (40.76%)**	
2009-10	Plan	588.55 (5.59%)	0.00 (0.00%)	976.63 (9.28%)	3.37 (0.03%)	1568.55 (14.90%)	10527.00
	Non-Plan	2663.89 (25.30%)	274.60 (2.61%)	12.90 (0.12%)	0.19 (0.00%)	2951.58 (28.03%)	
	Total	**3252.44 (30.90%)**	**274.60 (2.60%)**	**989.53 (9.40%)**	**3.56 (0.03%)**	**4520.13 (42.93%)**	
2010-11	Plan	883.45 (7.80%)	0.00 (0.00%)	1121.94 (9.90%)	4.03 (0.03%)	2009.42 (17.76%)	11315.00
	Non-Plan	304.39 (2.69%)	261.16 (2.31%)	2.60 (0.02%)	0.09 (0.00%)	3568.24 (31.53%)	
	Total	**4187.84 (37.01%)**	**261.16 (2.30%)**	**1124.54 (9.94%)**	**4.12 (o.04%)**	**5577.66 (49.29%)**	
2011-12	Plan	821.58 (6.69%)	0.00 (0.00%)	1245.39 (10.15%)	2.42 (0.02%)	2069.39 (16.86%)	12272.00
	Non-Plan	4054.08 (33.03%)	349.81 (2.85%)	4.00 (0.03%)	0.34 (0.00%)	4408.23 (35.92%)	
	Total	**4875.66 (39.73%)**	**349.81 (2.85%)**	**1249.39 (10.18%)**	**2.76 (0.02%)**	**6477.62 (52.78%)**	
2012-13	Plan	1049.71 (7.88%)	0.00 (0,00%)	1683.06 (12.63%)	0.00 (0.00%)	2732.77 (20.51%)	13322.00
	Non-Plan	4536.50 (34.05%)	380.42 (2.86%)	3.80 (0.03%)	0.00 (0.00%)	4920.72 (36,94%)	
	Total	**5586.21 (41.93%)**	**380.42 (2.86%)**	**1686.86 (12.66%)**	**0.00 (0.00%)**	**7653.49 (57.45%)**	

Table 4.11(a): Expenditure of the State

(in lakh)

Item	**2004-05**			**2005-06**			**2006-07**		
	PLAN	**NON PLAN**	**TOTAL**	**PLAN**	**NON PLAN**	**TOTAL**	**PLAN**	**NON PLAN**	**TOTAL**
TOTAL XPENDITURE	**29,450**	**1,39,013**	**1,68,463**	**42,246**	**1,63,805**	**2,06,051**	**44,714**	**1,77,502**	**2,22,215**

(I+II+III)									
I.DEVELOPMENTAL EXPENDITURE (A +B	**28,912**	**53,756**	**82,668**	**41,430**	**70,632**	**1,12,061**	**43,648**	**76,535**	**1,20,183**
A.Social Services (1 to 12)	**11,390**	**30,705**	**42,095**	**16,023**	**39,199**	**55,221**	**16,997**	**41,888**	**58,885**
1.Education, Sports, Art and Culture	4,402	19,564	23,966	5,924	24,659	30,583	7,447	26,048	33,494
2.Medical and Public Health	1,666,	6,211	7,877	2194	7,596	9,790	1,361	9,180	10,542
3.Family Welfare	571	369	940	806	369	1,175	663	436	1,099
4.Water Supply and Sanitation	94	1,512	1,607	139	3,053	3,192	226	2,493	2,719
5.Housing	820	415	1,235	475	296	771	200	255	455
6.Urban Development	34	287	322	30	311	341	13	–	13
7.Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	507	–	507	1,356	–	1,356	1,478	–	1,478
8.Labour and Labour Welfare	21	541	562	392	583	975	365	616	981
9.Social Security and Welfare	2,414	724	138	2,552	3, 653	3,205	2,392	1,132	3,524
10.Nutrition	732	14	746	2,042	15	2,056	2,516	15	2,531
11.Relief on account of Natural Calamities	–	85	85	-	462	462	–	564	564
12.Others*	128	982	1,110	113	1,203	1,316	336	1,149	1,485
B.Economic Services (1 to 9)	**17,522**	**23,051**	**40,572**	**25,407**	**31,433**	**56,840**	**26,651**	**34,646**	**61,298**
1.Agriculture and Allied Activities (i to xii)	4,230	7,494	11,724	7,222	9,084	16,306	9,204	9,049	18,252
i)Crop Husbandry	1,246	1,962	3,208	2,400	2,270	4,670	2,780	2,410	5,190
ii)Soil and Water Conservation	990	873	1,863	1,613	1,072	2,685	2,196	1,039	3,235
iii)Animal Husbandry	878	1,619	2,496	1,659	1,803	3,461	1,399	1,939	3,339
iv)Dairy Development	10	76	86	102	52	153	184	40	224
v)Fisheries	291	372	662	265	412	677	378	462	839
vi)Forestry and Wild Life	351	1,366	1,717	683	1,775	2,458	1,611	1,721	3,332
vii)Plantations	–	–	–	–	–	–	–	–	–
viii)Food Storage and Warehousing	15	491	506	80	567	647	108	588	697
ix)Agricultural Research and Education	65	399	464	166	404	571	174	380	554
x)Agricultural Finance Institutions	–	–	–	–	–	–	–	–	–
xi)Co-operation	385	336	721	254	729	983	375	468	843
xii)Other Agricultural Programmes	–	–	–	–	–	–	–	–	–
2.Rural Development	4,558	621	5,179	7,586	1,136	8,723	4,306	2,683	6,989
3.Special Area Programmes	1,147	283	1,430	1,404	240	1,644	2,245	204	2,449
4.Irrigation and Flood Control	1,594	626	2,221	1,804	703	2,507	2,617	712	3,329
of which :									
i)Major and Medium Irrigation	–	–	–	–	–	–	–	–	–
ii)Minor Irrigation	1,594	626	2,221	1,804	703	2,507	2,617	712	3,329
iii)Flood Control and Drainage	–	–	–	–	–	–	–	–	–
5.Energy	45	9,383	9,428	46	9,676	9,722	50	11,318	11,368
of which :									
Power	–	9,383	9,383	–	9,675	9,675	–	11,318	11,318
6.Industry and Minerals (i to iii)	1,938	1,266	3,204	2,896	1,441	4,337	2,765	1,554	4,319
i)Village and Small Industries	1,900	795	2,695	2,822	911	3,733	2,671	1,007	3,678
i)Industries@	38	471	509	75	530	605	95	546	641
iii)Others**	–	–	–	–	–	–	–	–	–
7.Transport and Communications (i + ii)	20	1,951	1,970	20	7,590	7,610	35	7,569	7,604
i) Roads and Bridges	–	465	465	–	5,769	5,769	–	5,631	5,631
ii)Others @@	20	1,486	1,506	20	1,822	1,841	35	1,938	1,973
8.Science, Technology and Environmen	253	22	275	197	27	225	589	61	650
9.General Economic Services (i to iv)	3,736	1,406	5,142	4,231	1,536	5,767	4,840	1,497	6,337
i)Secretariat - Economic Services	3,447	646	4,093	3,855	665	4,520	3,904	796	4,700
ii)Tourism	84	150	234	121	172	**293**	347	177	524

iii)Civil Supplies	–	–	–	–	–	–	–	–	–
iv)Others +	205	610	815	255	699	954	588	525	1,113
II.NON-DEVELOPMENTAL EXPENDITURE									
(General Services) (A to F)	**539**	**85,257**	**85,795**	**816**	**93,174**	**93,990**	**1,065**	**1,00,967**	**1,02,032**
A.Organs of State	**18**	**2,834**	**2,851**	**18**	**2,616**	**2,635**	**–**	**2,662**	**2,662**
B.Fiscal Services (i to ii)	**192**	**1,417**	**1,609**	**401**	**1,719**	**2,119**	**520**	**1,769**	**2,289**
i)Collection of Taxes and Duties	192	1,415	1,607	401	1,717	2,117	520	1,767	2,287
ii) Other Fiscal Services	–	2	2	–	2	2	–	2	2
C.Interest Payments and Servicing of Debt (1 + 2)	–	24,962	24,962	–	25,389	25,389	–	27,969	27,969
1..Appropriation for Reduction or Avoidance of Debt	–	–	–	–	–	–	–	–	–
2.Interest Payments (i to iv)	–	24,962	24,962	–	25,389	25,389	–	27,969	27,969
i) Interest on Loans from the Centre	–	4,677	4,677	–	4,305	4,305	–	4,640	4,640
ii)Interest on Internal Debt	–	16,917	16,917	–	17,801	17,801	–	19,521	19,521
of which :									
(a)Interest on Market Loans	–	11,851	11,851	12,482	–	12,482	–	13,626	13,626
(b) Interest on NSSF	–	–	–	–	–	–	–	1,011	1,011
iii)Interest on Small Savings, Provident Funds, etc.		3,367	3,367	–	3,282	3,282	–	3,808	3,808
v)Others	–	–	–	–	–	–	–	–	–
D.Administrative Services (i to v)	48,249	329	42,590	42,919	397	45,424	45,822	545	48,794
i)Secretariat-General Services	**–**	**2,959**	**2,959**	**–**	**3,359**	**3,359**	**–**	**3,485**	**3,485**
ii)District Administration		3,372	3,372	100	4,160	4,260	89	4,170	4,258
i)Police	21	26,483	26,504	–	30,277	30,277	150	33,277	33,427
iv)Public Works	–	6,070	6,070	–	3,323	3,323	9	2,971	2,980
v)Others ++	308	3,706	4,014	297	4,305	4,602	298	4,347	4,644
E.Pensions	**–**	**13,383**	**13,383**	**–**	**17,942**	**17,942**	**–**	**20,174**	**20,174**
F.Miscellaneous General Services	**–**	**71**	**71**	**–**	**84**	**84**	**–**	**144**	**144**
of which :									
Payment on account of State Lotteries	–	71	71	–	84	84	–	87	87
III.Grants-in-Aid and Contributions	–	–	–	–	–	–	–	–	–
of which :									
Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	–	–	–	–	–	–	–	–	–

Table 4.11(b): Expenditure of the State

(lakh)

Item	**2007-08**			**2008-09(RE)**			**2009-10(BE)**		
	PLAN	**NON PLAN**	**TOTAL**	**PLAN**	**NON PLAN**	**TOTAL**	**PLAN**	**NON PLAN**	**TOTAL**
TOTAL EXPENDITURE (I+II+III)	**48,299**	**2,08,927**	**2,57,226**	**71,069**	**2,36,442**	**3,07,510**	**78,883**	**2,38,124**	**3,17,007**

I.DEVELOPMENTAL EXPENDITURE (A +B	**47,489**	**90,392**	**1,37,881**	**69,657**	**97,577**	**1,67,234**	**77,998**	**97,770**	**1,75,769**
A.Social Services (1 to 12)	**15,579**	**50,116**	**65,695**	**21,256**	**50,693**	**71,948**	**26,073**	**51,587**	**77,661**
1.Education, Sports, Art and Culture	6,272	31,709	37,981	7,814	33,542	41,356	7,309	34,295	41,604
2.Medical and Public Health	857	10,557	11,415	942	10,026	10,968	1,413	10,739	12,152
3.Family Welfare	655	147	802	875	525	1,400	1,218	561	1,779
4.Water Supply and Sanitation	86	2,124	2,210	154	2,522	2,676	80	2,697	2,777
5.Housing	400	1,486	1,886	453	340	793	–	370	370
6.Urban Development	1,211 -	44	1,255	130	-560	-430	100	-776	676
7.Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	127	–	127	3,226	–	3,226	1,876	–	1,876
8.Labour and Labour Welfare	414	694	1,108	268	886	1,154	475	945	1,420
9.Social Security and Welfare	2,701	1,368	4,069	3,726	1,083	4,809	6,694	814	7,508
10.Nutrition	2,608	15	2,624	3,215	17	3,231	6,537	17	6,553
11.Relief on account of Natural Calamities	–	585	585		821	821	–	429	429
12.Others	247	1,387	1,634	453	1,492	1,945	371	1,497	1,868
B.Economic Services (1 to 9)	**31,910**	**40,276**	**72,186**	**48,401**	**46,885**	**95,285**	**51,925**	**46,183**	**98,108**
1.Agriculture and Allied Activities (i to xii)	9,285	11,260	20,545	12,265	10,439	22,704	14,357	11,043	25,400
i)Crop Husbandry	3,962	3,104	7,066	4,898	2,698	7,596	4,096	2,792	6,888
ii)Soil and Water Conservation	2,049	1,318	3,366	2,124	1,178	3,302	1,655	1,274	2,929
iii)Animal Husbandry	1,088	2,360	3,448	1,327	2,381	3,707	1,960	2,469	4,429
iv)Dairy Development	–	44	44	2	29	31	728	31	759
v)Fisheries	299	459	759	713	505	1,218	886	544	1,430
vi)Forestry and Wild Life	1,414	2,330	3,744	2,108	2,031	4,139	1,917	2,137	4,054
vii)Plantations	–	–	–	–	–	–	–	–	–
viii)Food Storage and Warehousing	22	650	672	35	709	744	111	764	875
ix)Agricultural Research and Education	155	409	564	273	420	692	1331	521	1,852
x)Agricultural Finance Institutions	–	–	–	–	–	–	–	–	–
xi)Co-operation	295	587	882	787	487	1,274	1,673	512	2,185
xii)Other Agricultural Programmes	–	–	–	–	–	–	–	–	–
2.Rural Development	7,570	1,351	8,921	8,734	3,391	12,126	6,710	2,829	9,539
3.Special Area Programmes	2,190	1,407	3,597	8,649	275	8,924	8,497	292	8,789
4.Irrigation and Flood Control	5,474	821	6,295	7,128	961	8,089	10,587	1,042	11,629
of which :									
i)Major and Medium Irrigation	–	–	–	–	–	–	–	–	–
ii)Minor Irrigation	5,474	821	6,295	7,128	961	8,089	10,587	1,042	11,629
iii)Flood Control and Drainage	–	–	–	–	–	–	–	–	–
5.Energy	60	11,744	11,804	494	15,491	15,985	517	14,945	15,462
of which :									
Power	9	11,706	11,715	–	15,448	15,448	–	14,900	14,900
6.Industry and Minerals (i to iii)	1,457	2,500	3,957	4,828	2,609	7,437	3,312	2,751	6,063
i)Village and Small Industries	1,267	1,906	3,173	4,559	1,935	6,493	2,934	2,023	4,957
i)Industries@	190	594	784	269	674	943	378	728	1,106
iii)Others**	–	–	–	–	–	–	–	–	–
7.Transport and Communications (i + ii)	263	9,019	9,282	530	11,176	11,706	140	10,553	10,693
i) Roads and Bridges	–	6,899	6,899	–	8,834	8,834	–	8,063	8,063
ii)Others @@	263	2,120	2,383	530	2,342	2,872	140	2,490	2,630
8.Science, Technology and Environmen	209	41	250	749	46	795	775	50	825
9.General Economic Services (i to iv)	5,403	2,133	7,536	5,024	2,495	7,519	7,031	2,678	9,709
i)Secretariat - Economic Services	4,735	861	5,597	4,272	1,117	5,389	6,445	1,183	7,628
ii)Tourism	406	200	606	456	229	686	340	256	596
iii)Civil Supplies	–	–	–	–	–	–	–	–	–
iv)Others +	262	1,071	1,333	296	1,149	1,445	246	1,239	1,485
II.NON-DEVELOPMENTAL EXPENDITURE									
(General Services) (A to F)	**810**	**1,18,535**	**1,19,345**	**1,412**	**1,38,865**	**1,40,277**	**885**	**1,40,354**	**1,41,239**
A.Organs of State	**14**	**3,639**	**3,654**	**55**	**3,257**	**3,312**	**63**	**3,384**	**3,447**
B.Fiscal Services (i to ii)	**251**	**1,912**	**2,162**	**554**	**2,128**	**2,683**	**303**	**2,232**	**2,535**
i)Collection of Taxes and Duties	251	1,908	2,158	554	2,124	2,679	303	2,228	2,531
ii) Other Fiscal Services	–	4	4	–	4	4	–	4	4

C.Interest Payments and Servicing of Debt (1 + 2)	–	28,964	28,964	–	35,220	35,220	–	40,129	40,129
1..Appropriation for Reduction or Avoidance of Debt	–	1,918	1,918	–	2,054	2,054	–	2,220	2,220
2.Interest Payments (i to iv)	–	27,046	27,046	–	33,166	33,166	–	37,909	37,909
i) Interest on Loans from the Centre	–	672	672	–	3,218	3,218	–	3,090	3,090
ii)Interest on Internal Debt	–	22,405	22,405	–	25,848	25,848	–	30,519	30,519
of which :									
(a)Interest on Market Loans	–	15,542	15,542	–	17,662	17,662	–	20,604	20,604
(b) Interest on NSSF	–	1,133	1,133	–	1,314	1,314	–	1,400	1,400
iii)Interest on Small Savings, Provident Funds, etc.	–	3,969	3,969	–	4,100	4,100	–	4,300	4,300
v)Others	–	–	–	–	–	–	–	–	–
D.Administrative Services (i to v)	545	57,891	58,436	803	70,716	71,518	519	63,746	64,265
i)Secretariat-General Services	**–**	**4,058**	**4,058**	**–**	**4,422**	**4,422**	**–**	**4,074**	**4,074**
ii)District Administration	100	4,465	4,565	100	4,736	4,836	–	5,037	5,037
i)Police	–	40,612	40,612	–	51,233	51,233	–	46,005	46,005
iv)Public Works	–	3,804	3,804	255	4,807	5,062	39	3,072	3,111
v)Others ++	445	4,952	5,397	448	5,517	5,965	480	5,558	6,038
E.Pensions	**–**	**25,973**	**25,973**	**–**	**27,373**	**27,373**	**–**	**30,693**	**30,693**
F.Miscellaneous General Services	**–**	**156**	**156**	**–**	**171**	**171**	**–**	**171**	**171**
of which :									
Payment on account of State Lotteries	–	98	98	–	111	111	–	116	116
III.Grants-in-Aid and Contributions	–	–	–	–	–	–	–	–	–
of which :									
Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	–	–	–	–	–	–	–	–	–

Table 4.11(c): Expenditure of the State

(lakh)

Item	2010-11			2011-12 (RE)			2012-13 (BE)		
	PLAN	NON PLAN	TOTAL	PLAN	NON PLAN	TOTAL	PLAN	NON PLAN	TOTAL
TOTAL EXPENDITURE (I+II+III)	88485	330297	**418782**	**100914** 41,878.2	**411030**	**511944**	**8754**	**435555**	**523060**
I.DEVELOPMENTAL EXPENDITURE (A +B	**87591**	**146874**	**234465**	**98237**	**180719**	**278956**	**85602**	**197064**	**282666**
A.Social Services (1 to 12)	**31505**	**81067**	**112572**	**35891**	**92800**	**128691**	**29509**	**105514**	**135022**
1.Education, Sports, Art and Culture	**14014**	**51905**	**65915**	**13843**	**59209**	**73052**	**9700**	**69006**	**78706**
2.Medical and Public Health	**557**	**18309**	**28866**	**962**	**20265**	**21228**	**1000**	**22687**	**23687**
3.Family Welfare	**1310**	**-**	**1310**	**2024**	**-**	**2024**	**2043**	**-**	**2043**
4.Water Supply and Sanitation	**20**	**3542**	**3562**	**60**	**4179**	**4239**	**15**	**4620**	**4635**
5.Housing	**477**	**430**	**907**	**303**	**528**	**832**	**-**	**624**	**624**
6.Urban Development	**133**	**776**	**909**	**178**	**2012**	**2190**	**100**	**2188**	**2288**
7.Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	**1779**	**00**	**1779**	**3912**	**00**	**3912**	**2806**	**00**	**2806**
8.Labour and Labour Welfare	448	1412	1859	604	1571	2174	420	1753	2173
9.Social Security and Welfare	6945	1475	8419	7495	216.3	9657	7828	1548	9376
10.Nutrition	5282	11	5293	5850	15	5865	5000	17	5017
11.Relief on account of	-	1095	1095	-	522	522	-	548	548

Natural Calamities									
12.Others*	540	2113	2653	661	2336	2997	597	2524	3121
B.Economic Services (1 to 9)	**56086**	**65807**	**121893**	**62346**	**87918**	**150264**	**56093**	**91550**	**147643**
1.Agriculture and Allied Activities (i to xii)	**16266**	**16381**	**32647**	**17721**	**18845**	**36567**	**16393**	**20161**	**36555**
i)Crop Husbandry	**2080**	**1983**	**4063**	**2128**	**2215**	**4343**	**2112**	**2406**	**4518**
ii)Soil and Water Conservation	**100**	**94**	**194**	**63**	**98**	**161**	**98**	**118**	**216**
iii)Animal Husbandry	**1280**	**813**	**2093**	**1596**	**882**	**2478**	**1330**	**943**	**2273**
iv)Dairy Development	**2225**	**2980**	**5205**	**481**	**3918**	**4400**	**435**	**4147**	**4582**
v)Fisheries	**1280**	**813**	**2093**	**1596**	**882**	**2478**	**1330**	**943**	**2273**
vi)Forestry and Wild Life	**2225**	**2980**	**5205**	**481**	**3918**	**4400**	**435**	**4147**	**4582**
vii)Plantations	-	-	-	-	-	-	-	-	-
viii)Food Storage and Warehousing	**12**	**1161**	**1172**	**54**	**1247**	**1301**	**11**	**1261**	**1271**
ix)Agricultural Research and Education	**1058**	**616**	**1674**	**762**	**868**	**1630**	**1053**	**1025**	**2078**
x)Agricultural Finance Institutions	-	-	-	-	-	-	-	-	-
xi)Co-operation	**695**	**762**	**1457**	**934**	**866**	**1800**	**644**	**936**	**1580**
xii)Other Agricultural Programmes	-	-	-	-	-	-	-	-	-
2.Rural Development	**9223**	**3941**	**13164**	**6736**	**9283**	**16019**	**3933**	**10214**	**14147**
3.Special Area Programmes	**8286**	**539**	**8825**	-	-	-	-	-	-
4.Irrigation and Flood Control	**9681**	**1571**	**11253**	**14655**	**2032**	**16686**	**14210**	**2199**	**16409**
of which :									
i)Major and Medium Irrigation	-	-	-	-	-	-	-	-	-
ii)Minor Irrigation	**9681**	**1571**	**11253**	**14655**	**2032**	**16686**	**14210**	**2199**	**16409**
iii)Flood Control and Drainage	-	-	-	-	-	-	-	-	-
5.Energy	**252**	**21996**	**22248**	**195**	**28860**	**29056**	**420**	**28897**	**29317**
of which :									
Power	**252**	**21996**	**22248**	**195**	**28860**	**29056**	**420**	**28897**	**29317**
6.Industry and Minerals (i to iii)	**2616**	**4073**	**6689**	**3491**	**4350**	**7841**	**2553**	**4732**	**7285**
i)Village and Small Industries	**2171**	**3010**	**5181**	**3094**	**3183**	**6277**	**2159**	**3484**	**5643**
ii)Industries@	**445**	**1064**	**1509**	**397**	**1167**	**1564**	**394**	**1247**	**1641**
iii)Others**	-	-	-	-	-	-	-	-	-
7.Transport and Communications (i + ii)	**125**	**12755**	**12880**	**220**	**18315**	**18535**	**25**	**19420**	**19445**
i) Roads and Bridges	-	**8151**	**8151**	-	**12820**	**12820**	-	**14155**	**14155**
ii)Others @@	**125**	**4604**	**4729**	**220**	**5495**	**5715**	**25**	**5265**	**5290**
8.Science, Technology and Environmen	**592**	**109**	**702**	**750**	**142**	**892**	**1078**	**196**	**1274**
9.General Economic Services (i to iv)	**9044**	**4442**	**13486**	**9066**	**5314**	**14380**	**8345**	**5160**	**13505**
i)Secretariat - Economic Services	**8279**	**1688**	**9967**	**8034**	**1876**	**9910**	**7677**	**2093**	**9770**
ii)Tourism	**507**	**400**	**907**	**388**	**409**	**796**	**248**	**457**	**705**
iii)Civil Supplies	-	-	-	-	-	-	-	-	-
iv)Others +	**258**	**2354**	**2612**	**644**	**3030**	**3673**	**420**	**2610**	**3030**
II.NON-DEVELOPMENTAL EXPENDITURE									
(General Services) (A to F)	**894**	**183423**	**184317**	**2677**	**230311**	**232988**	**1902**	**238491**	**240394**
A.Organs of State	**63**	**4438**	**4501**	**165**	**6094**	**6259**	**110**	**5947**	**6057**
B.Fiscal Services (i to ii)	**382**	**3348**	**3731**	**1072**	**3814**	**4886**	**815**	**4044**	**4859**
i)Collection of Taxes	**382**	**3348**	**3731**	**1072**	**3814**	**4886**	**815**	**4044**	**4859**

and Duties									
ii) Other Fiscal Services	-	**4**	**4**	-	**4**	**4**	-	**4**	**4**
C.Interest Payments and Servicing of Debt (1 + 2)	-	**42033**	**42033**	-	**46369**	**46369**	-	**52402**	**52402**
.Appropriation for Reduction or Avoidance of Debt	-	**2600**	**2600**	-	**2900**	**2900**	-	**3100**	**3100**
2.Interest Payments (i to iv)	-	**39433**	**39433**	-	**43469**	**43469**	-	**49302**	**49302**
i) Interest on Loans from the Centre	-	**2735**	**2735**	-	**2680**	**2680**	-	**2601**	**2601**
ii)Interest on Internal Debt	-	**32476**	**32476**	-	**36484**	**36484**	-	**42406**	**42406**
of which :									
(a)Interest on Market Loans	-	**22898**	**22898**	-	**25670**	**25670**	-	**30719**	**30719**
(b) Interest on NSSF	-	**1133**	**1133**	-	**1772**	**1772**	-	**1800**	**1800**
iii)Interest on Small Savings, Provident Funds, etc.	-	**4222**	**4222**	-	**4305**	**4305**	-	**4295**	**4295**
v)Others	-	-	-	-	-	-	-	-	-
D.Administrative Services (i to v)	**449**	**99755**	**100203**	**1440**	**115526**	**11696**	**977**	**108842**	**109819**
i)Secretariat-General Services	-	**6557**	**6557**	-	**7484**	**7484**	-	**6871**	**6871**
ii)District Administration	-	**7600**	**7600**	**200**	**8445**	**8645**	-	**8567**	**8567**
i)Police	-	**70679**	**70679**	**150**	**82818**	**82968**	**30**	**77387**	**77417**
iv)Public Works	-	**6931**	**6931**	**77**	**7075**	**7152**	**77**	**6192**	**6270**
v)Others ++	**449**	**8006**	**8455**	**1010**	**9704**	**10717**	**870**	**9825**	**10695**
E.Pensions	-	**33597**	**33597**	-	**58159**	**58159**	-	**66975**	**66975**
F.Miscellaneous General Services	-	**252**	**252**	-	**349**	**349**	-	**281**	**281**
of which :									
Payment on account of State Lotteries	-	**153**	**153**	-	**179**	**179**	-	**174**	**174**
III.Grants-in-Aid and Contributions	-	-	-	-	-	-	-	-	-
of which :									
Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	-	-	-	-	-	-	-	-	-

RE: Revised Estimates, BE: Budget Estimates

Recommendations for improving public spending efficiency

Strengthening fiscal framework

- Establish the responsibility for government to announce a debt target that should be translated into medium term expenditure ceilings and broken down to individual ministries' targets.
- Adopt an independent fiscal institution to increase the credibility of the existing framework. The institution should assess the budget in light of the cyclical position and medium-term fiscal objectives.

Promoting spending efficiency through budgetary management and control

- Improve transparency of budgetary documentation. Introduce performance oriented budgeting for the state budget, extending such an approach eventually also to sub central governments. Promote wider use of *ex ante* and *ex post* cost benefit analysis.

Include a regular tax expenditures report in the annual draft budget proposal in order to increase transparency and evaluation of public spending.

- Given constitutional independence of the municipalities, further initiatives to foster intermunicipal co-operation and joint provision of services should be actively promoted. Consider introduction of an "internal stability pact" that sets borrowing limits on local budgets. Publish cost and efficiency indicators on sub-central governments and benchmark their performance.
- Implement plans for substantial changes to the public procurement law and establish a central purchasing authority.
- Improve corporate standards and transparency of state owned enterprises, considering partial privatisation and listing, or consolidating all corporate state holdings under one roof with a professional management.

Reforming pension system

- The pace of retirement age increases should be kept in line with changes in life expectancy.
- Consider a centralised clearing house for pension plans to keep the administrative costs down of the proposed defined contribution tier. Make life-cycle investment strategy a default plan for participants. Offer annuities as the default in the pay-out phase. Consider scaling back support for the third pillar.
- Improve financial literacy and awareness of the population. Prepare regular reports on pension prospects to inform the public about their future retirement incomes.

Improving health spending efficiency

- Implement a diagnosis-related group payment system to strengthen cost-consciousness among providers.
- Conduct a national review of in-patient capacity and prepare a national capacity plan that would guide medium-term contracts with providers, as well investments and equipment purchases.
- Introduce compulsory active substances prescription as well as an electronic prescription system to reduce drug expenditures. Stimulate co-ordinated purchases and auctions of drugs and other supplies.
- Introduce soft gate-keeping to improve care management.
- Implement plans for e-Health while ensuring adequate security and resources for implementation.
- Improve risk-adjustment formula among insurers by implementing pharmaceutical drug groups.

● In the medium term, work towards a definition of the basic package of health care paid for by public system, while developing a private insurance market to cover expenditures outside the basic package.

CHAPTER-V
FISCAL DEFICIT

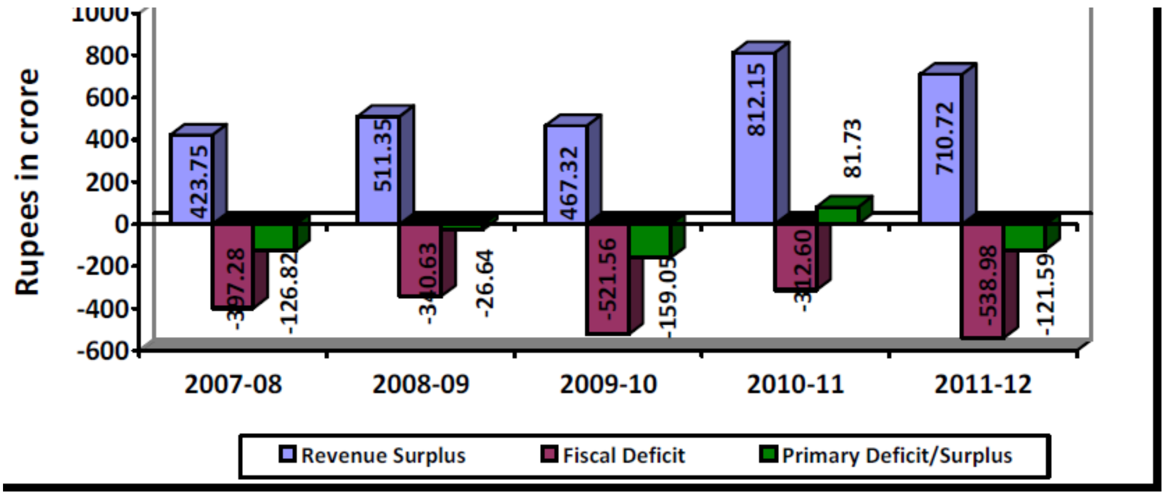
Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period.

The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits vis-à-vis targets set under FRBM Act/Rules for the financial year 2011-12.

Trends in Deficits

Charts 5.1 and 5.2 present the trends in deficit indicators over the period 2007-12

Trend in Deficit Indicators



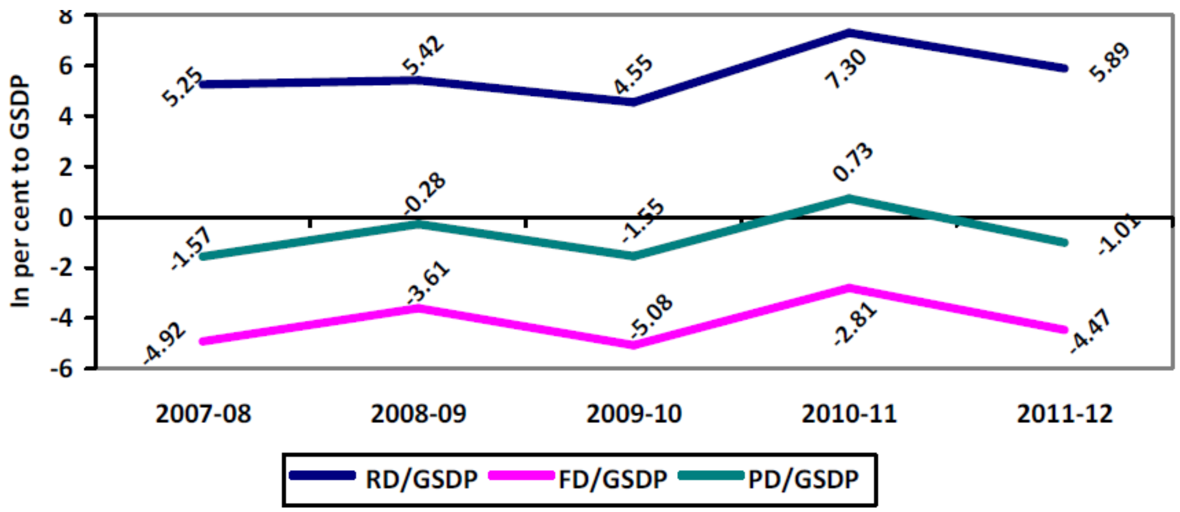


Chart 5.1 reveals that the revenue account experienced a surplus of `710.72 crore during 2011-12, an increase from `423.75 crore in 2007-08. However, the Revenue surplus decreased during the current year by `101.43 crore as compared to the previous year mainly on account of increase in revenue expenditure by `687.59 crore (16.42 *per cent*) against an increase of revenue receipts by `586.16 crore (11.73 *per cent*) over the previous year.

Due to the decrease in revenue surplus along with a marginal increase of `0.13 crore in non-debt capital receipts accompanied by an increase of `126.45 crore in capital expenditure and decrease in loans & advances disbursement `1.37 crore during 2011-12 over the previous year, the fiscal deficit increased by `226.38 crore during the current year from the level of `312.60 crore in 2010-11.

The primary surplus also turned into primary deficit from surplus of `81.73 crore in 2010-11 to deficit of `121.59 crore in 2011-12. The increase in primary deficit was due to increase of fiscal deficit (`226.38 crore) which was offset by increase in interest payment (`23.06 crore) during the current year.

Composition of Fiscal deficit and its financing Patterns

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in

Table 5.1: Composition of Fiscal Deficit and its Financing Patterns

(Rupees in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Components of Fiscal Deficit	**397 (4.92)**	**341 (3.61)**	**522 (5.08)**	**313 (2.81)**	**539 (4.47)**
1 Revenue Surplus	424	511	467	812	711
2 Net Capital Expenditure	821	853	990	1123	1249
3 Net Loans and Advances	-	-1	-1	2	1
Financing Pattern of Fiscal Deficit					
1 Market Borrowings	-	-	568	236	325
2 Loans from GOI	-	-	-38	-23	-18
3 Special Securities Issued to National Small Savings Fund	-	-	3	17	3
4. Loans from Financial Institutions	-	-	178	-28	210
5 Small Savings, PF etc	-	-	23	89	36
6 Deposits and Advances			277	80	310
7 Suspense and Misc	-	-	-147	41	35
8 Remittances	-	-	-350	-102	-134
9 Increase (-) Decrease (+) in Cash Balances	-	-	8	3	-228
10 Others	-	-	-	-	-

Figures in brackets indicate the *per cent* to GSDP.

Fiscal deficit is the total borrowing of the State and is the excess of revenue expenditure and capital expenditure including loans and advances over revenue and non-debt receipts. Decomposition of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts. It can be seen from **Table 5.1** that during 2011-12, the revenue surplus decreased by `101 crore from `812 crore in 2010-11 to `711 crore in 2011-12. The increase in fiscal deficit was the combined effect of increase in capital expenditure and decrease in revenue surplus.

The fiscal deficit increased by `226 crore from `313 crore in 2010-11 to `539 crore in 2011-12 mainly due to reduction in Revenue Surplus (`101 crore) and increase in capital expenditure (`126 crore). The increased fiscal deficit (`226 crore) was financed through increase in Market Borrowings (`89 crore), Deposits and Advances (`230 crore) and Loans and Advances from Financial Institutions (` 238 crore) offset by decrease in Small Savings & Provident Fund (`53 crore), Special Securities Issued to National Small Savings Fund (`14 crore) and Remittances (`32 crore) and increases in cash balances (`231 crore).

The increase in capital expenditure indicated that borrowed funds were being allocated for productive use. The solution to the Government debt problem lies on the actual outcome of borrowed funds i.e., whether they are being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity to the economy which may result in increase in Government revenue in future, making debt payments manageable.

Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit **(Table 5.2)** would indicate the extent to which the deficit/surplus had been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 5.2: Primary deficit/surplus – Bifurcation of factors

(Rupees in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and Advances	Primary expenditure	Primary revenue surplus	Primary deficit (-) /surplus (+)
1	**2**	**3**	**4**	**5**	**6 (3+4+5)**	**7 (2-3)**	**8 (2-6)**
2007-08	2998	2301	821	3	3125	697	(-)127
2008-09	3402	2574	853	1	3428	828	(-)26

2009-10	3723	2889	990	4	3883	834	(-)160
2010-11	5001	3792	1123	4	4919	1209	82
2011-12	5587	4457	1249	3	5709	1130	(-)122

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

The non-debt receipts of the State during 2007-12 were sufficient to meet the primary revenue expenditure. The non-debt receipts increased by 86 *per cent* from `2998 crore in 2007-08 to `5587 crore in 2011-12 while the primary revenue expenditure increased by 94 *per cent* from `2301 crore in 2007-08 to `4457 crore in 2011-12. During this period (2007-12) capital expenditure grew by 52 *per cent*. The State had a primary deficit during 2007-08 to 2011-12 except 2010-11.

Conclusion

The fiscal position of the State viewed in terms of the key fiscal parameters during 2011- 12 revealed that the State's revenue surplus had declined by `101.43 crore while the fiscal deficit had increased by `226.38 crore and the primary surplus had turned into primary deficit by a margin of `203.32 crore in 2011-12 relative to the previous year.

During 2011-12, 90 *per cent* of the total revenue came from the Government of India as Central transfers (14 *per cent*) and grants-in-aid (76 *per cent*). The State achieved the total revenue collection targets fixed by the XIII-FC during 2011-12.

During 2011-12, non-plan revenue expenditure was `1458.47 crore (56.23 *per cent*) more than the XIII-FC normative assessment. The expenditure on salary was 59.01 *per cent* of revenue expenditure, net of interest payment and pension and 40.89 *per cent* of revenue receipts during the year.

The State should have adequate incremental non-debt receipts to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could also be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. During 2011-12, the non-debt receipts were not sufficient and therefore, the State recorded a negative resource gap of `226 crore.

The overall fiscal liabilities of the State increased at a compound annual growth rate of 11.34 *per cent* during 2007-12. The fiscal liabilities increased by `866 crore (15 *per cent*) from `5773 crore in 2010-11 to `6639 crore in 2011-12. The committed liabilities for the State projected by the XIII-FC was 55.80 *per cent* of GSDP for the year 2011-12. Against this, the committed liabilities of the State was 55.03 *per cent* which was within the projections.

The Government had invested `228.01 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives at the end of March 2012. The average return on this investment was NIL during the last five years.

The State Government's net cash balance at the end of 2011-12 was `328.19 crore which had increased by `228.11 crore over the previous year. The interest received on investment of cash balance during 2011-12 was 1.53 *per cent*.

There were 138 incomplete projects (estimated cost `1499.47 crore and actual expenditure incurred `686.29 crore as of March 2012) pertaining to 18 departments. Out of the 138 incomplete projects 57 projects (estimate cost `654.02 crore and actual expenditure `326.31 crore) were due to be completed by March 2012 but remained incomplete as of October 2012. The date of completion in respect of the remaining 81 projects could not be furnished by the departments. Hence, it could not be ascertained in audit as to whether the projects were incomplete or were in progress. Delay in completion of works invites the risk of escalation in the cost of the works. The actual cost overrun would be available on closure of the claims of the construction agencies after completion. Besides, due to delay in completion of the projects, the intended benefits from those projects did not reach the beneficiaries in the State.

Special category (SC) states at the consolidated level witnessed improvement in their key deficit indicators during 2010-11. While revenue account recorded improvement across the majority of states, GFD-GSDP ratios were lower due to a decline in capital outlay. However, the fiscal imbalances of consolidated NSC and SC states widened in 2011-12 (RE) due to higher capital outlays across the majority of states. In 2012-13, finances of consolidated NSC and SC states are budgeted to improve due to an increase in revenue surpluses in the majority of states. It is pertinent to note that reduction in the revenue defi cit of West Bengal and the increase in revenue surplus of Bihar in 2012-13 contributed substantially to the budgeted improvement in the consolidated revenue account of NSC states (Tables 5.3a & b).

Table 5.3(a): Deficit Indicators of State Governments of Special Category

(Per cent)

State	2004-08 (Avg.)*				2010-11			
	RD/ GSDP	GFD/ GSDP	PD/ GSDP	PRB/ GSDP	RD/ GSDP	GFD/ GSDP	PD/ GSDP	PRB/ GSDP
1. Arunachal Pradesh	-9.3	3.7	-0.3	-13.3	-20.4	-0.1	-5.0	-25.2
2. Assam	-2.3	0.3	-2.1	-4.7	-0.1	1.9	0.1	-1.9
3. Himachal Pradesh	0.3	3.7	-2.1	-5.4	1.0	3.4	-0.2	-2.6
4. Jammu and Kashmir	-0.6	5.3	0.7	-10.6	-6.9	4.3	0.2	-11.1
5. Manipur	-8.5	4.9	0.3	-13.1	-14.1	5.9	2.1	-17.9
6. Meghalaya	-1.2	2.6	0.2	-3.6	-1.8	2.4	0.6	-3.6
7. Mizoram	-4.3	9.5	3.2	-10.7	0.4	10.6	6.5	-3.7
8. Nagaland	-4.7	3.9	0.0	-8.5	-7.3	2.8	-0.7	-10.8
9. Sikkim	-11.0	6.3	1.1	-11.3	-2.5	5.6	2.3	-5.8
10. Tripura	-6.6	0.7	-3.0	-10.3	-4.7	1.4	-1.1	-7.2
11. Uttarakhand	0.1	5.3	2.6	-2.7	0.0	2.4	0.5	-1.9
Special Category	-2.8	3.1	-0.5	-6.4	-2.3	2.9	0.1	-5.0

Avg.: Average. RE: Revised Estimates. PD: Primary Defi cit. PRB: Primary Revenue Balance.
RD: Revenue Defi cit. GFD: Gross Fiscal Defi cit. GSDP: Gross State Domestic Product.
*: Data for Puducherry pertain to 2006-07. #: Data for All States are as per cent to GDP.
Note: Negative (-) sign indicates surplus .
Source: Based on Budget Documents of the state governments.

Table 5.3(b): Deficit Indicators of State Governments of Special Category

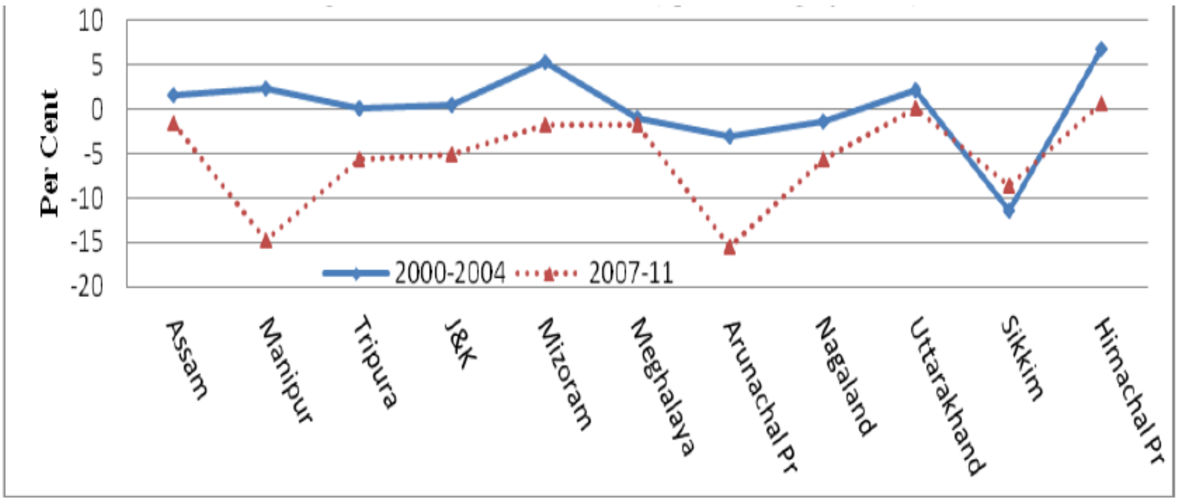
(Per cent)

State	2011-12 (RE)				2012-13 (BE)			
	RD/ GSDP	GFD/ GSDP	PD/ GSDP	PRB/ GSDP	RD/ GSDP	GFD/ GSDP	PD/ GSDP	PRB/ GSDP
1.Arunachal Pradesh	-19.7	16.9	13.5	-23.1	-23.1	3.2	-0.2	-26.5
2. Assam	-0.3	3.9	2.1	-2.1	-1.1	3.0	1.4	-2.7
3.Himachal Pradesh	-0.8	2.9	-0.5	-4.2	-0.6	2.9	-0.5	-3.9
4. Jammu and Kashmir	-4.9	6.1	2.0	-9.0	-7.6	2.9	-0.9	-11.4
5. Manipur	-3.4	15.5	11.9	-7.0	-14.2	4.2	0.5	-17.9
6. Meghalaya	-4.0	2.6	0.8	-5.8	-5.5	2.1	0.2	-7.3
7. Mizoram	-2.8	7.0	3.1	-6.7	-7.8	3.3	0.3	-10.8
8. Nagaland	-6.0	5.8	2.2	-9.6	-9.9	3.5	-0.3	-13.6
9. Sikkim	-13.2	4.8	1.9	-16.0	-17.5	3.5	0.6	-20.4
10. Tripura	-7.0	2.0	-0.6	-9.5	-5.7	2.6	0.0	-8.2
11. Uttarakhand	-0.3	3.1	1.1	-2.3	-0.4	3.4	1.4	-2.5
Special Category	-2.5	4.5	1.8	-5.1	-3.7	3.1	0.5	-6.3

Nagaland had first period averages revenue deficits close to zero (-0.2 per cent) but second period averages around a figure as high as 5 per cent. In fact, the extent of adjustment carried out in revenue deficit by the state as per the four year averages at 4.38 percentage points was considerably larger than that by Assam (3.05 percentage points), Meghalaya (0.76 percentage points), Sikkim (-2.81 percentage points) and Uttarakhand (2.03 percentage points). that by the general category states (2.8 percentage points).

Chart 5.3 presents a similar chart for the special category states, and no clear pattern in their case is immediately discernible. One common feature with general category states is that all the special category states had either revenue surpluses or revenue deficits close to zero (Uttarakhand and Himachal Pradesh) in the second period; but in general, they did not have average revenue deficit to GSDP ratio higher than 3 percent even in the first period, the two exceptions being Mizoram and Himachal Pradesh. A standout feature of Figure 5,3 is the large revenue surplus to GSDP ratios that were achieved by some of the states in the second period. Manipur and Arunachal Pradesh had second period averages around a figure as high as 15 percent. In fact, the extent of adjustment carried out in revenue deficit by all the special category states together as per the four year averages at 5.6 percentage points was considerably larger than that by the general category states (2.8 percentage points).

Chart 5.3: Revenue Deficit GSDP (Special Category States)



CHAPTER-VI(a)
FRBM

Nagaland Fiscal Responsibility and Budget Management Act, 2005 and Thirteenth Finance Commission Recommendations

With the enactment of a Fiscal Responsibility and Budget Management Act (FRBM) Act, 2005 at the centre, Twelfth Finance Commission (TFC) recommended that each State enact a fiscal responsibility legislation prescribing specific annual targets with a view to eliminate the revenue deficit by 2008-09 and reduce fiscal deficit based on a path for reduction of borrowings and guarantees. The targets prescribed in NFRBM Act and projections made by State Government in its Medium Term Fiscal Policy Statement (MTFPS) vis-à-vis achievements during the year 2010-11 is detailed in the table below:

Table 6.1: Trends in major Fiscal Variables *vis-à-vis* Projections for 2011-12

Fiscal Parameters	**Targets as prescribed in NFRBM Act.**	**Projections made by State Government in MTFPS***	**Actual**
Revenue deficit	Zero *per cent* of GSDP	No revenue deficit	Revenue surplus – 12.73 *per cent* of RR
Fiscal deficit	3.50 *per cent* of GSDP	3.50 *per cent* of GSDP	4.47 *per cent* of GSDP
Consolidated debt	55.80 *per cent of* GSDP	43.59 *per cent of* GSDP	55.03 *per cent of* GSDP

**** Medium Term Fiscal Policy Statement.***

The State Government could achieve two out of the three targets set in NFRBM Act and one projection out of the three projections made in the MTFPS.

The Thirteenth Finance Commission Recommendations

The Thirteenth Finance Commission had recommended growth of Tax and Non-Tax Revenue during 2011-12. The targets fixed by XIII-FC vis-à-vis the actuals are given below:

Table 6.2: XIII-FC recommendations vis-à-vis the actual

(Rupees in crore)

Year	XIII-FC recommendations			Actuals		
	Tax revenue	Non-Tax revenue	Total	Tax revenue	Non-Tax revenue	Total
2010-11	203.78	31.56	235.34	227.32	181.61	408.93
2011-12	226.52	48.34	274.86	303.88	231.19	535.07

Source: Thirteenth Finance Commission Report and Finance Account

The State achieved the target fixed by the XIII-FC in collection of revenue from own sources under Tax Revenue as well as Non-tax Revenue. The total tax collection was higher by `260.21 crore (94.67 *per cent*) as compared to XIII-FC recommendation.

The tax and non-tax revenue receipts vis-à-vis the normative assessment made by the Thirteenth Finance Commission and the assessment made by the State Government in 2011-12 were as under:

Table 6.3: Revenue receipts relative to XIII-FC and State's projections for 2011-12

(Rupees in crore)

	Assessment by the XIII-FC	Assessment made by the State Government in its FCR	Actual Receipts
Own Tax Revenue	226.52	221.55	303.88
Non-Tax Revenue	48.34	158.16	231.19

FCR: Fiscal Consolidation Roadmap

Though the assessment of Tax Revenue and Non-tax Revenue of the State together in 2011-12 made by the State Government in its Fiscal Consolidation Roadmap (FCR) **(Table 6.4)** was higher than the assessment made by XIII-FC, the actual achievement of OTR and NTR remained at 34.15 *per cent* and 378.26 *per cent* respectively higher than the assessment made by the XIII-FC and 37.16 *per cent* and 46.17 *per cent* respectively higher than the assessment made by the State Government in its FCR during 2011-12.

Table 6.4: Outcome Indicators of the States' Own Fiscal Consolidation Roadmap/ Fiscal Correction Path

(Rupees in crore)

	2009-10	2010-11 Pre-actuals	2011-12 BE	2012-13 Projection	2013-14 Projection	2014-15 Projection

A.STATE REVENUE ACCOUNT						
1. Own Tax Revenue	149.58	204.30	221.55	243.71	268.08	294.88
2. Own Non-Tax Revenue (Lotteries net)	116.49	154.29	158.16	173.98	191.37	210.51
3. Own Tax + Non-Tax Revenue (1+2)	**266.07**	**358.59**	**379.71**	**417.68**	**459.45**	**505.39**
4. Share in Central Taxes and Duties	418.68	689.46	828.27	993.92	1192.71	1431.25
5. Plan Grants	1224.72	2349.39	2809.44	3501.22	4087.41	4659.31
6. Non- Plan Grants	1292.30	1764.64	1760.22	1953.93	1925.87	1884.66
7. Total Central Transfer (4 to 6)	**2935.70**	**4803.49**	**5397.93**	**6449.08**	**7205.99**	**7975.22**
8. Total Revenue Receipts (3+7)	3201.77	5162.08	5777.64	6866.76	7665.44	8480.61
9. Plan Expenditure	555.78	946.49	1086.92	1199.26	1319.18	1451.10
10. Non-Plan Expenditure	2117.61	3382.90	3700.26	4566.75	5057.78	5606.74
11. Salary & Wages	1211.97	2036.36	2284.05	2603.82	2916.28	3266.23
12. Pension	310.12	400.00	576.29	556.75	645.83	749.17
13. Interest Payments	359.90	404.86	439.66	479.23	522.36	569.37
14. Subsidies-General						
15. Subsidies Power						
16. Total Revenue Expenditure (9+10)	**2673.39**	**4329.39**	**4787.18**	**5766.01**	**6376.96**	**7057.84**
17. Revenue expenditure net of interest & pension	2003.37	3524.53	3771.23	4730.03	5208.77	5739.30
18. Salary as % of Revenue expenditure net of interest & pension	60.50	57.78	60.57	55.05	55.99	56.91
19. Revenue Surplus/Deficit (8-16)	**528.38**	**832.69**	**990.46**	**1100.74**	**1288.48**	**1422.77**
1. Power Sector Loss/Profit net of actual subsidy transfer.	-	-	-	-	-	-
2. Increase in debtors during the year in power utility accounts [increase (-)]	-	-	-	-	-	-
3. Interest on off budget borrowings and SPV borrowing by PSUs/SPUs	-	-	-	-	-	-
4. Total (1 to 3)						
5. Consolidated Revenue Deficit (A 19 + B4)	**528.38**	**832.69**	**990.46**	**1100.74**	**1288.48**	**1422.77**
C CONSOLIDATED DEBT:	**4220.13**	**5261.10**	**5691.37**	**6158.76**	**6594.78**	**7068.43**
1. Outstanding debt & liability	4171.13	5211.67	5637.00	6098.94	6528.99	6996.06
2. Total outstanding guarantee of which (a) guarantee on account of off budgeted borrowing & SPV	49.00	49.43	54.38	59.82	65.80	72.38

borrowing						
D CAPITAL ACCOUNT						
1. Capital Outlay	722.49	1224.10	1415.38	1561.25	1716.34	1886.79
2. Disbursement of Loans & Advances	6.65	4.38	4.38	4.82	5.31	5.84
3. Recovery of Loans & Advances	4.18	4.00	3.50	3.33	3.16	2.85
4. Other Capital Receipts						
E GROSS FISCAL DEFICIT (GFD) (-B5+D1+D2-D3)	**196.58**	**391.79**	**425.80**	**462.00**	**430.00**	**467.00**
F PRIMARY SURPLUS (+)/ DEFICIT (-) (E-A13)	**-163.32**	**-13.07**	**-13.86**	**-17.23**	**-92.36**	**-102.37**
GSDP (Rs. In Crore) at current Price	**10622**	**11201**	**12152**	**13198**	**14335**	**15569**
Actual/Assumed nominal growth rate (%)	12.50	8.36	8.49	8.61	8.61	8.61
Gross Fiscal Deficit as % of GSDP		3.50	3.50	3.50	3.00	3.00
Total Liabilities –GSDP Ratio (%)		46.97	46.83	46.66	46.01	45.40

The Thirteenth Finance Commission had also fixed the sector-wise target for non-plan revenue expenditure for the period 2010-15. The targets fixed by XIII FC vis-à-vis the actuals are given below:

Table 6.5: XIII-FC recommendations vis-à-vis actuals during 2011-12
(Non-plan Revenue Expenditure)

(Rupees in crore)

Sector	**Recommendations of XIII-FC**	**Actuals**
Salary	1474.85	2246.96
Interest Payment	358.72	417.39
Pension	432.24	586.68
Other General Service	241.61	454.10
Other Social Service	51.54	72.88
Other Economic Service	34.88	274.31
Total	**2593.84**	**4052.32**

The table indicates that the State failed to contain its non-plan revenue expenditure to the level recommended by the XIII-FC. During 2011-12 non-plan revenue expenditure was `1458.48 crore (56.23 *per cent*) more than the XIII-FC recommendation.

Budget Analysis

The budget papers presented by the State Government provide description of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Several reasons may account for the deviation of the actual realisation/expendiure from the budget estimates. It may be because of unanticipated and unforeseen events or under or over estimation of expenditure or revenue at the budget stage etc. Actual realisation of revenue and its disbursement however, depends on a variety of factors, some internal and others external. **Table 6.6** presents the consolidated picture of State Finances during 2010-11 Actuals, 2011-12 Budget Estimates (BEs), 2011-12 Revised Estimates (REs) and 2011-12 Actuals.

Table 6.6: Variation in Actual Fiscal parameters over estimates

(Rupees in crore)

Parameters	**2010-11**		**2011-12**	
	Actuals	**Budget Estimates**	**Revised Estimates**	**Actual**
Tax Revenue	227.32	251.19	265.56	303.88
Non-Tax Revenue	181.61	190.85	169.64	231.19
Revenue Receipts	4998.46	5611.61	5846.32	5584.62
Non-debt Capital Receipts	2.31	3.50	3.75	2.44
Revenue Expenditure	4186.31	4600.55	5119.45	4873.90
Interest Payments	394.33	439.67	434.69	417.39
Capital Expenditure	1122.94	1435.43	1424.55	1249.39
Disbursement of Loans & Advances	4.12	3.91	6.28	2.75
Revenue Deficit/Surplus	812.15	1011.06	726.87	710.72
Fiscal deficit/Surplus	-312.60	-424.78	-700.21	-538.98
Primary Deficit/surplus	81.73	14.89	-265.52	-121.59

CHAPTER VI (B)
FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

Introduction

Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provision and are therefore complementary to Finance Accounts

Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provision of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

Summary of Appropriation Accounts

The summarised position of actual expenditure during 2011-2012 against 82 grants/appropriations is given in **Table 6.7**:

Table 6.7: Summarised Position of Actual Expenditure vis-à-vis Original/Supplementary provision

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	4172.15	588.06	4760.21	4464.17	(-) 296.04
	II Capital	1435.44	338.82	1774.26	1249.39	(-) 524.87
	III Loans and Advances	3.91	2.37	6.28	2.75	(-)3.53
	Total Voted	**5611.50**	**929.25**	**6540.75**	**5716.31**	**(-)824.44**
Charged	IV Revenue	*480.07*	*2.70*	*482.77*	*460.32*	*(-)22.45*
	V Capital	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
	VI Public Debt-Repayment	*816.42*	*0.00*	*816.42*	*798.57*	*(-)17.85*
	Total Charged	**1296.49**	**2.70**	**1299.19**	**1258.89**	**(-) 40.30**
Appropriation to Contingency Fund (if any)		0.00	0.00	0.00	0.00	0.00
	Grand Total	**6907.99**	**931.95**	**7839.94**	**6975.20**	**(-)864.74**

The overall saving of `864.74 crore was the result of saving of `919.69 crore in 63 grants and 4 appropriations under Revenue Section, 45 grants and 1 appropriation (Public Debt-Repayments) under Capital Section, offset by excess of `54.95 crore in 10 grants under Revenue Section and 8 grants under Capital Section.

Financial Accountability and Budget Management

Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit revealed that in 57 cases, savings exceeded rupees one crore in each case or by more than 20 *per cent* of total provision **(Table 6.8).** Against the total savings of `864.74 crore, savings of `378.33 crore (43.75 *per cent*) occurred in three grants as indicated in **Table 6.9.**

Table 6.8: Statement of various grants/appropriations where saving was more than `1 crore each Statement of various grants/appropriations where saving was more than `1

crore each or more than 20 *per cent* of the total provision or more than 20 *per cent* of the total provision

(Rupees in crore)

Grant No	Name of the Grant/Appropriation	Total Grant/ Appropriation	Savings	Percentage
	Revenue (Voted)			
1.	Administration of Justice	18.44	1.76	10
2.	District Administration & Special Welfare Schemes	164.14	65.21	40
3.	Relief of distress caused by Natural Calamities	5.22	5.11	98
4.	Planning Machinery	111.36	8.11	7
5.	Civil Police	796.24	4.87	1
6.	School Education	607.97	44.65	7
7.	Higher Education	93.01	22.67	24
8.	Youth Resources and Sports	27.40	3.49	13
9.	Municipal Administration	17.77	13.10	74
10.	Social Security & Welfare	135.17	36.83	27
11.	Co-operation	18.00	1.00	6
12.	Statistics	23.11	2.20	10
13.	Animal Husbandry & Dairy Development	68.71	5.26	8
14.	Industries	50.84	5.04	10
15.	Irrigation & Flood Control	178.70	46.75	26
16.	Water Supply	45.18	9.21	20
17.	Housing	50.02	1.38	3
18.	SCERT	26.40	9.79	37
19.	Sericulture	15.61	2.72	17
20.	Horticulture	28.41	5.06	18
21.	Land Resource Development	20.21	8.28	41
22.	State Institute of Rural Development	7.68	1.86	24
23.	Information Technology & Communication	29.38	24.67	84
24.	New and Renewable Energy	3.15	0.80	25
	Capital (Voted)			
25.	Administration of Justice	24.95	9.23	37
26.	Taxes on Vehicles	33.30	4.25	13
27.	State Guest House	1.00	0.50	50
28.	Land Records and Survey	1.00	0.62	62
29.	Civil Secretariat	2.00	2.00	100
30.	Planning Machinery	327.88	260.55	79
31.	Administrative Training Institute	1.00	0.81	81
32.	Art & Culture and Gazetteers Unit	5.54	3.53	64
33.	Medical, Public Health & Family Welfare	49.60	7.68	15
34.	Urban Development	121.29	52.57	43
35.	Municipal Administration	1.48	1.48	100
36.	Social Security and Welfare	17.66	8.37	47
37.	Evaluation Unit	2.05	0.45	22
38.	Co-operation	10.86	4.16	38
39.	Agriculture	25.64	8.54	33
40.	Forest, Ecology, Environment & Wildlife	38.56	13.96	36
41.	industries	40.46	16.40	41
42.	Power	103.02	20.65	20
43.	Road Transport	13.11	6.45	49
44.	Housing Loans	0.22	0.07	32
45.	Irrigation and Flood Control	11.03	7.95	72
46.	Water Supply	44.21	2.54	6
47.	Civil Administration Works	58.75	19.45	33
48.	Science, Technology, Ecology & Environment	1.00	1.00	100

49.	Housing	57.94	29.97	52
50.	SCERT	4.03	2.33	58
51.	Police Engineering Project	77.00	12.41	16
52.	Horticulture	3.25	2.00	62
53.	Development of Under Developed Areas	69.69	31.25	45
54.	Information Technology & Communication	3.00	1.26	42
55.	New & Renewable Energy	10.94	7.47	68
	Revenue (Charged)			
56.	Servicing of Debt	468.67	22.28	5
	Capital (Charged)			
57.	Servicing of Debt	816.42	17.85	2
	Total	**4988.67**	**909.85**	**18.24**

Table 6.9: List of Grants with savings of `50 crore and above

(Rupees in crore)

Sl. No	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
Revenue-Voted						
1.	11- District Administration & Special Welfare Schemes	124.61	39.53	164.14	98.93	65.21
Capital-Voted						
2.	27-Planning Machinery	327.88	0.00	327.88	67.33	260.55
3.	36-Urban Development	121.29	0.00	121.29	68.72	52.57
	Total	**573.78**	**39.53**	**613.31**	**234.98**	**378.33**

CHAPTER-VII
DEBT AND LIABILITIES

Rise in Public Debt of the States

With the rise in the role of the government in delivering various services, the states are borrowing from various sources to meet their requirements. Nagaland had Debt-GSDP ratio below 50 per cent. Table 7.1 shows growth in public debt in all the states. In 1991-92, Nagaland had Debt-GSDP ratio 47.26 per cent. In 2008- 09, Nagaland registered the declining trend of Debt-GSDP ratio i.e. 40.60 per cent. The outstanding debt-GSDP ratio of the State grew from 44.3 per cent during 2007-08 to 48.2 per cent during 2012-13.

The 12th Finance Commission recognized the tolerable limit of the ratio as 28 percent and recommended all the states to reduce their respective ratios to 28 percent by 2009-10. In this context, Nagaland had not the tolerable limit of 26.80 percent in 2008-09. The 13th Finance Commission given target of the ratios as 56.8 per cent in 2010-11, 55.8 per cent in 2011-12 and 54.9 per cent in 2012-13 and recommended the state to reduce its to tolerable ratios. In this context, Nagaland had maintained the target set by the FC-XIII.

Table 7.1: Debt as a Percentage of GSDP

Name of States	Year					
	1991-92	**2008-09**	**2009-10**	**2010-11**	**2011-12 (RE)**	**2012-13 (BE)**
Arunachal	46.24	66.82	46.2	42.6	38.3 (58.2	38.3 (55.2)

Pradesh				(61.3)		
Assam	36.16	24.80	27.7	25.4 (28.2)	22.7(28.3)	22.6 (28.4)
Himachal	39.53	58.78	54.9	48.3 (49.7)	46.3 (47.0)	44.4 (44.4)
Jammu and Kashmir	80.70	69.10	69.7	58.7 (56.1)	56.6 (55.1)	53.7 (53.6)
Manipur	47.86	58.60	67.2	64.7 (65.8)	60.1 (62.9)	60.3 (60.1)
Meghalaya	20.70	36.08	30.8	30.8 (33.1)	30.0 (32.7)	29.0 (32.3)
Mizoram	53.27	96.61	67.0	77.0 (87.3)	69.5 (85.7)	65.9 (82.9)
Nagaland	**47.26**	**40.60**	**52.3**	**53.0 (56.8)**	**48.7 (55.8)**	**48.2 (54.9)**
Sikkim	59.83	78.60	52.4	43.4 (58.4)	41.0 (65.2)	40.4 (62.1)
Tripura	38.83	43.80	35.5	35.0	31.9 (44.9)	30.0 (44.6)
Uttarakhand	-	39.22	29.5	28.1 (42.2)	29.0 (41.1)	29.0 (40.0)

Note: Figures in the parenthesis indicate recommended targets of the FC XIII for the respective states
Source: Budget documents of the state governments

Debt- GSDP ratio

Table 7.2 gives the details. In 1991-95 and 1995-2000, Nagaland had the ratio below 42.05 and 44.08 percent respectively. In Nagaland only around 5 per cent an increase of the ratio was observed in 1995- 2000 as compared to the previous period. Thus, 2000-05 is the critical period, where significant increase in the ratio took place in Nagaland as compared to 1995-2000. The percentage point's increase in the ratio was significant in Nagaland (5 points). When we compare the percentage point increase in the ratio between 1995-2000 and 2000-05 with that of outstanding Debt- GSDP ratio of 2005-09, then the following conclusion emerges.

"***Nagaland had the maximum increase in the ratio in 2000-2005, had the maximum Debt-GSDP ratio in 2010-13".***

Thus, the period 1995-2000 and 2000-05 is the bench mark period in which significant deterioration in the debt-GSDP ratio of the state took place. But during 2010-13 surge in the debt-GSDP ratio of the state occurred.

Table 7.2: Debt as a percentage of GSDP (%)

States	**1991-95**	**1995-00**	**2000-05**	**2005-06**	**2006-07**	**2007- 08**	**2008-09**	**2005-09**	**2010-13**
	Average	Average	Average	Total	Total	Total	Total	Average	Average
Arunachal	35.79	38.41	54.83	72.02	68.91	69.16	66.82	69.01	41.35

Pradesh									
Assam	32.50	28.26	29.69	32.00	29.80	28.00	26.80	28.91	24.6
Manipur	45.15	41.42	57.88	75.50	68.90	62.80	58.60	65.60	48.47
Meghalaya	24.19	27.88	37.00	40.30	40.00	38.78	36.08	38.59	19.93
Mizoram	52.91	65.09	95.23	116.00	109.43	101.91	96.61	105.15	68.9
Nagaland	**42.05**	**44.08**	**48.99**	**43.52**	**43.63**	**43.50**	**40.60**	**42.68**	**50.57**
Sikkim	60.86	52.20	76.33	75.10	68.90	72.20	78.60	73.92	41.6
Tripura	42.14	37.71	49.02	58.60	54.10	48.40	43.80	50.51	32.3

Changing composition of Outstanding Debt

Outstanding liability of the state can be broadly grouped under three categories i.e. (i) Total internal debt comprising market loan, NSSF and loan from the financial institution; (ii) Loan from central government; and (iii) Public accounts comprising Provident Fund, Reserve Fund, Deposit and Advance, and Contingency Fund. Prior to 1999-2000, securities issued under NSSF were kept under central government loan. After 1999-2000, NSSF came as a different heading.

Tables 5.3 to 5.6 give the changing composition of outstanding debt of the states over time. Liabilities under the Market Loan, Public Accounts and Loan from Financial institutions are comparable consistently over time. Changing composition of each and every sub-component is discussed as follows:

Market Loan: Share of Market loan in total outstanding liability of Nagaland has undergone a significant change over time during 1991-92 and 2007-08.3 The maximum share of Market Loan was observed in Nagaland (57.99 percent).It went up from 27.52 per cent in 1991-92 to 57.99 per cent in 2007-08. Thus, over time market loan is gaining importance in the states.

Loan from Financial institutions: Under this head also a significant change in share was observed during 1991-92 and 2007-08 in Nagaland. An increase in share was observed in this state.The importance of this component, found to be significant in Nagaland.

NSSF: As discussed above, NSSF became a separate head in the debt accounting system in 1999-2000. Therefore, here the analysis will pertain to the period 2000- 01 and 2007-08. In 2000-01, NSSF had a small share, i.e. 1.10 percent in Nagaland. In 2007-08, the share increased 3.18 percent.

Loan and Advance from the Central government: Central government's Loan and Advance to the states was around 29.69 percent in Nagaland in 2000-01. In 2007-08, there was a drastic fall in the share . In Nagaland , it was 11.79 percent.

Thus, in 2007-08, a drastic fall in the share of Central government loan in total outstanding debt liability took place. This was basically due to conversion of high interest rate bearing central loan by low interest loan from the market and financial institution. Further, it happened because of 12th Finance Commissions' incentives.

Public Accounts: Share of Public accounts in total debt liability was minimum was in Nagaland. Thus, over time the importance of Loan and Advance from the Central Government is still important and it is dependent more on Central Government.

Table 7.3: Composition of Outstanding Debt of Nagaland 1991-92

	Market Loan (%)	NSSF (%)	Loan from Financial Institutions (%	Total Internal Debt (%)	Central Govt. Loan and Advance (%)	Provident Fund (%)	Reserve Fund (%)	Deposit and Advance (%)	Contingency Fund (%)	Total Outstanding Debt (Without WMA RBI) Rs Crore	Debt as a % of GSDP
Arunachal Pradesh	12.24	0.00	0.00	12.24	47.20	11.54	0.00	29.02	0.00	286.00	46.24
Assam	6.01	0.00	0.91	6.92	85.94	3.70	0.91	2.45	0.09	4409.00	36.16
Manipur	19.07	0.00	10.59	29.66	38.98	19.70	0.21	11.44	0.00	472.00	47.86
Meghalaya	16.33	0.00	3.67	20.00	64.90	12.24	1.63	-1.22	2.45	245.00	20.70
Mizoram	0.00	0.00	8.13	8.13	47.70	9.89	0.00	34.28	0.00	283.00	53.27
Nagaland	**27.52**	**0.00**	**13.30**	**40.83**	**46.10**	**18.58**	**0.00**	**-5.50**	**0.00**	**436.00**	**47.26**
Sikkim	13.66	0.00	23.60	37.27	52.17	11.80	0.62	-1.86	0.00	161.00	59.83
Tripura	17.57	0.00	11.25	28.82	46.40	21.27	0.00	3.34	0.18	569.00	38.83

Table 7.4: Composition of Outstanding Debt of Nagaland 2000-01

	Market Loan (%)	NSSF (%)	Loan from Financial Institutions (%	Total Internal Debt (%)	Central Govt. Loan and Advance (%)	Provident Fund (%)	Reserve Fund (%)	Deposit and Advance (%)	Contingency Fund (%)	Total Outstanding Debt (Without WMA RBI) Rs Crore	Debt as a % of GSDP
Arunachal Pradesh	10.29	0.14	1.53	11.96	56.33	36.58	2.23	-7.09	0.00	719.00	40.38
Assam	23.88.	8.67	3.24	35.79	50.27	13.70	2.64	-2.55	0.16	9550.00	27.80
Manipur	15.22	1.12	4.37	20.71	34.25	34.87	0.87	9.30	0.00	1603.00	47.92
Meghalaya	27.31	0.00	5.33	32.64	27.09	15.06	0.86	23.92	0.43	1388.00	33.52
Mizoram	13.19	0.80	14.63	28.62	39.25	24.86	0.32	6.95	0.00	1251.00	65.00
Nagaland	35.46	1.10	12.02	48.59	29.69	26.69	0.00	-4.97	0.00	1630.00	39.37
Sikkim	24.74	0.00	20.75	45.49	29.19	23.80	1.06	0.35	0.12	853.00	78.96
Tripura	18.82	0.00	7.54	26.36	32.78	39.96	-1.34	1.78	0.45	2242.00	37.33

Table 7.5: Composition of Outstanding Debt of Nagaland 2006-07

	Market Loan (%)	NSSF (%)	Loan from Financial Institutions (%	Total Internal Debt (%)	Central Govt. Loan and Advance (%)	Provident Fund (%)	Reserve Fund (%)	Deposit and Advance (%)	Contingency Fund (%)	Total Outstanding Debt (Without WMA RBI) Rs Crore	Debt as a % of GSDP
Arunachal Pradesh	19.27	21.43	8.60	49.27	20.66	22.77	5.06	2.25	0.00	2314	68.91
Assam	37.68	24.22	2.41	64.31	13.79	18.67	4.91	-1.94	0.26	19364	29.80

Manipur	22.75	10.84	2.77	36.36	27.19	20.29	0.32	15.85	0.00	4436	68.90
Meghalaya	40.19	9.90	7.06	57.15	12.91	13.59	2.02	14.15	0.21	2819	40.00
Mizoram	22.96	4.29	13.56	40.81	11.76	26.42	0.89	20.12	0.00	3266	109.43
Nagaland	54.38	3.47	16.49	74.33	12.86	15.60	-0.68	-2.15	0.00	3257	43.63
Sikkim	39.91	8.34	8.05	56.31	15.82	22.88	0.14	4.78	0.07	1403	68.90
Tripura	21.84	19.96	4.19	46.00	9.99	42.05	0.38	1.40	0.18	5567	54.10

Table 7.6: Composition of Outstanding Debt of Nagaland 2007-08

	Market Loan (%)	NSSF (%)	Loan from Financial Instituti ons (%	Total Intern al Debt (%)	Central Govt. Loan and Advance (%)	Provide nt Fund (%)	Reserve Fund (%)	Depos it and Advan ce (%)	Conti ngenc y Fund (%)	Total Outstandin g Debt (Without WMA RBI) Rs Crore	Debt as a % of GSDP
Arunachal Pradesh	23.60	19.93	5.47	49.01	19.01	25.90	4.48	1.64	0.00	2614	69.16
Assam	38.52	23.08	2.98	64.58	12.70	19.64	4.67	-1.84	0.25	20358	28.00
Manipur	26.36	14.91	2.78	44.02	21.19	20.21	0.31	14.27	0.00	4568	62.80
Meghalaya	42.53	9.58	6.82	58.93	11.67	14.13	1.90	13.17	0.20	3007	39.40
Mizoram	25.71	4.12	11.97	41.81	11.30	29.69	0.74	16.45	0.00	3399	103.37
Nagaland	57.99	3.18	17.45	78.64	11.79	14.21	-0.39	-3.52	0.00	3554	42.37
Sikkim	47.02	6.93	8.14	62.09	13.08	20.37	0.36	4.04	0.06	1659	72.20
Tripura	20.98	20.08	4.27	45.31	9.51	43.02	0.29	1.67	0.18	5553	48.40

Debt Sustainability and Conclusion

Thus, over time the importance of Loan and Advance from the Central Government is declining fast and the state is dependent more on the market for their borrowing requirements, and there is also a significant deterioration in Debt-GSDP ratio. Therefore, it is important to examine the debt sustainability of the State.

Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation; sufficiency of non-debt receipts9; net availability of borrowed funds; burden of interest payments **(**measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table7.7** analyses the debt sustainability of the State according to these indicators for a period of five years beginning from 2007-08.

During 2011-12, Government raised internal debt of `1297.88 crore and GOI loans of `20.97 crore. Government repaid internal debt of `760.10 crore and GOI loans of `38.47 crore along with interest of `417.39 crore resulting in net increase in debt receipts by `102.89 crore during the year.

Table 7.7: Debt Sustainability: Indicators and Trends

(Rupees in crore)

Indicators of Debt Sustainability	2007-08	2008-09	2009-10	2010-11	2011-12
Debt Stabilization (Quantum Spread	28.03	403.95	-72.62	115.21	(-)5.40

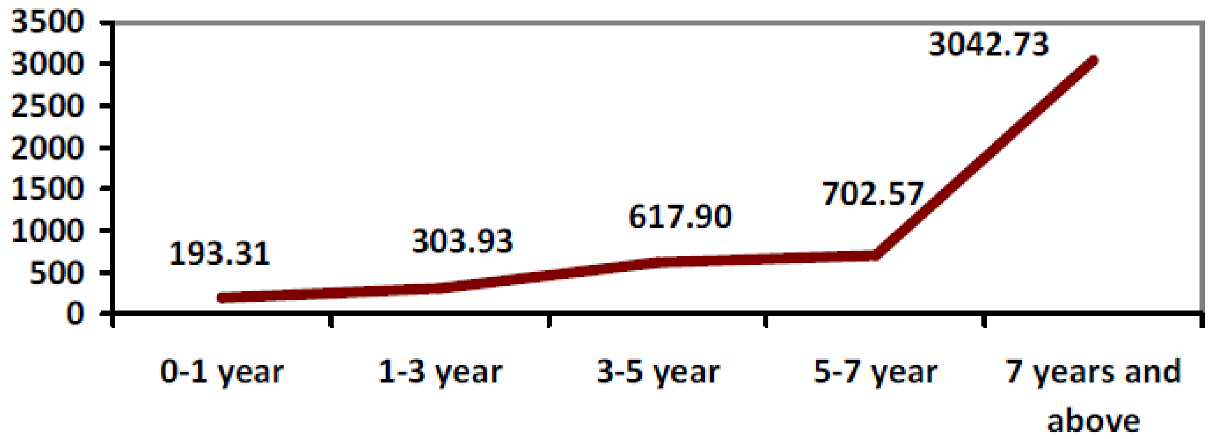
+ Primary Deficit)					
Sufficiency of Non-debt Receipts (Resource Gap)	(-)241	57	(-)182	209	(-)226
Net Availability of Borrowed Funds	152.59	374.71	469.44	(-)18.58	258.96
Burden of Interest Payments (IP/RR Ratio) (in *per cent)*	9.03	9.23	9.75	7.89	7.47
Maturity Profile of State Debt (In Years)					
0 – 1	-	293.90(09)	274.60(6)	20.56(1)	193.31(4)
1 – 3	-	317.86(10)	551.94(13)	392.43(9)	303.93(6)
3 – 5	-	476.51(15)	303.74(7)	302.41(7)	617.90(13)
5 – 7	-	296.00(09)	596.65(13)	617.36(14)	02.57(14)
7 and above	-	1870.95(57)	2685.62(61)	3007.40(69)	3042.73(63)
Total	-	**3255.22**	**4412.55**	**4340.16**	**4860.44**

Figures in the parenthesis indicate percentage to total debt.

Debt will stabilize if the quantum spread plus primary deficit is positive. However, it would be seen from the above table that the sum of quantum spread together with primary deficit remained negative during the year 2011-12. The sum of quantum spread and primary deficit was `115.21 crore in 2010-11 against (-)`5.40 crore in 2011-12 which indicates that additional efforts are required by the State to stabilise the debt and then attain sustainability in the ensuing years.

The persistent negative non-debt receipts (Resource Gap) indicate the non-sustainability of debt while the positive resource gap strengthens the capacity of the State to sustain the debt. The resource gap which was positive during 2010-11 (`209 crore), turned into negitive in 2011-12 (`226 crore). This meant that the State depends on borrowed funds for meeting current revenue and capital expenditure.

Chart 7.1: Maturity profile of State Debt



As per data shown in **Table 5.7**, out of the total debt burden of `4860.44 crore, there will be a bunching of repayments in around 1-3 years time (`303.93 crore) and 3-5 years time (`617.90 crore) as well as 5-7 years time (`702.57 crore). A well thought out debt repayment strategy will ensure that no additional borrowings which mature in these critical years are undertaken.

Assets and Liabilities

Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. Table 5.8 gives an abstract of such liabilities and the assets as on 31 March 2012, compared with the corresponding position on 31 March 2011. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital expenditure, loans and advances given by the State
Government and cash balances.

'Total liabilities' as defined in Nagaland Fiscal Responsibility and Budget Management Act, 2005 mean the liabilities under the Consolidated Fund of the State and the Public Accounts of the State. Other liabilities, which are a part of the Public Accounts, include deposits under Small Savings scheme, Provident Fund and Other deposits.

Table 7.8: Summarised financial position of the Government of Nagaland as on 31.03.2012

(Rupees in crore)

As on 31.03.2011		**Liabilities**	**As on 31.03.2012**	
4033.56		Internal Debt -		4571.34
	3106.87	Market Loans bearing interest	3432.37	
	0.03	Market Loans not bearing interest	0.03	
	65.87	Loans from Life Insurance Corporation of India	55.56	
	860.79	Loans from other Institutions	914.66	
	0.00	Overdrafts from Reserve Bank of India	53.92	
306.61		Loans and Advances from Central Government-		289.11
	3.50	Pre 1984-85 Loans	2.52	
	18.75	Non-Plan Loans	17.57	
	254.23	Loans for State Plan Schemes	234.66	
	254.23	Loans for State Plan Schemes	234.66	
	0.05	Loans for Central Plan Schemes	0.20	
	0.05	Loans for Central Plan Schemes	0.20	
	20.30	Loans for Centrally Sponsored Plan schemes	24.68	
	0.00	Ways and Means Advances	0.00	
	9.78	Loans for Spl. Scheme	9.48	
0.35		Contingency Fund		0.35
574.01		Small Savings, Provident funds, etc.		610.43
858.78		Deposits		1168.42
91.58		Reserve Funds		120.58

0.00		Suspense and Miscellaneous Balances		0.00
-835.27		Remittance Balances		-969.07
5029.62		**Total**		**5791.16**
		Assets		
8355.20		Gross Capital Outlay on Fixed Assets -		9604.58
	213.41	Investments in shares of Companies, Corporations, etc.	228.01	
	8141.79	Other Capital Outlay	9376.57	
25.80		Loans and Advances -		26.12
	0.00	Loans for Power Projects	0.00	
	21.18	Other Development Loans	23.45	
	4.62	Loans to Government servants and Miscellaneous loans	2.67	
1.01		Advances		1.00
93.17		Suspense and Miscellaneous Balances		87.63
100.08		Cash -		328.19
	0.00	Cash in Treasuries and Local Remittances	0.18	
	-602.70	Deposits with Reserve Bank	-199.04	
	306.56	Departmental Cash Balance	375.65	
	0.00	Permanent Advances	0.00	
	122.40	Investment on earmarked funds	151.40	
	273.82	Cash Balance investments	0.00	
-3545.64		Deficit on Government account -		-4256.36
	-812.15	(i) Less Revenue Surplus of the current year	-710.72	
		(ii) Miscellaneous deficit		
	-2733.49	Accumulated deficit at the beginning of the year	-3545.64	
5029.62				**5791.16**

Fiscal Liabilities

The second phase reflected significant deterioration in all key deficit indicators of the Nagaland government following the implementation of the Fifth Pay Commission Award; significant losses incurred by state public sector undertakings (SPSUs) also adversely impacted the non-tax revenues of the states. As a result, the outstanding debt-GSDP ratio of the state grew from 37.7 per cent during 1997-98 to its peak of 49.6 per cent during 2003-04. In the fourth phase Nagaland was the only state that showed deterioration in all key deficit indicators. The outstanding debt-GSDP ratio of the State grew from 44.3 per cent during 2007-08 to 48.2 per cent during 2012-13 (Table 7.9)

Table 7.9: Outstanding Liabilities of States (As at end-March)

(Per cent to GSDP)

State	**Phase I**	**Phase II**	**Phase III**	**Phase IV**
	(1980-81 to 1997-98)	**(1998-99 to 2003-04)**	**(2004-05 to 2007-08)**	**(2008-09 to 2012-13)**
Arunachal Pradesh	35.7	73.3	59.4	38.3
Assam	28.4	33.2	28.4	22.6
Himachal Pradesh	48.6	69.4	57.4	44.4
Jammu and Kashmir	55.8	66.4	62.1	53.7
Manipur	48.2	61.4	66.8	60.3
Meghalaya	26.3	40.2	33.0	29.0
Mizoram	68.6	112.1	103.5	65.9

Nagaland	37.7	49.6	44.3	48.2
Sikkim	38.2	70.6	68.0	40.4
Tripura	35.3	53.7	38.5	30.0
Uttarakhand	-	40.5	31.9	29.0

Source: Sub-national Debt Sustainability: An Assessment of the States Governments

The trends in outstanding fiscal liabilities of the State are presented in **Table 7.10** However, the composition of fiscal liabilities during the current year vis-à-vis the previous year is presented in **Charts 7.2** and **7.3.**

Table 7.10: Management of State Fiscal Liabilities

(Rupees in crore)

	2007-08	2008-09	2009-10	2010-11	2011-12
Fiscal Liabilities/GSDP	48.06	48.44	52.59	51.91	55.03
Fiscal Liabilities/RR	129.58	134.45	145.27	115.50	118.88
Primary deficit vis-à-vis quantum spread	28.03	403.95	-72.62	115.21	-5.40
Debt Redemption (Principal+Interest)/Total debt Receipts	79.19	73.48	73.78	132.36	103.39

Chart 5.2: Composition of Outstanding

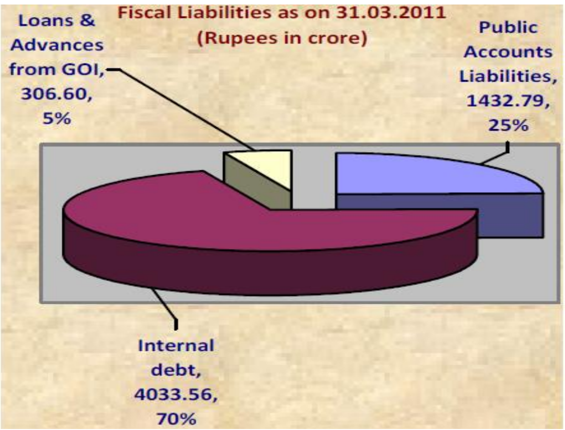
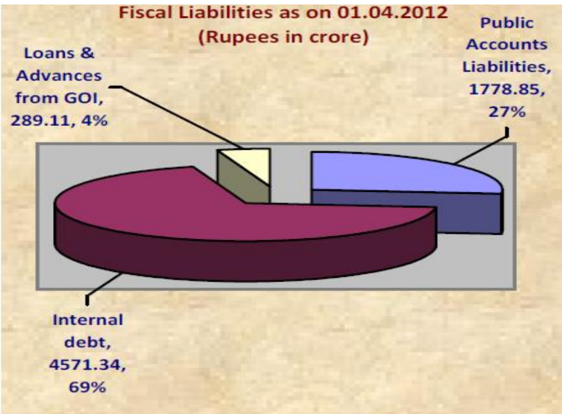


Chart 5.3: Composition of Outstanding



The growth rate of fiscal liability was 15.01 *per cent* during 2011-12 over the previous year. Fiscal Liabilities of the State comprise Consolidated Fund Liabilities and Public Account Liabilities. The Consolidated Fund Liability (`4860.45 crore) comprised market loan (`3432.40 crore), loans from Government of India (`289.11 crore) and other loans (`1138.94

crore). The Public Account Liabilities (`1778.85 crore) comprise Small Saving, Provident Fund (`610.43 crore), interest bearing obligations (`3.65 crore) and non-interest bearing obligations like deposits and other earmarked funds (`1164.77 crore). The ratio of fiscal liabilities to GSDP had increased from 51.91 *per cent* in 2010-11 to 55.03 *per cent* in 2011-12. These fiscal liabilities stood at nearly 1.19 times the revenue receipts and 12.41 times of the State's own resources at the end of 2011-12. The fiscal liabilities to GSDP (55.03 *per cent*) was 11.44 *per cent* more than the assessment made by the State Government in its Medium Term Fiscal Policy Statement (MTFPS) (43.59 *per cent*) and 0.77 *per cent* lower than the norm of 55.80 per cent recommended by the XIII-FC for the year 2011-12.

Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantees had been extended. As per NFRBM Act 2005, the State Government set up a guarantee redemption fund in 2006-07 and decided to charge guarantee fee at the rate of 1 *per cent* of GSDP to cover the risk in the guarantees. During the year 2011-12, the State had given guarantee of `10 crore but no guarantee fee was received. The maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years is given in **Table 7.11.**

Table-7.11: Guarantees given by the Government of Nagaland

(Rupees in crore)

Guarantees	2009-10	2010-11	2011-12
Total amount of guarantees given up to	53.72	55.22	65.22
Outstanding amount of guarantees at the end of the year	53.72	55.22	65.22
Percentage of maximum amount guaranteed to total revenue receipts	1.44	1.10	1.17
Outstanding amount of guarantee as percentage of GSDP	0.50	0.50	0.54

The outstanding guarantees increased by `10.00 crore (18.11 *per cent*) from `55.22 crore in 2010-11 to `65.22 crore in 2011-12. The outstanding guarantees of `65.22 crore mainly pertained to Nagaland Industrial Development Corporation 51.99 *per cent* (`33.91 crore) for repayment of principal and payment of interest on loan obtained. The outstanding guarantees were 1.17 *per cent* of the revenue receipts of the Government.

Off - Budget Borrowings

The State Government had no off-budget borrowings during the year. As per the recommendations of the XIII-FC, the State Government had set up a Sinking Fund for amortisation of market borrowings as well as other loans and debt obligations during 2011-12. Contribution to the Sinking Fund was `16.17 crore as of March 2012 and the entire amount of the fund was invested.

CHAPTER-VIII
JNNRUM

The Urban Development Department is responsible for creating infrastructure to provide basic amenities like drinking water, electricity, roads, drainage systems, solid waste management and proper toilet facilities to the inhabitants. The Department carries out its responsibilities by implementing centrally sponsored schemes and state plan schemes.

Nagaland is predominantly a tribal, hilly and remote State lying in the North-East corner of the country. Only about 17.24 *per cent* of the total population lives in three1 declared and 162 recognised urban areas. The urbanization level of the State showed a rising trend from 5.19 *per cent* in 1961 to 17.24 *per cent in* 2001. There are also signs of migration of urban population from smaller towns to urban areas of the State with better facilities. The number of towns increased from three in 1961 to 19 in 2001.

Besides, there are 52 smaller towns inheriting urban characteristics. Development of this semi-urban scattered conglomeration is a daunting task in a rocky terrain with heavy rainfall and sparse population with primarily rural background. To cope up with the ever increasing trend of urbanization in the State, the Urban Development Department is entrusted with the task of preparing Master Plans and City Development Plans to provide and improve infrastructural facilities like roads, water supply, sanitation, transport, markets, health, housing etc. in these urban areas. The Department carries out these responsibilities by implementing Centrally Sponsored Schemes (CSS) viz., the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and 10 *per cent* Lump sum for Development of North Eastern States and State Plan Schemes. The Department also provides grants-in-aid to two Autonomous Bodies viz., Development Authority of Nagaland (DAN) and State Urban Development Agency (SUDA).

Planning

The Department did not prepare perspective plans or development plans for the urban areas except the City Development Plan (CDP) in respect of Kohima. The works were therefore randomly picked and not based on any plan documents. The Department neither prepared Annual Action Plan nor devised any long or short term strategies by breaking down the targets into actionable areas, identifying the administrative, technical and financial resources, and prescribing implementation schedules. Lack of planning resulted in low level of preparedness and capacity of the Department to implement its programmes effectively and efficiently.

The Department stated (July 2009) that City Development Plans for all the District Headquarters are under preparation. However, the Department did not specify any time frame for completion of the task.

Table 8.1: Financial Management

(Rupees in crore)

Year	**Approved Year outlay**			**Expenditure incurred**			**Excess (+)/Saving (-)**		
	State Plan	**CSS**	**Non-Plan**	**State Plan**	**CSS**	**Non-Plan**	**State Plan**	**CSS**	**Non-Plan**
2004-05	16.37	8.13	1.98	14.30	00	2.00	(-) 2.07	(-) 8.13	(+) 0.02
2005-06	44.15	22.03	2.29	16.21	10.18	1.80	(-)27.94	(-) 11.85	(-) 0.49
2006-07	50.65	22.03	2.53	39.54	18.06	3.37	(-)11.11	(-) 3.97	(+) 0.84
2007-08	42.66	15.36	3.21	45.78	55.86	3.26	(+) 3.12	(+) 40.50	(+) 0.05
2008-09	42.66	15.36	2.92	52.35	36.33	4.61	(+) 9.69	(+) 20.97	(+) 1.69
Total	**196.49**	**82.91**	**12.93**	**168.18**	**120.43**	**15.04**			

(Source:- Budget documents and Appropriation accounts)

(i) The savings under capital budget increased from `10.20 crore in 2004-05 to `39.79 crore in 2005-06 and `15.08 crore in 2006-07, reflecting unrealistic preparation of budget estimates and the inability of the Department to implement its budgeted projects and programmes.

(ii) Each year supplementary provision was obtained without justification as the savings at the end of the year were more than the supplementary provision. This indicates that the expenditure was not monitored or reviewed defeating the concept of budgeting.

(iii) During 2007-08 and 2008-09 the expenditure under State Plan exceeded the budget provision by `3.12 crore and `9.69 crore respectively and the expenditure under CSS exceeded the budget provision by `40.50 crore and `20.98 crore. The excess expenditure has not been regularized. Despite requisition to the Department as well as the Finance Department, the source from which the excess expenditure was made could not be furnished to audit (July 2009).

(iv) During 2006-07 and 2008-09 the expenditure under Non Plan exceeded the budget provision by `0.83 crore and `1.68 crore respectively. The excess expenditure had not been regularized. There was no evidence of the above issues having been addressed at appropriate levels. The Department stated (July 2009) that savings were due to allocation of lumpsum provision before sanction of Detailed Project Reports by GOI and further stated that the matter shall be taken up with the Finance Department to regularize the excess expenditure.

Budgetary provision under Centrally Sponsored Schemes (CSS): The Department could not utilize the budgetary provision under CSS during the years 2004-08, as detailed below:-

Table 8.2: Budget Provision, Expenditure incurred and Unutilized fund

(Rupees in crore)

Year	**Name of the CSS**	**Budget Provision**	**Expenditure incurred at the end of the year.**	**Un-utilised fund during the year.**
2004-05	Infrastructure Development of Small and Medium Towns, Construction	0.48	-	0.48
2005-06	i. Special Development Fund for	0.49	0.11	0.38

	Nagaland.			
	ii. JNNURM	1.78	0.13	1.65
2007-08	i.Slum improvement	2.89	00	2.89
	ii. JNNURM	46.33	40.48	5.85
	iii. Special Development Fund for Nagaland	24.68	19.22	5.46
	Total	**76.65**	**59.94**	**16.71**

(Source: Appropriation accounts)

Under utilization of budgetary provision can only be attributed to inadequacies in preparation of project proposals, poor planning, slow progress of work as well as inadequate monitoring and supervision**.**

Release of Central and State share by the State Government: During the period covered in audit, GOI released its share of `151.32 crore under 10 per cent Lumpsum for Northeast and Jawarharlal Nehru National Urban Renewal Mission.

However, the State Government in turn released only `121.77 crore to the Departments resulting in short release of central share by `29.55 crore. Similarly, against GOI release of `151.32 crore, the State Government was to release its proportionate share of `32.84 crore whereas only `14.71 crore was released (March 2009) resulting in short release of State share of `18.13 crore.

Besides, there was delay in release of funds for periods ranging from four to 25 months to the Department by the State Government. Despite the short release, the Department submitted inflated Quarterly Progress Reports to the GOI showing full utilization of the amount released by GOI.

Thus, it is evident that the Department could have implemented its projects on time on receipt of the funds from the State Government and could have avoided the excess expenditure during the years 2007-09.

While accepting, the Department stated (July 2009) that the short release of `15.87 crore under 10 *per cent* Lump sum Provision for North Eastern States was due to deduction of agency charges by the Government. They further stated that a change in the system of releases has been introduced from 2009-10 and therefore the releases are expected to improve.

Rush of expenditure: Rule 69 of GFR provides that rush of expenditure particularly in the last quarter of the financial year shall be regarded as a financial irregularity and should be avoided. Scrutiny revealed that 36 to 70 *per cent* of the capital expenditure during the last five years had taken place in the last quarter as against 16 to 26 *per cent* in the 1st quarter. While accepting, the Department stated (July 2009) that a major portion of the funds are released in the last week of the financial year.

3.8.4 Funds obtained by misrepresenting facts: According to 2001 Census, there was no slum population in the State. The State Government had also not enacted or notified any area in Nagaland as Slum.

Audit analysis, however, revealed that the Department forwarded a DPR (2006) under JNNURM to GOI for approval showing the slum population of 20,194 in six blocks of Kohima and 38,681 in six blocks of Dimapur. The Department did not carry out preliminary survey to identify and select the beneficiaries before commencement of the project.

Union Ministry of Housing and Urban Poverty Alleviation also approved and accorded sanction of these projects at a total cost of `205.08 crore without verifying the genuineness of the claim made by the Department.

Scrutiny of the survey report (2008) revealed that the Department is contemplating allotment of the housing units to ineligible Grade III and Grade IV employees of the State Government on rent. Thus, the Department obtained funds of `205.08 crore from GOI by misrepresenting the slum population in the State.

The Department stated (July 2009) that twelve areas in Kohima and Dimapur were identified as slums and inclusion of Grade III and IV Government employees are also under review.

The reply is not acceptable as no slums were identified by any Government Notification or Act and the Department is contemplating to allot the housing units to these ineligible beneficiaries on rent.

Project Implementation

The Department implemented 38 projects under 10 *per cent* Lumpsum Provision for North Eastern States and three projects under JNNURM during 2004-09. It was seen that 25 projects (22 under 10 per cent Lumpsum Provision and 3 under JNNURM) were taken up in the four test-checked districts. Analysis of records in the testchecked districts revealed that 9 works had not been completed (July 2009), the details which are tabulated below:-

Table 8.3: Project Implementation

(Rupees in crore)

Name of the project	*Year of sanction*	*Amount Sanctioned*	*Expenditure*	*Stipulated date of completion*	*Progress and Reasons for delay*
Construction of Cultural Hall at Kohima	2004	0.55	8.55	July 2007	Due to change of structural design and scope of work.
Construction of Car parking cum shopping complex at Mokokchung	2006	21.94	11.94	November 2008	Due to noncompletion of the first phase.
Construction Of Retaining Wall At Alempang, Mokokchung	2006	2.27	1.58	July 2009	40 per cent. Reasons not on record.
Construction of protection and infrastructure development work at Mokokchung	2006	8.25	5.78	May 2009	75 per cent. Reasons not on record.
Construction of Sanitation and Waste Box at Mokokchung Town	2007	0.88	0.48	August 2009	50 per cent. Reasons not on record.
Construction of City Shopping mall cum Car parking Complex at New Market Dimapur.	2008	0.22	Payment made.	October 2010	Due to delay in conducting soil testing
Construction of Housing for Urban poor in Dimapur under IHSDP	2007	117.34	22.47	June and December 2009	In progress
Construction of Housing for Urban poor in Kohima under BSUP	2007	87.74	38.42	October, 2009	In progress
Construction of Road & Transportation project, Kohima (6 arterial roads)	2007	25.26	7.28	May 2010	In progress

(Source: Departmental records)

Table 8.4: PROJECTS IMPLEMENTATION STATUS UNDER JnNURM (UIG) : NAGALAND

Amount ` in Lakhs Data as on 21-01-2014

Sl. No.	Name of the City	Project Title	Approved Cost	Date of CSMC / CCEA / CCI Meeting /Project Approval	Total ACA Commitment (Central Share)	Date of Last ACA Released	Installment Numbers	As per MoF Release Order - ACA Released till date	Utilisation as per June '13 QPR	% of Amount Utilised against Approved Cost	% of work completed (Physical Progress	Date of Completion as per latest QPR
1.	Kohima	Roads and Transportation	2,525.60	26-Oct-07	2,273.04	18-Dec-12	4	2,045.74	1,613.79	64%	Completed	Completed

	Kohima	Integrated Road and Multi level Parking Project at Kohima	5,042.43	28-Aug-09	4,538.19	8-Jan-13	2	1,815.26	1,260.61	25%	50%	Jun-14
	Kohima	Storm Water Drainage Development Scheme for Kohima city Phase I	4,026.10	27-Sep-11	3,623.49	11-Jul-13	3	2,355.26	1,519.81	38%	90%	Sep-13
		Total	**11,594.13**		**10,434.72**			**6,216.26**	**4,394.21**	**38%**		**1**
Projects Sanctioned in Transition Phase												
	Kohima	Construction of retaining wall along road from NH-61 to north field school	152.34	30-May-13	137.11	11-Jul-13	1	**34.28**				
		Total	**152.34**		**137.11**			**34.28**				**0**
		Grand Total	**11,746.47**		**10,571.82**			**6,250.54**				**0**

Conclusion

The Department did not have a long-term strategy due to which the works were implemented by the Department randomly. Financial management in the Department was beset with various deficiencies as also the controls associated with contract management and material management were inadequate. This coupled with vulnerability to fraud and lack of quality control in the Department resulted in various shortcomings in implementation of projects viz. delays in award of projects leading to cost overruns, non-completion/delays in completion of works, non-utilisation of created infrastructure etc.

Recommendations

- The Department should prepare a long term urbanization strategy;
- Budgetary and financial controls should be improved so that the system of checks and balances is maintained;

- Project monitoring should be streamlined and implementation schedule should be strictly enforced; Internal audit should be strengthened so as to ensure coverage of all major schemes executed by the Department;
- Effective steps should be taken to contain vulnerability to fraud.

CHAPTER-IX
POWER SECTOR

Background

In the state of Nagaland, the Department of Power (DoP) is responsible for generation, transmission and distribution of power. Like many other states, Nagaland is faced with energy and peak shortages, inadequate power systems, unreliable and poor supply of electricity, ineffective hierarchical organizational structure, growing revenue deficit, inadequate cash collection, and the resultant negative impact of all these on the state finances. The poor operational and financial performance has also been reflected in the rating of the state's progress in power sector reform, awarded jointly by Investment Information & Credit Rating Agency (ICRA) and Credit Rating Information Services of India Ltd. (CRISIL). At present, DoP ranks 22nd among the list of 29 states with a score of 15.80 on a rating scale of 100 points.

Over the last couple of years, the government of Nagaland (GoN) has extended communalization programme to the power sector (described later as "Naga way of reforms") and introduced single point metering system in several villages. This has improved billing and collection of revenue significantly from rural supply of electricity. The government now intends to embark on much more comprehensive sector reform. GoN has decided to take necessary steps to distance itself from the power industry and provide the power sector with operational, managerial and financial autonomy required operating the sector on the basis of commercial principles.

The Department of Power, Nagaland, was established in 1964 to provide power supply to public, industry and agriculture sectors in the State. Power generation being very negligible in the State (about one *per cent* of the total requirement of power of the State), the major requirement (about 99 *per cent*) is being met by purchasing power from the Central PSUs such as North Eastern Electric Power Corporation Ltd. (NEEPCO), National Hydroelectric Power Corporation Ltd. (NHPC) and Power Grid Corporation of India Ltd. (PGCIL). The Department is responsible for transmission, distribution of power and maintenance of transmission and distribution network in the State.

3. The power sector reform aims at achieving the following objectives:

- Efficient supply of electricity in terms of quality and cost to support economic development of the state.
- Financial sustainability of the sector in mid-to-long term without state budgetary support
- Organisational restructuring for efficient and effective operation of power systems and delivery of services to consumers
- Strengthening rural distribution management under commoditization programme
- Resource mobilisation for capital investments, payment of outstanding liabilities, and financing of transition period losses.

REVIEW OF THE POWER SECTOR

Demand for Power

Starting with a few kilowatts of power requirement during the 1960s, when Nagaland first purchased power from ASEB, the demand has grown significantly with number of consumers reaching a level of over 1.63 lacs (2004-05). However, per capita consumption of power at around 128 units is very low compared to all-India average of 355 units. In addition to shortage of energy, the consumers are faced with poor quality and unreliable supply of power.

Demand Forecast by CEA

In its 16th power survey, CEA has projected increase in energy requirement from 312 MU in 2003-04 to 554 MU by the end of 11th Plan (2011-12), and peak demand from 80 MW to 141 MW (*Table 9.1*). The projection assumes different growth rates for different plan periods, but on the whole, energy requirement is assumed to grow at a CAGR of 7.4 percent and peak load at 7.3 percent.

Table 9.1: Energy Requirement and Peak Load Forecast by CEA

	2003-04	**2004-05**	**2005-06**	**2006-07[1]**	**2011-12[2]**	**2016-17[3]**
Energy Requirement	312	335	360	387	554	790
Growth rates:						
2001-02 to 2006-07	7.52%					
2006-07 to 2011-12	7.42%					
2011-12 to 2016-17	7.32%					
Peak Load	80	86	92	98	141	200
Growth rates:						
2001-02 to 2006-07	6.96%					
2006-07 to 2011-12	7.55%					
2011-12 to 2016-17	7.24%					

1. End of 10th Plan 2. End of 11th Plan 3. End of 12th Plan

Table 9.2: Projected demand for Nagaland

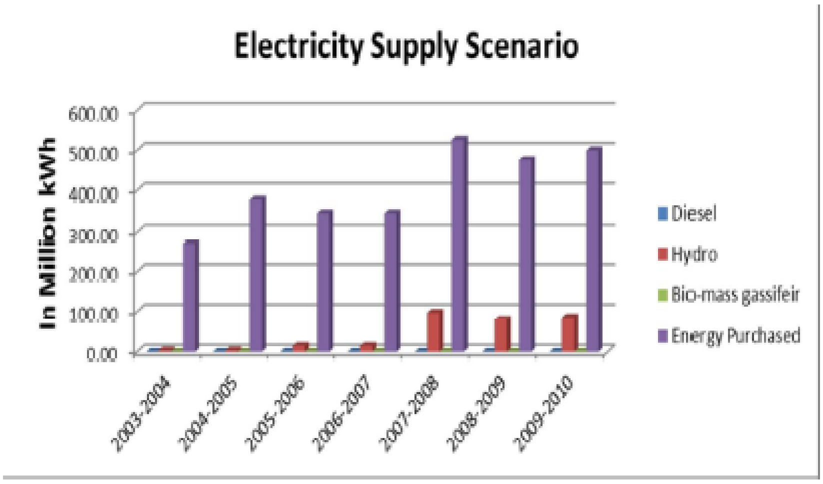
Energy Consumption – in MU	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-25	2026-27
Domestic	250	335	375	425	520	563	700	810	927	1187	1350	1506	1597	1685	1740	1806
Commercial	35	40	45	75	100	120	165	185	200	231	256	285	315	340	371	401
Public lighting	5	10	15	20	25	30	33	37	40	50	60	65	65	65	65	65
Public water works	2	10	20	25	30	35	40	44	48	50	55					
Industries	30	50	70	90	120	150	175	190	215	250	300	350	400	450	500	550
Bulk Supple	41	45	70	90	120	200	250	300	350	400	427	454	487	511	567	591
Total Energy Consumption	**363**	**490**	**595**	**725**	**915**	**1098**	**1363**	**1566**	**1780**	**2168**	**2448**	**2720**	**2924**	**3111**	**3303**	**3473**
T & D Losses in MU	**217**	**294**	**357**	**420**	**530**	**636**	**750**	**814**	**890**	**1019**	**1053**	**1088**	**1111**	**1089**	**1057**	**1042**
T & D Losses (in %)	**60 %**	**60 %**	**60 %**	**58 %**	**58 %**	**58 %**	**55 %**	**52 %**	**50 %**	**47 %**	**43 %**	**40 %**	**38 %**	**35 %**	**32 %**	**30 %**
Total Energy	**580**	**784**	**952**	**1145**	**1445**	**1734**	**2113**	**2380**	**2670**	**3187**	**3501**	**3808**	**4035**	**4200**	**4360**	**4515**

Requirem ent in MU																
Peak Load (MW)	**115**	**153**	**186**	**225**	**284**	**340**	**414**	**467**	**524**	**625**	**686**	**747**	**791**	**824**	**855**	**885**

Source: Prepared by Drafting team based on parameter

Nagaland's electricity requirement is primarily met from the Central Electricity Generating stations, wheeled through the Power Grid Corporation of India Network of the North East Region. The state has a very small electricity generation capacity, with the total installed capacity of generation being 27.5 MW as on 2012.

Figure 9.1: Sources of Electricity Supply



The electricity supply from the central grid tends to vary from peak to off peak season, since the main supply of electricity from the grid is from hydro-electric sources of generation. During the months of November to June, where the generation capacities are low, the supply of electricity to the state varies from 50 MW for peak hour supply and 30 MW during off peak hours, while for the months of July to October, the supply of electricity to the state is as high as 110 MW.

Table 9.3: Seasonal Supply of Electricity to the State for Peak and Off-Peak Hours

From November to June			From July to October		
	Peak Hour	Off-Peak Hours		Peak Hour	Off-Peak Hours
Demand (in MW)	110 MW	55 MW	Demand (in MW)	110 MW	70 MW
Availability (in MW)	50 MW	30 MW	Availability (in MW)	110 MW	110 MW
Surplus or deficit (in MW)	-60 MW	-25 MW	Surplus or deficit (in MW)	00	+40 MW

Source: Department of Power, Nagaland

With exacerbated impacts of climate change, managing electricity supply from the hydroelectric sources might become an uphill task, due to possible reduction in water flow in some of the river systems in the long run.

Energy Consumption

A Brief Description of the Electricity Consumption pattern in Nagaland:

Nagaland is one of the states with very low per capita Energy consumption. The current per-capita energy consumption of Nagaland is 110 kWh, while the national average is 700 kWh. However, Nagaland is one of the states, which has a fairly high level of household electrification, both rural as well as urban. The main reason for low level of consumption is supply and infrastructure constraints. Poor electricity infrastructure and supply is the main cause for industrial consumption to be extremely low. As of now, the largest consumption of electricity is by the domestic sector, followed by bulk consumers and commercial sector.

The domestic consumers accounted for a major share of 56 percent in the total energy billed during 2003-04 (*Figure 9.2 & Table 9.4*). Industry and bulk consumption had almost equal shares at 16 percent and 15 percent respectively.

Figure 9.2: Consumer Category-Wise Consumption

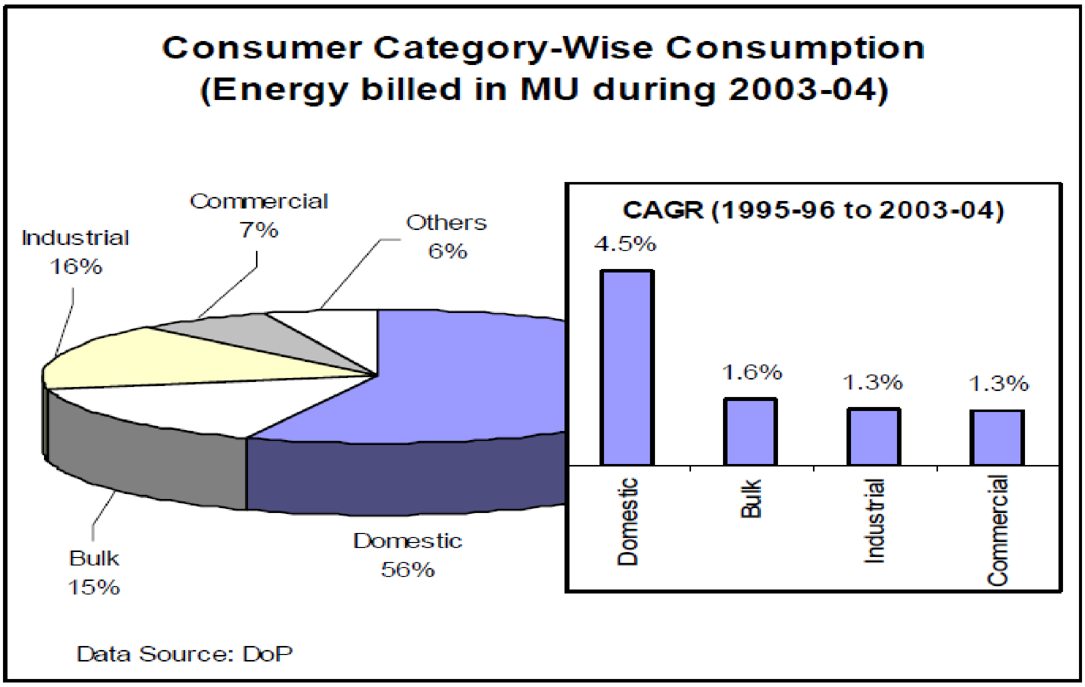


Table 9.4: Trends in Energy Consumption

Categories	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	CAGR
Domestic Light & Power										
No. of Consumers	96,825	97,097	100,966	1 01,596	103,899	111,160	124,835	132,638	141,946	*4.5%*
Consumption (MU)	5 8.03	71.43	74.00	74.04	83.50	94.80	42.93	71.41	82.84	
Industrial										
No. of Consumers	1 ,374	1,379	1,382	1,192	1,256	1,260	1,252	1,279	1,398	*1.3%*
Consumption (MU)										
Bulk										
No. of Consumers	1 27	1 27	1 27	175	180	175	170	170	1 95	*1.6%*
Consumption (MU)	1 9.97	20.15	20.01	19.53	22.00	24.29	13.91	19.48	22.61	
Commercial										
No. of Consumers	1 7,086	1 7,198	17,245	1 4,244	15,232	14,877	14,456	14,693	14,493	*1.3%*
Consumption (MU)	8 .90	9.07	9.14	8.89	9.90	11.65	26.25	8.53	9.84	
Others										
No. of Consumers	6 25	626	6 25	814	778	8 21	8 46	8 42	561.00	
Consumption (MU)	5 .62	7.08	7 .08	6.77	7.85	9 .00	1 3.30	7 .15	8 .22	
Total										
No. of Consumers	116,037	1 16,427	120,345	1 18,021	121,345	128,293	141,559	149,631	158,593	*3.3%*
Consumption (MU)	1 13.52	1 27.70	131.26	1 29.29	145.75	165.46	104.10	126.52	146.80	

It may further be noted that compound annual growth rate (CAGR) of energy consumption has remained quite low over the period from 1995-96 to 2003-04 (*Figure 7.2*). While consumption of energy for the domestic sector has grown at CAGR of 4.5 percent, the energy consumption for industrial and commercial consumers remained virtually stagnant, recording meagre growth rates of little over one percent. Bulk consumption of electricity grew at 1.6 percent during the same period.

Table 9.5: Growth of Consumption of Electricity under different Class of Consumers

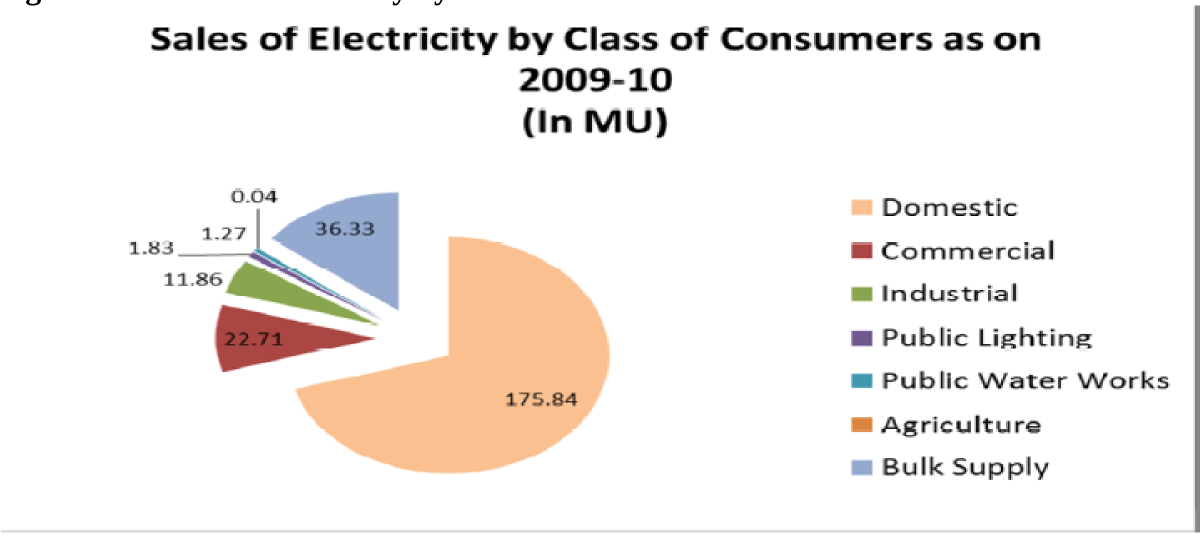
	2005-06		2006-07		2007-08		2008-09		2009-10	
	No	MU	No	MU	No	MU	No	MU	No	MU
Domestic	133,374	126.20	136,041	128.71	152,178	117.68	159,788	127.63	164,515	175.84
Commercial	13,803	21.11	13,947	21.31	17,320	21.22	16,375,	23.37	17,273	22.71
Industrial	1379	27.17	1292	27.44	1353	31.85	1958	34.30	2095	11.86
Public Lighting	823	0.26	829	0.44	852	2.90	824	1.94	581	1.83
Public Water Works	22	2.98	22	3.01	20	4.29	27	4.37	27	1.27
Agriculture	0	0	0	0	0	0	0	0	2	0.04

Source: Department of Power, Nagaland

As can be seen from Table 9.5 above, the consumption in the industrial sector has actually seen a downward trend, particularly from 2009-10, largely due to the closure of a few industries, primarily due to poor electricity supply.

The domestic sector consumption has seen an upward trend, particularly from 2008-09. One of the reasons for this is due to growth of urban centres, improved economic conditions of people and thereby changes in lifestyle patterns, leading to increase in demand for electricity.

Figure 9.2: Sales of Electricity by Class of Consumers



Load Pattern

Analysis of average hourly load in MW over the last couple of years clearly brings out that load pattern has remained fairly stable *albeit* load curve has slowly shifted upward (*Figure*

9.3& Table 9.6). Peak load (between 17:00:00 and 21:00:00 hours) increased from 54 MW in 2000 to 63 MW in 2003 and further to 65 MW during 2003-04.

Figure 9.3: Average Hourly Load in MW

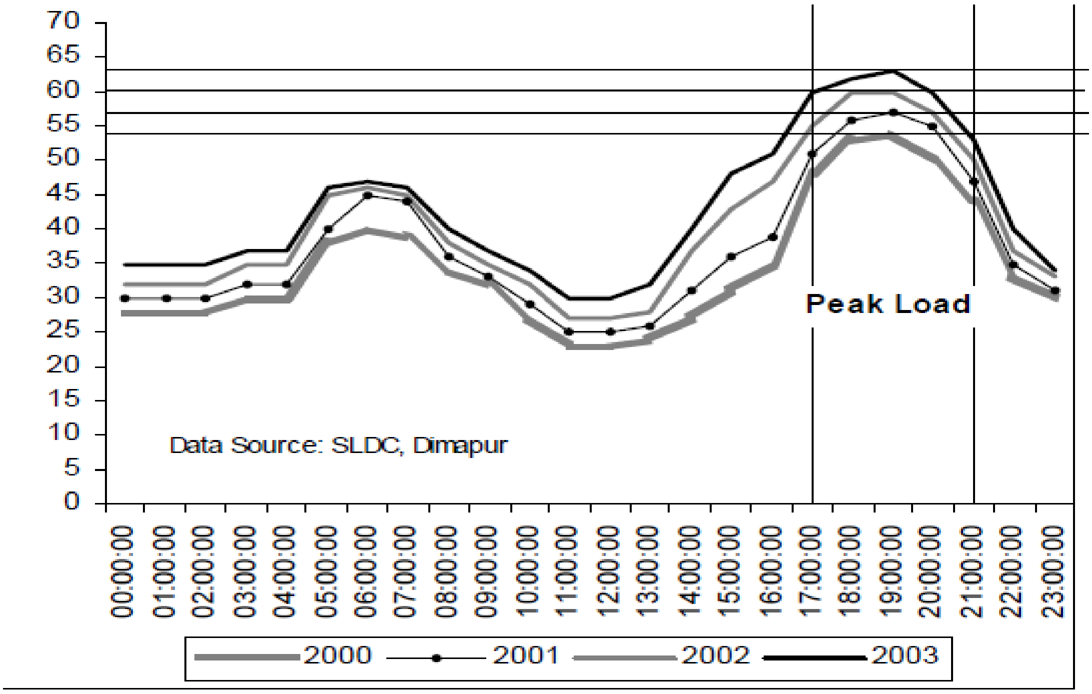


Table 9.6: Load Pattern

Time Block	Average Load in MW			
	2000	2001	2002	2003
00:00:00	28	30	32	35
01:00:00	28	30	32	35
02:00:00	28	30	32	35
03:00:00	30	32	35	37
04:00:00	30	32	35	37
05:00:00	38	40	45	46
06:00:00	40	45	46	47
07:00:00	39	44	45	46
08:00:00	34	36	38	40
09:00:00	32	33	35	37
10:00:00	27	29	32	34
11:00:00	23	25	27	30
12:00:00	23	25	27	30
13:00:00	24	26	28	32
14:00:00	27	31	37	40
15:00:00	31	36	43	48
16:00:00	35	39	47	51
17:00:00	48	51	55	60
18:00:00	53	56	60	62
19:00:00	54	57	60	63
20:00:00	50	55	57	60

21:00:00	44	47	50	53
22:00:00	33	35	37	40
23:00:00	30	31	33	34
Average	34.5	37.3	40.3	43

Source: SLDC, Dimapur

Table 9.6 (A)

Month	**Average Load in MW**				**Average**
	06:00:00 to 09:00:00	**09:00:00 to 17:00:00**	**17:00:00 to 21:00:00**	**21:00:00 to 06:00:00**	
Apr-03	47	28	63	32	42.5
May-03	47	28	63	32	42.5
Jun-03	48	28	63	33	43.0
Jul-03	48	28	63	33	43.0
Aug-03	50	30	64	35	44.8
Sep-03	50	30	64	35	44.8
Oct-03	50	31	65	36	45.5
Nov-03	50	31	65	36	45.5
Dec-03	51	32	66	37	46.5
Jan-04	51	32	66	37	46.5
Feb-04	52	33	67	38	47.5
Mar-04	52	33	67	38	47.5
Average	49.7	30.3	64.7	35.2	45.0

Source: SLDC, Dimapur

The current peak demand of 65 MW is the restricted demand. DoP claims that the suppressed demand in Dimapur and adjoining area alone would be about 15 MW4. Trend data on load further reveals that over the last four years ending 2004, peak load has grown at a CAGR of 7.75 percent (*Figure 7.4 & Table 9.7*). This is marginally higher than the growth rate of 6.96 percent assumed under CEA projection for the period from 2001-02 to 2006-07. Furthermore, average hourly load shows monthly variation - demand goes up during August to February/March for all time zones (*Figure 7.5*). But overall variation, on the average, takes place within a narrow range of 4-6 MW5. 36. Energy requirement for the year 2003-04 was 278.48 MU. This includes power purchase of 263.52 MU and free power of 14.96 MU. Taking together the energy requirement in MU and peak load in MW, annual load factor works out to 49 percent6.

This is significantly higher than the CEA projected annual load factor of 44.5 percent and 45.0 percent for the years 2003-04 and for 2004-05 respectively.

Figure 9.4: Monthly Load in 2003-04 & Growth in Peak Load

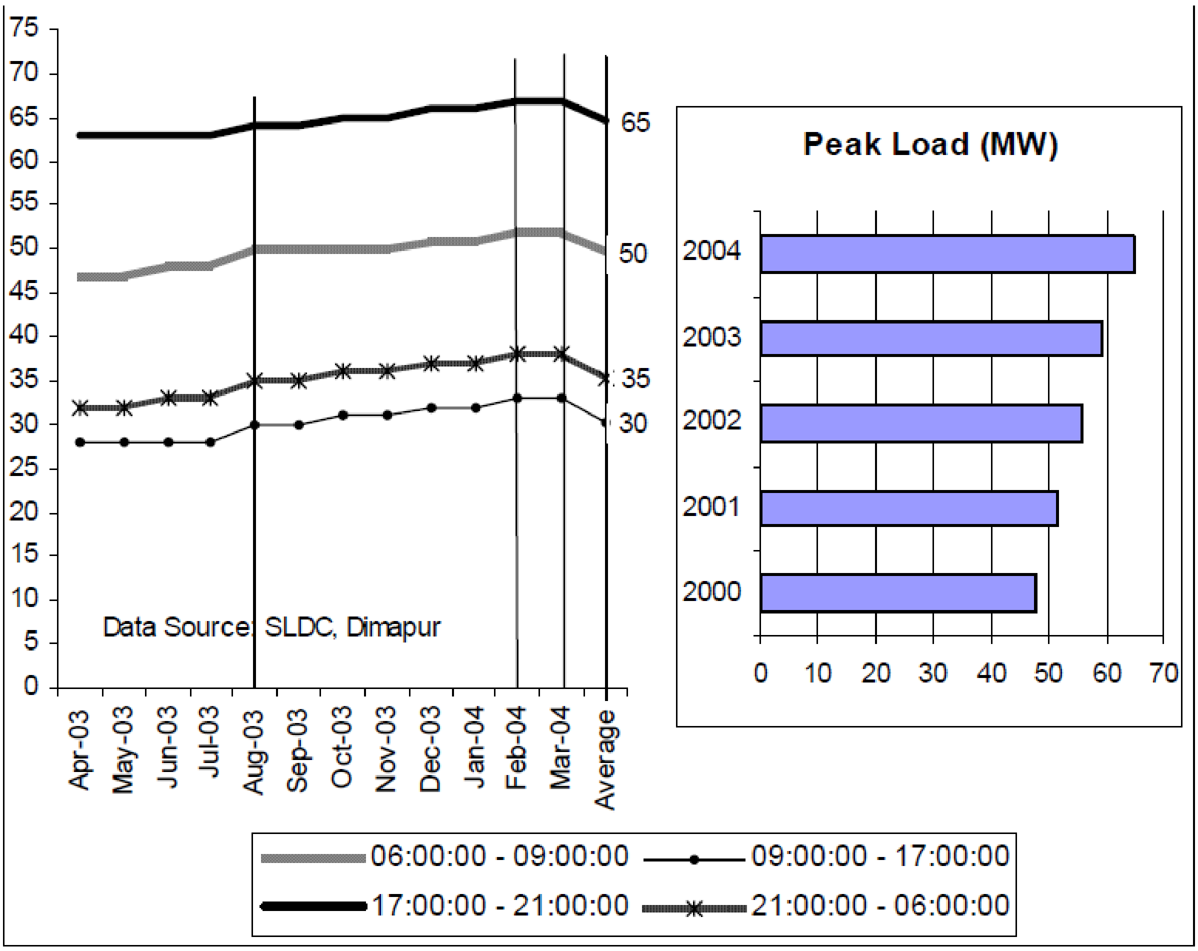


Table 9.7: POWER SECTOR OUTLAY AND ACTUAL EXPENDITURE IN NAGALAND From Seventh to Tenth Plan

	Power Sector			All Sector				
	Outlay **(Rs. cr.)**	Expenditure **(Rs. cr.)**	**Col. (3) as % of col. (2)**	outlay	Expenditure	**Col.(6) as % of col. (5)**	**Col.(2) as % of col. (5)**	**Col. (3) as % of col.(6)**
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**
Seventh Plan	33.5	28.6	85.3	400.0	467.8	117.0	8.4	6.1
Eighth Plan	59	94	159	844	826	98	7	11
Ninth Plan	115	98	85.1	2006	1502	74.9	5.7	6.5
Tenth Plan	248	202	81.4	2228	2652	119.0	11.1	7.6

Purchase and Sale of Power

The table 9.8 shows the power purchased by the Department from outside agencies, power generated in the State, total power available for sale and power actually sold during the period 2001-02 to 2005-06.

Table 9.8: Purchase and Sale of Power

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
Purchase of Power (in MU)	239.80	257.50	280.93	271.08	325.14
Generation of Power in the State (in MU)	8.06	23.65	3.50	3.50	3.75
Total Power available for sale (in MU)	247.86	281.15	284.43	274.58	328.89
Units sold (in MU)2	104.10	125.62	135.56	139.15	161.67
Number of consumers	137389	140000	149634	149634	161604
Revenue realised per unit (in paise)	196	165	194	167	175
Average cost per unit (in paise)	367	332	404	285	282
Loss per unit (in paise)	171	167	210	118	107
Loss of revenue (Rs. In crore)	17.80	21.13	28.47	16.42	17.30

(Source- Departmental figures)

Despite increase in number of consumers and units sold, the loss per unit persisted (total loss suffered during 2001-02 to 2005-06 amounted to `153.64 crore) which was mainly due to fixation of tariff below the purchase cost, non-revision of tariff, excessive transmission and distribution losses and deficiencies in billing and collection of revenue.

Tariff

The State Government had not set up the State Electricity Regulatory Commission as envisaged under Section 82(1) of the Electricity Act, 2003. In the absence of the Commission, the State Government is fixing and regulating the tariff under the provisions of Electricity Act. The Department had not revised the tariff to reduce revenue losses during the period covered by audit. The tariff was, however, revised in April 2006.

Deficit between expenditure and revenue realised on sale of power

The difference between the revenue expenditure and revenue realised was very high. The year-wise position of deficit is shown in table 9.9:

Table 9.9: Position of Deficit

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue expenditure	59.38	58.37	80.90	94.52	99.43
Revenue realized	20.36	20.86	26.30	39.49	39.74
Deficit	39.02	37.51	54.60	5510	59.69

Percentage of deficit to expenditure	66	64	67	58	60

It would be seen from the above table that the percentage of deficit ranged between 58 and 67 *per cent*. No remedial action i.e., fixation of a rational and realistic tariff, reduction of transmission and distribution losses, modern metering, billing and collection system, replacement of equipment etc., was taken by the Department to address this issue.

Transmission and distribution losses

Against the norm of 15.5 *per cent* of transmission and distribution (T&D) losses as prescribed by the Central Electricity Authority (CEA), T&D losses during the period from 2001-02 to 2005-06 ranged between 49.32 and 58 *per cent* of the total power available for sale as detailed below:

Table 9.10: Total Power Available for Sale

	2001-02	**2002-03**	**2003-04**	**2004-05**	**2005-06**
Total power available for sale (MU)	247.86	281.15	284.43	274.58	328.89
Power sold (MU)	104.10	125.62	135.56	139.15	161.67
Transmission & Distribution losses (MU)	143.76	155.63	148.87	135.43	167.22
Percentage of T&D losses to total power available for sale	58.00	55.32	52.34	49.32	50.84
T&D losses in excess of 15.5 *per cent* (MU)	105.34	111.95	104.78	92.87	116.24
Loss (Rupees in crore)	**19.17**	**18.80**	**21.38**	**18.48**	**22.67**

(Source- Departmental figures)

Out of the total losses, the Department considers losses ranging between 16.50 and 23 *per cent* as technical losses on account of resistance, thermal, inductance and corona losses. The balance T & D losses are considered as commercial losses which are attributed to theft of energy, defective meters, tampering of meters, by-passing meters, billing problems, etc.

Due to higher T&D losses over and above the CEA norms of 15.5 *per cent*, the Department suffered loss of potential revenue of Rs.100.50 crore on account of loss of 531.18 MU power during the period from 2001-02 to 2005-06. Considering that 99 *per cent* of total power requirement of the State was purchased from outside the State during 2001-06 at an average cost per unit between Rs.2.82-Rs.4.04, the State cannot afford to have such high T&D losses.

Nagaland is one of the states which has very high T & D and AT & C Losses. The T & D Loss estimated by the Nagaland Electricity Regulatory Commission (NERC) for the year 2009-10 is 40.77%, while the estimate of the Department of Power, Nagaland was 36.46%. The estimate by the NERC is based on the following computation.

Table 9.11: 2009-10, Energy Availability Chart

Sl.No	Particulars	2009-10
	Energy Availability	
1	Own Generation (MU)	73.36
2	Power Purchase from CGS (MU)	395.25
3	Free Power from Doyang (MU)	27.91
4	Less Inter State Loss (Pool loss) @3.5% on (2) + (3)	14.81
5	UI Purchases	15.84
6	Less sales outside state	75.67
7	Power availability at state periphery	421.88
8	Sales within States (MU)	249.88
9	T & D Loss (MU)	172.00
10	T & D Loss %	40.77

Source: Department of Power, Nagaland

As per the data of the Central Electricity Authority, the T & D Losses for the state in 2002-03 was around 56.71% and it is now at 40.77%. The trend in the losses has been more or less static – while there is a drop in some years, there is also a steep rise in the other years. This electricity of T & D Losses is evident from the graph below.

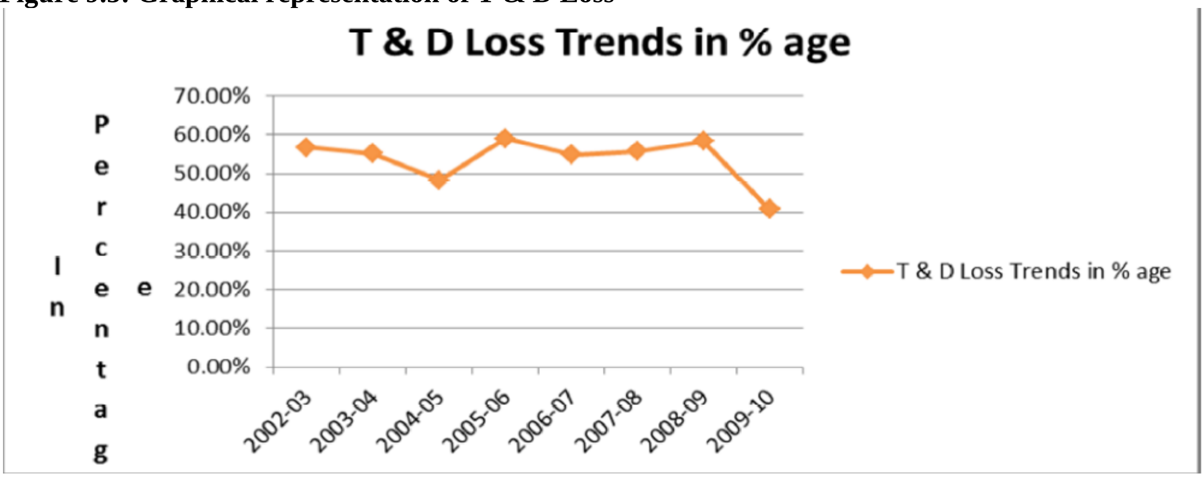
The following table and graph, gives an indication of the T & D Loss trends in the state, from 2002 till date.

Table 9.12: T & D Loss Trends in Nagaland

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
T & D Loss in Million Units	294.24	302.76	354.03	353.09	346.16	411.60	462.72	172.00
T & D loss in % age	56.71%	55%	48.26%	58.99%	54.79%	55.61%	58.30%	40.77%

Source: Department of Power, Nagaland

Figure 9.5: Graphical representation of T & D Loss



In addition to the T & D Losses, there is also commercial loss and both are factored in the total AT&C loss in the state Therefore, the total losses in the state – both T & D and Commerical Losses put together works to 60%, which is in line with the past trends.

The Key concerns of the energy sector are as follows:

a. Dependent on the Central Grid for most of its electricity needs

b. Bulk of the supply from the Central Grid is met from Hydro-Electric sources and hence supply during lean seasons is extremely erratic.

c. The state has currently very limited investments in the renewable energy sector

d. The state has very limited implementation of energy efficiency and conservation measure

e. Huge AT &C Losses accounting to close to 60%

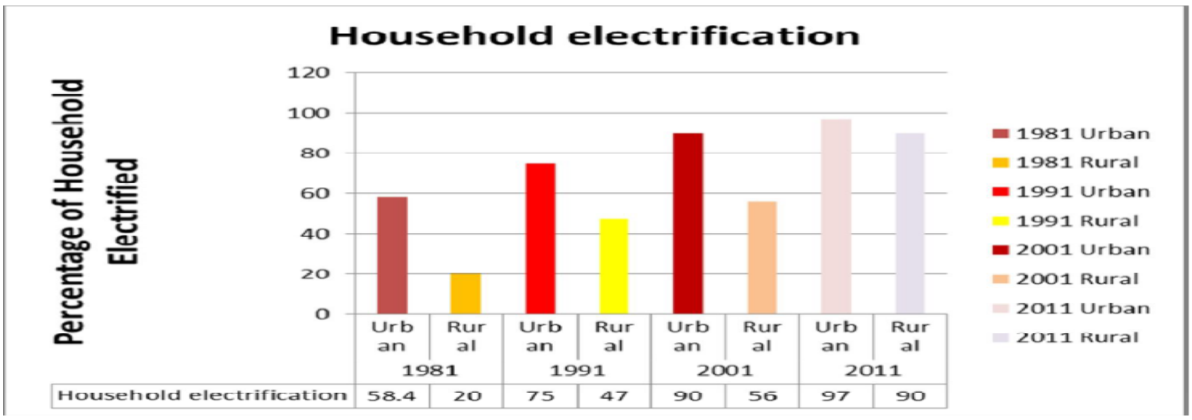
f. Very low per-capita electricity consumption, which is largely due to poor electricity supply

g. Poor electricity infrastructure, resulting in a number of industries having to close down and has also resulted in poor per-capita electricity consumption

Recommendations

- Timely revision of tariff needs to be carried out keeping in view the rising cost of purchase of power.
- Effective steps need to be taken for timely repair and replacement of defective meters.
- Effective measures should be taken to reduce the T&D losses.
- Effective steps should be taken for collection and accountal of revenue with special emphasis on collection of arrears of revenue.
- Internal control and monitoring system needs to be strengthened/streamlined and made more effective.

Figure 9.6: Household Electrification Status of Nagaland



Source: Department of Power, Nagaland

In addition to the T & D Losses, there is also commercial loss and both are factored in the total AT&C loss in the state Therefore, the total losses in the state – both T & D and Commercial Losses put together works to 60%, which is in line with the past trends.

Strengths

- Appreciable improvement in cash collections during 2003-04 and 2004-05 , partly on account of trading income
- Corresponding reduction in AT&C losses from above 60% in 2003-04 to around 47% in 2004-05
- The Government has enacted an innovative legislation, 'Additional Conditions of Supply of Electricity to Villages, 2002' in December 2002 which seeks to transfer the responsibility of electricity management in the villages to the Village Councils under the Nagaland Communitisation of Public Institutions and Services Act, 2002. The Department has implemented Single Point Metering (SPM) through the village council in 158 villages. This has resulted in an significant improvement in collections in the villages which have been covered under the SPM.

Weaknesses

- Increasing trend in losses despite improvement in cash collections, pointing to the fact that tariff hikes have not kept pace with the cost increases, most notably increase in power purchase cost. The current tariffs were last revised in June 2001.
- Despite improvements, AT&C Losses , remain at close to 50% and gap between ARR and ACS remains at over Rs 2.0 / kWh Absence of a commercial orientation in the way the Department is structured and functions. As a result the scoring has been constrained by lack of data against several key parameters, especially in the Distribution side.
- Inadequate progress in reforms , including setting up of SERC
- Very little internal generation , resulting in a complete dependence on purchased power from CPSUs. The 24 ME Likimro HE , commissioned at a cost close to Rs 2 billion is not generating any power.
- The Department also feels that shortage of officers and staff for operation and maintenance is a matter of serious concern The Government of Nagaland has appointed M/s International Management Institute (IMI), New Delhi as consultants for Power Sector Reforms & Restructuring. While the first draft report was submitted in September 2004, the final report was submitted in the 1st half of the current year. The proposals are being evaluated by the Government of Nagaland . In the meantime, the department has launched the communitisation of Electricity Management in the villages through Single Point Metering, under the Nagaland Communitisation Act of Public Institutions and Services. Altogether 176 villages have been communitised and being managed by VEMBs (Village Electricity

Management Boards) with the implementation of this programme, revenue billing in these villages, according to the Department, has shown substantial improvement. Taking into account the positive response of the public, the Department now plans to introduce the services in the urban areas like Dimapur and Kohima.

However, apart from the Single Point Metering scheme as part of the VEMB model for supply of electricity and collection of revenues, progress made in term of reforming theunsatisfactory. The SERC is yet to be formed. The state continues to score low against Generation as well as T&D parameters on account of low PLFs, inadequate progress in areas like 100% metering and energy audit, high level of ATC losses and non-availability of data against some parameters.

Despite improvements in collections from `210 million in 2002-03 to `276.8 million in 2003-04 and `396.5 million in 2004-05, the Department's cash collections meet less than 45% of its total revenue expenditure, implying a high level of dependence on State Governments budgetary support to meet its expenses. AT&C Losses, though have shown a sharp reduction from 63% in 2003-04 to 47% in 2004-05 , even though the extent to which this improvement is attributable to inter-state sales of power cannot be ascertained in the absence of data . Availability of cheap power from the 24 MW Hydel Power plant at Likimro commissioned in February 2002 could have helped in reducing the power purchase cost and improved the financials to an extent, but the unit has not been operational since September, 2002. The tariffs were last revised in June 2001, and the tariffs are clearly inadequate to meet the expenses. The department also claims that the increase in budgetary allocation has been used primarily to meet payment dues to CPSUs, and because of inadequacy of funds, it is understaffed, leading to poor maintenance of the T&D network and generating units. Due to a ban on appointment of Work Charged staff since 1995, vacancies caused due to death and retirement is also no being filled up, further affecting the O&M work in the Department?

With gap between ARR and ACS at over Rs 2.00 per unit despite the improvements, progress towards attaining commercial viability will be critically dependent on the extension of the Single Point Metering scheme to cover more villages and sustenance of the success of decentralised model of revenue management, once it extends to all villages and urban centres. Equally critical will be a revision in tariffs.

Overall, there is a pressing need for "capacity building" in the Electricity Department and strengthening its finance and commercial functions, including book keeping, billing, metering and collections.

Sustainability of the revenue model of the power sector:

Despite the marginal improvement in financial position on account of both trading operations as well as increase in cash collections and corresponding decline in AT&C losses, the Departments coverage of costs from own revenues is still less than 50% as evident from the table below :

Table 9.12: Revenue and Expenditure

(Figures in Rs Million)

	FY'05	**FY'04**	**FY'03**
Revenue from Sale of Power	477.10	352.50	325.30
Total Expenditure (incl. interest& depn)	1160.10	995.00	794.90
% Coverage	41%	35%	41%

Source: State power sector, Performance Ratings

One of the key reasons for the inadequate cost coverage is the fact that the tariffs were last revised in June 2001. The lack of tariff increase is off-setting the gains accruing from positive trends in cash collection arising from some innovative measures like the 'Single Point Metering' system. The department thus has a high degree of dependence on the Government of Nagaland for meeting its revenue and capital expenditure, even though there is no explicit subsidy as such since it is a Department of the State Government. However, the Governments revenue expenditure on the Power Department has declined from Rs 1.58 billion in 2003- 04 to Rs 0.94 billion in 2005-06 (Budgetary estimates)10. In addition, the Govt. Of Nagaland has been running a revenue surplus for the last three years, which is also a positive.

Creation of a competitive market-place

Given the slow pace of power sector reforms in the state, and lack of a regulatory commission, it is unlikely that a competitive environment would be created in the State in the foreseeable future.

CHAPTER-X
PUBLIC ENTERPRISES

Introduction

The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The state PSUs are established to carry out activities of commercial nature keeping in view the welfare of people. In Nagaland there were six State PSUs (all Government companies) of which, one Government company was non-working1.

State Level Public Enterprises (SLPE)

The SLPE in the State belong to promotional/financial, mineral and others/ tourism secto` There were 5 SLPEs in the state as on 31.03.2008 (Table 20.2). However, as none of these furnished information in response to the schedule/questionnaire issued by DPE (Government of India), the present analysis is based on the data obtained from C&AG Reports. The data so provided by C&AG, however, pertain to different year.

Financial Investment

The total investment in all these 5 SLPES amounted to `65 crore comprising `25 crore as paid-up capital and `40 crore as long term loan. The debt-equity ratio, at the aggregate level worked out to be 1:35:1.

Turnover, Profits & Losses

The total turnover of all these SLPEs stood at `3.7 crore (Tabe 20.1) which is far below the investment. All the four SLPEs, for which the information is available, incurred losses.

Taxes and Subsidies

All the four SLPEs for which information is available received subsidies. The highest recipient was Nagaland Industrial Development Corporation (`4.5 crore) followed by Nagaland State Minerals Development Corporation (`3.3 crore).

Employment

The total number of employees, in the three SLPEs for which information is available, was 226 persons. Nagaland State Minerals Development Corporation was the largest employer with a workforce of 112 persons followed by Nagaland Industrial Development Corporation (82 employees).

Table 10.1: Overall performance of State | NAGALAND

(in lakh)

Sl. No	Particulars	2006-07	2007-08
1.	Investment	5,974	6,519
	a) Equity	2,339	2,490
	b) Loan	3,635	4,029
2.	Turnover	189	370
3.	Capital Employed	1979	3463
4.	Net Profit/(Loss)	(163)	(133)
5.	Accumulated Loss	(1226)	(1225)
6.	Total Return on Capital Employed	(95)	(133)
7.	Subsidies and Grants Received	534	980
	Misc. Data		
1.	Number of Employees	247	226
2.	Number of Units	5	5

Source: CAG Audit Report (Commercial) 2007-08

Table 10.2: Overview of the functioning of the individual during 2007-08 | NAGALAND

State Level Public Enterprise	Paid up capital	Share Application Money	Loans	Capital Employed	Turn over	Accumu-Lated Loss	Net Profit/ (Loss)	Subsidies Grants Received	No of Emplo yees	Periodsof Accounts finalised
Nagaland Industrial Development Corporation	1,386	-	2,850	1,498	174	(1,105)	(45)	445	82	1998-99
Nagaland Handloom and Handicraft Development Corporation	661	-	73	28	39	(117)	(30)	140	NA	1983-84
Nagaland Industrial Raw Material and Supply	236	-	57	67	72	(3)	(1)	61	32	1981-82
Nagaland Hotels Limited	47	-	1,049	-	-	-	-	-	-	-
Nagaland State Minerals Development Corporation	160	-	-	1,870	85	-	(57)	334	112	1996-97
Total	**2,490**	-	**4,029**	**3,463**	**370**	**(1,225)**	**(133)**	**980**	**226**	

` in Lakhs

Source: CAG Audit Report (Commercial) 2007-08

- As on 31 March 2007, the state has 6 Government companies (5 working and 1 non-working) and nine departmentally managed Government commercial and Quasi-commercial undertakings.
- The total investment in the working PSEs was Rs.59.74 crore (equity: Rs.21.05 crore; long term loans Rs.36.35 crore and share application money of Rs.36.35 crore).

- The paid-up capital in one non-working Government company was Rs.4.96 crore.
- The sector wise investment (equity and long term loans) in the working PSEs as on 31st March 2007 is as follow:

Table 10.3: Equity and Term loans

(Rs. In crore)

Industries & Commerce	58.14 (97.32)
Geology & Mining	1.60 (2.68)

Note: (Figures in brackets indicate percentage of investment)

- As on 31 March 2007, the total investment in working Government companies comprised 39.15 per cent of equity capital and 60.85 per cent of loans.
- As per the latest finalized accounts of 5 Government companies, 3companies had incurred an aggregate loss of Rs.1.63 crore.

The state working PSUs registered a turnover of `5.36 crore as per their latest annual accounts finalised as on 31 October 2012. The turnover was 0.04 *per cent* of State Gross Domestic Product. The state working PSUs incurred an overall loss of `2.50 crore in the aggregate for 2011-12 as per their latest finalized accounts. The five working PSUs had 618 employees as on 31 March 2012. During 2011-12, neither any new PSU was established nor was any existing PSUs closed down.

Investment in State PSUs

3.3.1 As on 31 March 2012, the investment of State and Central Government (Capital and long term loans) in six PSUs was `82.67 crore as per details given below:

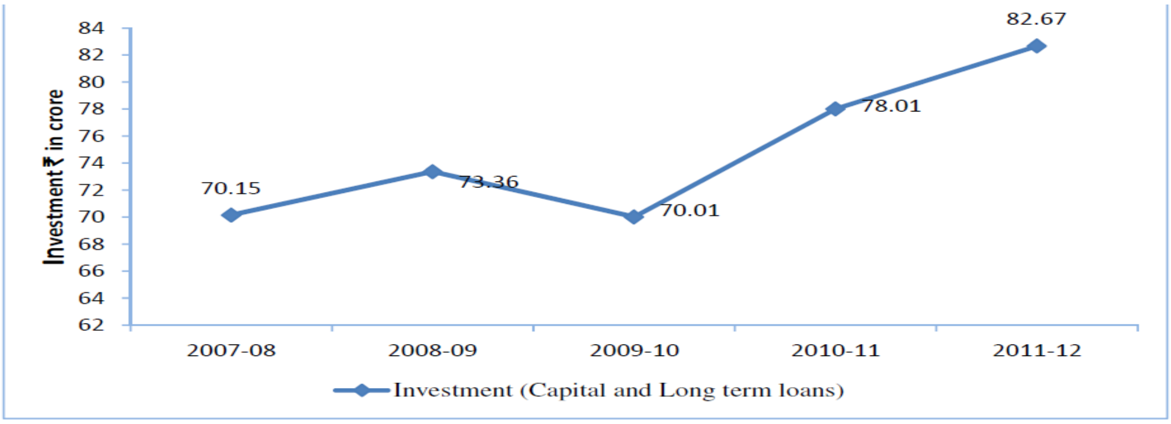
Table No. 10.3: Investment in State PSUs

(` in crore)

Type of PSUs	Government Companies		
	Capital	Long Term Loans	Total
Working PSUs	30.2	47.69	77.71
Non-Working PSUs	4.96	0	4.96
Total	34.98	47.69	82.67

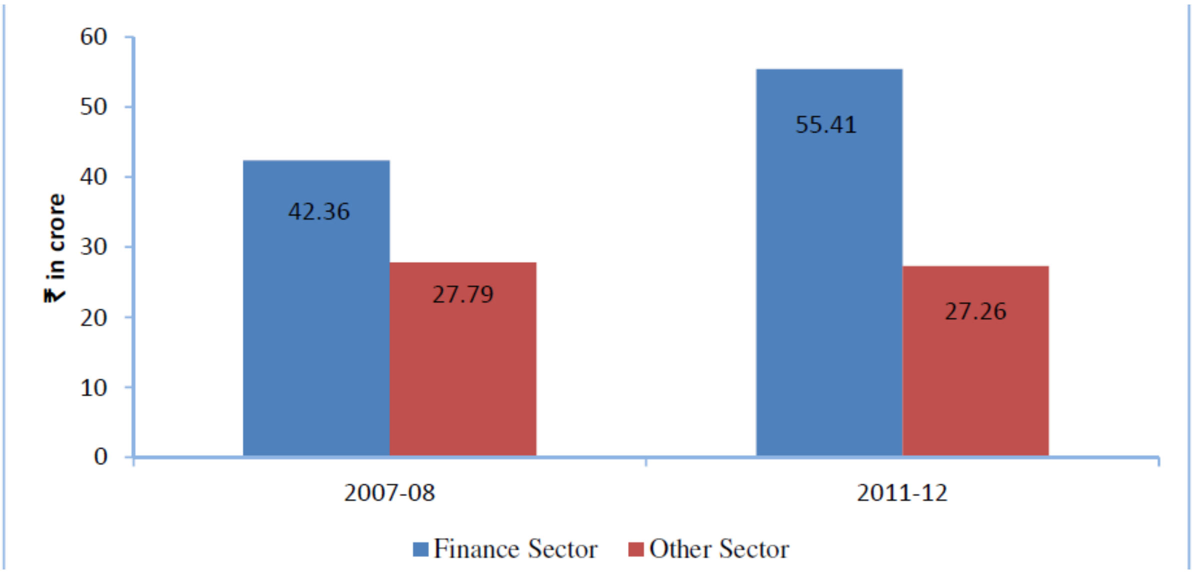
As on 31 March, 2012 of the total investment in State PSUs, 94 *per cent* was in five working PSUs and remaining 6 *per cent* was in one non-working PSU. The total investment consisted of 42 per *cent* towards capital and 58 *per cent* in long term loans. The investment has grown by 17.84 *per cent* from `70.15 crore in 2007-08 to `82.67 crore in 2011-12 as shown in graph below:-

Chart 10.1



3.3.3 The investments in various sectors at the end of 31st March 2008 and 31st March 2012 are indicated below in the bar chart.

Chart 10.2



Budgetary outgo, grants/subsidies, guarantees and loans

The details regarding budgetary outgo towards equity, loans grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in Table ***10.4***.

The summarised details for three years ended 2011-12 are given below:

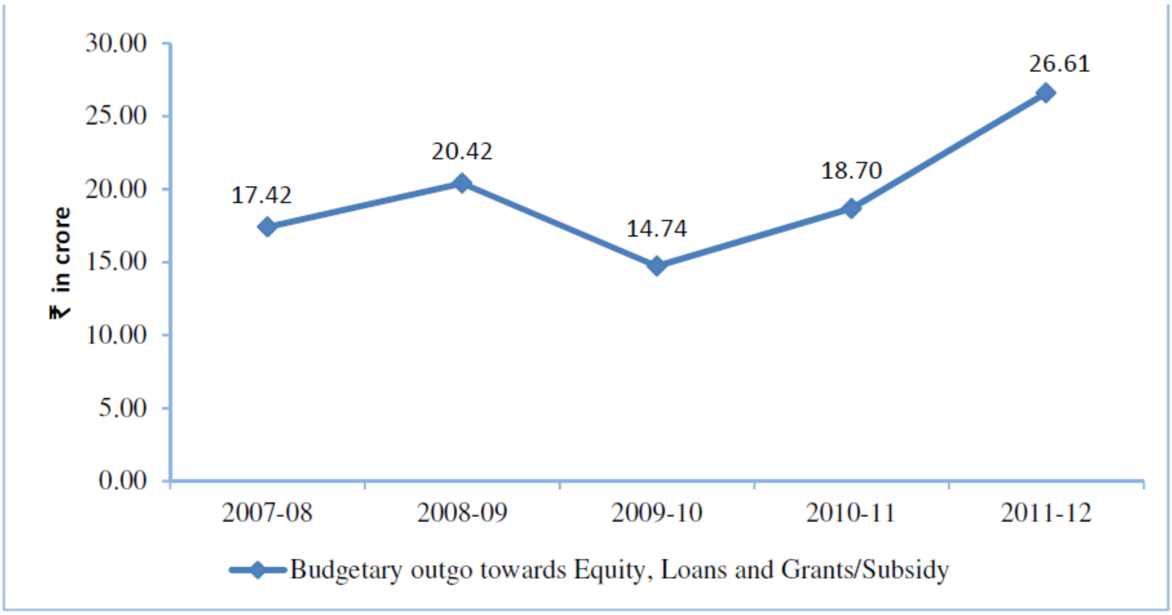
Table No. 10.4: Details of Budgetary Outgo, Grants/Subsidies, Guarantee and Loans

(` in crore)

Sl. No	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	**Amount**	**No. of PSUs**	**Amount**	**No. of PSUs**	**Amount**
1	Equity capital outgo from budget	02	1.75	03	1.45	02	1.60
2	Loans outgo from Budget	--	--	--	--	01	7.81
3	Grants/subsidy outgo	04	12.99	04	17.25	05	17.20
4	**Total outgo (1+2+3)**		**14.74**		**18.70**		**26.61**
5	Loans written off	--	--	--	--	--	--
6	**Total waiver (5 above)**	--	--	--	--	--	--
7	**Guarantees issued**	--	--	2	46.24	01	7.81

3.4.2 The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years are given in the following graph:

Chart 10.3



Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of figures appearing in the Finance Accounts of the State. In case, the figures do not agree, the concerned PSUs and the Finance department should carry out reconciliation and adjust the differences.

The position in this regard as at 31st March 2012 is stated below:

Table No.10.5: Position of Equity, Loans and Guarantees Outstanding

(` in crore)

Investment in respect of Government of Nagaland	**Amount as per Finance Accounts**	**Amount as per records of PSUs**	**Difference**
Share Capital & debentures	160.19	33.84	(+) 126.35
Outstanding Loans & Guarantees	Not Available	47.69	(-) 47.69
Total	160.19	**81.53**	**78.66**

Since the accounts of the working companies are in arrears for the period ranging between one to thirteen years, actual amount invested by the State Government is taken on the basis of information provided by the PSUs.

The difference seen above is pending reconciliation for many years. Efforts are needed to be taken to clear the arrears in accounts and ensure reconciliation between Finance Accounts and the accounts/record of PSUs as there is a huge difference in figures of Finance Accounts and records of PSUs

Performance of PSUs

The financial results of PSUs, financial position and the working results of PSUs are detailed in Table ***10.7***. A ratio of PSUs turnover to State GDP shows the extent of PSUs activities in the State economy. Table below provides the details of working PSUs turnover and State GDP for the period 2007-08 to 2011-12

Table 10.6: Details of Working PSUs Turnover and State GDP

(`in crore)

Particulars	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Turnover	3.70	3.51	4.06	18.06	5.36
State GDP	8075.27	9436.07	10272.88 (P)[2]	11121.00 (Q)[3]	12064.53 (A)[4]
Percentage of turnover to State GDP	0.05	0.04	0.04	0.16	0.04

(Source: Information furnished by the Directorate of Economics and Statistics and statements furnished by the companies)

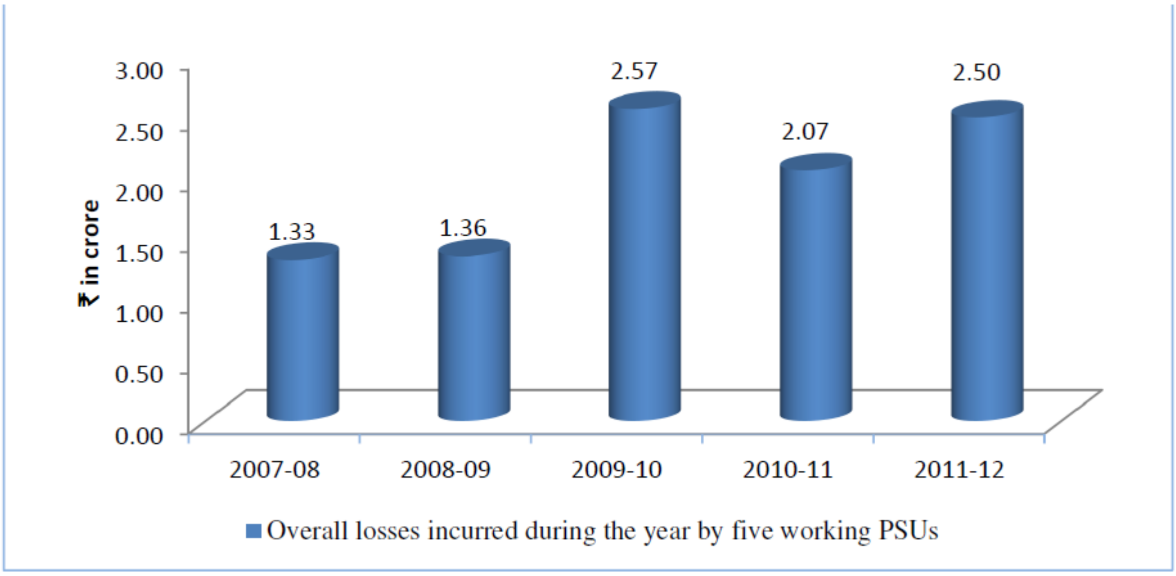
P[2] = Provisional Estimate

Q[3]= Quick Estimate

A[4] = Advance Estimate

Losses incurred by State working PSUs during 2007-08 to 2011-12 are given below in a bar chart.

Chart 10.4



Some key parameters pertaining to State PSUs are given in the following table:
Table No. 10.7: Key Parameters Pertaining to State PSUs

(`in crore)

Particulars	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Return on capital employed (*per cent*)	3.65	-	-	-	-
Debt	40.29	44.11	39.09	45.64	47.69
Turnover	3.70	3.51	4.06	18.06	5.36
Debt/Turnover ratio	10.89:1	12.57:1	9.63:1	2.53:1	8.90:1
Accumulated losses	26.95	28.63	34.02	33.62	48.53

From the above it is clear that the accumulated losses are increasing every year. The Government is not getting any return on capital employed. The losses of PSUs are generally attributable to deficiencies in management, planning, running their operations and monitoring.

Thus, steps are needed to be taken for better management, operation and monitoring of the activities of the working State PSUs to arrest the gradual deterioration of their financial results.

Arrears in finalisation of Accounts

The accounts of the companies for every financial year are required to be finalized within six months from the close of the relevant financial year under section 166, 210, 240, 619 and 619-B of Companies Act, 1956. The table below provides details of progress made by working PSUs in finalisation of accounts by September, 2012.

Table 10.8: Arrears

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12
1	No. of working PSUs	5	5	5	5
2	No. of accounts finalized	3	12	15	30
3	No. of accounts in arrears	92	85	75	46
4	Average arrear per PSU (3/1)	18.4	17.0	15	9.4
5	No. of working PSUs with arrears in accounts	5	5	5	5
6	Extent of arrears (in years)	9 to 26	6 to 26	5 to 21	1 to 13

From the previous sections it is evident that the PSEs have been a drain on the resources of the states. Though there has been marginal improvement in the performance of PSEs at the aggregate level, there is hardly any improvement on the financial impact of the PSEs on the state finances. To reverse this situation it is not only essential to improve the efficiency/profitability of the PSEs but also ensure that such improvement also has a positive effect on the state finances. Keeping this in view, the following measures are proposed:

1. Reduction in number of PSEs : The total number of PSEs existing in a state needs to be pruned drastically. The optimal number of PSEs (inclusive of the subsidiaries) existing in a state, excluding the utilities in the Power and Transport sector should be 10. In no case should any state have more than one PSE for same/similar purposes. The only exception could be in the power sector where separate units for generation, transmission, distribution may be required for operations reasons. While the figure of 10 has not been arrived on any scientific basis, it may be noted that in almost all the states, with the exception of Jammu and Kashmir, the sector-wise investment breakup does not exceed 10 categories. This, however, also includes a category “others” for almost all the states which could include several sectors. Admitting that the categorization is not water tight, it can safely be presumed that it is not necessary for all states to set up PSEs in all sectors. While it may not be desirable to stipulate the sectors in which PSEs can be set up as the underlying requirements would vary from state to state, there should be a cap on the overall number of such PSEs.

2. Pricing policy: As observed, almost 70 per cent of the overall investment in PSEs is in the power sector. The profitability of this sector is crucially linked with the power charges which are generally fixed by the State Government irrespective of the financial impact it has on the PSEs. Exemptions/concessions granted are also determined solely by the states. Similar logic holds for the transport sector also. In order to ensure profitability of the PSEs, especially in

these two sectors the states should set up independent regulatory bodies to fix user charges. The states should also desist from interfering in the day to day activities of the PSEs to ensure that these are run on efficiently.

3. Monitoring and incentivisation: An apex monitoring body under the administrative control of the Finance Department should be set up to take stock of the financial health of the PSEs on a regular basis. There should be a laid down policy that all PSEs (except the ones in the welfare sector) should become financially viable (exclusive of grants/subsidies provided by the state government) within 3 to 5 years of its inception and should earn profit in at least two out of three consecutive years. All the enterprises should be compulsorily
rated by an independent rating agency which will provide a benchmark and incentivize them to do better (as this will help them to access cheaper loans from the market). As a matter of policy, states should encourage the PSEs to raise loans from the market and reduce its dependence on government. It should also be ensured that all profit making enterprises pay a dividend to government. The minimum rate of dividend should be 5 per cent (irrespective of the type of the PSE). In order to incentivize payment of higher dividends, states should design schemes to either provide loans at cheaper rates or subsidise loans availed from the market to the PSEs paying higher dividends. To give an example, for every 1 per cent increase in dividend paid over and above the minimum stipulated 5 per cent, the PSE will get a 0.5 per cent concession on interest payable on the loans availed from government or get a government subsidy of 0.5 per cent on loans raised from the market, subject to the condition that the total subsidy will not exceed the total incremental amount of dividend received by government. In order to ensure timely finalization of accounts, no equity/loans/grants be provided to enterprises which have not finalized the accounts for more than 2 years.

4. Finance Commission Grants: The Commission may consider setting aside 5-10 per cent of the grants earmarked for FRBM for implementation of Public Sector Reforms in the states. Reduction in the number of enterprises and increase in dividends paid as proportion of government investment in equity may be the criteria on which this grant will be based.

CHAPTER XI
Public Expenditure and Financial Management (PEFM) Reforms

The Urban Development Department is responsible for creating infrastructure to provide basic amenities like drinking water, electricity, roads, drainage systems, solid waste management and proper toilet facilities to the inhabitants. The Department carries out its responsibilities by implementing centrally sponsored schemes and state plan schemes. A performance audit of the Department revealed that they did not have a long-term strategy due to which the works were implemented by them randomly. This coupled with vulnerability to fraud and lack of quality control resulted in various shortcomings in implementation of projects.

Nagaland is predominantly a tribal, hilly and remote State lying in the North-East corner of the country. Only about 17.24 *per cent* of the total population lives in three declared and recognised urban areas. The urbanization level of the State showed a rising trend from 5.19 *per cent* in 1961 to 17.24 *per cent in* 2001. There are also signs of migration of urban population from smaller towns to urban areas of the State with better facilities. The number of towns increased from three in 1961 to 19 in 2001.Besides, there are 52 smaller towns inheriting urban characteristics. Development of this semi-urban scattered conglomeration is a daunting task in a rocky terrain with heavy rainfall and sparse population with primarily rural background. To cope up with the ever increasing trend of urbanization in the State, the Urban Development Department is entrusted with the task of preparing Master Plans and City Development Plans to provide and improve infrastructural facilities like roads, water supply, sanitation, transport, markets, health, housing etc. in these urban areas. The Department carries out these responsibilities by implementing Centrally Sponsored Schemes (CSS) viz., the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and 10 *per cent* Lumpsum for Development of North Eastern States and State Plan Schemes. The Department also provides grants-in-aid to two Autonomous Bodies viz., Development Authority of Nagaland (DAN) and State Urban Development Agency SUDA).

Organizational set up

The Department with a Secretary as the Chief Controlling Officer is assisted by the Director, Urban Development and seven District Urban Development Officers. Besides, an Executive Engineer from the Nagaland Public Works Department assists the Department in technical matters relating to execution of work

Financial Management.

The year-wise approved outlay and expenditure incurred by the Department during 2004 -09 are shown below:

Table 11.1: Year-wise Approved Outlay and Expenditure Incurred by the Department

(Rupees in crore)

Year	Approved Outlay			Expenditure incurred			Excess (+)/Saving (-)		
2004-05	**State Plan**	**CSS**	**Non-Plan**	**State Plan**	**CSS**	**Non-Plan**	**State Plan**	**CSS**	**Non-Plan**
2005-06	16.37	8.13	1.98	14.30	00	2.00	(-) 2.07	(-) 8.13	(+) 0.02
2006-07	44.15	22.03	2.29	16.21	10.18	1.80	(-)27.94	(-) 11.85	(-) 0.49
2007-08	50.65	22.03	2.53	39.54	18.0	3.37	(-)11.11	(-) 3.97	(+) 0.84
2008-09	42.66	15.36	3.21	45.78	55.86	3.26	(+) 3.12	(+) 40.50	(+) 0.05
Total	42.66	15.36	2.92	52.35	36.33	4.61	(+) 9.69	(+) 20.97	(+) 1.69
	196.49	**82.91**	**12.93**	**168.18**	**120.43**	**15.04**			

(i) The savings under capital budget increased from `10.20 crore in 2004-05 to v39.79 crore in 2005-06 and Rs.15.08 crore in 2006-07, reflecting unrealistic preparation of budget estimates and the inability of the Department to implement its budgeted projects and programmes.

(ii) Each year supplementary provision was obtained without justification as the savings at the end of the year were more than the supplementary provision. This indicates that the expenditure was not monitored or reviewed defeating the concept of budgeting.

(iii) During 2007-08 and 2008-09 the expenditure under State Plan exceeded the budget provision by `3.12 crore and `9.69 crore respectively and the expenditure under CSS exceeded the budget provision by `40.50 crore and `20.98 crore. The excess expenditure has not been regularized. Despite requisition to the Department as well as the Finance Department, the source from which the excess expenditure was made could not be furnished to audit (July 2009).

(iv) During 2006-07 and 2008-09 the expenditure under Non Plan exceeded the budget provision by `0.83 crore and `1.68 crore respectively. The excess expenditure had not been regularized.

There was no evidence of the above issues having been addressed at appropriate levels. The Department stated (July 2009) that savings were due to allocation of lumpsum provision before sanction of Detailed Project Reports by GOI and further stated that the matter shall be taken up with the Finance Department to regularize the excess expenditure.

Budgetary provision under Centrally Sponsored Schemes (CSS): The Department could not utilize the budgetary provision under CSS during the years 2004-08, as detailed below:-

Table-11.2: Budgetary Provision under Centrally Sponsored Schemes

(Rupees in crore)

Year	Name of the CSS	Budget Provision	Expenditure incurred at the end of year	**Un-utilised fund during the year.**
2004-05	Infrastructure Development of Small and Medium Towns, Construction	0.48	-	0.48
2005-06	i. Special Development Fund for Nagaland	0.49	0.11	0.38
	ii. JNNURM	1.78	0.13	1.65
2007-08	i. Slum improvement	2.89	00	2.89
	ii. JNNURM	46.33	40.48	5.85
	iii. Special Development Fund for Nagaland.	24.68	19.22	5.46
		76.65	**59.94**	**16.71**

(Source: Appropriation accounts)

Under utilization of budgetary provision can only be attributed to inadequacies in preparation of project proposals, poor planning, slow progress of work as well as inadequate monitoring and supervision**.**

Release of Central and State share by the State Government: During the period covered in audit, GOI released its share of `151.32 crore under 10 per cent Lumpsum for Northeast and Jawarharlal Nehru National Urban Renewal Mission. However, the State Government in turn released only `121.77 crore to the Departments resulting in short release of central share by `29.55 crore. Similarly, against GOI release of `151.32 crore, the State Government was to release its proportionate share of `32.84 crore whereas only `14.71 crore was released (March 2009) resulting in short release of State share of `18.13 crore. Besides, there was delay in release of funds for periods ranging from 4 to 25 months to the Department by the State Government. Despite the short release, the Department submitted inflated Quarterly Progress Reports to the GOI showing full utilization of the amount released by GOI. Thus, it is evident that the Department could have implemented its projects on time on receipt of the funds from the State Government and could have avoided the excess expenditure during the years 2007-09. While accepting, the Department stated (July 2009) that the short release of `15.87 crore under 10 *per cent* Lumpsum Provision for North Eastern States was due to deduction of agency charges by the

Government. They further stated that a change in the system of releases has been introduced from 2009-10 and therefore the releases are expected to improve.

Rush of expenditure: Rule 69 of GFR provides that rush of expenditure particularly in the last quarter of the financial year shall be regarded as a financial irregularity and should be avoided. Scrutiny revealed that 36 to 70 *per cent* of the capital expenditure during the last five years had taken place in the last quarter as against 16 to 26 *per cent* in the 1st quarter. While accepting, the Department stated (July 2009) that a major portion of the funds are released in the last week of the financial year.

Funds obtained by misrepresenting facts: According to 2001 Census, there was no slum population in the State. The State Government had also not enacted or notified any area in Nagaland as Slum. Audit analysis, however, revealed that the Department forwarded a DPR (2006) under JNNURM to GOI for approval showing the slum population of 20,194 in six blocks of Kohima and 38,681 in six blocks of Dimapur. The Department did not carry out preliminary survey to identify and select the beneficiaries before commencement of the project. Union Ministry of Housing and Urban Poverty Alleviation also approved and accorded sanction of these projects at a total cost of Rs.205.08 crore without verifying the genuineness of the claim made by the Department.

Scrutiny of the survey report (2008) revealed that the Department is contemplating allotment of the housing units to ineligible Grade III and Grade IV employees of the State Government on rent. Thus, the Department obtained funds of Rs.205.08 crore from GOI by misrepresenting the slum population in the State. The Department stated (July 2009) that twelve areas in Kohima and Dimapur were identified as slums and inclusion of Grade III and IV Government employees are also under review. The reply is not acceptable as no slums were identified by any Government Notification or Act and the Department is contemplating to allot the housing units to these ineligible beneficiaries on rent.

Diversion of funds.

(i) Government of Nagaland, Department of Urban Development accorded administrative sanction and drawal authority (September 2007) for rupees one crore for construction of 24 shops at NST Complex and 19 shops at Nagarjan in Dimapur. The amount was released through bank draft[6] to Development Authority of Nagaland (October 2007). Scrutiny revealed that the amount was not spent for construction of the shops. The Executive Engineer, Development Authority of Nagaland stated (June 2009) that the funds were diverted towards payment of pay and allowances. However, the authority could not produce to audit the details of expenditure.

Thus, the entire fund of rupees one crore was diverted for unspecified purposes. The possibility of the amount being misappropriated also cannot be ruled out. While accepting the facts the

Department stated (July 2009) that `39.74 lakh was utilized for construction of 24 shops at NST complex and the remaining amount was partly utilized for payment of salaries. The fact however, remains that the authority could not produce any records in connection with construction of 24 shops at NST complex and payment of pay and allowances was against the sanction order.

(ii) Guidelines for Development of Small and Medium Town (DSMT) Programme launched in November 2006 provide that the scheme funds shall be utilized for development of basic infrastructure in small and medium towns and no departmental or agency charges should be deducted.

Scrutiny revealed that against Government of Nagaland sanction of rupees nine crore for implementing the DSMT programmes, the Department diverted `37 lakh towards payment of salary to 97 work charged employees in contravention of the guidelines and sanction. The Department accepted the facts (July 2009).

Project Implementation

The Department implemented 38 projects under 10 *per cent* Lumpsum Provision for North Eastern States and three projects under JNNURM during 2004-09. It was seen that 25 projects (22 under 10 per cent Lumpsum Provision and 3 under JNNURM) were taken up in the four test-checked districts. Analysis of records in the test checked districts revealed that 9 works had not been completed (July 2009), the details which are tabulated below:-

Table-11.3: Project Implemenation

(Rupees in crore)

Name of the project	*Year of sanction*	*Amount Sanctioned*	*Expenditure*	*Stipulated date of completion*	*Progress and Reasons for delay*
Construction of Cultural Hall at Kohima	2004	0.55	8.55	July 2007	Due to change of structural design and scope of work.
Construction of Car parking cum shopping complex at Mokokchung	2006	21.94	11.94	November 2008	Due to noncompletion of the first phase.
Construction Of Retaining Wall At Alempang, Mokokchung	2006	2.27	1.58	July 2009	40 per cent. Reasons not on record
Construction of protection and infrastructure development work at Mokokchung	2006	8.25	5.78	May 2009	75 per cent. Reasons not on record
Construction of Sanitation and Waste Box at Mokokchung Town	2007	0.88	0.48	August 2009	50 per cent. Reasons not on record.
Construction of City Shopping mall cum Car parking Complex at New Market Dimapur.	2008	0.22	No Payment made.	October 2010	Due to delay in conducting soil testing.
Construction of Housing for Urban poor in Dimapur under IHSDP	2007	117.34	22.47	June and December 2009	In progress
Construction of Housing for Urban poor in Kohima under BSUP	2007	87.74	38.42	October 2009	In progress
Construction of Road & Transportation project, Kohima (6 arterial roads)	2007	25.26	7.28	May 2010	In progress

(Source: Departmental records)

Conclusion

The Department did not have a long-term strategy due to which the works were implemented by the Department randomly. Financial management in the Department was beset with various deficiencies as also the controls associated with contract management and material management were inadequate. This coupled with vulnerability to fraud and lack of quality control in the Department resulted in various shortcomings in implementation of projects viz. delays in award of projects leading to cost overruns, non-completion/delays in completion of works, non-utilisation of created infrastructure etc.

Recommendation

• The Department should prepare a long term urbanization strategy;

• Budgetary and financial controls should be improved so that the system of checks and balances is maintained;

• Project monitoring should be streamlined and implementation schedules should be strictly enforced;

• Internal audit should be strengthened so as to ensure coverage of all major schemes executed by the Department;

• Effective steps should be taken to contain vulnerability to fraud.

CNCLUSION:

The state needs to boost own tax and non-tax revenues to provide greater resources for much needed social and physical infrastructure. The bottom line is that the state needs to step up its own tax and non-tax revenues to purposefully augument resources for its development and growth. The state needs to ensure that tax structure encourages both investment and the production of output from that investment.

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