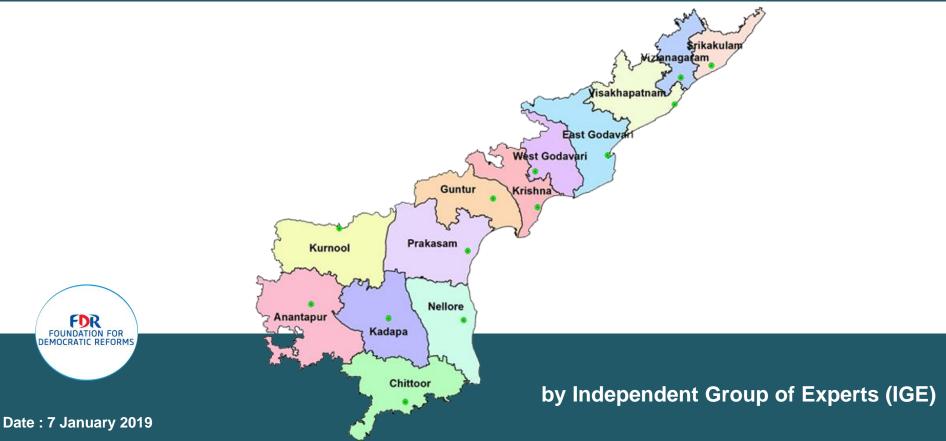
PRESENTATION ON

STATUS REPORT - UNION'S COMMITMENTS TO ANDHRA PRADESH



Towards Cooperative Federalism



Harmonious reconciliation of conflicting interests

Fair and reasonable solution

Study of issues of federalism

Unique Circumstances of Andhra Pradesh division



State divided by a law of Parliament without a resolution of the State Legislature

The minority region comprising the capital and a higher per capita income demanded division

Due to loss of Hyderabad to Telangana, the Successor State of Andhra Pradesh lost the advantages of economic growth, job creation and revenue mobilization

Over- Centralization and skewed development led to loss of education, tertiary healthcare and all specialized administrative and training facilities to Telangana

Loss to the Successor State of Andhra due to the anomalous provisions in the Andhra Pradesh Reorganisation Act (APRA), 2014 regarding refund of taxes and recovery of arrears of taxes and duties

Consequent Situation

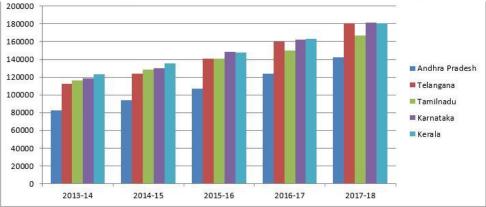
Rs.in Crore

Lowest contribution of services and highest contribution of agriculture

Persistent revenue deficit

Lowest per capita among the southern states

			2016-17 (AE)								
SI.No	INDUSTRY	Andhra	Telangana	Tamil	Karnataka	All- India					
		Pradesh		Nadu		(Lakh Cr.)					
1	AGRICULTURE	203860	92162	137080	117132	23.82					
	% CONTRIBUTION	31.77	15.34	11.39	11.68	17.32					
2	INDUSTRY	142651	132742	381732	237518	39.90					
	% CONTRIBUTION	22.23	22.10	31.72	23.68	29.02					
3	SERVICES	295186	375762	684444	648256	73.79					
	% CONTRIBUTION	46.00	62.56	56.88	64.64	53.66					
	GVA	641697	600666	1203256	1002906	137.51					
GSDP	/ GDP	699307	646265	1298511	1132690	151.84					



Commitments of Government of India

•



The Andhra Pradesh Reorganisation Act, 2014 made specific provisions to address the concerns and needs of the people of the Residual State of Andhra Pradesh

 The Prime Minister made a solemn statement on 20 February 2014 making explicit commitments to address the concerns of all regions of the erstwhile state of Andhra Pradesh, particularly of Seemandhra (Successor State of Andhra Pradesh)



Summary of Issues

Resource Gap for the year 2014-15

Loss incurred on account of anomalies of law (Section 50 of Andhra Pradesh Reorganisation Act, 2014) in respect of arrears of taxation

The amount estimated to be due from the Union in lieu of 90% Union share in Centrally Sponsored Schemes

Assistance required for completing Polavaram Project

Assistance for development of backward regions based on Bundelkhand pattern

Establishment of Duggirajapatnam and/or alternative port Establishment of eleven nationally important institutions in Andhra Pradesh Projects to improve infrastructure, connectivity and investments in Andhra Pradesh

Assistance to develop government infrastructure and the Capital City region

Tax and other incentives for investment in Andhra Pradesh

Commitments of Government of India:

 Para 6 of the Prime Minister's statement in Parliament on 20 February 2014

"Sixth, the resource gap that may arise in the successor state of Andhra Pradesh in the very first year, especially during the period between the appointed day and the acceptance of the 14th Finance Commission recommendations by the Government of India, will be compensated in the Regular Union Budget for 2014-15."

Section 46 (2) of the AP Reorganisation Act, 2014

"(2) Notwithstanding anything in sub-section (1), the Central Government may, having regard to the resources available to the successor State of Andhra Pradesh, make appropriate grants and also ensure that adequate benefits and incentives in the form of special development package are given to the backward areas of that State."

What is the amount Andhra Pradesh is entitled to as per the commitments ?

- As estimated by CAG, the total revenue deficit comes to Rs. **16,078.76** Crore
- GOI has funded only Rs. 3,979.50 Crore and the total commitment is Rs. 4,117.89 Crore
- GOI disallowed many expenditures on the ground that they are not standardized, or are not ongoing schemes; they are new schemes
- About Rs. 6,870 Crore bills pertaining to FY
 2014-15 were deferred for want of resources

Purpose of Expenditure (Expenditure incurred in 2014-15)	Total Expenditure /Gap	Amount that constitutes Resource Gap as per standardized norms	Unusual, non- standardized expenditure – discretionary
(1)	(2)	(3)	(4)
Financial Assistance to DISCOMS	1,500.00	1,500.00	2 2
Social Security Pensions (Gol normal subsidy + State's mandatory share)	3,575.81	1,985.07	1,590.74
Agricultural debt redemption	3,068.35	-	3,068.35
Rythu Sadhikaara Samstha	4,001.32	2	4,001.32
Deferred Expenditure – Under Accrual Accounting			5
PRC arrears	3,920.00	3,920.00	
Deferred Bills	2,950.00	2,950.00	2 2
Total:	19,015.48	10,355.07	8,660.41

S No.	Items Rejected	Amount (Rs in Crore)	View	
1	Loan waivers	7,069.70	New programNon-standardised expenditure	 GOI is not duty bound to compensate. It is discretionary
2	Financial Allocation to DISCOMs	1,500.00	 Ongoing programme Nation-wide programme GOI initiative Pre-existing commitment Standardized expenditure 	• GOI should compensate
3	Social Security Pensions	3,391.20	 Ongoing programme Matching fund equal to GOI grant is standardized expenditure 	 GOI should compensate Rs.1985.07 Crore Balance amount of Rs.1590.74 Crore is discretionary

S no.	Items Rejected		Amount (Rs in Crore)	Comments	View
		a. PRC arrears	3,920.00	 Ongoing program PRC report submitted on 29th May 2014 Fitment benefit of 43% is on par with Telangana State Pattern followed is similar to earlier Pay Revisions in United Andhra Pradesh Legally binding commitment Payment to employees was deferred for want of resources Therefore it is legitimate and standardized expenditure 	 GOI is duty bound to compensate
4	Deferred expenditure	b. Deferred bills	2,950.00	 Expenditure pertaining to deferred bills was necessary, predictable and standardized Pertains entirely to State government expenditure relating to binding commitments arising in FY 2014-15, not local governments or parastatals in Public Account Expenditure was subsequently incurred in 2016-17, and the bills were passed by Treasury as ways and means position improved All these, constitute legitimate revenue expenditure due in 2014-15, but could not be incurred due to lack of funds and payment was deferred to subsequent year 	 Subject to such verification, these amounts constitute legitimate resource Gap in 2014-15, and should be compensated by the Union as per the commitments made to compensate the Resource Gap

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Recommendations :

- The actual, unfunded Resource Gap for FY 2014-15 was Rs.19,015.48 Crore including expenditure already incurred, and expenditure deferred because of ways and means problems and lack of funds despite liability to pay.
- Of this, Rs. 10,335.07 Crore is clearly the Resource Gap based on standardized expenditure, subject to verification of bills pending and payments deferred as on 31 March 2015. This amount should be compensated by the Union as per the letter and spirit of the Andhra Pradesh Reorganisation Act (APRA), 2014 and the Prime Minister's solemn commitment in Parliament preceding the approval of the law.
- The balance of Rs. 8,660.41 Crore does constitute genuine Resource Gap, though may be considered as pertaining to New Schemes and non-standardized expenditure, and Government of India may decide based on its discretion.

(2) Loss incurred on account of anomalies of law

Revenue and Liabilities based on AP Reorganisation Act

	Andhra Pradesh	Telangana	Total (Rs. in Cr)
1. Arrears (Section 50)	2725.16	6699.53	9424.69
2. Deferred taxes treated as loans (Section 51)	698.90	2298.28	2997.18
3. Refunds (Section 56)	402.86	287.92	690.78
Net Revenue [(1+2) – 3]	3021.20	8709.89	11,731.09

Revenue and Liabilities if anomaly in law is corrected

	Andhra Pradesh	Telangana	Total
	(58.32%)	(41.68%)	(Rs. in Cr)
1. Arrears	5496.47	3928.22	9424.69
2. Deferred taxes treated as loans	1747.95	1249.23	2997.18
3. Refunds	402.86	287.92	690.78
Net Revenue [(1+2) - 3]	6841.56	4889.51	11731.09

Loss of Net Revenue incurred by the State of Andhra Pradesh on account of the anomaly is Rs. 3820.36 Crore (Net Revenue)

- If anomaly is corrected Rs. 6841.56 Crore
- Net Revenue under present law: Rs. 3021.20 Crore
- Loss: Rs. 6,841.56 Crore Rs. 3,021.20 Crore = Rs.3,820.36 Crore

Recommendation

Net Loss of Revenue to the State of Andhra
Pradesh on account of the anomaly is
Rs. 3,820.36 Crore (Net Revenue). This
amount, subject to verification, should be
compensated by the Union government, as
the anomaly was a result of flawed
provisions of the law of Parliament

(3)Special Assistance in lieu of 90% Union funding for Centrally Sponsored Schemes

G	Grants-in-aid from the Union to AP under CSS (₹ in Crores)													
	Grants- in-aid under		Existing pattern	suggested pattern U State	nion: AP	Additional grant to AP if 90:10 is								
	CSS	Union	State	Union	State	applied								
1	2	3	4	5	6	7 = (col 4- col 6)								
2015-16	9592.29	5755.37	3836.92	8633.06	959.23	2877.69								
2016-17	12081.19	7248.71	4832.48	10873.07	1208.12	3624.36								
2017-18 RE	14670.38	8802.23	5868.15	13203.34	1467.04	4401.11								
2018-19 BE	16608.72	9965.23 6643.49		14947.85 1660.87		4982.62								
		31771.55	21181.03	47657.32	5295.26	15885.77								

Data compiled by CESS expert team

The CESS team arrived at a figure of Rs 15,885.77 Crore for the period 2015-16 to 2018-19, based on the Andhra Pradesh Government's detailed estimates of revenue and receipts

An amount of Rs. 16,447 Crore is due from the Union Government in lieu of 90% in CSS. The EAP is wholly insufficient to extend this Special Assistance. The disbursements so far are miniscule.

Recommendation:

Therefore, assistance should be given by other means including

- permitting the State to clear other outstanding EAP loans, Special Development Loans, other dues to Government of India or to parastatals of Government of India;
- permitting borrowing from internal lenders like NABARD, HUDCO, etc. in lieu of the grant;
- exempting the Special Assistance from the State's FRBM limit since the repayment responsibility of the EAPs will be taken up by the Government of India; and
- issuing short/medium tenure Andhra Pradesh Relief Bonds, so on.

(4) Assistance required for completing Polavaram Project

Polavaram Project Financial Progress and Reimbursement

S. No	ltem	Amount (in Rs. Crore)						
1	Approved Cost of the Project (2010-11 price level)	16,010.45						
2	Cost of Power Component	3716.05						
3	Cost of Irrigation Component (2010-11 price level)	12,294.40						
4	Expenditure incurred on the project before declaration as a National Project	5,135.87						
5	Total Expenditure incurred on the project from inception to Dec 2018	15,205.33						
6	Expenditure incurred after declaration as National Project up to Dec 2018	10,069.66						
7	Total funds released to the State Government through Polavaram Project Authority after declaring it as National Project	6,727.26						
8	Balance reimbursement due from GoI for the expenditure already made on the project by the State of AP as National Project	3,342.40						
	Source: Report on AP Water Resources Department as on 17 December 2018							

(4) The assistance required for completing Polavaram Project

Phase - I

Polavaram National Project – Irrigation Component

Funds needed from Govt. of India for completion of Phase-I – EL +41.15m	Rs. in Crore
*Amount required for main works (As on 9 April 2018)	2,874.68
*Amount required for land acquisition and R & R (as on 21 st October 2018)	2,494.11
Amount already utilized, and reimbursement from Government of India due (as on 17 th December 2018)	3342.40
TOTAL	8,711.19
*These estimates are based on information available so far, and ar correction as the project work progresses.	e subject to

Phase - II

Fund required for completion of Polavaram Irrigation Project Head Works from +41.15 Mts to +45.72 Mts

Rs. in Crore

SI.No.	YEAR	WORKS	Land Acquisition and R&R	Miscellaneous	TOTAL
1	2019-20		,		
	Apr-19	200	2,000	40	2,240
	May-19	225	3,000	80	3,305
10	Jun-19	225	4,500	80	4,805
	Jul-19	150	5,000	75	5,225
2.0	Aug-19	125	4,500	60	4,685
10	Sep-19	150	3,000	55	3,205
	Oct-19	350	1,500	60	1,910
10 10	Nov-19	300	800	55	1,155
	Dec-19	375	525	64	964
	GRAND TOTAL	2,100	24,825	569	27,494

(4) Assistance required for completing Polavaram Project



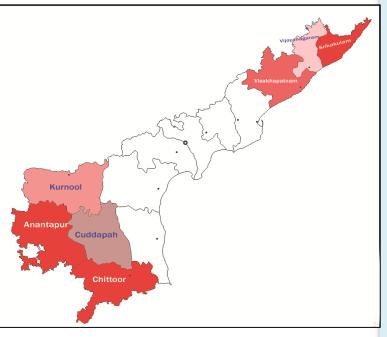
Present Status :

- State contribution Rs. 5,135.87 Crore
- Rs. 6,727.26 Crore reimbursed to State after Polavaram being declared as National Project
- Balance reimbursement of expenditure already incurred to be made by Gol Rs. 3,342.40 Crore

Recommendations :

- The Project is a model of cooperation between the Union and the State
- Execution by the State under the Union's supervision has been vindicated by the speed and efficiency of execution
- To complete Phase I of the Project, a further Rs. 8,711.19 Crore (EL +41.15 m) is required
- To complete Phase II of the Project Rs. 27,494 Crore (from +41.15 m to +45.72 m) is required
- Revised cost estimates may be approved by the Union as per norms
- The Union and State should take steps to complete the project as per proposed schedule
- At present, funds are first spent by the State, and reimbursed by the Union later
- Quarterly advances to the State, and timely utilization certificates by State before the next advance would help smooth execution of project as State finances are under stress

(5) Development Assistance to Backward Regions



Seven Backward Districts of Andhra Pradesh

The total population of backward areas of AP is 2.52 Crore. If a per capita grant similar to Bundelkhand package at 2009 prices is made to the seven backward districts of North Coastal Andhra and Rayalaseema (including Markapur division of Prakasam district, which forms part of Rayalaseema), the grant should be of the order of Rs. 35,000 Crore at current prices adjusting for population and Budget Multiplier

If, however, the adjustment is made for population and 5% inflation, then the grant to backward regions of Andhra Pradesh on par with Bundelkhand Package will be of the order of Rs. 25,000 Crore.

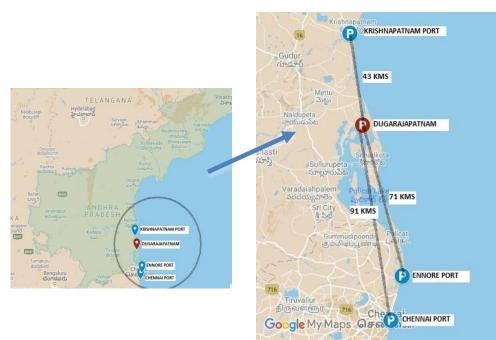
The demand of AP Government is Rs. 24,350 Crore

An amount of Rs.1,050 Crore has been disbursed so far over 3 years as special package for backward areas and a further amount of Rs.700 Crore would be paid in the coming years

The Union should take steps on priority basis to implement the Special Package of **Rs. 24,350 Crore** in a time bound manner with a period of five years otherwise purpose will be defeated

(6) Major Port at Duggirajapatnam and/or Alternative

The tentative cost for Duggirajapatnam has been estimated at Rs. 7,988 crore by the Technical Committee set up by Ministry of Shipping.



Recommendation:

- The Union government concluded that the location is unviable, and asked the State to suggest an alternative location.
- The Union and the State should resolve the issue of viability and decide on the location of a viable project expeditiously, and swiftly implement the Major Port project in Andhra Pradesh without delay.

(7) Establishment of eleven nationally important institutions in Andhra Pradesh

- Rs. 12,746.38 Crore is the estimated cost for all the eleven projects put together
- Only Rs. 845.52 Crore i.e. 6.63% of the total project cost is released by GoI; 93% is still remaining
- State already fulfilled its commitment
- The remaining funds need to be released faster

			Status	s of Educationa	I Institutio	ns sanctio	oned under					1	1613Cr. revised	1							campus
Contribution of GoAP Funds released by Gol						(Rs. in Crores, updated on 12.11.2018						Central University, Anantapur	1100.00 (website)	491.23	2.00			10.00	5.00	*5.00	* Classes to commenced in 2018 - 19 in Temporary campus. Transit campus handed over by GoAP on
SI. No	Institute	(excluding GoAP contribution) (Source)	Land allotted in Acres	released for LA / compound wall constructio	2014- 17	2017- 18 Releas es	2018-19 Budget Estimate	2018- 19 Releas es	Total Release s (6 + 7 + 9)	Remarks	6	IIPE, Visakhap atnam	655.00 (Director, IIPE)	201.80	68.00	32.00	1.00	32.00		*33.00	04.07.2018. Classes commenced in 2016-17 in Temporary campus. Classes
1	2	3	4	n 5	6	7	8	9	10	11		Agricultural	1505.82								commenced in 2015-16 in
		3125.49								Classes commenced in 2015-16. Transit	7	University, Guntur	(Registrar, ANGRAU)	110.00	0.95	135.00		65.00		*135.00	Temporary campus. This is run as a State University.
1	IIT, Tirupati	(Director, IIT Tirupati)	566.61	8.30	36.99	61.30	50.00	22.41	*120.70	campus construction in progress. Hander over 530.11	8	IIITDM, Kurnool	297.00 (Director, IIITDM)	151.51	6.16	20.10		30.00	18.82	*38.92	Classes commenced in 2015-16 in Temporary campus
2	NIT, Tadepalli gudem	460.50 (Director, NIT)	172.08	7.10	10.00	50.00	54.00	44.50	*104.50	acres. Classes commenced in 2015-16 in	9	AIIMS, Mangalag iri	1618.00 (M/H & FW, Gol)	183.11		20.00	86.01		127.87	*233.88	Classes to commence from 2018-19 in Temporary campus
3	IIM, Visakhap atnam	1376.52 (Director, IIM. Earlier DPR for Rs. 691.58 Cr.	241.50	4.25	30.97	24.99	57.20	-	*55.97	Classes commenced in 2015-16 in Temporary	10	Tribal University, Vizianagar am	, í	526.24	5.00			10.00			Not established
		revised) 2117.18								campus. Classes	11	NIDM, Vijayawad	70.87 (NIDM, New Delhi)	10.00	23.07			10.00	3.43	*3.43	Functioning from temporary campus from 2016-17
4	IISER, Tirupati	(Registrar, IISER. Earlier	255.09	6.50	69.00	35.02	49.00	11.00	*115.02	commenced in 2015-16 in		Total	12746.38	2909.17	131.33	354.06	258.33	352.00	233.03	845.42	
	Thupau	DPR for Rs. 1613Cr revised)								Temporary campus			Secretary (CS-I&II in Lr. F.No.12025			S Division)	, Gol, New	Delhi has fu	urnished fu	nds release	d to various

(8) Projects to improve infrastructure, connectivity and investments in Andhra Pradesh

Road Connectivity

Road Project	Status	
Hyderabad-Suryapeta-Kodad-Nandigama- Vijayawada-Amaravati - (NH-65) - 275 Kms	NHAI needs to initiate action for 6-laning of the road	
Hyderabad-Nagarjunasagar-Macharla (Covered by NH-565) - Rentachintala- Dachepalli-Piduguralla-Sattenapalli- Perecharla-Guntur-Amaravati - 290 Kms	Upgradation as National Highway and sanctioning of works pending	
Amaravati/Vijayawada-Ibrahimpatnam- Tiruvuuru-Bhadrachalam-Jagdalpur – (NH-30) -171 Kms upto Bhadrachalam	Not yet started	
Anantapuramu-Amaravati Expressway (Green-Field Expressway)	In-principle agreement by Ministry of Road Transport and Highways (MoRTH) for taking up Expressway project by NHAI	R
Amaravati Outer Ring Road (ORR) - 180 Kms	DPR is under-preparation by NHAI	t

Rail Connectivity : Estimated Cost : Rs.3,272.03 Crore

- Total length of the project is 106.56 km which includes
 - 56.53 km double Broad-Gauge (BG) line between
 Errupalem Amaravathi-Nambur (Section I)
 - 23.78 km single BG line between Amaravathi-Pedakurpadu and (Section II) &
- 26.25 km single BG line between Sattenapalli-Narasaraopet.(Section III)
 Status - Yet to be sanctioned

Recommendation :

Government of India should implement the DPR for providing Rail connectivity and the five projects for providing Road connectivity to the new Capital of Andhra Pradesh, in a time bound manner

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(8) Projects to improve infrastructure, connectivity and investments in Andhra Pradesh

S no	Project	Recommendation
1	Vizag – Chennai Industrial Corridor	The Union should include the project under the NICDIT on the lines of Delhi-Mumbai Industrial Corridor (DMIC) and provide 100% grant funding
2	Expansion of airports at Visakhapatnam, Vijayawada and Tirupati to International Standards	 Visakhapatnam - A techno-economic feasibility report is to be undertaken by the State Government Vijayawada and Tirupati - The State Government's request to accord the status of 'Port of Call' to Vijayawada and Tirupati airports may be conceded by including them in existing bilateral agreements
3	Metro Rail Projects at Vizag (Rs. 8,800 Crore) and Vijayawada-Guntur-Tenali (Rs. 6,769 Crore)	Andhra Pradesh has no major cities, and mass rapid transit systems will help accelerate city development. Therefore, the State's request for Viability Gap Funding (VGF) and fast-track approvals for Vijayawada and Visakhapatnam Metro Rail Projects may be conceded.
4	Petro-Chemical Complex	Government of India should provide the Viability Gap Funding generously, so that the project can be executed
5	A New Railway Zone	Creation of a New Railway Zone is a relatively low-cost demand, but a highly emotive issue. Therefore, Government of India may concede the demand expeditiously and create a New Railway Zone
6	Integrated Steel Plant	GoI stated that the project is non-viable The State government announced its decision to establish it as a State enterprise 21

(8) Projects to improve infrastructure, connectivity and investments in Andhra Pradesh

Recommendation:

- A review of all the Schedule XIII Infrastructure Project shows that five of the projects have not been implemented, and three of them are in initial stages of implementation. Of these, Petrochemical Complex, Metro Rail Projects, Vizag-Chennai Industrial Corridor (VCIC), rapid rail and road connectivity to the Capital Region and International airports are critical.
- These projects will stimulate economic activity, further investments, industrialisation and jobcreation in the State which has relatively low level of employment in industries and services.
 Therefore, Government of India should provide generous assistance to these projects which have multiplier effects on the economy of the State.

(9) Assistance to develop Government Infrastructure and the Capital City region

GoAP's ambitious plan for the new capital

	Rs. In Crores
Government Complex	11,261
Social Infrastructure	7,330
Trunk / Tier-1 Infrastructure	70,682
Tier-2 Infrastructure (LPS and Others)	19,750
Total:	1,09,023

Present Status

- So far, Rs. 1,500 Crore has been released for the Capital City development and the State furnished a Utilization Certificate for Rs. 1,632.48 Crore based on which NITI Aayog recommended release of Rs. 666 Crore immediately with a promise of Rs. 334 Crore in 2019-20.
- Separately, Rs. 1,000 Crore has been released for Under-Ground and Storm Water Drainage for Vijayawada and Guntur cities.

(9) Assistance to develop Government Infrastructure and the Capital City region

Recommendation:

- The DPRs furnished to NITI Aayog/Government of India by the State, and those under preparation include all projects related to development of Amaravati as a major green- field city. Of these projects, the Government Complex along with the necessary civic infrastructure, and Other Essential Infrastructure (roads, storm water drainage, flood proofing, sanitation and sewerage, drinking water, rapid connectivity and mass rapid transport system) should be treated as projects coming under the scope of Section 94 (3) of APRA, 2014.
- The Union Government may constitute a committee of urban planning and development experts to identify the projects related to 'Essential facilities,' and 'Other Essential Infrastructure' covering the items listed above, review the cost estimates furnished in DPRs and assess the requirement of resources for those items. On the basis of such assessment, assistance should be provided to the State by the Union.
- Government of India should expedite transfer of the forest land (2087.09 ha) and release the approved project cost of Rs. 219.16 Crore for the Greyhound Training Centre.

(10) Tax and other incentives for investment in Andhra Pradesh

Union's Difficulties

- Demands from other States
- Opposition from neighbouring states
- AP's relatively large population compared to other Special Category States

Possible Approaches

- Limiting concessions to backward areas
- Concessions short of full exemption but more than offered now
- Extension of concessions to other identified backward regions in the country

Recommendations:

- In addition, massive infrastructural projects need to be taken up in Andhra Pradesh with 100% contribution from the Union Government in a time-bound manner.
- In particular, special programmes based on natural resources, local skill-base and market potential could be taken up on the lines of cluster development initiatives such as Industrial Infrastructure Up-gradation Scheme (IIUS), Mega Food Park Scheme, Integrated Infrastructure Development (IID) Scheme, etc.