STATE REORGANISATION

UNION'S COMMITMENTS TO ANDHRA PRADESH

STATUS REPORT

INDEPENDENT GROUP OF EXPERTS

FOUNDATION FOR DEMOCRATIC REFORMS

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Status Report - Union's Commitment to Andhra Pradesh

Published by : Foundation for Democratic Reforms(FDR)/ Lok Satta

Price : ₹ 499/-
Year of Publication : 2019

For Copies
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FOREWORD

Our Founding Fathers created India as a Union of States. Given the trauma of partition, our federation had a strong unitary bias in the early decades. Nominated governors, the Union's power to reorganise States at will, Article 356, all-India Services, a uniform model of political organization at Union and State levels, the inherent unitary bias of the Seventh Schedule, Rajya Sabha's power to transfer any item in the State List to the Union List, Parliament's power to make laws on State subjects while proclamation of Emergency is in operation – all these have made our Constitution more unitary than federal in nature.

In fiscal matters, the Union has all expanding sources of revenue, while States have the responsibility to provide all basic services and amenities. 'Economic and Social Planning' is in the Concurrent List, giving the Union enormous scope for intervention in State subjects. Centralized mode of planning, the creation of the Planning Commission, strict regulation of industrial activity and agricultural trade, nationalization of financial institutions and commercial banks and other policies of the first four decades of our Republic acted as strong centripetal forces weakening the States' role and powers, making India more unitary in practice.

However, several political, legal, economic and fiscal developments of the past three decades tended to promote a more balanced federalism. The emergence of strong regional parties playing a crucial role in Parliament and the rise of political competition at all levels made the polity more sensitive to the needs of States. With the Supreme Court's judgment in *Bommai* case, abuse of Article 356 has become much more difficult.

Finance Commissions have increasingly moved towards rule-based, transparent constitutional devolution of funds to States. Fourteenth Finance Commission's devolution erasing the distinction between plan and non-plan grants, and abolition of Planning Commission strengthened constitutional devolution, and gave States more say over the development strategies in their territories. The economic liberalization launched in 1991 promoted economic freedom by dismantling much of the centralized licensing system, allowing States to cooperate and compete to attract investments and pursue policies to suit local conditions and preferences. With the rise of private sector, the importance of Union's patronage in the form of public sector investments in favored States declined.

All these developments strengthened federalism, though a lot more remains to be done to create a truly federal structure while protecting the unity and integrity of the nation.

Formation of Telangana State was a result of decades of aspirations, public demand and movements of Telangana people. In fact the States Reorganization Commission recommended as follows:

> "… it will be in the interests of Andhra as well as Telangana, if for the present, the Telangana area is to constitute into a separate State, which may be known as the Hyderabad State with the provision for its unification with Andhra after the general elections likely to be held in or about 1961 if by a two-thirds majority the legislature of the Hyderabad State expresses itself in favour of such unification".

Nevertheless, the larger demand for linguistic reorganization carried the day, and unified Andhra Pradesh was created on 01 November, 1956, along with thirteen other States.

Article 3 gives Parliament the power to form new States at will; the only restraint being that the affected State Legislature should be given an opportunity to express its views on the proposed Bill seeking to alter the boundaries or name of the State. While the Constitution thus gives sweeping powers to Parliament to reorganize States, in practice the Union exercised enormous restraint and States were reorganized only with the consent of the affected States. The linguistic reorganization of States in 1956 was a massive national exercise undertaken on the basis of the report of the States Reorganization Commission appointed for that purpose, and after building a nation-wide consensus. All subsequent divisions of existing States, and formation of new States was preceded by the consent of the Legislature of the affected State. It is this restraint that helped strengthen federalism despite the unitary bias of the Constitution.

However, the division of Andhra Pradesh in 2014 and creation of the Successor States of Telangana and Residual Andhra Pradesh was a departure from the earlier practice of formation of new States in many ways.

The Legislature of erstwhile Andhra Pradesh State did not consent to division of the State. Unlike other cases of State divisions, the newly created State retained the capital city of Hyderabad, a vibrant metropolis and an economic hub, centre of industrialization and job creation, and major contributor to government revenues. Almost all economic development, infrastructure, industrialization, government institutions and infrastructure, institutions of higher education and tertiary healthcare are concentrated in Hyderabad city. Also most Union establishments and public sector investments of the Union and State are concentrated in Hyderabad. Loss of such a megalopolis deprived the Successor State of Andhra Pradesh of government revenues, job opportunities, infrastructure and services.

In this context and in a surcharged atmosphere of division of the State without the State Legislature's consent, the Union government made explicit commitments to the Residual Andhra

Pradesh State in Andhra Pradesh Reorganization Act, 2014 (APRA), and the Prime Minister's specific, solemn six point commitments in Parliament on 20 February 2014. These commitments were made with bipartisan consensus in Parliament, and they formed the basis of approval of APRA by both Houses of Parliament.

While many of the commitments are specific and unambiguous, implementation of the commitments to Andhra Pradesh State has become a highly contentious, polarizing issue. The issue had been highly politicized, and has become a play thing of partisan politics. Several sections of the public harbor a genuine sense of grievance against the Union for alleged failure to fulfill its commitments; the Union argues that all commitments have been, or are being fulfilled, and there is no cause for grievance.

Almost a century ago, the distinguished journalist and public intellectual C.P. Scott memorably wrote: "Facts are sacred, comment is free – and fact-based comment most precious of all". In the prevailing climate of vituperative rhetoric and partisan polarization, fact-based comment has become rare. The people, media, public intellectuals, elected representatives and political parties – all are handicapped by the absence of reliable and credible source of facts, much less objective, fact-based comment.

It is this void that Foundation for Democratic Reforms has attempted to fill in this laborious effort. An independent group of credible experts has been constituted with the following objectives:

1. Study and make an assessment of the status of fulfilment of the commitments made by Andhra Pradesh Reorganisation Act, 2014 and the Prime Minister's statement in Parliament on 20 February 2014.
2. Act as a civil society initiative to bridge the gap between the State and the Union, and help resolve the dispute.
3. Study any other incidental matters related to the subject, and take such initiatives as deemed necessary.

Centre for Economic and Social Studies (CESS) Hyderabad has become a partner in this effort giving invaluable expert guidance and logistical support. The distinguished member-experts brought decades of experience, knowledge and insights to the task.

The State Reorganization Department of Andhra Pradesh government, coordinated with various agencies involved and provided up-to-date inputs for preparation of this report. An eminent National Group of Experts (NGE) has reviewed the report and their comments and inputs enriched the final report enormously. NGE members hail from non-Telugu regions of India, and their guidance was sought for their invaluable expertise and for objective examination of the issues without parochialism or emotional baggage. The NGE's endorsement lends immense credibility to the report.

The report provides fact-based comment, and we hope it will generate informed, constructive public debate and help resolve the complex and contentious issues involved in true federal spirit.

We are deeply grateful to the members of Independent Group of Experts (IGE), National Group of Experts (NGE), Centre for Economic and Social Studies (CESS), State Reorganization Department of Andhra Pradesh headed by Sri L Premchandra Reddy and his team, the printers Kala Jyothi Process Pvt. Ltd, and all others whose expertise and labour of love have made this report possible. We owe a special debt of gratitude to the brilliant group of researchers and interns of the Foundation for Democratic Reforms (FDR) for their tireless labours in constantly updating information and content as the report went through multiple revisions.

* * *

Introduction

The Andhra Pradesh Reorganisation Act (APRA), 2014 resulted in division of the erstwhile Andhra Pradesh State with effect from 02 June 2014. While several new States were formed since 1950, the division of Andhra Pradesh was in many ways unique and unprecedented.

First, in all earlier cases, division of existing States and formation of new States was on the basis of either linguistic reorganisation or the consent of the State Legislature in the form of a resolution seeking partition. But in the case of erstwhile Andhra Pradesh, the State was divided by a law of Parliament without a resolution of the State Legislature seeking partition.

Second, in all other cases of division of a State after linguistic reorganisation, a minority region with lower per capita income and geographically distant from the State capital agitated for a separate State. In Andhra Pradesh, the minority region comprising the capital and enjoying a higher per capita income demanded division, and consequently Telangana State has been formed.

Third, in earlier cases of division of a State, the majority region had a major city (usually the Capital City) as an economic hub which is the centre of industrialization and job creation, as well as significant contributor to government revenues. The region away from the major city sought division voluntarily, and majority region retained the big city with all its economic advantages. In case of Andhra Pradesh, the major metropolis of Hyderabad, for obvious geographic reasons, became part of the newly formed Telangana State; consequently the Successor State of Andhra Pradesh comprising of 58.32% of the population lost the advantages of economic growth, job creation and revenue mobilization offered by a large metropolis.

Fourth, over the decades, skewed development policies led to neglect of regions away from the Capital City in terms of infrastructure. In addition, most institutions of higher education, specialized tertiary healthcare facilities, almost all institutions and establishments of the Union government and most public sector investments of the Union and State governments are located in Hyderabad city and surrounding areas, and are consequently inherited by the Telangana State.

Fifth, because of over-centralization of power, all specialized administrative and training facilities were located in Hyderabad city, creating a void in the Successor State of Andhra Pradesh.

Finally, because of the dominance of Hyderabad city as a commercial and financial centre, it houses almost all corporate offices of the industrial and commercial enterprises existing in Residual Andhra Pradesh; consequently tax assessment and collection of revenues by the State were from Hyderabad city in respect of almost all enterprises located in Residual Andhra Pradesh. However, the Andhra Pradesh Reorganisation Act (APRA), 2014 created an anomalous situation regarding refund of taxes and recovery of arrears of taxes and duties causing loss to the Successor State of Andhra Pradesh.

With the loss of a major metropolis, Residual Andhra Pradesh has the lowest contribution of services sector to the GSDP (46%) among Southern States, and much lower than national average (53.66%). Correspondingly, the contribution of agriculture is highest in Andhra Pradesh (31.77%) among the Southern States, and much higher than the national average (17.32%).

As a result, while Andhra Pradesh now has 58.32% of the population of the erstwhile State of Andhra Pradesh, government revenues are only 46%. Consequently, according to the report of the 14th Finance Commission, Andhra Pradesh is the only State in India other than the Special Category States to have a projected revenue deficit continuing even in 2019-20. That Residual Andhra Pradesh suffered considerable disadvantage in terms of government revenues can be demonstrated by the fact that the 14th Finance Commission estimated that post devolution, it would have a revenue deficit of Rs. 22,113 Crore from FY 2015-16 to 2019-20, whereas Telangana State would have revenue surplus of Rs. 1,18,678 Crore during the same period.

Broad Sector-Wise GVA / GSDP / GDP estimates of the Southern States (All India at current prices and its contribution)

Table 0.1

Rs.in Crore

S.No	INDUSTRY	2016-17 (AE)				
		ANDHRA PRADESH	TELANGANA	TAMIL NADU	KARNATAKA	ALL INDIA (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

Source : AP Government's Detailed Note on Issues Related to AP ReorganizationAct, 2014 dated 12 January 2018 submitted to Prime Minister

Rs. in Crore

Table 0.2 **Post-Devolution Revenue Deficit Surplus**

Deficit (+)/ Surplus (-)

State	2015-16	2016-17	2017-18	2018-19	2019-20
1	2	3	4	5	6
Andhra Pradesh	6609	4930	4430	3644	2499
Arunachal Pradesh	-3394	-4068	-4889	-5885	-7093
Assam	2191	1188	-210	-1953	-3387
Bihar	-6045	-8676	-14042	-17936	-791
Chhattisgarh	-9226	-10879	-12922	-15433	-18510
Goa	-1394	-1874	-2211	-2641	-3145
Gujarat	-29755	-35809	-43109	-51813	-62200
Haryana	-3932	-8252	-13331	-16949	-21406
Himachal Pradesh	8009	8232	8311	8206	7866
Jammu & Kashmir	9892	10831	11849	12952	14142
Jharkhand	-3569	-4571	-6120	-7888	-7600
Karnataka	-23619	-27541	-32216	-37914	-44874
Kerala	4640	3350	1529	-969	-4341
Madhya Pradesh	-24469	-28889	-34232	-40681	-48456
Maharashtra	-26281	-28924	-32140	-36069	-40861
Manipur	2066	2096	2091	2042	1932
Meghalaya	618	535	404	213	-55
Mizoram	2139	2294	2446	2588	2716
Nagaland	3203	3451	3700	3945	4177
Orissa	-5994	-8099	-10932	-14709	-17825
Punjab	-1542	-3078	-4961	-7284	-10117
Rajasthan	-21250	-30524	-42594	-53132	-62795
Sikkim	-266	-595	-1057	-1691	-2572
Tamil Nadu	-7076	-10694	-15327	-21171	-28475
Telangana	-15003	-18554	-22846	-28023	-34252
Tripura	1089	1089	1059	992	875
Uttar Pradesh	-22376	-27814	-35885	-45261	-42295
Uttarakhand	-274	-2157	-4709	-7564	-10221
West Bengal	8449	3311	-3445	-12048	-18119
Total State (Deficit)	**48906**	**41308**	**35820**	**34581**	**34206**
Total States (Surplus)	**-205464**	**-260997**	**-337177**	**-427014**	**-489392**

* Deficit is shown as (+), and Surplus is shown as (-)

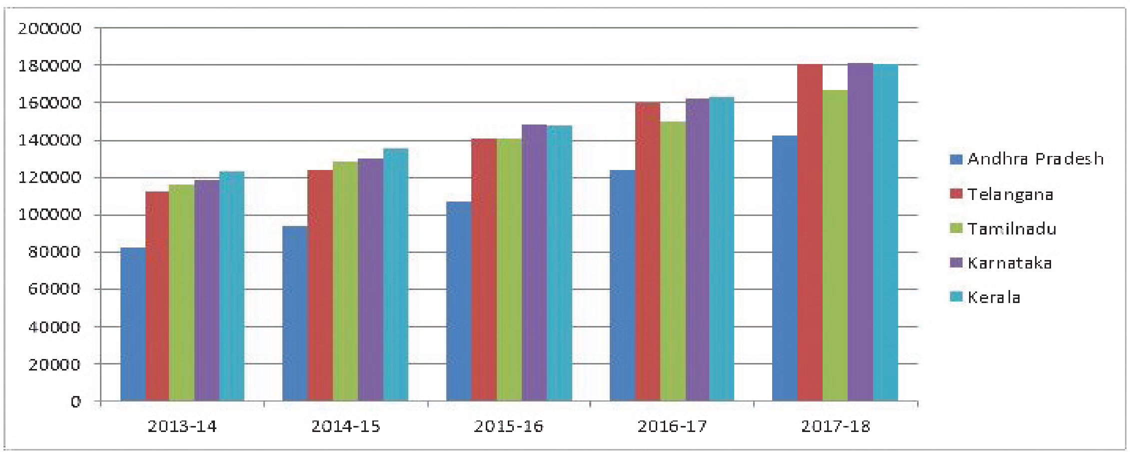
Source : Fourteenth Finance Commission Report

When a State is partitioned, division of assets has to necessarily be on geographical basis. In the absence of balanced regional development in the erstwhile Andhra Pradesh, excessive focus on Hyderabad City and political and economic centralization, most of the productive assets remained in the Telangana State. Consequently, large new investments and public expenditure are needed in Residual Andhra Pradesh to build institutional capability. Also, while much of the development in erstwhile Andhra Pradesh was in and around Hyderabad City, the debt liabilities had to be divided on population basis at the time of division of the State, imposing heavy burden on the public finances of the larger, but resource-poor Residual Andhra Pradesh. Similarly, pension liabilities arising from the combined State had to be divided on population basis forcing higher burden on Residual Andhra Pradesh despite lower revenue base.

Residual Andhra Pradesh has the lowest per capita income among the Southern States and the gap remains three years after the division of the State.

Given these special circumstances, 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 (Annexure-1). In addition, 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).The anomalies in respect of recovery of arrears of taxes and duties remain unaddressed by the existing law as well as the Union Government's solemn pledge in the form of Prime Minister's Statement in Parliament (Annexure-2).

Figure 1



Source : AP Government's Detailed Note on Issues Related to AP ReorganizationAct, 2014 dated 12 January 2018 submitted to Prime Minister

The people of all sections of the State of Andhra Pradesh, electronic and print media, and all major political parties have expressed deep dissatisfaction over the incomplete and tardy implementation of the provisions of the law and Union Government's pledge before the Parliament.

The Independent Group of Experts (IGE) has been constituted by Foundation for Democratic Reforms (FDR) to examine the relevant issues in detail and make an objective, non-partisan, dispassionate assessment of the current status of implementation of the provisions of the Andhra Pradesh Reorganisation Act, 2014 and Prime Minister's Statement, and help resolve the issues harmoniously.

The issues agitating the public in respect of the implementation of law and Union government's commitments, and the loss suffered by Andhra Pradesh State on account of anomalies of taxation can be broadly listed as follows:

- 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

1. Resource Gap for the Year 2014-15

Commitments of Government of India:

Section 46 (2) of the Andhra Pradesh 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.*"

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."

Chronology of events:

20 March 2014	- The Governor of the erstwhile State of Andhra Pradesh wrote to the Union Minister of Finance on 20 March 2014 (Annexure-3), while the State was under President's Rule, urging constitution of a Joint Committee of senior officials of Planning Commission and Ministries of Finance and Home, and Government of Andhra Pradesh to estimate the likely Resource Gap of the Successor State of Andhra Pradesh between 02 June 2014 and 31 March 2015. This exercise was necessary for making a provision for a grant in the Union Budget for FY 2014-15 to bridge the Resource Gap of Andhra Pradesh State. Accordingly, Government of India constituted a Joint Committee with officials of Planning Commission and Ministries of Home Affairs and Finance, but without officials of Andhra Pradesh (Annexure - 4).

April - May 2014

- The erstwhile State of Andhra Pradesh furnished relevant information on resources to the Joint Committee in April and May 2014.

- On 27 May 2014, Government of Andhra Pradesh requested Government of India to provide Rs. 15,691 Crore in the Union Budget for FY 2015-16 (Annexure-5). However, such a provision was not made in the Union Budget 2015-16.

- During 2014-15, Government of India released an amount of Rs. 2,303 Crore on ad hoc basis to the Successor State of Andhra Pradesh towards partial compensation of the Resource Gap arising during the fiscal year.

2014-15

- The Accountant General of Andhra Pradesh audited the finance accounts for FY 2014-15 and the Comptroller and Auditor General (CAG) assessed and certified the total Revenue Deficit as Rs. 16,078.76 Crore; the net Revenue Deficit after taking into account the ad hoc grant of Rs. 2,303 Crore during the year was Rs.13,775.76 Crore.

- Government of India released further amounts of Rs. 500 Crore in 2015, and Rs. 1,176.50 Crore in 2016 towards compensating the Resource Gap of 2014-15. Thus, a total of Rs. 3979.50 Crore was released against the CAG's assessment of a total Revenue Deficit of Rs.16,078.76 Crore.

2016

- On 8 September 2016, Government of India made the following public statement (Annexure-6)

"Under the Andhra Pradesh Reorganisation Act, 2014 the commitment for the Resource Gap for the year 2014-15 is being met on the basis of standardized expenditure for the year. The revenue has been tentatively quantified subject to further adjustment on account of figures relating to certain pension schemes. A part of the revenue gap compensation amounting to Rs. 3,979.5 Crore has already been paid and the balance is being paid in annual instalments".

2017

– Subsequently, the Union Finance Minister intimated to the Chief Minister of Andhra Pradesh on 4 May 2017, that only Rs. 138.39 Crore more will be released to Andhra Pradesh, and that the figure was estimated after disallowing certain expenditures incurred by the State treating them as New Schemes, and excluding the liability to pay enhanced back-wages to government employees as Pay Revision Commission (PRC) arrears. The expenditure details categorized as New Schemes and disallowed by Government of India are given in Table 1.1.

Table 1.1 **Expenditure Details categorized as New Schemes**

Rs.in Crore

1.	Agricultural Debt Redemption	
	a) Loan waiver	3,068.35
	b) Assistance to Rythu Sadhikaara Samstha	4,001.32
2.	Social Security Pensions	3,391.20
3.	Financial Restructuring package to Power Distribution Companies (DISCOMS)	1,500.00
	Total :	**11,960.87**

In addition to the above expenditure incurred during the FY 2014-15, the State had the obligation to incur expenditure during the year, but deferred payment to the subsequent year on account of Resource Gap and precarious ways and means position. The details of deferred expenditure are in Table 1.2.

Table 1.2

Deferred Expenditure of 2014-15 Rs. in Crore	
PRC Arrears	3,920
Deferred Bills	2,950
Total:	**6,870**

Thus, the total claim of the State for a grant to bridge the Resource Gap in fiscal 2014-15 is given in Table 1.3.

Table 1.3

Total Resource Gap of Andhra Pradesh in FY 2014-15	**Rs. in Crore**
Revenue deficit	16,078.76
Deferred expenditure on account of ways and means difficulties	6,870.00
Total :	**22,948 .00**

Of this, Government of India has committed to a grant of Rs. 4,118.00 Crore, of which Rs. 3,979.50 Crore has been released so far. The details of Resource Gap, the amounts disallowed, and the amounts not spent in 2014-15, but expenditure deferred on account of ways and means position is summarized in Table 1.4

The items of expenditure disallowed, and the deferred expenditure on account of ways and means difficulties are discussed below in the following order

A. DISALLOWED EXPENDITURE

1. Financial Assistance to DISCOMs
2. Social Security Pensions
3. Agricultural Debt Redemption
4. Assistance to Rythu Sadhikaara Samstha

B. DEFERRED EXPENDITURE ON ACCOUNT OF RESOURCE GAP

5. PRC Arrears
6. Deferred Bills

Table 1.4

Resource Gap in FY 2014-15 not covered		
	Item	**Rs. in Crore**
1	Estimated Revenue Deficit	16,078.76 @(13,775.76+2,303)
2	Funded by GoI (i+ii)	4,117.89
i	Released	**3,979.50**
ii	Balance	138.39
3	**Amount disallowed by the Union (1-2)**	**11,960.87**
	BREAK-UP DETAILS OF ITEM 3	
i	Agricultural redemption (farmer loan waivers)	3,068.35
ii	Assistance to Rythu Sadhikaara Samstha	4,001.32
iii	Financial assistance to DISCOMS	1,500.00
iv	Social Security Pensions	3,391.20*
	Total 3	**11,960.87**
4	**Items under Accrual Accounting**	
i	PRC arrears	3,920.00
ii	Deferred bills	2,950.00
	Total 4	**6,870.00**
5	**Total (Unfunded Resource Gap)**	**18,830.87**
6	**Total Estimated Resource Gap (1+4)**	**22,948.76**
	Unfunded Resource Gap: (6-2)	**18,830.87**

Note /Source: Documents furnished by AP Government.

@ Andhra Pradesh State's Revenue Deficit of Rs. 13,775.76 crores for 2014-15 FY furnished by the Accountant-General of Andhra Pradesh is after taking into account an *ad hoc* grant of Rs. 2,303 crores from GoI in 2014-15 to bridge the gap. Without these grants, total revenue deficit comes to Rs. 16,078.76 crores.

* According to the Govt of AP furnished information total expenditure towards Social Security Pensions equal to Rs. 3575.84 Crores (Rs. 3391.20 + 91.27+93.34 Crores)

Source: Detailed Note on Issues Related to AP Reorganization Act, 2014, Submitted to Prime Minister.

A. DISALLOWED EXPENDITURE

1. Financial Assistance to DISCOMs

Financial Reconstruction Package (FRP) to Power Distribution Companies (DISCOMs):

Vide OM no. 20/11/2012 dated 5 October 2012, Ministry of Power, GoI, notified a scheme for financial restructuring of the State-owned DISCOMs to improve operational performance and finance health. As per this scheme, 50% of the short term liabilities are to be issued as bonds by DISCOMs on behalf of the State Government, which in turn will be taken over by the State Government over a period of 3-5 years. The responsibility of payment of principal and interest lies with the State Government from the date of issue of these bonds. The State Government should ensure that issuance of Special Securities is within the targets prescribed in Fiscal Responsibility and Budget Management Act (FRBM) and the State should remain within its Net Borrowing Ceilings of each relevant fiscal year (Annexure -7).

Accordingly, the erstwhile Andhra Pradesh State Government has given guarantee for an amount of Rs. 8,600 Crore and DISCOMs issued bonds in 2013-14. Out of this, Rs. 3,610.82 Crore has been shared with the Successor State of Andhra Pradesh. Accordingly, Rs.1,500 Crore debt burden of the DISCOMs was taken up by the State Government in 2014-15. As per the procedure, the consent of Government of India was obtained under Article 293(3) of the Constitution of India for taking over the liabilities of Rs. 1,514.82 Crore vide letter No. 40(1)PF-I/2011, Ministry of Finance Government of India, dated 13 March 2015 within the permitted borrowings, and Reserve Bank of India permitted to issue Special Securities for taking over these bonds (Annexure- 8). Accordingly, Rs.1,500 Crore was raised by issuing bonds and the amount was passed on to DISCOMs, and Rs.1,500 Crore was debited to head of A/c 2801-05-800-(12) assistance to DISCOMs for taking over of the FRP bonds -310-Grants-in-aid -312 Other Grants-in-aid. Accordingly, orders were issued in G.O. Ms.No.34, Finance (PF & NABARD) Department dated 31 March 2015 (Annexure -9). Since this amount was passed on to DISCOMs, this was classified as revenue expenditure by the Comptroller and Auditor General of India, as per the classification given by the Government of India.

As per Rule 14 of the Accounting and Classification of Grants-in-Aid notification dated 19 May 2011 issued by Ministry of Finance (Department of Economic Affairs), this amount comes under Grants-in-aid. Therefore, the Accountant General had classified this as revenue expenditure. Further, the State is obligated to repay this amount of Rs 1,500 Crore along with interest. The State had incurred the cost and acquired the liability to repay the money during FY 2014-15 under an on-going programme launched by the Union Government.

Therefore, this expenditure is not an unusual expenditure, and cannot be categorized as a New Scheme. It is genuine, standardized revenue expenditure incurred on an ongoing programme and should form part of the Resource Gap for the year.

This amount of Rs.1,500 Crore incurred by the State of Andhra Pradesh towards Financial Reconstruction Package (FRP) of DISCOMS in Fiscal 2014-15 should therefore be compensated by the Union as per the specific commitment made.

2. Social Security Pensions

Social Security Pensions were being disbursed as per the norms fixed by the Government of India. The number of pensioners in the Successor State of Andhra Pradesh had not increased in 2014-15; as can be seen in Table 1.5, the number of monthly pensions disbursed has actually declined from 5.03 Crore in 2013-14 to 4.56 Crore in 2014-15.

Table 1.5

Year	No. of monthly pensions disbursed
2011-12	4,75,34,593
2012-13	5,87,16,762
2013-14	5,03,01,295
2014-15	4,55,71,809

Pension amounts were increased during the year, and these increases were in accordance with the Guidelines of Ministry of Rural Development, GoI, issued in October 2014. Para 2.4.1 in Chapter II (page 8) of the National Social Assistance Programme Guidelines is extracted below: (Annexure -10)

2.4.1."States are strongly urged to provide an additional amount ***at least an equivalent amount*** *to the assistance provided by the Central Government so that the beneficiaries can get a decent level of assistance"*

Government of India assistance to all States for these pensions was to a tune of Rs. 200 per month for those below 80 years of age, and Rs. 300 per month for those above 80 years of age. The State was expected to provide **at least** a matching amount to allow the beneficiaries a 'decent level of assistance'. The pension amounts were enhanced after the division of the State during FY 2014-15 in accordance with Government of India guidelines and in keeping with rising living costs to enable the poor families meet their needs. Social Security Pensions were Rs. 1,000 per month to the elderly persons, widows, weavers, toddy tappers, ART cases (HIV positive cases undergoing treatment) and disabled persons with 40% to 79% degree of disability and Rs. 1,500 per month to the persons with 80% and above disability. Therefore, the whole expenditure for Social

Security Pensions should be considered as an on-going programme, usual and standardized.

Even if the enhanced amounts of pension are treated as new and non-standardized, it should be noted that the Union's assistance to all States is to the tune of Rs. 200 per month to those below 80 years of age, and Rs. 300 per month to those above 80 years of age. This normal subsidy as applicable to all States amounts to Rs. 946.90 Crore in case of Andhra Pradesh. In addition, Andhra Pradesh spent Rs. 2,628.91 Crore towards Social Security Pensions. Even assuming that only an equivalent amount is taken as standardized expenditure to qualify as Resource Gap to be compensated by the Union, the matching amount of Rs. 946.90 Crore should be funded by the Union to fulfil its commitment to compensate the Resource Gap arising in 2014-15.

However, Government of India calculated entitlement at Rs. 93.34 Crore only for 2014-15 (and Rs. 91.27 Crore dues of 2013-14 paid in 2014-15). It is likely that there was an error in calculation, and the normal subsidy for only one month was taken into account by an oversight. The minimal obligation of Government of India would be to fund the subsidy on Social Security Pensions as applicable to all States as per norms and the State's minimum matching share of equilvalent amount as part of the Resource Gap. In addition, an amount of Rs. 91.27 Crore was disbursed during 2014-15 towards the Social Security Pensions due in the previous year (2013-14). Thus the total Resource Gap that should be funded by Government of India on account of Social Security Pensions is shown in Table 1.6:

Table 1.6 **Total Resource Gap on account of Social Security Pensions**

		Rs. in Crore
1.	Total Social Security Pensions disbursement in 2014-15	3,575.81
2.	GoI subsidy due to Andhra Pradesh as per national norms applicable to all States	946.90
3.	Disbursal of previous year's subsidy as per GoI national norms	91.27
4.	Equal matching amount the State was obligated to spend	946.90
5.	The amount due to the State on normalized expenditure basis as subsidy and compensation for Resource Gap (2+3+4)	**1,985.07**

It can be seen that the State had spent Rs. 3,575.81 Crore towards Social Security Pensions in 2014-15 as the State Pensions were increased to levels higher than the national norm. If only the 'standardized' expenditure of Rs. 1,985.07 Crore as per expenditure in earlier years is taken as the Resource Gap to be compensated, this amount should be reimbursed to the Andhra Pradesh Government as part of the commitment to compensate the Resource Gap for 2014-15. Even after such compensation, Andhra Pradesh State still has an uncompensated Resource Gap of Rs. 1,590.74 Crore for the year 2014-15 on account of Social Security Pensions. This additional expenditure has been legitimately incurred for a genuine anti-poverty programme. Therefore reimbursement of Rs. 1,590.74 Crore may be considered at the discretion of the Union Government.

To summarise, Rs.1,985.07 Crore expenditure under Social Security Pensions should be reimbursed by the Union government; and Rs. 1,590.74 Crore additional expenditure may be considered for the reimbursement at the Union's discretion.

3&4: Agricultural debt redemption and Assistance to Rythu Sadhikaara Samstha

The Government of India (Ministry of Finance) in its public statement on 8 September 2016 (Annexure-6) relating to Union assistance to Andhra Pradesh, stated in Para 3 that the "commitment for the Resource Gap for the year 2013-14 is being met on the basis of standardized expenditure for that year". It implies that expenditure related to new programmes unique to Andhra Pradesh, or additional, unusual commitments unrelated to ongoing programmes and projects would be treated as 'non-standardized' expenditure, and would not be eligible for compensation for Resource Gap in FY 2014-15. By this reasoning, expenditure incurred under agricultural and rural debt relief programme implemented newly to redeem the political pledge made in the election campaign of 2014 would be treated as unique, new and non-standardized. While the expenditure shown under Agricultural Debt Redemption (Rs. 3,068.32 Crore) was disbursed for loan waiver, a further amount of Rs. 4,001.32 Crore was shown as Assistance to Rythu Sadhikaara Samstha – a transfer from the Consolidated Fund of the State to a Special Purpose Vehicle (SPV) created to implement debt relief to farmers. Therefore, the total of Rs. 7,069.67 Crore under both heads seems to have been treated by Government of IndiaI as unique, new and non-standardized.

However, the State of Andhra Pradesh argues that under Section 46(2) of the Act, even after the 14th Finance Commission (FFC) grant, the Union government may, 'having regard to the resources available to the Successor State of Andhra Pradesh, make appropriate grants'.

The Prime Minister's commitment in Parliament was to the effect that 'the Resource Gap' in 2014-15 after the appointed day 'will be compensated' in the regular Union Budget for 2014-15. The reading of the law as well as the Prime Minister's statement indicates a commitment to compensate 'all Resource Gap', and not merely revenue deficit or Resource Gap based on standardized expenditure.

However, it is reasonable to argue that unusual, new expenditure commitments that the State has made as conscious political choice cannot be transferred to the Union. Therefore the Union is not bound to reimburse the expenditure of Rs.7,069.67 Crore incurred towards farmers' debt relief during 2014-15; such assistance for agricultural debt relief to the State can only be at the discretion of the Union.

B. DEFERRED EXPENDITURE ELATING TO COMMITMENTS AND LIABILITIES OF FY 2014-15

The commitment in law [(Section 46 (2)] and the Prime Minister's statement in Parliament was to make 'appropriate grants' having regard to the resources available to the State, and to compensate the 'Resource Gap' arising in the State during 2014-15. Had the Resource Gap been estimated in time by Government of India and provided in budget of FY 2014-15 as grant to Andhra Pradesh, all liabilities and commitments pertaining to the year, especially those relating to mandatory and standardized expenditure would have been covered in the 'Resource Gap' compensated by Government of India. However, such an exercise was not done, and resources were not allocated in the Union Budget for FY 2014-15. Instead, an ad hoc grant of Rs. 2,303 Crore was made during FY 2014-15, and was reflected in CAG's audit. Subsequently, during 2015 and 2016 a further amount of Rs 1,676.50 Crore was released in two tranches to Andhra Pradesh.

As a result of Government of India not compensating the Resource Gap in 2014-15 during the year itself, there was a serious ways and means stress in the State's finances during the fiscal year. Consequently, legally binding commitments of the State to incur expenditure in FY 2014-15 were deferred to subsequent years. The 14th Finance Commission's grant of Rs. 22,113 Crore for 2015-20 period to cover Revenue Deficits is a frozen amount not subject to revision, and it pertains to the estimated deficits from FY 2015-16 onwards, and does not take into account the Resource Gap of 2014-15. Therefore, the deferred bills and Pay Revision Commission arrears clearly contribute to the Resource Gap of FY 2014-15. These items of deferred expenditure need to be examined carefully to determine whether they meet four standards:

1. Was expenditure necessary, predictable and standardized; or unique, new and non-standardized?
2. Did the deferred / rejected bills in treasury pertain to State Government's expenditure, or did they include expenditure of local governments and parastatals?
3. Was this expenditure pertaining to the commitments and liabilities in FY 2014-15?
4. Was the expenditure subsequently incurred?

5. PRC Arrears

The Tenth Pay Revision Commission (PRC) for the undivided State of Andhra Pradesh was constituted on 28 February 2013 to make recommendations for revision of wages of government employees. The Commission submitted its report on 29 May 2014, four days prior to division of the State. On 18 March 2015, the Government of Telangana issued the Government Order implementing a fitment benefit of 43% as against 29% recommended by the PRC. Subsequently, Andhra Pradesh State also accepted a 43% fitment benefit and issued a Government Order on 30 April 2015 (Annexure -11). This pay revision conforms to the previous pay revisions pattern in erstwhile Andhra Pradesh State. Earlier too, the government declared a higher fitment benefit than recommended by the PRC. See Table 1.7

This expenditure is part of the normal practice in government at the Union and all States in India. It was inevitable and necessary that Andhra Pradesh and Telangana enhanced wages identically, because until 2 June 2014 all employees served under one government. Any lower wages in Andhra Pradesh as compared to Telangana immediately after division of the State would have led to massive agitation of government employees and administrative paralysis. Therefore, all the arrears due to be paid to employees in FY 2014-15 should be treated as genuine, standardized charge to Andhra Pradesh exchequer. The arrears due to be paid by law were not paid in the financial year on account of ways and means difficulties and lack of funds, and the payment was deferred to a later period; subsequently, these dues were paid to employees (Annexure-12). Therefore, this amount of Rs. 3,920 Crore should be treated as genuine Resource Gap for 2014-15, and is eligible for compensation by the Union.

6. Deferred Bills:

On account of sudden fall in revenue after division of the State, the Residual Andhra Pradesh Government could not make payments due. Excluding the pending bills on capital account, there were pending bills to a tune of Rs. 2,950.20 Crore which could not be honoured by the three Treasury Departments and their subordinate agencies in the State because of lack of funds, and ways and means problems. The details are furnished in Table 1.9.

All the expenditure pertaining to Deferred bills was necessary, predictable and standardized.

Table 1.7 Pay Revision Patterns in Andhra Pradesh

Pay Commission	Date of Acceptance	Date from which implemented	Implementation
7th Pay Commission Report submitted on 21-07-1999	11-8-1999	01-07-1998 with monetary benefits from 01-04-1999	25% - Government agreed to allow an additional fitment benefit of 5% in addition to the20% fitment recommended by the Pay Revision Commission.
8th Pay Commission Report submitted on 30-06-2005	27-8-2005	01-07-2003 with monetary benefits from 01-04-2005	16% - Government agreed to allow an additional fitment benefit of 6% in addition to the 10% fitment recommended by the Pay Revision Commission
9th Pay Commission Report submitted on 05-12-2009	25-02-2010	01-07-2008 with monetary benefits from 01-02-2010	A fitment benefit of 39% given for fixing the pay in the Revised Pay Scales, 2010 as against the fitment benefit of 27% recommended by the Ninth Pay Revision Commission.
10th Pay Commission Report submitted on 29-05-2014	30-04-2015	01-06-2013 with monetary benefits from 02-06-2014	A fitment of 43% of the Basic pay given for fixing the pay in the Revised Scales of Pay 2015, as against 29% recommended by the Tenth Pay Revision Commission.

Table 1.8 **Does Deferred Expenditure constitute Resource Gap in FY 2014-15**

	PRC Arrears Rs 3,920 Crore	**Deferred Bills Rs 2,950 Crore**
Necessary, predictable standardized	Yes	Yes
Pertaining to only State Government commitments, and not to local authorities or parastatals	Yes	Yes
Pertaining to commitments of 2014-15	Yes	Yes
Incurred subsequently	Yes	Yes

Government of Andhra Pradesh confirmed in writing that all these bills pertain to State Government's expenditure relating to binding commitments arising in FY 2014-15, and do not pertain to any bills of local governments or parastatals in Public Account. The 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. An official committee of accountants may be constituted to verify the details furnished by the Andhra Pradesh government. 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.

As can be seen in Table 1.8, both these Deferred Expenditures- PRC arrears and Deferred Bills on revenue account - are expenditures that were necessary and predictable as per the standardized norms; they pertain to the State Government's account, and not to local governments or parastatals; they pertain to FY 2014-15 and should have been incurred in 2014-15 and were deferred for want of resources; and the expenditure was incurred subsequently adding to the unfunded revenue deficit of later years.

In the light of these facts and circumstances, it is fair and reasonable to include the amount of Rs. 6,870 Crore pertaining to these two items of Deferred Expenditure viz, PRC Arrears (Rs. 3,920 Crore) and Deferred Bills on revenue account (Rs. 2,950 Crore) as 'Resource Gap' for the year 2014-15.

Amount Due towards Resource Gap FY 2014-15

The total amount of the 'Resource Gap' for FY 2014-15 not compensated by the Union and the current situation are summarised in Table 1.10.

Table 1.10 gives a summary of the amounts due to be compensated by the Union Government towards Resource Gap in FY 2014-15, as per the Section 46(2) of APRA, and Prime Minister's Statement in Parliament.

Table 1.9 **Abstract of Deferred Bills as on 31st March 2015**

		Rs in Crore
1	Director of Treasuries & Accounts	
	Other than Headquarters	1,103.19
	Headquarters Treasury	1,503.61
A	**Total**	**2,606.80**
2	Pay & Accounts Office	117.97
3	Director of Works and Accounts	468.90
B	**Total**	**586.87**
C	**Total Bills (A+B)**	**3,193.67**
D	**Total Capital Bills**	**243.47**
	NET REVENUE BILLS (C - D)	**2,950.20**

Note: There are 3 departments in treasury in Andhra Pradesh: (1) Director of Treasuries & Accounts; (2) Pay & Accounts Offices; (3) Director of Works & Accounts. The first 2 departments handle only revenue bills, and the Director of Works and Accounts handles both revenue and capital bills.

Source: Data furnished by Andhra Pradesh government.

Table 1.10

Amount due to AP towards Resource Gap for FY 2014-15 (Rs. in Crore)

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	-
Social Security Pensions (GoI 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	-	4,001.32
Deferred Expenditure – Under Accrual Accounting			
PRC arrears	3,920.00	3,920.00	
Deferred Bills	2,950.00	2,950.00	
Total:	**19,015.48**	**10,355.07**	**8,660.41**

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 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. The Union is not duty bound to compensate this amount under New Schemes, and may exercise its discretion regarding the State's request to reimburse this balance amount of non-standardized expenditure under New Schemes, keeping in view the totality of circumstances.

Overview of items under Resource Gap

S no.	Items Rejected		Amount (Rs in Crore)	Comments	View
1	Loan waivers		7,069.70	• New program Non-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. 1,985.07 Crore • Balance amount of Rs.1,590.74 Crore is discretionary
4	Deferred expenditure	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
		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 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

2. Loss Incurred on Account of Anomalies of Law

There is a serious anomaly between the provisions of Section 50 relating to the right to recover the tax arrears, Section 51 relating to the right to recover loans; and Section 56 relating to discharging the liability of tax refunds as on the appointed day in the Andhra Pradesh Reorganization Act, 2014. While Sections 50 and 51 confer the right to recover the tax arrears and loans as on the appointed day to the Successor State where the place of assessment or the person from whom the loan was recoverable is located, Section 56 casts the burden of sharing the liability of refunding the taxes on the two Successor States in the ratio of population. The three Sections 50, 51 and 56 of the Andhra Pradesh Reorganization Act, 2014 are reproduced below:

*"**50.** The right to recover arrears of the tax or duty on property, including arrears of land revenue, shall belong to the Successor State in which the property is situated, and the right to recover arrears of any other tax or duty shall belong to the Successor State in whose territories the place of assessment of that tax or duty is included on the appointed day.*

***51. (1)** The right of the existing State of Andhra Pradesh to recover any loans or advances made before the appointed day to any local body, society, agriculturist or other person in an area within that State shall belong to the Successor State in which that area is included on that day.*

***(2)** The right of the existing State of Andhra Pradesh to recover any loans or advances made before the appointed day to any person or institution outside that State shall belong to the State of Andhra Pradesh:*

Provided that any sum recovered in respect of any such loan or advance shall be divided between the States of Andhra Pradesh and Telangana on the basis of population ratio.

***56. (1)** The liability of the existing State of Andhra Pradesh to refund any tax or duty on property, including land revenue, collected in excess shall be the liability of the Successor State in whose territories the property is situated, and the liability of the existing State of Andhra Pradesh to refund any other tax or duty collected in excess shall be apportioned between the*

Successor States of Andhra Pradesh and Telangana on the basis of population ratio and the State discharging the liability shall be entitled to receive from the other State its share of the liability, if any.

(2) *The liability of the existing State of Andhra Pradesh to refund any other tax or duty collected in excess on the appointed day shall be the liability of the Successor State in whose territories the place of assessment of such tax or duty is included, and the liability of the existing State of Andhra Pradesh to refund any other tax or duty collected in excess shall be apportioned between the Successor States of Andhra Pradesh and Telangana on the basis of population ratio and the State discharging the liability shall be entitled to receive from the other State its share of the liability, if any."*

It may be noted that arrears, deferred taxes treated as interest free loans and also refunds arise under the Andhra Pradesh Value Added Tax Act, 2005 on the transactions of purchases and sales effected by a dealer in the entire State prior to reorganization. Therefore, differential treatment for their apportionment between the two Successor States is not justifiable and both should be apportioned on the basis of population.

The following excerpt from the Chief Minister's letter to the Union Home Minister (para 4 of the letter dated 8 May 2015) illustrates the loss sustained by Residual Andhra Pradesh: (Annexure -13) in respect of arrears pertaining to M/s Krishnapatnam Port Company whose operations are in the seaport of Krishnapatnam in Nellore district of Andhra Pradesh, while their corporate office is located in Hyderabad city in Telangana State.

"4. Further, the following illustration highlights the anomaly and its adverse impact on the revenues of the State of Andhra Pradesh. The High Court of Telangana and Andhra Pradesh at Hyderabad in their Orders dated: 3 December 2014 in W.P.No. 34680/2016 dismissed the Writ Petition filed by M/s Krishnapatnam Port Company Ltd. (KPCL) and upheld the orders passed by the Commercial Tax Officer, Jubilee Hills, Hyderabad directing them to remit Tax Deducted at Source during the years 2009-10 to 2011-12 from the Works contractor, M/s Navayuga Engineering Company Ltd. (NECL), Visakhapatnam to an extent of Rs. 92.98 Crore. As a consequence of the judgment of the High Court, the dealers M/s. KPCL will have to immediately pay Rs. 92.98 Crore along with interest. As per Section 50 of the Andhra Pradesh Reorganization Act, 2014, total tax arrears go to the State, where the dealer was registered and assessed before the date of reorganization i.e., 2 June 2014. M/s KPCL's entire operations were in Nellore District of Andhra Pradesh, but dealer was registered in the Capital City of Hyderabad for administrative (purposes) before the date of reorganization i.e., 2 June 2014. Due to that, the right to collect and appropriate the tax arrears goes to the State of Telangana as per Section 50 of the Reorganization Act. In case the judgment of the High Court results in refund to a dealer instead of arrear, the burden of payment of such refund has to be shared by the two States in the ratio of population as per the provisions of Section 56 of the Reorganization Act .... "

The anomaly between Sections 50, 51 and 56 of the Andhra Pradesh Reorganisation Act, 2014 is seriously impacting the revenues of the State of Andhra Pradesh to the tune of about Rs. 3,820 Crore. Table 2.1 shows the arrears, deferred taxes and refunds due in the combined State of Andhra Pradesh at the time of division. As per existing provisions of APRA, the right to collect arrears and loans goes to the State where assessment was made or the dealer is located whereas refund burden should be shared by Andhra Pradesh and Telangana in the ratio of population i.e. 58. 32 : 41.68. Table 2.2 shows that as per provisions of the APRA, 2014, Net Revenue for Andhra Pradesh is Rs. 3,021.20 Crore, and for Telangana it is Rs. 8,709.89 Crore.

Table 2.1 **Arrears, deferred taxes and refunds due in erstwhile Andhra Pradesh**

Rs. in Crore

1.	Total tax arrears as on 02-06-2014	9,424.69
2.	Total deferred taxes as on 02-06-2014	2,997.18
3.	Total refunds as on 02-06-2014	690.78
	Net Revenue (1+2) – 3	**11,731.09**

Table 2.2 **Revenue and Liabilities based on AP Reorganisation Act, 2014**

(Rs. in Crore)

		Andhra Pradesh	Telangana	Total
1.	Arrears (Section 50)	2,725.16	6,699.53	9,424.69
2.	Deferred taxes treated as loans (Section 51)	698.90	2,298.28	2,997.18
3.	Refunds (Section 56)	402.86	287.92	690.78
	Net Revenue [(1+2) – 3]	**3,021.20**	**8,709.89**	**11,731.09**

It can be seen from Table 2.2 that Telangana receives huge share in revenues from arrears and deferred taxes disproportionate to its population, while its burden of refunds is much less than the share of the population.

Table 2.3 shows the revenue of Andhra Pradesh and Telangana on removal of anomaly by apportioning both arrears and refunds on population basis.

It can be seen from Table 2.3 that the share of Andhra Pradesh State in arrears and deferred taxes increases significantly if population ratio is adopted for arrears and deferred taxes also on par with refunds.

Table 2.3 **Revenue and Liabilities if anomaly in law is corrected**

Rs. in Crore

		Andhra Pradesh (58.32%)	Telangana (41.68%)	Total
1.	Arrears	5,496.47	3,928.22	9,424.69
2.	Deferred taxes treated as loans	1,747.95	1,249.23	2,997.18
3.	Refunds	402.86	287.92	690.78
	Net Revenue [(1+2) - 3]	**6,841.56**	**4,889.51**	**11,731.09**

Loss of Net Revenue incurred by the State of Andhra Pradesh on account of the anomaly is Rs. 3,820.36 Crore (Net Revenue)

If anomaly is corrected - Rs. 6,841.56 Crore

Net Revenue under present law - Rs. 3,021.20 Crore

Loss: Rs. 6,841.56 – Rs. 3,021.20 = Rs. 3,820.36 Crore

In this regard, it may be noted that the Supreme Court in Civil Appeal No. 3019-3020 of 2016 (rising out of SLP No.14705-14706 of 2015) held that,“when an existing State if bifurcated to form new States, there must be an equitable bifurcation of assets and liabilities of the statutory bodies among the two Successor States as well to ensure welfare of the public at large residing within these States”. The Supreme Court negated the location theory by observing that merely because an institution is located in Hyderabad, the Successor State cannot appropriate all its assets.

Ideally, the Andhra Pradesh Reorganisation Act, 2014 should have provided for suitable apportionment of tax arrears and deferred taxes treated as interest between the Successor States in proportion to population, similar to other refunds under Section 56. However, after more than four years, an amendment of law is neither feasible nor desirable. After years of unrest and divisions in Telugu society based on regional sentiments, harmony has largely been restored between people of both States. Any amendment now may reignite regional passions, disrupt harmony between the people of both Telugu States, and undermine unity and integrity of the nation. Under these circumstances, we must apply the broader principle that the loss sustained by Andhra Pradesh due to anomalies of law of Parliament should be compensated by the Union.

Therefore, the loss of Rs. 3,820.36 Crore to Andhra Pradesh on account of anomalies in Sections 50 and 51 of Andhra Pradesh Reorganization Act should be made good by the Union government, as it is the law of Parliament that has created such situation.

3. Special Assistance in lieu of 90% Union Funding for Centrally Sponsored Schemes

Commitments of Government of India:

Andhra Pradesh Reorganisation Act, 2014

*"**Section 46 (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."*

*"**(3)** The Central Government shall, while considering the special development package for the Successor State of Andhra Pradesh, provide adequate incentives, in particular for Rayalaseema and north coastal regions of that State."*

*"**Section 94(1)** The Central Government shall take appropriate fiscal measures, including offer of tax incentives, to the Successor States, to promote industrialisation and economic growth in both the States."*

*"**(2)** The Central Government shall support the programmes for the development of backward areas in the Successor States, including expansion of physical and social infrastructure."*

Prime Minister's Statement - dated 20 February 2014

"First, for purposes of Central assistance, Special Category Status will be extended to the Successor State of Andhra Pradesh comprising 13 districts, including the four districts of Rayalaseema and the three districts of north coastal Andhra for a period of five years. This will put the state's finances on a firmer footing."

Chronology of events:

In pursuance of the commitments listed above, the Union Cabinet took a decision in March 2014 to accord Special Category Status to the Successor State of Andhra Pradesh for a period of five years.

The Fourteenth Finance Commission in its report stated as follows (paras 2.29)

2014

> *"We did not make a distinction between Special and General Category States in determining our norms and recommendations. In our assessment of State resources, we have taken into account the disabilities arising from constraints unique to each State to arrive at the expenditure requirements. In this regard, we have observed that the North-eastern and hill States have several unique features that have a bearing on their fiscal resources and expenditure needs, such as low level of economic activity, remoteness and international borders. Our objective has been to fill the resource gaps of each State to the extent possible through tax devolution. However, we have provided post-devolution revenue deficit grants for States where devolution alone could not cover the assessed gap…."*

> "*We are of the view that intra-state inequality is within the policy jurisdiction of the States and provisioning of adequate resources through tax devolution should enable them to address intra-state inequalities in an effective manner"*

Government of India in a press communiqué on 15 March 2017 stated as follows: (Annexure -14)

> *"(i). The Central Government will provide special assistance measure to Government of Andhra Pradesh, which would make up for the additional Central share the State might have received during 2015-16 to 2019-20, if the funding of Centrally Sponsored Schemes (CSS) would have been shared at the ratio of 90:10 between the Centre and the State. The special assistance will be provided by way of repayment of loan and interest for the Externally Aided Projects (EAPs) signed and disbursed during 2015-2016 to 2019-20 by the State."*

Government of Andhra Pradesh has estimated a figure of Rs.16,447 Crore as the Special Assistance due to the State in lieu of 90% subsidy in Centrally Sponsored Schemes. The State's estimate assumes an annual increase of 13.43% in outlay under these Schemes, taking as baseline the Government of India's estimate of Rs. 2, 516 Crore due to Andhra Pradesh in lieu of 90% Union share for FY 2015-16. (Annexure-15)This number seems reasonable, as it is comparable to the estimate arrived at by team of experts from Centre for Economic and Social Studies (CESS) for a period of four years. 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 (Table 3.1).

The Union Cabinet has decided on 15 March 2017 that the Union will provide Special Assistance Measure to Government of Andhra Pradesh, which would makeup for the additional Central Share the State might have received during 2015-16 to 2019-20 if the funding of Centrally Sponsored Schemes (CSS) would have been shared at the ratio of 90:10 between the Centre and the State. The Special Assistance will be provided by way of repayment of loan and interest for the Externally Aided Projects (EAP) signed and disbursed during 2015-16 to 2019-20 by the State.

Table 3.1 **Grants-in-aid from the Union to AP under CSS (Rs. in Crore)**

	Grants-in-aid under CSS	As per Existing sharing pattern		Suggested sharing pattern Union: AP State 90:10		Additional grant to AP if 90:10 is applied
		Union	State	Union	State	
1	2	3	4	5	6	7 = (col 4- col 6)
2015-16	9,592.29	5,755.37	3,836.92	8,633.06	959.23	2,877.69
2016-17	12,081.19	7,248.71	4,832.48	10,873.07	1,208.12	3,624.36
2017-18 RE	14,670.38	8,802.23	5,868.15	13,203.34	1,467.04	4,401.11
2018-19 BE	16,608.72	9,965.23	6,643.49	14,947.85	1,660.87	4,982.62
Total	**52,952.58**	**31,771.55**	**21,181.03**	**47,657.32**	**5,295.26**	**15,885.77**

Note: Certain schemes delinked from support of the Centre. National e-Governance Plan; Backward Regions Grant Funds; Modernization of Police Forces; Rajiv Gandhi Panchayat SashaktikaranAbhiyaan (RGPSA); Scheme for Union Assistance to the States for developing export infrastructure; Scheme for setting up of 6000 Model Schools; National Mission on Food processing; Tourist Infrastructure; Grants under Proviso to Art 275(1) of The Constitution Grants for Capital City, Polavaram Project do not come under sharing pattern.

Source: Volume II DETAILED ESTIMATES OF REVENUE AND RECEIPTS, Government of Andhra Pradesh 2017-18 and 2018-19

The government of Andhra Pradesh made a budgetary provision of Rs. 3,500 Crore in 2017-18 anticipating a grant of that magnitude; however, such a grant was not made. The State also expected that the Special Assistance through EAP would not be covered by the FRBM Act; however, the Union informed the State that the State's allocation under EAP would be on 70:30 basis, and the amount would be covered by FRBM norms.

The actual disbursements under EAP have been Rs. 685.17 Crore in 2015-16 and Rs. 873.81 Crore in 2016-17. Special Category States receive 90% of the EAP amount as grant, whereas other States get 70% as loan and 30% as grant. If Andhra Pradesh were to get 90% grant, the State would have been eligible to receive a grant of Rs.881 Crore in 2015-16, and Rs. 1,124 Crore in 2016-17. Assuming an average grant of Rs.1000 Crore per year, over five years, at the current rate of disbursement the State's eligibility at 90% grant would be around Rs. 5,000 Crore. Clearly, if the Union's intention is to provide Special Assistance to the State over five years to a tune of Rs. 16,447 Crore, EAP window is wholly insufficient; it will not cover even a third of the assistance promised.

The actual amounts reimbursed to the State so far illustrate the inadequacy of EAP window to extend the desired assistance to Andhra Pradesh in lieu of 90% Union share in Centrally Sponsored Schemes. As of now, only Rs. 15.81 Crore has been reimbursed to the State under EAP, whereas the State spent Rs. 42.58 Crore towards repayment of loan and interest for the EAPs signed and disbursed since 2015-16 till date. Clearly at this rate, EAP window will not cover small fraction of the Special Assistance envisaged for the State in lieu of the 90% Union share in the Centrally Sponsored Schemes.

Given these circumstances, the Andhra Pradesh Government wrote to the Union requesting the following:

- Provide Special Assistance at 90:10 ratio for Externally aided Projects as being given to Special Category States
- Permit the State Government to clear other outstanding loans towards EAPs, Small Savings and NABARD in lieu of the grant
- Permit borrowing from internal lenders like NABARD, HUDCO, and other Public Sector Banks in lieu of the grant
- Utilise the balance amount to pay interest commitments to Government of India, NABARD and EAPs
- Not to make the Special Assistance as a part of State's FRBM limit since the repayment responsibility of the EAPs will be taken up by the Government of India

However, on 10 July 2017, the Union Government informed the State that the Special Assistance will be given by way of repayment of loans and interest under EAP signed and disbursed during 2015-16 to 2019-20; and that the EAP loans would be given to the State only as per current procedure, and within the FRBM limits. The Union also declined the State's request to disburse Special Assistance in other forms like repayment of loans due to Government of India and its parastatals.

Given these circumstances, if the benefit of Special Assistance to a tune of Rs.16,447 Crore were to be extended to Andhra Pradesh State, it is necessary to allow the State to avail the Special Assistance in the following manner:

1. Repayment of EAP loans and interest
2. Repayment of principal and interest of Special Development Loans by arrangement of set off with RBI
3. Repayment of other dues with loan and interest to Government of India by adjustment
4. Repayment of loans and interest due to parastatals of Government of India including Small Savings, NABARD, and NCDC by transfer of funds by Government of India, in lieu of repayment by Government of Andhra Pradesh
5. Repayment of loans with interest to other parastatals including PFC, REC, HUDCO; repayment may be made by direct transfer by Government of India to these parastatals on account of Andhra Pradesh State parastatals. Necessary budgetary arrangements should be made by Government of Andhra Pradesh to adjust for these payments
6. As Government of India takes over responsibility to repay EAP loans, the liability of EAP may be taken out from the accounts of Government of Andhra Pradesh, and the amount may be exempted from FRBM limit
7. Government of India may treat 90% of EAP amount as grants to Government of Andhra Pradesh on par with the Special Category States
8. The amount of Rs. 16,447 Crore would be a significant commitment for Government of India given its strained fiscal position. It is therefore suggested that the Union Government could consider issuing short/medium tenure AP Relief Bonds to raise these resources as well as other financial obligations as part of Special Assistance towards Andhra Pradesh

The purpose of the Special Assistance in this case is clearly to give the State of Andhra Pradesh the benefit equal to 90% share of the Union government in Centrally Sponsored Schemes during the five-year period. This amount is estimated at Rs. 16,447 Crore. The EAP window is wholly insufficient to extend the intended Special Assistance to the State. Even in the best case scenario, the total assistance under EAP will not exceed Rs. 4,000 to 5,000 Crore. In actual fact, as of December 2018, over three years, nine months, a paltry amount of Rs.15.81 Crore has been the assistance extended to the State. By insisting on EAP window as the sole means of assistance, the purpose of special assistance is defeated.

4. Assistance Required for Polavaram Project

Commitments of Government of India:

Irrigation: Polavaram Project[1] (Section 90, Andhra Pradesh Reorganisation Act, 2014)

"90. (*1*) *The Polavaram Irrigation Project is hereby declared to be a national project.*

(2) *It is hereby declared that it is expedient in the public interest that the Union should take under its control the regulation and development of the Polavaram Irrigation Project for the purposes of irrigation.*

(3) *The consent for Polavaram Irrigation Project shall be deemed to have been given by the Successor State of Telangana.*

(4) *The Central Government shall execute the project and obtain all requisite clearances including environmental, forests, and rehabilitation and resettlement norms."*

Prime Minister's Statement - dated 20 February 2014

"Fourth, I would like to reassure Honourable Members that if any further amendments are needed to facilitate smooth and full Rehabilitation & Resettlement (R&R) for the Polavaram project, they will be given effect to at the earliest. Our government will execute the Polavaram project—let there be no doubt about it."

The project was accorded investment clearance by the Planning Commission for Rs.10,151 Crore (at 2005-06 price level) in 2009. Further, the Advisory Committee of Ministry of Water Resources (ACMWS) approved the cost at 2010-11 price level as Rs. 16,010 Crore during January, 2011 including power and drinking water component of Rs. 2,868 Crore.

[1]The Polavaram Project is on the river Godavari, about 42 km upstream of Sir Arthur Cotton Barrage in the State of Andhra Pradesh. It envisages construction of a dam and canal system to create ultimate irrigation potential of 7.2 lakh acres, generation of 960 MW of hydro power, drinking water supply to a population of 28.5 lakh in 540 villages and diversion of 80 TMC of water to Krishna river basin.

Prior to the passage of the APRA, the Polavaram project was being implemented by the Government of Andhra Pradesh with Union Assistance under the Accelerated Irrigation Benefits Programme (AIBP). An expenditure of Rs. 5,135.87 Crore had been incurred up to March 2014, including Union Assistance of Rs. 562.47 Crore. The Union Government decided to fund the Polavaram Irrigation Project in the following manner:

i. It will provide 100% of the remaining cost of the irrigation component of the project for the period starting from April 2014 (vide F.No.1(2)/PFI/2014(Pt) dated 30 September 2016 of MoF). During 2017-18, Central Assistance of Rs. 979.36 Crore has been released and another Rs. 1,020.64 Crore. has been sanctioned[2] (PIB dated 8 February 2018).

ii. The NITI Aayog recommended that it will be appropriate for the State of Andhra Pradesh to execute this project (as the State Government is keen to complete it at the earliest), the Government of India has agreed for the execution of the project by the State Government on behalf of the Government of India.

Government of India in a press communiqué on 15 March 2017 (Annexure-14) **stated as follows:**

(ii) Funding of 100% of the remaining cost of the irrigation component only of the Polavaram project for the period starting from 1.4.2014, to the extent of the cost of the irrigation component on that date. Andhra Pradesh Government will execute the project on behalf of Government of India. However, the overall coordination, quality control, design issues, monitoring, clearances related issues etc. are to be dealt by the Polavaram Project Authority of Ministry of Water Resources, River Development & Ganga Rejuvenation. The Polavaram Project Authority will also assess the cost of the irrigation component as on 01.04.2014 in consultation with the Department of Expenditure, Ministry of Finance.

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[2] The Union Finance Minister, during his Budget speech 2016-17, announced creation of dedicated Long Term Irrigation Fund (LTIF) in NABARD with an initial corpus of Rs. 20,000 crore for funding of Union and State share for the identified ongoing projects under PMKSY (AIBP and CAD).To make the loan from NABARD attractive for states, it was decided that the rate of interest may be kept around 6% by providing requisite cost free funds to NABARD every year during 2016-17 to 2019-20 on which interest cost would be borne by Govt. of India.During the year 2016-17, NABARD disbursed aggregate amount of Rs. 9086.02 crore under LTIF, out of which Rs. 2414.16 crore was released for Polavaram project (without EBR component): Press Information Bureau, Government of India, 16-August-2017

Polavaram project is a major irrigation project involving inter-basin transfer of 80 TMC of water from the water-surplus Godavari river to the water-starved Krishna river. The project is being executed speedily, and Phase-I of the project with a dam height of 41.15 metres is likely to be completed by 2019. While Phase-I will not give the full benefit of reservoir storage, it will allow impounding water, and inter-basin transfer by gravity. Most of the land acquisition and a substantial part of the R & R work have been completed for Phase-I and the civil works at project site are in brisk progress. Phase-II envisages a dam height of 45.72 metres and involves significant additional work by way of land acquisition and rehabilitation.

The current status of implementation of the project as on 17 December 2018 is given in Table 4.1. The expenditure incurred as on 17 December 2018, and the reimbursement of project cost due from Government of India are given in Table 4.2

As stated above the completion of the project to a height of 41.15 metres (Phase-I) in a time-bound manner by 2019 is vital so that the benefits of the project will flow to the region and the people of all riparian States - Andhra Pradesh, Telangana, Karnataka and Maharashtra. Once 80 TMC of water is diverted to Krishna basin, all riparian States of Krishna river will share the water saved in Krishna river basin by such diversion.

As can be seen from Table 4.2, as on 17 December 2018, an expenditure of Rs 10,069.66 Crore has been incurred on Polavaram Project after the declaration of National Project of this amount due to the State, an amount Rs. 6,727.26 Crore has been reimbursed by Government of India so far. Thus a balance of Rs. 3,342.40 Crore expenditure already incurred is pending reimbursement from the Union government.

As on 17 December 2018, an estimated Rs. 2,874.68 Crore was required additionally for completion of Phase-I head works at the Project site in addition to the amounts utilised by that date (Table 4.3). As there is rapid progress of work, these figures change every week. In order to complete Phase-I (EL +41.15m), an additional amount of Rs. 2,494.11 Crore is needed for land acquisition and R&R (Table 4.4).

While the actual figures vary with time, in order to fund the project adequately to complete Phase-I by the end of 2019, a total amount of Rs. 8,711.19 Crore needs to be allocated in 2018-19 and 2019-20, including reimbursement of Rs. 3,342.40 Crore expenditure already incurred from the State's own funds (Table 4.5).

It is imperative that these funds are available in a timely manner to enable completion of the Polavaram Project Phase-I (El +41.15m) and to derive benefits of inter-basin diversion.

Phase-II of the project (raising height of the dam from +41.15m to +45.72m FRL) involves expenditure on civil works, and substantial additional expenditure on LA and R & R totaling an estimated Rs. 27,494 Crore (Table 4.6). Over 90% of this expenditure for Phase-II of the Project raising the height to 45.72m needs to be incurred on Land Acquisition and R&R. These are estimates based on the revised land acquistion law - The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013. The actual civil works in Phase-II would need about Rs. 2,100 Crore, under 10% of the total cost of Phase-II.

Thus, an expenditure of Rs. 8,711.19 Crore by 2019 to complete Phase-I, and a further additional expenditure of about Rs. 27,494 Crore in 2019-20 to complete Phase-II of this important project are needed. Revised cost estimates may be approved by the Union as per norms. While this expenditure commitment is substantial in a short period of time, it is beneficial to the nation if the project is completed in all respects at the earliest. Prolonged execution will only escalate the costs and delay the benefits from investments already made.

Table 4.1 Projec t Progress Status

Sno		Description	Previous week	This week	Total % end of this week
		Overall Project	**62.16%**	**0.37%**	**62.53%**
1		**Head works**	**51.07%**	**0.57 %**	**51.64%**
	1.1	**Main Dam Package**	**50.27%**	**0.61%**	**50.88%**
	1.1. A	**Excavation** (Spillway, Spill Channel, Approach Channel, Pilot Chanel & Left Flank)	82.60%	0.40%	83.00%
	1.1. B	**Concrete** (Spillway, Stilling Basin & spill Channel including Crevices filling)	53.60%	1.80%	55.40%
	1.1. C	**Radial Gates** Fabrication	62.05%	0.02%	62.07%
	1.1. D	**Diaphragm Wall**	100%	-	100%
	1.1. E	**Jet Grouting** cut off for Coffer Dams	100%	-	100%
	1.1 F	**U/s Coffer Dam**	1.25%	0.61%	1.86%
	1.2	**Connectivity Packages**	**59.65%**	**0.06%**	**59.71%**
	1.2. A	Left Connectivities	47.94%	0.02%	47.96%
	1.2. B	Right Connectivities	72.83%	0.12%	72.95%
2		**Right main canal**	**90.00%**	**-**	**90.00%**
3		**Left main canal**	**66.23%**	**0.20 %**	**66.43%**

Main Dam Components:-

- EXCAVATION for Spillway, Spill Channel, Approach Chann Pilot Channel & Left Flank : 925.96 lakh cum completed out total 1115.59 lakh Cum (83.00%).
- CONCRETING for Spillway, Stilling Basin & Spill Channel : 20.37 lakh cum (including 1.65 L Cum of crevices filling) completed out of 36.79 lakh Cum (55.400%)
- RADIAL GATES fabrication : 11,177MT completed out of 18000 MT (62.07%).
- DIAPHRAGM WALL concreting : 1396.6 m completed out 1396.6 m (100%).
- JET GROUTING CUTOFF'S for Coffer Dams : 3462 m (as p site condition) completed out of 3467 m (100%)
- U/S COFFER DAM: 1.45 L cum completed out of 77.81 L cu (1.86%).
- **CONNECTIVITIES** : 59.71% of work completed.
  Left Connectivities : 47.96% Completed
  Right Connectivities : 72.95 % Completed
- **RIGHT MAIN CANAL** : Excavation completed for total leng of 177.9 Km (100%), Lining completed for 157.563 KM out 176.20 Km (90.0%). Structures 203completed out of 255 Nos.
- **LEFT MAIN CANAL** : : Excavation completed for 185.073 K out of 211.379 Km (87.56%), Lining completed for 126.548 K out of 211.379 Km (59.86%). Structures 155 Completed out 453 Nos.

Water Resources Dept., Govt. of Andhra Pradesh

Polavaram Irrigation Project - Lifeline of Andhra Pradesh

Source : Report of Water Resources Department dated 17 December 2018

Table 4.2 **Polavaram Project Financial Progress and Reimbursement**

Rs. in Crore

a	Approved Cost of the Project (2010-11 price level)	16,010.45
b	Cost of Power Component	3,716.05
c	Irrigation Component	12,294.40
d	Expenditure incurred on the Project before National Project	5,135.87
e	Expenditure incurred on Polavaram Project under National Project up to June 2018	10,069.66
f	Total expenditure incurred on Polavaram Project From inception up to June 2018	15,205.53
g	Total Funds released to the State Government through Polavaram Project Authority after declaring the project as National Project	6,727.26
h	Balance Reimbursement to be made by GOI for the expenditure already made on the Project by the State of AP as National Project (e-g)	**3,342.40**

Source : Report on AP Water Resources Department as on Dec 17, 2018

Table4.3 **Construction Programme of PIP Main Dam Works**

S No	Activity	Unit	Total	Bill Paid	Bal
1	Excavation - Spill Channel + Embankment	L Cum	653	443.83	209.1
		Crore	855.47	709.93	145.5
2	Excavation of Pilot Channel	L Cum	50	11.65	38.35
		Crore	45.59	10.11	35.48
3	Excavation - Powerhouse Foundation +Embankment	L Cum	124	84.06	39.94
		Crore	319.16	148.84	170.31
4	Concrete - Spillway	L Cum	11.95	8.25	3.70
		Crore	828.8	498.35	330.4
5	Concrete- Stilling Basin+Apron+Divide wall	L Cum	4.44	2.92	1.52
		Crore	COST INCLD IN SL NO 4		
6	Concrete - Spill Channel + Excavation+ Filter	L Cum	18.75	4.94	13.81
		Crore	820.61	214.57	606.04
7	Spill Way Bridge	Spans	49	0	49
		Crore	9.99	0	9.99
8	Fill - Protection of Godavari Left Bank	L Cum	7.4	0	7.4
		Crore	28.04	0	28.04
9	Spill Channel Bridge	TBD			
		Crore	46.07	0	46.07
10	Gates – Design & Approval	LS	1	0.9	0.1
11	Excavation – Approach Channel	L Cum	131	22.62	108.3
		Crore	114.32	20.67	93.65
12	Fill - Earth Dam GAP - I	L Cum	15.61	0	15.61
		Crore	47.42	0	47.42
13	Fill - Earth Dam Gap - III	L Cum	0.5	0	0.5
		Crore	1.57	0	1.57
14	Fill - Coffer Dams (U/s & D/s) - Jet Grouting	m	3467	2740	727
		Crore	106.36	78.33	28.03
15	Fill - Rockfill guide Bund on Spillway U/s	L Cum	12.16	0	12.16
		Crore	51.56	0	51.56
16	Gates – Fabrication	MT	18000	11030	6970
		Crore	456.37	69.03	387.3
17	Gates – Erection, Commissioning & Testing	No	48	0	48
		Crore	COST INCLD IN SL NO 16		
18	Diaphragm Wall+ Supporting services	M	1427	1396.6	-
		Crore	467.72	399.64	68.08
19	Fill - Coffer Dams (U/s & D/s)	L Cum	95.62	0	95.62
		Crore	105.25	0	105.2
20	Fill - ECRF Dam	L Cum	88.6	0	88.6
		Crore	422.79	0	422.7
21	Spillway Excavation+ Road + others	Crore	711.15	414.09	297.0
	TOTAL	Crore	5438.24	2563.55	2874.6

Source : Report of Water Resources Department dated 17 December 2018

Table No 4.4

For EL + 41.15 m

LA and R&R Status (L.A, Submergence, Land to Land and Housing)

Revised dt. 21 Oct 2018

COMPONENT	TOTAL Involved		COMPLETED		BALANCE	
	Physical	Financial (Rs. In Crs)	Physical	Financial (Rs. In Crs)	Physical	Financial (Rs. In Crs)
W.G District						
LA (in Acres)	39033.05	2601.30	39033.05	2601.30	0	0
R& R (in PDF's)	12466	2503.40	2584	857.21	9882	1646.19
TOTAL		5104.70		3458.51		1646.19
E.G District						
LA (in Acres)	21944.28	641.71	21866.47	563.93	77.81	77.78
R& R (in PDF's)	5652	1021.45	1338	255.33	4314	766.12
TOTAL		1663.16		819.26		843.90
Vishakhapatnam						
LA (in Acres)	4110.15	84.15	4073.64	80.13	36.51	4.02
R& R (in PDF's)						
TOTAL		84.15		80.13		4.02
Krishna						
LA (in Acres)	3331.59	666.37	3331.59	666.37	0	0
R& R (in PDF's)						
TOTAL		666.37		666.37		0
Grand Total						
LA (in Acres)	**68419.07**	**3993.53**	**68304.75**	**3911.73**	**114.32**	**81.80**
R& R (in PDF's)	**18,118**	**3,524.85**	**3,922**	**1112.54**	**14,196**	**2,412.31**
TOTAL		**7,518.38**		**5,024.27**		**2,494.11**

Report of Water Resources Department dated 21 October 2018

Table 4.5 **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 21st October 2018)	2,494.11
Amount already utilised, and reimbursement from Government of India due (as on 17th December 2018)	3342.40
TOTAL	**8,711.19**
These estimates are based on information available so far, and are subject to correction as the project work progresses.	

Table 4.6 **Fund Required for Completion of Polavaram Irrigation Project Head Works from +41.15 Mts to +45.72 Mts**

Rs. in Crore

Sl.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
	Jun-19	225	4,500	80	4,805
	Jul-19	150	5,000	75	5,225
	Aug-19	125	4,500	60	4,685
	Sep-19	150	3,000	55	3,205
	Oct-19	350	1,500	60	1,910
	Nov-19	300	800	55	1,155
	Dec-19	375	525	64	964
	GRAND TOTAL	**2,100**	**24,825**	**569**	**27,494**
These are rough estimates as on 9th April 2018. Figures are subject to revision					

The Union and State have so far exhibited a high degree of coordination in the execution of the Polavaram National Project. This is by far the fastest progress achieved for any national project, and the progress of work is impressive.

In order to complete the Phase-I of the project by 2019 the following measures are needed by the Government of India, Polavaram Project Authority and the State Government :

- Continuance of the pace of progress at current rate.
- Continue effective Union-State coordination and speedy approval of designs and drawings and other clearances
- Ensure smooth flow of funds for seamless and uninterrupted project project work to enable completion of Phase-I by 2019

Once Phase-I is completed, Government of India and Andhra Pradesh Government may take effective steps to complete Phase-II in a time-bound manner.

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, Rs. 8,711.19 Crore (EL +41.15 m) is required, including reimbursement of Rs.3,342.40 Crore expenditure already incurred from the State's own funds
- 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

Government of India Commitment:

Section 46 (3) and 94 (3) of Andhra Pradesh Reorganisation Act, 2014

> ***46 (3)*** *"The Central Government shall, while considering the special development package for the successor State of Andhra Pradesh, provide adequate incentives, in particular for Rayalaseema and north coastal regions of that State."*
>
> ***94 (3)*** *"The Central Government shall provide special financial support for the creation of essential facilities in the new capital of the successor State of Andhra Pradesh including the Raj Bhawan, High Court, Government Secretariat, Legislative Assembly, Legislative Council, and such other essential infrastructure."*

Prime Minister's Statement dated 20 February 2014

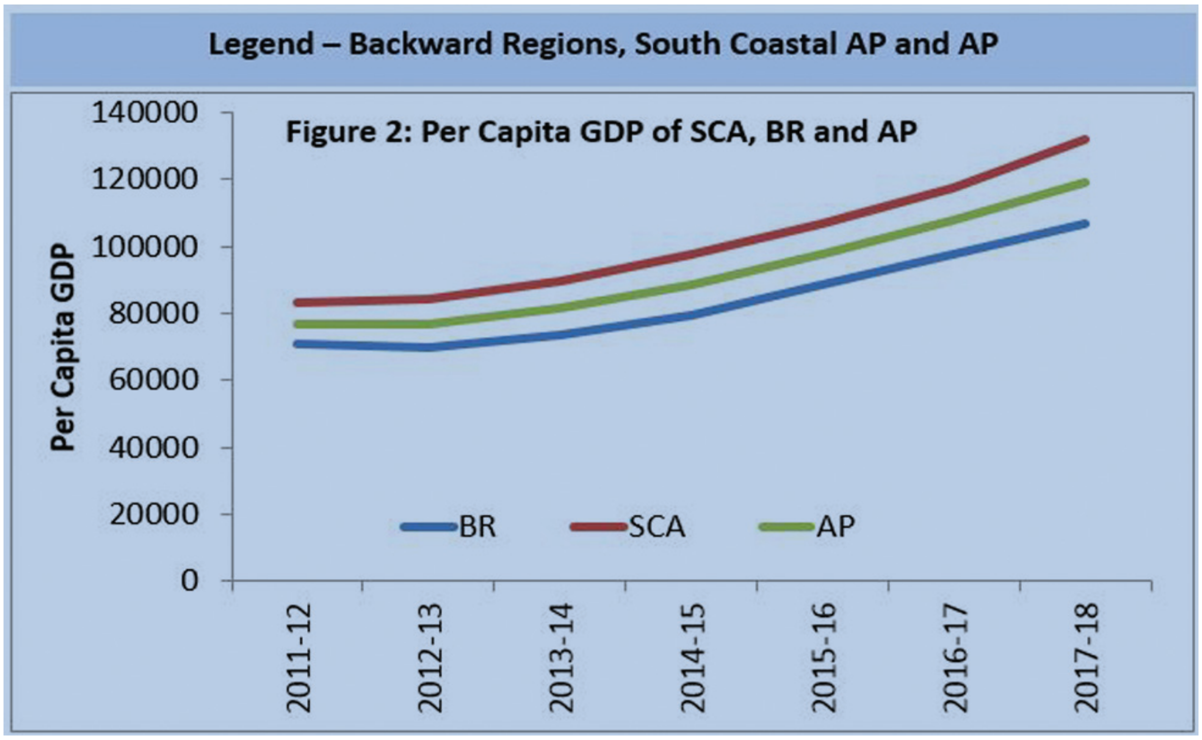
> *"Third, the Bill already provides for a special development package for the backward regions of the successor state of Andhra Pradesh, in particular for the districts of Rayalaseema and North Coastal Andhra Pradesh. This development package will be on the lines of the K-B-K (Koraput-Bolangir-Kalahandi) Special Plan in Odisha and the Bundelkhand Special Package in Madhya Pradesh and Uttar Pradesh."*

Catching-up of Backward Regions

A Macro View

The State of Andhra Pradesh consists of three disparate regions, viz., North Coastal (NC), South Coastal (SC) and Rayalaseema (RS). The three regions vary in their agro-climatic conditions and differ in economic development. The two regions of NC & RS, which together account for 7 districts are usually considered as backward regions (BR) of Andhra Pradesh. The Per Capita GSDP of Backward Regions (PCGSDP-BR) was about 15% lower than that of SC region and 8% lower than that of Andhra Pradesh average during the period before the bifurcation (Figure-2).

This gap persisted and widened gradually overtime. By 2017-18, the PCGSDP of BR is nearly 20% lower than that of SC region and 10% lower than that of Andhra Pradesh average (Figure-2).



One way of assessing the magnitude of the assistance that the seven backward districts of BR needs is to examine what stimulates acceleration of growth in these regions so that they reach in ten years the state average PCGSDP as estimated in Chapter 'An Assessment of Loss in Economic Capacity due to Bifurcation' of this Report. The PCGSDP of Andhra Pradesh after ten years, i.e by 2027-28 would be Rs. 4.4 lakhs (at 2017-18 prices) assuming it would overcome its initial disadvantages (in capital stocks division) and achieve parity with Telangana State. Building on this premise, this note attempts to assess the magnitude of investments required in backward regions to stimulate a growth rate that would raise its PCGSDP on par with state average over the next 10 years. The assumptions made in the computations are the same as in Chapter 'An Assessment of Loss in Economic Capacity due to Bifurcation.'

The per capita GSDP of erstwhile Andhra Pradesh (as estimated in section II) would be Rs. 4.4 lakhs by 2027-28 (at 2017-18 prices) with a PCGSDP of Rs. 1.4 lakhs in 2017-18. The GSDP of BR would require to grow at 11.8% per annum to maintain parity with erstwhile Andhra Pradesh's projections in ten years. Adding the population growth rate of 0.62% per annum, would be required to achieve parity with the erstwhile Andhra Pradesh. The required growth rate is aggregate GSDP of 12.45% per annum.

Assuming contribution of Total Factor Productivity to aggregate growth would be the same as in Chapter 'An Assessment of Loss in Economic Capacity due to Bifurcation,' the growth rate in capital stock of BR is estimated to be 11.75% per annum. The base year capital stock is estimated using a Captial Output Ratio (COR) of 3.5. The required growth rate of capital stock, 11.75% per annum is applied on the base year capital stock to generate the series of annual changes in the capital stock for next ten years.

Over the period of ten years, a total capital of Rs. 26 Lakh Crore is needed, of which Rs. 22 Lakh Crore would be generated through saving internally. The remaining Rs. 3.94 Lakh Crore need to be mobilised through other means. In other words, almost 85% of the total external investments needed for Andhra Pradesh should flow to only BR regions. The reason for this is the low base PCGSDP of BR. Because of the low incomes, the internal savings tend to be low, while the total investments need to increase. Mobilising such investment for BR may be too demanding, even if a 50% crowding-in effect is assumed for public investments.

In order to moderate the scale of external investments for BR, the assumption of this region's PCGSDP equaling Andhra Pradesh's average PCGSDP is relaxed. This is done by assuming that the ratio between the PCGSDP of BR and State average will be maintained at the current level of 90%. With this assumption the required aggregate GSDP growth rate of BR would be 11.3% per annum (as against 12.45% in the above scenario).

In this case, the total investment requirement for ten years would be Rs. 22.1 Lakh Crore (as against total investment estimated of Rs. 51 Lakh Crore for the State as a whole). Internal savings for BR in the ten years span would be Rs. 20 Lakh Crore (as against Rs. 46 Lakh Crore for the State). The remaining part of the investments, Rs. 1.52 Lakh Crore should come from external sources (against Rs. 4.7 Lakh Crore for the State as a whole).

Table 5.1 **Investment Projections (at 2017-18 prices)**

Aggregate GSDP in 2017-18 (Rs. in Crore at current prices)	3,63,949
Aggregate GSDP in 2027-28 (Rs. in Crore at 2017-18 prices)	11,76,147
Increase in GSDP due to TFP growth (Rs. in Crore at 2017-18 prices)	70,569
Increase in GSDP due to expansion of Capital Stock (Rs. in Crore at 2017-18 prices)	11,05,579
Required Growth Rate of Capital Stock	11.75%
Total Investments in ten years.	25,95,704
Savings generated internally	22,01,470
Rest of the Investments	3,94,234

Table 5.2 **Investment Projections (at 2017-18 prices) With Constant Disparity**

Aggregate GSDP in 2017-18 (Rs.in Crore at current prices)	3,63,949
Aggregate GSDP in 2027-28 (Rs. in Crore at 2017-18 prices)	10,59,151
Increase in GSDP due to TFP growth (Rs. in Crore at 2017-18 prices)	63,549
Increase in GSDP due to expansion of Capital Stock (Rs. in Crore at 2017-18 prices)	9,95,602
Required Growth Rate of Capital Stock	10.59%
Total Investments in ten years (Rs. in Crore)	22,10,786
Savings generated internally (Rs. in Crore)	20,58,568
Rest of the Investments (Rs. in Crore)	1,52,218

For the first five years the investment requirements would be Rs. 72,300 Crore, of which the private components from outside would be about Rs. 36,100 Crore, leaving another Rs. 36,100 Crore from public sector.

To sum up, the state of Andhra Pradesh would target a compensation of Rs. 1.03 Lakh Crore in the next five years. This along with the internal savings and external private sector investments would ensure that the State is on the desired growth path. If the State aims at removing the regional disparities, it should invest almost 85% of this within the backward regions. However, if the state maintains the ratio of PCGSDP of BR and State average at 90% throughout, it would need to invest one third of the total in BR regions.

It may be noted that estimates vary with the assumptions about COR and TFP growth rate. The estimates of investments are made at 2017-18 prices and need appropriate adjustments for inflation. The estimates can be disaggregated by seven districts using district specific per capita GSDP gap.

The socio-economic indicators of North-Coastal Andhra and Rayalaseema regions of Andhra Pradesh amply illustrate the relative backwardness of these areas. The real developmental lag of Andhra Pradesh is largely attributable to these sub-regions whose indicators are comparable to, or worse than, those of the Special Category States. Low literacy levels, high gender gap in literacy, poor water supply and other indicators of poverty and backwardness in these districts clearly justify special attention to the development needs of these areas.

Table 5.3 shows a comparison between these sub-regions of AP and the larger Special Category States of Assam, Himachal Pradesh, Uttarakhand and Jammu & Kashmir.

Table 5.3 **Comparision of Socio-Economic Status of North-Coastal Andhra with Special Category States**

State / Region Parameter	Assam	Himachal Pradesh	Uttarakhand	Jammu & Kashmir	Rayalaseema	North Coastal Andhra (Inclu. GVMC)
Area ('000 sq. km, Census, 2011)	78.43	55.67	53.48	222.2	67.4	23.5
Population (in lakhs, Census, 2011)	312	68.6	100.8	125.4	151.8	93.1
Population Density (per sq. km, Census, 2011)	398	123	189	56	225	40
IMR (per 1000 live births, 2011, SRS Bulletin 2012)	55	38	36	41	44.5	48
Literacy Rate (in percentage, Census, 2011)	72.19	82.8	78.82	67.16	66.34	64.07
Female Literacy Rate (in percentage, Census, 2011)	66.27	75.93	70.01	56.43	56.5	55.35
% Non-availability of drinking water source within premises (Census, 2011)	45.2	44.5	41.7	51.8	70.99	75.68
% of HH without latrine facility (Census, 2011)	35.1	30.9	34.2	48.8	60.58	64.54
% of Population Below Poverty Line (Planning Commission 2011-12)	31.98	8.06	11.26	10.35	9.66	12.66
Per Capita Net State Domestic Product (current prices 2009-10 in Rs)	27197	50365	59584	30582	42320	53165
Installed Capacity of Power Utilities (in MW, as on 30.06.2011)	978.84	2826.72	2455.24	2296.14	1840	240

Source : Data compiled by Foundation for Democratic Reforms from Census and other sources

Table 5.4 shows the district-wise data of the seven districts comprising North Coastal Andhra Pradesh and Rayalaseema.

Table 5.4 **Socio-Economic Indicators of North-Coastal Andhra and Rayalseema**

Sl. No.	**Indicator**	**North Coastal**			**Rayalaseema**			
		Srikakulam	**Vizianagaram**	**Visakhapatnam**	**Chittoor**	**Y.S.R Kadapa**	**Anantapur**	**Kurnool**
1	Per Capita GDP/GSDP at **Current** prices (Rs.)	53,203	60,545	113,860	65,261	66,592	64,970	58,211
2	Sectoral GSDP at **Current prices** (share %)							
2.1	Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
2.2	Agriculture	**24.70**	**26.53**	**9.68**	**23.88**	**23.89**	**25.16**	**26.10**
2.3	Industry	**20.14**	**19.21**	**34.96**	**26.48**	**28.26**	**23.47**	**23.63**
2.4	Services	**55.16**	**54.26**	**55.36**	**49.63**	**47.85**	**51.37**	**50.27**
3	**Area (In '000 Sq. Km.)**	5.8	6.5	11.2	15.2	15.4	19.1	17.7
4	Population (lakhs)	27.03	23.44	42.91	41.74	28.82	40.81	40.53
4.1	% of SC Population	9.46	10.57	7.68	18.82	16.16	14.29	18.21
4.2	% of ST Population	6.15	10.05	14.42	3.81	2.63	3.78	2.04
5	Population Density (Per Sq. Km.)	463	359	384	275	188	213	230
6	Decadal Growth Rate of Population (2001-2011) (%)	6.52	4.23	11.96	11.43	10.79	12.10	14.85
7	Sex Ratio (Females/ 1000 Males)	1015	1019	1006	997	985	977	988
8	Sex Ratio (0-6 years) (Female children/ 1000 male children)	954	960	961	931	918	927	938
9	Total Literacy Rate (%)	61.74	58.89	66.91	71.53	67.30	63.57	59.97
9.1	Male (%)	71.61	68.15	74.56	79.83	77.78	73.02	70.10
9.2	Female (%)	52.08	49.87	59.34	63.28	56.77	53.97	49.78
10	Gender Gap in Literacy(%)	19.53	18.28	15.22	16.55	21.01	19.05	20.32
11	Infant Mortality Rate (IMR) (per 1000 live births)	**49**	**47**	**41**	**37**	**40**	**47**	**45**
12	Maternal Mortality Rate (MMR) (per 100000 live births)	**117**	**128**	**137**	**103**	**102**	**117**	**129**
13	Total Fertility Rate (TFR) (Birth/ woman)	**N.A**	**N.A**	**N.A**	**N.A**	**N.A**	**N.A**	**N.A**
14	Neo Natal Mortality Rate (NMR) (per 1000 live births)	**N.A**	**N.A**	**N.A**	**N.A**	**N.A**	**N.A**	**N.A**
15	Under 5 Mortality Rate (U-5MR) (per 1000 live births)	**N.A**	**N.A**	**N.A**	**N.A**	**N.A**	**N.A**	**N.A**
16	Birth Rate (%)	17.0	18.5	16.0	17.8	19.3	18.8	19.3
17	Death Rate (%)							

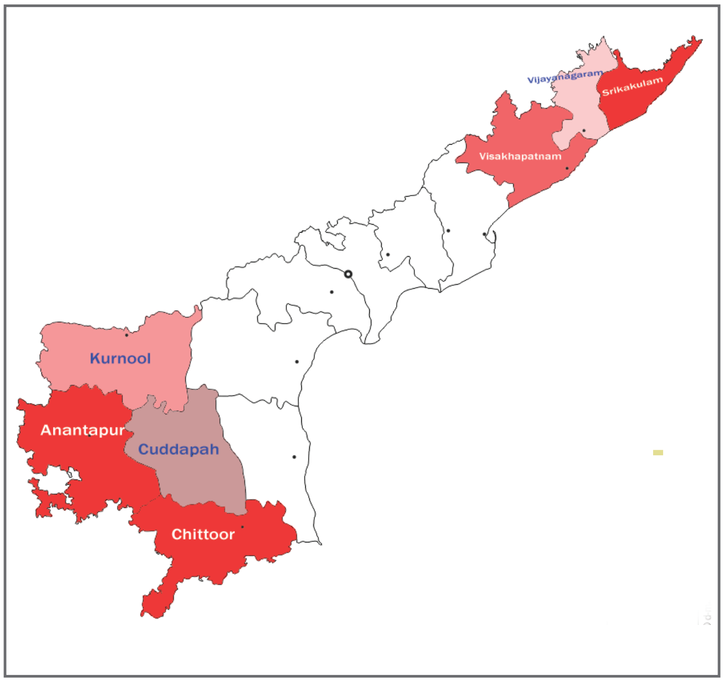
Table 5.4 **Socio-Economic Indicators of North-Coastal Andhra and Rayalseema**

Sl. No.	Indicator	North Coastal			Rayalaseema			
		Srikakulam	Vizianagaram	Visakhapatnam	Chittoor	Y.S.R Kadapa	Anantapur	Kurnool
		(i)						
18	Education							
i	Gross enrolment ratio							
	a) Class I to V	93.61	95.14	100.15	92.6	100.31	93.93	98.21
	b) Class VI to VIII	82.55	80.86	80.07	79.41	80.5	77.3	73.58
	c) Class IX to X	68.16	65.93	67.38	74.52	66.73	65.7	57.29
ii	No. of Education Institution in primary / junior basic school and middle/senior basic school	**4079**	**3458**	**5266**	**6255**	**4493**	**5026**	**4021**
19	House hold amenities							
i	% of HH with piped water supply (Tap water from treated and untreated)	26.10	**43.45**	**56.31**	**81.75**	**85.07**	**85.28**	**79.46**
ii	% of HH with no sanitation facilities (No. Of Households Not Having Latrine Facility Within The Premises)	78.76	77.99	48.70	62.59	55.24	63.18	59.72
iii	% of HH with electricity as primary source of lighting	89.28	88.46	89.71	92.41	95.54	93.43	93.11
20	Connectivity index							
i	Length of Surface National Highways per 100 Sq km	3.00	1.89	1.21	4.69	2.04	2.53	2
ii	Length of Surface State Highways per 100 sq km (in KM)	**38.49**	**27.19**	**19.34**	**29.96**	**31.19**	**17.99**	**19.49**
iii	**Other Surface Roads per 100 sq km (in KM)**	**67.75**	**59.58**	**60.25**	**44.99**	**40.61**	**56.65**	**41.55**
iv	Rail route per 100 sq km.	**2.29**	**3.98**	**0.74**	**1.91**	**1.27**	**1.83**	**1.5**
21	Land utilisation							
22	Area irrigated (%)	**50.86**	**49.36**	**41.00**	**45.70**	**43.86**	**14.61**	**27.69**
23	Forest cover (%)	**11.76**	**18.24**	**39.53**	**29.83**	**32.62**	**10.30**	**19.29**

1. Per Capita GDP/GSDP at Current prices (Rs.) and Sectoral GDP are taken for the year 2012-13(FRE) to the districts of Andhra Pradesh.
2. Road length and Land utilisation for India are taken for 2010-11 & Edn. Institutions data for 2011-12.

Special Development Package to Seven Districts of AP: Bundelkhand Pattern

Map-2



In the case of Bundelkhand Development Package, the Union Government allocated an amount of Rs. 7,266 Crore for a three-year period of 2009-12. Subsequently, in the period 2012-17, a further Backward Regions Grant Fund of Rs. 4,400 Crore was allotted to Bundelkhand. Thus a total of Rs. 11,666 Crore was given as special grant for the development of Bundelkhand region. This translates into a per capita grant of Rs. 6,374 for a populationof 1.83 Crore in the 13 districts of Bundelkhand in Uttar Pradesh and Madhya Pradesh States. The total population of backward areas of Andhra Pradesh 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 (Table 5.5). 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. This number would be much higher when adjusted to the overall budgetary increases, or inflation in the interregnum period.

Vide Government of Andhra Pradesh letter dated 16 October 2014, the State sought Special Development Assistance for its backward areas particularly Rayalaseema and North Coastal Regions for an amount of Rs. 24,350 Crore over a period of five years (2014-15 to 2018-19). The assistance sought is thus roughly comparable to Bundelkhand Package when adjusted to inflation and population.

Table 5.5 **Calcuation of Backward Area Fund for Andhra Pradesh similar to Bundelkhand Package**

Item	Amount (in Rs.)	Adjusted with Budget Multiplier* (in Rs.)	Adjusted with Inflation Multiplier** (in Rs.)
Bundelkhand Package (2009-12)	7,466 Crore	17,844 Crore (7,466 x 2.39)	12,170 Crore (7,466 x 1.63)
Backward Regions Grant Fund to Bundelkhand (2012-17)	4,400 Crore	7,612 Crore (4,400 x 1.73)	6,204 Crore (4,400 x 1.41)
Total grants to Bundelkhand region	11,866 Crore	25,456 Crore	18,374 Crore
Per capita amount to Bundelkhand (Bundelkhand Population = 1.83 Crore)	6,484	13,910	10,040
Amount to be granted for Andhra Pradesh (Rayalaseema + North Coastal Andhra + Markapur Division of Prakasam Population = 2.52 Crore)	**16,340 Crore** (6,484 x 2.52)	**35,054 Crore** (13,910 x 2.52)	**25,302 Crore** (10,040 x 2.52)

Budget 2018-19 = Rs. 24.42 Lakh Crore; Budget 2012-13 = Rs. 14.10 Lakh Crore; Budget 2009-10 = Rs. 10.24 Lakh Crore

* Budget multiplier
    - 24.42 Lakh Crore /10.24 Lakh Crore = 2.39 [Budget 2018-19/Budget 2009-10]
    - 24.42 Lakh Crore /14.10 Lakh Crore = 1.73 [Budget 2018-19/Budget 2012-13]

** Inflation multiplier
    - Inflation at 5% compounded between 2009-10 and 2018-19 = [1+(5/100)]^10 = [1.05]^10 = 1.63
    - Inflation at 5% compounded between 2012-13 and 2018-19 = [!+(5/100)]^7 = [1.05]^7 = 1.41

Source : Union Govt website and calculations made by Foundation for Democratic Reforms

On 02 December 2014, a meeting was convened by the erstwhile Planning Commission with the officials of Government of Andhra Pradesh wherein it was emphasized to the State Government that the Special Development Package proposal needs to be examined keeping in view the convergence with the ongoing Centrally Sponsored Schemes so as to consider the additional requirement of funds under the package. Thereafter, the State Government sent a revised proposal vide its letter dated 16 January 2015 in which the Special Development Assistance for its backward areas was estimated at the earlier level with different sectoral priorities. The revised Special Development Package proposal was since referred to the Union Ministries/Departments. The sectoral components and the activities proposed by the State Government are summarized in the Table 5.6. However, only an amount of Rs.1,050 Crore has been disbursed as special package for backward areas over a period of three fiscal years from 2014-15 to 2016-17 at Rs. 50 Crore per district per year.

Table 5.6 **Sectoral Outlays proposed by Andhra Pradesh Government for Special Development Package for Backward Regions**

S.No	Sector/Department	Amount proposed (Rs. in Crore)
1	Panchayat Raj Roads	6929.96
2	Roads and Buildings Department Roads	2336.00
3	Minor Irrigation	2087.25
4	Rural Water Supply & Sanitation	2078.48
5	Women Development & Child Welfare	1199.80
6	Skill Development	500.00
7	Marketing Support to Self Help Groups	500.00
8	Agriculture	2906.90
9	Horticulture	1592.19
10	Horticulture Micro Irrigation	1720.08
11	Animal Husbandry	669.00
12	Fisheries	1064.80
13	Dairy Development	500.00
14	Cyclone Mitigation Measures	100.00
15	Project Management	165.55
	Total	**24350.00**

Clearly, there is a huge gap between the Special Development Package proposal of the State Government for Rs. 24,350 Crore prepared in consultation with the Planning Commission, and the annual grant of Rs. 350 Crore released by the Union Government from the Backward Regions Grant Fund (BRGF). While the Bundelkhand package and BRGF for Bundelkhand from 2009 to 2017 provided Rs. 6,374 per capita grant, the total amount released in three years between 2015-16 to 2017-18 for the backwards regions of Andhra Pradesh is Rs. 1,050 Crore or Rs. 417 per capita.

While an amount of Rs. 1,050 Crore has been released to the State under Special Development Package for backward regions, the State has sanctioned 25,007 works at an estimated cost of Rs. 1,641.50 Crore. Of these 14,512 works have been completed, and 5,364 works are in progress. The State has furnished consolidated Utilization Certificates for an amount of Rs. 1,049.34 Crore so far. NITI Aayog, on 08 November 2018, advised the Ministry of Finance, Government of India to release the further amount of Rs. 666 Crore to the State for the years 2017-18 and 2018-19.

The Union government's assistance in this respect is far removed from the statutory obligation under APRA and the Prime Minister's commitment. The Union should take steps on priority basis to implement the Special Package of Rs. 24,350 Crore in a time-bound manner within a period of five years.

Tax Incentives for the Backward Areas

Limited tax incentives have been extended for four districts of Rayalaseema and three districts of North coastal region of the State under the APRA, 2014. The seven districts of Andhra Pradesh notified as backward areas are - Anantapur, Chittoor, Cuddapah, Kurnool, Srikakulam, Vishakhapatnam and Vizianagaram (Map-2). The incentives are in addition to other tax benefits available under the IncomeTax Act. The Central Board of Direct Taxes (CBDT) has notified the seven backward districts for availing tax incentives under Section 32(1)(iia) and Section 32AD of the Income Tax Act as summarized below:

i. Any manufacturing undertaking set up during the period from 1 April 2015 to 31 March 2020 in these districts of Andhra Pradesh is eligible for 15% higher additional depreciation.

ii. An additional investment allowance of 15% would be given to industries set up in the backward regions, as notified, for investments made in new plant and machinery in any of the 5 years for which additional concession would be notified. Even if the investment is made in the 5th year, the investment allowance would be available.

iii. The additional depreciation allowance, and investment allowance will be provided without insisting on an investment of above Rs. 25 Crore.

These provisions will come into effect after the State of Andhra Pradesh identifies the eligible backward areas (Ministry of Finance, 8 September 2016 PIB statement). Several other proposals including proposals of Department of Industrial Policy & Promotion (DIPP) are under examination.

Recommendations:

The Union government's assistance in this respect is far removed from the statutory obligation under APRA and the Prime Minister's commitment. The Union should take steps on priority basis to implement the Special Package of Rs. 24,350 Crore in a time-bound manner within a period of five years.

6. Major Port at Duggirajapatnam and/or an Alternative

Government of India Commitment:

Section 93 – Schedule 13 – Infrastructure item 1 of Andhra Pradesh Reorganisation Act, 2014

"*The Government of India shall develop a new major port at Duggirajapatnam in the Successor State of Andhra Pradesh to be completed in phases with Phase-I by end-2018*"

Major Port at Duggirajapatnam[3]: Proposal earlier to APRA, 2014

The decision to build a Major Port at Duggirajapatnam was taken by the Union Government well before the bifurcation of Andhra Pradesh. The Cabinet Committee on Economic Affairs (CCEA) has given in-principle approval for the establishment of a Major Port at Duggirajapatnam in Andhra Pradesh on PPP basis, subject to feasibility. The tentative cost for Duggirajapatnam has been estimated at Rs. 7,988 Crore by the Technical Committee set up by Ministry of Shipping.[4] However, the feasibility study of the proposed location is also being carried out by RITES (PIB, GoI, Ministry of Shipping, 05 August 2013).

The CCEA had accorded approval on 09 May 2013[5] to the proposal of the Ministry of Shipping regarding establishment of a new Major Port at Duggirajapatnam in Andhra Pradesh.

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[3]*The proposed port site of Duggirajapatnam lies on the eastern coast of India in the Nellore district of Andhra Pradesh. It has operational non-major port of Krishnapatnam on the north and major ports of Chennai and Ennore on the south. TECHNO ECONOMIC FEASIBILITY REPORT FOR DEVELOPMENT OF PORT AT DUGARAJAPATNAM, Techno Economic Feasibility Report – Final, July 2016, Prepared for Ministry of Shipping / Indian Ports Association, Ministry of Shipping, Government of India. DOWNLOADED ON 15-06-2018)*

[4] *However, the feasibility study of the proposed location is also being carried out by RITES. (PIB, GoI, Ministry of Shipping, 05-August-2013)*

[5]*This Ministry was following laid timelines to implement the project expeditiously. Various preparatory works relating to the project were also underway. However, a majorchange in the State Government's stand has forced Ministry of Shipping to rework the basic structure of the project as elaborated below:-*

(a) The decision to set up a Major Port through the PPP process at Duggirajapatnam was based on the commitment given by the Government of Andhra Pradesh that the cost of land, Rehabilitation and Resettlement (R&R) and external infrastructure will be borne by the Government of Andhra Pradesh. Accordingly, the setting up of this Port was included as a part of the Andhra Pradesh State Reorganisation Act, 2014. (Section 93 & Schedule XIII).

(b) Out of the total requirement of 3650 acres for the Port project, the component of Government land is 391.96 acres. Hence, the Government of Andhra Pradesh is to hand over 391.96 acres to the Port Authority and meet the cost of the remainder of procurement of land, rehabilitation and resettlement and external infrastructure at present prices, to facilitate the development of the Major Port at Duggirajapatnam.

(c) However, the State Government subsequently conveyed that they are not in a position, due to budget deficit, to allot funds for the cost of land acquisition, R&R and external infrastructure and can only provide Government land required for the project.

(d) As a result of the inability by the State Govt. of Andhra Pradesh to fulfil its commitment, the project economics has undergone a change and has upset the basic premise on which it was included in the Reorganization Act.

The Ministry of Shipping had floated a Draft CCEA Note seeking Govt Grant for Rs. 1241 cr to meet the land cost, Rehabilitation and Resettlement cost and external infrastructure cost. In addition, there is also a component of VGF of Rs. 3542 crore for making the project viable. PMO asked NitiAayog to examine ways and means to reduce VGF. NITI Aayog has informed that the project may be restructured if necessary to reduce VGF, and a feasibility report be prepared before 30.06.2016.

Ministry of Shipping claims that initially the decision to set up a Major Port on PPP basis at Duggirajapatnam was based on the commitment given by the Government of Andhra Pradesh that the cost of land, Rehabilitation and Resettlement (R&R) and external infrastructure will be borne by the State. Accordingly, the setting up of this port was included as a part of the Andhra Pradesh State Reorganisation Act, 2014. (Section 93 & Schedule XIII).

After APRA, 2014

Ministry of Shipping claims that while various preparatory works relating to the project were underway, the Successor State of Andhra Pradesh has back-pedalled because of the severe resource constraint after division of the State. This major change in the State Government's stand has forced Ministry of Shipping to rework the basic structure of the project.[6]

With this withdrawal by Andhra Pradesh, Ministry of Shipping claims that the project economics has undergone a change and has upset the basic premise on which it was included in the Reorganization Act.

Assessment[7]

The viability analysis for the project has been carried out considering three alternative models for port development i.e. (i) development by project proponents, (ii) by full-fledged concession to private operators and (iii) landlord model.

Of the three[8], Full-Fledged Concession to Private Operator was opted by Government of Andhra Pradesh because there is no financial burden on the Special Purpose Vehicle (SPV). Andhra Pradesh, therefore, sought further support from the Union government through Viability Gap Funding (VGF) of 20% and same VGF of 20% be formulated at State level to generate project Internal Rate of Return (IRR) of 14%. The bidder who seeks minimal VGF shall be selected for port development.[9]

It was apprised that NITI Aayog had already conveyed to the Ministry of Shipping and PMO

[6] *Ministry of Shipping directed VPT to engage RITES Ltd. (under the aegis of Indian Railways) to prepare Techno-Economic Feasibility Report (TEFR). R1TES Ltd., submitted its final report in October, 2015, with a project cost of Rs. 5943 crores. In addition, land, R&R and external infrastructure cost estimated at Rs. 1621crores was required. Govt. of A.P on 04.02.2015 informed that they will not be able to contribute cost of land, R&R, external infrastructure committed earlier bett1re the division of the State due to precarious financial situation and requested Union Govt. to fund the entire project. Available State Govt .land would be the equity of the State. (Source: Letter from Government of India Ministry of Shipping (Ports Wing),5 March. 2018 to GoAP.)*

[7] *The draft is an extract from the executive summary of TECHNO ECONOMIC FEASIBILITY REPORT FOR DEVELOPMENT OF PORT AT DUGARAJAPATNAM, Techno Economic Feasibility Report – Final, July 2016, Prepared for Ministry of Shipping / Indian Ports Association, Ministry of Shipping, Government of India.DOWNLOADED ON 15-06-2018)*

[8] *(1)The cost of Rs. 720 Crores for External road connectivity to the port including the land acquisition be provided by NHAI or Bharat mala project; (2) The cost of Rs. 310 crores for External rail connectivity to the port including the land acquisition be borne by South Central Railway or IPRCL; (3) The cost Rs. 270 crores for 100 Ha of land acquisition for port be borne by state government or Sagarmala Development Company*

[9] *A meeting was held under the Chairmanship of Vice Chairman, NITI Aayog on 29.12.2016 to work out a most suitable option for implementing a New Major Port at Duggirajupatruml in the State of Andhra Pradesh. The meeting was attended by the representatives of the Ministry of Shipping, Ministry of Finance and Vishakhapatnam Port Trust (VPT). However, since the development of Duggirajupatnam port has been included under AP Reorganisation Act, 2014, Chairman, Vishakhapatnam Port Trust (VPT) suggested exploring Option 2 i.e. Entire Project be developed by Private Operator .*

that the project may not be viable due to strong competition from nearby ports of Krishnapatnam (40 kms), and Ennore (70 kms) and Chennai (90 kms). Instead of creating small ports, government should take up large scale port development with international standards to facilitate international trade. It was noted that there will be an adverse impact on nearby ports also as the ports are operating only at 65% of their capacity at present. Implementation of a new Major Port at Duggirajapatnam will further bring down the scale of operation of nearby ports.

Keeping in view the clear unviability of implementation of a new Major Port at Duggirajapatnam and wastage of scarce resources, Vice Chairman, NITI Aayog opined that we need to think wider in the interest of the State and the Country and suggested coming up with other possible alternatives in interest of the State.

NITI Aayog and Ministry of Shipping, Government of India, have done a feasibility study for developing new Major Port at Duggirajapatnam in Nellore district. As per the feasibility studies, the above Port is not economically viable and requires huge Viability Gap Funding which NITI Aayog is not in favour of. Therefore, they have informed Government of Andhra Pradesh to suggest alternate Infrastructure Project in place of the Major Port at Duggirajapatnam.

This is a long-pending issue antedating partition of the State, and there is a clear, unambiguous commitment by the Union Government in the Andhra Pradesh Reorganisation Act, 2014 to build the Major Port. Item 1 under Infrastructure in the Thirteenth Schedule (under section 93 of APRA) states that the Major Port shall be completed in phases with Phase-I to be completed by end of 2018. We are now approaching the end of 2018; and there has been absolutely no progress in the project.

Recommendations :

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. Eleven Educational Institutions of National Importance

Government of India Commitment:

Section 93 of Amdhra Pradesh Reorganisation Act, 2014

> *"**93.** The Central Government shall take all necessary measures as enumerated in the Thirteenth Schedule for the progress and sustainable development of the Successor States within a period of ten years from the appointed day."*

The Thirteenth Schedule of Andhra Pradesh Reorganisation Act, 2014

"Education:

> ***Item-1:*** *The Government of India shall take steps to establish institutions of national importance in the 12th and 13th Plan periods in the Successor State of Andhra Pradesh. This would include one IIT, one NIT, one IIM, one IISER, one Central University, one Petroleum University, one Agricultural University and one IIIT.*
>
> ***Item-2.*** *The Government of India shall establish one AIIMS-type Super-Specialty Hospital cum-Teaching Institution in the Successor State of Andhra Pradesh.*
>
> ***Item-3.*** *The Government of India shall establish a Tribal University each in the State of Andhra Pradesh and in the State of Telangana.*
>
> ***Item-5.*** *The Government of India shall establish the National Institute of Disaster Management in the Successor State of Andhra Pradesh."*

The Eleven Institutions that are being set up as per the above commitments are listed below, indicating the current status of implementation (Table 7.1)

1 Indian Institute of Technology (IIT), Tirupathi– functioning in temporary campus from 2015-16 academic year

2 National Institute of Technology (NIT), Tadepalligudem– functioning in temporary campus from 2015-16 academic year

3 Indian Institute of Management (IIM), Visakhapatnam– functioning in temporary campus from 2015-16 academic year

4 Indian Institute of Science Education and Research, (IISER), Tirupati - functioning in temporary campus from 2015-16 academic year

5 Central University, Anantapur – functioning in temporary campus from 2018-19 academic year

6. Indian Institute of Petroleum Energy (IIPE), Visakhapatnam – functioning in temporary campus from 2016-17

7. Agricultural University, Guntur –A Central Agricultural University has not been established. Instead, the Union government released a grant of Rs. 135 Crore to Acharya NG Ranga Agricultural University (ANGRAU), a State Agriculture University. ANGRAU is functioning in temporary campus from 2015-16

8. Indian Institute of Information Technology, Design and Manufacturing (IIITDM), Kurnool –functioned in a temporary campus in Kancheepuram, Tamil Nadu since 2015-16. In July 2018, the campus was shifted to a permanent facility in Kurnool

9. All India Institute of Medical Sciences (AIIMS), Mangalagiri –functioning in temporary campus from 2018-19

10. Tribal University, Vizianagaram – Yet to be established

11. National Institute of Disaster Management (NIDM), Vijayawada –functioning in temporary campus from 2016-17

As can be seen from the above information (Source: *Communication received from office of Andhra Pradesh Reorganisation Act*) six of these institutions commenced classes in 2015-16, two in 2016-17 and two in 2017-18, all in temporary campuses. Government of Andhra Pradesh transferred 2912 acres of land for all these institutions, and released Rs. 131 Crore as grant towards the State's contribution to infrastructure. Students are selected through national competitive tests.

As of now, as against the total project cost of Rs. 12,746.38 Crore (excluding the State Government's contributions) only Rs. 845.42 Crore, (6.63% of the funds) has been released by Government of India. Most of these institutions have no permanent campus.

Section 93 of APRA mandates that these Institutions should be developed within ten years from the appointed day of 02 June 2014. It is imperative that the Union government releases all the balance funds within the next five years, and ensures completion of all the projects in all respects before 2024.

Recommendations:

- Rs. 12,746.38 Crore is the estimated cost for all the eleven projects; the State Government has already fulfilled its commitment
- Only Rs. 845.42 Crore i.e. 6.63% of the total project cost is released by Government of India; 93% is still remaining
- The remaining funds need to be released faster

Table 7.1

Status of Educational Institutions sanctioned under Schedule XIII of the Andhra Pradesh Reorganisation Act, 2014

(Rs. in Crores, updated on 12.11.2018)

Sl. No.	Institute	Project Cost (excluding GoAP contribution) (Source)	Contribution of GoAP		Funds released by GoI					Remarks
			Land allotted in Acres	Funds released for LA / compound wall construction	2014-17	2017-18 Releases	2018-19 Budget Estimate	2018-19 Releases	Total Releases (6 + 7 + 9)	
1	2	3	4	5	6	7	8	9	10	11
1	IIT, Tirupati	3125.49 (Director, IIT Tirupati)	566.61	8.30	36.99	61.30	50.00	22.41	*120.70	Classes commenced in 2015-16. Transit campus construction in progress. **Handed over 530.11 acres.**
2	NIT, Tadepalli gudem	460.50 (Director, NIT)	172.08	7.10	10.00	50.00	54.00	44.50	*104.50	Classes commenced in 2015-16 in
3	IIM, Visakhap atnam	1376.52 (Director, IIM. Earlier DPR for Rs. 691.58 Cr. revised)	241.50	4.25	30.97	24.99	57.20	-	*55.97	Classes commenced in 2015-16 in Temporary campus.
4	IISER, Tirupati	2117.18 (Registrar, IISER. Earlier DPR for Rs. 1613Cr. revised)	255.09	6.50	69.00	35.02	49.00	11.00	*115.02	Classes commenced in 2015-16 in Temporary campus
5	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 04.07.2018.
6	IIPE, Visakhap atnam	655.00 (Director, IIPE)	201.80	68.00	32.00	1.00	32.00		*33.00	Classes commenced in 2016-17 in Temporary campus.
7	Agricultural University, Guntur	1505.82 (Registrar, ANGRAU)	110.00	0.95	135.00		65.00		*135.00	Classes commenced in 2015-16 in Temporary campus. This is run as a State University.
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
9	AIIMS, Mangalag iri	1618.00 (M/H & FW, GoI)	183.11		20.00	86.01		127.87	*233.88	Classes to commence from 2018-19 in Temporary campus
10	Tribal University, Vizianagar am	420.00 (MHRD)	526.24	5.00			10.00			Not established
11	NIDM, Vijayawad a	70.87 (NIDM, New Delhi)	10.00	23.07			10.00	3.43	*3.43	Functioning from temporary campus from 2016-17
	Total	**12746.38**	**2909.17**	**131.33**	**354.06**	**258.33**	**352.00**	**233.03**	**845.42**	

* *Deputy Secretary (CS-I&II), Ministry of Home Affairs (CS Division), GoI, New Delhi has furnished funds released to various institutions in Lr. F.No.12025/01/2018-SR, Dt: 22.10.2018.*

8. Projects to Improve Infrastructure, Connectivity and Investments in Andhra Pradesh

ESTABLISHING RAPID RAIL AND ROAD CONNECTIVITY FROM AMARAVATI TO HYDERABAD AND OTHER IMPORTANT CITIES OF TELANGANA

Government of India Commitment:

Section 93 of Andhra Pradesh Reorganisation Act, 2014

*"**93.** The Central Government shall take all necessary measures as enumerated in the Thirteenth Schedule for the progress and sustainable development of the Successor States within a period of ten years from the appointed day."*

Schedule XIII – Infrastructure - Item 11 of the Andhra Pradesh Reorganisation Act, 2014

*"**11.** The Central Government shall take measures to establish rapid rail and road connectivity from the new capital of the Successor State of Andhra Pradesh to Hyderabad and other important cities of Telangana;"*

Progress / Developments

Rail Connectivity

- The Detailed Project Report (DPR) prepared by the Ministry of Railways gives the main features of the project as follows :

  1) Length – 106.56 Km

  2) Pink Book cost – Rs. 2,679.59 Crore

  3)Cost as per DPR – Rs. 3,272.03 Crore

  4) Rate of Return (RoR): (-) 4.10%

  5) Railway: South Central Railway (SCR)

- Total length of the project is 106.56 km which includes

  1) 56.53 km double BG line between Errupalem–Amaravati-Nambur (Section I)

  2) 23.78 km single BG line between Amaravati-Pedakurpad (Section II)

  3) 26.25 km single BG line between Sattenapalli-Narasaraopet (Section III)

- In the DPR, the projected RoR (Rate of Return) is negative, at -4.10%. It is understood that the SCR have opined that a single line would cater to the projected traffic on project section. It is also learnt that the Committee in the Ministry has taken the view that the smallest possible stretch of new line which will ensure connectivity to Amaravati City shall be expeditiously examined by SCR, and cost and RoR shall be accordingly worked out.

- As per the provisions in the AP Reorganisation Act, it is clearly stated that 'Central Government shall take measures to establish a rapid rail and road connectivity from State of Andhra Pradesh and other important cities of Telangana'. Hence, it is essential that the above projects be taken up with full funding of the Union Government to provide connectivity to Hyderabad and other important cities of Telangana like Warangal, Nalgonda etc.
- It is not known as to how the RoR has come down so drastically from the RITES Report (10.36% including cost of land) to (-)4.10% in the DPR. The traffic assessment needs to be redone taking into account freight traffic to ports, construction activity in Amaravati Capital City and economic cities in Capital Region.
- The RoR of the project can be significantly improved if it is treated as a bypass rail lane connecting the Kazipet-Vijayawada main line to Vijayawada-Chennai mainline via Amaravati, bypassing the congestion of Vijayawada Railway Station.
- A new city with various growth verticals definitely requires rail connectivity for its expansion. Rail infrastructure for material movement for creation of infrastructure is very essential.
- The Ministry of Railways, Union Government was requested to consider the proposal as prepared in DPR for early sanction.

Road Connectivity

- The Road projects proposed are as follows:

1) Hyderabad – Suryapeta – Kodad – Nandigama - Vijaywada (NH-65)-Amaravati
2) Hyderabad – Nagarjunasagar – Macharla (Covered by NH - 565) – Rentachintala – Dachepalli – Piduguralla – Sattenapalli - Perecharla-Guntur - Amaravati
3) Amaravati/Vijayawada – Ibrahimpatnam – Tiruvuuru -Bhadrachalam - Jagdalpur (NH-30).
4) Proposed Anantapuram- Amaravati Expressway (in place of the earlier proposal of Hyderabad - Amaravati Expressway)
5) Amaravati Outer Ring Road – [This is also covered under the provisions of Section 94(3) of the APRA, as other essential infrastructure for new Capital City].

The status of each of the projects is mentioned below:

1) Hyderabad - Suryapeta – Kodad - Nandigama - Vijayawada - Amaravati - (NH - 65) - 275 Km

- There is an existing 4-lane BOT road developed by concessionaire.
- There is heavy traffic congestion during peak times, and the road requires to be improved to 6-lane, as per provisions in the BOT agreement.
- NHAI needs to initiate action for 6-laning of the road.

2) Hyderabad – Nagarjunasagar - Macharla (Covered by NH - 565) – Rentachintala – Dachepalli - Piduguralla-Sattenapalli – Perecharla – Guntur - Amaravati – 290 Kms

- This is an important Highway connecting Hyderabad to Guntur and Amaravati, south of River Krishna.
- At present, Hyderabad – Nagarjunasagar - Macharla is National Highway (NH - 565).
- Macherla (on NH-565) to Perecharla on NH-544 D and onwards to new Capital Amaravati needs to be declared as National Highway.
- This road passes through industrial zone with concentration of lime and cement industries, having traffic density of 16586 PCU.
- It is suitable for declaration as National Highway and needs to be widened to 4-lane configuration to meet the present day requirements and to provide rapid road connectivity from Amaravati to Hyderabad via Nagarjunasagar.
- Chief Minister of Andhra Pradesh has also requested to the Union Minister, Roads, Transport and Highway vide letter dated 03 October 2017 for upgradation as National Highway; declaration as National Highway from Macherla on NH 565 to Perecherla on NH 544D via Piduguralla –Sattenapalle and onwards to Amaravati should be considered and execution of the road work be taken up.

3) Amaravati/Vijayawada – Ibrahimpatnam– Tiruvuuru – Bhadrachalam - Jagdalpur (NH-30) – 171 Kms upto Bhadrachalam

- Vijayawada - Jagadalpur (NH-30) is taken up for improvements from Ibrahimpatnam to Tiruvuru for a length of 71.2 Kms (4-lane-10.6 Kms and 2-lane with paved shoulders- 60.6 Kms) in Andhra Pradesh
- In Telangana State, for a road length of 100 kms with 2-lane paved shoulders configuration from Tiruvuru to Badrachalam is also in progress.
- NH-30 is a very important inter-state road between Andhra Pradesh, Telangana and Chattisgarh.
- Further, it caters to coal movement from Singareni Collieries Company Limited

Mines, connects the pilgrim town of Bhadrachalam in Telangana and is an important link to left-wing extremist affected Chhattisgarh areas.

- It requires to be widened to 4-lane, at least from Amaravati to Bhadrachalam (Telangana) (171 Km) to cater to present day needs. Government of India needs to consider the proposal.

4) Anantapuramu-Amaravati Expressway (Green-Field Expressway)

- The State government earlier proposed a green-field expressway between Hyderabad and Amaravati. Later, in its place, the State proposed Anantapuramu-Amaravati Green-Field Expressway with Kurnool and Kadapa for a total length of 557 Kms. This is a very necessary project as it improves connectivity with the underdeveloped Rayalaseema region, as well as with Bengaluru. The Ministry of Road Transport and Highways (MoRTH), on 30 September 2018, communicated to the State the in-principle agreement for taking up the Expressway project by NHAI under the Grand Challenge mechanism of Bharatmala Pariyojana, subject to the State bearing 50% cost of land acquisition and transferring government land free of cost. The consultants are expected to finalize the DPR by the end of December 2018.

5) Amaravati Outer Ring Road (ORR) – 180 Kms

- Section 94(3) of APRA specifies provision of financial support for, and creation of, essential facilities in the new capital and such other essential infrastructure.
- The ORR to Amaravati will connect the new Capital with all surrounding regions and Hyderabad.
- DPR is under preparation by NHAI.

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.

OTHER INFRASTRUCTURE AND INVESTMENT PROJECTS

(i) Vizag-Chennai Industrial Corridor (VCIC) [10]

Government of India Commitment:

Section 93 – Schedule 13 – Infrastructure item 5.

*"**5.** The Government of India shall, within six months from the appointed day, examine the feasibility of establishing a Vizag-Chennai industrial corridor along the lines of Delhi-Mumbai Industrial Corridor and take within such period an expeditious decision thereon;"*

[10] *Source: aplegislature.org/...on...AP...pdf/b706a359-1eac-46eaa73f-6dfd35a6dfd7 (Downloaded on 29 05 2018)*

Visakhapatnam-Chennai Industrial Corridor (VCIC) is part of East Coast Economic Corridor, and is the first coastal economic corridor in the country. Four industrial nodes are proposed under VCIC, namely Visakhapatnam (6,847 Acres.), Machilipatnam (12,145 Acres.), Srikalahasti - Yerpedu (25,094 Acres.) and Donakonda (17,117 Acres.).

Asian Development Bank (ADB), is partnering with Government of Andhra Pradesh in developing VCIC. ADB approved a loan amount of Rs.4,000 Crore for Tranche-1 and Tranche-2 of the project. An amount of Rs.1,570 Crore was sanctioned for Tranche-1 of the project, and Rs.803 Crore was sanctioned for policy components. A grant of Rs. 32 Crore for Urban Climate Change Resilience Support to GVMC is also provided by ADB. Apart from the ADB loan, State Government will invest Rs.1,434 Crore across Tranche-1 and Tranche-2.

The loan agreements for Tranche-1 were signed between ADB and Government of Andhra Pradesh on 23 February 2017 in New Delhi. The bidding for Tranche-1 projects are under progress and one project has already been awarded.

The State Government in June 2017 requested the Union Government to include VCIC under the purview of National Industrial Corridor Development Trust (NICDIT) so that there can be integrated development of VCIC along with other industrial corridors with the Union's assistance. The Union should include the project under the NICDIT on the lines of Delhi-Mumbai Industrial Corridor (DMIC) and provide 100% grant funding.

(ii) Expansion of existing airports to international standards in Visakhapatnam, Vijayawada and Tirupati

Government of India Commitment:

Section 93 – Schedule 13 – Infrastructure item 6.

> *"**6.** The Government of India shall, within six months from the appointed day, examine the feasibility of expanding the existing Visakhapatnam, Vijayawada and Tirupati airports to international standards and take an expeditious decision thereon;"*

- **In Vishakhapatnam**, international flights are already operating. For further expansion, land has been identified at Bhogapuram. The State is to acquire and hand over land for development by Airports Authority of India as per the standard terms for such development, or develop the land on its own by Public-Private-Partnership (PPP).

[10] *Source: aplegislature.org/...on...AP...pdf/b706a359-1eac-46eaa73f-6dfd35a6dfd7 (Downloaded on 29 05 2018)*

A techno-economic feasibility report is to be undertaken by the State Government.

- **For Vijayawada,** Memorandum of Understanding has been signed by Airports Authority of India with Government of Andhra Pradesh to develop the existing terminal. The State is to acquire 698 acres of land required for the expansion as per the standard terms. The State Government provided the necessary Viability Gap Funding (VGF) and international flights have commenced operation from 04 December 2018.
- **In Tirupati,** the new terminal was inaugurated by the Prime Minister on 22 October 2015. A new apron for parking for 3 aircraft has been completed. The existing runway, apron and terminal building are adequate for commencing international flights. Expansion of new apron for parking additional 4 aircraft and isolation bay is under construction within the available land.

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.

(iii) Metro Rail facility in Visakhapatnam and Vijayawada-Guntur-Tenali Metropolitan Urban Development Authority

Government of India Commitment:

Section 93 – Schedule 13 – Infrastructure item 12.

*"**12.** The Government of India shall examine the feasibility of Metro Rail facility in Vishakhapatnam and Vijayawada-Guntur-Tenali Metropolitan Urban Development Authority within period of one year from the appointed day and take an expeditious decision thereon."*

The Government of India is actively considering proposals for the establishment of the Metro Rail in Visakhapatnam and Vijayawada-Guntur-Tenali urban area.

Vijayawada Metro Rail Project:[11]

Government of India has accorded in-principle approval for Vijayawada Metro Rail Project at a cost of Rs. 6769 Crore including land and R&R cost.

Pre-PIB meeting queries have been answered and the matter was placed before PIB meeting for clearance on 20 March 2017. The matter was returned by Government of India for resubmission based on the new Metro Rail Policy.

However, consequent to the returning of the proposal by Government of India clubbed with the discharge of the tenders by Delhi Metro Rail Corporation Ltd. (DMRC), the matter was

[11] *Source: aplegislature.org/...on...AP...pdf/b706a359-1eac-46eaa73f-6dfd35 a6dfd7 (Downloaded on 29 05 201)*

reviewed and Expression of Interest (EoI) was called for preparation of Detailed Project Report (DPR) for Light Metro duly extending the corridor up to Gannavaram and also to Jakkampudi area and Krishna canal.

Government has permitted Amaravati Metro Rail Corporation (AMRC) to borrow Rs. 1,859 Crore from HUDCO / Banking Institutions. AMRC has initiated action for securing loan. Bank of India, Vijaya Bank, Allahabad Bank and Corporation Bank have expressed interest to finance up to an extent of Rs.509 Crore, Rs. 500 Crore, Rs. 500 Crore and Rs. 350 Crore, respectively at 8.65% annual interest rate.

Meanwhile, the Andhra Pradesh government wished to explore other alternatives. Based on the decision taken in the meeting chaired by the Chief Minister, KfW, a German funding agency is assisting in funding preparation of DPR for Light Metro Rail Project at Vijayawada. EoI was called for preparation of DPR for Light Metro in coordination with KfW. Five foreign consultants with their Indian Partner consultants were shortlisted. KfW released RFP document to all the shortlisted bidders with last date of receipt by 10 November 2017. The Metro corridors will be extended up to Airport, Gannavaram, Jakkampudi and Krishna Canal junctions to a length of 43 kms.

Visakhapatnam Metro Rail Project:

Proposals were submitted to Government of India for development of Visakhapatnam Metro Rail Project under PPP mode. Consultants M/s UMTC were appointed as Transaction Advisors for providing services to undertake implementation of the project. State Government permitted Amaravati Metro Rail Corporation to proceed with tendering process for selection of developer under innovative PPP model.

Three Corridors with a total length of 42 kms have been proposed for development of Metro Rail Project. The estimated cost of the project is Rs. 8,800 Crore.

Expression of Interest (EoI) from interested international/ national bidders was released on 07 September 2017 and pre-bid meeting was also convened on 12 October 2017 in Visakhapatnam.

Seven internationally reputed parties and 11 Indian bidders have participated in the pre-bid meeting. Pre-bid clarifications are released.

The Detailed Project Reports (DPR) submitted by Andhra Pradesh State for Vijayawada and Visakhapatnam Metro Rail Projects were given in-principle approval in 2015. However, the State was later asked to submit new DPRs under new Metro Policy of 2017, under which the State has the burden of raising funds.

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.

(iv) Petrochemical Complex

Government of India Commitment:

Section 93 – Schedule 13 –

Infrastructure item 4.

"**4.** IOC or HPCL shall, within six months from the appointed day, examine the feasibility of establishing a greenfield crude oil refinery and petrochemical complex in the successor State of Andhra Pradesh and take an expeditious decision thereon;"

Government of Andhra Pradesh (GoAP), GAIL India Limited (GAIL) and HPCL signed a MoU on 27 January 2017 at Vishakhapatnam for the Petrochemical Complex with an estimated cost of Rs. 32,901 Crore at Kakinada, Andhra Pradesh. Feasibility study has been carried out for the Petrochemical Complex. Oil PSUs have indicated to the Government of Andhra Pradesh that Viability Gap Funding (VGF) is necessary to make the project viable.[12,13] The Union Home Secretary, on 12 March 2018 has directed that the matter of VGF be taken up with the Ministry of Finance; the issue is still pending.

Government of India should provide the Viability Gap Funding generously, so that the project can be executed.

(v) An integrated steel plant in YSR District

Government of India Commitment:

Section 93 – Schedule 13 – Infrastructure item 3.

*"**3.** SAIL shall, within six months from the appointed day, examine the feasibility of establishing an integrated Steel Plant in YSR District of the Successor State of Andhra Pradesh;"*

As per the Thirteenth Schedule of the Andhra Pradesh Reorganisation Act, 2014, Steel Authority of India Limited (SAIL)[14] examined the feasibility of establishing an Integrated Steel Plant in YSR District of Andhra Pradesh.

As per the feasibility report, setting up of Steel Plant was found *prima facie* not financially viable.

Recently, the Government of Andhra Pradesh announced its decision to establish the Steel Plant as a State enterprise.

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[12] Flagship Scheme Details of MoPNG, (Details upto and including 9th April 2018 Ministry of Petroleum and Natural Gas, http://pibarchive.nic.in/4YearsOfNDA/Comprehensive-Materials/PNG.pdf

[13] HPCL and GAIL requested State Government to consider providing VGF in the form of interest free loan of Rs. 1,438 crores per year to be provided for a period of 15 days beginning from Project Zero date. The interest free loan of Rs.1,438 crores per annum will be repaid by GAIUHPCL JV Company commencing from the 16th year onwards and ending in the 30th year after Project Zero date, free of any interest. In the meeting taken by the Hon'ble Chief Minister on 13.06.2017, GAIL and HPCL authorities were requested to provide the quantum of tax likely to be accrued to the State from the project under GST regime, to have further discussions. (Source: aplegislature.org/...on...AP...pdf/b706a359-1eac-46eaa73f-6dfd35a6dfd7 (Downloaded on 29 05 2018)

[14] A Task Force comprising of representatives from the Central Government, State Government and Central Public Sector Enterprises under the Ministry of Steel was set up on 19.10.2016 to consider the feasibility issues and prepare a roadmap for setting up of steel plants.It has held series of meetings since then which were attended by the representatives of the State Governments of Andhra Pradesh as well. The last meeting of the Task Force, being sixth in the series of meetings, was held on 12.06.2018. (PIB 14-June-2018).

(vi) A New Railway Zone

Government of India Commitment:

Section 93 – Schedule 13 –

Infrastructure item 8.

*"**8.** Indian Railways shall, within six months from the appointed day,examine establishing a new railway zone in the successor State of Andhra Pradesh and take an expeditious decision thereon;"*

At present, South Central Railways is catering to the railway needs of major portion of Andhra Pradesh and certain parts of Maharastra and minor portion of Karnataka. South Central Railway presently has six Railway Divisions – Secunderabad, Hyderabad, Nanded, Vijayawada, Guntur and Guntakal. The Visakhapatnam (Waltair Division) is under East Coast Railway with headquarters at Bhubaneswar and all the districts of North Andhra are under Visakhapatnam Division.

In the Successor State of Andhra Pradesh, four Railway Divisions –Visakhapatnam, Vijayawada, Guntur and Guntakal – are located.

Ministry of Railways (PIB 04 August 2015) says that there is no plan to set up new divisions in Indian Railways, except those with headquarters at Gulbarga, Jammu and Silchar, which were announced in February 2014. In addition, a Committee of senior officers from Railways has also been constituted to examine the issue of setting up a new railway zone in the Successor State of Andhra Pradesh, in terms of Item No. 8 of Schedule 13 (Infrastructure) of Andhra Pradesh Reorganisation Act, 2014. It is understood the Committee has submitted its report. However, the decision of Government of India is still awaited.

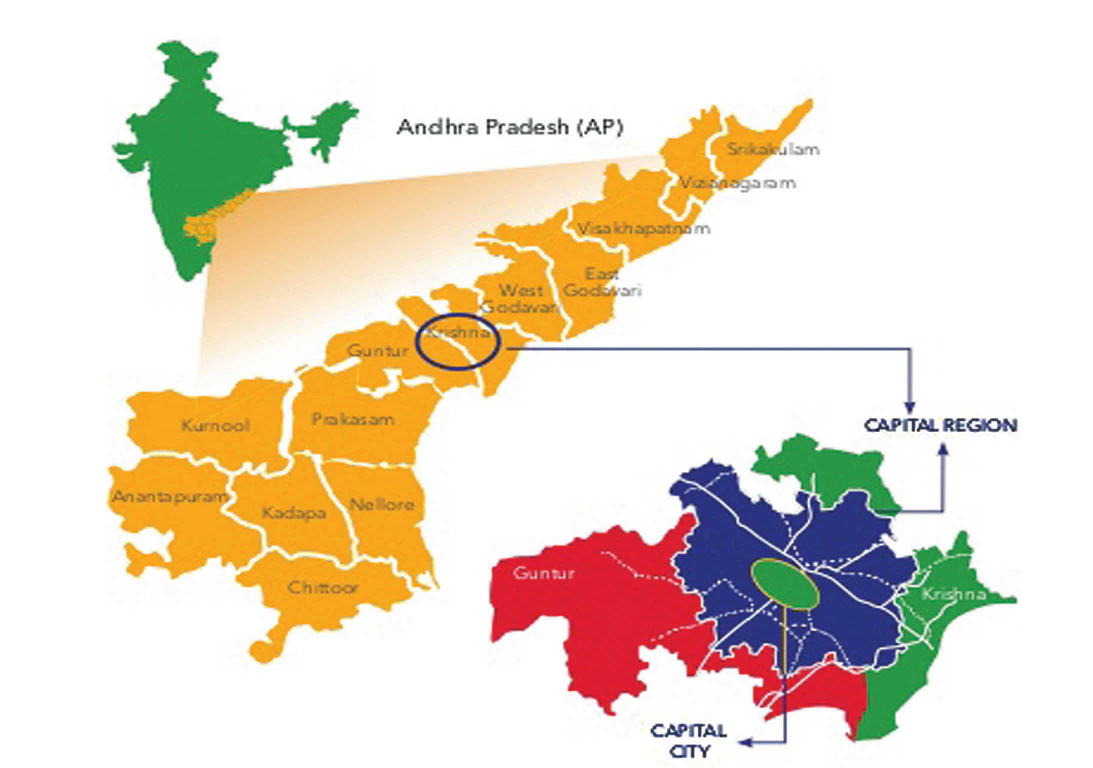
The Chief Minister has addressed the Minister for Railways, on 08 December 2014 and 26 February 2016 requesting expedited action for formation of new Railway Zone in the Successor State of Andhra Pradesh at Visakapatnam bringing the four divisions viz., Visakapatnam, Vijayawada, Guntur and Guntakal in AP under the purview of Visakapatnam 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.

Recommendations:

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 job-creation 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 and, execute them speedily.

9. Assistance to Develop the Government Infrastructure and the Capital City Region



Source: Draft detailed Master Plan of Capital City Amaravati

Government of India Commitment:

Section 94 (3); Section 94 (4) of Andhra Pradesh Reorganisation Act, 2014

> *"**(3)** The Central Government shall provide special financial support for the creation of essential facilities in the new capital of the successor State of Andhra Pradesh including the Raj Bhawan, High Court, Government Secretariat, Legislative Assembly, Legislative Council, and such other essential infrastructure.*
>
> ***(4)** The Central Government shall facilitate the creation of a new capital for the successor State of Andhra Pradesh, if considered necessary, by denotifying degraded forest land."*

The Andhra Pradesh Government drew up ambitious plans to develop Amaravati, the new Capital City, as a modern city to serve not only as seat of power, but to be an economic, educational, healthcare, cultural and recreational hub.

The key infrastructure for the development of Amaravati, the greenfield Capital City of the State of Andhra Pradesh can be broadly categorised into four:

1 Government buildings and other buildings

2 Social infrastructure

3 Tier-1 trunk infrastructure

4 Tier-2 infrastructure - Land Pooling Scheme and Others

Developing trunk infrastructure includes major arterial road network, water, sewer trunks, seed access road, bridges across the river Krishna, ducts for power and communication cables etc., which are essential for initiating development. Land for Amaravati has been largely pooled by Land Pooling Scheme wherein farmers who have voluntarily pooled their land, get a share of the developed land in return. Accordingly, they have been allotted returnable plots for which necessary infrastructure has to be provided as per the Andhra Pradesh Capital Region Development Authoriy Act 2014. In addition, Tier-2 infrastructure for other important regions needs to be developed.

The development of Amaravati Government Complex in an area of 1350 acres in Government City and Justice City comprising of Government buildings like Assembly, Secretariat and Heads of Departments buildings, Government housing, housing for the ministers, MLAs, MLCs, Chief Minister's residence, Raj Bhavan and Judicial buildings like High Court, housing for Judges, other legal institutional buildings, etc. is of first priority for the Government. Additionally, since the Capital City would be housing a large number of people, significant social infrastructure also needs to be developed to provide services.

As can be seen from Annexure-16, the estimated cost of Government Complex in Amaravati is Rs.11,261 Crore. Social infrastructure for the new Capital City is estimated to cost Rs. 7,330 Crore. Other infrastructure including Trunk/Tier I infrastructure, mass transit connectivity, flood management, and tier two infrastructure are all estimated to cost Rs. 90,432 Crore. The total cost estimate of the ambitious project is Rs.1,09,023 Crore (Table 9.1).

Table 9.1 **Estimated Cost of Development of Amaravati City Infrastructure**

Components	Rs. in Crore
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**

The Ministry of Finance, Government of India have till now released a total amount of Rs.1,500 Crore under the APRA, 2014, for the financial years 2014-15, 2015-16 & 2016-17 (Table 9.2).

In addition to the above amount, an amount of Rs.1,000 Crore was released to Government of Andhra Pradesh relating to Guntur, Vijayawada Municipal Corporations for the under-ground drainage and storm water drainage works respectively, and they are not related to Capital City and are being executed by respective municipalities. Utilization Certificate for Rs. 229.65 Crore has been furnished on 19 February 2018.

The Principal Secretary, Energy, Infrastructure and Investment and CRDA Departments, Government of Andhra Pradesh vide D.O. Letter No. 369811/CRDA/2016 dt. 8.06.2018 addressed to NITI Aayog forwarded the Utilization Certificate along with an updated Expenditure Statement for an amount of Rs. 1,632.48 Crore for the creation/development of Essential Infrastructure in the New Capital City of Andhra Pradesh State with a request to release Rs. 1,000 Crore during the Financial Year 2018-19.

The Utilization Certificate forwarded by the State Government is in proper format as per General Finance Rule 212(1) of GFR, 2005 (Form 19 of GFR) as prescribed by Ministry of Finance, Government of India.

Accordingly, NITI Aayog wrote to the Department of Expenditure, Ministry of Finance, Government of India on 14 June 2018 urging them to release Rs. 666 Crore towards the two instalments for FY 2017-18 and 2018-19 out of the Rs.1,000 Crore proposed.

As of 15 March 2018, DPRs for the Amaravati Government Complex and Other Essential Infrastructure for a total estimation of Rs. 39,937 Crore were sent to the Director, NITI Aayog for release of funds under Section 94 (3) of APRA, 2014 (Annexure - 17). Subsequently, the State sent further DPRs with estimated cost of Rs. 22,686 Crore (Annexure -18). Thus DPRs for projects with total estimated cost of Rs. 62,623 Crore were sent to Government of India.

Table 9.2 Amounts released by Ministry of Finance, GoI from FY 2014-15 to 2016-17

S. No.	Letter No. and date	(Rs. in Crore)
1.	F.No.44(5)PFI/204-1606, dated 31.03.2015	500
2.	F.No.44(1)PFI/2015-16-228,dated 23.11.2015	350
3.	F.No.1(2)/PFI/2014-1512, dated 28.03.2016	200
4.	F.No.44(1)PF-I/2016-Vol.I-1716, dated 16.02.2017	450
	Total	**1,500**

The development of the Government Complex project shall be undertaken over a period of 3 years as per the detailed project plan included in the DPR. The year wise fund requirement for the various sub-components under the Amaravati Government Complex project is shown in Table 9.3.

Owing to sustained persuasion by the State Government, Government of India has given exemption of Capital Gains Tax for those farmers in the new State Capital, who have voluntarily given about 33,000 acres of precious land for building the Capital City, under the Innovative Land Pooling Scheme.

Government of India support is inadequate and not in line with the provisions of the APRA.

- Only Rs.1,500 Crore was released towards infrastructure of Capital City
- Rs.1,000 Crore released for improving the UGD in Vijayawada & Guntur towns is projected as release for Capital City
- Government of India promised to release Rs.1,000 Crore in the coming years

Progress so far :

The Union's commitment by law is to 'provide a special financial support for the creation of essential facilities in the new capital… including government buildings, and such other infrastructure'.

The division of Andhra Pradesh, as explained in the introductory chapter, is unique in the manner (Parliament's enactment without the State's consent), and circumstances (the region with a mega city and Capital sought division and retained the Capital City, depriving the majority region of Residual Andhra Pradesh of the advantages of a megacity as economic hub and Capital). In these circumstances, it should be considered as a special case and necessary support should be extended by the Union government by a liberal interpretation of Section 94 (3) of the law and the intent behind it.

Table 9.3 **Sub-components under the Amaravati Government Complex Project**

Rs in Crore

Sl. No	Component	Proposed Package cost	Year 1	Year 2	Year 3
1	Judiciary	1,849	555	1,202	92
2	Legislative	1,397	419	908	70
3	Executive	5,099	1,530	3,315	254
4	Civic Infrastructure	3,257	1,106	1,153	998
5	Other Essential infrastructure	28,335	7,000	16,000	5,335
	Total cost	**39,937**	**10,610**	**22,578**	**6,749**

Other Government Infrastructure

As per Section 9 of APRA, Union Government has committed to provide financial assistance for new operational hubs for Greyhounds. Government of Andhra Pradesh had sent a proposal to Government of India with an estimate of Rs. 858.37 Crore to establish a Greyhound Training Centre, and also sought approval for diversion of 2087.09 hectares of forest land for the purpose. Government of India has accorded Stage-I clearance for diversion of forest land, and has approved a project cost of Rs. 219.16 Crore for the institution.

Recommendations :

Section 94(3) of APRA should be liberally interpreted. In addition to the government complex, basic infrastructure of roads, storm water drainage, flood proofing, sanitation and sewerage, drinking water, rapid connectivity and mass rapid transport system, should be regarded as the 'other essential infrastructure'.

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 relating to the items listed above should be treated as projects coming under the scope of Section 94 (3) of APRA, 2014.

Therefore, 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

Government of India Commitment:

Section 94 of Andhra Pradesh Reorganisation Act, 2014

*“**94. (1)** The Central Government shall take appropriate fiscal measures, including offer of tax incentives, to the Successor States, to promote industrialisation and economic growth in both the States.*

***(2)** The Central Government shall support the programmes for the development of backward areas in the successor States, including expansion of physical and social infrastructure.*

***(3)** The Central Government shall provide special financial support for the creationof essential facilities in the new capital of the successor State of Andhra Pradesh includingthe Raj Bhawan, High Court, Government Secretariat, Legislative Assembly, Legislative Council, and such other essential infrastructure.*

***(4)** The Central Government shall facilitate the creation of a new capital for the successorState of Andhra Pradesh, if considered necessary, by denotifying degraded forest land.”*

Prime Minister’s Assurance on the floor of the Rajya Sabha on 20 Februray 2014

“Second, the Bill already stipulates that the Central Government shall take appropriate fiscal measures, including offer of tax incentives to the successor states in order to promote industrialisation and economic growth in both the states. These incentives will be along the lines extended to some other states.”

Progress / Developments

- Consequent to the formation of Telangana State, the industrial development in the State of Andhra Pradesh has suffered due to the following reasons.
  - Loss of capital with Public Sector Undertakings, major industries, educational and R&D institutions
  - Low level of industrialization
  - Industrial backwardness of the region
  - Critical infrastructure gaps
  - Lower share of exports
  - Revenue deficit
  - Low literacy rates
- To accelerate industrial development, the Government of Andhra Pradesh requested Government of India to accord "Special Incentives for Industrial Development" as has already been done for some other states. These fiscal and tax incentives will facilitate rapid industrialization and create a level playing field in the State.

Special Package of Incentives sought under Section 94 (1)

- A proposal seeking special package of incentives submitted to Government of India under Section 94(1) of APRA,2014
- Andhra Pradesh Government on 26 June 2014 addressed a letter to Mrs. Nirmala Sitaraman, Commerce Minister, Government of India for expediting the proposal.
- Andhra Pradesh Government on 26 June 2014 also addressed a letter to Sri Arun Jaitley, Finance Minister, Government of India for considering the proposal. Response is awaited.

Special Package of Incentives sought under Section 94 (2)

Government of India vide CBDT Notification issued in September 2016, notified seven districts for availing tax incentives - 15% of higher additional depreciation and 15% of investment allowance on the cost of Plant and Machinery acquired under Section 32(1)(iia) and Section 32AD of the Income Tax Act, in respect of any manufacturing undertaking set up during the period from 01 April 2015 to 31 March 2020.

- Subsequently, the Chief Secretary to Government addressed a letter on 29 November 2016 to Chairperson, CBDT and Special Secretary, Government of India for considering backward mandals of other 6 Districts for 15% of investment allowance on the cost of Plant and Machinery.

Comparison of Incentive Packages

Comparison of incentive packages given to North-East Region States, Jammu & Kashmir and Uttarakhand & Himachal Pradesh reveals the following:

- **Fiscal Incentives available to North East States/ J&K/ Uttarakhand & HP; but not extended to Andhra Pradesh**
  - Excise Duty
  - Income Tax
  - Capital Subsidy (on Plant and Machinery)
  - Insurance Premium on Capital Investment
  - Interest Subsidy on Working Capital Loans
  - Transport / Freight Subsidy
- **Infrastructure Support provided to North East States/ J&K/ Uttarakhand & HP; but not extended to Andhra Pradesh**
  - Growth Centres Scheme
  - Integrated Infrastructure Development Centres (IIDC)
- **Infrastructure Support at 50:50 (GoI : GoAP) provided to Andhra Pradesh unlike 90:10 provided to NE States / J&K / Uttarakhand & HP**
  - Schemes of Ministry of Textiles
- **Infrastructure Support – No Special dispensation provided to NE States / J&K / Uttarakhand & HP; but not extended to Andhra Pradesh**
  - Integrated Textile Parks
  - Mega Food Parks

Andhra Pradesh Government has requested the Minister for Commerce & Industry, Government of India on 28 February 2018 to extend to Andhra Pradesh financial incentives necessary for industrialisation, as well as the compensatory mechanism towards refund of SGST and IGST in line with the special consideration provided to the erstwhile Special Category States, to promote industrialisation and economic growth in the State of Andhra Pradesh.

Union Cabinet on 21 March 2018 approved the North East Industrial Development Scheme (NEIDS), 2017 (Annexure-19) with financial outlay of Rs. 3,000 Crore upto March 2020. NEIDS is a combination of the incentives covered under the earlier two schemes with a much larger outlay. Under the Scheme, the following incentives shall be provided to new industrial units set up in the North-Eastern States including Sikkim:

- Central Capital Investment Incentive for Access to Credit (CCIIAC)
- Central Interest Incentive (CII)
- Central Comprehensive Insurance Incentive (CCII)
- Goods and Services Tax (GST) Reimbursement
- Income Tax (IT) Reimbursement
- Transport Incentive (TI)
- Employment Incentive (EI)

State Government has requested Government of India to extend tax incentives on the lines of the package NEIDS given to North-Eastern States in March 2018 to Andhra Pradesh.

Of all the commitments made to Andhra Pradesh, giving tax concessions to promote industrialisation and economic growth is the most complex and contentious one. Under Section 94 (1) of APRA, the Union's commitment is explicit. Even more importantly, the Prime Minister's pledge in para 1 (Special Category Status) and para 2 (tax incentives) together, along with various other public pronouncements gave the unmistakable commitment to the Successor State of Andhra Pradesh that the tax incentives will be similar to those given to several Special Category States, and those that were extended upto 2020 to the North-Eastern States on 21 March 2018 in the form of the NEIDS. On account of the circumstances of division of the State, relatively low industrialisation in the Residual Andhra Pradesh, the explicit commitments made, and the political campaigns of all parties and publicity given by media, there is intense expectation and unrest in the State on the issue of tax concessions.

From the Union's perspective, Special Category Status and tax incentives are not linked. However, it is a fact that all States that were given special tax incentives on investments including full income tax and indirect tax exemptions are Special Category States. Even NEIDS tax concessions have been granted to the seven North-Eastern States, all of which are Special Category States. It is this context that indelibly linked Special Category States and tax concessions in the minds of the people, especially the impressionable young minds of college and school-going youth, and the large unemployed youth.

Government of India would have obvious concerns in a competitive federal system. In particular there are three real challenges that the Union faces.

First, there are several other industrially under-developed States which would make similar demands. Second, the neighboring States already voiced their concerns about flight of capital and industry in the event of Andhra Pradesh getting tax exemptions. Third, Andhra Pradesh has a relatively large population when compared to the existing eleven Special Category States. All these eleven States put together have about 80 million total population, whereas Andhra Pradesh alone has 50 million population.

Recommendations :

Given these circumstances, tax concessions for new investments in Andhra Pradesh is a complex, tricky and contentious issue. Several approaches could be considered by the Union to resolve this complex issue. One possiblity is to identify the backward regions and extend concessions limited to those areas. A second approach could be to extend significant tax benefits to the whole of Andhra Pradesh well beyond the concessions announced so far but short of full tax exemptions granted to most Special Category States. A third approach could be to identify backward regions in other States, and extend full tax benefits to Andhra Pradesh and identified backward regions in the rest of India.

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 Upgradation Scheme (IIUS), Mega Food Park Scheme, Integrated Infrastructure Development (IID) Scheme, etc.

An Assessment of Loss in Economic Capacity Due to Bifurcation

With bifurcation, the Residual State of Andhra Pradesh was left with regions of low economic capacity. This disadvantage of the uneven division in the capital stock during bifurcation is likely to limit the long run growth prospect of the Residual State. This is evident from the persisting gap in the per capita GSDP (PCGSDP) between Andhra Pradesh and Telangana State. Table A below presents the trends in real PCGSDP of Andhra Pradesh (AP) and Telangana (TS) from 2011-12. As can be seen PCGSDP of Andhra Pradesh is consistently lower than that of Telangana State throughout period. Post-bifurcation, the State of Andhra Pradesh averaged an impressive growth in per capita GSDP of 10% per annum during 2015-18. However, its rank in levels of per capita GSDP remained around 10 (among 21 major states), behind states like, Tamil Nadu, Kerala and Karnataka.

The basic motivation of the exercise is to quantify the loss in growth capacity of the State in monetary terms to serve as a reference for various compensations that the State seeks as its entitlements through APRA or other promises. This would also serve as a backdrop for assessing the requirements of the backward regions, which require substantial push in economic growth for reducing regional inequality and improving the well-being of the people of that region.

Building on this premise, an attempt is made to quantify the additional investments required to overcome the State's loss after bifurcation.

Table A **Per Capita GSDP at 2011 -12 prices (in Rs.)**

Year	AP	TS	Gap
2011-12	76,997	1,00,733	23,736
2012-13	76,792	1,02,695	25,903
2013-14	81,656	1,07,128	25,472
2014-15	88,645	1,13,238	24,593
2015-16	97,470	1,21,742	24,272
2016-17	1,07,622	1,32,652	25,031
2017-18	1,19,000	1,45,054	26,054

Basically, the methodology consists of assessing the investment requirements to accelerate its growth so that the gap between Per Capita GSDP of Andhra Pradesh and Telangana is bridged in ten years. The extent to which assessed investments exceed the internally generated savings in the State would reflect the loss to Andhra Pradesh due to the bifurcation.

The assessment is made using the following assumptions.

1. The net Capital Output Ratio (COR) is 3.5.

   Firm estimates of COR are not available at state level. But the estimates of EPW foundation (2012) are close to this. Also this is consistent with the current saving rate (30%) and the recent growth experience of the State.

2. Total Factor Productivity (TFP) growth of 1% per annum. State wise estimates are not available.

3. Saving rate is 30%. This is consistent with the input-output matrix prepared for Residual Andhra Pradesh (2011-12).

4. Any public investments, especially in crucial infrastructure would have a crowding-in effect and would bring equal investments from private sector

Macro Aggregates

In 2017-18, the Per Capita Income (PCI) of Andhra Pradesh at current prices was Rs. 1.57 lakhs, Rs. 36,000 lower than that of Telangana . The average growth rate of PCGSDP for Andhra Pradesh (AP) and Telangana State (TS) observed during 2014-18 were 10.3% per annum and 8.6% per annum respectively (Table B). Although, the growth rate of Andhra Pradesh is higher than that of Telangana , it would take about 14 years for Andhra Pradesh to achieve parity with Telangana . If Andhra Pradesh's PCGSDP were to reach that of Telangana in ten years it has to accelerate its growth rate to 10.86%

Table B **Macro Indicators of Andhra Pradesh and Telangana State**

Macro Indicators	AP	TS
2017-18 PCI (Rs.) in current prices	1,57,496	1,93,410
Average PCGSDP Growth Rate during 2014-18 (% p.a.)	10.3	8.61
Projected PCGSDP in 2028 (Rs.) at 2017-18 prices	4,2,0328	4,4,1620
Growth required to reach PCGSDP of TS (% p.a.)	10.86	
Population Growth Rate	0.60	
Aggregate growth required for AP	11.46	

per annum and maintain it at that level for next ten years. With population growing at 0.6% per annum, the aggregate GSDP of Andhra Pradesh needs to grow at 11.4% per annum to achieve this objective. In other words, Andhra Pradesh's GSDP has to grow consistently at 11.5% per annum for the next ten years to overcome the initial disadvantage it suffered at the time of bifurcation. There are two sources of this growth, capital accumulation and growth in Total Factor Productivity (TFP).

At 11.5% growth per annum the GSDP of AP would reach Rs. 23.80 Lakh Crore (at 2017-18 prices) by 2028, of which about 5%, i.e. Rs. 1.27 Lakh Crore would be the share of TFP. The remaining GSDP, Rs. 22.52 Lakh Crore should come from growth in capital stock. This would imply that capital stock should grow at 10.85% per annum for the next ten years.

The base year capital stock is computed using a Capital Ouput Ratio (COR) of 3.5 (including depreciation) and base year (2017-18) GSDP of Rs. 8.0 Lakh Crore.

The required growth rate of capital stock i.e., 10.85% per annum is applied on the base year capital stock to generate the series of changes in the capital stock for next ten years. Change in capital stock in a year indicates investments to be made in that year. The total investments in ten years, computed thus would amount to Rs. 50.6 Lakh Crore. These investments would be necessary to accelerate growth of Andhra Pradesh such that its PCGSDP would be equal to that of Telangana State in ten years.

However, the existing capital stock and investments would generate income, a part of which would be saved and invested back into the economy. Assuming a saving rate of 30%, the total savings that would accrue to the State in ten years would be Rs. 45.96 Lakh Crore. This would leave a deficit of Rs. 4.73 Lakh Crore in investments and this amount would reflect the dimension of the loss that the State suffered.

For the first five years of the time horizon, a total of Rs. 2.05 Lakh Crore would be required. There can be two sources for these investments- public and private (as internal investments have already been accounted). If public sector investments focus on removing crucial bottle necks in the economy and invest in critical infrastructure such as roads, ports, transport, etc., there would be significant crowding-in effect, i.e. it would stimulate private investments. Assuming a 1:1 ratio between the two sources, if public sector invests Rs. 1.03 Lakh Crore in crucial infrastructure sector, it would stimulate equal investments from private sector outside the State. Thus, for the first five years Andhra Pradesh requires an investment of Rs. 1.03 Lakh Crore to stimulate growth as desired initially. After five years, additional required investments would be Rs. 2.7 Lakh Crore. Assuming similar crowding-in effect, the share of public sector would be Rs. 1.35 Lakh Crore.

Table C **Projections of Growth and Investment Requirements**

1	Aggregate GSDP at 2017-18 (Rs in Crore in current prices)	8,03,873
2	Aggregate GSDP in 2027-28 (Rs in Crore at 2017-18 prices) Projected at a growth rate of 11.46% per annum	23,79,083
3	Increase in GSDP Due to TFP growth (Rs in Crore at 2017-18 prices)	1,27,023
4	Increase in GSDP Due to expansion of Capital Stock (Rs in Crore at 2017-18 prices)	22,52,060
5	Required Growth Rate of Capital Stock	10.85
6	Total Investments in ten years [1] (Rs in Crore)	50,68,654
7	Total Savings Generated internally[2] (Rs in Crore)	45,95,856
8	Rest of The Investments[3] (Rs in Crore)	4,72,797
9	Rest of the Investments Required in first Five years[4] (Rs in Crore)	2.06,244
10	Share of public investments[5] (50%) (Rs in Crore)	1,03,122
11	Share of external investments[6] (outside state)	1,03.122

Notes:
1) The total investment is arrived at by summing the yearly changes in capital stock ten years. Change in capital stock for any year is 10.85% of the previous year capital stock.
2) The Savings generated are estimated assuming a saving rate of 30%.
3) Is the difference between the total investments and internal savings (6-7)
4) The total investments to be met externally for first five years.
5) 50% of (9) is assumed to come in the form of public investments
6) 50% of (9) is assumed to come from outside state

SUMMARY OF RECOMMENDATIONS

(1) Resource Gap for the Year 2014-15

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

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 (CSS)

The 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.

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

Assistance to the tune of Rs. 8,711.19 Crore by 2019 to complete Phase-I including reimbursements pending, and a further additional assistance of about Rs. 27,494 Crore in 2019-20 to complete Phase-II of this important project are needed.

Revised cost estimates may be approved by the Union as per norms.

Union and State have acted in a well-coordinated manner, and the project progress is impressive. Steps should be taken to ensure adequate fund flow to complete both phases of the project in a time-bound manner.

(5) Development Assistance to Backward Regions

The Andhra Pradesh Government prepared project proposals of an estimate of Rs. 24,350 Crore. This is broadly comparable to the Bundelkhand package, adjusting for population and inflation.

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. This assistance of Rs. 50 Crore per year for each district for five years is far short of the commitment made, or the requirements of the backward regions of Rayalseema and North-Coastal Andhra.

The Union should take steps on priority to implement the Special Package of Rs. 24,350 Crore in a time-bound manner within a period of five years.

(6) Establishment of Duggirajapatnam and/or Alternative Port

Tentative cost estimated for the Duggirajapatnam Port Project is Rs. 7,988 Crore. 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

Only Rs. 845.42 Crore i.e. 6.63% of the total project cost of Rs. 12,746.38 Crore has been released by Government of India, 93% is still remaining. Almost all institutions are functioning in temporary campuses.

Remaining funds should be released and all institutions should be fully established before 2024.

(8) Projects to Improve Infrastructure, Connectivity and Investments in Andhra Pradesh

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 job-creation 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 the Government Infrastructure and the Capital City Region

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.

Section 94(3) of APRA should be liberally interpreted. In addition to the Government Complex, basic infrastructure of roads, storm water drainage, flood proofing, sanitation and sewerage, drinking water, rapid connectivity and mass rapid transport system, should be regarded as the 'Other Essential Infrastructure'.

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 relating to the items listed above should be treated as projects coming under the scope of Section 94 (3) of APRA, 2014.

Therefore, 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

Tax concessions for new investments in Andhra Pradesh is a complex, tricky and contentious issue. Several approaches could be considered by the Union to resolve this complex issue. One possiblity is to identify the backward regions and extend concessions limited to those areas. A second approach could be to extend significant tax benefits to the whole of Andhra Pradesh well beyond the concessions announced so far but short of full tax exemptions granted to most Special Category States. A third approach could be to identify backward regions in other States, and extend full tax benefits to Andhra Pradesh and identified backward regions in the rest of India.

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 Upgradation Scheme (IIUS), Mega Food Park Scheme, Integrated Infrastructure Development (IID) Scheme, etc.

AFTERWORD

This report of IGE is a genuine non-partisan expert effort to help resolve contentious issues relating to the division of Andhra Pradesh. The report essentially deals with the dispute between the Union and the Successor State of Andhra Pradesh, and not the unresolved issues between Andhra Pradesh and Telangana regarding division of assets etc. In respect of unresolved issues between the two Successor States, facts are not in dispute, and mechanisms are available to resolve issues between the States; the law has prescribed the processes and procedures and the Union has the definitive role and responsibility to complete the process.

The dispute between the Union and Andhra Pradesh State can only be resolved by a spirit of mutual trust and respect, and Parliament, political parties, media and civil society should facilitate the process. However, when facts are in dispute, and the whole issue is politicized in a partisan and polarizing manner, public intellectuals, credible media and civil society should step in to clear the air and provide fact-based, objective opinion.

Under each of the ten issues discussed, this report clearly listed the commitments of the Union government by law and the Prime Minister's official statement in Parliament, the current status of the implementation of the commitments, the feasibility of implementing the pledge, and finally wherever appropriate, a clear recommendation of the Independent Group of Experts (IGE).

We realize that the Union Government may have fiscal constraints in honouring the commitments at one go, or in paying the arrears due for past years. The IGE therefore suggests that where there are ways and means constraints for cash transfers, the amounts due to the State may be set off against the State's debt to Government of India or parastatals, thus giving fiscal room to the State for borrowing to the same extent. In addition, the Union may issue short/medium tenure Andhra Pradesh Relief Bonds for providing Special Assistance to Andhra Pradesh as per the commitments made, and the Union will redeem these bonds. Such measures will ensure required assistance to the State without creating cash flow problems for the Union.

When a dispute between the Union and a major State leads to high degree of polarization, parochial tendencies rise. When there is a deep seated sense of grievance and injustice widely prevalent in any State in a federal polity, that needs to be addressed fairly, objectively and swiftly. Otherwise the long term unity and integrity of the nation would be weakened.

That is the spirit in which eminent non-partisan citizens and experts have voluntarily chosen to come together and from the available information produced this report offering fact based opinion, and helping to reconcile conflicting views. This reconciliation is vital for the nation's integrity as well as our federal polity.

India endured against all odds because of a spirit of accommodation and respect for diversity. Our federalism has become more robust over the years. We kept a multi-lingual nation united in a masterly and unprecedented manner, setting example to the world. We are confident that this complex situation arising out of division of a State without the prior consent of the State Legislature will be resolved swiftly and fairly.

A lot more remains to be done to make India a true federation protecting the nation's unity and integrity, and giving the State and local governments genuine self-governance in all respects within their domain. Unity is not uniformity. We hope after the experience of Andhra Pradesh division, formation of new States will only be with prior consent of the affected States and after a negotiated settlement. True power lies in restraint, and consent gives legitimacy to power.

Indian federalism needs to be further deepened so that all our people have opportunities to grow, and our nation can fulfill her true potential. One-shoe-fits-all solutions will not work in a continental nation of unmatched diversity. India's achievements are well below our potential. We need to create a framework of genuine decentralization and multi-level federalism, with all the constituent units having the freedom to make choices, innovate, learn, improve and flourish. When communities, cities, and States innovate and thrive, the best practices can spread, and the risks of innovation are contained within their territories. The sub-national and local governments can prosper only when the nation's unity and integrity are assured, and the federal government performs its assigned tasks in a fair, efficient and equitable manner. A strong Union is vital for the prosperity and growth of States and local governments; and strong self-governing subnational governments strengthen the unity and integrity of the nation.

We hope this group of experts will be strengthened by the inclusion and participation of many eminent public intellectuals and thinkers all over the nation, and their collective future endeavours will help pave way for a balanced federalism.

* * *

SNo.	Annexure Title
1.	Commitments made on the 10 contentious issues
2.	Prime Minister's statement before Parliament on 20 February 2014
3.	Governor's letter to GoI (Minister of Finance) on 20 March 2014
4.	Office Memorandum,, Ministry of Home Affairs on constitution of Joint Committee dated April 2014
5.	Govt of Andhra Pradesh letter to GoI to provide Rs. 15,691 Crore in the Union Budget for FY 2015 dated 27 May 2014
6.	PIB statement on the commitment for the resource gap for the year 2014-15 being met on the basis of standardized expenditure dated 8th September 2016
7.	Government of India OM no. 20/11/2012 dated 5-10-2012, Ministry of Power, on the financial restructuring of the State-owned DISCOMs
8.	Letter No. 40(1)PF-I/2011, Ministry of Finance GoI, dated 13-3-2015 for taking over the liabilities of Rs. 1514.82 crores within the permitted borrowings and RBI permitted to issue Special Securities
9.	G.O. Ms.No.34, Finance (PF & NABARD) Department dated 31 March 2015 - DISCOMS
10.	Chapter II (page 8) of the National Social Assistance Programme guidelines
11.	G.O Ms No: 46 dated 30 April 2015 on Revised Pay Scales
12.	G.O Ms No : 10 dated 06 January 2014 on Interim Relief
13.	Chief Minister's letter to the Union Home Minister (para 4 of the letter dated 8 May, 2015) on the loss sustained by Residual Andhra Pradesh
14.	Union Governments' press communiqué on 15 March 2017 on special assistance measures
15.	Chief Minister's letter to the Union Finance Minister dated 5th January 2018 on special dispensation amount
16.	Estimated cost of development of Amaravati City Infrastructure
17.	Letter to NITI Aayog by AP Govt regarding submission of DPR of Amaravati Complex and Associated Infrastructure - Request for disbursal of funds from GoI
18.	Letter to NITI Aayog by AP Govt - Details of DPRs regarding Amaravati Government Complex and Other Essential Infrastructure in the Capital City
19.	North East Industrial Development Scheme (NEIDS), 2017
20.	Abbreviations

Annexure – 1

Commitments made in the Andhra Pradesh Reorganization Act, 2014 on the 10 contentious issues

Issue	Provisions in the AP Reorganization Act 2014	Prime Minister's statement in Parliament on 20 February 2014
Resource Gap For The Year 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.*"	**Para 6 of the Prime Minister's statement in Parliament on 20th Feb, 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."*

Issue	Provisions in the AP Reorganization Act 2014	Prime Minister's statement in Parliament on 20 February 2014
Loss Incurred On Account Of Anomalies Of Law	**Sections, 50, 51 and 56 of the Andhra Pradesh Reorganization Act, 2014**: *"**50.** The right to recover arrears of the tax or duty on property, including arrears of land revenue, shall belong to the successor State in which the property is situated, and the right to recover arrears of any other tax or duty shall belong to the successor State in whose territories the place of assessment of that tax or duty is included on the appointed day.* ***51. (1)** The right of the existing State of Andhra Pradesh to recover any loans or advances made before the appointed day to any local body, society, agriculturist or other person in an area within that State shall belong to the successor State in which that area is included on that day.* ***(2)** The right of the existing State of Andhra Pradesh to recover any loans or advances made before the appointed day to any person or institution outside that State shall belong to the State of Andhra Pradesh:* *Provided that any sum recovered in respect of any such loan or advance shall be divided between the States of Andhra Pradesh and Telangana on the basis of population ratio.* ***56. (1)** The liability of the existing State of Andhra Pradesh to refund any tax or duty on property, including land revenue, collected in excess shall be the liability of the successor State in whose territories the property is situated, and the liability of the existing State of Andhra Pradesh to refund any other tax or duty collected in excess shall be apportioned between the Successor States of Andhra Pradesh and Telangana on the basis of population ratio and the State discharging the liability shall be entitled to receive from the other State its share of the liability, if any.* ***(2)** The liability of the existing State of Andhra Pradesh to refund any other tax or duty collected in excess on the appointed day shall be the liability of the successor State in whose territories the place of assessment of such tax or duty is included, and the liability of the existing State of Andhra Pradesh to refund any other tax or duty collected in excess shall be apportioned between the Successor States of Andhra Pradesh and Telangana on the basis of population ratio and the State discharging the liability shall be entitled to receive from the other State its share of the liability, if any."*	

Issue	Provisions in the AP Reorganization Act 2014	Prime Minister's statement in Parliament on 20 February 2014
Special Assistance in Lieu Of 90% Union Funding for Centrally Sponsored Schemes	"**46 (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.* "**(3)** *The Central Government shall, while considering the special development package for the successor State of Andhra Pradesh, provide adequate incentives, in particular for Rayalaseema and north coastal regions of that State."* *"94. (1) The Central Government shall take appropriate fiscal measures, including offer of tax incentives, to the successor States, to promote industrialisation and economic growth in both the States.* *"(2) The Central Government shall support the programmes for the development of backward areas in the successor States, including expansion of physical and social infrastructure."*	"First, for purposes of Central assistance, Special Category Status will be extended to the successor state of Andhra Pradesh comprising 13 districts, including the four districts of Rayalaseema and the three districts of north coastal Andhra for a period of five years. This will put the state's finances on a firmer footing."
Assistance Required For Completing Polavaram Project	**Section 90, APRA 2014** "**90.** *(1) The Polavaram Irrigation Project is hereby declared to be a national project.* *(2) It is hereby declared that it is expedient in the public interest that the Union should take under its control the regulation and development of the Polavaram Irrigation Project for the purposes of irrigation.* *(3) The consent for Polavaram Irrigation Project shall be deemed to have been given by the successor State of Telangana.* *(4) The Central Government shall execute the project and obtain all requisite clearances including environmental, forests, and rehabilitation and resettlement norms."*	*"Fourth, I would like to reassure Honourable Members that if any further amendments are needed to facilitate smooth and full Rehabilitation & Resettlement (R&R) for the Polavaram project, they will be given effect to at the earliest. Our government will execute the Polavaram project--let there be no doubt about it."*

Issue	Provisions in the AP Reorganization Act 2014	Prime Minister's statement in Parliament on 20 February 2014
Development Assistance to Backward Regions	**Section 46(3) of APRA** "46 (3) The Central Government shall, while considering the special development package for the successor State of Andhra Pradesh, provide adequate incentives, in particular for Rayalaseema and north coastal regions of that State." "94 (3) The Central Government shall provide special financial support for the creation of essential facilities in the new capital of the successor State of Andhra Pradesh including the Raj Bhawan, High Court, Government Secretariat, Legislative Assembly, Legislative Council, and such other essential infrastructure."	"Third, the Bill already provides for a special development package for the backward regions of the successor state of Andhra Pradesh, in particular for the districts of Rayalaseema and North Coastal Andhra Pradesh. This development package will be on the lines of the K-B-K (Koraput-Bolangir-Kalahandi) Special Plan in Odisha and the Bundelkhand special package in Madhya Pradesh and Uttar Pradesh."
Establishment of Duggirajapatnam And/or Alternative Port	**Section 93 – Schedule 13 – Infrastructure item 1.** "The Government of India **shall develop** a new major port at Duggirajapatnam in the Successor State of Andhra Pradesh to be completed in phases with Phase I by end-2018"	

Issue	Provisions in the AP Reorganization Act 2014	Prime Minister's statement in Parliament on 20 February 2014
Establishment of Eleven Nationally Important Institutions In Andhra Pradesh	**Section 93 of APRA** "93. The Central Government shall take all necessary measures as enumerated in the Thirteenth Schedule for the progress and sustainable development of the successor States within a period of ten years from the appointed day **The Thirteenth Schedule of APRA.** "Education - **Item-1:** The Government of India shall take steps to establish institutions of national importance in the 12th and 13th Plan periods in the successor State of Andhra Pradesh. This would include one IIT, one NIT, one IIM, one IISER, one Central University, one Petroleum University, one Agricultural University and one IIIT. **Item-2.** The Government of India shall establish one AIIMS-type Super-Specialty Hospital cum-Teaching Institution in the successor State of Andhra Pradesh. **Item-3.** The Government of India shall establish a Tribal University each in the State of Andhra Pradesh and in the State of Telangana. **Item-5.** The Government of India shall establish the National Institute of Disaster Management in the successor State of Andhra Pradesh."	
Projects to Improve Infrastructure, Connectivity And Investments In Andhra Pradesh	**Section 93 of Andhra Pradesh Reorganisation Act, 2014** "**93.** The Central Government shall take all necessary measures as enumerated in the Thirteenth Schedule for the progress and sustainable development of the successor States within a period of ten years from the appointed day." **Schedule XIII – Infrastructure - 11 of the Andhra Pradesh Reorganisation Act, 2014** "11. The Central Government shall take measures to establish rapid rail and road connectivity from the new capital of the successor State of Andhra Pradesh to Hyderabad and other important cities of Telangana;"	

Issue	Provisions in the AP Reorganization Act 2014	Prime Minister's statement in Parliament on 20 February 2014
Assistance To Develop the Government Infrastructure and the Capital City Region	**Section 94 (3) and Section 94 (4) of Andhra Pradesh Reorganisation Act, 2014** (*3*) The Central Government shall provide special financial support for the creation of essential facilities in the new capital of the successor State of Andhra Pradesh including the Raj Bhawan, High Court, Government Secretariat, Legislative Assembly, Legislative Council, and such other essential infrastructure. (*4*) The Central Government shall facilitate the creation of a new capital for the successor State of Andhra Pradesh, if considered necessary, by denotifying degraded forest land.	
Tax And Other Incentives For Investment In Andhra Pradesh	**Section 94 of Andhra Pradesh Reorganisation Act, 2014** "94. (*1*) The Central Government shall take appropriate fiscal measures, including offer of tax incentives, to the successor States, to promote industrialisation and economic growth in both the States."	"Second, the Bill already stipulates that the Central Government shall take appropriate fiscal measures, including offer of tax incentives to the successor states in order to promote industrialization and economic growth in both the states. These incentives will be along the lines extended to some other states."

Annexure 2

Prime Minister's statement before Parliament on 20th February 2014

Press Information Bureau

Government of India, Prime Minister's Office 20-February-2014

PM's statement on the Telangana Bill and a special package for the successor state of Andhra Pradesh

Following is the text of Prime Minister, Dr. Manmohan Singh's statement on the Telangana Bill and a special package for the successor state of Andhra Pradesh:

"Mr. Chairman Sir:

I have listened very carefully to the views expressed by the Leader of Opposition and all the other members who have spoken, especially those from Andhra Pradesh. The Home Minister has already mentioned the specific steps our Government will take to address the concerns of all regions of the state, particularly of Seemandhra.

I would like to make a few further announcements in this regard.

First, for purposes of Central assistance, Special Category Status will be extended to the successor state of Andhra Pradesh comprising 13 districts, including the four districts of Rayalaseema and the three districts of north coastal Andhra for a period of five years. This will put the state's finances on a firmer footing.

Second, the Bill already stipulates that the Central Government shall take appropriate fiscal measures, including offer of tax incentives to the successor states in order to promote industrialization and economic growth in both the states. These incentives will be along the lines extended to some other states.

Third, the Bill already provides for a special development package for the backward regions of the successor state of Andhra Pradesh, in particular for the districts of Rayalaseema and North Coastal Andhra Pradesh. This development package will be on the lines of the K-B-K (Koraput-Bolangir-Kalahandi) Special Plan in Odisha and the Bundelkhand special package in Madhya Pradesh and Uttar Pradesh.

Fourth, I would like to reassure Honourable Members that if any further amendments are needed to facilitate smooth and full Rehabilitation & Resettlement(R&R) for the Polavaram project, they will be given effect to at the earliest. Our government will execute the Polavaram project—let there be no doubt about it.

Fifth, the appointed day for the formation of the new State will be so fixed in relation to the notified date so as to enable preparatory work relating to personnel, finance and distribution of assets and liabilities to be completed satisfactorily.

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.

Sir, I hope these additional announcements will demonstrate our steadfast commitment to not just the creation of Telangana but also to the continued prosperity and welfare of Seemandhra."

*****

Annexure – 3

Governor's letter to GoI (Minister of Finance) on 20th March 2014

E.S.L. Narasimhan

GOVERNOR
ANDHRA PRADESH

ANNEXURE – C
RAJ BHAVAN
HYDERABAD-500 041

D.O. Lr.No.4244-A/63/FC-I/2014, Dated 20-03-2014.

Respected Finance minister.

Subject: Andhra Pradesh State Reorganization Act 2014 – Resource Gap in the Successor States – Request for Assistance.

1. The Chief Secretary had brought to my notice of possible fiscal stress likely to be experienced post division contextual to the residual State of Andhra Pradesh.

2. Based on the budgetary estimates, it would appear that the likely resource gap in the successor States, particularly Andhra Pradesh, during 2014-15 could be substantial. Shortfalls in state's revenue collections together with less than expected transfers from Government of India in fiscal 2013-14 has resulted in postponement of expenditure commitments thereby creating a liability during the current fiscal understandably. This will result in a fiscal stress vis-a-vis both successor States. There will be additional commitments on account of establishment and creation of infrastructure for the State Legislative bodies. The scheduled pay revision for government employees is likely to entail an additional expenditure of over Rs. 7,500 crore in 2014-15 for both successor states. Further, there are sizeable welfare commitments on board in the form of pending bills, payment of scholarships to students, extending calamity relief, etc.

3. I would like to bring to your kind notice that section 46 (1) of the AP Reorganisation Act, 2014, mandates the Central Government to apportion the award made by the 13th Finance Commission between the successor States on the basis of population and other parameters. Under section 46(2), 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 the State notwithstanding the award to be given by the Fourteenth Finance Commission'. The Hon'ble Prime Minister in his statement in Rajya Sabha on February 20, 2014 has indicated that the resource gap that may arise in the successor State of Andhra Pradesh, especially during the period between the appointed day and the acceptance of the recommendations of the Fourteenth Finance Commission by the Government of India, will be compensated in the regular Union Budget for 2014-15.

4. In this context, it is my considered view that advance action is required for making accurate assessment of the resource gap for the 2014-15 fiscal year and identifying measures to comprehensively address the gaps in accordance with the Section 46(1) and 46(2) of the AP Reorganisation Act, 2014 in a timely manner. Therefore, I would like request you to consider constitute a joint committee consisting of Senior officials of the Planning Commission, Union Ministry of Finance, Ministry of Home Affairs and the Government of Andhra Pradesh for taking stock of the situation and make necessary recommendations for inclusion in the central budget for 2014-15 financial year in order to bridge the likely resource gap.

5. I shall be grateful for early consideration of the issue.

Kind regards,

Yours sincerely,

ESL Narasimhan
20/3/14

(E.S.L. Narasimhan)

Sri P. Chidambaram,
Hon'ble Minister for Finance,
Government of India,
North Block,
New Delhi.

Annexure – 4

Office Memorandum, Ministry of Home Affairs on constitution of Joint Committee dated 22nd April 2014

N.12012/1/2014-SR
Government of India
Ministry of Home Affairs
SR Section
***

NDCC-II Bldg, Jai Singh Road,
New Delhi., dt April,2014

Office Memorandum

Subject: - Constitution of Joint Committee for taking the stock of the situation of Govt. of Andhra Pradesh and making recommendations for inclusion in the central budget 2014-15 to bridge the likely resource gap.-- Regarding

In term of Section 46(2) of the Andhra Pradesh Reorganisaion Act, 2014, the Central Govt. 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. Besides, Section 46 (3) of the Act stipulates that the Central Government shall, while considering the special development package for the successor State of Andhra Pradesh provide adequate incentives , in particular for Rayalaseema and north coastal regions of that State. It has been decided to constitute a Joint Committee for taking the stock of the situation and making recommendations for inclusion in the central budget 2014-15 to bridge the likely resource gap. The following will be the members of the Committee:-

1) Advisor, Planning Commission (looking after the Special Cell for the Andhra Pradesh reorganization issues)

2) Joint Secretary(Revenue), Ministry of Finance, Department of Revenue,

Dir (SP-KM)

3) Joint Secretary (Centre-State), Ministry of Home Affairs

4) Joint Secretary (Budget), Ministry of Finance, Department of Economic Affairs,

2. This has the approval of Union Home Secretary.

Open another file. We need to get information from State Govt. D.O. dictated
22/4/14

(Ashutosh Jain)
Director(CS-II)
T.N. 23438147

Annexure – 5

Govt of Andhra Pradesh letter to GoI to provide Rs. 15,691 crore in the Union Budget for FY 2015 dated 27th May 2014

Ajeya Kallam, I.A.S.,
Principal Finance Secretary

Finance Department
D-Block, 2nd Floor, Room No. 313-A,
A.P. Secretariat, Hyderabad - 500 022
Off. : +91-40-2345 0742
Fax : +91-40-2345 2847
e-mail : pfs_fin@ap.gov.in

D.O. Letter No. 4244-A/63/FC-I/2014, Dated 27-05-2014

Dear

Sub: Andhra Pradesh Reorganization Act 2014- Estimation of Resources for the Successor State of Andhra Pradesh for the period 02-06-2014 to 31-03-2015.

Ref: Your D.O. letter No. 32/12/2014-FR, dated 22-04-2014 addressed to Dr. P.V. Ramesh, Principal Finance Secretary.

Please refer to your D.O. letter cited requesting the State Government to furnish initial estimates of resources separately for two successor States for the period 02-06-2014 to 31-03-2015. After an exhaustive review and realistic assessment, we have revised the initial estimates of resources presented to the Joint Committee on May 15, 2014. These estimates in the prescribed Forms I to V are enclosed herewith along with a detailed note explaining the basis and justification. The successor State of Andhra Pradesh faces a bleak prospect with an estimated non-plan revenue deficit of Rs. 15,691 crore and a plan size of Rs.5,791 crore in the remaining ten months of the current fiscal bringing the State to the level of north-eastern States in terms of Plan size. This is mainly on account of the reorganization of the State which has been done much against the wishes of residuary State of Andhra Pradesh. We, therefore humbly request that the State should be properly compensated in the form of grants equivalent to the estimated non-plan revenue deficit and higher central assistance to enable the State to budget a reasonable plan outlay.

With

Yours sincerely,

TIME

Ajeya Kallam

Sri. T.K. Pandey, IAS.,
Joint Secretary (SP) and Adviser (FR),
Planning Commission,
Yojana Bhawan,
Sansad Marg,
New Delhi- 110 001

Copy to Sri. Rajat Bhargava, IAS., Joint Secretary (Budget), Department of Economic Affairs, Ministry of Finance, North Block, New Delhi-110 001.

Annexure – 6

Govt. of India public statement on the commitment for the resource gap for the year 2014-15 being met on the basis of standardized expenditure dated 8th September 2016

Press Information Bureau

Government of India, Ministry of Finance. 08-September-2016

Central Assistance to Andhra Pradesh

1. The Central Government is committed to help and assist the newly created State of Andhra Pradesh. The commitments of the Centre emanate from four basic documents, namely, the provisions of the Andhra Pradesh Reorganisation Act, 2014, the report of the Fourteenth Finance Commission, the statement of the then Prime Minister before the Parliament on 20.2.2014 and the Report dated 1.12.2015 of Vice Chairman, NITI Aayog on Developmental Support to the Successor State of Andhra Pradesh under the Andhra Pradesh Reorganisation Act 2014.

2. The above mentioned commitments are broadly categorized as under:-

(i) **The Andhra Pradesh Reorganisation Act:**

(a) Section 46 of the Act provides for a reference to be made to the Fourteenth Finance Commission to take into account the resources available to the Successor States and make separate awards to them. It further provides for a developmental package to be given to the backward areas of the State of Andhra Pradesh. It also provides for adequate incentives in particular for Rayalaseema and north coastal regions of the State.

(b) Section 90 of the Act declares the Polavaram Irrigation Project as a National Project.

(c) Under Section 93 of the Act, the details of institutions and infrastructure to be developed in the State are outlined in the Thirteenth Schedule to the Act.

(d) Section 94 of the Act provides for appropriate fiscal measures, including offer of tax incentives, to be given to the Successor States to promote industrialization and economic growth. It further provides for support to programmes for backward areas including physical and social infrastructure. In addition, it provides for giving special financial support for creation of essential facilities in the new capital of the successor State of Andhra Pradesh, including the Raj Bhawan, High Court, Government Secretariat, Legislative Assembly, Legislative Council and such other essential infrastructure.

(ii) Statement of the then Prime Minister Dr. Manmohan Singh on 20.2.2014:

The then Prime Minister, Dr. Manmohan Singh on 20.2.2014 stated before the Rajya Sabha that Special Category Status would be extended to the State of Andhra Pradesh for a period of five years. This would be done to put the State's finances on a firmer footing. He further stated that the resource gap for the year 2014-15 would be compensated by the Central Government.

(iii) Fourteenth Finance Commission:

The Fourteenth Finance Commission defined the financial relationship between Centre and the States for the five year period ending 2019-20. The Commission did not make a distinction between Special and General Category States. Its approach was to fill the resource gap of each State to the extent possible through tax devolution. Accordingly, the Commission recommended an enhanced devolution of 42% of the Central Government's tax revenues to States. If devolution alone could not cover the assessed gap, for certain States, a revenue deficit grant was provided. Andhra Pradesh was one of the States determined to be a revenue deficit State, and the Commission recommended that the Centre would provide revenue deficit grant for the period of the Fourteenth Finance Commission. The amount of deficit for each year was mentioned in the report itself and a total of ₹ 22,113 crores is to be paid to Andhra Pradesh as revenue deficit grant for the 5 year period.

(iv) Report on Developmental Support to Andhra Pradesh dated 1.12.2015:

The Vice Chairman, NITI AayogDr. ArvindPanagariya studied various aspects of the support to be given to Andhra Pradesh under the Reorganisation Act and made recommendations regarding effective implementation.

The Central Government's commitments to the State of Andhra Pradesh

3. Under the Andhra Pradesh Reorganisation Act, the commitment for the resource gap for the year 2014-15 is being met on the basis of standardized expenditure for that year. The revenue gap has been tentatively quantified subject to further adjustment on account of figures relating to certain pension schemes. A part of the revenue gap compensation amounting to ₹ 3,979.5 crore has already been paid and the balance is being paid in annual instalments.

An amount of ₹ 2,500 crore has already been paid as support for creation of new capital of State of Andhra Pradesh and a balance of ₹ 1,000 crore would be paid in due course.

An amount of ₹ 1,050 crore has been disbursed as special package for backward areas and a further amount of ₹ 1,050 crore would be paid in the coming years.

4. The Polavaram Project is on the river Godavari near Ramayyapeta village of Polavarammandal, about 42 km upstream of Sir Arthur Cotton Barrage in the State of Andhra Pradesh. It envisages construction of a dam and canal system to create ultimate irrigation potential of 2,91,000 ha. (7.2 lakh acres), generation of 960 MW of hydro power, drinking water supply to a population of 28.50 lakh in 540 villages and diversion of 80 TMC of water to Krishna river basin.

The project was accorded investment clearance by the Planning Commission for Rs.10,151.04 crore (at 2005-06 price level) in 2009. Further, the Advisory Committee of Ministry of Water Resources approved the cost at 2010-11 price level as Rs.16,010.45 crore during January, 2011 including power and drinking water component of Rs.2868 crore. Prior to the passage of the AP Reorganisation Act, the Polavaram Project was being implemented by the Government of Andhra Pradesh with Central Assistance under the Accelerated Irrigation Benefits Programme (AIBP). An expenditure of Rs.5,135.87 crore had been incurred up to 31.3. 2014 including Central Assistance of Rs.562.469 crore.

The Central Government will fund the Polavaram Irrigation Project in the following manner:

(i) It will provide 100% of the remaining cost of the irrigation component only of the project for the period starting from 1.4.2014, to the extent of the cost of the irrigation component on that date.

(ii) In view of the recommendations of the Vice Chairman NITI Aayog that it will be appropriate for the State of Andhra Pradesh to execute this project (as it is an important project and the State Government is keen to complete it at the earliest), the Government of India has agreed to the State's request for the execution of the project by the State Government on behalf of the Government of India.

5. Government of India has already legislated for fiscal incentives of enhanced investment allowance and accelerated depreciation. They will come into effect once notified, after the State of Andhra Pradesh identifies the eligible backward areas.

6. In respect of educational and other institutions:

- A Petroleum University has already been established.
- The IIT has already been functioning from a transit campus and the main campus is being constructed.
- The National Institute of Technology has already been functioning since September 2015 in a temporary campus and its main campus is being constructed.
- The Indian Institute of Information Technology, Kurnool has already started functioning from the temporary campus and would start functioning and its main campus is being constructed.
- The site for the Central University in Anantapur district has already been selected.
- The Indian Institute of Science Education and Research has been established in Tirupati.
- The Indian Institute of Management has been established at Visakhapatnam.

- An All India Institute of Medical Sciences has been approved at Guntur and the land for the same is being taken over.
- A Tribal University is to be established in the State of Andhra Pradesh for which a Site Selection Committee of the State has already approved the land.
- A National Institute of Disaster Management is being established in the State of Andhra Pradesh for which identification and takeover of the land is bei

7. (i) The Cabinet Committee on Economic Affairs has given in-principle approval for the establishment of a major port at Dugarajapatnam in Andhra Pradesh on PPP basis, subject to feasibility.

(ii) Proposals with regard to the Steel Authority of India, Indian Oil Corporation/HPCL to set up units in Andhra Pradesh are being examined as provided in the Reorganisation Act.

(iii) Regarding airports:

· In Vishakhapatnam, international flights are already operating. For further expansion, land has been identified at Bhogapuram. The State is to acquire and hand over land for development by AAI as per the standard terms for such development or develop on its own by PPP. A techno economic feasibility report is to be undertaken by State Government.

For Vijayawada, MoU has been signed by AAI with Govt. of Andhra Pradesh to develop the existing terminal. The State is to acquire 698 acres of land required for the expansion as per the standard terms.

For Tirupati, the new terminal was inaugurated by the Prime Minister on 22.10.2015. A new apron for parking for 3 aircraft has been completed. The existing runway, apron and terminal building are adequate for commencing international flights. Expansion of new apron for parking additional 4 aircraft and isolation bay is under construction within the available land.

(iv) The National Highway Authority of India has taken several steps for establishment of the National Highways in the State of Andhra Pradesh. The Railways is considering measures for establishing a rapid rail and road connectivity between the new proposed capital of Andhra Pradesh with Hyderabad and other cities in the region. The Government of India is actively considering proposals for the establishment of the Metro Rail in Visakhapatnam and Vijayawada-Guntur-Tenali urban area.

8. The Fourteenth Finance Commission's award came into effect from 1.4.2015. The enhanced devolution amount due to Andhra Pradesh is being paid in entirety. This has resulted in an increase of Rs.7,787 crore in tax devolution in 2015-16 compared to 2014-15, a growth of 55%. The revenue deficit grants for each of the years recommended by the Fourteenth Finance Commission will also be paid by the

Government of India to the State of Andhra Pradesh. The same has been done for the year 2015-16 and 2016-17. There are no issues pending on that score.

9. The Government of India is thus honouring and shall honour all commitments made under the Andhra Pradesh Reorganisation Act.

10. The statement of the then Prime Minister, Dr. Manmohan Singh on 20.2.2014 contains six paragraphs. There are no issues with regard to five out of the six paragraphs. With regard to the first point i.e. the grant of special status, an apparent conflict has set in, between the statement and the recommendations of the Fourteenth Finance Commission which came subsequently. On page 17 (para 2.29 & 2.30) of the Report, the Commission has stated (inter alia):

    "We did not make a distinction between special and general category states in determining our norms and recommendations…... In our assessment of State resources, we have taken into account the disabilities arising from constraints unique to each State to arrive at the expenditure requirements. In this regard, we have observed that the North-eastern and hill States have several unique features that have a bearing on their fiscal resources and expenditure needs, such as low level of economic activity, remoteness and international borders. Our objective has been to fill the resource gaps of each State to the extent possible through tax devolution. However, we have provided post-devolution revenue deficit grants for States where devolution alone could not cover the assessed gap…...

    We are of the view that intra-state inequality is within the policy jurisdiction of the States and provisioning of adequate resources through tax devolution should enable them to address intra-state inequalities in an effective manner."

    Thus following the recommendations of the 14th Finance Commission, the class of special category states ceases to exist. However, the Central Government has agreed to give a special assistance measure for Government of Andhra Pradesh for five years, which would make up for the additional Central share the State might have received during these years, i.e. 2015-16 to 2019-20, as envisaged in the then Prime Minister's statement dated 20.2.2014. This will be in the form of Central Government funding for externally aided projects for the state for Andhra Pradesh signed and disbursed during these years.

11. Thus the Government of India has effectively addressed all commitments made to the State of Andhra Pradesh in the Andhra Pradesh Reorganisation Act, the Fourteenth Finance Commission and the statement of the then Prime Minister on 20.2.2014.

Annexure – 7

Government of India OM no. 20/11/2012 dated 5-10-2012, Ministry of Power, on the financial restructuring of the State-owned DISCOMs

No. 20/11/2012-APDRP
Government of India
Ministry of Power
.....

New Delhi, the 05th October, 2012..

OFFICE MEMORANDUM

Subject: - Scheme for Financial Restructuring of State Distribution Companies (Discoms)

A scheme for Financial restructuring of State Owned Discoms has been formulated and approved by the Government to enable the turnaround of the State Discoms and ensure their long term viability. The scheme contains measures to be taken by the State Discoms and State Government for achieving financial turnaround by restructuring their debt with support through a Transitional Finance Mechanism by Central Government.

2) The salient features of the Scheme for restructuring are as under:-

a. (i) 50% of the outstanding short term liabilities (STL) as of March 31, 2012 to be taken over by State Governments. This shall be first converted into bonds to be issued by Discoms to participating lenders, duly backed by the State Government guarantee. The State Government will take over the liability during next 2-5 years by issuance of special securities in favour of participating lenders in a phased manner keeping in view the fiscal space available till the entire loan (50% of STL) is taken over by the State Government. The door to door maturity will not be more than 15 years with a moratorium of 3-5 years on the principal repayment.

(ii) The State Government would provide full support to the Discoms for repayment of interest and principal for this portion.

(iii)State Government would ensure that issuance of Special securities is within the targets prescribed in FRBM Acts of respective States and even if fiscal space including Debt-GSDP ratio under the FRBM targets is available, States need to remain with their respective Net Borrowing Ceilings (of each of the relevant fiscal) fixed annually as per the formula prescribed by the Thirteenth Finance Commission.

b. Balance 50% of the STL will be rescheduled by lenders and serviced by the DISCOMS with moratorium of 3 years on principal. Repayment of Principal and Interest be fully secured by the State Government Guarantee. The best possible terms are to be extended for the rescheduled loans to improve viability of Discoms operations.

c. The restructuring/reschedulement of loan is to be accompanied by concrete and measurable action by the Discoms/States to improve the operational

A.K.Singh

performance of the distribution utilities. State Government/Discoms have to commit themselves and carry out certain mandatory and recommendatory conditions as contained in part (C) of the Scheme.

d. A Transitional Finance Mechanism (TFM) by the Central Government in support of the restructuring effort is available, subject to fulfillment of mandatory conditions given in part C of the scheme. The TFM has the following features :-

(i) For providing liquidity support by way of a grant equal to the value of the additional energy saved by way of accelerated AT&C loss reduction beyond the loss trajectory specified under RAPDRP (Restructured Accelerated Power Development and Reform Programme).

- The eligibility of grant would arise only if the gap between ARR and ACS for the year has been reduced by at least 25% during the year judged against the benchmark for the year 2010-11.
- This scheme would be available only for three years beginning 2012-13.

(ii) Incentive by way of capital reimbursement support of 25% of principal repayment by the State Government on the liability taken over by the State Government under the scheme. The amount to be reimbursed only in case the State Government take-over the entire 50% of the short term liabilities(corresponding to the accumulated losses) outstanding as on 31.3.2012. Detailed guidelines for the Transitional Finance Mechanism as outlined above would be notified separately.

e. For financing of operational losses and interest for the first 3 years on a diminishing scale, a separate arrangement would be worked out after due consultation to be held by Secretary, DFS with representatives of the MoP and the concerned States. Remaining portion of the operating losses will have to be financed by the respective State Government.

f. A copy of the scheme is enclosed at Annexure I.

3. For monitoring the progress of the turnaround plan, two committees at State and Central levels respectively along with third party verifier are to be constituted as under:

(i) The State Level Monitoring Committee (SLMC) would be headed by Chief Secretary or Finance Secretary. The Committee would review the progress on quarterly basis its reports to the Central Level Monitoring Committee (CLMC).

(ii) The CLMC would comprise Member (Energy) of Planning Commission as Chairperson ,Secretary (Power), Secretary (Financial Services) and Secretary (Economic Affairs) ,Ministry of Finance, representatives of three major lenders , RBI and CMDs of PFC and REC as members with Chairman, CEA as member secretary. CLMC would submit all the proposals received from States to avail the benefits for further consideration by the Distribution Division in the Ministry of Power.

A.K. Singh

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(iii) Annual verification of the performance/ achievements of state Discoms shall be done through a third party appointed by Central Electricity Authority (CEA).

4. Support under the scheme will be available for all participating State Owned Discoms having accumulated losses and facing difficulty in financing operational losses. DFS would appoint nodal banks for States who wish to participate in the scheme. The states would then submit their Financial Restructuring Plan (FRP) prepared in consultation with the Nodal banks for approval of State Government and SERC. The Operational Framework Document is given in Annexure II.

5. The scheme will be effective from the date of issue of this order and would remain open upto 31st Dec 2012, or as extended by the Government of India, whichever is later.

6. Various departments/agencies of GOI under the scheme would be responsible as under:

S No	Department/ Ministry	Responsibility
I.	Ministry of Power	• Issue guidelines for Transitional Finance Mechanism in consultation with Ministry of Finance. • Bring out draft model legislation on State Electricity Distribution etc. Responsibility bill, after due inter-ministerial consultation within a period of twelve months. • Make provision for TFM in the Budget and to process claims received from States through CEA under TFM.
II.	Central Electricity Authority	• Appoint agencies for Third Party Verification and fixing their TOR. • Constitute CLMC • Work as secretariat for CLMC and process the applications for incentive.
III.	Department of Financial Services	• Appoint Nodal Banks for the State Discoms under the scheme • Overall supervision in the finalization of the FRP for the State Discoms • Work out a separate arrangement for financing operational losses for the first 3 years in consultation with MOP and concerned States.
IV.	Department of Economic Affairs	• Frame guidelines for issuance of bonds/ Spl securities by the Discoms/Governments under the scheme.
V.	Department of Expenditure	• Keep provisions for issue of bonds/Spl securities by the State Governments. • Ensure that enough head room is left within the

A. K. Singh

		overall borrowing powers and net borrowing ceiling for issue of special securities.
VI.	RBI	• Advise on the rate of interest for bonds and securities.
VII.	Planning Commission	• FRP projections to be kept into account while finalizing the annual plans for the State Government. • Provide Plan outlay to the MOP for payment of incentive under the scheme.

7. An empowered inter-ministerial group of Secretaries will be setup by the Ministry of Power for removal of difficulties in implementing the scheme. The recommendations of the Empowered Group of Secretaries will require the approval of the Minister of Power, in consultation with Ministry of Finance wherever necessary.

8. This issues with the approval of Competent Authority.

A. K. Singh

(Arun Kumar Singh)
Under Secretary to the Government of India
Tele. No. 2371 9637
5/10/2012

To

1. Ministry of Finance, Deptt. of Expenditure (PF-I Section) (Shri Rajiv Kumar, Joint Secretary), North Block, New Delhi.
2. Ministry of Finance, Deptt. of Expenditure (PF-II Section) (Shri Saurabh Garg, Joint Secretary), North Block, New Delhi.
3. Planning Commission (Shri I.A. Khan, Adviser (Energy), Yojana Bhawan, New Delhi.
4. Ministry of Finance, (Shri Anurag Jain, Joint Secretary), Department of Financial Services.
5. Ministry of Finance, (Shri Prabodh Saxena, Joint Secretary), Department of Economic Affairs.
6. Reserve Bank of India (Shri P. V. Bhaskar, Executive Director).

Copy to :

(i) PS to MoP/ MOS(P)
(ii) PPS to Secretary(P)
(iii) PPS to AS(DC)/ PSO to AS(AL)
(iv) PS to JS(DS) /PS to JS&FA/PPS to JS(RA)/PS to JS(SP)/PS to JS(IK)/PPS to JS(JA)
(v) PS to Economic Advisor
(vi) PPS to Chairman, CEA
(vii) Controller of Accounts, Seva Bhawan.

A. K. Singh

(Arun Kumar Singh)
Under Secretary to the Government of India
5/10/2012

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Annexure – 8

Letter No. 40(1)PF-I/2011, Ministry of Finance GoI, dated 13-3-2015 for for taking over the liabilities of Rs. 1514.82 crores within the permitted borrowings and RBI permitted to issue Special Securities

Mr. Gandasram PP

No. 40(1) PF-I/2011
Government of India
Ministry of Finance
Department of Expenditure
(Plan Finance I Division)
****

New Delhi, the 13th March, 2015.

To

Shri Susobhan Sinha,
General Manager, RBI,
Internal Debt Management Department, Central Office,
Shahid Bhagat Singh Road,
Mumbai - 400001. (Fax. No.022-22705125/ 22644158)

Subject : GoI consent under Article 293(3) of the Constitution of India for raising Open Market Borrowing (OMB) by States during the year 2014-15.

Reference : Government of Andhra Pradesh, Finance Department's D.O. letter No. 121/PF.I/2014 dated 03.03.2015.

Sir,

I am directed to inform that, as requested by the State Government of Andhra Pradesh, the consent under Article 293(3) of the Constitution of India for taking over the liabilities of ₹ 1514.82 crore (Rupees One Thousand Five Hundred Fourteen Crore and Eighty Two Lakh only) of Power DISCOMs by the State Government in terms of GoI schemes for financial restructuring of State DISCOMs, for financing the State's Annual Plan 2014-15, is hereby accorded.

2. RBI is requested to make necessary arrangement in this regard, in consultation with State Government to raise the above borrowings.

3. The above borrowing is in addition to the OMB ₹ 11,000.00 crore already allowed to the successor State Government of Andhra Pradesh.

4. State Govt. is requested to furnish a copy of the specific notification issued in this matter.

Secy. (B &IF) Finance Dept	
No.	Date
	25/3/15

Yours faithfully,

(Manmohan Sachdeva)
Joint Director
Tele: 23095691

Copy forwarded to:-

1. The Principal Secretary (Budget & I.F.) (Finance) (FAC), Government of Andhra Pradesh, Finance Department, Room No. 340, H(N) Block, 2nd Floor, A.P. Secretariat, Hyderabad-500022. (Fax No 040 - 23453479/ 23452268/ 23452847/ 23450501)
2. Accountant General (A&E), Andhra Pradesh, Hyderabad.
3. Principal Adviser (FR), Planning Commission, Yojana Bhavan, New Delhi.

(Manmohan Sachdeva)
Joint Director

Annexure – 9

G.O. Ms.No.34, Finance (PF & NABARD) Department dated 31-3-2015 - DISCOMS

GOVERNMENT OF ANDHRA PRADESH
ABSTRCT

Taking over of the power bonds of the DISCOMS issued under Financial Restructuring package of Government of India – Orders-Issued.

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FINANCE (PF&NABARD) DEPARTMENT

G.O.Ms.No. 34 Dated: 31-03-2015

Read the following:-

1. Office Memorandum No. 20/11/2012-APDRP,dt.05-10-2012 by the Ministry of Power, Government of India, New Delhi.
2. G.O.Ms.No.62, Energy (Power-III) Department, dated 14-11-2013.
3. G.O.Ms.No.134, Finance (DCM.II) Department, dated 31-05-2014.
4. Letter No. 40(1)PF-1/2011, dated 13-3-2015 from the Department of expenditure (PF-I- Division), Ministry of Finance, Government of India, New Delhi.
5. D.O.Lr. No. IDMD.No.1957/08-03-2011/2014-15, dated 27-3-2015 from the Reserve Bank of India, Mumbai.

*****

ORDER:-

Government of India in the O.M. first read above has notified a scheme for Financial Restructuring of the State owned Discoms regarding declining operational performance and financial health. As per this Scheme, 50% of the short term liabilities are to be issued as bonds by DISCOMS on behalf of the State Government, which in turn will be taken over by the State Government over a period of 3-5 years. The responsibility of payment of principal and interest lies with the State Government from the date of issue of the above bonds. For this purpose the State Government has given guarantee for an amount of Rs.8600 crores in the combined State of Andhra Pradesh and the DISCOMs issued bonds accordingly in the year 2013-14.

2. In the Government of Order 2nd read above State Government of Andhra Pradesh agreed to assume the liability of Rs.8600crores as on 31-3-2013 by way of guaranteed bonds which will become Government Bonds in the next few years as per the fiscal space of the Government as envisaged under Financial Restructuring Package 2012 of Government of India.

3. In the Government order 3rd above, in pursuance of Section 62 of A.P. State Reorganisation Act 2014, orders have been issued apportioning the guaranteed loans (both principal and interest) outstanding as on 31-03-2014 between the successor States of Andhra Pradesh and Telangana. As per this order, the share of Andhra Pradesh regarding FRP bonds guarantee given to DISCOMs works out to Rs.3610.82 crores.

4. Government of India in the letter 4th read above, has given their consent under article 293 (3) of the constitution of India for taking over the liabilities of Rs.1514.82crores of Power Discoms in terms of the Government of India schemes for Financial Restructuring of State Discoms. This consent given by the Government of India in addition to the open market borrowings already allowed to the State Government of Andhra Pradesh during 2014-15. In the letter 5th read above, the Reserve Bank of India has also permitted to issue special securities for taking over of these bonds.

5. Keeping in view the features of the Financial Restructuring Package of Government of India, the State Government has decided to take over the bonds to an extent of Rs.1500 crores as first tranche from the allocation share of residuary State of Andhra Pradesh as ordered in the Government Order 3rd read above.

6. Taking over of the liability shall be adjusted in the Government Accounts by making a contra entries under the following Head of Accounts. The expenditure on taking over of the liability shall be debited to ’’2801-Power-05 transmission and distribution –MH800 other expenditure – SH(12) assistance to discoms for taken over of the FRP bonds – 310 Grant-in-aid – 312 Other grants –in-aid and contra credit shall be taken under the

:: 3 ::

head of account "6003 Internal debt of the State Government – MH106 Compensation and other bonds-SH(06) FRP Bonds taken over from Discoms".

7. The Accountant General, A.P., Hyderabad, is requested to carry out adjustments in their books of accounts during 2014-15 as mentioned in para 6 above.

8. The Energy Department, A.P., Hyderabad, are requested to take further necessary action in the matter.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

L. PREMACHANDRA REDDY
SECRETARY TO GOVERNMENT (B&IF)

To
The Energy Department.
The Accountant General, A.P., Hyderabad.
The A.P. Tranco, Hyderabad.
The Reserve Bank of India, Mumbai.

//FORWARDED:: BY ORDER//

SECTION OFFICER

Annexure - 10

Chapter II (page 8) of the National Social Assistance Programme guidelines

2.4 Norms for Central Assistance

Central assistance to States / UT under NSAP is determined on the basis of BPL population of the State. For calculating the estimated number of beneficiaries under each scheme for each State/UT, the population figures as per the census of 2001 and the poverty ratio determined by the Planning Commission have been taken into account. The estimated number of beneficiaries each year is determined on the reports of the previous year submitted by the State Governments. In view of the limitation of fund available, **if there are more deserving beneficiaries, the State has the option to give them pension from its own resources.**

2.4.1 States are strongly urged to provide an additional amount at least an equivalent amount to the assistance provided by the Central Government so that the beneficiaries can get a decent level of assistance.

2.4.2 Many State Governments have their own social pension schemes for vulnerable groups, some of which had been started even before the Central Government pension schemes. Naturally there is wide variance in guidelines, eligibility conditions and assistance norms across the country. This has created differences in the level of social assistance and eligibility criteria among different States / UTs.

2.4.3 **Priority to particularly vulnerable individuals and families under all the sub-schemes of NSAP:**

It is the responsibility of the implementing authorities to adhere to a policy of prioritising in favour of those applicants whose socio-economic and health condition is vulnerable. Thus, persons who are suffering from long-term/terminal ailments like leprosy, TB, AIDS, Cancer and such like ailments deserve special attention. Similarly, transgender, manual scavengers, bonded labourers, women victims of crime and harassment, deserted women also deserve to be addressed on priority. It is clarified that only BPL persons from the eligible categories would be considered under NSAP except widows suffering from AIDS who will be considered if they are not attracted by any of the exclusion criteria of having a job in government, owning five acres of land or more or owning a four wheeler for own use.

Annexure – 11

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

PUBLIC SERVICES – Revised Pay Scales 2015 – Orders – Issued.

FINANCE (HRM.V-PC) DEPARTMENT

G.O.Ms.No.46 Dated: 30-04-2015.

Read the following:

1. G.O.Ms.No.95, G.A (Spl. A) Department, dated 28.02.2013.
2. G.O.Ms.No.294, Finance (PC.I) Department, dated 26.10.2013.
3. G.O.Ms.No.10, Finance (PC.I) Department, dated 06.01.2014.
4. G.O.Ms.No.4050, G.A (Cabinet) Department, dated 15.12.2014.

* * *

ORDER:

In the order first read above, the Government constituted the Tenth Pay Revision Commission (PRC) to make recommendations on a range of issues relating to effective management of public servants' services, especially the pay and allowances, that were summarized in the terms of reference (TOR) of the commission.

2. The Pay Revision Commission submitted its report to the Government on May 29, 2014, and recommended, among others, fixation of pay in the Revised Scales with the following key characteristics:

i) merge the Dearness Allowance (DA) existing on July 01, 2013, i.e., 63.344% sanctioned in the Government order second read above;
ii) revised Master Scale of Rs.13000-390-14170-430-15460-470-16870-510-18400-550-20050-590-21820-640-23740-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950-1460-58330-1560-63010-1660-67990-1760-73270-1880-78910-2020-84970-2160-91450-2330-100770-2520-110850;
iii) retain 32 grades which are segments of the revised Master Scale; and
iv) fitment benefit of 29% of the basic pay for fixing pay in the Revised Scales of Pay.

3. The Government, in order fourth read above, appointed a Group of Ministers to hold consultations with the service associations. Accordingly, the Group of Ministers held extensive consultations with the service associations submitted its deliberations to the Government.

4. The Government, after due consideration of the submissions of the Chairman and other office bearers of the Joint Action Committee of Employees, Teachers, Workers and Pensioners of Andhra Pradesh, and the Chairman and other office bearers of the Andhra Pradesh Secretariat Employees Co-Ordination Committee, and a view to promote the

welfare of the employees and to reinforce their commitment to the development of the new State of Andhra Pradesh, has agreed for a grant of:

> *"A **fitment** of **43%** of the Basic pay would be given for fixing the pay in the Revised Scales of Pay 2015, as against 29% recommended by the Tenth Pay Revision Commission. The Dearness Allowance of **63.344%** as on **01.07.2013** would be merged in the pay as recommended by the Pay Revision Commission;*
> *The Revised Scales of Pay will be implemented notionally from 01.07.2013 with monetary benefit from **02.06.2014**;*
> *The benefit of the Revised Scales of Pay, 2015 would be paid in cash starting from the **salary** for the month of **April 2015**.*

5. The Government hereby orders that the following Revised Scales of Pay, 2015 shall apply to:
   i) Employees of the State Government;
   ii) Employees of the Local Bodies and Aided Institutions including Aided Polytechnics, who are in receipt of pay in regular pay scale in the Scales of Pay of 2010; and
   iii) The Work-charged establishment in receipt of pay in a regular pay scale in the Scales of Pay of 2010.

6. The Government orders that the pay for the employees mentioned at para-5 above shall be fixed in the Revised Scales of Pay 2015 with due attention to the following:
   i) The Revised Master scale shall be: Rs.13000-390-14170-430-15460-470-16870-510-18400-550-20050-590-21820-640-23740-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950-1460-58330-1560-63010-1660-67990-1760-73270-1880-78910-2020-84970-2160-91450-2330-100770-2520-110850;
   ii) the Revised Master Scale shall have 32 grades, as they are segments of the revised Master Scale;
   iii) the Revised Scales of Pay shall be as set out in Schedule-I to the Notification appended to this order against each of the corresponding existing pay scales specified therein. These scales shall be common to all employees in various categories except where specified in the Departmental pay schedule (Schedule-II) appended to the Notification. Holders of posts not included in Schedule-II will be governed by the Revised Scales of Pay corresponding to the present scales as shown in the Schedule-I; and
   iv) the request for any further revision of pay scales for the categories already included in the schedule-II shall not be entertained in any case.

7. The Government orders that the pay of the employee in the Revised Scales of Pay, 2015 shall be notionally fixed with effect from 01.07.2013. However, the monetary benefit of the Revised Scales of Pay 2015 shall be allowed with effect from June 02, 2014. The benefit of the Revised Scales of Pay 2015 shall be paid in cash for month of April 2015 onwards. Separate orders will be issued detailing the modality for payment of arrears of salary in Revised Scales of Pay 2015 for the period from 02.06.2014 to 31.03.2015. The Interim Relief (IR) paid from January 01, 2014 to June 01, 2014 shall not be recovered. The Interim Relief paid for the period from June 02, 2014 onwards shall be adjusted from the monetary benefit payable on account of implementation of Revised Scales of Pay 2015. The Interim Relief shall not be included as Pay for the purpose of fixation in the Revised Scales of Pay, 2015.

Annexure – 12

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Public Services – Revision of Pay Scales -Interim Relief Pending Revision of Scales of Pay - Sanctioned - Orders-Issued.

FINANCE (PC.I) DEPARTMENT

G.O.Ms.No.10 Dated: 06-01-2014.

Read the following:

G.O.Ms.No.95, GA (Spl.A) Department, dated 28.02.2013.

<u>O R D E R:</u>

In the reference read above, the State Government has constituted the Tenth Pay Revision Commission (PRC), which is currently seized of the matters relating to the pay and allied matters of the state government employees. Subsequently, the Service Associations have requested for sanction of Interim Relief (IR) pending final action on the recommendations of PRC.

2. The Government has considered the request of Service Associations and after careful examination decided to sanction Interim Relief pending recommendations of the PRC to all Government Employees, including the employees of the Local Bodies (PR and ULBs) and the Government Institutions receiving Grants-in-Aid from the Government, and Work Charged Employees and Full-Time Contingent Employees who are currently drawing pay in the Revised Scales of Pay 2010. Accordingly, the following orders are issued:

a. Interim Relief will be paid at the rate of 27% of the basic pay and will be payable from 01.01.2014. The Interim Relief is admissible on Basic Pay as defined under FR 9(21) (a)(i).

b. The Interim Relief sanctioned above shall be shown as a distinct element of remuneration which shall be adjusted against any benefit that may accrue to the employees on account of revision of scales of pay and other allowances as a result of Government's decision on the Report of the Pay Revision Commissioner.

c. The Interim Relief shall be applicable to all Government Employees, including the employees of the Local Bodies (PR and ULBs) and the Government institutions receiving Grants-in-Aid and Work Charged Employees and Full-Time Contingent Employees who are currently drawing pay in the Revised Scales of Pay 2010.

(P.T.O)

d. The Interim Relief will not be admissible to the Officers of the Andhra Pradesh State Higher Judicial Service, the Andhra Pradesh State Judicial Service, All India Service Officers (AIS), and those drawing salaries on UGC / AICTE / ICAR / Government of India Scales, contract staff, and staff of Societies, Autonomous Institutions, Public Sector Undertakings and all those not covered under categories mentioned at 'Para-2 c' above. The Interim Relief will also not be admissible to the Part Time Contingent Establishment.

e. The payment on account of Interim Relief involving fractions of fifty paisa and above shall be rounded off to the next rupee and fraction of less than fifty paisa shall be ignored.

f. The Interim Relief sanctioned above shall not count for computation of Dearness Allowance, House Rent Allowance, City Compensatory Allowance or any other Allowances, Encashment of leave, Pay Fixation, Pension or Gratuity etc., and

g. The expenditure on sanction of Interim Relief shall be debited to the detailed Head "010.Salaries – 015.Interim Relief" under respective Major, Minor and Sub heads of Account.

3. All the Departments of Secretariat and Heads of Departments are requested to take prompt steps to provide additional funds under the relevant Heads of Accounts.

4. The G.O. is available on Internet and can be accessed at the address http://goir@ap.gov.in & http://www.apfinance.gov.in.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

Dr. P.V. RAMESH
PRINCIPAL SECRETARY TO GOVERNMENT (R&E)

To
All Secretaries / Principal Secretaries / Special Chief Secretaries to Government
All Heads of Departments
All District Collectors
All District Judges
The Secretary to Governor, Andhra Pradesh, Hyderabad
The Principal Secretary to the Chief Minister
Private Secretaries of all Ministers
The Principal Accountant General (A&E), Andhra Pradesh, Hyderabad
The Principal Accountant General (Audit), Andhra Pradesh, Hyderabad
The Registrar-General of Andhra Pradesh High Court, Hyderabad (with a covering letter)
The DTA /Director of Work Accounts / Director of State Audit
The Pay and Accounts Officer, Hyderabad.
All Deputy Directors of District Treasuries (with copies to Sub-treasury Officers).
All the Commissioners/Special Officers of the Municipalities
Copy to the General Administration (Cabinet) Department
The Pay Revision Commissioner, Andhra Pradesh, Hyderabad,
The Secretary, AP Public Service Commission

//FORWARDED BY::ORDER//

SECTION OFFICER

Annexure – 13

Chief Minister's letter to the Union Home Minister (para 4 of the letter dated 8 May, 2015) on the loss sustained by Residual Andhra Pradesh

D.O.Lr. No.719/CT-II(1)/2015, Dated:08-05-2015.

Dear Sri Rajnath Singhji,

Sub: The Andhra Pradesh Reorganization Act, 2014 - Apportionment of tax arrears and refunds – Sections 50, 51 and 56 of the Act – Anomaly noticed– Amendment to Sections 50 and 51 of the Act – Requested for – Reg.

Ref: 1) The Andhra Pradesh Reorganization Act, 2014 (Central Act No.6 of 2014).
2) Government of Andhra Pradesh, Letter No.48351/CT-II(1)-12, Revenue (CT-II) Department, Dt.02-05-2014.

*****

I would like to bring to your kind notice that there is a serious anomaly between the provisions of Section 50 relating to the right to recover the tax arrears, Section 51 relating to the right to recover loans; and Section 56 relating to the liability of tax refunds as on the appointed day in the A.P.Reorganization Act, 2014. While Sections 50 and 51 confer the right to recover the tax arrears and loans as on the appointed day to the successor State where the place of assessment or the person from whom the loan was recoverable is located, Section 56 casts the burden of sharing the liability of refunding the taxes on the two successor States in the ratio of population. The three Sections, 50, 51 and 56 of the Andhra Pradesh Reorganization Act, 2014 are reproduced below:

"**50.** *The right to recover arrears of the tax or duty on property, including arrears of land revenue, shall belong to the successor State in which the property is situated, and the right to recover arrears of any other tax or duty shall belong to the successor State in whose territories the place of assessment of that tax or duty is included on the appointed day.*

4. Further, the following illustration highlights the anomaly and its adverse impact on the revenues of the State of Andhra Pradesh. The Hon'ble High Court of Telangana and Andhra Pradesh at Hyderabad in their Orders Dated:03-12-2014 in W.P.No.34680/2013 dismissed the Writ Petition filed by M/s.Krishnapatnam Port Company Ltd. (KPCL) and upheld the orders passed by the Commercial Tax Officer, Jubilee Hills, Hyderabad directing them to remit Tax Deducted at Source during the years 2009-10 to 2011-12 from the Works Contractor, M/s.Navayuga Engineering Company Ltd. (NECL), Visakhapatnam to an extent of Rs.92.98 Crores. As a consequence of the judgment of the Hon'ble High Court, the dealers M/s. KPCL will have to immediately pay Rs.92.98 Crores along with interest. As per Section 50 of the Andhra Pradesh Reorganization Act, 2014, total tax arrears go to the State, where the dealer was registered and assessed before the date of reorganization i.e., 02-06-2014. M/s.KPCL's entire operations were in Nellore District of Andhra Pradesh, but dealer was registered in the Capital City of Hyderabad for administrative before the date of reorganization i.e., 02-06-2014. Due to that, the right to collect and appropriate the tax arrears goes to the State of Telangana as per Section 50 of the Reorganization Act. In case the judgment of the Hon'ble High Court results in refund to a dealer instead of arrear, the burden of payment of such refund has to be shared by the two States in the ratio of population as per the provisions of Section 56 of the Reorganization Act, even if his operations are entirely in Telangana State.

5. In view of the above, it is necessary to amend the Sections 50 and 51 of the Andhra Pradesh Reorganization Act, 2014 suitably so as to apportion the arrears and deferred taxes also between the two successor States in the ratio of population on par with the apportionment of refunds under Section 56 of the Andhra Pradesh Reorganization Act, 2014.

6. I may also bring to your kind notice that the Principal Secretary to Government (Commercial Taxes & Excise) had already addressed the Home Secretary, Government of India to consider rectifying the anomaly by suitably amending the Andhra Pradesh Reorganization Act, 2014 vide Letter No.48351/CT-II(1)/2013-12,

Annexure – 14

Union Governments' press communiqué on 15 March 2017 on special assistance measures

Press Information Bureau

Government of India, Cabinet, 15-March-2017

Special assistance measure for Andhra Pradesh by way of special dispensation in funding of Externally Aided Projects (EAPs) and funding of irrigation component of Polavaram project

The Union Cabinet chaired by the Prime Minister Shri NarendraModi has given its approval for the Special assistance measure for the Successor State of Andhra Pradesh by way of special dispensation in funding of Externally Aided Projects (EAPs) and funding of irrigation component of Polavaram project.

The modalities for implementation of the announcements for providing central assistance to the State of Andhra Pradesh are as follows:

i. The Central Government will provide special assistance measure to Government of Andhra Pradesh, which would make up for the additional Central share the State might have received during 2015-16 to 2019-20, if the funding of Centrally Sponsored Schemes (CSS) would have been shared at the ratio of 90:10 between the Centre and the State. The special assistance will be provided by way of repayment of loan and interest for the Externally Aided Projects (EAPs) signed and disbursed during 2015-2016 to 2019-20 by the State.

ii. Funding of 100% of the remaining cost of the irrigation component only of the Polavaram project for the period starting from 1.4.2014, to the extent of the cost of the irrigation component on that date. Andhra Pradesh Government will execute the project on behalf of Government of India. However, the overall coordination, quality control, design issues, monitoring, clearances related issues etc. are to be dealt by the Polavaram Project Authority of Ministry of Water Resources, River Development & Ganga Rejuvenation. The Polavaram Project Authority will also assess out the cost of the irrigation component as on 01.04.2014 in consultation with the Department of Expenditure, Ministry of Finance.

This support for capital expenditure by way of repayment of EAP loans would help and assist the newly formed state of Andhra Pradesh to put the State's finances on a firmer footing and promote economic growth. Further, the central funding of the irrigation component of the Polavaram Irrigation Project and its execution by the State Government shall expedite completion of the project and the increase irrigation prospects in the State benefitting the people at large.

Background:

The Government of India, while fulfilling its commitments under Andhra Pradesh Reorganisation Act 2014, has already provided "Special Assistance" of Rs.1,976.50 crore to the state during 2016-17. The amount includes Rs.1176.50 for Resource Gap, Rs.350 crore for the development of 7 backward districts covering Rayalaseema& North Coastal region and Rs.450 crore as assistance to the capital city.

Apart from this the Ministry of Water Resources, River Development & Ganga Rejuvenation has also provided Rs.2081.54 crore for the Polavaram Irrigation Project during the current financial year. Thus the Central Government, after the enactment of the Reorganisation Act, has provided central assistance of Rs.10,461.04 crore to the state of Andhra Pradesh which includes Rs.4403 crore released during 2014-15, Rs.2000 crore released during 2015-16 and Rs. 4058.04 in released in 2016-17.

Annexure – 15

Chief Minister's Letter to the Union Finance Minister dated 5 January 2018 on special dispensation amount

NARA CHANDRABABU NAIDU

CHIEF MINISTER

ANNEXURE – H
AMARAVATI

05th Jan 2018

Dear Sir Arun Jaitleyji,

Please recall the special assistance measures announced to the State of Andhra Pradesh. It was announced that the special assistance measures for Andhra Pradesh will be given by way of special dispensation in funding of Externally Aided Projects(EAP) and the Central Government will provide special assistance measure to Government of Andhra Pradesh, which would make up for the additional Central share the State might have received during 2015-16 to 2019-20, if the funding of Centrally Sponsored Schemes (CSS) would have been shared at the ratio of 90:10 between the Centre and the State. The special assistance will be provided by way of repayment of loan and interest for the Externally Aided Projects (EAPs) signed and disbursed during 2015-2016 to 2019-20 by the State.

Accordingly State government computed the amount that State might have received in the ratio of 90:10 under CSS and arrived at Rs.2,951 crores in 2015-16. Government of India arrived it as Rs.2,516 crores for 2015-16 by deducting the Central Schemes and other schemes for which sharing pattern is same for Special Status and other States. Following the same principle, the amount for the year 2016-17 has been arrived at Rs.2,854 crores. Thus there is a growth of 13.43% over the previous year 2015-16. Assuming the same growth rate, the amount for remaining three years would be Rs.3,238 crores (2017-18), Rs.3,673 crores (2018-19), and Rs.4,166 crores (2019-20). Thus it is tentatively arrived at Rs.16,447 crores for five years i.e. from 2015-16 to 2019-20.

Apart from this, the Special Category States are eligible for grants under CSS as well as Externally Aided Projects at 90:10 ratio. Hence it is requested that special assistance at 90:10 ratio for Externally Aided Projects as being given to special category states may also be awarded to the state of Andhra Pradesh. This should be applied to all the ongoing projects and projects to be signed till 2019-20.

2

Building # 1 | 1st Floor | A.P. Secretariat - 522 238 | AMARAVATI | Andhra Pradesh

:: 2 ::

In this connection I may bring to your notice that in pursuance of the above announcement, Government of A.P. have sent proposals for various projects to Department of Economic Affairs, GoI under EAP. In this connection I would like to mention that the projects under EAP will consume lot of time for grounding and completing the projects, considering elaborated procedures involved in getting clearance, and approval from the external funding agencies. The State will not be in a position to consume the entire special assistance amount within the five years period ending with 2019-20, including the ongoing projects, which were signed after 2015-16.

Therefore, it is suggested, that the special dispensation amount as arrived at para 2 above, may be provided to the Andhra Pradesh for the specified projects from the NABARD instead of loans through External Agencies (EAP). The list of projects to be considered for through NABARD is enclosed and it should be disbursed to the State as grant from GoI, so that this will not form part of State FRBM limits. This will facilitate the State government for early commencement of the projects and to avail the special assistant measures announced to our State. This will enable to put the residuary State's finances on a firmer footing as envisaged by the parliament while passing the bifurcation Bill.

With regards,

Yours sincerely,

(NARA CHANDRABABU NAIDU)

To
SRI ARUN JAITELY,
Hon'ble Minister of Finance,
North Block,
New Delhi – 110 001

Annexure – 16

Estimated cost of development of Amaravati City Infrastructure

Rs. in Crore

Amaravati Capital City - Key Infrastructure				
Description	Estimated Cost/ Contract	Estimated Cost/ Contract Value of projects at various stages		
Government Complex Buildings and associated infrastructure				
High Court	1,322	1,322		
Legislative Assembly	907	907		
Secretariat	827	827		
Head of Dept Building	1886	1,886		
Raj Bhavan	274	274		
CM Residence	21	21		
Judicial Housing	527	527		
Legislative Housing	489	489		
Executive Housing	2,091	2,091		
Civil Infrastructure	3,257	3,257		
TOTAL	**11,602**	**11,602**	**0**	**0**
Social Infrastructure				
Schools, Hospitals	1,865	1,865		
MICE	1,220	1,220		
Sports Stadium and Associated Infrastructure	919	919		
Industrial Business Park	500	500		
Crafts Village	200	200		
Museums	300	300		
Central Library	100	100		
Affordable housing	1,936	1,936		
IT tower	290	290		
TOTAL	**7,330**	**0**	**0**	**7330**
GRAND TOTAL	**1,09,023**	**39,937**	**11,576**	**57,510**

Annexure – 17

Letter to NITI Aayog by AP Govt regarding submission of DPR of Amaravati Complex and Associated Infrastructure - Request for disbursal of funds from GoI

File No.CRDA-13021(36)/9/2018-PP 3-UT-APCRDA 4

Receipt No : 1138706/2018/CRDA SEC-MAUD

AJAY JAIN, **I.A.S.,**
Principal Secretary to Government

Energy, Infrastructure &
Investment and CRDA Departments
Government of Andhra Pradesh
Room No. 147, Block No. 2,
Secretariat Buildings, Velagapudi - 522 503,
Guntur Dist. A.P.
Email : ajayjainias@gmail.com
secyenergyap@gmail.com

Letter.No.389765/CRDA.2/2018, dt.15.03.2018

To
The Director (State-AP)
NITI Aayog, State Division, (Andhra Pradesh)
Parliament Street,
New Delhi – 110001

Sir,

Sub: MA&UD - APCRDA - Submission of Detailed Project Report of Amaravati Government Complex & Associated Infrastructure - Request for disbursal of funds from Government of India – Reg.

Ref: 1) Letter that submitted DPRs for AGC to NITI AYOG
2) Letter from NITI AYOG that acknowledged the receipt of DPRs

***

I am to inform that U/s 94(3) of the AP Reorganization Act, 2014 the central government shall provide special financial support for the creation of the essential facilities in the new Capital of the Successor State of Andhra Pradesh including the Raj Bhawan, High Court, Government Secretariat, Legislative Assembly, Legislative Council and such other essential infrastructure.

2. Andhra Pradesh Capital Region Development Authority(APCRDA) was set up under the Andhra Pradesh Capital Region Development Authority Act, 2014 by the State Government, for the purposes of planning, coordination, execution, supervision, financing, and for promoting and securing the planned development of the capital region development area, undertaking the construction of the new capital for the state of Andhra Pradesh and for managing and supervising urban services in the new capital area and for matters ancillary thereto.

3. Accordingly, vide reference 1. The DPRs for the Government Complex were submitted to NITI Ayog which has been acknowledged by the NITI Ayog vide reference 2nd above.

4. In addition, to the DPRs submitted earlier for the Government Complex, please find herewith the DPRs for the essential infrastructure for the Capital City Amravati for Rs.28,335 Cr. The details are enclosed in **Annexure A**.

Contd...2

Amaravati Government Complex (AGC) & Infrastructure

Annexure - A

Sl. No.	Name of the Project	Details	Total Estimated Cost as per DPR (Rs. Cr)	Remarks
1.	Amaravati Government Complex	1. Secretariat	5,099	Under Progress
		2. High Court	1,849	
		3. Legislative	1,397	
		4. Civic Infrastructure	3,257	
2.	Other Essential Infrastructure	1. Integrated Trunk Infrastructure — Tier - I	12,343	239 Km of 50m/60m RoW- Arterial & Sub Arterial Road Network with all utilities which are under progress
		2. Integrated Infrastructure - Tier - II	15,992	1309 Km of 25/17/15.6/12m RoW Collector & Access Road Network with all utilities which are under progress
		TOTAL	**39,937**	

Ajay

File No.CRDA-13021(36)/9/2018-PP 3-UT-APCRDA 5

Receipt No : 1138706/2018/CRDA SEC-MAUD

dt- 15/3/18

-2-

5. With this, the total DPRs submitted will be for Rs.39,937 Cr (Rs.11,602 Cr) submitted earlier for the Government Complex and Rs.28,335 Cr for the essential infrastructure being submitted now.

6. The year wise fund requirement for the various sub-components under the Amravati Government Complex & Capital City Projects are as follows:

S. No	Component	Proposed Package Cost	Year 1 Rs.Cr	Year 2 Rs Cr	Year 3 Rs Cr
1	Judiciary	1,849	555	1,202	92
2	Legislative	1,397	419	908	70
3	Executive	5,099	1,530	3,315	254
4	Civic Infrastructure	3,257	1,106	1,153	998
5	***Other Essential***	28,335	7,000	16,000	5,335
	Total Cost	**39,937**	**10,610**	**22,578**	**6,749**

11602 3610 6578 1414

7. As the development of Amaravati Government Complex and other essential infrastructure are critical for establishing the Capital for State of Andhra Pradesh, it is hereby requested to sanction Special Financial Assistance in terms of the Clause 94(3) of the AP Reorganization Act 2014 as detailed above.

Yours faithfully

17/3/2018

(AJAY JAIN)

Enclosure:- Annexure-A

Annexure – 18

Letter to NITI Aayog by AP Govt - Details of DPRs regarding Amaravati Government Complex and Other Essential Infrastructure in the Capital City

AJAY JAIN, I.A.S.,
Principal Secretary to Government

Energy, Infrastructure &
Investment and CRDA Departments
Government of Andhra Pradesh
Room No. 147, Block No. 2,
Secretariat Buildings, Velagapudi - 522 5
Guntur Dist. A.P.
Ph : 0863-2442309, 2442310,
Fax : 0863-2442308
Email : ajayjainias@gmail.com
secyenergyap@gmail.com

Letter. No.389765/CRDA.2/2018, Dt.17.12.2018

To
The Director (State-AP),
NITI Aayog, State Division (Andhra Pradesh),
Parliament Street,
New Delhi - 110001

Sir,

Sub: MA&UD(CRDA) Department – Amaravati Government Complex & Other Essential Infrastructure in the Capital City of the successor state of Andhra Pradesh under Special Financial Support under Section 94(3) of AP Reorganization Act 2014 – Details of DPRs – Submission – Reg.

Ref: 1. Letter.No.389765/CRDA-2/2018, dt.10.08.2018 of Principal Secretary (Energy, I&I & CRDA), GoAP addressed to the Director (State AP) Niti Aayog, New Delhi.

2. D.O.Lr.No. 418/GAD/SR/2017-41, Dt.29.09.2018 & D.O.Lr.No.418/GAD/SR/2017-41, Dt.04.10.2018 of Member Secretary to Advisory Committee, A.P.Reorganisation & Ex-Officio, Principal Secretary to Government (SR) to Principal Secretary (Energy, I&I & CRDA), GoAP.

***

Kind attention is invited to the references cited.

2. In the reference 1st Cited above Government of AP submitted DPRs for Amaravati Govt. Complex as well as Other Essential Infrastructure for the Capital City with an estimated cost of Rs.39,937 Cr.

3. Subsequently, in the reference 2nd cited above Member Secretary to Advisory Committee, A.P. Reorganization & Ex -officio Principal Secretary to Government (SR) has informed that the DPRs for an amount of Rs.39,937 Cr was already submitted to GoI and requested for the balance DPRs Status for submission to GoI.

4. The following 14 DPRs with a total estimated cost of Rs.22,686 Cr are herewith submitted along with this letter as part of overall estimated cost of Rs.1,09,023 Cr. The details of DPRs are as Follows:

Contd...2

Sl. No.	Name of Work	Amount (Rs.Cr.)
A	**ADCL-Packages 1-7: Trunk Roads**	
1	E8 Road - Package I	249
2	N9 Road - Package II	197
3	N4 & N14 Roads - Package III	244
4	E10, E14 & N16 Roads - Package IV	312
5	E6 Road - (Package V)	262
6	E12 Road - (Package VI)	216
7	N11 Road - (Package VII)	266
8	Flood Management works	2,162
B	**EHV Rerouting**	
9	220kV	784.74
10	400kV	493.99
11	River bund Strengthening & River Front Development (WAPCOS Ltd)	1,305
12	Power distribution infrastructure	5,112
13	Inner Ring Road: 97.50 Km	10,425
14	Village Infrastructure Upgradation (partial)-18 villages	657
	Total (1 to 14)	**22,686**

5. The overall status of DPRs pertaining to Amaravati Capital City are as follows:

1. Total estimated value of DPRs for Capital City - Rs.1,09,023 Cr
2. DPRs already submitted vide Reference 1st above - Rs.39,937 Cr
3. DPRs being Submitted with this letter - Rs.22,686 Cr
4. Total amount for which DPRs furnished - Rs.62,623 Cr
5. Balance DPRs under preparation - Rs.46,400 Cr

6. The 14 DPRs with an estimated cost of Rs.22,686 are herewith submitted along with this letter for consideration. The DPRs for balance amount of Rs.46,400 Cr are under finalization and will be submitted in due course.

Yours faithfully,

Ajay
17/4/2018

(AJAY JAIN)

Encl: 14 DPRs for an amount of Rs.22,686 Cr.

Annexure – 19

NORTH EAST INDUSTRIAL DEVELOPMENT SCHEME (NEIDS), 2017

Press Information Bureau

Government of India

Ministry of Commerce & Industry

21-March-2018 20:35 IST

Cabinet approves North-East Industrial Development Scheme (NEIDS) 2017

The Union Cabinet chaired by the Prime Minister Shri NarendraModi has approved the North East Industrial Development Scheme (NEIDS), 2017 with financial outlay of Rs.3000 crores upto March, 2020. Government will provide necessary allocations for remaining period of scheme after assessment before March 2020. NEIDS is a combination of the incentives covered under the earlier two schemes with a much larger outlay.

Details:

In order to promote employment in the North East States, Government is incentivizing primarily the MSME Sector through this scheme. Government is also providing specific incentive through the scheme to generate employment.

All eligible industrial units, which are getting benefits of one or more components of other schemes of the Government of India, will also be considered for benefits of other components of this scheme.

Under the Scheme, the following incentives shall be provided to new industrial units set up in the North Eastern States including Sikkim:

Central Capital Investment Incentive for Access to Credit (CCIIAC) Central Interest Incentive (CII)	30% of the investment in Plant & Machinery with an upper limit of Rs.5 Crore on the incentive amount per unit. 3% on working capital credit advanced by eligible Banks/ Financial institutions for first 5 years from the date of commencement of commercial production by the unit.
Central Comprehensive Insurance Incentive (CCII)	Reimbursement of 100% insurance premium on insurance of building and Plant & Machinery for 5 years from the date of commencement of commercial production by the unit.

Goods and Service Tax (GST) Reimbursement	Reimbursement up to the extent of Central Govt. share of CGST and IGST for 5 Years from the date of commencement of commercial production by the unit.
Income-Tax (IT) Reimbursement	Reimbursement of Centre's share of income tax for first 5 years including the year of commencement of commercial production by the unit.
Transport Incentive (TI)	• 20% of the cost of transportation including the subsidy currently provided by Railways/ Railway PSU for movement of finished goods by rail. • 20% of cost of transportation for finished goods, for movement through InlandWaterways Authority of India. • 33% of cost of transportation of air freight on perishable goods (as defined by IATA) from the airport nearest to place of production toany airport within the country.
Employment Incentive (EI)	The Government shall pay 3.67% of the employer's contribution to the Employees Provident Fund (EPF) in addition to Government bearing 8.33% Employee Pension Scheme (EPS) contribution of the employer in the Pradhan MantriRojgarProtsahanYojana (PMRPY).

The overall cap for benefits under all components of incentives will be of Rs. 200 crores per unit.

The newly introduced scheme shall promote industrialization in the States of the North Eastern Region and will boost employment and income generation.

Abbreviations

AAI	Airports Authority of India
ACMWS	Advisory Committee of Ministry of Water Resources
AIBP	Accelerated Irrigation Benefits Programme
AMRC	Amaravati Metro Rail Corporation
APCRDA	Andhra Pradesh Capital Region Development Authority
ADB	Asian Development Bank
BOT	Built-Operate-Transfer
BRGF	Backward Region Growth Fund
BR	Backward Regions
CAD	Command Area Development
CAG	Comptroller And Auditor General
CoR	Capital Output Ratio
CCEA	Cabinet Committee On Economic Affairs
CBDT	Central Board of Direct Taxes
CSS	Centrally Sponsored Schemes
DIPP	Department of Industrial Policy & Promotion
DMRC	Delhi Metro Rail Corporation
DISCOMS	Distribution Companies
DPR	Detailed Project Report
HUDCO	Housing and Urban Development Corporation
KfW	German Government-Owned Development Bank
EoI	Expression of Interest
EAPs	Externally Aided Projects
GAIL	Gail India Limited
GoAP	Government of Andhra Pradesh
GST	Goods And Services Tax
HEFA	Higher Education Financing Agency
HPCL	Hindustan Petroleum Corporation Limited
HSCC	Hospital Services Consultancy Corporation Limited
HUDCO	Housing And Urban Development Corporation
IIPE	Indian Institute Of Petroleum and Energy
IOC	Indian Oil Corporation

IT	Information Technology
ITES	Information Technology Enabled Services.
JFFC	Joint Fact Finding Committee
KfW	German Government-Owned Development Bank
LA & RR	Land Acquisition and Rehabilitation and Resettlement
LTIF	Long Term Irrigation Fund
MOU	Memorandum of Understanding
MHRD	Ministry of Human Resource Development
MAT	Minimum Alternative Tax
MoPNG	Ministry of Petroleum And Natural Gas
MoWR	Ministry of Water Resources
NABARD	National Bank For Agriculture and Rural Development
NCDC	National Cooperative Development Corporation
NIDM	National Institute of Disaster Management
NIT	National Institute of Technology
NITSER	National Institutes of Technology, Science Education and Research
NHAI	National Highway Authority of India
NC	North Coastal
NTPC	National Thermal Power Corporation Limited
PFC	Power Finance Corporation
PRC	Pay Revision Commission
PCGSDP	Per Capita GSDP
PIB	Press Information Bureau
PMO	Prime Minister's Office
PMSKY	Pradhana Mantri Krishi Sinchay Yojana
PPP	Public Private Partnership
PSUs	Public Sector Undertakings
PIL	Public Interest Litigation
RS	Rayalaseema
REC	Rural Electrification Corporation
RFP	Request for Proposal
R&R	Rehabilitation & Resettlement
SAIL	Steel Authority of India Limited
SITP	Scheme For Integrated Textile Parks

SC	South Coastal
SDP	Special Development Package
SPV	Special Purpose Vehicle
TEFR	Techno –Economic Feasibility Report
VGF	Viability Gap Funding
VCIC)	Visakhapatnam-Chennai Industrial Corridor
VPT	Vishakhapatnam Port Trust
WRD	Water Resource Department

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