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Memorandum

To The

Twelfth Finance Commission

Volume-I

Government of Uttarakhand
September, 2003

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ANNEX

Abbreviations and Acronyms

ATR	Action Taken Report
CRF	Calamity Relief Fund
DMMC	Disaster Mitigation and Management Centre
FC	Finance Commission
NIC	National Informatics Centre
NN	Nagar Nigam
NP	Nagar Panchayats
NPP	Nagar Palika Parishads
PRI's	Panchayati Raj Institutions
SFC	State Finance Commission
TFC	Tenth Finance Commission
TOR	Terms of Reference
ULB's	Urban Local Bodies
UPSFC	Uttar Pradesh State Finance Commission
ZP	Zila Panchayat

THE GAZETTE OF INDIA: EXTRAORDINARY
MINISTRY OF FINANCE AND COMPANY AFFAIRS
(Department of Economic Affairs)

NOTIFICATION

New Delhi, the 1st November, 2002

S.O. 1161 (E).- The following order made by the President is to be published for general information:-

ORDER

In pursuance of the provisions of article 280 of the Constitution of India, and of the Finance Commission (Miscellaneous Provisions) Act, 1951 (33 of 1951), the President is pleased to constitute a Finance Commission consisting of Dr. C. Rangarajan, Governor of Andhra Pradesh, as the Chairman and the following three other members, namely: -

- | | | |
|----|--|-----------------------|
| 1. | Shri Som Pal Member, Planning Commission | Member
(Part-Time) |
| 2. | Shri T.R. Prasad, IAS, (retd.) former
Cabinet Secretary, Government of India. | Member |
| 3. | Prof. D.K. Srivastava of the National Institute of
Public Finance and Policy | Member |
| 4. | Shri G.C. Srivastava, IAS | Secretary |

2. Notification for the fourth member will be issued separately.

3. The Chairman and the other members of the Commission shall hold office from the date on which they respectively assume office upto the 31st day of July, 2004.

4. The Commission shall make recommendations as to the following matters:-

(i) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under Chapter I Part XII of the Constitution and the allocation between the States of the respective shares of such proceeds;

(ii) the principles which should govern the grants-in-aid of the revenues of the States out of the consolidated Fund of India and the sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues under article 275 of the Constitution for purposes other than those specified in the provisions to clause (1) of the article; and

(iii) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State.

5. The Commission shall review the state of the finances of the Union and the States and suggest a plan by which the governments, collectively and severally, may bring about a restructuring of the public finances restoring budgetary balance, achieving macro-economic stability and debt reduction along with equitable growth.

6. In making its recommendations, the Commission shall have regard, among other considerations, to: -

(i) the resources, of the Central Government for five years commencing on 1st April 2005, on the basis of levels of taxation and non-tax revenues likely to be reached at the end of 2003-04;

(ii) the demands on the resources of the Central Government, in particular, on account of expenditure on civil administration, defence, internal and border security, debt-servicing and other committed expenditure and liabilities;

(iii) the resources of the State Governments, for the five years commencing on 1st April 2005, on the basis of levels of taxation and non-tax revenues likely to be reached at the end of 2003-04;

(iv) the objective of not only balancing the receipts and expenditure on revenue account of all the States and the Centre, but also generating surpluses for capital investment and reducing fiscal deficit;

(v) taxation efforts of the Central Government and each State Government as against targets, if any, and the potential for additional resources mobilization in order to improve the tax-Gross Domestic Product (GDP) and tax-Gross State Domestic Product (GSDP) ratio, as the case may be;

(vi) the expenditure on the non-salary component of maintenance and upkeep of capital assets and the non-wage related maintenance expenditure on plan schemes to be completed by the 31st March 2005 and the norms on the basis of which specific amounts are recommended for the maintenance of the capital assets and the manner of monitoring such expenditure;

(vii) the need for ensuring the commercial viability of irrigation projects, power projects, departmental undertakings, public sector enterprises etc. in the States through various means including adjustment of user charges and relinquishing of non-priority enterprises through privatisation or disinvestment.

7. In making its recommendations on various matters, the Commission will take the base of population figures as of 1971, in all such cases where population is a factor for determination of devolution of taxes and duties and grants-in-aid.

8. The Commission shall review the Fiscal Reform Facility introduced by the Central Government on the basis of the recommendations of the Eleventh Finance Commission, and suggest measures for effective achievement of its objectives.

9. The Commission may, after making an assessment of the debt position of the States as on the 31st march 2004, suggest such corrective measures, as are deemed necessary, consistent with macro-economic stability and debt sustainability. Such measures recommended will give weightage to the performance of the States in the fields of human development and investment climate.

10. The Commission may review the present arrangements as regards financing of Disaster Management with reference to the National Calamity Contingency Fund and the Calamity Relief Fund and make appropriate recommendations thereon.

11. The Commission shall indicate the basis on which it has arrived at its findings and make available the State-wise estimates of receipts and expenditure.

12. The Commission shall make its report available by the 31st July, 2004, covering a period of five years commencing on the 1st April, 2005.

Sd/-
(Dr. A.P.J. ABDUL KALAM)
President of India

Introduction

- 1.0 The Twelfth Finance Commission has been set up in November 2002 to make recommendations on the transfer of resources from Centre to the states. In line with the past practice, the Finance Commission (hereafter FC) solicited the views of the state governments on various aspects of the Terms of Reference, henceforth referred to as TOR. It has further listed out the topics on which notes are required from the state governments.
- 1.1 Uttaranchal was born on November 9, 2000. Given the specificities of its terrain, economic structure, etc, it was carved out of Uttar Pradesh as the 27th state (11th special category state) of the Indian Union. While its split from Uttar Pradesh allows the state to start on a clean slate in some respects, the challenges before it, as we shall see later in this memorandum are daunting indeed.
- 1.2 Special Category states have received differential treatment in the Indian system of intergovernmental transfers. While designing transfers to these states, both the Planning and the Finance Commission have given due consideration to hilly and difficult terrain, low population density, economic and infrastructural backwardness and the weak fiscal capabilities of these states. The Planning Commission transfers to special category states have a higher proportion of grants (90 per cent) vis-à-vis non-special category states (30 per cent) and the norms for of maintenance assets are more liberal for them. The treatment of special category states in Finance Commission transfers is summarized in Box 1.

Box 1: Special Category States and Finance Commission

Grants in Aid

- The 5th FC gave special consideration to the lower income of scheduled tribes in Nagaland. It also assigned grants to border states like J&K for strategic purposes.
- The 7th FC gave a grant to Assam for creation of a new capital following its separation from Meghalaya.
- The 11th FC observed that a substantial amount of grants-in-aid will go to the special category states and by 2004-05 only these states will receive grants-in-aid to meet the deficit on non-Plan revenue account.

Debt Relief

- The 5th FC gave debt relief to Assam, J&K and Nagaland on interest to be paid on loan taken for unproductive purposes.
- The 6th FC converted the loans taken by newly formed states of Himachal, Manipur and Tripura as Union Territory into a single loan repayable in 20 years.
- The 8th FC wrote off 85 per cent of the reassessed Non-Plan gap of J&K, Himachal Pradesh, Tripura, Manipur, Meghalaya, Nagaland and Sikkim.
- The 10th FC recommended specific repayment relief to special category states.

Upgradation and Special Purpose Grants

- The 8th FC recommended that the entire amount required for upgradation in some of the special category states should be met out of grants.
- In the normative approach of the 9th FC, higher wear and tear in hill states and a lower rate of return was prescribed for road transport corporations. Higher norms for maintenance were specified for hill states.

The Eleventh Finance Commission, while commenting on the restructuring of the system of financing of expenditures in the special category states, made the following observations:

- **The non-plan revenue gap of these states assessed on the basis of norms relevant in their case after taking into account their share in Central taxes should be met out of Finance Commission grants. There should be no need for any plan grants to meet these gaps.**
- **Responsibility of development of infrastructure of vital importance to the region requiring large investments should be that of the Centre**
- **The system of plan assistance for special category states should be reviewed. The review of Gadgil formula as suggested by us earlier should also cover the review of plan assistance to the special category states.(chapter 3 Para 3.77)**

Source: Reports of various Finance Commissions.

1.3 The 11th Finance Commission while making recommendations regarding restructuring of finances of “Special Category States” has observed that the own revenue sources of Special category States meet on an average a small percentage of their revenue expenditures and bulk of their revenues come from the center. Because of their weak revenues base all the Special Category States have large deficits on their non-plan revenue accounts before devolution. Although 90% of the central assistance is in the form of grants even then there are large fiscal deficits. Even with massive infusion of

central funds the finances of these states remain under acute stress. In the light of above observations the recommendations referred to in “Box 1” were made *inter alia* to strengthen the finances of the Special Category States. It was also recommended that in the Special Category States, infrastructure should be built up for the generation of economic activities on a substantial scale, which alone can provide them with a strong revenue base. Of the three newly created states, Chattisgarh and Jharkhand being the other two, Uttaranchal is the only one that falls under the ‘Special Category’ status. The fact that its parent state, being a non-special category state, received meager grants from the Eleventh Finance Commission meant that Uttaranchal too was deprived of the grants that it would have normally received. In comparison to Himachal Pradesh (its close comparator in some respects), which was awarded Rs 4500 crores as non-plan deficit grants for the period 2000-01 to 2004-05, Uttaranchal received a measly sum of Rs 17 crores. The state government had requested for interim relief on this account for the last two years of the award period of the XIth Finance Commission, but this request could not be entertained as it is outside the terms of reference of Twelfth Finance Commission. The Ministry of Finance has expressed its inability to reopen the recommendation of the 11th Finance Commission and also on enlarging the TOR of the Twelfth Finance Commission. As has been pointed out later, Uttaranchal having been carved out of Uttar Pradesh, which was a Non-Special Category State, received a higher share of liabilities while it was deprived of the benefits which otherwise would have accrued to it by way of the recommendation of the Eleventh Finance Commission. This has resulted on the one hand in high indebtedness, while on the other, it has lead to subnormal expenditures even in critical areas due to lack of finances.

Uttaranchal still has a weak revenue base with a large non-plan revenue gap thereby necessitating large high investment in infrastructure building, which can create substantial economic activity, and provide a strong revenue base in the long run. We would request the Twelfth Finance Commission to take the special situation into consideration because the Twelfth Finance Commission awards (for the period spanning 2005-06 to 2009-10) will, therefore, among other things, play a critical role in rectifying the adverse financial implications stemming from this aspect of the newly created state. In the above background we would also urge the finance commission to

take a view and make recommendations on an interim basis for the remaining two years of the Eleventh Finance Commission award period.

- 1.4** Apart from the above, there are a number of specific characteristics of the state that not only make it vulnerable to natural calamities but also translate into low revenue raising capability and high expenditure requirements. This should not be construed to imply that there are no opportunities in the state. First, being a new state it can learn from the experience of other states and avoid the mistakes they made. The revenue potential can be developed in the medium run e.g. in tourism and hydroelectric power but this would require expenditure on the creation of new infrastructure (related to the reorganization of state and its development needs) and also the up-gradation of the existing one. However, these efforts will pay off in terms of revenues only in the medium run. Further, the creation/expansion of infrastructure will aid the state in exploiting its comparative advantage in high literacy rates. For all this, the support of the Finance Commission in filling the revenue gap is critical. The Eleventh Finance Commission had noted that the non-plan revenue gaps should be met out on Finance Commission grants (See Box 1).
- 1.5** The memorandum, divided into 9 chapters, is organized as follows: **Chapter 2** sketches the profile of Uttaranchal in terms of its economic structure, demography, amenities and social and physical infrastructure. This chapter also benchmarks the above-mentioned parameters with the comparator special category states and all-India aggregate. This analysis serves two purposes. The economic structure and other specificities of states have a critical impact on its fiscal position as the revenue capabilities as well as its expenditure needs depend on them. Benchmarking it in terms of relevant parameters against other states permits us to gauge the initial conditions in this newly created state vis-à-vis other states.
- 1.6** **Chapter 3** examines the current fiscal situation of Uttaranchal, draws the link between the profile of the state and its finances and benchmarks it with other states. **Chapter 4** deals with the revenue and expenditure forecasts and the rationale behind them. The forecasts draw upon the profile of the state, its specificities and the reasons for the

current fiscal situation and use this information for substantiating the expenditure and revenue projection. The projections take into account the endeavor of the state to move to a higher growth trajectory, raise its revenue base and rationalize expenditures.

1.7 Chapter 5 analyses the existing *per se* devolution formula and makes suggestions for its improvement. The TOR of the Twelfth Finance Commission: "...The Commission may, after making an assessment of the debt position of the States as on the 31st March 2004, suggest such corrective measures, as are deemed necessary, consistent with macro-economic stability and debt sustainability. Such measures recommended will give weightage to the performance of the States in the fields of human development and investment climate." In view of this, **Chapter 6** reviews the debt situation in Uttaranchal and makes a case for relief.

1.8 Chapter 7 deals with the issues of local bodies. **Chapter 8** deals with some of specific issues of Uttaranchal. These relate to:

- Environment and Forestry
- Tourism/Yatra tourism
- Vulnerability of the region
- Other basic requirements related to the reorganization of the state and Upgradation of standards

1.9 Chapter 9 concludes the memorandum by highlighting the main issues shaping the fiscal future of Uttaranchal and their impact on the state's requirements for transfers in the five years commencing 2005-06.

Profile of Uttaranchal

INTRODUCTION

- 2.0** This chapter profiles the state of Uttaranchal in terms of its economic structure, geographic characteristics and certain critical, social, demographic and infrastructure parameters. With respect to each of these indicators, the state is compared with the other special category and new states.
- 2.1** Each of the indicators discussed in this chapter has direct relevance for the analysis of the public finances of the state. The economic structure determines the tax base and, therefore, influences the revenue potential of the state. The social and demographic parameters, when seen in a comparative context, justify the need for expanding the provision of public services. This implies higher expenditures for critical departments such as health and education.
- 2.2** The geography of the state also has a direct expenditure implication. The terrain does not support large clusters of households. As a consequence, the state is characterised by a relatively large number of small habitations. Each of these has to be provided with some minimal level of services. In doing so, the state is unable to take advantage of agglomeration economies that characterise many of these services. Some threshold levels of capital and operating expenditures have to be made to achieve even basic levels of service delivery, but once this is done, the capacity of the system is expandable. The result is that the average cost of delivery in Uttaranchal, driven by the large number of small habitations is relatively high. In addition to fragmentation, the nature of the terrain itself increases the cost of delivery.

BASIC GEOGRAPHICAL FEATURES

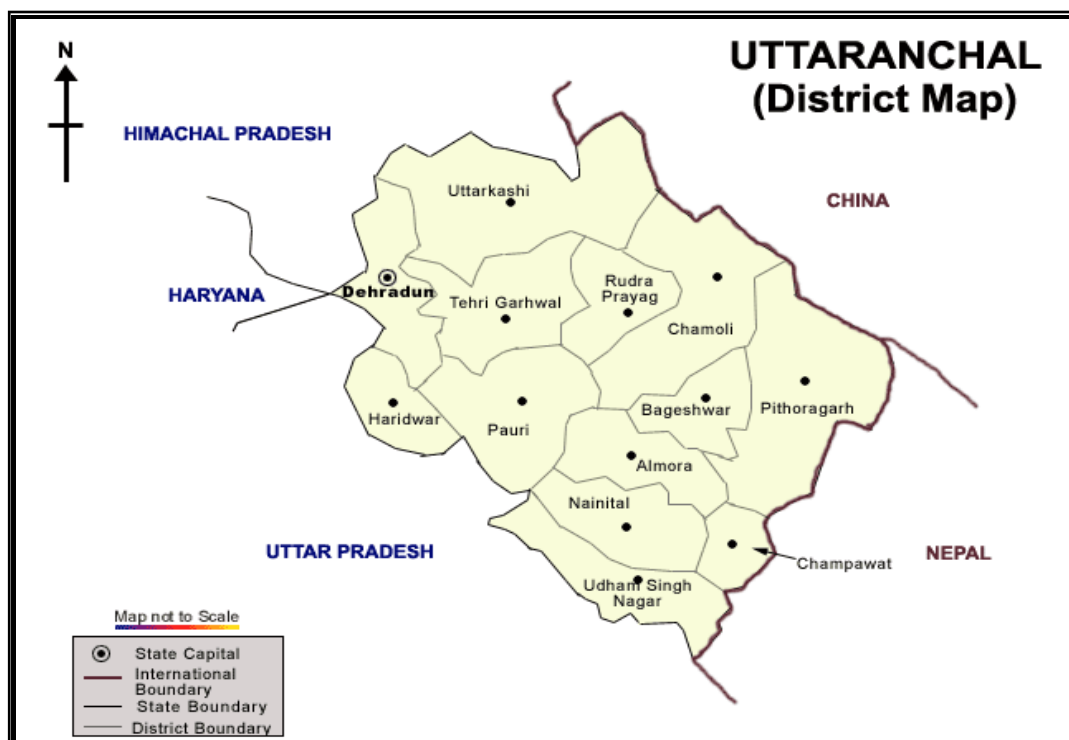
- 2.3** Covering an area of 53843 sq km, Uttaranchal has a very diverse topography ranging from plains in the south to snow covered peaks in North. Over 62 per cent of its area is under forest cover. As per the 2001 census Uttaranchal's population stood at 84.8 lakhs.

On the basis of its terrain, the 13 districts of Uttarakhand can be roughly classified into three zones:

- Plains/lower hills comprising Udham Singh Nagar, Haridwar and parts of Dehradun. Of these districts, which border Uttar Pradesh, shares international boundary with Nepal.
- The High Hills include the districts of Uttarkashi, Rudraprayag, Chamoli and Pithoragarh. Barring Rudraprayag, each of these districts has international boundary with China and Nepal.
- Mid hills covering Tehri, Pauri, Nainital, Almora, Champawat and Bageshwar are sandwiched between the low and the high hills. Champawat is the only mid-hill district with an international boundary with Nepal.

2.4 These zones are depicted in Figure 2.1. While the topography of Uttarakhand offers opportunities in terms of tourism and hydroelectric power, it also makes the creation of infrastructure and delivery of services not only costly but also difficult. Further, its international boundary with China and Nepal raises serious security concerns.

Figure 2.1: Map of Uttarakhand



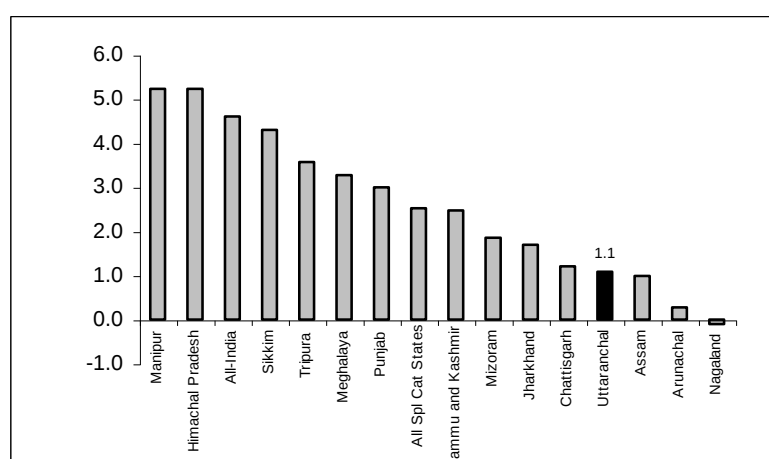
- 2.5 This chapter examines the economic structure of Uttarakhand, its growth performance, demographic and infrastructure characteristics. In doing so, a comparison of the characteristics of Uttarakhand against other Special Category States and the All-India level estimates is also made. Some special features of Uttarakhand that relate to environment and forests, vulnerability of the region and tourism that have fiscal implications are also discussed.

ECONOMIC STRUCTURE AND PERFORMANCE

Growth Performance

- 2.6 State Domestic Product data for Uttarakhand is available only at current prices for the period 1993-94 to 1999-00. Given the importance of real GDP in assessing economic performance of a state, an attempt has been made to compute the GSDP at constant prices for Uttarakhand using price deflators of its parent state i.e. Uttar Pradesh. We have deflated Uttarakhand's GSDP at current prices for agriculture, industry and the services using the respective sectoral price deflators of Uttar Pradesh.
- 2.7 Between 1993-94 and 1999-2000, when the Indian Economy registered growth of 6.6 per annum, Uttarakhand's real GDP grew at an anaemic rate of 2.9 per cent. The dismal growth performance of Uttarakhand contrasts sharply not only with the buoyant performance of the Indian economy during this period but also with that of the Special Category States. During the period under consideration, Himachal Pradesh registered a Compound Annual Growth Rate (CAGR) of 7.1 per cent (Table 2.1).

Figure 2.2: CAGR in Real Per Capita GDP (1993-94 to 1999-00)



Source: CSO.

2.8 The sectoral growth pattern reveals that the services sector was the best performing sector in Uttaranchal. Yet it's performance pales in comparison to the All-India average and Special Category States average. Agriculture and industry grew at 1.6 per cent and 1.4 per cent respectively, which is much below the national as well as the special category average (Table 2.1).

Table 2.1 GDP Growth (CAGR 1993-94 to 1999-00)

	Agriculture	Industry	Services	Total
Uttaranchal*	1.6	1.4	4.9	2.9
Uttar Pradesh (D)	2.9	5.9	5.2	4.5
Himachal Pradesh	-0.1	11.6	8.4	7.1
Assam	1.1	4.6	3.1	2.7
Arunachal Pradesh	-1.6	1.3	8.8	2.8
Jammu and Kashmir	4.5	2.9	6.7	5.2
Manipur	3.1	11.6	9.1	7.7
Meghalaya	7.1	8.2	6.4	6.9
Mizoram	0.7	5.4	6.8	4.9
Nagaland	8.1	2.8	2.8	4.2
Sikkim	3.8	11.1	9.5	8.0
Tripura	3.3	15.5	7.5	7.3
Jharkhand	2.1	3.8	3.9	3.4
Chattisgarh	-2.6	4.1	6.0	2.9
Goa	-1.1	4.9	11.6	7.8
Maharashtra	1.5	6.8	7.5	6.2
Punjab	2.4	7.2	6.8	5.0
All Special Category States	2.0	5.8	5.5	4.4
All-India	3.1	6.9	8.7	6.6

*Note: GDP (real) for Uttaranchal was computed using price deflators for Uttar Pradesh.

Source: CSO

2.9 Thus, Uttaranchal has clearly lost out on the growth front in comparison to the comparator Special Category States during the boom phase of the Indian Economy.

COMPOSITION OF GDP

2.10 With almost 38 per cent of the GDP originating in the agricultural sector in 1999-00, Uttaranchal has a relatively high dependence on agriculture in comparison to most other states. Annex Table A2.1 compares the composition of Uttaranchal's GDP with other Special Category States, three high-income states (Goa, Punjab and Maharashtra), the newly formed states and All-India. It also documents the change in composition of GDP of these states between 1993-94 and 1999-00. The Growth performance of

Uttaranchal vis-à-vis other comparator states is documented in Annex Table A2.2. The following observations can be made on the basis of inter-state comparisons.

Agriculture

2.11 In 1999-2000, the share of agriculture in Uttaranchal's GDP was higher than the all India Average (26%) and the average of all Special Category States (33%). In comparison, the share of agriculture in Himachal's GDP has significantly come down to a little below the All-India average. In the two other newly formed states of Jharkhand and Chattisgarh, agriculture contributes only about 23 per cent to the state GDP. The higher share of agriculture in the GDP acts as a constraint on the state revenues as agriculture is not effectively taxed. Thus, from the point of view of revenue potential emanating from economic structure, Uttaranchal is in a disadvantaged position vis-à-vis its comparator Special Category States.

2.12 Table 2.2 compares the composition of agricultural GDP of Uttaranchal (between 1993-94 and 1999-00) with other states. Forestry and logging were a key component of agricultural GDP in 1993-94 (almost 33 per cent of agricultural GDP originated in Forestry and logging). However, by 1999-00 the contribution of forestry to agricultural GDP fell to 5.2 per cent. This has been the general trend for all Special Category States and the All-India aggregate. For All-Special Category States as a group, the share of forestry in agricultural GDP fell from 10 per cent in 1993-94 to 8 per cent in 1999-00. In Himachal Pradesh the contribution of this sector to agricultural GDP fell from 22 per cent to 15.5 per cent between 1993-94 and 1999-00. This highlights the dwindling forest related activity in these states. For Uttaranchal which has 62 per cent forest cover (see Table 2.3), the sharp fall in the contribution of forestry to agricultural GDP has critical implications for livelihood as well as forestry related revenues.

Table 2.2. Composition of GDP in Agriculture (% Share)

	Uttaranchal	Himachal	Jharkhand	Chhatisgarh	All Sp Cat	All-India
1993-94						
Agriculture	66.9	77.2	86.1	89.5	85.1	91.7
Forestry and Logging	32.9	21.6	8.5	9.1	10.0	4.7
Fishing	0.2	1.2	5.4	1.4	4.9	3.6
1999-00						
Agriculture	94.6	83.5	89.6	83.7	87.5	91.5
Forestry and Logging	5.2	15.5	5.3	11.5	8.1	4.1
Fishing	0.2	1.0	5.1	4.7	4.4	4.4

Source: CSO.

Table 2.3: Pattern of Land Utilisation

		Area (Ha)	% Area
1	Total Reported Area	5592361	100.0
2	Forests	3498447	62.6
3	Barren and Unculturable Land	244756	5.3
4	Land Under Non-agricultural uses	166324	3.0
5	Culturable Waste	324443	5.8
6	Permanent Pasture and Other Grazing	228974	4.1
7	Land Under misc tree crops and Grooves	217033	3.9
8	Current fallows	11257	0.2
9	Other fallows	67044	1.2
10	Net sown Area	78114	14.02

Source: Uttaranchal at a Glance, Government of Uttaranchal (2003).

Industry

2.13 As a consequence of the slow growth in industry, its share in GDP shrunk from 20.3 per cent in 1993-94 to 18.8 per cent in 1999-00. While this development is not unique to Uttaranchal (Arunachal Pradesh, Mizoram, Nagaland and Sikkim also recorded a falling share of Industry in GDP), it does reflect the shrinking investment opportunities in Uttaranchal. This contrasts sharply with Himachal Pradesh where industry recorded 11.6 per cent CAGR between 1993-94 and 1999-00. Consequently, the share of industry in Himachal's GDP was at 33 per cent, above the All-India average of 26 per cent.

2.14 Industry comprises manufacturing, mining, electricity and construction. Table 2.4 compares the composition of industry in Uttaranchal with other states. The following trends are significant:

- The share of mining and quarrying in industrial GDP of Uttarakhand fell from 7 per cent to 6 per cent between 1993-94 and 1999-00. This would have fallen further in the post 1999-00 period due to a ban on limestone quarrying. Taking the average annual production of limestone for the years 1987-89 and assuming 10 per cent increase in production per year, the projected production for the year 2003-04 is estimated at 34.4 lakh tones per year. Given the current royalty rate of limestone of Rs 40/tonne, amounts the total revenue loss due to the ban on mining operations to be around 14 crores per annum.
- The share of manufacturing sector in industrial sector GDP fell sharply- the fall was however restricted to the registered segment of the manufacturing sector, as the unregistered sector recorded an increase in its share. In comparison, the manufacturing sector in All Special Category States as a whole, increased its share in industry.
- Within industry the construction activity has done relatively well- its share in total industrial GDP went up from 18.6 per cent to 43.4 per cent.
- The Electricity, Gas and Water supply segment of industry raised its share in both Uttarakhand and Himachal Pradesh. However, the contribution of the segment to the GDP in Industry is significantly higher in Himachal Pradesh (17.9 per cent) as compared to that in Uttarakhand (10.5 per cent).

Table 2.4 Composition of GDP in Industry (% Share)

	Uttarakhand	Himachal Pradesh	Jharkhand	Chhattisgarh	All Sp Cat	All-India
1993-94						
Mining & Quarrying	6.9	2.2	35.8	23.4	17.7	9.8
Manufacturing	56.5	31.4	48.8	50.1	34.3	61.2
- Registered	48.3	23.4	44.0	36.5	21.2	39.9
- Un-Registered	8.1	8.0	4.8	13.6	13.1	21.3
Construction	28.6	49.8	9.9	11.6	37.4	19.8
Electricity, Gas & Water supply	8.1	16.6	5.6	14.8	10.7	9.3
1999-2000						
Mining & Quarrying	6.0	2.3	29.4	22.9	11.4	8.9
Manufacturing	40.0	38.6	52.9	49.8	38.3	58.4
- Registered	29.4	29.8	49.0	38.3	25.6	37.4
- Un-Registered	10.6	8.8	3.9	11.6	12.7	21.0
Construction	43.4	41.1	12.5	12.1	38.9	23.1
Electricity, Gas & Water supply	10.5	17.9	5.2	15.1	11.4	9.6

Source: CSO.

2.15 The above inter-state comparison highlights the plight of the industrial sector (particularly manufacturing) in Uttaranchal. The trends in GDP indicate the shrinkage of even the existing manufacturing activity.

Services

2.16 The services sector emerged as the best performing sector in Uttaranchal. In 1999-00, it accounted for almost 43.5 per cent of Uttaranchal's GDP. The bulk of the service sector GDP originates in Trade, Hotels and Restaurants. Its share in services GDP went up from 26.5 per cent in 1993-94 to 29.5 per cent in 1999-00. The proportion of this segment in the services GDP in Uttaranchal is higher than that in Himachal and the Special Category States (Annex Table A 2.2).

2.17 Other services comprising of medical, social services etc. have a lower share in the service sector's GDP in Uttaranchal than its close comparator Himachal as well as all Special Category States.

2.18 Uttaranchal offers immense opportunities for development of vast array of tourism related services. In fact, development of tourism industry has been declared as a thrust area by the state. Uttaranchal holds the vision of becoming the most preferred tourist destination and establishing itself on the global tourist map.

2.19 Uttaranchal is host to Haridwar, Rishikesh, the Char Dhaam and the sacred Ganga & Yamuna. Beside these there are many other pilgrimage sites and sites of historical and religious importance. There also lies vast potential for adventure, nature, leisure and eco-tourism activities.

2.20 Despite the wealth of scenic beauty it is bestowed with, tourism industry of Uttaranchal has yet to be promoted and developed enough to fully exploit the vast potential of this sector. The tourism industry has yet to add significantly to the economy of the area and the people.

2.21 Uttaranchal is the first state in the country to have created a Tourism Development Board by legislation, as the highest body to function as a Promoter, Adviser, Regulator

and Licensing Authority for tourism in the state. This level of involvement is hoped to build institutional linkage with the tourism trade and industry.

2.22 The state plans to provide incentives to open new tourism units. Initiatives have also been taken to set up new amusement parks and install new ropeways in the state. Plans to promote smooth and easy connectivity, private sector participation and development of strategically dispersed staying facilities are also given prime importance.

2.23 The New Industrial Policy of Uttaranchal (2003) has identified the following areas where Uttaranchal has a comparative advantage: Tourism, Hydro-power, Agro and food processing, Handloom, Khadi and Village industries. Developing tourism will require strengthening of existing as well as new infrastructure. Hydro-power development will be capital intensive with long gestation period- both due to the nature of activity as well as the environmental issues involved. Agro and food processing, and horticulture related industries are less capital intensive and local resource based. Khadi and village industries too have a significant potential but are in need of modernisation and technical upgradation and marketing. While addressing these issues, the New Industrial Policy has also identified information technology and biotechnology as thrust areas. All these require significant infrastructural support (implying increased government spending), while the efforts are expected to yield results only after medium/long term.

PER CAPITA INCOME AND CONSUMPTION EXPENDITURE

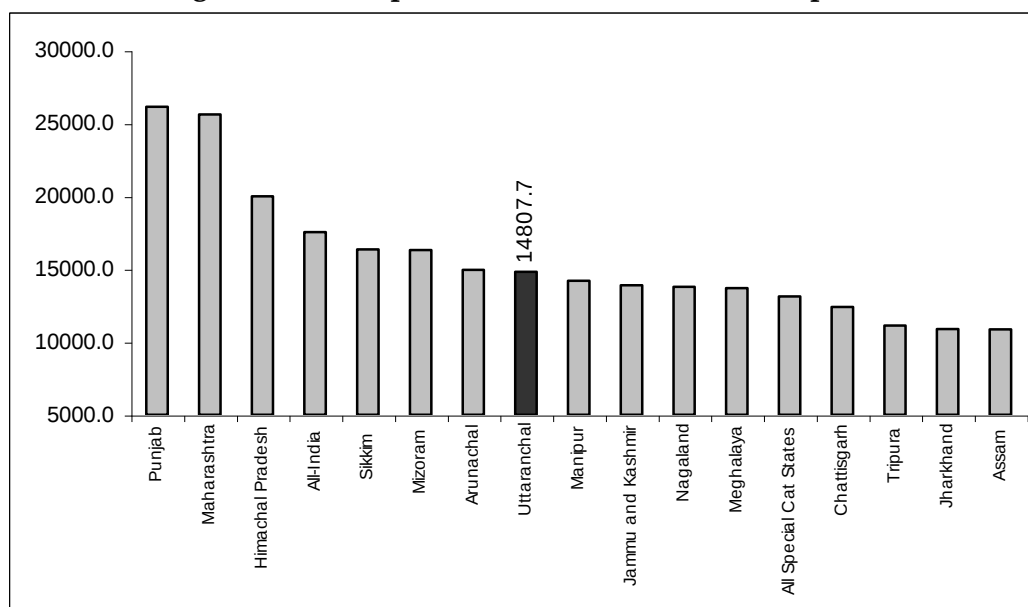
2.24 Per capita income is regarded as an important indicator of standard of living. As a general practice, per capita GSDP is used to proxy per capita income. GSDP only considers the total income generated within a state and therefore ignores the remittance income. Since GSDP is the only income indicator available at the state level, we have made per capita GSDP comparisons across states. The following trends are significant:

- Uttaranchal's nominal per capita GDP in 1999-2000 at Rs 14807.7 is higher than Rs 13125, the average of all the Special Category States put together. But it is lower

than All-India average (17538.8), Himachal Pradesh (19998.5) and much below the high-income states of Maharashtra and Punjab (Annex Table A2.4/ Figure 2.3).

- The rate of growth of real per capita GDP was a meagre 1.1 per cent per annum during 1993-94 to 1999-00. This contrasts sharply with the CAGR of 4.6 and 5.2 per cent of All-India and Himachal Pradesh respectively (Annex Table A2.4/Figure 2.2). The Special Category States as group recorded a growth of 2.5 per cent per annum.

Figure 2.3: Per capita GSDP (1999-00) At current prices



Source: CSO.

2.25 Like the per capita GSDP, per capita consumption expenditure in Uttaranchal (Rs 629.5 per month) is above the all-special category average (Rs 586.5 per month) and also above the All-India average (578.8 per month). This is due to higher expenditure needs of food, clothing etc. in the hills. Further, per capita consumption is much higher in urban areas than in the rural areas, which is the trend observed for all the states (Annex Table A2.3)

TERRAIN AND MAINTENANCE COSTS: AN ILLUSTRATION

- 2.26** That there exist differentials in the cost of creation and maintenance of assets in hills and plains is now well established. The Finance Commission too in its normative assessments makes an allowance for these differentials.
- 2.27** The cost difference between maintenance of roads in hills and plains is as high as 53 per cent for the roads having more than 1500 commercial vehicles daily (henceforth CVD). The cost difference ranges from 26 per cent for the single lane roads with CVD limit of less than 150 vehicles to a high of 53 per cent for the double lane roads having more than 1500 CVD.
- 2.28** Given the lack/difficulty in setting up a rail system, roads emerge as an important medium of movement of goods and passengers. For a state like Uttaranchal that has a predominantly hilly terrain this corresponds to very high level of expenditures, which are not just one-time but have to be incurred every time a road gets damaged either by rains, landslides or any other natural disaster. The cost of maintenance of roads in hills is much higher than in the plains and at times alternate routes are not available. The blockage of roads during rainy season and during snowfall cuts off remote areas of the state. Low maintenance expenditure due to paucity of funds accentuates the problem. This increases reliance on helicopter and air services, which are virtually absent in the state.

PER CAPITA CAPITAL FLOWS

- 2.29** Table 2.5 documents various indicators of capital flows to the special category and the newly formed states. These indicators have been standardised to per capita terms to facilitate comparability. The following inferences can be drawn:
- The low credit deposit ratio in Uttaranchal points towards the lack of investment opportunities in the state.
 - Uttaranchal has the lowest per capita institutional investment among the Special Category States.

- Per capita Plan outlay in Uttaranchal is also among the lowest among the Special Category States. In 2001-02 it was only 43 per cent of Himachal's capital outlay.
- Per capita credit utilised in Uttaranchal is also among the lowest among Special Category States.
- All these indicators point towards drying up of investment opportunities in Uttaranchal. Even among the Special Category States it fares quite poorly. In the new era of liberalisation where private, institutional and external capital flows to regions with favourable initial conditions (prosperous states with better infrastructure), this becomes a cause of great concern for a new and a disadvantaged state like Uttaranchal.

Table 2.5: Comparative position of per capita flows to States

	Credit Deposit Ratio	Public and Private Investment per capita (Rs.)	Per capita plan outlay (Rs.)	Per capita institutional investment (Rs.)	Per capita total credit utilised in states (Rs.)
	2001	Oct-01	2001-02	2001	2001
Arunachal Pradesh	22.1	37887.8	6057.2	548.1	1241.9
Assam	38.1	42158.3	641.9	624.4	1411.4
Manipur	40.7	5053.1	1476.4	580.9	735.8
Meghalaya	17.3	3022.5	2050.3	1140.1	1237.4
Mizoram	29.0	13422.3	4954.9	876.2	1287.7
Nagaland	13.6	1372.8	2069.1	1337.6	615.8
Sikkim	14.5	122628.8	5550.5	1948.6	1630.0
Tripura	21.7	17576.6	1754.8	614.7	1062.6
Himachal Pradesh	25.7	52102.5	2870.6	176.9	3132.0
J & K	33.5	16915.7	2035.8	811.8	3290.2
Uttaranchal	23.9	19943.3	1238.3	15.6	2633.8
Chhattisgarh	49.9	12208.6	630.9	32.1	1802.7
Jharkhand	30.6	9105.7	836.1	36.6	1759.0

Source: Planning Commission, 2003

EMPLOYMENT, SEX RATIO, DEPENDENCY AND MIGRATION

2.30 Uttaranchal had a high sex ratio (964) in comparison to all-India level (933) in 2001. Among the Special Category States only Manipur, Meghalaya and Himachal Pradesh have a sex ratio higher than Uttaranchal. The picture is quite different when one looks at the rural and urban sex ratio. The rural Uttaranchal had the highest sex ratio (1007)

among the Special Category States in 2001. The Urban sex ratio in Uttarakhand, however, is lower than the All-India average. (Annex Table A2.5)

- 2.31** Among the Special Category States, the fastest growth in the overall sex ratio (between 2001 and 1991) was witnessed in Arunachal Pradesh (4.9 per cent) followed by Uttarakhand (3 per cent). The high sex ratio in Uttarakhand reflects lack of employment opportunities leading to out migration. This is particularly true of rural Uttarakhand. A study by R.S. Bora (1996) identifies unemployment, indebtedness, and low income as the primary push factors behind out-migration. High literacy rate in Uttarakhand could have been an important reason leading to out-migration, which is likely to have raised the income earning expectations of the people. Thus, paucity of opportunities, together with high literacy rates appears to be the prime factor behind out-migration.
- 2.32** It is important to point out that there is nothing wrong with high migration per se as it does bring in remittance income. It is also expected to boost land and labour productivity in the state. But what needs emphasis is that out-migration in Uttarakhand is a manifestation of weak economic base and dwindling investments and employment opportunities. The structure of the Uttarakhand economy with a bias towards agriculture and the shrinking share of industry bear testimony to this.
- 2.33** Bora lists out some important characteristics of migration in Uttarakhand. His results based on a sample survey, points out that significant portion of the out-migrants were non-workers and among workers, majority were males. Further most of the migrants were either literate or had some level of formal education when they moved out. This supports the view of lack of employment opportunities in the region, which could meet the expectations of literate population. Bora's study further points out that migration in Uttarakhand has not benefited the state. As per his calculations the opportunity cost of out-migration is around Rs 2886 per annum per household. The annual benefits to an average household in the form of remittances were lower than foregone earnings, thus making the net benefit negative (28).
- 2.34** Another indicator of the high spending requirements is the dependency ratio – both old age as well as child. The higher these ratios, the higher are the spending

requirement on the social services. The child, old age and overall dependency ratios in rural and urban areas are reported in Annex Table A2.6. Child dependency is defined as the ratio of population in the age group 0-17 to the working age group (18-59 years). Old age dependency is defined as the ratio of population over 59 years to the population in the age group of 18-59. Ideally dependency ratios are worked out on the basis of census data. As the 2001 census is yet to report the age profile of the population, we derived the same for 1999-00 on the basis of NSS 55th round data.

The following observations are in order:

- The overall dependency in the Special Category States is lower than the all-India average. Not only is the dependency ratio in Uttaranchal higher than the all-India average and thus above the all-Special Category States, it is highest for rural and urban areas among the Special Category States.
- Although urban old age dependency is lower than all-India average in Uttaranchal, it has the highest old age dependency in rural areas. This implies that migration is more prevalent in rural areas. The overall old age dependency in rural areas is the highest for Uttaranchal. The high old-age dependency ratio implies a higher need for government spending on health and medical infrastructure.
- The child dependency ratio in Uttaranchal is highest among the Special Category States. This implies higher spending needs on both education and health infrastructure.

2.35 High dependency ratios are in some sense a manifestation of high migration of population in the working age group. As the migration does not yield positive benefits to Uttaranchal (as pointed out by Bora), the high dependency ratios translate into higher expenditure requirements by the state both on education and health. The Eleventh Finance Commission had taken cognisance of the age profile of the population while reassessing the expenditure requirements of the state. In its report it noted *“On the expenditure side, the normative approach would imply in essence that the expenditure per capita that a State has to incur on the revenue account will be worked out broadly on the basis of average expenditure per capita that a state has to incur on the revenue*

account to provide public services at a 'reasonable' level, after allowing for cost differentials among them arising from factors not within their control, such as terrain, age-profile of the population, varying rates of inflation and other relevant factors"

PHYSICAL INFRASTRUCTURE AND AMENITIES

Roads

2.36 Given the paucity of rail and air links, roads are critical for transporting goods as well as passengers in Uttarakhand. The total length of roads in Uttarakhand in 2001 was 16968 kilometres, of which 8807 km are paved (Tenth Five Year Plan, Uttarakhand). Although the length of paved roads per lakh population in Uttarakhand is higher than all-India average, the length of paved roads per square kilometre is lower. This is directly related to the nature of terrain and thus implies higher per capita expenditure on maintenance of roads in hills on account of both higher per capita length of roads and terrain related issues.

Table 2.6: Road Availability (1996-97)

State	Length of Paved roads per lakh population	Length of Paved roads per thousand Sq Km
Assam	46.4	148.6
Himachal Pradesh	248.6	270.4
Uttarakhand	237.5	346.7
All-India	147.8	424.1

Source: Statistical Diary Uttarakhand, 2001-02

Power

2.37 Uttarakhand has a significant hydro potential (16000MW) of which not even 10 per cent has been realised. Given the weak economic structure and low tax capacity of Uttarakhand, hydro electricity is an area that can be a major source of revenue in future.

2.38 Although Uttarakhand is not a power deficit state, its consumption and availability of power is less than most comparator states. Table 2.7 compares Uttarakhand with other Special Category States. Although percentage of households with electricity connection in Uttarakhand (60.3) is higher than All-India (55.8) and Special Category States (50.2) as a group, it is quite low in comparison to Himachal Pradesh (94.8).

- 2.39** In terms of number of villages electrified and per capita consumption of electricity, Uttarakhand compares poorly with All-India average and Special Category States average. The gap with respect to its closest comparator (in terms of number of villages electrified and per capita consumption of electricity) is quite large indeed.
- 2.40** Beside the lack of connectivity between Kumaon and Garhwal divisions, the state does not even have a separate Grid system.
- 2.41** The evaluation system for new power projects also needs to be developed. All this will require significant investments while the pay off can be expected only in the medium to long run.

Table 2.7: Power Availability

State	Households with Electricity Connection (%) (2001)	Villages Electrified (%) (March 2002)	Per Capita Consumption of Electricity (1999-00)
Arunachal Pradesh	54.7	60.5	68.6
Assam	24.9	77.0	95.5
Jammu & Kashmir	80.6	97.5	267.9
Manipur	60.0	91.7	69.5
Meghalaya	42.7	46.5	160.3
Mizoram	69.6	99.0	120.7
Nagaland	63.6	99.7	84.7
Sikkim	77.8	90.6	192.4
Tripura	41.8	95.1	95.5
Uttarakhand	60.3	79.6	228.7
Himachal Pradesh	94.8	99.3	339.1
All Special Category States	50.2	82.4	-
Chhattisgarh	53.1	91.7	-
Jharkhand	24.3	-	-
All India	55.8	86.7	354.8

Source: Census (2001) and Planning Commission Report on SEBs (2001-02)

Shelter, Sanitation and Drinking Water

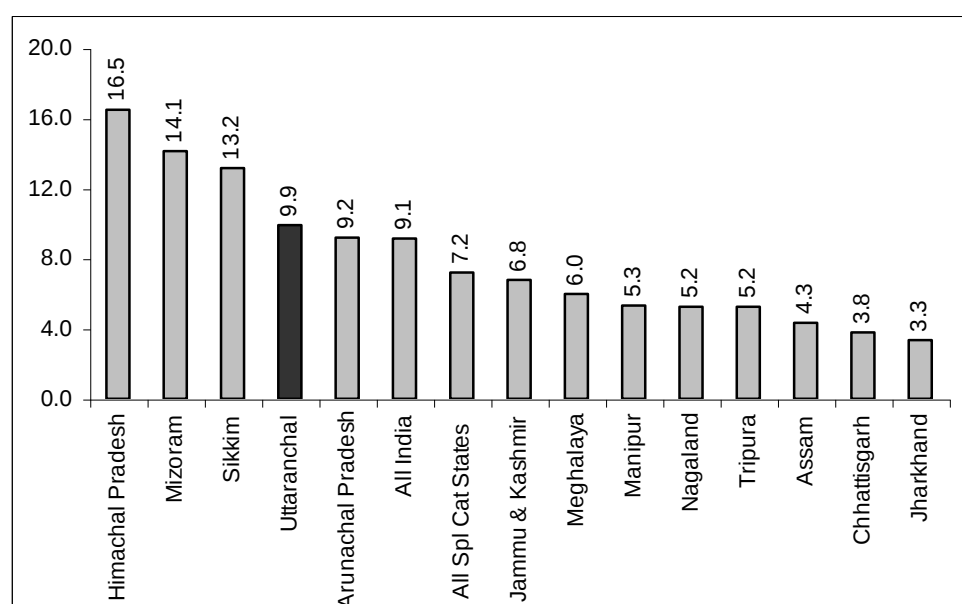
2.42 Annex Table A2.7 provides a profile of Uttarakhand and other comparator states with respect to basic amenities.

- At 86 per cent, Uttarakhand has the highest proportion of households with pucca houses among the Special Category States. The proportion is higher than Himachal Pradesh and the all-India average.
- Uttarakhand also scores very well in terms of sanitation vis-à-vis other comparator states.

2.43 In Uttarakhand almost 87 per cent of the villages have safe drinking water facility within the village itself and another 8 per cent within a distance of 1 kilometre. This brings almost 95 per cent villages in the ambit of safe drinking water provision.

2.44 Figure 2.4 charts the proportion of households with telephones in Uttarakhand and other Special Category States. Although Uttarakhand fares better in comparison to the average of Special Category States and all-India, it has a long way to go to catch up with Himachal Pradesh.

Figure 2.4: Percentage of Households with Telephone facility



Source: Census, 2001

POPULATION DENSITY AND HABITATION CHARACTERISTICS

2.45 The cost of delivery of services depends upon population density, average size of habitation and the density of habitations. Low population density, small and sparsely spread habitations increase the cost of delivery of services. The latest habitation data is available from the All India Education Survey for 1993. As this is too dated, we have relied on the Census 2001 data. Although the census does not provide information on habitations we have taken villages and towns as a proxy for habitations (Table 2.8). It may be noted that this measure underestimates the number of habitations. While the number of villages in Uttaranchal is estimated at 15,667 in 2000, the number of rural habitations is estimated at around 31,000.

- Uttaranchal's average density of population at 159 persons per km is much below the all-India average of 324 but higher than that of Himachal Pradesh (109). The population density in Uttaranchal, however, varies from a high of 612 in Hardwar to a low of 37 persons per km in Uttarkashi.
- Average size of village in Uttaranchal (375) is not only below the all-India average (1161) but also lower than the average size of village in Special Category States (610). This together with the fact that habitation density (number of villages per square kilometre) is high in Uttaranchal implies that number of small villages per unit of area is higher in Uttaranchal vis-à-vis most of the Special Category States.
- Low population Density and high habitation density with low average village size implies higher pressure (in terms of cost and effort) on delivery of services.

Table 2.8: Population Density and Habitation Size: Cost Drivers

Average Habitation Size				
	Density of Population (Persons/Sq Km)	Rural	Urban	Habitation Density
Uttaranchal	159.0	375	24792	316
Himachal Pradesh	109.0	272	10437	362
Assam	340.0	886	26203	336
Arunachal Pradesh	13.0	214	13099	49
Jammu and Kashmir	99.0	1137	29526	66
Manipur	107.0	760	17076	109
Meghalaya	103.0	308	28288	269
Mizoram	42.0	550	20047	40
Nagaland	120.0	1241	39202	80
Sikkim	76.0	1061	6667	65
Tripura	304.0	3040	23613	85
All Spl Cat States		610	22993	182
Jharkhand	338.0	641	39016	411
Chattisgarh	154.0	818	41717	151
All-India	324.0	1161	54326	203

Source: Census, 2001

Note: Habitation refers to the number of Towns and Villages.

Habitation Density refers to the No of Towns and Villages per Sq Km.

Education and Health

2.46 The importance of education in determining the well being of an individual and society as a whole needs no emphasis. The National Human Development Report 2001 notes that:

“The level and spread of education has not only been a precondition for sustained economic growth, both in developed and developing countries, but it has played a critical facilitative role in the demographic, social and political transition of these societies.”

2.47 The literacy rate is defined as proportion of literates to total population in the age group 7 and above. At 72.3 per cent, Uttaranchal’s literacy rate in 2001 compares favourably with the all-India average of 65.2 per cent. This holds true for both males and female and urban and rural literacy rates. Among the Special Category States only Himachal Pradesh, Tripura and Nagaland have literacy rates higher than Uttaranchal. Annex Table A2.9 and Table A2.10 document the literacy rates and the gaps in them by gender and place of residence from Census 2001. The following trends are signified:

Literacy Rate

- Between 1991 and 2001, Uttarakhand's literacy rate increased by 25 per cent with the growth in female literacy (44.9 per cent) being much higher than that in male literacy (15.4 per cent). This led to shrinkage of gender gap in literacy from 31.2 per cent to 23.7 per cent. The gender gap in literacy is defined as the difference between male and female literacy rates. This notwithstanding, the gender gap in literacy in Uttarakhand is quite high. It is second highest in Special Category States (the highest being Jammu and Kashmir). It is also higher than the all-India average.
- Literacy rate in rural and urban areas between 1991 and 2001 increased by 11.7 and 10.1 per cent respectively. Consequently the Urban-Rural literacy rate gap came down from 21.3 per cent in 1991 to 12.6 per cent in 2001. At 12.6 per cent, the Urban-Rural literacy rate gap is lowest among the Special Category States.

Educational Attainment

2.48 Annex Table A2.11 documents the education attainment by gender and place of residence. This data has been sourced from National Family and Health Survey (1998-99).

- The figures for men and women who have completed high school and above are quite impressive in Uttarakhand. But considering the primary complete, middle and high school complete levels of education, which are considerably lower than Himachal Pradesh and most of the Special Category States, there lies a case to believe that with such low per cent of population completing the middle levels of education, the ratios for high school complete and above will too experience declining trend in the years to come. Also, the state needs to generate sufficient employment opportunities so as to keep check on the out-migration levels of the state. Unavailability of job opportunities meeting the individual's expectations will not just lead to heavy out-migration but also dissuade the younger population to pursue higher education. Thus a strong case lies for the state to provide for incentives to boost enrolments in higher than primary education levels as well as employment opportunities meeting population's expectations.

- There exists a wide gender gap with a favour for males, in the total education attainment figures. For the Special Category States, the gender gap among the illiterates is highest for Uttarakhand (26.3%) which is higher than the all-India average (23.1%)
- The gender gap is prevalent in all the categories and is also very significant. The gap is higher than the All India aggregate in the middle school complete and high school complete categories. The gap gets aggravated in the rural areas, with almost 45 % of the female household population in the age 6 and above being illiterate. The rural gender gap is very high in all the categories and significantly higher than in Himachal Pradesh. The gender gap in the rural area is higher than the all India figure for the middle school complete and higher secondary complete and above.
- Beside the significant gender gap, the rural urban divide in the education attainment levels is also very large which supports the prevailing intra state disparity. It is also noticed that while the rural urban gap for female illiterates is about 26%, it is only 3.9% for male illiterates, implying that the number of female illiterates is much higher in rural areas than the male illiterates. The gap is very high in case of the above higher secondary complete category, both for males (25.3%) and females (27.2%). Thus, there lies a strong need to narrow this gap by providing education infrastructure at the above higher secondary level in the rural areas.

2.49 Thus, a strong case appears for strengthening the education infrastructure of the state by providing facilities to promote enrolment in the middle and higher education levels. The urban-rural gap though less in literacy rates, gets magnified if higher education levels are considered. Gender gap is significant in both rural and urban areas, thus the state has to focus on increasing the enrolment of girls especially in the rural areas. Uttarakhand, thus, needs to make a lot of necessary investments for setting up a firm educational infrastructure.

Health

2.50 Although Infant, Child and Under-five mortality rates in Uttaranchal are lower than the all-India average, it compares unfavourably with Himachal Pradesh (Annex Table A 2.12 and A2.13). Only 41% of children are fully vaccinated as compared to 83.4% in Himachal Pradesh. Even among the Special Category States, the figure recorded is lower than in Jammu & Kashmir, Mizoram, Sikkim and Manipur. This implies the need for the state to spend more on spreading awareness and means to improve child health infrastructure, as such high mortality rates and thin spread of vaccination programmes might lead to severe health problems in future and can prove to be very critical for the state in the long run.

2.51 In Uttaranchal, a significant proportion of women suffer from anaemia (45.6%). “Anaemia is a serious problem among women in every population group in Uttaranchal, with prevalence rate ranging from 33 to 55 per cent.” (NFHS-1998-99). This has serious consequences for the overall health of not just the women but also the overall health status in the state, as anaemic women are more likely to have anaemic children. Thus great emphasis needs to be put on improving the health of the women in the state, which will to a large extent take care of health of the family. Significant sources of revenue are required to meet the expenses on initiating programmes spreading awareness and meeting the specific needs of women.

SPECIAL FEATURES

Here we briefly discuss some of the special features of Uttaranchal, which have fiscal implications. The details are discussed in Chapter 8.

Environment and Forestry

2.52 Uttaranchal’s forest resources should be treated as a special feature with important implications for centre-state financial transfers. We draw upon contemporary economic perspectives of forests to emphasize the point that the benefits from the state’s forests flow to a set of stakeholders far beyond its boundaries. Regulatory imperatives that induce the state to preserve its forests are not backed up by any economic incentives.

As a result, the state faces a dilemma, involving a significant economic cost, between exploitation and preservation of its forests.

Vulnerability

2.53 Uttaranchal lies in a zone of high seismic activity. Recent disaster in Uttarkashi bears testimony to this. Apart from this, the state is also vulnerable to other disasters like landslides, cloud burst, flash floods avalanches and forest fires.

Tourism

2.54 Uttaranchal is host to Haridwar, Rishikesh, the Char Dhaam and the sacred Ganga & Yamuna. Beside these there are many other pilgrimage sites and sites of historical and religious importance. Given the average profile of the pilgrim, “Yatra” related tourism remains a low visitor spend activity. The state has to incur significant expenditures in providing minimal basic facilities to the pilgrims. Despite these efforts the conditions on Yatra routes remain abysmal and lot needs to be done to provide basic shelter, water supply, sanitation and health related facilities.

2.55 There also lies vast potential for adventure, nature, leisure and eco-tourism activities. But developing this would require significant investments in infrastructure.

INTRA-STATE DISPARITY

2.56 Significant disparities are noticed among the districts of Uttaranchal with respect to the availability of infrastructural, demographic and land holding characteristics. Table 2.9 summaries the disparity w.r.t. some key indicators across different districts of Uttaranchal using the summary indicator of coefficient of variation.

Table 2.9 Intra-State Disparity

	Unit	Year	Range		Mean	Standard Deviation	Coefficient of Variation (%)
			Minimum	Maximum			
Level of Urbanisation (Urban)	(%)	1991	0.9	50.3	16.35	14.63	89.44
		2001	1.2	52.9	18.10	15.17	83.82
Population Density	(Persons per Sq.Km)	1991	30	485	168.62	134.77	79.93
		2001	37	612	202.62	173.60	85.68
Rural-Urban gap in Literacy Rate	(%)	1991	6.5	34.2	24.15	8.70	36.04
		2001	4.4	22.8	14.45	5.65	39.09
Gender Gap in Literacy Rate	(%)	1991	18.7	45.8	35.92	9.40	26.17
		2001	14.7	37	27.09	6.85	25.29
Number of Higher Secondary Schools per lakh of population	Number	1999-00	5.3	36.2	21.65	9.67	44.67
Number of beds in allopathic hospitals/Clinics and PHC per lakh of population	Number	1999-00	37	229.3	93.82	52.14	55.57
Length of Metal Roads per thousand sq. km.	Km	1998-99	133.4	847.5	402.48	275.75	68.51
Length of Metal Roads per lakh of population	Km	1998-99	76.3	414.5	217.90	85.35	39.17
Villages connected with Pucca Road	(%)	2001-02	20.7	96.19	51.10	28.02	54.84

Source: Census 2001 and Uttaranchal Statistical Diary, 2001-02

2.57 The following patterns are noticed:

- A high degree of variability in the level of urbanization is observed and there has been no significant reduction in the last decade.
- The dispersion in the population density has increased significantly over the decade.
- Although the range in Rural-Urban literacy rate across districts has narrowed, the coefficient of variation has increased between 1991 and 2001.
- The coefficient of variation associated with the 'number of beds in allopathic hospitals, clinics and PHC's was at a high level of 56 per cent in 1999-00.
- The dispersion associated with the physical infrastructures is very significant.

Demographic Features

2.58 The population density across the districts varies from a low of 37 persons per sq km in Uttarkashi district, to a high of 612 persons per sq km in Hardwar. The increase

recorded by these districts in the population density follows the pattern associated to the terrain of the district. Between 1991 and 2001, while the plain area like Udham Singh Nagar recorded a growth rate of about 27 per cent, the high hills districts like Chamoli and Pithoragarh had population density growth rate of only 10 per cent in the decade. The level of urbanization within the state also varies from a high of 53 per cent urbanization in Dehradun to a low of 1.2 per cent in Rudraprayag.

Physical Infrastructure

2.59 Wide inter district disparity exists with respect to the access to various infrastructural facilities. The length of metalled roads per thousand sq. km in 1998-99 varied from 847.5 km in Dehradun to just 133.4 in Uttarkashi. The distance of district headquarter from the nearest railhead ranges from a high of 175 km for Uttarakashi and Pithoragarh to almost 0 km for Dehradun and Hardwar.

Education

2.60 Although the male literacy rates continue to be higher than female, both have shown improvement across all the districts of Uttaranchal rates. The gender gap in the literacy rates has narrowed over the decade; however, the gap is still very high, especially in the high hills and mid hills districts. Despite the high growth in female literacy rates in some districts, the gap persists due to the significantly high gender gap at the base level.

2.61 The number of schools available per lakh of population is significantly high for the 'high hills' and mid hills districts, which is due to the sparsely distributed population in the hilly terrains. However, the number of secondary and higher secondary schools per lakh of population is very few and is not adequate as compared to the primary schools.

Health

2.62 The number of Primary Health Care centers (PHC) per lakh of population was less than 5 for each district in 1999-00; however, Rudraprayag and Champawat had just about 1.5 and 1.8 PHC per lakh of population respectively. The number of Allopathic Hospitals/Dispensary and PHC available per lakh of population also show a

considerable amount of dispersion. The number is lowest for Hardwar (4.1) and highest for Pauri Garhwal (15.9). The number of beds in allopathic hospitals/Dispensaries and PHC per lakh of population is lowest for Udham Singh Nagar (37), while Nainital had about 229 beds per lakh of population in 1999-00.

Land Holding Pattern

2.63 Although the mean size of land possessed in Uttaranchal is 0.55 hectare¹, this does not reflect the actual land holding pattern observed by the various districts in Uttaranchal. Infact, the mean size of land in most of the districts of Uttaranchal is far lower than the state average. It is the land possessed in more developed districts like Nainital (1.49 hectare), which pulls up the state average. This pattern of small land holdings in the hilly areas of the state leads not just to trivial contribution to the total yield and marketable surplus but also restricts the scope of application of 'Green Revolution technology' in these areas where the scarcity of irrigation further hampers implementation of new techniques. The per cent of gross irrigated to gross cultivated area shows sharp differences within the state, with the ratio of 92 per cent for Udham Singh Nagar while 6.3 and 8.5 per cent respectively for Chamoli and Pithoragarh.

CONCLUSIONS

2.64 The profile of the state developed in this chapter has the following fiscal implications:

- The structure of the economy, particularly because of the relatively weak performance of the industrial sector, is not conducive to developing a strong and diversified revenue base in the short term.
- Lagging industrialisation has induced significant out migration amongst adult males, leading to a high incidence of both child and old age dependence. In addition, although the state has a high overall level of literacy, the gender gap at all levels of educational attainment is relatively high. Health indicators of women and children are also relatively weak. All these factors call for a concerted increase in the level and quality of public services.

¹ Source: NSS 55th round (1999-00)

- Terrain and habitation patterns do not allow the state to exploit scale economies in public service delivery and therefore significantly increase the cost of delivering a minimum level of these services.
- Partly due to terrain, but also because of relatively low levels of investment, the state has come into existence with a weak infrastructure base. Substantial investments will be needed to enhance the growth potential of the state; these need to be maintained and operated to derive full value. Transfer calculations need to take into account the increased exposure on operating and maintenance costs in the coming years.
- The state has three major features, each of which together with some other specificities deserve special consideration in the Commission's recommendations. The arguments supporting such special consideration and the fiscal implications of each issue are detailed in Chapter 8.

Fiscal Situation in Uttaranchal: A Comparative Assessment

3.0 Given the well-developed system of inter-governmental transfers in the Indian federal structure, state finances cannot be discussed in isolation to what is happening at the Centre. To put Uttaranchal's finances in the context of the overall fiscal situation in India, it would be instructive to take a brief look at the fiscal developments at the level of Central as well as the state government. The fiscal developments at the Central government level are important from the state's perspective as the revenue devolution to the states is sensitive to the revenue buoyancy of the Central Government.

GOVERNMENT FINANCES IN INDIA: A BRIEF REVIEW

3.1 Increased fiscal stress at both the centre and the states has now become a major cause of concern. Although fiscal consolidation was high on the agenda when the economic reforms were launched in the early 1990s, the ensuing course of fiscal adjustment leaves much to be desired.

Central Government

3.2 In the decade following 1990-91 the focus of the Central government was on fiscal consolidation. Consequently the fiscal deficit of the Central government came down from its peak level of 7.8 per cent of GDP to 5.9 per cent in 2002-03RE.

3.3 The fiscal deficit of the Central government has come down from its peak level of 7.8 per cent of GDP in 1990-91. But, the present decade has been marked by fiscal slippages at various points in time. The fiscal deficit exceeded the targeted levels by substantial amount in 1993-94, 1997-98 and 1998-99. Although there has been reduction in fiscal deficit, the centre has clearly failed to rein in the revenue deficit, which at 4.3 per cent of GDP in 2002-03RE is higher than the pre-crisis figure of 3.5 per cent in 1990-91.

Some features of the central government finances in 1990s are:

On the Positive Side

- The total expenditure as a proportion of GDP came down from 18.5 per cent in 1990-91 to 16.4 per cent in 2002-03RE.
- The interest rate on government borrowings has come down significantly. The 10-year government paper is being traded at sub 7 per cent interest rate. The fall in the marginal cost of debt has reduced the average cost of government debt. Between 1996-97 and 2001-02, weighted interest rate on Central government securities has come down from 13.7 per cent to 9.4 per cent.

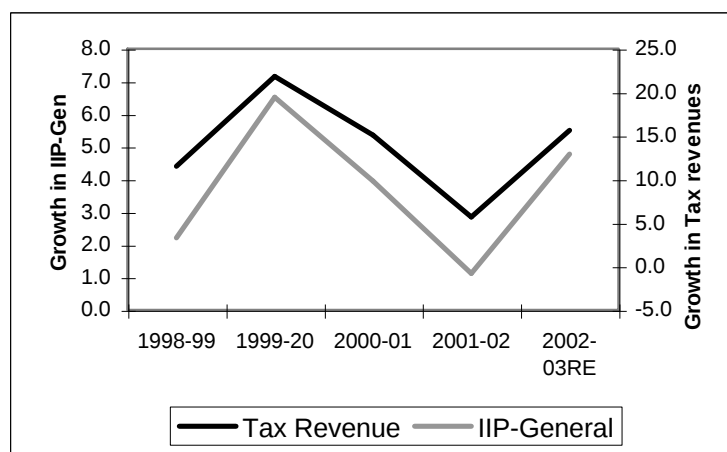
However

- There has been a significant reduction in capital expenditure, which fell from 5.6 per cent of GDP in 1990-91 to 2.5 per cent in 2002-03RE and is budgeted at 2.6 per cent in 2003-04. The revenue expenditure on the other hand increased by one percentage point between 1990-91 and 2002-03RE.
- The debt/GDP which today stands at 63 per cent in comparison to about 58 per cent in 1990-91
- The fiscal deficit, or the central government borrowing is increasingly financing shortfalls on the revenue account. This is evident from the upward movement of the ratio of revenue deficit to fiscal deficit in the 1990s. This ratio touched 71 per cent in 2002-03BE, implying that almost 71 per cent of the debt being contracted is financing current consumption.
- Central government revenues also suffered a setback in the 1990s. Tax revenues fell by almost 1 per cent of GDP between 1990-91 and 2002-03. Both customs and excise collections suffered, the setback in the latter being more than in the former. However, the improved buoyancy in direct taxes-both income and corporate increased their share in GDP.

3.4 The foregoing review suggests a situation of fiscal stress at the level of the Central government.

3.5 The revenue patterns at the Central government level are critical from the state's perspective as the states have a share in these revenues. The revenue cycles of the Central government thus translates into revenue cycles of the states. The behaviour of Central government revenues in the last few years suggests a heavy dependence of the exchequer on the industry for revenues. This is clearly demonstrated by Figure 3.1 which shows a strong association between the industrial growth and growth in tax revenues of the Central Government. Even though the overall GDP growth at 5.7 per cent in 2001-02 was higher than 4.4 per cent in 2002-03, the revenue position of the Central Government was much better in 2002-03 than in 2001-02. This is because of higher industrial growth of 6 per cent in 2002-03 as against 3.2 per cent in 2001-02. The growth in 2001-02 was on the back of 5.7 growth in the agricultural sector which does not contribute to the government revenues.

Figure 3.1: Industry and Own Tax Revenues of Central Government - (% growth)



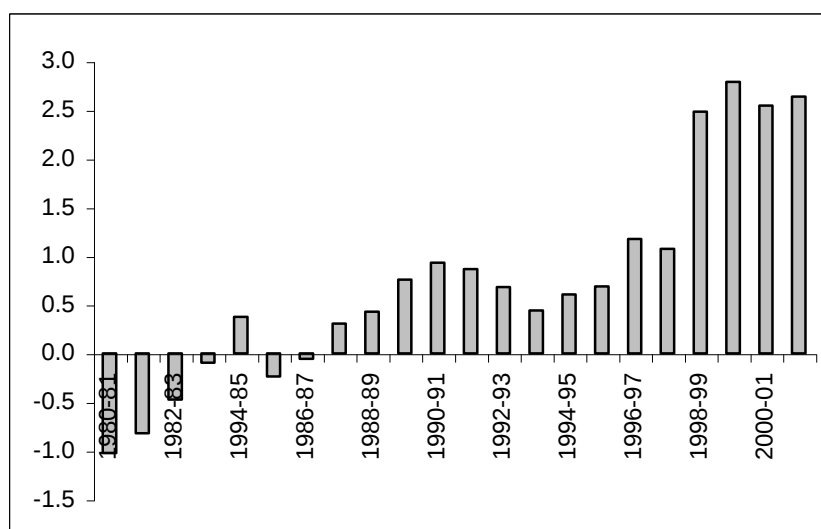
Source: CSO and Central Government Budget.

3.6 *The revenue position of states that have a high dependence on Central transfers thus take a greater hit in times of an industrial slowdown. The Finance Commission may consider this aspect and accordingly recommend some insulation of Special Category States from the downturns in Central revenues. This becomes very critical for states like Uttarakhand that have a relatively higher expenditure responsibilities vis-à-vis their revenue base.*

State Government Finances

3.7 The fiscal situation of the states took a turn for the worse in the mid-eighties when the surplus on the revenue account turned into a deficit (Figure 3.2). After which the situation has only worsened. All the major fiscal indicators at the state level, except during the high growth phase in the Indian economy (1993-94 to 1995-96), show a persistent deterioration (Table 3.1).

Figure 3.2: Revenue Deficit/GDP (All-States)



Source: RBI and CSO.

Table 3.1: Key Fiscal Indicators of the States (As % of GDP)

	Revenue Deficit	Gross Fiscal Deficit	Revenue Deficit/Fiscal Deficit	Liabilities
1990-91	0.93	3.30	28.26	19.39
1991-92	0.87	2.89	29.90	19.34
1992-93	0.68	2.79	24.48	19.00
1993-94	0.44	2.40	18.51	18.63
1994-95	0.61	2.73	22.23	18.22
1995-96	0.69	2.65	26.10	17.86
1996-97	1.18	2.72	43.26	17.80
1997-98	1.07	2.90	36.95	18.47
1998-99	2.48	4.22	58.77	19.45
1999-00	2.79	4.74	58.81	21.77
2000-01	2.55	4.25	59.83	23.67
2001-02 (RE)	2.64	4.64	56.79	25.66

Source: Reserve Bank of India, 2003

- 3.8** The fiscal deficit, revenue deficit and the liabilities of all the states put together increased by 5, 10 and 4.5 times respectively between 1990-91 and 2000-01. The nominal GDP increased by only 3.7 times during this period. Consequently, all the fiscal indicators deteriorated in comparison to the size of the economy.
- 3.9** The ratio of revenue deficit to fiscal deficit of all the states put together increased from 28.5 per cent in 1990-91 to 56.8 per cent in 2001-02. Thus, a major chunk of borrowings are now financing consumption expenditure, adding to un-sustainability of the state government liabilities. Pension, wages and salaries and interest payments consume bulk of the revenue receipts of most states. Taken together the interest payments and pensions have increased their share in state revenues from 15.5 per cent in 1990-91 to 36.6 per cent in 2000-01. The ineffectiveness of the revenue-raising measures at the state level is evident from the stagnant tax revenues.
- 3.10** In addition, the deteriorating fiscal health of the states induced them to rely more and more on off balance sheet activities like explicit and implicit guarantees (letter of comfort, structured payment obligations). The guarantees of the state government stood at 8 per cent of the GDP in 2001. These contingent liabilities are likely to emerge as a significant fiscal risk in times ahead (Crisil, 2002).

3.11 Thus birth of new states like Uttaranchal has taken place at a time of heightened fiscal stress at the Centre as well as the states. A major fallout of the reduction in Central government revenues has been a decline in transfers to the states. Gross transfers from the Centre to the states came down from 6 per cent of GDP in 1990-91 to 5 per cent in 2002-03RE and the net transfers fell by 2.1 percentage points in the corresponding period. This development has significant implications for newly formed states like Uttaranchal, which have come into existence at a time when the ability of the central government to transfer resources to the states is declining due to its own fiscal stress.

Finances of Uttaranchal (2000-01 to 2003-04)

3.12 Comparable fiscal data for Uttaranchal is available only for three years spanning 2001-02 to 2003-04 with actual data for 2001-02, revised and budgetary estimates for 2002-03 and 2003-04 respectively. As Uttaranchal came into existence in November 2000, full fiscal data for 2000-01 is not available. The paucity of data makes any kind of trend analysis difficult. However some patterns, in revenues and expenditures are discernible even from the short fiscal history (Table 3.2).

Table 3.2: Fiscal Summary – Uttaranchal

	2000-01	2001-02	2002-03RE	2003-04BE	2002-03RE	2003-04BE
Rs Crores				Growth		
Total Revenue Receipts	938.2	2733.0	2943.6	4595.8	7.7	56.1
Own revenue	358.4	1056.8	1351.5	1644.7	27.9	21.7
Tax	295.3	894.7	1037.4	1200.6	15.9	15.7
Non tax	63.1	162.1	314.1	444.2	93.7	41.4
Transfer from the centre	579.8	1676.1	1592.1	2951.1	-5.0	85.4
Share in central taxes	132.9	352.3	374.1	450.0	6.2	20.3
Grants from the centre	446.9	1323.9	1218.0	2501.1	-8.0	105.3
Total Expenditure		3712.7	6115.9	8090.6	64.7	32.3
Revenue expenditure		2832.6	4137.4	5668.2	46.1	37.0
Capital expenditure		880.2	1978.5	2422.4	124.8	22.4
Revenue Deficit		99.6	1193.8	1072.4	1098.3	-10.2
Fiscal Deficit		424.2	1844.0	1958.7	334.7	6.2
Primary Deficit		-77.8	1283.2	1163.1	-1748.5	-9.4
Interest payments	97.3	502.0	560.8	795.6	11.7	41.9
Per Capita				Growth		
Total Revenue Receipts	1106.4	3167.1	3352.2	5143.2	5.8	53.4
Own revenue	422.7	1224.7	1539.1	1840.6	25.7	19.6
Tax	348.2	1036.8	1181.4	1343.6	13.9	13.7
Non tax	74.4	187.9	357.7	497.1	90.4	39.0
Transfer from the centre	683.7	1942.4	1813.1	3302.6	-6.7	82.2
Share in central taxes	156.7	408.3	426.0	503.6	4.4	18.2
Grants from the centre	527.0	1534.1	1387.0	2799.0	-9.6	101.8

	2000-01	2001-02	2002-03RE	2003-04BE	2002-03RE	2003-04BE
	Rs Crores				Growth	
Total Expenditure		4302.5	6964.8	9054.2	61.9	30.0
Revenue expenditure		3282.5	4711.7	6343.3	43.5	34.6
Capital expenditure		1020.0	2253.2	2710.9	120.9	20.3
Revenue Deficit		115.4	1359.5	1200.1	1077.6	-11.7
Fiscal Deficit		491.6	2100.0	2192.0	327.2	4.4
Primary Deficit		-90.2	1461.3	1301.6	-1720.0	-10.9
Interest payments	114.7	581.8	638.6	890.3	9.8	39.4

REVENUE RECEIPTS: TRENDS AND COMPOSITION

Trends

3.13 The over all revenue receipts of Uttaranchal increased by 7.7 per cent in 2002-03RE. For 2003-04, 56.1 per cent growth in revenue receipts has been budgeted. The growth in revenue receipts during 2003-04 is on the back of a substantial increase in Central transfers. There is a 20 per cent growth in the states' share of Central taxes and 105 per cent growth in grants from the Centre. The grants are essentially Planning Commission grants as Finance Commission grants have been quite meager (as we shall see later).

3.14 Going by the trend of last three years and given the fact that it has a weak economic base (Refer to Chapter 2), the tax effort by Uttaranchal has also been quite exemplary. Uttaranchal's own revenues increased by 27 per cent and 22 per cent in 2002-03RE and 2003-04RE respectively. Within own revenues, the tax revenue growth was close to 16 per cent in 2002-03 and a similar growth has been budgeted during 2003-04. The substantial growth in non-tax revenue is one time and clearly non-sustainable in future. It was on account of sale of land by forest department in 2002-03

Sources of Revenue

3.15 As per the 2002-03RE, tax revenues were almost 77 per cent of the total own revenues of Uttaranchal. Sales and trade tax (54 per cent), State excise (23.8 per cent) and Stamps and registration fees (12.2 per cent) and taxes on vehicles (7.4 per cent) together accounted for almost 99 per cent of the total own tax revenue of Uttaranchal in 2002-03. (Table 3.3 and Table 3.4)

Table 3.3: Sources of own tax revenue

	2001-02	2002-03 RE	2003-04 BE
	Rs lakhs		
Land Revenue	327.7	260.5	310.0
Stamps & Registration Fees	8945.3	12698.6	13968.4
State Excise	23203.9	24641.4	28605.5
Tax on Sales, Trade etc.	48620.7	55989.0	62082.9
Taxes on Vehicles	6740.6	7669.5	12036.5
Taxes on Goods and Passengers	0.3	1.1	1.2
Taxes & Duties on Electricity	794.3	1811.9	1993.0
Other Taxes and Duties on Commodities and Services	618.6	485.9	658.5
Others (residual)	218.5	181.9	400.0
Total	89469.8	103739.8	120056.1
	Percentage distribution		
Land Revenue	0.4	0.3	0.3
Stamps & Registration Fees	10.0	12.2	11.6
State Excise	25.9	23.8	23.8
Tax on Sales, Trade etc.	54.3	54.0	51.7
Taxes on Vehicles	7.5	7.4	10.0
Taxes on Goods and Passengers	0.0	0.0	0.0
Taxes & Duties on Electricity	0.9	1.7	1.7
Other Taxes and Duties on Commodities and Services	0.7	0.5	0.5
Others (residual)	0.2	0.2	0.3
Total	100.0	100.0	100.0

3.16 Uttarakhand gets most of its non-tax revenue from economic services (82 per cent in 2002-03RE) followed by social and general services. Interest receipts and dividends and profits account for only about 0.5 per cent of the total revenue receipts (Table 3.5).

Table 3.4: Sources of own non-tax revenue

	2001-02	2002-03 RE	2003-04 BE
	Rs lakhs		
Fiscal Services.	2.1	0.7	0.8
Interest Receipts	315.1	158.7	175.3
Dividends and Profits	1.8	4.1	4.6
General Services	1831.3	2080.4	11984.3
Social Services	2403.6	3366.3	3702.9
Economic Services	11658.8	25799.9	28548.1
Others (residual)	0.0	0.0	0.0
Total	16212.6	31410.2	44415.9
	Percentage Distribution		
Fiscal Services.	0.0	0.0	0.0
Interest Receipts	1.9	0.5	0.4
Dividends and Profits	0.0	0.0	0.0
General Services	11.3	6.6	27.0
Social Services	14.8	10.7	8.3
Economic Services	71.9	82.1	64.3
Others (residual)	0.00	0.00	0.00
Total	100.0	100.0	100.0

EXPENDITURE: TRENDS AND COMPOSITION**Trends**

3.17 The expenditures witnessed substantial growth in 2002-03RE (64.7 per cent) and 2003-04BE (32.3 per cent). The high growth originated in both revenue and capital expenditures. These expenditure trends are likely to continue for some more time. As Uttaranchal has been recently created, the initial levels of expenditures were sub-normal. This is the primary reason behind the phenomenal growth in expenditures in the last two years.

3.18 One worrying aspect in expenditure trends is the ballooning of interest payments, which are budgeted to grow at 41 per cent in 2003-04. The sharp increase in interest payments, despite the debt swap is a manifestation of the debt contracted at a very rapid rate by the state in the last three years as well as the debt it inherited from its parent state.

Composition of Expenditure

3.19 The share of Plan expenditure in total expenditure increased from 20.6 per cent in 2001-02 to 31 per cent in 2002-03RE and is budgeted at 33 per cent in 2003-04 (Table 3.5).

Between 2001-02 and 2002-03 RE, capital expenditures too increased their share in total expenditures from 23.7 per cent to 32.4 per cent. This trend indicates a step up in investment activity in the state. This indicates of good fiscal management.

Table 3.5: Composition of Expenditure

	2001-02	2002-03RE	2003-04BE
	Rs crores		
1) Plan Expenditure	764.2	1909.8	2716.0
2) Non Plan Expenditure	2948.6	4206.1	5374.6
3) Revenue Expenditure	2832.6	4137.4	5668.2
4) Capital Expenditure	880.2	1978.5	2422.4
Total (1+2=3+4)	3712.7	6115.9	8090.6
	% Distribution		
1) Plan Expenditure	20.6	31.2	33.6
2) Non Plan Expenditure	79.4	68.8	66.4
3) Revenue Expenditure	76.3	67.6	70.1
4) Capital Expenditure	23.7	32.4	29.9
Total (1+2=3+4)	100.0	100.0	100.0

3.20 The very high proportion of committed liabilities is also a major concern for the state. In 2002-03RE, interest payments were 14 per cent of revenue expenditure and consumed over 19 per cent of revenue receipts. Taken together, interest payments, wages & salaries and pension payments account for over 60 per cent of revenue receipts. Further, the wage bill considered here does not include the salary grants to aided institutions, which stood at 504 crores as per the 2003-04BE. When added to the committed expenditures referred to above, the amount exhausts over 77 per cent of total revenue receipts of the state (Table 3.6).

Table 3.6 Committed Expenditures in Uttaranchal (2002-03RE)

	As % of Revenue Receipts	As % of Revenue Expenditure	As % of Total Expenditure
Wage Bill	33.6	23.9	16.2
Pensions	7.6	5.4	3.7
Interest Payments	19.1	13.6	9.2
Total	60.3	42.9	29.1
Total + Salary Grant to Aided Schools	77.5	66.0	47.2

- 3.21** The per cent share of total revenue expenditure of the state has been consistently highest for the Social services, followed by General Services and the Economic services in its short fiscal history of over 3 years (See Annex Tables A3.1 and A3.2).
- 3.22** The three important components of revenue expenditure on social services are education, health and water and sanitation. Education has the highest share (54.5 per cent) followed by water and sanitation (13.2 per cent) and medical and public health (11.6 per cent). Given the high dependency ratios and terrain related issues (the cost of delivery of services is higher) the expenditures on health and education are expected to be higher vis-à-vis other states.
- 3.23** Since primary activities are the major source of income generation in the state, the per cent share of expenditure on the Agriculture and Allied Activity is significant among the Economic Services (54.1 per cent in 2002-03). Within agriculture, forestry and wildlife account for almost 1/3rd of the expenditure.

Deficit and Debt

- 3.24** The fiscal and revenue deficits of Uttaranchal increased by 3.5 and 10 times respectively between 2001-02 and 2003-04. In per capita terms, the fiscal deficit increased from Rs 491 to Rs 2192 in the corresponding period. A similar pattern was noted in revenue deficit too.
- 3.25** The enhanced borrowings by the state government have raised its indebtedness. The per capita debt increased from Rs. 3334 in 2001-02 to Rs. 5214 in 2002-03(RE). A worrying aspect of the fiscal trends is the fast accumulation of debt. A deficit on the revenue account implies that government is borrowing to finance its consumption expenditure. In 2002-03, almost 65 per cent of borrowings financed consumption expenditure. The fact that it is critical for the state to reverse these trends makes the Finance Commission grants to plug in the revenue deficit an important determinant of its future fiscal health.
- 3.26** As GSDP data for Uttaranchal is not available beyond 1999-00, it is difficult to assess the size of various fiscal parameters in relation to the size of the economy. To get a

rough estimate of the fiscal variables in relation to State GSDP, we have extrapolated the nominal GSDP series by the nominal GDP growth observed at the national level (between 2000-01 and 2000-03). The emerging ratios are alarming indeed. The fiscal, revenue and primary deficits for 2002-03 work out to be 11.8, 7.6 and 8.2 per cent of GSDP respectively. The debt (excluding the public account debt) for 2002-03 is estimated at 29 per cent of GSDP, which is higher than the all-states average. As the state is unable to run primary surpluses, the rising trend in debt/ GSDP is likely to continue.

3.27 Significant variability is noticed in revenues, expenditures and deficit indicators in the last three years for which comparable data exists. For example, the revenue deficit increased by over 1000 per cent in 2002-03RE.

3.28 The own non-tax revenues of the state grew by 28 per cent in 2002-03RE. The growth originated in non-tax revenues, which grew at 94 per cent in 2002-03RE. These revenue spikes are event led and the quantum of increase witnessed in the last two years is unlikely to be sustained in future.

3.29 The total expenditures grew by 65 per cent in 2003-04BE. A part of the explanation for this is that the base expenditures have not stabilized. The expenditures are in fact at a sub-normal level as all the systems are not in place. Even the present level of employment in the government is 10 per cent short of the sanctioned strength.

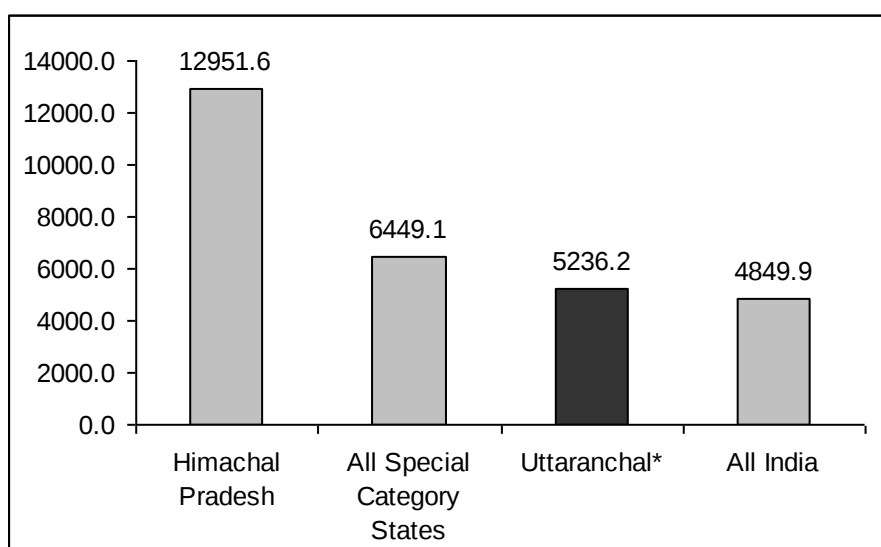
COMPARATIVE ASSESSMENT OF UTTARANCHAL'S FINANCES

3.30 Annex Table A3.1 to Table A3.2 summarizes the key fiscal indicators for Uttaraanchal against the other Special Category States and the all-states average. The fiscal parameters are expressed in absolute terms as well as normalized as percentage of GSDP and population for comparison across states. Uttaraanchal's fiscal data for 2002-03RE has been compared with 2000-01 (actuals) for other states. For other Special Category States the latest actual data is readily available only for 2000-01 (RBI, 2003). For Uttaraanchal, 2002-03RE has been used, as the data for the previous years is far less stable. The following patterns are significant:

Debt and its Servicing

3.31 The debt of Special Category States as a group in relation to the size of their economy is higher than that of all the states taken together. Although Uttarakhand's debt/GSDP is among the lowest within the Special Category States, it is higher than the average of all-states (Figure 3.3). A similar pattern is noted in per capita debt. Figure 3.4 presents a comparative picture of per capita indebtedness among Special Category States. The comparatively lower indebtedness in Uttarakhand vis-à-vis other Special Category States is reflected in lower per capita interest burden (Figure 3.4). Although the present level of its indebtedness may compare favorably with other Special Category States, the rate at which it is rising is alarming indeed (refer to the section on debt relief for details of issues related to the rising indebtedness in Uttarakhand).

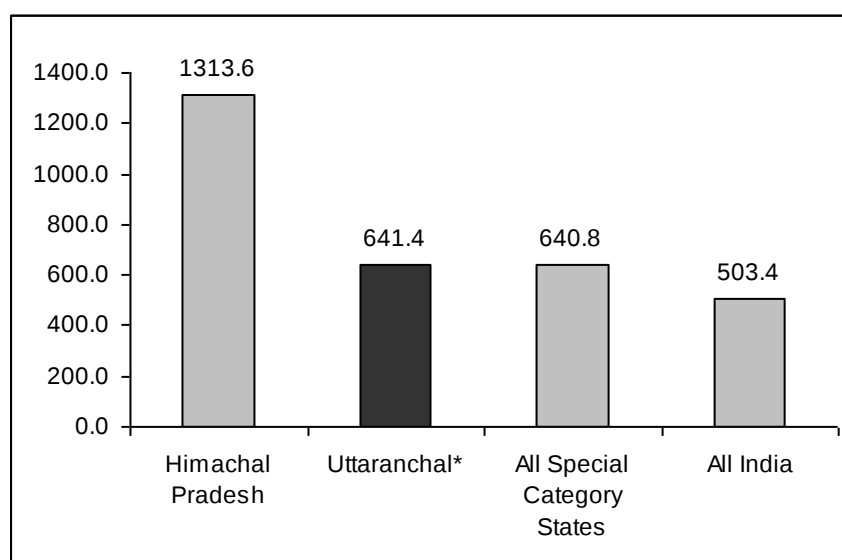
Figure 3.3. Per Capita Debt (2000-01)



***Note:** For Uttarakhand 2002-03 RE numbers have been used.

Source: RBI for states other than Uttarakhand

Figure 3.4. Per Capita Interest Burden (2000-01)



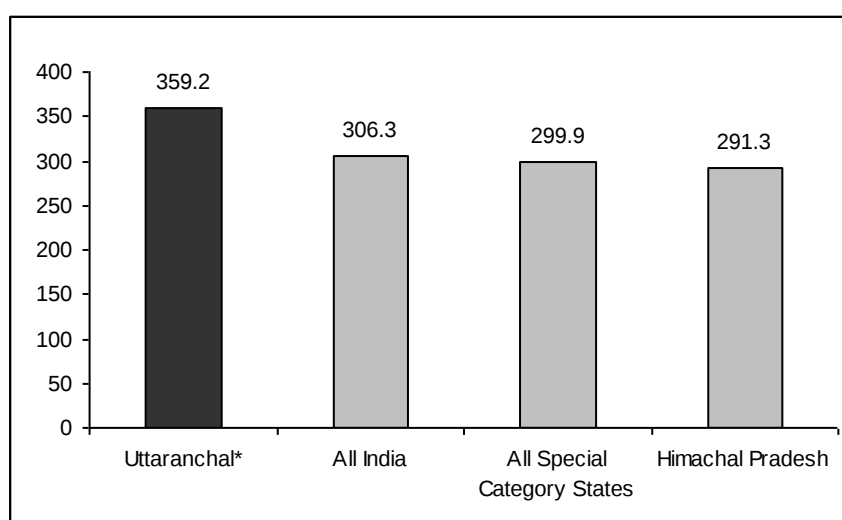
*Note: For Uttaranchal 2002-03RE numbers have been used.

Source: RBI for states other than Uttaranchal

Revenues

3.32 Better tax effort by Uttaranchal is reflected in its high per capita non-tax and tax revenues (Figure 3.5 and 3.6). Per capita own tax revenue in Uttaranchal compares favourably with the all India average. Given that Uttaranchal's per capita GSDP is lower than All-India and its economic structure does not suggest a high revenue base, the achievement is indeed commendable.

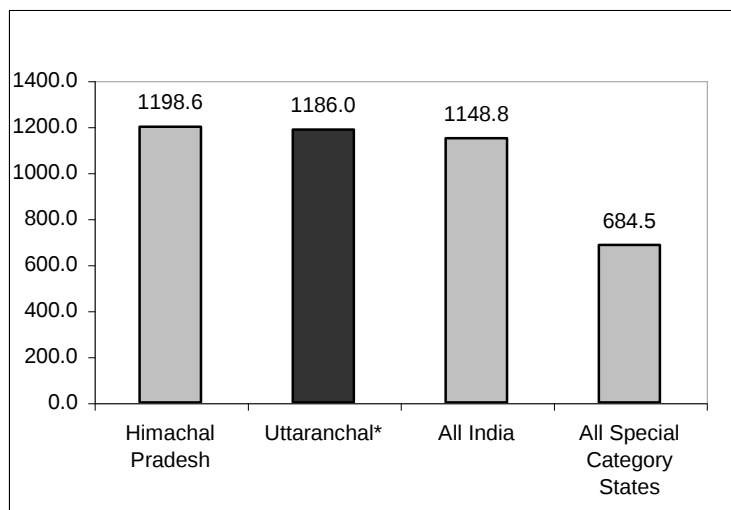
Figure 3.5. Per Capita Own Non Tax Revenue (2000-01)



* For Uttaranchal 2002-03RE numbers have been used.

Source: RBI for states other than Uttaranchal

Figure 3.6. Per Capita Own Tax Revenue (2000-01)



*For Uttaranchal 2002-03RE numbers have been used.

Source: RBI for states other than Uttaranchal

3.33 The revenue receipts of the states under the four major heads of Sales Tax, Taxes and Duties on electricity, Forestry and Wildlife and Industries for Uttaranchal are benchmarked against the Special Category States (Table 3.7). The per capita sales tax receipts (at Rs 640.3) are, however, highest for Uttaranchal among the Special Category States. Although marginally below the All-states average, it is 71 per cent higher than the average of all Special Category States. Thus Uttaranchal is already at a very high efficiency level as far as sales tax collections are concerned. The per capita revenue receipts on the forestry and wildlife too are relatively high at Rs.202.4. The poor performance of industry is evident from low per capita receipts from industry in Uttaranchal.

Table 3.7: Per Capita Revenue Receipts (2000-01)

State	Sales Tax	Taxes and Duties on electricity	Forestry and Wildlife	Industries ¹
Arunachal Pradesh	75.1	0.0	119.1	47.5
Assam	344.6	5.0	5.5	0.2
Himachal Pradesh	497.0	45.1	27.2	90.5
Jammu & Kashmir	356.3	12.6	56.8	3.2
Manipur	131.0	4.1	4.1	0.1
Meghalaya	280.6	2.0	23.6	247.7
Mizoram	68.0	0.2	20.9	0.9
Nagaland	179.5	0.0	12.6	0.3
Sikkim	453.3	0.0	118.2	0.9
Tripura	254.1	0.0	23.8	17.3
Uttaranchal*	640.3	20.7	202.4	26.0
All Special Category States	373.9	11.4	47.4	19.8
All-States	714.3	43.1	14.5	44.8

*For Uttaraanchal 2002-03 R.E.

¹Includes Non-Ferrous Mining and Metallurgical Industries and Other Industries

Population: 2000-01

Source: RBI for states other than Uttaraanchal

Expenditures

3.34 Table 3.8 compares the revenue expenditure in Uttaraanchal with other special categories states under major heads. The following trends are observed:

- The per capita revenue expenditure by Uttaraanchal on forestry and wildlife at Rs. 169 is higher than that of the average of all-Special Category States at Rs.119.21.
- The per capita expenditure on tourism (Rs 11.1) is higher than that by Himachal Pradesh (Rs.6.25) and the all-Special Category States taken together (Rs.8.63). The higher tourism related expenses by the government are related to the nature of tourism in the state, which is essentially Yatra related tourism.
- Pension payments constitute a major share of the revenue expenditure of Uttaraanchal. For the year 2002-03 the per capita pension payments amounted to Rs. 257.2, which is lower than the average of all Special Category States (Rs 353.7) and significantly lower than Himachal Pradesh (643.6).
- Considering the expenditure on providing and maintaining the physical infrastructural facilities like power and roads and bridges, it is observed that per capita revenue expenditure on power and roads and bridges in Uttaraanchal is lower than that of the average of Special Category States. These expenditures are sub-

normal and are expected to go up once the infrastructure development and up-gradation activity picks up in Uttarakhand.

Table 3.8: Per capita Revenue Expenditure (2000-01)

	Pension Payments	Forestry and Wildlife	Power	Roads and Bridges	Tourism
Arunachal Pradesh	435.33	309.22	171.66	273.94	13.56
Assam	252.68	38.86	0.00	67.59	1.27
Himachal Pradesh	643.65	345.49	217.04	402.02	6.25
Jammu & Kashmir	446.02	137.43	1559.04	27.79	21.74
Manipur	532.19	60.41	222.26	109.77	4.02
Meghalaya	238.59	106.28	44.45	156.37	9.11
Mizoram	443.97	240.73	1135.73	330.17	30.08
Nagaland	440.30	129.33	301.87	72.16	17.90
Sikkim	337.84	335.43	472.72	248.66	82.70
Tripura	463.75	76.46	348.71	83.48	3.60
Uttarakhand*	257.16	169.06	138.96	51.22	11.09
All Special Category States	353.73	119.21	344.69	105.30	8.63
All-States	247.83	31.97	115.94	45.92	2.05

*For Uttarakhand 2002-03RE data has been used

¹Includes Non-Ferrous Mining and Metallurgical Industries and Other Industries

Source: RBI for states other than Uttarakhand

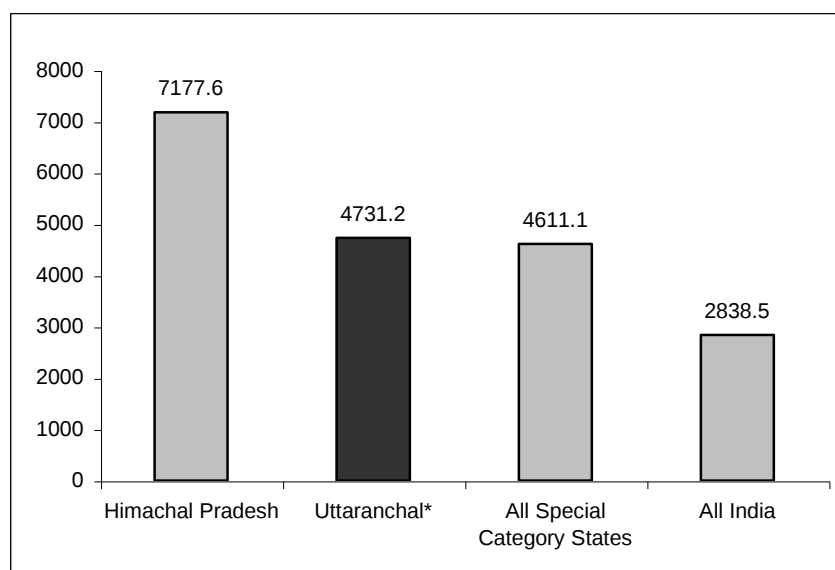
Deficit Indicators

3.35 Despite favourable revenue effort, the fiscal and revenue deficits (in per capita terms) at Rs 2109 and Rs 1362 are quite high in comparison to the average of all-states and Special Category States. The high expenditure needs of a hilly state (see Chapter 2) together with the absence of non-plan grants in the Eleventh Finance Commission award period have forced Uttarakhand to undertake heavy borrowings to finance even its consumption expenditure.

3.36 The per capita revenue expenditure in Special Category States is almost twice the all-states average (Figure 3.7). However even within Special Category States, the per capita revenue expenditure varies from Rs 2409 for Assam to Rs 14122.3 in Sikkim (Annex Table A3.2). At Rs 4731 per capita revenue expenditure is equal to the average of all-Special Category States. Given the highest dependency ratios in Uttarakhand, its expenditure requirements for the social sector are comparatively higher (As shown in

Chapter 2). In light of this, even the current levels of revenue expenditures appear sub-normal.

Figure 3.7. Per Capita Revenue Expenditure (2000-01)



***Note:** For Uttaranchal 2002-03RE numbers have been used.

Source: RBI for states other than Uttaranchal

CONCLUSIONS

3.37 The above analysis makes it clear that despite Uttaranchal's disadvantages, it has made a commendable revenue raising efforts ever since it came into existence. Its sales tax effort in comparison to other Special Category States is exemplary indeed and in comparison to comparator states it is at a higher frontier.

3.38 Its expenditure levels are expected to rise in future and it will be the endeavour of the state to spend on productive purposes viz, develop infrastructure and tourism and focus on social sectors. These efforts have immediate expenditure implications but the payoffs in the medium/long run will go a long way improving the fiscal situation of the state. For this, support of the Finance Commission will be critical.

3.39 A major worry for Uttaranchal is the fast pace of accumulation of debt and the burden of servicing it. The support of the Finance Commission will be critical in the journey of Uttaranchal towards prosperity.

3.40 The state has already initiated the process of framing the medium term fiscal policy with the Government of India and has taken steps oriented towards fiscal, power sector, public sector and budgetary practice.

FISCAL REFORMS

3.41 The efforts at widening the tax base and increasing tax rates on a year-to-year basis are reflected in the budgetary accounts. Establishment of additional check posts to check evasion of trade tax is paying off. As already pointed out the tax effort of Uttaranchal compares favourably with other comparator states.

- Considering the small size of the state, various departments have been merged into a single Department/Nigam. The state also endeavors to move to a single Directorate of Business tax, Entertainment tax and Stamps and Registration Duties. The reconstruction of departments is done on the minimum need basis and the use of computers has also been increased in the State.
- Except for essential services, cost effective out sourcing is being done and ad-hoc and daily wage appointments have been banned.
- The recent computerization of treasury transaction will facilitate the efficient cash management and prioritization of release of scarce funds. Uttarnachal is the first state in the country to have introduced the system of IT enabled Integrated Pay and Accounts Office (IPAO) system. This system combines the merits of treasury and pay and accounts office. Uttaranchal has the unique distinction of being the first state in the country to have put up the salary details of all government employees on the internet. Apart from improving the efficiency, this system permits the generation of critical reports for budget formation and managerial decision making. The details of pension disbursements too are available on the internet. Thus, Uttaranchal has made a significant attempt to leverage information technology to improve the efficiency of the system, expenditure management and the process of budget making.

POWER SECTOR REFORMS

3.42 Power sector reforms aim at reducing the negative contribution of the SEBs to the States Revenues. The Ministry of Power is separately working out a set of monitorable reform milestones, the highlights of which are stated below:

- Achieving an average tariff equal to the cost of power within 2 years
- Setting up of State Regulatory Electricity Commissions (SERCs)
- Implementing the awards of SERCs
- Unbundling of basic services- generation, transmission and distribution OR setting up separate profit centers
- Reducing T&D losses by 5% every year
- Metering upto 11 KV sub-station level

3.43 Extensive power sector reform program has been undertaken by the state and the information on defined Performa allocated by the Government of India is proposed to be included as per the proposed policy.

PUBLIC SECTOR RESTRUCTURING

3.44 The Public Sector Restructuring Component has to first identify the need for continuing certain activities within the state domain. This would be regardless of whether the PSE is making profits or commercial losses. The typical roadmap for public sector reform program aims at achieving the following:

- Identify PSEs with a view to determining the need for government to continue as owners
- For loss making PSEs, a comprehensive VRS package has to be drawn up. A time-bound road map for winding up such PSEs be laid down.
- For Commercially profitable PSEs, decide the extent of dilution in Government share holding.
- Further infusion of Government funds either by way of equity or loans be phased out over 5 years to PSEs, unless such PSEs are identified to be socially desirable.

3.45 With reference to Uttaranchal these issues are relatively insignificant in context of the Public Sector reform policy as only few public sector units- Kumaun and Garhwal Mandal Vikas Nigam, Hiltron, Tarai Seed Corporation, Forest Corporation and Jal Nigam are important in context of the proposed policy. After the creation of the State, a multipurpose Finance and Development Corporation has been formed to provide employment opportunities for the weaker sections. The corporation aims at providing self-employment opportunities to this section of people. A Single Industrial Development and Investment Corporation (SIDCUL) has been set up instead of separate corporations for the industrial sector.

BUDGETARY REFORMS

3.46 As a part of the budgetary reforms, the income-expenditure statements of the budget show the salaries and remittances, pensions, termination benefits, government guarantee etc. for the year 2003-04 and will be updated constantly in future.

Grants- in-aid: Receipts, Expenditures and Deficit Forecasts

- 4.0 The Twelfth Finance Commission requires the state governments to provide detailed assessment of their revenues and expenditures for the period spanning 2005-06 to 2009-10. A realistic estimate of the revenue receipts and expenditures is critical for working out the grants-in-aid to be provided to the states.
- 4.1 The two components of the assessment of revenue resources and expenditures needs for the future relate to the **base** year and the **future** values. The base year for the 12th Finance Commission is 2004-05, the last year covered by the recommendations of the Eleventh Finance Commission. The forecasts of receipts and expenditures cover the period from 2005-06 to 2009-10.
- 4.2 In what follows, we spell out the specific issues related to the above-mentioned aspects of financial projections in the case of newly created state of Uttaranchal.

ISSUES AND APPROACH: BASE YEAR

- 4.3 The actual data for Uttaranchal is available for 2001-02. For 2002-03 and 2003-04 revised and budgetary estimates, respectively are available. As pointed out in Chapter 3, the fiscal data shows a lot of volatility as both revenues and expenditures have not stabilized. For instance, the 2003-04 budget shows a steep rise under receipts from pensions. This is purely on account of the fact that past arrears from Uttar Pradesh have been budgeted in 2003-04. Taking 2003-04 as a basis for arriving at 2004-05 estimates would therefore make the revenue receipts under this head unrealistically high.
- 4.4 Further, the final financial estimates usually differ from the budgetary estimates as the implied growth and other assumptions underlying them may not pan out as expected. As per the instructions of Government of India (F. No. 50(58) PF 1/2002) in the budget for 2003-04 a number of Central Government and externally aided schemes were

routed through the budget. This inflated the budgetary expenditures in 2003-04. Later instructions directed the states to take these schemes out of the budget.

- 4.5 Given these data specificities, we have followed an eclectic approach in setting up the base year estimates. Wherever 2003-04BE estimates appear realistic, we have taken them as the basis for arriving at base year estimates. In other cases we have either extrapolated the 2002-03 estimates or made relevant adjustment in 2003-04BE data to arrive at the base year estimates.

ISSUES AND APPROACH: FORECASTING

- 4.6 A major constraint in forecasting financial data is the absence of a reasonably long time-series as it precludes any kind of trend analysis. The problem is compounded by the instability and volatility in data. With respect to revenues we have assumed an increase in revenue buoyancy over the forecast period wherever feasible. The nominal GDP growth implicit in these forecasts is 8.5 per cent per annum- the national average for the period 2000-01 to 2002-03. Given that inflation has stabilized around 3.5 - 4 per cent (The average inflation measured by increase in GDP deflator in the last 3 years 2000-01 to 2002-03 was 3.4 per cent), an inflation rate of 4.0 per cent is assumed. This implies a real GDP growth of around 4.5 per cent for the forecast period. This is significantly higher than 'below 3' percent GDP growth during 1994-95 to 1999-00 but lower than the Tenth Plan targets.
- 4.7 The expenditure forecasts have been made keeping in view the state specificities and expenditure requirements of the state. An attempt has been made to curtail the unproductive/unnecessary expenditure and boost the expenditures on health, education and infrastructure. The specific assumptions underlying the base year estimates and projections are detailed in the explanatory notes to Statement 1 to Statement 4.

Revenue Forecasts (2005-06 to 2009-10)

- 4.8 The major sources of tax revenue of Uttaranchal are sales tax, excise and stamps and registration fees. The non-tax revenues of the state originate primarily in economic services, of which power is a major component. In what follows we document the

revenue forecasts and their implicit buoyancy. The revenue buoyancy is defined as the ratio of proportionate change in revenues to proportionate change in nominal GSDP of the state.

Table 4.1: Revenue Forecasts (Rupees Crores)

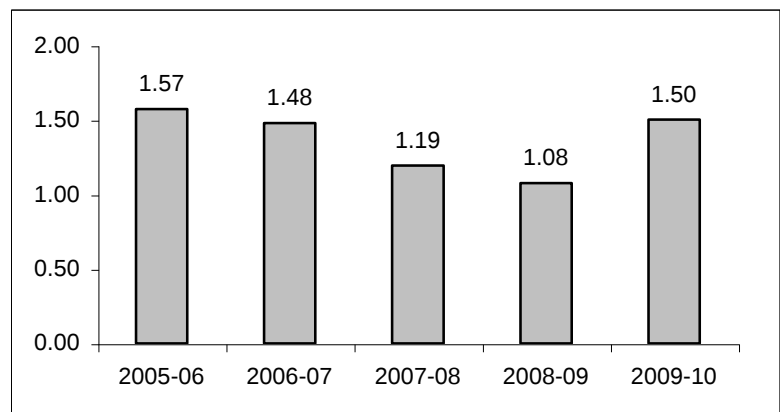
	2005-06	2006-07	2007-08	2008-09	2009-10
Total Own Revenues	1842.2	2073.7	2284.3	2493.1	2811.4
Own Tax Revenue of which	1352.8	1487.7	1643.3	1823.2	2031.8
- Sales and Trade Tax	728.4	801.2	885.4	982.8	1095.8
- Excise	320.6	352.6	389.7	432.5	482.3
- Stamps and registration	166.7	183.4	202.6	224.9	250.8
Own Non-Tax Revenue of which	489.4	586.0	641.0	669.8	779.6
- Power	182.2	263.4	301.8	313.1	403.9
- Forestry and Wildlife	152.2	158.3	164.6	171.2	178.0

Source: Projections.

- 4.9** As a general approach we have assumed a graded increase in buoyancy over the forecast period. The total own revenues of the state are projected to grow at a compound annual average growth rate of 11.1 per cent per annum between 2005-06 and 2009-10. Under the assumption of nominal GSDP growth of 8.5 per cent per annum in the corresponding period, the projected revenue growth translates into own revenue buoyancy of 1.26. Within own revenues, the average buoyancies of tax and non-tax revenues are forecasted at 1.22 and 1.41 respectively. The higher buoyancy in non-tax revenue is on account of assumed revenue flows from power projects, which are likely to commence operation in the forecast period.
- 4.10** The year wise path of buoyancy in own revenues, own tax revenues and non-tax revenues are charted in Figures 4.1 to 4.3 respectively. While the increase in tax buoyancy is smooth, that in non-tax is rather volatile. The volatility in non-tax revenues is explained by the sudden jump in revenues due to the royalty payments from commencement of new power projects. The volatility in non-tax revenues gets reflected in the behaviour of buoyancy of state's own revenues.
- 4.11** The revenue forecasts make it evident that despite a weak economic base, the state endeavors to step up its revenue buoyancy by effective exploitation of its limited tax base by significantly stepping up its tax effort. Further, by promoting investment in

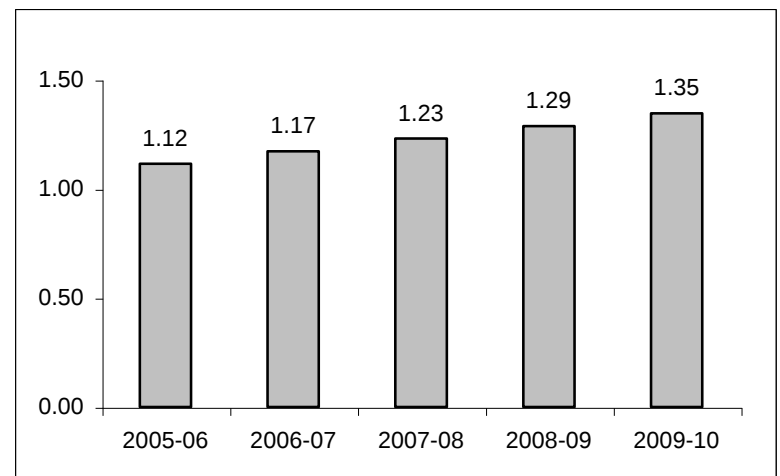
hydro- power it aims to shore up its non-tax revenues in future. Thus, the spending on power projects pays off in terms of revenues with a lag.

Figure 4.1: Buoyancy of Own Revenues (2005-06 to 2009-10)



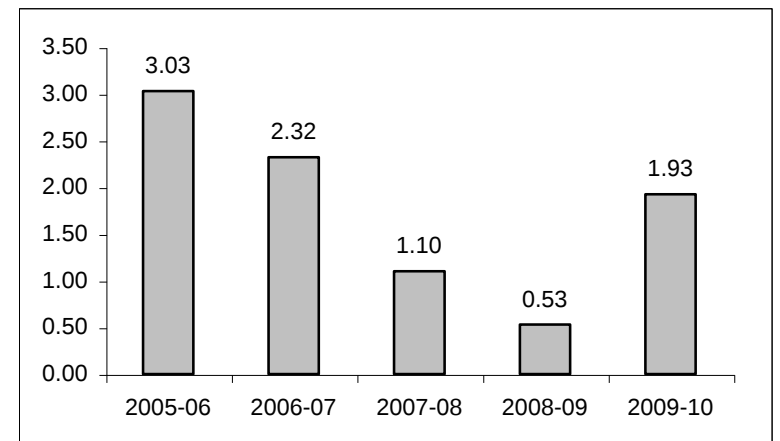
Source: Projections.

Figure 4.2: Buoyancy of Own Tax Revenues (2005-06 to 2009-10)



Source: Projections.

Figure 4.3: Buoyancy of Own Non-Tax Revenues (2005-06 to 2009-10)



Source: Projections.

Table 4.2: Buoyancy of major sources of Tax and Non-Tax Revenues (2005-06 to 2009-10)

	2005-06	2009-10	Average (2005-06 to 2009-10)
Tax Revenue			
Sales Tax	1.12	1.35	1.26
Excise	1.12	1.35	1.26
Stamps and Registration Fees	1.12	1.35	1.26
Non-Tax Revenue			
Power	10.5	8.5	2.6
Forestry and Wildlife	0.5	0.5	0.5

Source: Projections.

The highlights of the revenue forecasts can be summarized as follows:

- The above forecasts clearly indicate that a significant improvement in tax effort has been assumed in future. The sales tax is a major revenue earner for Uttaranchal. We have already shown that Uttaranchal's per capita sales tax collections are much higher than its comparator Special Category States (Chapter 3). An assumption of improvement in efficiency from an existing high frontier is commendable indeed. Similar improvement in buoyancy is assumed in revenues from excise and stamps and registration fees.
- Power can emerge as a significant source of revenue in future as a number of hydro projects are likely to be commissioned. Despite the difficulty in predicting with certainty the actual date of commissioning of these projects, we have built in the revenue flow from them in our forecasts. One period lag has been assumed in flow of revenues from the year of commissioning of the projects. The state benefits from the commissioning of these projects in terms of 12 per cent free power. The volatility in revenue buoyancy from power is explained by the sudden surge in revenues due to commissioning of new projects. The buoyancy of revenue from the power sector in the two years reported in Table 4.2 viz. 2005-06 and 2009-10 is quite high as significant capacity is likely to be commissioned in these years. The average buoyancy from power sector revenues during 2005-06 to 2009-10 is, however, estimated at 2.6.
- The low buoyancy in revenue from forestry is a result of limits imposed on the exploitation of forests for commercial purpose by stringent environmental regulations.

Revenue Expenditure Forecasts

4.12 Expenditure forecasts have been made taking into account the requirements of the state to spend on social and economic infrastructure as well as service the committed liabilities of the state. Table 4.3 documents the revenue expenditure forecasts under major heads.

Table 4.3: Expenditure Forecasts (2005-06 to 2009-10) Rs Crores

	2005-06	2006-07	2007-08	2008-09	2009-10	CAGR (2009-10/2005-06)
Total Revenue Expenditure of which	6232.4	6944.9	7726.8	8573.9	9514.2	11.2
1. General Services of which	2069.3	2355.4	2666.1	2992.3	3356.6	12.9
i. Interest Payments	945.8	1111.5	1285.5	1464.3	1657.6	15.1
ii. Pension and Other Ret Benefits	444.2	510.8	587.4	675.5	776.9	15.0
a. Plan	10.9	12.0	10.6	11.5	12.5	3.4
b. Non-Plan	2058.3	2343.4	2655.5	2980.7	3344.1	12.9
2. Social Services	2426.4	2687.9	2978.1	3300.3	3658.2	10.8
a. Plan	825.5	914.9	1014.5	1125.6	1249.6	10.9
b. Non-Plan	1601.0	1773.0	1963.6	2174.7	2408.6	10.8
3. Economic Services	1639.0	1794.2	1964.4	2151.3	2356.4	9.5
a. Plan	995.6	1096.0	1206.8	1329.2	1464.4	10.1
b. Non-Plan	643.5	698.2	757.6	822.1	892.0	8.5
Total Plan	1832.0	2022.9	2232.0	2466.4	2726.5	10.5
Total Non Plan	4400.4	4922.1	5494.9	6107.5	6787.7	11.4

Note: CAGR stands for Compound Annual Growth Rate

Source: Projections.

The following expenditure patterns emerge:

- Despite the fall in interest rates, interest payments continue to consume a major chunk of revenue expenditure of the state. This is a direct consequence of debt being contracted by the state to meet its expenditure needs. The share of interest payments in total revenue expenditure of the state is projected to go up from 15.2 per cent of revenue expenditure in 2005-06 to 17.4 per cent in 2009-10.
- The pension payments too increase their share in revenue expenditure from 7.1 per cent to 8.2 per cent between 2005-06 and 2006-07.
- The expenditures on social and economic services are projected to grow at the compound annual rate of 10.8 and 9.5 per cent respectively between 2005-06 and

2009-10. This is because of higher maintenance requirements of assets and delivery of services in the state that has predominantly hilly terrain. (As argued in Chapter 2).

- A higher growth in expenditure on education and health under social services has been assumed given the specific requirements of the state. A growth of 11 per cent per annum has been assumed in both these sectors. An addition to normal salary and allowances, remote area allowance has to be paid to attract/motivate officials to work in far-flung and relatively backward areas of Uttaranchal.

Pre-Devolution Deficit

4.13 Table 4.4 documents the pre-devolution deficit on the revenue and non-plan revenue account on the basis of projection of state's revenue resources and expenditure requirements.

Table 4.4: Deficit Projections (Rs Crores)

		2005-06	2006-07	2007-08	2008-09	2009-10	Total
1	Total Own Revenue Receipts (2+3)	1914.3	2151.9	2369.1	2585.1	2911.2	11931.6
2	State's Own Revenues	1842.2	2073.7	2284.3	2493.1	2811.4	11504.7
3	Other Grants*	72.0	78.2	84.8	92.0	99.8	426.9
4	Total Revenue Expenditure	6232.4	6944.9	7726.8	8573.9	9514.2	38992.2
5	Non-Plan revenue Expenditure	4400.4	4922.1	5494.9	6107.5	6787.7	27712.5
6	Pre-devolution Revenue Deficit (1-4)	-4318.1	-4793.0	-5357.8	-5988.8	-6603.0	-27060.6
7	Pre-devolution non-plan revenue Deficit (1-5)	-2486.2	-2770.2	-3125.8	-3522.4	-3876.4	-15780.9

*Other grants are grants other than Finance Commission and Planning Commission.

The state endeavours to step up its revenue efforts while curbing wasteful expenditure. The expenditure requirements of this fiscally disadvantaged stage are higher both on account of higher cost of delivery of services (due to terrain) as well as to bridge the gap with more prosperous states. The non-tax revenue raising efforts will pay off in the medium/long run. The support of the Finance Commission in meeting the projected revenue gap of Uttaranchal will go a long way in ensuring the future prosperity as well as financial viability of Uttaranchal.

The *Inter se* Devolution Criteria – Some Issues

- 5.0 The motivation behind the design of formula for the inter se share of states in Central taxes was economy and efficiency. Various Commissions took different views in this regard and the devolution criteria evolved over time. In the recent years, the devolution formula has undergone significant changes not only with respect to the kitty of taxes to be shared with the states, but also the criteria for sharing them.

Table 5.1: The Devolution Criteria of the 11th Finance Commission

Criteria	Weight
Population	10.0
Income (distance)	62.5
Area	7.5
Tax Effort	5.0
Infrastructure Index	10.0
Fiscal Discipline	7.5

Source: Report of the XI Finance Commission.

- 5.1 Prior to the recommendations of the Eleventh Finance Commission, only income tax and Union excise duties were shared with the states. As a significant portion of these taxes went to the states, this created disincentive for the centre to improve its tax effort. Recognising this, the Eleventh Finance Commission recommended that 29.5 per cent of the net proceeds of all union taxes and duties be shared with the states. One problem with this formula, however, is that as the tax surcharges are not shared this creates incentives for the Center to increase its dependence on them. Between 2000-01 and 2002-03 the share of states in the tax revenues grew at a Compound Annual Growth Rate (CAGR) of 4.2 per cent as against CAGR of 9.6 per cent in the Centre's net tax revenues. In view of this, we suggest that gross taxes and not net taxes be shared with states.
- 5.2 The TOR of the 12th Finance Commission requires it to take 1971 population figures as the base for determining the devolution of taxes, duties and grants-in-aid. Population is regarded as an objective criteria (it is a rough indicator of the total consumption) and implies that funds are allocated according to the expenditure needs. Considering 1971 as the base year helps keep a check on the population

growth rate as it rewards the states with low population growth. On these considerations this criteria should be retained in the devolution formula.

- 5.3 The criterion of area justifies the fact that larger area implies greater expenditure needs. It also recognizes the additional cost of delivery of services in states with larger area and low population density. From that point of view it is an important criteria as higher transportation costs lead to increased costs of the basic minimum needs. It is therefore important to retain this criteria.
- 5.4 Distance in terms of per capita income of a state (proxied by per capita GSDP) has been a key variable in the *inter se* devolution formula. The Eleventh Finance Commission had assigned it a weight of 62.5 per cent. The dominant weight of income criteria implies that accurate measurement of GSDP is critical for its effectiveness. This assumes greater significance in the case of new states like Uttaranchal where due to the lack of appropriate machinery, GSDP estimates have not firmed up. This has already disadvantaged Uttaranchal when its share of Central taxes was fixed after its separation from UP. The per capita GSDP estimate used for doing so was 16 per cent higher than the revised estimates released recently. The per capita GSDP for 1994-95 to 1996-97 on the basis of earlier estimates (used for determining Uttaranchal *inter se* share) was Rs. 13761 compared to the later estimates of per capita GSDP at Rs. 11782. We therefore request the Commission to take into account this factor after verifying the veracity of GSDP estimates.
- 5.5 The use of infrastructure index as a criteria for the devolution of taxes is essential as it recognizes the disabilities of states with poor infrastructure particularly in attracting investments. This assumes greater significance in the context of the present regime of liberalization and delicensing, where infrastructure related factors are influential in shaping the investment decisions of private investors. Further, the ability of the states to use fiscal incentives for attracting investments is fast diminishing. However, the infrastructure index in its present form does not fully capture the status of infrastructure.

- 5.6 The index is based on multiple variables, thus leading to overlapping in some cases and does not adequately capture the quality of infrastructure. Tenth Finance Commission (Appendix V) notes that "...it is impossible to control for differences in quality e.g. a village may be electrified but no power is delivered because of poor maintenance; roads may exist but again may be in such poor condition that they are not useful for any major traffic..." This will be critical for states like Uttaranchal where the quality of infrastructure, even if it is available, is likely to be poor. Some adjustment for quality of infrastructure is therefore necessary e.g. in electricity one could bring in the power distribution system in a state, voltage profile etc. Similar parameters could be worked out for other infrastructure also. Doing so will raise the effectiveness of the infrastructure index in serving the intended objective.
- 5.7 The introduction of tax effort and fiscal discipline are welcome developments and much needed in for incentivizing the states to give up a profligate fiscal stance. However, pointing out a few limitations of these criteria are in place particularly from the point of view of newly formed states which do not have sufficient time series to satisfactorily work out these criteria.
- 5.8 The tax effort is worked out on the basis of past data. For new states like Uttaranchal, sufficient database to work out the tax effort does not exist. Further, by taking the overall GSDP of the state as the base for revenues, this measure does not take into account the structure of GSDP. As the structure of GDP of a state is an important determinant of its revenues, it is important to relate the tax collections to the tax capacity of the state in a manner that takes into account the profile and structure of the economy. Otherwise, states such as Uttaranchal, which have a very low proportion of revenue generating sectors in their economy, will lose out.
- 5.9 Similar considerations hold good for the index of fiscal discipline/Fiscal Self Reliance. The index is worked out on the basis of state's own revenues to revenue expenditure. This puts the Special Category States like Uttaranchal, which have a low revenue base and sub-normal expenditures in a disadvantaged position.
- 5.10 The existing expenditure levels in Uttaranchal are likely to be sub-normal because:

- All the programs for creating infrastructure and pursuing developmental goals are not in place in Uttaranchal as yet. This is particularly true for newly formed states where the mechanisms for effective spending are in the process of being developed. Further, the expenditures on yatra support, security, strengthening taxation departments, disaster preparedness need to be raised.
- Currently over 10 per cent of the vacancies in Uttaranchal remain unfilled. As the number of vacancies gets filled up, the wage bill too will go up. While it is a laudable objective to keep a check on government employment, there is enough evidence that departments, which provide essential public services in Uttaranchal, are short staffed (medical, education)

5.11 Further, Uttaranchal suffers from higher cost disabilities and right now is at a fiscal disadvantage as the transfers received by it have been used for investment in “human capital” rather than in material capital, the investment in former generating higher expenditure and less revenue yielding assets. Added to this is the relatively higher financial burden in providing a given level of public services in Special Category States than in its counterparts.

5.12 For the reasons outlined above the ratio of own revenues to revenue expenditure is likely to fall at least for the next few years, before the expenditures reach their normal level and the expenditure on creation of assets (power, infrastructure for tourism) yields dividends. Thus, the computation of fiscal discipline on the basis of the ratio of own revenues to revenue expenditure will discriminate against the genuine requirements of states like Uttaranchal.

5.13 Almost 62 per cent of Uttaranchal’s area is under forests. We have argued (chapter 8) that Uttaranchal’s forest resources should be treated as a special feature with important implications for centre-state financial transfers. Drawing upon contemporary economic perspectives of forests, we emphasise the point that the benefits from the state’s forests flow far beyond its boundaries. Regulatory imperatives that induce the state to preserve its forests are not backed up by any economic incentives. As a result, the state faces a dilemma, involving a significant

economic cost, between exploitation and preservation of its forests. Further increasing forest cover restricts the scope of economic activity due to stringent environmental regulations. The Finance Commission is requested to give due weight to the role of Uttarakhand's forests as a national and even global resource. Since this is a permanent feature of the state's economic structure, the best way to address it is to build it into the devolution formula with an appropriate weight.

5.14 In view of the special problems of hill areas, it will be meaningful to treat the Himalayan states as a separate category in scheme of central-state fiscal transfers.

5.15 Thus, the existing devolution formula needs to be modified, as in its current form it is unlikely to do justice to the newly formed states like Uttarakhand. While it is important to incentivise the revenue transfers to states to promote efficiency, it is equally important to ensure that the criteria used is objective and reliable. While per capita income is a good criteria for determining the revenue raising capacity of a state, structure of the economy also plays a critical role and should be given due weightage in the devolution formula. We suggest the following devolution criteria.

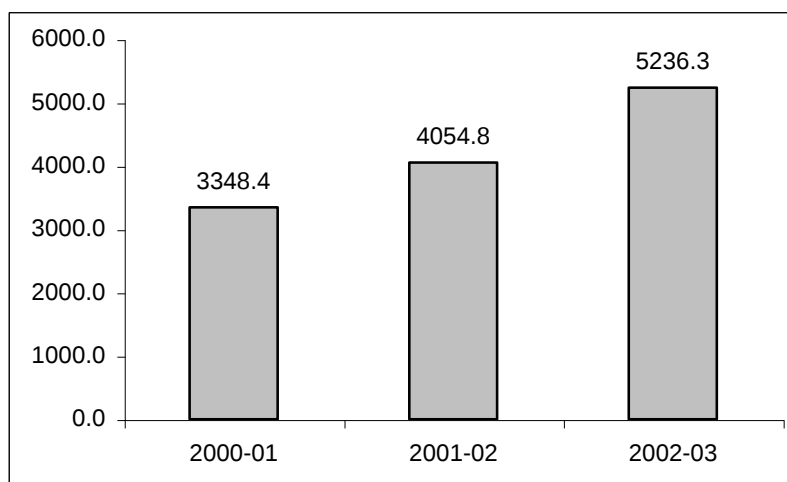
Table 5.2: Suggested Devolution Criteria

Criteria	Weight
Population	10.0
Income (distance)	47.5
Area	7.5
Tax Effort	7.5
Infrastructure Index	10.0
Fiscal Discipline	7.5
Forest Cover	10.0

Debt Situation - A Case for Relief

- 6.0 Utttaranchal's debt burden, although currently lower than the average of Special Category States, is inching up at a fast rate. Between March 2001 and March 2003, it rose from Rs. 3348 per capita to Rs. 5236 per capita.
- 6.1 Why is Utttaranchal's debt ballooning, what will happen in a 'Business as Usual' scenario, what are its consequences? In what follows, we attempt to answer these questions.

Figure 6.1: Per Capita Debt: Utttaranchal (Rupees)



Source: Budget 2003-04, Government of Utttaranchal.

- 6.2 On its separation from Uttar Pradesh, Utttaranchal inherited a debt of Rs. 2642.6 crores from its parent state. Since then, it has added Rs 2636.2 crores of fresh borrowings to its debt stock. A part of the new debt contracted was used for swapping the old high cost debt. The total stock of debt on March 31, 2003 stood at Rs 4578.6 crores. This figure, however, does not include a part of the public account debt (liabilities on account of general provident fund and teachers provident fund). These additional liabilities were estimated at Rs 1185.6 crores as on March 31, 2003. Even this figure is likely to increase once the process of division of employees between UP and Utttaranchal has been completed.

- 6.3 The magnitude and composition of Uttaranchal's debt since 2001 (excluding Provident Fund etc.) is presented in Table 6.1.

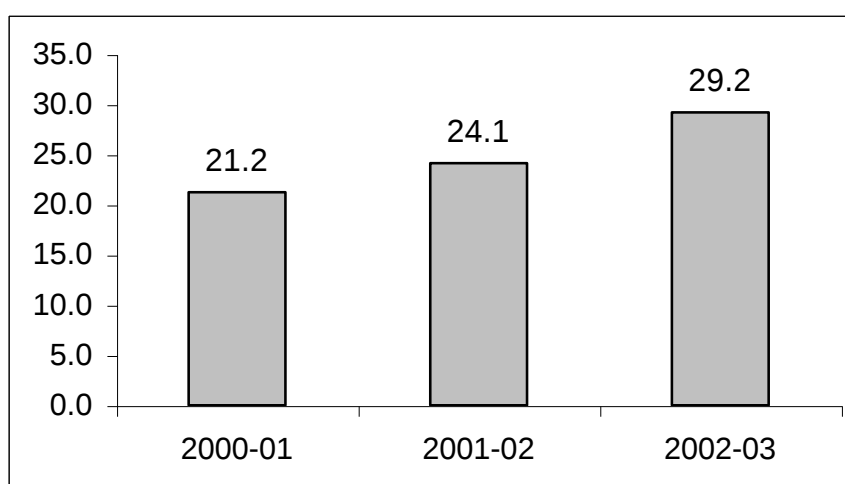
Table 6.1: Uttaranchal: The changing Composition of Debt

	31-Mar-01	31-Mar-02	31-Mar-03	31-Mar-01	31-Mar-02	31-Mar-03
	Rs '000			Per cent Share		
Inherited Debt						
Total Inherited Debt	26426895	26200123	19423311	93.5	75.2	42.4
Small Savings (SS) after April 1999	3049100	3049100	3049100	10.8	8.8	6.7
Block loans etc (Including SS before 1999)	16197357	15970585	9193773	57.3	45.8	20.1
Market Borrowings	6675889	6675889	6675889	23.6	19.2	14.6
Other Bond Debt	721	721	721	0.0	0.0	0.0
Other debt	503828	503828	503828	1.8	1.4	1.1
New debt						
Total New Debt	1846829	8641639	26362235	6.5	24.8	57.6
Small Savings	703300	4258900	9991500	2.5	12.2	21.8
Block Loans	983600	2105410	4594575	3.5	6.0	10.0
Market Borrowings	159929	2277329	11776160	0.6	6.5	25.7
Grand Total	28273724	34841762	45785546	100.0	100.0	100.0

Source: Ministry of Finance, Uttaranchal

- 6.4 There has been a sharp rise in internal debt in the last 2 years. Consequently the share of inherited debt to total debt stock has come down significantly from 93.5 per cent on March 31, 2001 to 42.4 per cent on March 31, 2003. A part of the change in the composition of debt from inherited to new debt is on account of debt swap of Rs 648 crores in 2002-03.
- 6.5 Within New debt, the sharpest rise has come in the market borrowings followed by small savings loans.
- 6.6 As the state's Gross State Domestic Product (GSDP) figures are not available beyond 1999-00, it is difficult to work out its indebtedness in relation to the size of its economy. We have, however, estimated the GSDP series for Uttaranchal beyond 1999-00 by inflating it by the growth observed in the Indian Economy in the last 3 years. The GDP at current prices grew at an average rate of about 8.5 per cent between 1999-2000 and 2002-03. Figure 6.2 charts the debt ratios for Uttaranchal.

Figure 6.2: Debt/GSDP-Uttaranchal



Source: Budget 2003-04, Government of Uttaranchal.

- 6.7 Uttaranchal's debt at 21.2 per cent of GDP was lower than the average of the states in 2000-01. By 2002-03 the debt ratio crossed 29 per cent, which is higher than the estimated debt ratio for all states. As mentioned earlier, in per capita terms too, the indebtedness increased by 86 per cent between 2000-01 and 2002-03. One may note that the debt estimates referred to above do not include liabilities on account of PF etc. If we include the existing estimates of these liabilities, the Debt/GSDP for Uttaranchal will go up by about 8 percentage points of GSDP. In nutshell, rising indebtedness in Uttaranchal sets off alarm bells.

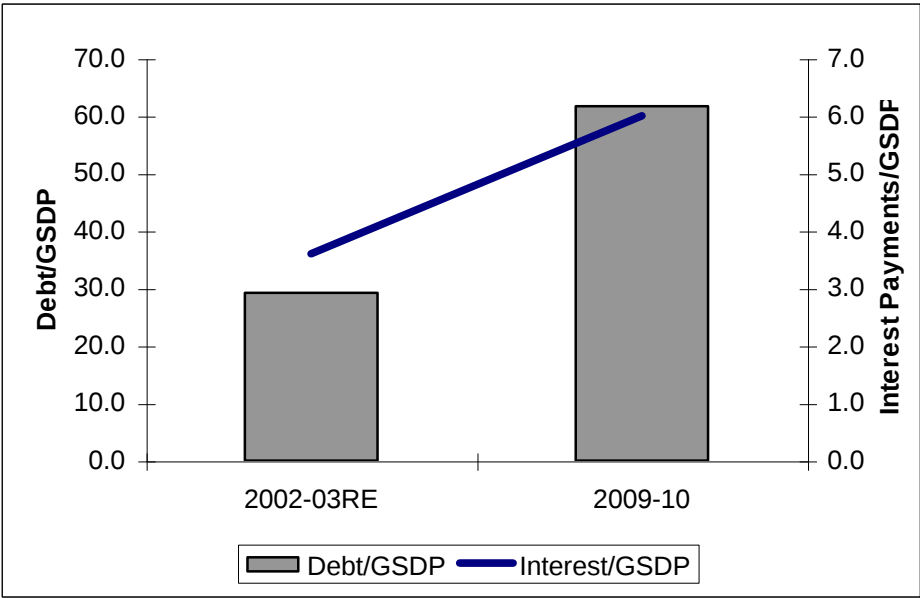
SUSTAINABILITY AND IMPLICATIONS OF RISING DEBT BURDEN

- 6.8 The sharp rise in aggregate debt of Uttaranchal has raised its debt service burden. Interest payments were 3.6 per cent of GSDP and 13.2 per cent of the revenue expenditure of the state in 2002-03. The impact of debt swap notwithstanding, the interest payments are budgeted to increase by 42 per cent in 2003-04, taking the Interest Payments /GSDP ratio to 4.7 per cent. This is mainly the result of recent increments to the debt.
- 6.9 The sustainability of the debt being contracted is also under question as it is being used to finance consumption expenditure. Further the debt sustainability ratios show significant worsening. Between 2001-02 and 2002-03 the debt/revenue receipts

increased from 1.24 to 1.56, implying reduced ability of current revenues to service debt. This is also reflected in the rise of the ratio of interest payments to revenue receipts from 0.18 to 0.20 in the corresponding period.

6.10 Under the ‘Business as Usual’ scenario, simple extrapolation of present trends suggests a sharp rise in indebtedness and debt servicing burden. In the ‘Business as Usual Scenario’ the interest payments and debt of the state (excluding PF) would touch 6 per cent and 62 per cent respectively by 2009-10 (Figure 6.3). These projections are based on the repayment & schedule and debt repayments of existing debt, together with an assumption that fresh borrowings will increase at a rate of 10 per cent per annum.

Figure 6.3: Debt and Interest Payments (Uttaranchal)



Source: Projections

UTTRANCHAL’S DEBT DYNAMICS

6.11 In the above stated projection of debt burden we have adopted the bottom-up approach where the debt stock for individual categories of debt have been worked out (on the basis of repayment schedule) and an assumption with respect to fresh borrowings by the state has been assumed. The resultant debt stock under individual debt categories has been aggregated to compute the aggregate debt stock. Another analytical way of analyzing the debt situation is what is known as the debt dynamic

identity. We also analyse the prospects of debt/GSDP in Uttaranchal in future using this identity, which is essentially a macro approach to projecting the trajectory of debt/GSDP ratio.

- 6.12** A simple, nevertheless useful analytical tool for understanding and quantifying the long-term implications of high deficits/borrowings is the debt dynamics identity, which can be mathematically expressed as follows:

$$\Delta D = PD/GSDP + (i-g) \times D$$

Where D = Debt/Nominal GDP; PD = Primary or non-interest deficit;
 i = Nominal Interest rate; g = Nominal GSDP growth; Δ = Change

- 6.13** What clearly emerges from the debt dynamics equation is that when real interest rate is greater than real GSDP growth rate, then presence of a primary deficit will lead to explosive debt ratio. This is because in the debt ratio 'i' is driving the numerator (DEBT) and 'g' is driving the denominator (GSDP). The Central Government has an additional facility of printing money to finance its deficits, which states do not have. This implies a harder budget constraint for the states.

- 6.14** The above identity can be used to predict the future path of Debt/GDP under assumptions of future growth, interest rates and primary deficits. Alternatively, it could also be used to simulate the level of primary deficit/surplus required to stabilize/reduce the Debt/GDP ratio. Table 6.2 sketches the path of debt/GSDP under alternate assumptions of nominal growth in GSDP and interest rates. The terminal values of Debt/GSDP at the end of 2009-10 are reported in this Table. The primary deficit has been assumed at its level assumed in the Budget for 2003-04 (Rs. 1163.1 crores), which is equivalent to 6.8 per cent of GSDP. The Debt/GSDP projections have been made for a combination of 3 growth and 3 interest rate scenarios.

Table 6.2. Terminal value of Debt/GSDP in 2009-10 under alternate assumptions of growth, interest rates and primary account balance

Interest Rate → Nominal GDSP Growth ↓	7.0	8.0	9.0
8.5	73.7	75.8	77.8
9.0	72.7	74.8	76.8
10.0	70.7	72.7	74.8

6.15 One may note here that the terminal value of Debt/GSDP in 2009-10 using the debt dynamics identity is higher than the aggregation of predicted debt stock under different heads (bottom up approach). This is due to the difference in the two approaches. What is important is that both the methods validate each other in predicting the explosive path of Debt/GSDP ratio.

6.16 The simulations predict an explosive path of debt/GSDP even under the most favourable combination of GDP growth and interest rates (10 per cent GSDP growth and 7 per cent interest rate) together with the existing levels of primary deficit is maintained. This highlights the need for improving the balance on the primary account to stabilize the debt to GSDP ratio. But what would be the prudent level of primary deficit? This really depends on the fact that whether one wants to stabilize the debt ratio or wants to affect a reduction in it. Table 6.3 documents the primary balance as per cent of GSDP as well as in Rs. crores needed to stabilize the Debt/GSDP at the existing level (29.2 per cent of GSDP).

Table 6.3: Primary Deficit/Surplus needed to stabilize the Debt/GSDP ratio at 2002-03 levels (Rupees crores and as per cent of GSDP)

Interest Rate → Nominal GDSP Growth ↓	7.0	8.0	9.0
8.5	74.7 (0.44)	24.9 (0.15)	-24.9 (-0.15)
9.0	99.6 (0.59)	49.8 (0.29)	0.00 (0.00)
10.0	(149.4) 0.88	99.6 (0.59)	49.8 (0.29)

Note: Figures in parenthesis represents the primary deficit as per cent of GSDP
+ sign indicates deficit and negative sign indicates surplus

6.17 Thus, it is critical for the state to balance its primary account to stabilize its debt ratio. To stabilize the Debt/GSDP level at the existing level, Uttaranchal can, at maximum, afford to run a primary deficit of 0.9 per cent of GSDP- much below its existing level of 6.8 per cent of GSDP. *The Finance Commission transfers can play a critical role in mitigating the debt situation not only by providing debt relief to reduce the existing level of indebtedness but also through grants in aid (which will also reduced the primary deficit) for checking the future rise in the debt ratio.*

REASONS FOR RISING INDEBTEDNESS

6.18 The current and the worsening debt situation in Uttaranchal is attributable partly to its separation from a non-special category state and partly to the lack of support (in the form of revenue gap grants) from the Eleventh Finance Commission.

Disproportionate share in Historical Debt

6.19 Uttaranchal was special category state carved out of Uttar Pradesh -a non-special category state. Uttar Pradesh had received plan transfers as 70 per cent loans and 30 per cent grants. These loan liabilities were divided between UP and Uttaranchal. Had Uttaranchal been non-special category state, this would have been in order. Thus given its special status (on the basis of its disabilities), the mechanism of transfer of liabilities without any regard to the fact that it is a special category state led to a disproportionate debt burden being thrust upon Uttaranchal. We have estimated the additional debt burden on Uttaranchal due to the mechanism of debt sharing at around Rs 1761.8 crores.

6.20 A significant part of it (Rs 648.83 crores) has already been swapped in 2002-03. A similar amount is expected to be swapped in 2003-04. Thus, a sizeable portion of the inherited debt will be swapped. This is expected to lead to an interest savings of Rs 50 crores in 2003-04.

6.21 This relief on account of debt swap notwithstanding, the issue of disproportionate burden of debt from UP remains. This mechanism of debt sharing has not been fair to

Uttaranchal. We, therefore, request the Commission to provide debt relief on this account.

Lack of Finance Commission Grants

- 6.22** Uttar Pradesh received only Rs 1000 crores as Non-Plan revenue grants for the Eleventh Finance Commission- that too only during 2000-01. Consequently, the share of Uttaranchal in these grants too was a meager Rs. 17 crores in 2000-01.
- 6.23** In contrast, Himachal Pradesh-a close comparator of Uttaranchal in many respects- has been awarded Rs. 4549.3 crores as non-plan grants for the five years commencing April 2001. Our calculations show that if the same amount (as made available to Himachal Pradesh) were available to Uttaranchal (between 2000-01 to 2002-03), its debt would have been lower by almost Rs 2000 crores in 2002-03. Further, the lack of FC grants during 2003-04 and 2004-05 will put additional borrowing pressure on Uttaranchal.
- 6.24** The state government had requested for an interim relief on account lack of Finance Commission grants-in-aid. As it has not been made available, we expect the 12th Finance Commission to rectify the adverse fiscal implications of non-availability of the grants-in-aid.

Request for Debt Relief

- 6.25** The above analysis shows that the high debt burden in Uttaranchal is to a significant extent explained by the disproportionate burden of liabilities on its separation from UP and the lack of Finance Commission grants. Both of these owe their origin to the fact that it was a special category state carved out of a non-special category state.
- 6.26** The successive Finance Commissions have recommended debt relief to the states by rescheduling or writing off of the debt in response to the requests by states owing to special circumstances.
- 6.27** The Ninth Finance Commission had recommended the debt relief to the newly constituted states of Arunachal Pradesh, Goa and Mizoram on grounds similar to

those related to the inherited debt of Uttranchal. The Ninth Finance Commission had observed:

6.28 *“The Central loans obtained on Plan account by each of the three newly constituted states of Arunachal Pradesh, Goa and Mizoram, upto 1986-87 as Union Territories (as outstanding on 31st March 1990), in excess of what it would have received during the period by way of loan on the basis of 90:10 or 30:70 formula applicable to states, should be written off” (para 9.21)*

6.29 The Tenth Finance Commission had provided debt relief to Punjab recognising the special circumstances under which the debt was contracted. In its recommendations, the Commission noted:

6.30 *“We recommend the waiver of one third of repayment of principal falling due during 1995-2000 on special term loans to Punjab in view of special circumstances when these term loans were advanced and the need for the states to reinvigorate its development efforts” (para 12.40)*

6.31 The rising debt burden of Uttranchal too has been on account of factors outside its control. Given the pressing need for the state to push its developmental efforts, it is important to ensure that it's mounting debt liabilities do not lead to a debt trap and consequently thwart its developmental efforts. We therefore request the Finance Commission to sympathetically examine the circumstances leading to Uttaranchal's indebtedness and award suitable debt relief. This will allow the new state of Uttaranchal, which has a daunting task ahead of itself- to start on clean slate, not bogged down by the liabilities, which have arisen for no fault of its own.

Local Body Finances

- 7.0 The First State Finance Commission of Uttaranchal was constituted on 31st March 2001 and submitted its report in 2002. As the award period of the First Finance Commission Uttar Pradesh expired on 31st March 2001, its recommendations continued to be in operation in the year 2001-2002 also and the State Finance Commission Uttaranchal recommended that the actual transfers made in 2001-2002 should be maintained and its award be restricted to 2002-2006.
- 7.1 The terms of reference of the Twelfth Finance Commission include the recommendations to be made on the measures needed to augment the Consolidated Fund of the State to supplement the resources of the Panchayats and Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State.
- 7.2 The recommendations of the Uttaranchal SFC are under consideration of the Government. However, the recommendation about devolution has been accepted as recommended by the Commission, on the interim basis. The share of Urban Local Bodies (ULB's) has been increased by 25 per cent from 2003-2004. The report of the Commission has been tabled before the house along with the interim ATR.
- 7.3 The Finance Commission identified the tasks set out to be achieved along the following governing principles:
- (i) review the revenue resources of the state government and the demands thereon, keeping in view the expenditure on civil administration, liabilities on account of debt servicing, and committed expenditure levels and liabilities. Given the fact that the state is new and has practically just a year's experience of assembling budgets and accounts, many essential elements of the infrastructure of the state have yet to be created.
 - (ii) develop and indicate the measures for strengthening the financial position of the Zila Panchayat, Kshetra Panchayat and Gram Panchayat and the Nagar

Nigam, Nagarpalika Parishads and Nagar Parishads considering both the revenue and expenditure aspects.

- (iii) examine the scope and means for improving the fiscal management, economy of expenditure, organizational streamlining and efficiency in administration; also considering the issue of rightsizing of staff and scope of information technology.
- (iv) recommend the principles on which an appropriate scheme of devolution be developed for the self-governing institutions- Municipalities and Panchayats.
- (v) assess the quantum of funds to be devolved and distributed- including the sharing and assigning of taxes and distribution of grants in aid.

7.4 The Finance Commission's approach to the tasks set out can be summarised as follows:

- Actual work done by the Panchayats and Municipalities has been studied apart from following just the laws, bylaws, rules, regulations and government orders. The specificities of different localities have been taken into account while drawing up the recommendations, thus avoiding forced generalizations. Efforts have been made to attain a reasonable fit between the different components of the total picture and the recommendations. The report of the first UPSFC for the period 1996 to 2001 has been taken as the starting point and the work initiated by the second UPSFC has also been noted. The observations of the Eleventh Finance Commission have also been taken note of.
- The Commission arranged for sorting the complexities faced in the devolution scheme regarding the Municipalities. The Commission recommended that the devolution be made in per capita rounded terms which would remain unchanged as long as States gross tax revenue trends from year to year remained within a range of 25 per cent. This is to ensure certainty, stability and transparency of entitlements. The devolution of funds to Gram Panchayats as per the UPSFC recommendations valid for 1996-2001 was to be based on two factors: population (weight of 80 per cent) and area (weight of 20 per cent). But due to lack of firm area

data at the Gram Panchayat level, the allocations within each block were based on the population factor alone. The Commission thus suggests that –

“With a view to ensure minimum viable capacity of each NPP and NP to discharge its functions and deliver civic services, the Commission identified a floor level of entitlement for those Municipalities which were located at a district headquarters equivalent to that of 10,000 population, and for all others a floor level equivalent to that of 5000 population size.”

- 7.5 There are some Nagar Palika Parishads and Nagar Panchayats, which remain in deficit even after devolution of funds recommended by the Commission. Therefore, it is recommended that these Municipalities be given in addition, grants-in-aid equal to the amount of deficit.
- 7.6 The total receipts of PRI's for the period 2005-06 are forecasted at Rs.79756 thousand while the expenditure forecast for the same period is Rs. 64181 thousand. This leaves the PRI's at a surplus of Rs 15575 thousand as compared to the deficit of Rs2514 thousand in 2000-01.
- 7.7 By taking 2000-01 as the base year the revenue forecasts are generated till the year 2005-06. Respective annual population growth rates have been applied to each NP/NPP derived from 1991-01 census returns.
- 7.8 The revenue forecasts of the ULB's are forecasted at Rs. 2183.29 lakhs for the year 2005-06 while the expenditure forecast for the year is at Rs. 7038.37 lakhs. Thus the projected deficit for the year comes to Rs. 4854.78 lakhs. Though the deficit has observed a decline till the year 2003-04 and the total forecasted deficit is lower than the 2000-01 level, it is noticeable that the deficit is on an increasing trend.
- 7.9 Para 4(1) of the TOR of SFC Uttaranchal requires it to give regard to, among other things, the revenue resources of the State Government and the demands thereon; in particular, on account of expenditure of civil administration, debt servicing and other committed expenditure or liabilities. The fact that Uttaranchal inherited a large amount

of debt on its separation from UP and has large committed liabilities towards wages and pensions restricts the amount it can devolve to the local bodies. Consequently, the transfers recommended by the Commission amount to only about 10% of the State's own net tax revenue. This, together with the own revenues of ULBs and Zila Parishads, is insufficient to take care of their expenditure needs for creation of infrastructure for civic services.

7.10 The population size of municipalities in Uttaranchal is typically small. The average population of Nagar Panchayats is about 6100 only. The need to create small Municipalities arose, as most of these are located along the Yatra routes where large numbers of pilgrims stay and necessary civic services have to be provided. The yatri's hardly contribute anything towards the income of the Municipalities.

7.11 The SFC devolution takes care of the expenditure on salary etc. to some extent; it hardly leaves any surplus for creation of infrastructure to cater to the need of the increasing number of pilgrims. The EFC devolution of Rs. 4.75 crores per year has very limited impact on their finances.

7.12 The Eleventh Finance Commission followed the following criteria and weights for inter se distribution among the States;

Population	40%
Index of decentralization	20%
Distance from highest per capita income	20%
Revenue efforts	10%
Geographical area	10%

7.13 The above criterion fails to address the problem of smaller municipalities as they are working as free service providers to visitors staying for a very short duration. We, therefore, recommend incorporating a minimum floor level of population of 25000 for per capita devolution.

7.14 The Eleventh Finance Commission recommended a transfer of Rs 152 crores to PRIs for developing community facilities etc. We estimate the requirements for the five years commencing 2005-06 as follows:

- Rs 89.08 crores for construction of panchayat building in 4454 panchayats which do not have any building.
- Rs 144.54 cores for construction of 1 kilometer kharanja/nali in each of the 7227 village panchayats
- Rs 19.75 crores for metalling of zila panchayat roads

7.15 Due to shortage of funds, the accumulated arrears of municipalities are in excess of 75 crores. These are mainly on account of employee and street lighting dues. As already pointed out this is diminishing the capability of ULBs to create much needed infrastructure. A grant of Rs 100 crores to ULBs would be required to mitigate the resource crunch of ULBs.

Special Problems and Issues

SECTION I: ENVIRONMENT AND FORESTS

INTRODUCTION

8.1.0 This section makes the argument that Uttaranchal's forest resources should be treated as a special feature with important implications for centre-state financial transfers. It draws upon contemporary economic perspectives of forests to emphasise the point that the benefits from the state's forests flow to a set of stakeholders far beyond its boundaries. Regulatory imperatives that induce the state to preserve its forests are not backed up by any economic incentives. As a result, the state faces a dilemma, involving a significant economic cost, between exploitation and preservation of its forests. To the extent that there is a tangible national benefit from forest preservation, the Twelfth Finance Commission is urged to give the following arguments due consideration in its recommendations for special transfers to the state of Uttaranchal.

THE ECONOMICS OF PRESERVATION VS. EXPLOITATION

8.1.1 The contemporary economic perspective on forests is that they are a resource that generates benefits to a multiple groups of stakeholders. The potential beneficiaries exist at four levels – local, state, national and global. However, the nature of benefits, as well as their magnitude, accruing to each of these groups differs. It is this difference, which poses a dilemma for the local level beneficiaries. (For simplicity and in the context of this memorandum, we aggregate local and state-level beneficiaries).

8.1.2 From a purely economic perspective, in a fully unregulated environment, the decision on whether to preserve a forest resource or exploit it for immediate gain depends on the relative benefits accruing to the local beneficiaries from these two alternative courses of action. Accounts of traditional forestry practices typically highlight the “sustainability”

of these systems, which are entirely explicable in economic terms – the present value of benefits flowing to the community from keeping the forest alive was greater than the present value of benefits from cutting it down. Subsequent developments in the commercial environment for forest products changed this balance in favour of immediate exploitation.

- 8.1.3** The economics and politics of deforestation are well-known and need not be repeated here. The relevant fact is that perceived over-exploitation provoked a series of regulatory responses, implemented through both judicial and administrative instruments, which virtually put a stop to activities involving deforestation. Whether these activities involved narrow concerns of profit, or whether they had some explicit public purpose, such as the development of infrastructure, became a subordinate issue in the quest for preservation and reforestation.
- 8.1.4** Again, from a purely economic perspective, the justification for a supreme emphasis on preservation of forest resources emerges from the fact that the total benefit from the resource exceeds the benefit from exploitation, even though this may not entirely accrue to the local beneficiaries. In terms of this argument, the regulator – judicial or administrative – is to align the interests of the local beneficiaries of exploitation with the larger – national and global – interest in preservation.
- 8.1.5** However, judicial and administrative instruments are typically command-and-control in nature. They rarely contain economic incentives, which might be effective in bringing about this alignment. Carrying the economic argument forward, a workable alignment mechanism can be based on the principle of “beneficiary pays” i.e., the higher level beneficiaries from preservation compensate the local population for the difference between its benefits from preservation and those from exploitation.
- 8.1.6** At a global level, this principle is already being put into practice towards the objective of carbon sequestration, through, for example, the Clean Development Mechanism (CDM).
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With respect to forests, the underlying principle is that world as a whole is better off as a result of more forests. However, the cost of generating greater forest cover differs from location to location. The mechanism simply seeks to achieve a given objective at lowest cost, by facilitating payments to reforestation projects, which, in terms of priority, will be undertaken in locations in which they cost the least.

- 8.1.7** This principle is yet to be put into practice at the national level in any significant way. The fact is, however, that there are significant national benefits arising from forests. The two major sources of benefits are from watershed protection and biodiversity. On both these grounds, there is a case to be made for transfers from the national treasury to the state treasury as a means of incentivising forest preservation.

VALUATION OF FORESTS: A TEMPLATE

- 8.1.8** A standard methodology has evolved for the valuation of forest resources. Table 8.1 lists out the various categories of benefits and associates them with the level at which they primarily accrue.¹

Table 8.1: Benefits from Forest Resources

Sources of Benefit	Main Beneficiary
Direct Benefits	
<u>Consumptive Benefits</u>	Local/State
Salvage	
Timber for right holders	
Fuelwood	
Fodder	
Minor Forest Products	
<u>Non-Consumptive Benefits</u>	National, Global
Ecotourism	
<u>Indirect Benefits</u>	

¹ Lette and de Boo (2002)

Employment	Local/State
Microclimatic Factors	
Carbon Sequestration	Global
Biodiversity	National, Global
Watershed Conservation	National

8.1.9 Direct consumptive benefits and some of the indirect benefits accrue to local/state level beneficiaries. These are, therefore, outside the realm of compensation through transfers. The benefits of ecotourism, in an aesthetic sense, accrue to visitors from other parts of the country and the rest of the world. In economic terms, these benefits can easily be appropriated by the state through a well-designed system of local taxes and user charges. The benefits that are significant from the perspective of compensation are the last three in the indirect list. The relative magnitudes of these will obviously depend on the location and ecology of the forest. However, the case for transfers from the nation to the state rests largely on the significance of the benefits accruing to the former.

Application of Valuation Template in the Indian Context

8.1.10 No full-fledged valuation exercise of Uttaraanchal forest resources has been undertaken so far. However, a recent exercise was done for Himachal Pradesh, following the template described above². Himachal Pradesh is very similar to Uttaraanchal in ecological terms, so, as with several other parameters, it is appropriate to use it as a benchmark.

Table 8.2 provides the rupee value per sq. km of each of the benefits listed above.

² Verma (2001); paper was done for an umbrella project co-ordinated by the International Institute for Environment and Development, London, UK

**Table 8.2: Value of Annual Benefits from Himachal Pradesh's Forest Resources
(Rs./Sq. km, of tree and scrub cover, at 2000 Prices)**

Sources of Benefit	Amount (Rs./Sq. km)	% of Total Benefit
Direct Benefits	53 00 000	7.13
Consumptive Benefits	7 00 000	0.94
Salvage	22 000	0.03
Timber for right holders	42 000	0.06
Fuelwood	1 92 000	0.26
Fodder	4 81 000	0.65
Minor Forest Products	17 000	0.02
Non-Consumptive Benefits	46 00 000	6.19
Ecotourism	46 00 000	6.19
Indirect Benefits	6 90 70 000	92.87
Employment	1 70 000	0.23
Microclimatic Factors	1 00 000	0.13
Carbon Sequestration	1 23 00 000	16.54
Biodiversity	49 00 000	6.59
Watershed Conservation	5 16 00 000	69.38
Total	7 43 70 000	100.00

Source: Verma, M. (2001)

8.1.11 The magnitudes displayed in the table, at first glance, look very large. On the basis of this unit area valuation, the total annual benefit flows imputed to forest cover in each state would exceed Rs. 1,00,000 crores. These would be higher for Uttarakhand as its forest cover exceeds that of Himachal. The report from which these estimates are taken itself qualifies the results by saying that they are rough-cut estimates derived from secondary data and have not been "ground-truthed". Because of this limitation, the absolute values of various benefits emerging from this exercise are not essential to the argument being made in this memorandum.

8.1.12 The percentage distribution of the benefits across different categories of beneficiaries are, however, highly significant. Even allowing for the possibility of bias in the estimates, it is very clear that a very large share of the benefits accrues to the national and global beneficiaries. The state has no mechanism available to it to appropriate any of these benefits. In particular, although carbon sequestration, which can be viewed as a largely global benefit, accounts for about 16 per cent of total benefits, it is the combination of

watershed conservation and biodiversity, which provides over three-fourths of total benefits in this exercise.

8.1.13 In other words, even allowing for significant upward biases in the estimates of national and global benefits flowing from the state's forest resources, the empirical evidence available in the Indian context suggests that this set of benefits is the largest among the various categories. This distribution provides a strong justification for a transfer to be made from the national pool to the state to offset the inherent incentive that local/state beneficiaries have to exploit their forests.

UTTARANCHAL FOREST RESOURCES AS A CARBON SINK

8.1.14 According to the State of Forest Report (SFR) 2001, Uttaranchal has 19023 sq. km. of dense forests and 4915 km of open forests. This shows an increase of 1174 sq. km of dense forests and a decrease of 496 sq. km of open forests since the last assessment (Table 8.3). The SFR also mentions that in the present assessment, forests cover consist of all lands, more than 1 ha in area with a tree canopy density of more than 10% irrespective of land use and ownership. Thus, all lands with tree crops such as agro forestry plantations, fruit orchards and other areas with trees etc., have been included in forest cover.

8.1.15 Therefore, it might not be entirely correct to compare the change in forest cover between the 1991 assessment and the current 2001 assessment, as the difference between forest cover in the two assessments is not entirely due to change on ground during the intervening period. However, it is assumed for the sake of present calculations that 20% difference in the forest cover could be due to the change in the actual ground situation.

Table 8.3: change in forest cover of Uttaranchal

Category of Forests	1999 Assessment (sq km)	2001 Assessment (sq.km)	Difference (sq. km)	Difference (in ha)
Dense	17849	19023	1174	117400
Open	5411	4915	-496	-49600

8.1.16 As per the estimates available in the secondary literature, carbon storage by the poor, medium and good forest ranges between 43.2-92.8, 92.8-162.4 and 162.4-278.6 t/ha. Accordingly, the range of carbon content in open and dense forests is given in Table 8.4. The calculations in this estimate are based on these figures. Soil carbon has not been taken into consideration. Another assumption that has been made is that medium forests have been equated with open forests and good forests with dense forests.

Table 8.4: Range of carbon content in open and dense forests

Range	In open forests (t/ha)	In dense forests (t/ha)
Minimum	92.8	162.4
Average	127.6	195.5
Maximum	162.4	228.6

8.1.17 The carbon content for 1174 sq. km of dense forests and 496 sq. km of open forests are given in Table 8.5.

Table 8.5: Carbon content of the changed area

Category	Range	Carbon Content (t/ha)
Dense	Minimum	19065760
	Average	22951700
	Maximum	26837640
Open	Minimum	4602880
	Average	6328960
	Maximum	8055040

8.1.18 Since there is an increase of 1174 ha of dense forests and decrease of 496 sq. km of open forests, the net increase in the carbon content of the forests can be calculated by subtracting the carbon content of the open forests from the carbon content of the dense forests.

8.1.19 Value of increase carbon content due to improvement in forests cover in the State of Uttaranchal is depicted in Table 8.6.

Table 8.6: Value of increased carbon content

Range	Carbon content (t/ha)	Value (@ US\$ 5/t)	Value (Rs in crores)(US\$ 1=Rs 46)	20% of the total value (Rs)
Minimum	14462880	72314400	332.6	66.5
Average	16622740	83113700	382.3	76.5
Maximum	18782600	93913000	432	86.4

8.1.20 Conservative assessment thus indicates that the value of carbon due to increase in forest cover alone is in the range of Rs 66.5 crores to 86.4 crores. It should also be mentioned here that currently the sink projects under CDM are restricted only to afforestation and reforestation activities. Forest conservation is not an eligible activity. However, these calculations broadly indicate the value of global benefits the forests of Uttarakhand are providing by sequestering carbon dioxide from the atmosphere.

8.1.21 In the context of the valuation template provided above, this benefit accrues to the global community. The most significant benefit accruing to the nation comes from the importance of the state's forest resources in the preservation of watersheds. If the percentage distribution of benefits from forests in Himachal Pradesh is imputed to Uttarakhand, the benefit accruing to the nation from its forests are about 4.2 times those accruing to the global community from carbon sequestration, i.e., in the range of Rs. 280 – 360 crores.

The Costs to Uttarakhand of Forest Preservation

8.1.22 The above argument is only one part of the case for special financial consideration of Uttarakhand's forest resources. It simply establishes the fact that people outside the state derive significant benefits from the preservation of the forests and, hence, should pay the state some consideration. However, ambiguities and controversies over valuation may cloud the issue, making it difficult to arrive at a generally acceptable value.

8.1.23 Putting the question of accurate valuation aside for the moment, one way of approaching the issue is to measure what it costs the state to preserve its forest resources. As in the

case of benefits, costs can be categorized into direct and indirect, or opportunity costs. The direct costs are those which the state (effectively, the state government) incurs every year to comply with the regulatory imperatives governing forest activity. These can, therefore, be estimated from the forest and related departments' annual budgets, with the provision that the funds so earmarked are being efficiently used.

8.1.24 As per the forecasts made (aggregates provided in Chapter 4), revenue expenditure on forests is expected to be at a level of Rs. 233 crores in 2005-06, increasing to Rs. 322 crores by 2009-10. Of this, non-plan revenue expenditure increases from Rs. 122 crores in the initial year to Rs. 169 crores in the terminal year.

8.1.25 The indirect costs are obviously far more difficult to measure. They comprise lost opportunities for investment and, therefore, economic growth. As was seen in Chapter 2, the state has a relatively low proportion of its GDP emerging from industry, only about 18 per cent. This is low in relation to the position of the state in the per capita SGDP ranking, and particularly so in comparison with its neighbour and similarly endowed state, Himachal Pradesh, which generates 33 per cent of its GDP from industry. There are, of course historical institutional and policy explanations for this disparity, which have also been alluded to in previous chapters. The pertinent fact at this point in time, however, is that environmental regulations do significantly reduce the space where industrial activity has to grow in the state of Uttaranchal. The forest cover in Uttaranchal includes 6 national parks and 6 sanctuaries. The presence of national parks completely precludes any economic activity in the park.

8.1.26 Apart from the impact that this might have on growth performance (and through this, on the fiscal condition of the state), it also has a bearing on a major problem that was discussed in Chapter 2 – that of dependency. Lack of industrial growth directly translates into a lack of attractive employment opportunities. Adult male migration out of the state is a consequence of this. In turn, a high dependency ratio, both from the young and old

segments of the population, put pressure on the government machinery for a greater quantum of public services to be provided to these groups.

- 8.1.27** A third source of indirect costs of environmental regulation is the constraints it places on infrastructure development, which, in turn, hinders development. Whether it is the laying of a new road or exploiting hydel potential, either the activity is completely barred by regulations, or the costs of implementation increase significantly.

Forests and Glacier Meltdown

- 8.1.28** Himalayan mountain system is a major source of supply of fresh water. The rivers flowing from the Himalayan system (Indus, Ganges and Brahmaputra) support a large concentration of population on earth. The major glacier of Uttarakhand include Dokriani, Bandarpunch, Khatling, Chorbari, Bamak, Doonagiri, Tiprabamak, Satopanth, Bhagirathi-Khark, Nanda Devi group, Gangotri, Pindari, Kaphini, Malkoti, Sunderdhunga, Milam and Ralam and Namik glacier.

- 8.1.29** Glaciers in Uttarakhand are a perennial source of fresh water supply as the river system in the region is mainly fed through melting of snow and glaciers. The glaciers are regarded as a sustainable source of fresh water as large quantities of melt water flows from them in summer while fresh snow is added every winter. The Gangotri glacier in Uttarakhand is the source of river Ganga. Other important rivers like Kali, Ramganga and Jamuna are also fed by Uttarakhand Glaciers.

- 8.1.30** A major ecological concern relates to the rapid melting of Himalayan glaciers leading to the shrinkage of these glaciers. The eastern Himalayan system (linked to Ganga) has had the severest melts. The International Commission for Snow and Ice (ICSI) has pointed out that Himalayan Glaciers are receding faster than in any part of the world. The Dokriani Bamak glacier in Uttarakhand (one of the most studied in the world) is reported to have receded by half a mile since 1990. The Gangotri glacier too is receding at a fast pace.
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8.1.31 Needless to emphasize that a continuation of this trend can spell ecological disaster not only for the Himalayan region but also for the northern plains- first through floods and later through drying up of rivers. The recession of glaciers is also adversely impacting the unique plant wealth of high altitude meadows in Haimalays. These meadows are referred to as bugyals.

8.1.32 The melting of glaciers is linked to unusual monsoon patterns and global and local warming which in turn are linked to deforestation. Thus maintaining forest cover is an important way to check the enhanced melt rate of glaciers. While the responsibility of maintaining the forest cover/aforestation falls squarely on states like Uttaranchal (which have significant forest cover) the benefits flow to the entire country as well as to the rest of world.

CONCLUSIONS

8.1.33 The case for special consideration of Uttaranchal's forest resources is based on concepts and perspectives widely accepted in contemporary economics. Forests have a value to a far wider set of beneficiaries than the residents of the state. These accrue to both national and global stakeholders. A recent attempt at economic valuation of Himachal Pradesh's forests indicates that the benefits accruing to these categories accounts for a relatively large share of total benefits. In particular, the benefits accruing outside the state from the watershed conservation role of forests appears to be the single largest benefit from forests in the region. This argument justifies a consideration for financial accommodation of the state's forests from national resources, which will provide economic re-enforcement to the regulatory requirements for forest management and conservation.

8.1.34 Bearing in mind the difficulties involved in such valuations, the request for such consideration is not entirely based on the empirical results. It also emerges from an assessment of the direct and indirect costs that the state incurs in protecting this national

and global resource. At least with reference to the financial costs incurred in maintaining the forest resources to the standard demanded by regulatory agencies, the state feels justified in asking for special consideration of its forest resources and the constraints, which their preservation imposes on the state with respect to designing its own development strategy.

8.1.35 Recognizing the Global importance of protecting forests in Brazil a massive tropical forest preservation initiative (called the Amazon protected Areas Program) was launched in Brazil in 2002. This initiative which led to the creation of 81.1 million US \$ fund was a joint effort of World Wildlife Fund, Global environmental Facility, World Bank and the Government of Brazil.

8.1.36 The conservation of forests in Uttaranchal and the consequent restrictions on development strategy are going to be a permanent phenomenon. Given this, the Finance Commission may consider the benefits flowing to the broader community beyond the state's boundaries as a basis for introducing forest cover as a parameter, with an appropriate weight, in its devolution formula. This is the logical way to treat permanent features of individual states' economic structures.

8.1.37 However, in the absence of such an amendment to the formula, the Finance Commission is requested to give due weightage to the fact that Uttaranchal's forests are a very significant national resource. Transfers from the centre to the state should take this externality into account.

SECTION II: TOURISM

8.2.0 Tourism in Uttaranchal can be classified into two broad categories viz. pilgrimage tourism and other tourism (leisure related). Uttaranchal is host to Haridwar, Rishikesh, the Char Dhaam and the sacred Ganga & Yamuna. Beside these there are many other pilgrimage sites and sites of historical and religious importance. These pilgrimage sites are a national heritage and play an important role in promoting national unity and integrity.

8.2.1 Although pilgrimage has traditionally been the major segment of tourism in Uttaranchal in the past, it is endowed with enormous resources for cultural, adventure, wildlife, nature, leisure and eco-tourism. Also the potential for a wide variety of entertainment and sporting activities that attracts the modern tourist also exists.

8.2.2 There lies need to promote both new and already known tourist destinations. Although the state offers a number of pilgrimage destinations, the tourist activity is concentrated in a few of them. Also the inflow of Yatra tourist is concentrated around a specific time of the year. Thus, besides promoting the Yatra tourism, there lies vast potential in promoting adventure and leisure tourism. The unexploited capacity can be observed from the minimal level of growth in the tourist inflow of about 18 per cent in relatively well-developed tourist destinations like Mussorie and Corbett National Park between 1999 and 2002.

ISSUES AND DEMAND FOR GRANTS FOR LEISURE RELATED TOURISM

8.2.3 Despite the wealth of scenic beauty it is bestowed with, tourism industry of Uttaranchal has yet to be promoted and developed enough to fully exploit the vast potential of this sector. The tourism industry is yet to add significantly to the economy of the area and the people.

- 8.2.4** Uttarakhand government has taken a number of steps to boost the tourist activity within the state. It is the first state in the country to have created a Tourism Development Board by legislation, as the highest body to function as a Promoter, Adviser, Regulator and Licensing Authority for tourism in the state. This level of involvement should go a long way in building institutional linkages with the tourism, trade and industry.
- 8.2.5** The state plans to provide incentives to open new tourism units. Initiatives have also been taken to set up amusement parks and install new ropeways in the state. Plans to promote smooth and easy connectivity, private sector participation and development of strategically dispersed modern stay facilities are also given prime importance.
- 8.2.6** Besides these, a significant spending on tourism related infrastructure is needed to both upgrade as well as set up new infrastructure units. Although the endeavor of the state is to promote private investment in tourism related activities, yet the state has a significant responsibility specially when it comes to improvement of basic infrastructure- upgrading the condition of the roads, conserving the ecology of the state, conservation and renovation of places of tourist interest like lakes etc.
- 8.2.7** To attract tourist to a destination, facilities like travel services, medical services, telecommunication etc. need to be strengthened. The state plans to improve the roads, augment accommodation facilities, undertake waste management and sanitation, take on face lifting of settlements en route, develop parking spaces and trekking routes.
- 8.2.8** Here we have identified two regions where tourism development and up-gradation activity can begin. The Pithoragarh region has a great tourist potential but places in this region remained unexplored tourist destinations due to the remoteness and poor connectivity. There has been longstanding demand of the local population to develop basic infrastructure so that the region realizes its full tourism potential and attracts private investments. Similarly the Pauri-Kharsu-Lansdowne region has great tourist potential and the people inhabiting this region depend heavily on tourism as there is no
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other means of livelihood except limited agricultural activities. *In view of this we request the finance Commission to sympathetically consider our request for up-gradation facilities in these regions.*

ISSUES AND REQUIREMENT OF GRANTS FOR YATRA TOURISM

8.2.9 The tourism on the Yatra Routes (Yatra Tourism) put tremendous pressure on the local infrastructure. The tourists as well as the permanent residents of Uttaranchal have to bear with the shortage of services like the transport facility and cracking infrastructure. Many motorable roads have nominal or nil services in the region. Thus, the need of funds always exists to provide and improve on the infrastructural facilities.

8.2.10 Every year about 7 to 8 lakhs of devotees visit the Char Dham region and the number is increasing over the years. However, to visit each of the Char Dham one has to undertake a minimum stretch of 200 to 300 km. of hilly terrain, the condition of which further degrades during the rains. Although the state has made an effort to provide basic facilities like drinking water, accommodation facility, electrification etc., these however turn out to be insufficient considering the heavy rush in the summers and thus requires specific attention to these issues in a systematic manner.

8.2.11 The pressure of yatri inflow mounts in the months of May to November when most of the shrines become accessible. During these months the local authorities (Nagar Palika etc), which have the responsibility to maintain civic infrastructure, sanitation and drinking water, health and medical facilities and law and order come under tremendous stress. The need to provide these facilities assumes greater significance in view of the fact that average spending ability of 'Yatris', unlike leisure tourists, is quite low. Further, since a significant portion of the Char Dham Yatra is undertaken on foot, safety of the tourist comes out to be a major concern.

8.2.12 Consistent with the present day requirements, a number of schemes for ensuring stable and comfortable Yatra services are called for. The need lies not just to provide for

comfortable Yatra and adventure tourism, but also to maintain the already existing system of travel and infrastructure.

8.2.13 The state government has made a detailed master plan listing out the activities to be taken in the government sector. Thus a grant of Rs. 50 crores for augmentation of facilities on the Char Dham Yatra routes and 17.51 crores for development of five Prayags (Devprayag, Nandaprayag, Kareprayag, Rudraprayag and Vishnuprayag) which will include development of old ghats, betterment of road junction, development of parking lots, slope stabilisation, construction of suspension bridge, basic/emergency accident relief infrastructure, development of landscape gardens, developing SOS notification posts with emergency communication lines are asked for.

8.2.14 Besides the char Dham and the prayags, there are a number of other pilgrimage sites and sites of historical and religious importance which attract a lot of visitors. Also the kanwar mela has emerged as major activity, which attracts over 50 lakh pilgrims in the month of August. This not only becomes a charge on the state's limited resources but also restricts economic activity, as the national highway (between Haridwar and Meerut) remains closed for almost two weeks. The requests for grants to cope up these special problems are detailed in Volume 4.

SECTION III: VULNERABILITY AND CALAMITY RELIEF

- 8.3.0** Earthquakes, landslides, cloud burst, avalanches and forest fires are the major hazards that Uttarakhand is constantly exposed to. These calamities not only disrupt normal life by cutting off communication and choking essential supplies but also result in loss of life and property. Of the various calamities that Uttarakhand faces, earthquake is the most devastating disaster and also the most unpredictable one.
- 8.3.1** The earthquake proneness of Himalayas in general and Uttarakhand in particular is related to its geological history. The collision of alien plates over the decades has resulted in the creation of Himalayas, this movement of plate continues at present as well. This movement of plates results in tectonic slip along the thrusts and faults, that often results in earthquakes. Uttarakhand, being traversed by these tectonic boundaries, is highly vulnerable to earthquakes. Four of the frontier districts of Uttarakhand – Rudrapur, Chamoli, Pithoragarh and Bageshwar fall completely within Zone V, which is the most vulnerable seismic zone- also called very high damage risk zone. The southern four districts– Haridwar, Dehradun, Udham Singh Nagar and Nainital fall within the Zone IV; while the rest five fall in zone IV and V.
- 8.3.2** As causes of most of these disasters are rooted in the evolutionary history of the terrain and thus these natural disasters cannot be stopped or controlled from happening. However, human sufferings should be minimized through careful planning and effective mitigative measures. Thus there is a need to devise disaster management mechanisms so as to minimise their effects i.e., damage of property and loss of life and for the rapid and effective rescue, relief and rehabilitation of the victims.
- 8.3.3** Since 1990, Uttarakhand has experienced two major earthquakes (magnitude greater than 6 on Richter Scale) in Uttarkashi (1991) and Chamoli (1999), which have led to enormous damage to both life and property. There have also been a series of landslides/cloud burst
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such as Malpa (1998), Okhimath (1998), Fata (2001), Gona (2001), Khet Gaon (2002) and Budhakedar (2002).

- 8.3.4** Often the cumulative losses to human lives, interests and infrastructure by landslides far surpasses that by an earthquake and therefore mitigative planning is required for minimising the recurrent losses from landslides. A reconnaissance survey of the hill roads in Tehri Garhwal and Dehradun district revealed that on an average there are about 10 middle-sized landslides in each km., each of which deposits a massive 500 cu. meters of debris. Recent trends indicate increased occurrence of landslides and loss of lives, livestock and cultivated land.
- 8.3.5** Due to the inability to predict and explain the environmental change, especially in the Himalayan region, scientific research tools backed by adequate infrastructure and knowledge needs to be generated. The widened knowledge base will ensure mechanism to address the impacts of the calamities. The most important need at the state level is to strengthen and develop capacity to undertake disaster mitigation strategies. Vulnerability assessment is to be incorporated in the state development projects so that projects and future investments reduce the vulnerability. To make these plans effective and sustainable, the action plan for controlling the vulnerability has to be included in the overall economic and social development plans. This explains the need for a permanent administrative structure to monitor the developmental activities across departments, and provide suggestions for incorporating necessary mitigation measures.
- 8.3.6** The areas affected by a disaster need to be supplied sufficient drinking water, subsidy to the affected agricultural land, fodder for the animals, pesticides and insecticides to prevent the spread of major diseases, medicine to the interior of districts at the right time, temporary arrangements for the disaster affected victims, food and necessary items available to the flood affected areas and undertaking the rescue operation in the disaster affected area.
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- 8.3.7** To improve the ability of the state to deal with disasters, Uttaranchal has set up a Disaster Mitigation and Management Centre (DMMC). The DMMC participates at three levels- State Level, District Level and the Local Level. The Centre has varied areas of activities ranging from Research, Information dissemination, Awareness generation, Documentation, Capacity building, training and sensitization, formulation of strategy for Disaster Management, Consultancy and other activities. Beside management of various issues at the state, district, block and the village level, the Centre needs to expand its operations and level of activities by way of updating the information system and organizing workshops, seminars and awareness camps.
- 8.3.8** Considering the importance of calamity relief in a vulnerable zone like Uttaranchal and the significance of work done by bodies like DMMC, there exists a strong need to financially support the state to carry out the operations smoothly.
- 8.3.9** As per the terms of reference of the 12th Finance Commission the 'Commission may review the present arrangements as regards financing of Disaster management with reference to the National Calamity Contingency Fund and the Calamity Relief Fund and make appropriate recommendations thereon'.
- 8.3.10** In view of the above, we request the Finance Commission to take cognizance of both the disaster management as well as relief aspects stemming from the vulnerability of the state and increase the allocation to the vulnerable states like Uttaranchal.
- 8.3.11** The Government of Uttaranchal (GOUA) after carefully reviewing the performance of the Calamity Relief Fund (CRF) in the state would like to suggest some modifications in order to extend its coverage and to enlarge its scope. These changes will help the state like Uttaranchal to mitigate certain pressing difficulties faced during calamity control.
- As per the directions of Central Government, Calamity Relief Fund (CRF) was formed. The Centre finances 75 per cent of the Fund while the rest is financed by the
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state. For a disaster prone area Uttaranchal, which is also fiscally disadvantaged, the central assistance should come in the form of 100 per cent grant.

- Under the CRF, activities such as flood control and irrigation works undertaken due to cloudburst or flash flood, though critical for a vulnerable state like Uttaranchal, are not entitled for any financial assistance. This needs to be suitably revised and brought under the ambit of Calamity Relief Fund.
 - With respect to the assistance given to the small and marginal farmers, the GOUA makes a case to offer the existing level of subsidy to all areas above 3500 sea level as most of the farmers of the hill areas of the State belong to the BPL families.
 - The limit of the agricultural input subsidy should be lowered to cover crop loss above 35 per cent as against the existing provision of losses above 50 per cent. The subsidy in the rain fed areas should be enhanced to Rs 2000 per ha from the existing rate of Rs. 1000 per ha.
 - The employment generation scheme should be extended to people with annual income below Rs. 36000 in the DPAP and drought affected blocks.
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SECTION IV: UPGADATION AND SPECIAL PROBLEM GRANTS

8.4.0 Although the terms of reference of the 12th Finance Commission do not explicitly require it to take into account the requirements of the states for up-gradation of the standards of administration and special problem grants, this in no way binds the Commission not to consider these under Article 275(1) of the constitution.

8.4.1 The up-gradation grants issue was referred to for the first time in the terms of reference of the Sixth Finance Commission. As per the presidential order it was asked to consider:

“the requirements of states which are backward in standards of general administration for upgrading the administration with a view to bringing it to the level obtaining in the more advanced states over a period of ten years”

8.4.2 As pointed out by Vithal and Sastry (2001), the Commission took the view that the provision of fund to states that are backward in administrative and social services falls within the purview of Finance Commission and that the specific mention of this in terms of reference was only a confirmation of this view. After that the 7th and the 8th Finance Commissions had similar terms of reference with respect to up-gradation of standards. The terms of reference of the 9th Finance Commission, however, did not specifically refer to the up-gradation of standards of administration. The 9th Commission did not recommend up-gradation grants for the five years spanning 1990-1995 but decided to offer these grants for 1998-99 on special consideration. The terms of reference of the 10th and 11th Finance Commission were similar to those of 7th and 8th with regard to up-gradation grants and both the Commissions made recommendations with regard to these.

8.4.3 The Finance Commissions in the past have also recommended grants for the **special problems** in the states. These grants are different from up-gradation grants. The Eighth Finance Commission had identified special problems in 10 states and accordingly recommended grants to overcome these problems. The Ninth Commission had

recommended Rs. 122.25 crores for the Bhopal gas tragedy. The Tenth Commission identified special problems in 24 states and recommended Rs. 1246 crores for the period 1995-2000.

8.4.4 Thus, system of transfers under 'special purpose and up-gradation grants' has evolved over time and the various Commissions have adopted flexibility in this regard. In what follows, we emphasize why the situation in Uttaranchal requires a special dispensation from the 12th Finance Commission.

8.4.5 As argued earlier, the state began with a number of disadvantages right from its inception. As the Eleventh Finance Commission recommendations had already been made a few months preceding its birth, Uttaranchal could not get the much needed non-plan revenue grants. Uttaranchal's share in the non-plan revenue grants awarded to Uttar Pradesh was a measly Rs. 17 crores that too only for 2000-01. Further, it was loaded with a disproportionate and unfair burden of Uttar Pradesh's historical debt. Given its special status (on the basis of its inherent disabilities) the mechanism of transfer of liabilities, without any regard to the fact that it is a special category state, led to a disproportionate debt burden being thrust on Uttaranchal (See Chapter 6). Thus, Uttaranchal could not begin its journey as an independent state on a clean slate.

8.4.6 In the period preceding its formation, Uttaranchal's growth performance was quite dismal. During 1993-94 to 1999-2000, when the Indian economy had notched up its growth to 6.6 per cent, Uttaranchal's real GDP grew at an anemic 2.9 per cent. The poor growth performance is a direct consequence of the neglect of the region. It not only needs to create new infrastructure and but also needs to upgrade it in a number of areas.

8.4.7 The requirements of Uttaranchal under special problems and upgradation of standards can be broadly classified into three categories:

- Arising out of reorganization of the state
-

- Special problems (other than forestry, tourism and vulnerability)
- Requirements for up-gradation of standards

8.4.8 Re-organisation of the state: There was dire need for creation of new organs of state when Uttaranchal was carved out of Uttar Pradesh as a new state. It is almost three years since Uttaranchal came into existence. Till date it lacks infrastructure, office and residential buildings. These are critical for the functioning of the government, judiciary and delivery of services. Further, there is need to build airports, establish medical college etc.

8.4.9 Special Problems: Apart from the special problems/issues mentioned in Section 8.1 to 8.3 there are a number of state specific problems/issues. These relate to the augmentation of water systems, other yatra routes (other than char dham and 5 prayags), preservation of culture and heritage, creation of alternative routes for kanwar mela etc.

8.4.10 Up-gradation of Standards: The request for grants under this head relate to jails, police, fire services, facilities for ex-soldiers, forest roads and bridges etc.

8.4.11 In view of the special circumstances/problems arising out of reorganization of the state and the dire need for up-gradation of standards in Uttaranchal, we request the Commission to take a sympathetic view in this regard and recommend these grants, request for which is detailed in a separate volume (**Volume 4**).

Summary and Conclusions

9.0 Uttaranchal was born on November 9, 2000. Given the specificities of its terrain, economic structure, etc, it was carved out of Uttar Pradesh as the 27th state (10th special category state) of the Indian Union. While its split from Uttar Pradesh allows the state to start on a clean slate in some respects, the challenges before it are daunting indeed.

- The fiscal situation of a state is an outcome of the economic structure of the state as well as its fiscal practices. The revenue raising capability and the expenditure needs of a state are critically linked to its economic and demographic profile. The following fiscal implications emanate from the economic and demographic profile of Uttaranchal.
- The structure of the economy, particularly because of the relatively weak performance of the industrial sector, is not conducive to developing a strong and diversified revenue base in the short term.
- Lagging industrialisation has induced significant out migration amongst adult males, leading to a high incidence of both child and old age dependence. In addition, although the state has a high overall level of literacy, the gender gap at all levels of educational attainment is relatively high. Health indicators of women and children are also relatively weak. All these factors call for a concerted increase in the level and quality of public services.
- Terrain and habitation patterns do not allow the state to exploit scale economies in public service delivery and therefore significantly increase the cost of delivering a minimum level of these services.
- Partly due to terrain, but also because of relatively low levels of investment, the state has come into existence with a weak infrastructure base. Substantial investments will be needed to enhance the growth potential of the state; these will need to be maintained and operated to derive full value. Transfer calculations need

to take into account the increased exposure on operating and maintenance costs in the coming years.

- 9.1** The state's increasing fiscal stress is evident from the analysis of short fiscal history of Uttaranchal. Its indebtedness is rising at an alarming rate. The high and rising debt burden in Uttaranchal is, to a significant extent, explained by the disproportionate burden of liabilities on its separation from UP and the absence of Finance Commission grants. Both of these owe their origin to the fact that it was a special category state carved out of a non-special category state. Thus, the rising debt burden of Uttaranchal has been on account of factors outside its control. The state government had requested for interim relief on this account for the last two years of the award period of XIth Finance Commission, but this request could not be entertained as it was outside the terms of reference of the 12th Finance Commission.
- 9.2** We, therefore, request the Finance Commission to sympathetically examine the circumstances leading to Uttaranchal's indebtedness and award suitable debt relief. This will allow the new state of Uttaranchal, which has a daunting task ahead of itself- to start on clean slate, not bogged down by the liabilities, which have arisen for no fault of its own
- 9.3** Despite the fiscal disadvantages implicit in its profile, Uttaranchal has made commendable revenue raising efforts ever since it came into existence. Its sales tax effort in comparison to other Special Category States is exemplary indeed and in comparison to comparator states it is at a higher frontier.
- 9.4** Power has the potential to emerge as an important source of revenue for the state and the state has initiated a number of efforts in this direction. But, given the long gestation period of power projects in general and hydro projects in particular because of environmental considerations, the revenue flow will take place only after a lag of few years. We have built the expected revenue flows from new power projects in our revenue forecasts.

- 9.5 Expenditure levels are expected to rise in future to bring the state at par with other mainstream states. It is the endeavour of the state to spend on productive purposes viz. develop infrastructure and tourism and focus on social sectors. These efforts have immediate expenditure implications but the payoffs in the medium/long run should go a long way in improving the fiscal situation of Uttaranchal.
- 9.6 The state, therefore, needs support from Finance Commission in the transition period the extent of which has been estimated from the projected gaps in expenditures and revenues. The revenue and expenditure forecasts show that pre-devolution revenue deficit at Rs. 27060.6 crores for the period 2005-06 to 2009-10. The pre-devolution non-plan revenue deficit during the corresponding period is estimated at 15780.9 crores.
- 9.7 The existing devolution formula needs some modification, as in its current form it is unlikely to do justice to the newly formed states like Uttaranchal. While it is important to incentivize the revenue transfers to states to promote efficiency, it is equally important to ensure that the criteria used is objective and reliable. While per capita income is a good criteria for determining the revenue raising capacity of a state, structure of the economy also plays a critical role and should be given due weightage in the devolution formula.
- 9.8 The use of infrastructure index as a criteria for the devolution of taxes is essential as it recognizes the disabilities of states with poor infrastructure particularly in attracting investments. This assumes greater significance in the context of the present regime of liberalization and delicensing, where infrastructure related factors are influential in shaping the investment decisions of private investors. Further, the ability of the states to use fiscal incentives for attracting investments is fast diminishing. However, the infrastructure index in its present form does not fully capture the status of infrastructure.
- 9.9 Almost 62 per cent of Uttaranchal's area is under forests. We have argued that Uttaranchal's forest resources should be treated as a special feature with important implications for centre-state financial transfers. Drawing upon contemporary economic perspectives of forests, we emphasise the point that the benefits from the

state's forests flow far beyond its boundaries. Regulatory imperatives that induce the state to preserve its forests are not backed up by any economic incentives. As a result, the state faces a dilemma, involving a significant economic cost, between exploitation and preservation of its forests. Further increasing forest cover restricts the scope of economic activity due to stringent environmental regulations. The Finance Commission is requested to give due weight to the role of Uttarakhand's forests as a national and even global resource. Since this is a permanent feature of the state's economic structure, the best way to address it is to build it into the devolution formula with an appropriate weight. In the absence of such an amendment to the formula, it should be treated as special problem and given due consideration in arriving at the total quantum of transfers to the state.

- 9.10** Tourism has been identified as a thrust area in Uttarakhand. Tourism in Uttarakhand can be classified into two broad categories viz. pilgrimage tourism (Yatra tourism) and other tourism (leisure related). Uttarakhand is host to Haridwar, Rishikesh, the Char Dham and the sacred Ganga & Yamuna. Beside these there are many other pilgrimage sites and sites of historical and religious importance. These pilgrimage sites are a national heritage and play an important role in promoting national unity and integrity.
- 9.11** The tourism on the Yatra Routes (Yatra Tourism) put tremendous pressure on the local infrastructure. The tourists as well as the permanent residents of Uttarakhand have to bear with the shortage of services like the transport facility and cracking infrastructure. Many motorable roads have nominal or nil services in the region. Thus, the need of funds always exists to provide and improve on the infrastructural facilities. Besides this significant expenditures need to be incurred to create infrastructure in new tourist sites as well as strengthen/upgrade the existing ones.
- 9.12** Uttarakhand is constantly exposed to major hazards like earthquakes, landslides, cloud burst, avalanches and forest fires. These calamities not only disrupt normal life by cutting off communication and choking essential supplies but also result in loss of life and property. For a disaster prone area Uttarakhand, which is also fiscally

disadvantaged, the central assistance should come in the form of 100 per cent grant instead of 75 per cent grants. Under the CRF, activities such as flood control and irrigation works undertaken due to cloudburst or flash flood, though critical for a vulnerable state like Uttaranchal, are not entitled for any financial assistance. This needs to be suitably revised and brought under the ambit of Calamity Relief Fund.

9.13 The state was not provided with any additional assistance for creation of minimum necessary infrastructure to establish even the mandatory organs of the state after its creation. Although the terms of reference of the 12th Finance Commission do not explicitly require it to take into account the requirements of the states for up-gradation of the standards, but this has (in the past) no way bound the Finance Commission's to not consider these. In view of the special circumstances/problems arising out of reorganization of the state and the dire need for up-gradation of standards in Uttaranchal, we request the Finance Commission to sympathetically consider our requests for up-gradation and special purpose grants.

9.14 The state is committed to improving its fiscal situation in the coming years. This requires that it should start on a clean slate. We have demonstrated the fiscal implications of its split from a normal state in terms of negligible grants-in-aid from Finance Commission as well as disproportionate share in liabilities of Uttar Pradesh. The revenues from power projects and tourism will materialise with a lag. Therefore the support of the Finance Commission in the transition period will be critical for financial viability and future prosperity of the state.

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Table A.2.1: Composition of GDP (current Prices)

	Agriculture		Industry		Services	
	1993-94	1999-00	1993-94	1999-00	1993-94	1999-00
Uttaranchal	40.5	37.7	20.3	18.8	39.2	43.5
Himachal Pradesh	32.2	26.0	28.1	33.3	39.8	40.7
Assam	39.4	37.9	22.4	24.6	38.2	37.5
Arunachal	44.4	35.4	25.4	21.3	30.2	43.4
Jammu and Kashmir	32.9	30.7	21.8	19.0	45.4	50.3
Manipur	35.5	28.9	18.6	22.4	45.9	48.7
Meghalaya	25.3	25.0	20.6	20.8	54.1	54.2
Mizoram	29.6	22.2	16.3	15.9	54.1	61.9
Nagaland	24.4	28.6	13.9	13.5	61.7	58.0
Sikkim	34.8	26.6	19.2	19.0	45.9	54.4
Tripura	35.3	31.7	11.0	16.7	53.7	51.7
Jharkhand	22.7	23.3	49.1	45.3	28.2	31.4
Chattisgarh	31.1	23.9	39.4	40.7	29.4	35.5
Goa	14.8	8.8	36.5	27.8	48.7	63.3
Maharashtra	19.5	15.7	33.4	32.3	47.1	52.0
Punjab	46.1	40.5	21.8	24.3	32.1	35.2
All Special Category States	36.3	33.1	21.6	22.8	42.1	44.1
All-India	31.0	26.2	26.3	26.0	42.8	47.8

Table A.2.2: Composition of Service Sector GDP						
	Uttanchal	Himachal Pradesh	Jharkhand	Chhatisgarh	All Special Category States	All-India
1993-94						
Transport, Storage & Communication	12.5	8.4	18.4	18.8	10.7	15.3
- Railways	0.9	0.2	9.4	10.4	0.8	2.9
- Transport by other means	9.9	6.0	7.1	6.6	8.6	9.4
- Storage	0.1	0.0	0.0	0.0	0.0	0.2
- Communication	1.6	2.2	1.9	1.8	1.2	2.8
Trade Hotels and Restaurants	26.5	21.5	36.6	29.8	30.4	29.7
Banking & Insurance	9.6	9.9	6.3	5.2	6.2	12.5
Real Estate, Ownership of Dwelling & Business Services	14.8	16.6	11.6	19.5	12.8	14.5
Public Administration	18.4	20.0	11.3	10.0	21.0	13.1
Other services	18.2	23.7	15.8	16.6	19.0	15.0
1999-00						
Transport, Storage & Communication	8.2	9.8	18.9	20.0	10.2	14.8
- Railways	0.8	0.2	7.6	6.8	0.9	2.9
- Transport by other means	5.7	7.5	8.1	10.3	8.1	9.4
- Storage	0.3	0.0	0.0	0.0	0.0	0.2
- Communication	1.4	2.1	3.1	2.9	1.2	2.8
Trade Hotels and Restaurants	29.5	19.1	26.8	27.5	24.3	29.7
Banking & Insurance	11.6	10.7	10.2	6.5	7.9	12.5
Real Estate, Ownership of Dwelling & Business Services	12.9	9.3	11.9	17.4	9.4	14.5
Public Administration	21.4	20.5	15.8	10.5	24.9	13.1
Other services	16.4	30.5	16.5	18.1	23.3	15.0

Source: Central Statistical Organisation.

Table A.2.3: Per capita Consumption Expenditure Per Month and its Distribution (1999-2000)									
State	Urban per capita consumption expenditure (Rs.)	Rural composition food (%)	Rural composition non food (%)	Rural per capita consumption expenditure (Rs.)	Urban composition food (%)	Urban composition non food (%)	Urban per capita consumption expenditure (Rs.)	Total composition food (%)	Total composition non food (%)
Arunachal Pradesh	762.6	55.6	44.4	646.5	57.7	42.3	655.8	55.8	44.2
Assam	814.0	67.6	32.4	426.0	55.4	44.6	465.6	65.5	34.5
Jammu & Kashmir	952.9	62.6	37.4	677.2	55.5	44.5	733.1	60.7	39.3
Manipur	707.8	63.1	36.9	537.8	56.4	43.6	579.8	61.1	38.9
Meghalaya	971.7	60.5	39.5	563.0	47.0	53.0	631.7	57.0	43.0
Mizoram	1056.6	59.4	40.6	721.8	52.0	48.0	856.0	55.7	44.3
Nagaland	1242.4	58.9	41.1	941.3	47.6	52.4	1033.3	54.8	45.2
Sikkim	905.7	56.8	43.2	531.8	47.5	52.5	569.2	55.3	44.7
Tripura	876.6	65.2	34.8	528.4	56.2	43.8	575.6	63.3	36.7
Uttaranchal	836.2	58.7	41.3	558.4	50.2	49.8	629.5	55.8	44.2
Himachal Pradesh	1243.0	56.0	44.0	684.4	45.3	54.7	733.8	54.4	45.6
All Special Category States	896.9	62.9	37.1	532.0	52.8	47.2	586.5	60.6	39.4
Chhattisgarh	675.3	63.1	36.9	366.5	52.3	47.7	413.0	60.5	39.5
Jharkhand	670.5	67.9	32.1	374.8	55.7	44.3	431.0	64.3	35.7
All India	854.9	59.4	40.6	486.0	48.1	51.9	578.8	55.2	44.8

Source: NSS 55th Round 1999-00.

Table A.2.4: Per Capita GSDP					
	1993-94	1999-00 Current Prices	1999-2000 1993-94 Prices	CAGR	
				Current Prices	1993-94 Prices
Uttaranchal	8928.5	14807.7	9521.5	8.8	1.1
Himachal Pradesh	8856.8	19998.5	12026.3	14.5	5.2
Assam	6422.0	10850.0	6813.0	9.1	1.0
Arunachal	9492.0	14944.0	9650.0	7.9	0.3
Jammu and Kashmir	7545.5	13883.3	8734.7	10.7	2.5
Manipur	6685.0	14201.0	9078.0	13.4	5.2
Meghalaya	7757.0	13702.0	9408.0	9.9	3.3
Mizoram	10033.0	16312.0	11200.3	8.4	1.9
Nagaland	9576.0	13770.0	9516.0	6.2	-0.1
Sikkim	8457.0	16343.0	10884.0	11.6	4.3
Tripura	5872.0	11127.0	7246.0	11.2	3.6
Jharkhand	7126.0	10883.0	7881.0	7.3	1.7
Chattisgarh	7619.0	12392.0	8188.0	8.4	1.2
Maharashtra	13686.0	25601.0	17252.0	11.0	3.9
Punjab	14203.1	26142.2	16957.6	10.7	3.0
All Special Category States	7155.6	13125.1	8309.7	10.6	2.5
All-India	8759.5	17538.8	11473.5	12.3	4.6

Source: Central Statistical Organisation.

Table A.2.5: Sex Ratio

States	Sex ratio Rural 1991 Females per 1000 males	Sex ratio Rural 2001 Females per 1000 males	Sex ratio Total 1991 Females per 1000 males	Sex ratio Total 2001 Females per 1000 males	Sex ratio Urban 1991 Females per 1000 males	Sex ratio Urban 2001 Females per 1000 males
Arunachal Pradesh	880	915	859	901	728	850
Assam	934	940	923	932	838	878
Jammu & Kashmir	910	927	896	900	849	822
Manipur	951	969	958	978	975	1009
Meghalaya	966	972	955	975	910	985
Mizoram	912	925	921	938	932	951
Nagaland	917	932	886	909	749	809
Sikkim	892	881	878	875	750	828
Tripura	942	948	945	950	958	962
Uttaranchal	977	1007	936	964	810	850
Himachal Pradesh	990	991	976	970	831	797
Uttar Pradesh	879	904	876	898	864	879
Chhattisgarh	1000	1005	985	990	917	932
Jharkhand	950	963	922	941	826	870
All Special Category States	942	952	927	937	850	869
All-India	938	946	927	933	893	901

Source: Census 2001.

Table A.2.6: Dependency Ratios (1999-2000)

States	Old Age Dependency (%)			Child Dependency (%)			Total Dependency (%)		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Arunachal Pradesh	1.0	4.2	4.0	92.0	95.0	95.0	94.0	99.0	98.0
Assam	7.0	7.0	7.0	60.0	89.0	85.0	68.0	96.0	93.0
Jammu & Kashmir	9.0	11.0	10.0	78.0	80.0	79.0	87.0	91.0	90.0
Manipur	10.0	8.0	9.0	75.0	79.0	78.0	85.0	87.0	86.0
Meghalaya	4.0	5.0	5.0	86.0	101.0	98.0	90.0	106.0	103.0
Mizoram	6.0	7.0	7.0	79.0	92.0	87.0	85.0	99.0	93.0
Nagaland	3.0	11.0	8.0	85.0	86.0	85.0	87.0	97.0	94.0
Sikkim	7.0	9.0	9.0	70.0	87.0	85.0	77.0	95.0	93.0
Tripura	9.0	9.0	9.0	66.0	86.0	83.0	75.0	94.0	91.0
Uttaranchal	8.5	17.0	15.0	94.0	100.0	98.0	103.0	117.0	113.0
Himachal Pradesh	10.0	14.0	14.0	68.0	81.0	80.0	77.0	95.0	94.0
All special category states	8.0	10.0	9.0	74.0	88.0	86.0	82.0	97.0	95.0
Uttar Pradesh	8.0	13.0	12.0	100.0	118.0	114.0	109.0	131.0	126.0
Chhattisgarh	8.0	9.0	9.0	81.0	93.0	91.0	89.0	102.0	100.0
Jharkhand	7.0	8.0	8.0	90.0	93.0	93.0	98.0	101.0	100.0
All India	9.0	11.0	10.0	74.0	92.0	87.0	84.0	103.0	98.0

Source: NSS 55th Round 1999-2000

Table A.2.7: Households with Pucca Houses and Access to Toilet Facility (2001)

States	Percentage of households with	
	Pucca Houses	Toilet Facility
Arunachal Pradesh	20.4	11.0
Assam	19.7	15.9
Jammu & Kashmir	55.0	8.8
Manipur	8.4	8.7
Meghalaya	22.2	12.3
Mizoram	53.0	19.5
Nagaland	16.3	8.7
Sikkim	37.7	32.1
Tripura	9.9	11.7
Uttaranchal	86.3	15.4
Himachal Pradesh	64.5	11.4
All Special Category States	38.0	13.7
Uttar Pradesh	53.4	8.0
Chhattisgarh	25.4	8.9
Jharkhand	31.4	10.7
All India	51.8	18.0

Source: Census 2001

Table A2.8: Distribution of villages as per availability of services(%)				
Unit	< 1 km.	1 to 5 km	> 5 km	Total
Drinking water	94.5	5.5	0.0	100.0
Co-educational Primary school	60.8	35.6	3.6	100.0
Secondary school (Boys)	13.6	63.6	22.8	100.0
Secondary school (Girls)	2.8	37.4	59.8	100.0
Higher Secondary (Boys)	7.0	61.4	31.6	100.0
Higher Secondary (Girls)	0.5	26.9	72.6	100.0
Allopathic Clinic, Dispensary and PHC	3.6	35.3	61.1	100.0
Metal roads in village	40.1	35.2	24.7	100.0
Railway Station	0.1	2.8	97.1	100.0
Bus Stop	15.7	51.5	32.7	100.0
Post-Office	15.6	59.0	25.4	100.0
Commercial Bank	3.3	40.5	56.3	100.0

Source: Statistical Diary Uttaranchal 2001-02.

Table A.2.9: Literacy Rates										
States	Male		Female		Rural		Urban		Total	
	1991	2001	1991	2001	1991	2001	1991	2001	1991	2001
Arunachal Pradesh	51.5	64.1	29.7	44.2	37.0	48.3	71.6	78.8	41.6	54.7
Assam	61.9	71.9	43.0	56.0	49.3	60.9	79.4	85.8	52.9	64.3
Jammu & Kashmir		65.8		41.8		48.2		72.2		54.5
Manipur	71.6	77.9	47.6	59.7	55.8	65.3	70.5	80.0	59.9	68.9
Meghalaya	53.1	66.1	44.9	60.4	41.1	57.0	81.7	87.1	49.1	63.3
Mizoram	85.6	90.7	78.6	86.1	72.5	80.5	93.5	96.3	82.3	88.5
Nagaland	67.6	71.8	54.7	61.9	57.2	63.0	83.1	86.0	61.6	67.1
Sikkim	65.7	76.7	46.8	61.5	54.4	67.7	80.9	84.8	56.9	69.7
Tripura	70.6	81.5	49.6	65.4	56.1	70.2	83.1	89.5	60.4	73.7
Uttaranchal	72.8	84.0	41.6	60.3	52.7	68.9	74.0	81.5	57.7	72.3
Himachal Pradesh	74.1	86.0	51.5	68.1	60.8	74.4	84.2	89.6	62.9	75.9
All Special Category States	54.1	74.4	37.2	56.7	43.3	62.1	59.5	82.3	46.0	65.9
Chhattisgarh	58.1	77.9	27.5	52.4	36.7	60.9	71.4	81.1	42.9	65.1
Jharkhand	55.8	67.9	25.5	39.4	32.7	46.3	71.7	79.9	41.4	54.1
All India	63.2	75.9	38.7	54.2	44.0	59.2	72.2	80.1	51.5	65.2

Source: Census 1991, 2001.

Table A.2.10: Gap In Literacy Rate								
States	Gap in literacy rate by residence Total		Gender gap in literacy rate (%)		Gender gap in literacy rate (%)		Gender gap in literacy rate	
	Urban-Rural		Rural		Urban		Total	
	1991	2001	1991	2001	1991	2001	1991	2001

Arunachal Pradesh	34.6	30.5	21.7	20.5	15.8	15.0	21.8	19.9
Assam	30.1	24.9	19.5	16.8	11.1	8.9	18.9	15.9
Jammu & Kashmir		24.0		25.2		18.1		24.0
Manipur	14.7	14.7	24.3	18.6	23.4	17.2	24.0	18.2
Meghalaya	40.6	30.1	7.7	5.9	8.4	5.6	8.2	5.7
Mizoram	21.0	15.8	10.4	8.2	3.6	1.3	7.0	4.6
Nagaland	25.9	23.0	13.0	9.8	6.8	6.9	12.9	9.9
Sikkim	26.5	17.1	19.3	16.0	10.3	8.4	18.9	15.2
Tripura	27.0	19.3	22.8	17.9	12.1	8.1	21.0	16.1
Uttaranchal	21.3	12.6	35.0	27.2	15.3	12.4	31.2	23.7
Himachal Pradesh	23.4	15.2	23.4	18.4	10.7	6.6	22.6	17.5
All Special Category States	16.2	20.2	18.0	18.7	9.7	11.3	16.9	17.7
Chhattisgarh	34.7	20.2	31.4	27.2	23.8	18.3	30.6	25.6
Jharkhand	39.0	33.6	31.7	31.3	20.6	17.0	30.3	28.5
All India	28.2	20.9	26.8	24.6	16.7	13.4	24.5	21.6

Source: Census 2001.

Table A.2.11: Education Attainment (1998-99)							
Percent of household population age 6 and above by level of education							
State	Illiterate	Literate, < primary school complete	Primary school complete	Middle school complete	High school complete	Higher secondary complete & above	Total Percent
MALE							
Arunachal Pradesh	27.0	26.6	16.5	13.2	7.4	9.2	99.9
Assam	25.4	27.2	15.7	15.8	6.9	8.9	99.9
Jammu & Kashmir	31.2	15.0	14.9	18.1	11.6	9.1	99.9
Manipur	20.3	15.0	14.7	20.5	12.3	17.3	100.1
Meghalaya	28.3	35.1	14.0	11.2	5.5	5.8	99.9
Mizoram	6.4	31.9	24.4	19.7	7.6	9.9	99.9
Nagaland	19.4	27.6	20.3	15.3	8.7	8.5	99.8
Sikkim	20.7	32.0	20.2	11.2	7.2	8.6	99.9
Tripura	14.7	29.9	19.8	18.8	7.1	9.7	100.0
Uttaranchal	12.6	22.3	19.0	15.0	13.0	18.0	99.9
Himachal Pradesh	14.6	17.8	21.0	14.8	19.7	12.1	100.0
Uttar Pradesh	28.2	22.0	15.9	13.8	8.9	11.2	100.0
Chattisgarh	23.1	29.5	20.3	10.5	6.5	10.1	100.0
Jharkhand	34.0	21.7	14.4	11.7	9.1	9.0	99.9
All India	25.5	21.1	18.4	13.0	10.7	11.2	99.9
FEMALE							
Arunachal Pradesh	43.0	22.0	14.5	11.3	5.2	4.0	100.0
Assam	40.9	24.0	12.5	13.7	4.9	3.8	99.8
Jammu & Kashmir	55.3	12.1	11.6	10.8	5.6	4.7	100.1
Manipur	41.3	13.1	11.6	15.5	7.4	11.0	99.9
Meghalaya	33.2	35.9	13.0	9.4	4.6	3.9	100.0
Mizoram	10.6	36.3	21.7	17.9	7.5	6.0	100.0
Nagaland	31.7	26.3	19.1	13.2	5.4	4.3	100.0
Sikkim	35.6	26.4	18.0	10.3	5.2	4.5	100.0
Tripura	26.8	27.7	20.6	15.4	4.5	5.0	100.0
Uttaranchal	38.9	17.7	16.2	9.4	6.8	10.9	99.9
Himachal Pradesh	31.3	16.0	21.7	12.1	11.8	7.1	100.0
Uttar Pradesh	57.3	16.2	11.4	6.3	3.6	5.1	99.9
Chattisgarh	52.2	21.9	12.9	6.0	3.1	4.0	100.1
Jharkhand	61.4	16.5	9.8	6.5	3.3	2.5	100.0
All India	48.6	17.1	14.5	8.1	6.0	5.6	99.9
GENDER GAP (Total)							
Arunachal Pradesh	-16.0	4.6	2.0	1.9	2.2	5.2	
Assam	-15.5	3.2	3.2	2.1	2.0	5.1	
Jammu & Kashmir	-24.1	2.9	3.3	7.3	6.0	4.4	
Manipur	-21.0	1.9	3.1	5.0	4.9	6.3	
Meghalaya	-4.9	-0.8	1.0	1.8	0.9	1.9	
Mizoram	-4.2	-4.4	2.7	1.8	0.1	3.9	
Nagaland	-12.3	1.3	1.2	2.1	3.3	4.2	
Sikkim	-14.9	5.6	2.2	0.9	2.0	4.1	
Tripura	-12.1	2.2	-0.8	3.4	2.6	4.7	
Uttaranchal	-26.3	4.6	2.8	5.6	6.2	7.1	
Himachal Pradesh	-16.7	1.8	-0.7	2.7	7.9	5.0	
Uttar Pradesh	-29.1	5.8	4.5	7.5	5.3	6.1	
Chattisgarh	-29.1	7.6	7.4	4.5	3.4	6.1	
Jharkhand	-27.4	5.2	4.6	5.2	5.8	6.5	
All India	-23.1	4.0	3.9	4.9	4.7	5.6	

Source: National family and Health Survey.

Table A.2.12: Mortality Rates (1999-2000)			
States	Infant	Child	Under Five
Arunachal Pradesh	63.1	37.4	98.1
Assam	69.5	21.4	89.5
Jammu & Kashmir	65	16.1	80.1
Manipur	37	19.9	56.1
Meghalaya	89	36.2	122
Mizoram	37	18.4	54.7
Nagaland	42.1	22.7	63.8
Sikkim	43.9	28.4	71
Tripura	44.2	7.4	51.3
Uttaranchal	37.6	19.2	56.1
Himachal Pradesh	34.4	8.3	42.4
All Special Category States			
Uttar Pradesh	86.7	39.2	122.5
Chhattisgarh	80.9	45.4	122.7
Jharkhand	54.3	25.4	78.3
All India	67.6	29.3	94.9

Note: Rates on per thousand basis

Source: NSS 55th Round

Table A.2.13: Health Indicators (1998-99)			
States	Percent of women with anaemia	Percent of children with acute respiratory infection in the past 2 weeks taken to a health facility or provider	Percent of children who received all vaccinations
Arunachal Pradesh	62.5	49.2	20.5

Assam	69.7	41.7	17
Jammu & Kashmir	58.7	76.2	56.7
Manipur	28.9	45	42.3
Meghalaya	63.3	48.7	14.3
Mizoram	48	51	59.6
Nagaland	38.4	28	14.1
Sikkim	61.1	41.3	47.4
Tripura	59	74.2	40.7
Uttaranchal	45.6	71.4	40.9
Himachal Pradesh	40.5	95.6	83.4
All Special Category States			
Uttar Pradesh	48.7	61.3	21.2
Chhattisgarh	68.7	61.6	21.8
Jharkhand	72.9	41.1	8.8
All India	51.8	64	42

Source: National family and Health Survey.

Table A.3.1: Composition of Revenue Expenditure of Uttaranchal (Per cent Share)

	2001-02			2002-03			2003-04		
	Non-Plan	Plan	Total	Non-Plan	Plan	Total	Non-Plan	Plan	Total
General Services	37.15	0.49	30.86	43.53	1.85	30.42	44.53	0.81	29.86
Organs of State	1.28	0.01	1.06	1.28	0.02	0.89	1.27	0.08	0.87
Fiscal Services	2.03	0.34	1.74	1.91	0.81	1.57	2.04	0.13	1.40
Interest Payment and Debt Servicing	22.88	0.00	18.96	21.54	0.00	14.76	22.45	0.00	14.92
Administrative Services	9.84	0.14	8.17	10.86	1.02	7.77	10.75	0.60	7.35
Others(residual)	1.13	0.00	0.93	7.93	0.00	5.44	8.01	0.00	5.32
Social Services	40.60	50.90	42.36	37.29	48.60	40.84	34.66	45.86	38.42
General Education	22.12	24.08	22.46	29.08	8.06	22.47	23.41	11.63	19.45
Technical Education	1.27	1.54	1.31	0.54	1.20	0.75	0.54	0.87	0.65
Medical and Public Health of which	4.72	1.08	4.10	4.25	1.41	3.35	4.62	3.08	4.10
i.Rural Health Services	0.00	0.44	0.08	1.88	0.90	1.57	1.91	1.61	1.81
ii.Urban Health Services	2.24	0.41	1.93	1.85	0.13	1.31	1.85	0.26	1.31
Water Supply and Sanitation	5.36	8.83	5.95	0.00	12.54	3.94	0.00	10.93	3.67
Housing	0.15	0.00	0.13	0.08	0.00	0.06	0.07	0.00	0.04
Urban Development	0.59	0.58	0.59	0.08	7.52	2.42	0.08	9.35	3.19
Nutrition	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others(residual)	6.37	14.79	7.82	3.25	17.88	7.85	5.95	10.01	7.31
Economic Services	19.54	48.62	24.53	15.31	46.85	25.23	14.51	53.33	27.54
Agricultural and Allied	8.04	30.58	11.90	6.85	16.36	9.84	6.48	15.19	9.40
i. Forestry and Wildlife	2.43	22.45	5.86	2.33	6.28	3.57	2.75	6.54	4.02
Rural Development	0.23	2.70	0.65	0.00	4.25	1.34	0.00	12.29	4.12
Rural Employment	0.00	0.00	0.00	0.00	0.14	0.04	0.00	0.19	0.07
Special Areas Program(Hill Area)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Major and Medium Irrigation	3.38	0.00	2.80	3.22	0.00	2.21	2.89	0.00	1.92
Minor Irrigation	0.98	2.91	1.31	0.82	2.21	1.26	0.75	0.42	0.64
Roads and Bridges	1.91	0.00	1.58	1.39	0.41	1.08	1.09	0.29	0.82
Tourism	0.26	0.21	0.26	0.06	0.61	0.23	0.06	0.78	0.30
Others(residual)	4.74	12.21	6.02	2.98	22.87	9.23	3.23	24.17	10.26
Compensation to Local Bodies									
Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	2.72	0.00	2.25	3.88	2.70	3.51	6.30	0.00	4.18

Source: Budget 2003-04, Government of Uttaranchal.

Table A3.2: Per Capita Estimates (2000-01)

States	Debt	Interest	Own Tax	Own N Tax	Fiscal Def	Rev Def	Rev EXP	Rev Rec	Capital Outlay
Uttaranchal*	5236.2	641.4	1186.0	359.2	2108.9	1364.4	4731.2	3366.4	732.1
Himachal Pradesh	12951.6	1313.6	1198.6	291.3	3035.6	2189.5	7201.0	5011.5	824.8
Assam	3828.7	324.8	530.1	197.8	578.1	292.6	2409.0	2116.3	210.8
Arunachal Pradesh	8917.5	1106.2	189.7	583.8	1925.5	-475.7	8326.3	8802.0	2390.9
Jammu and Kashmir	8699.2	838.6	742.9	237.7	2151.4	1249.9	6638.9	5389.0	855.1
Manipur	7083.5	743.9	205.6	174.6	981.3	361.3	4734.5	4373.2	619.0
Meghalaya	4540.2	493.0	514.3	376.0	1082.4	-228.5	4681.1	4909.7	980.2
Mizoram	12344.9	1135.7	161.6	453.4	4211.8	2170.5	11465.0	9294.6	1837.0
Nagaland	9594.5	975.5	282.6	220.8	1804.3	2.0	7141.6	7139.6	1707.3
Sikkim	13524.7	1456.1	1217.4	5347.0	934.3	-1837.2	14122.3	15959.5	2792.5
Tripura	6925.4	708.2	393.6	296.1	1395.1	300.5	5433.7	5133.2	1086.4
All Spl Cat States	6424.5	638.3	684.5	299.9	1457.8	740.5	4641.8	3901.2	656.9
All-India	4849.9	503.4	1148.8	306.3	871.8	521.6	2838.5	2316.9	303.1

Source: RBI State Finances and Utranchal Budget 2003-4.

Note: The data relates to 2002-03RE.

Table A3.3: Fiscal Parameters 2000-01 (As per centage of GSDP)

States	Debt	Interest	Own Tax	Own N Tax	Fiscal Def	Rev Def	Rev EXP	Rev Rec	Capital Outlay
Uttaranchal	29.3	3.6	6.6	2.0	11.8	7.6	26.4	18.8	4.1
Himachal Pradesh	60.8	6.2	5.6	1.4	14.3	10.3	33.8	23.5	3.9
Assam	33.2	2.8	4.6	1.7	5.0	2.5	20.9	18.4	1.8
Arunachal Pradesh	54.6	6.8	1.2	3.6	11.8	-2.9	51.0	53.9	14.6
Jammu and Kashmir	61.5	5.9	5.3	1.7	15.2	8.8	46.9	38.1	6.0
Manipur	47.4	5.0	1.4	1.2	6.6	2.4	31.7	29.3	4.1
Meghalaya	28.9	3.1	3.3	2.4	6.9	-1.5	29.8	31.2	6.2
Mizoram	62.2	5.7	0.8	2.3	21.2	10.9	57.8	46.8	9.3
Nagaland	68.1	6.9	2.0	1.6	12.8	0.0	50.7	50.7	12.1
Sikkim	80.2	8.6	7.2	31.7	5.5	-10.9	83.8	94.7	16.6
Tripura	48.8	5.0	2.8	2.1	9.8	2.1	38.3	36.2	7.7
All Spl Cat States	44.4	4.4	4.7	2.1	10.1	5.1	32.1	27.0	4.5
All-India	26.0	2.7	6.2	1.6	4.7	2.8	15.2	12.4	1.6

Source: RBI State Finances and Utranchal Budget 2003-4

Note: The data relates to 2002-03RE

Table A8.1: Upgradation and Special Problem Grants		
S.No	Name of Work/Scheme	Amount (Rs.in crores)
Related to Reorganisation of State		
	Construction of Assembly Building	10.0
	Construction of Governor House and Secretariat	5.0
	Expansion of High Court building and residential buildings at High Court Nainital	5.0
	Construction of Civil Secretariat and Planning Commission Building.	25.0
	Construction of Uttaranchal Niwas and RC Office at New Delhi	50.0
	Construction of State Government Offices Complex at Dehradun	50.0
	Construction of Residential Buildings at Dehradun	50.0
	Construction of State Guest House at Dehradun	10.0
	Construction of Public Service Commission Office and Residences	10.0
	Construction of Police Headquarter Building at Dehradun	5.0
	Establishment of Police Radio Headquarter at Dehradun	3.0
	Construction of C.I.D Headquarter	0.5
	Construction of Home guard and Civil Defense Headquarters and central training institute.	1.5
	Constriction of intelligence and security Headquarter and intelligence training school	1.5
	Establishment of Medical College at Srinagar	50.0
	Establishment of Ayurvedic University and Hospital	5.0
	Establishment of State Information Centre and Networking with Districts	1.0
	Establishment of New Transport Corporation .	50.0
	Development of Air ports at Dehradun & Pantnagar and other air-strips.	60.0
	Road Connectivity between Kumaon and Garhwal regions of Uttaranchal.	35.5
	Creation of Chief Revenue Commissioners courts and two circuit courts at Dehradun , Pauri and Nainital	8.0
Special Problems		
	Augmentation of traditional water resources	14.0
	Reorganisation and augmentation of defunct existing water supply schemes.	100.0
	Strengthening of sewerage system of tourist towns	100.0
	Augmentation of facilities on Char Dham Yatra Routes excluding 5 Prayags.	50.0
	Development of new tourist destinations at Pithrogarh and Pauri	30.0

S.No	Name of Work/Scheme	Amount (Rs.in crores)
	Development of the five Prayags, (Devprayag,Nandprayag,Kareprayag,Rudraprayag and Vishnuprayag) yatra circuit.	17.5
	Strengthening of urban Infrastructure at tourist towns and centers	50.0
	Creation of alternative roads and other amenities for kanwar mela	100.0
	Strengthening and improving existing baur and Haripur Dams	22.5
	Support to local fairs	20.0
	Strengthening of Infrastructure in In International Border Areas	10.0
	Potection of Cultural Heritage of Tribes	5.0
Upgradation of Standards		
	Construction of six district Jails and two Central Jails in the State.	68.0
	Establishment of Police Training College	6.0
	Establishment of Eiight Fire Stations	26.0
	Construction of Police Station Buildings	15.0
	Construction of Portable residential harts and emergency shelter	3.0
	Construction of Police Lines Building	5.0
	Up-gradation of Secondary and Higher Education Institutions	50.0
	Conservation of Religious and Historical sites.	10.0
	Up-gradation of medical facilities at State Hospitals	100.0
	Strengthening of Agricultural University of Pantnagar	98.6
	Upgradation of infrastructure facilities at Mussooree- Dehradun and Nainital Haldwani Routes.	50.0
	Upgradation of forest roads and bridges	70.0
	Establishment of Ex-soldiers Guest Houses and Welfare Centers	13.0
	Construction of District level offices, Tehsil Buildings and Block Building	100.0
	Computerization of Trade Tax Department	5.0
	Development of Industrail Estates	100.0
	Revival of sick Industrial units	50.0
	Strengthening of Disaster Management and Mitigation Centre	7.3
	Strengthening of Revenue Police	10.0
	Construction and Upgradation of forest chowkis/residence and check posts	25.0
Total	All the Above	1766.9