सत्यमेव जयते

Government of Maharashtra

MEMORANDUM TO THE FOURTEENTH FINANCE COMMISSION

Government of Maharashtra
Mumbai
30-31th January,2014

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Abbreviations

AWCs	Anganwadi Centers
BEST	Bombay Electric Supply and Transport Company
BE	Budget Estimates
CRF	Calamity Relief Fund
CPC	Central Pay Commission
CST	Central Sales Tax
CAS	Centrally Assisted Schemes
CSS	Centrally Sponsored Schemes
CIDCO	City and Industrial Development Corporation
CZMP	Coastal Zone Management Plan
CETP	Common Effluent Treatment Plants
CTS	Comprehensive Transportation Study
EA	Electricity Act
EC	Empowered Committee of State Finance Ministers
FSSAI	Food Safety and Standards Authority of India
FSA	Food Security Act
GST	Goods & Service Tax
GDP	Gross Domestic Product
GSDP	Gross State Domestic Product
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
KT	Kolhapur Type
LARR 2013	Land Acquisition, Rehabilitation and Resettlement Bill 2013
LBs	Local Bodies
LBT	Local Body Taxes
MAFSU	Maharashtra Animal and Fisheries Sciences University
MHADA	Maharashtra Housing & Area Development Authority
MIDC	Maharashtra Industrial Development Corporation
MSRTC	Maharashtra State Road Transport Corporation
MWRRA	Maharashtra Water Resources Regulatory Authority
MWSIP	Maharashtra Water Sector Improvement Plan
MSME	Micro, Small and Medium Enterprises
MMR	Mumbai Metropolitan Region
MMRDA	Mumbai Metropolitan Region Development Authority
NDRF	National Disaster Relief Fund
NSSF	National Small Savings Fund
NDDP	Net District Domestic Product
NDP	Net Domestic Product
NSDP	Net State Domestic Product
O&M	Operation & Maintenance
ONTR	Own Non Tax Revenue
OTR	Own Tax Revenue

PSs	Panchayat Samitis
PRI	Panchayati Raj Institutions
PFRDA	Pension Fund Regulatory and Development Authority
RRR	Repair Renovation Restoration
RNR	Revenue Neutral Rate
RE	Revised Estimates
STP	Sewage Treatment Plants
SEZ	Special Economic Zone
SDRF	State Disaster Response Fund
SEIAA	State Level Environmental Impact Assessment Authority
SLEAC	State Level Expert Appraisal Committee
ULBs	Urban Local Bodies
VAT	Value Added Tax
VPs	Village Panchayats
ZPs	Zilla Parishads

1 Profile – Social & Economic

1.1 Introduction

Maharashtra, comprising 9.4 % of India's geographical mass, is its second largest state and with a population of 11.24 crore (9.3% of total population of India) is also the second largest state in terms of population. It is highly urbanized with 45.2 % people residing in urban areas. Maharashtra has done reasonably well economically and is a top performing state in attracting investments.

Table 1.1: Maharashtra Fact file

Maharashtra Fact file	2011
No. of Districts	35
Population, total (crore)	11,23,74,333
Population growth (decennial %)	15.99%
Rural	61,556,074
Urban (45.2%)	50,818,259
Scheduled Caste persons (11.8%)	1,32,75,898
Scheduled Tribes persons (9.4%)	1,05,10,213
Literacy rate	82.34%
Density (per sq.Km)	365
Sex Ratio	929

Source: Primary Census Abstract, Maharashtra, Census 2011

Mumbai, the capital of Maharashtra, is the financial capital of India. It houses the headquarters of most of the major corporate & financial institutions. India's main stock exchanges & capital market and commodity exchanges are located in Mumbai. Maharashtra is one of the most industrialized states of India and has been a pioneer in chemical, automobile & textile industries.

1.2 Geography

Maharashtra occupies the western and central part of the country and has a long coastline stretching nearly 720 kilometers along the Arabian Sea. Maharashtra's total geographical area is 3.08 lakh sq. km and it has a forest cover of 61,358 sq.km which is over 20% of its geographical area.

The Western Ghats zone which is 12.2% of state's geographical area comprises of the Malabar Plains and the Western Ghat mountains. The Western Ghat regions are ecologically sensitive regions, which poses the inevitable challenges in promoting economic activity in the region.

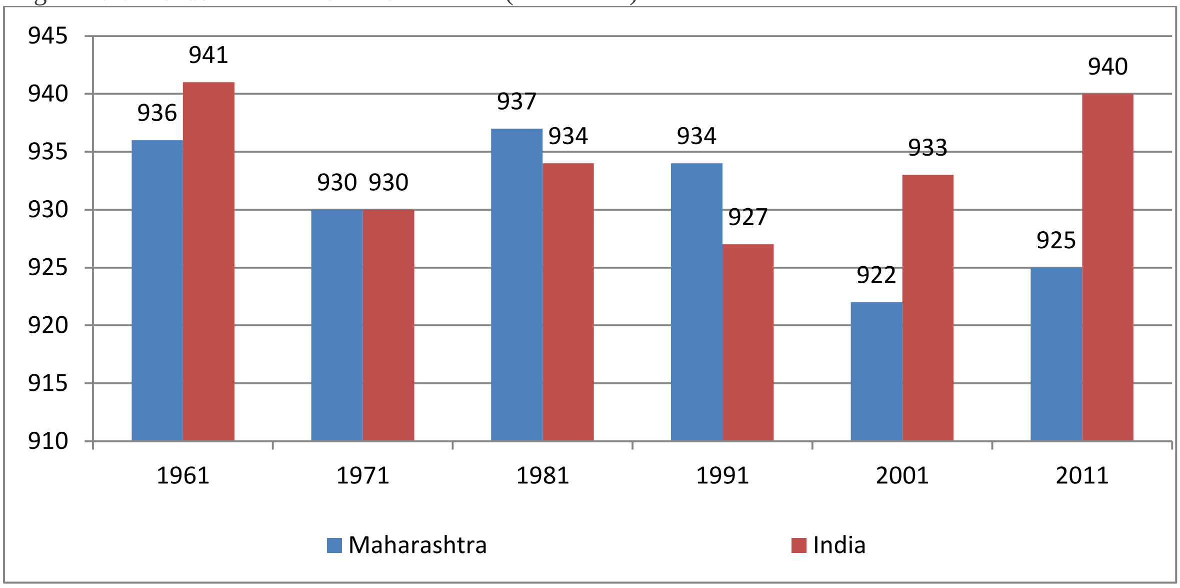
The state receives moderate rainfall and has a large drought prone rain shadow area. Substantial geographical area of the state continues to depend on monsoons for rain fed agriculture. As a result, ensuring a stable increase in agricultural productivity is a major challenge for the state.

1.3 Demography

During the period 1961 to 2011, the population grew from 4 crore to 11 crore, with a decadal population growth rate in the range of 23-27% (1961-2001). However the growth rate in the period 2001-11 was 16%. Maharashtra is at stage three of the four stage model of demographic transition. Accordingly, though there is a fall in the birth rate, there is growth in population due to large number of people in the reproductive age group and the population is expected to grow to around 13.3 crore by 2023 (as per the report of the technical group on population projections constituted by the National Commission on population- May 2006).

Low sex ratio: Though there is some improvement in sex ratio from 922 to 925 during 2001-11, the child sex ratio (in the age group of 0-6 years) has come down to 883 in 2011 from 913 in 2000. There are few districts like Beed, Jalgaon, Buldana, Kolhapur,Jalna with very low child sex ratio (less than 850). The state has taken steps to arrest this trend and is in the forefront of implementation of the Pre Conception and Pre Natal Diagnostic (Prohibition of Sex selection) Act, 1994.

Figure 1.1: Trends in Maharashtra's Sex ratio (1961-2011)



Source: Release of provisional population totals of Maharashtra State (Census 2011)

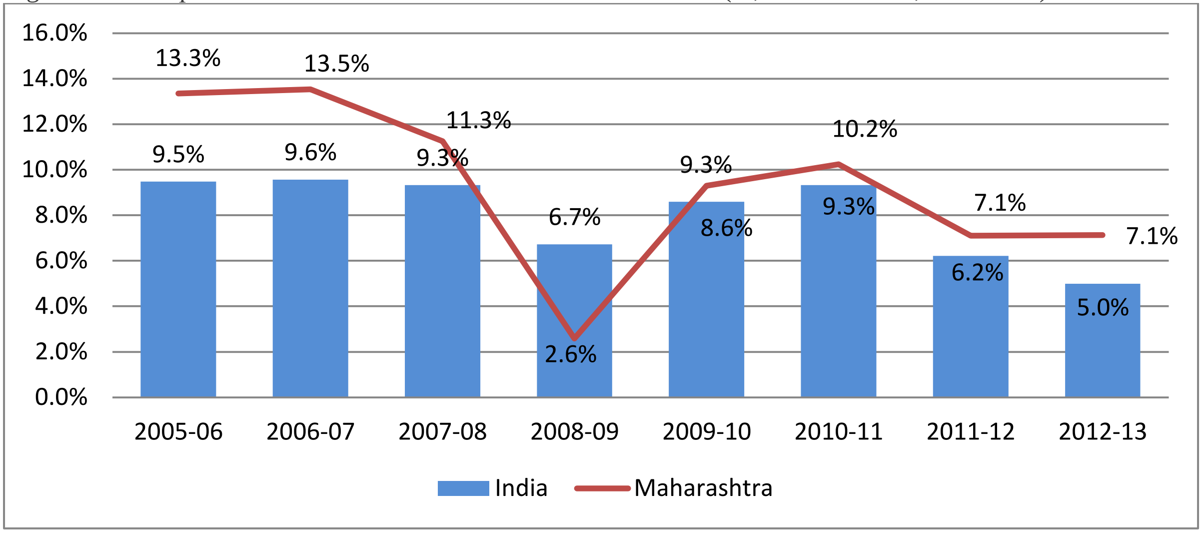
Urbanization: Maharashtra has witnessed fast urbanization accentuated by migration. Maharashtra's urban population grew from 42.4% in 2001 to 45 % in 2011, while the urban population in India grew from 27.8% in 2001 and 31.2% in 2011. As per 2001 Census, Maharashtra received largest number of migrants (1.6 million) by place of birth from other states and other countries during the decade 1991-2001. Urbanization has its own challenges and meeting quality related norms in urban areas requires heavy investment in infrastructure like housing, sewerage & waste management, drinking water, schools and hospitals and public transport systems. More funds need to be allocated to meet the challenges of rapid urbanization.

1.4 Status of Economy – Composition and Trends

The Gross State Domestic Product (GSDP) at factor cost at constant prices (2004-05) grew from Rs 4,15,480 crore (14.0% of GDP of India) in 2004-05 to Rs 8,43,565 crore (15.3% of GDP of

India) in 2012-13. The GSDP (at factor cost) at 2004-05 prices has increased at a CAGR of more than 9% from 2004-05 to 2012-13.

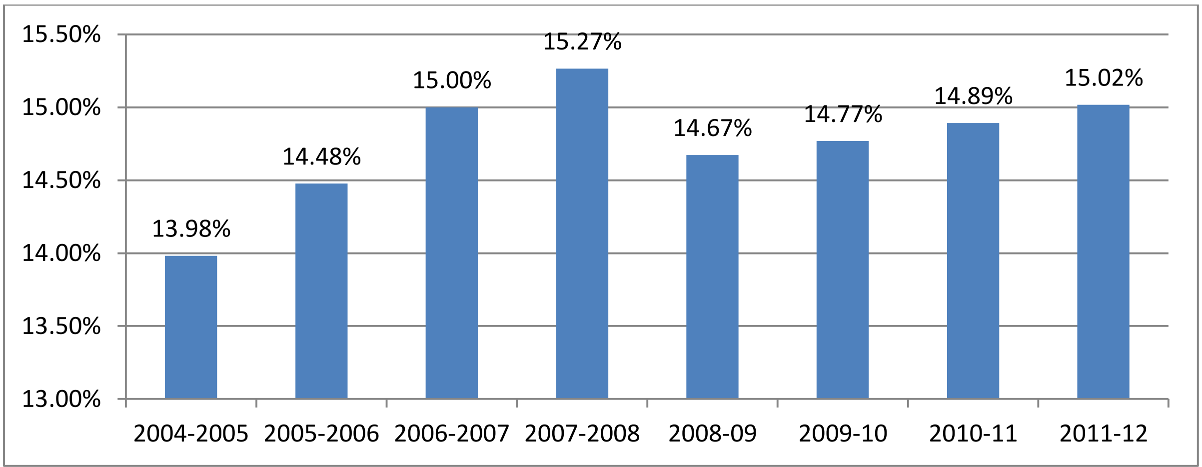
Figure 1.2: Comparison of Maharashtra's GSDP with India's GDP (%, Base 2004-05, factor cost)



Source: http://planningcommission.nic.in/data/datatable/1612/table_61.pdf

During the period 2005-06 to 2010-11, Maharashtra's GSDP (factor cost) growth rate has been higher than India's GDP (factor cost) for all years except in the year 2008-09, in which India's GDP growth rate was higher (6.7%) in comparison to the growth witnessed by Maharashtra (2.6%). 2008-09 was an exceptional year due to a severe drought and also the impact of the global slowdown on the state's industrial sector.

Figure 1.3: Trends in share of Maharashtra's GSDP in India's GDP (%, at factor cost)

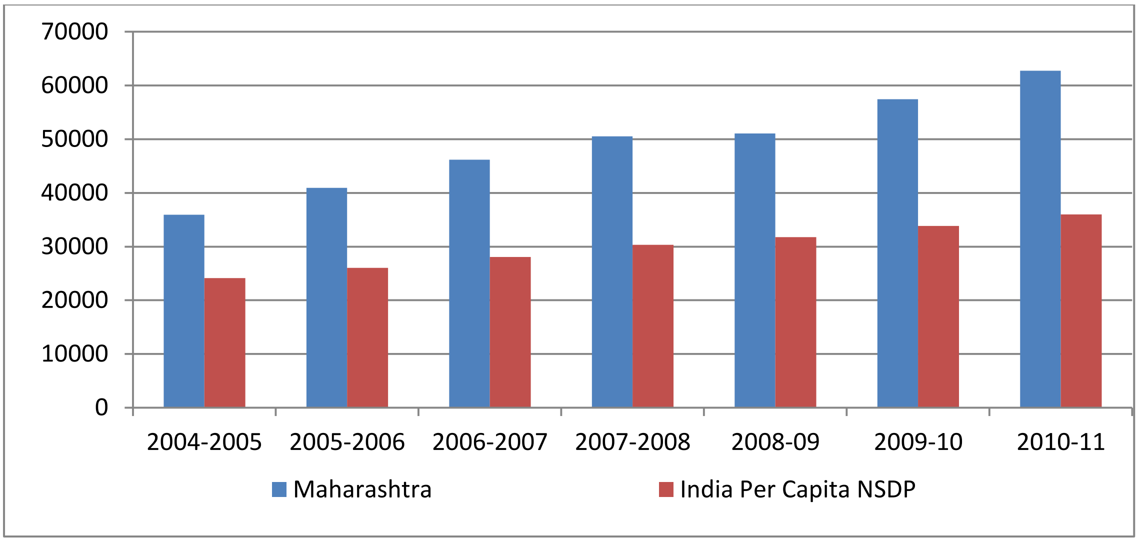


Source: http://planningcommission.nic.in/data/datatable/1612/table_61.pdf

Maharashtra's share in India's GDP (at factor cost) has grown from 14.5% in 2005-06 to 15.3% in 2007-08. It stood at 15.0 % of India's GDP (factor Cost) in 2011-12. The

high GSDP growth is also reflected in the Per Capita Net State Domestic Product (NSDP). During the period 2004-05 to 2010-11, (at 2004-5 prices), its per capita NSDP grew from Rs 35,915 to Rs 62,729 as against all India per capita NDP at Rs 24,143 and Rs 38,005 during the same period.

Figure 1.4: Comparison of Maharashtra and India's Per Capita NSDP (2004-05 Prices)

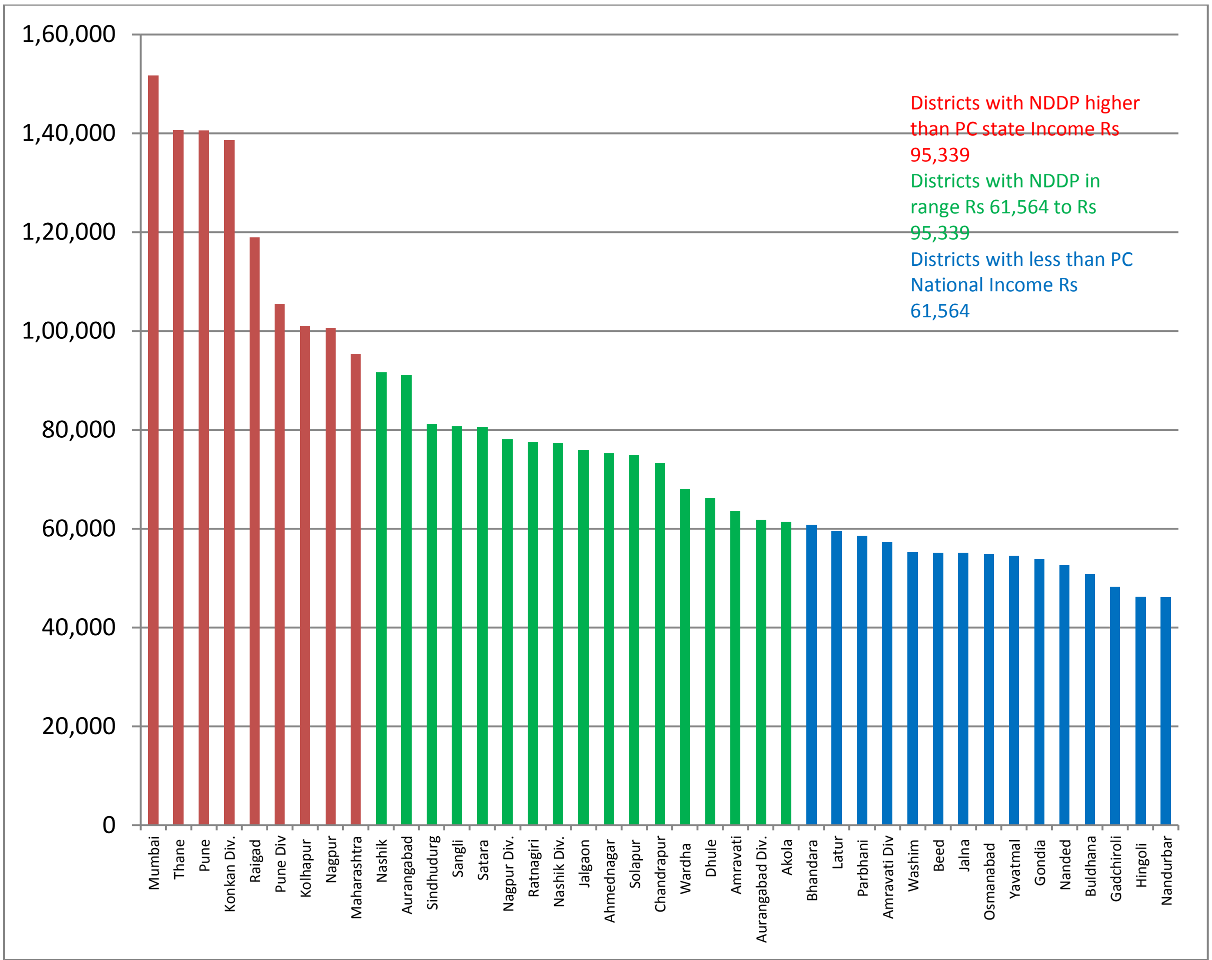


Source: Planning Commission, Economic Profile of Maharashtra

Inter District disparities: Though the state has a high GSDP, the per capita District Income (at current prices) shows large inter district disparities existing in the state. In 2011-12(RE), Maharashtra's average per capita Net District Domestic Product (NDDP) (at current prices) was estimated at Rs 95,339 as compared to the Per Capita National Income of Rs 61,564. The highest per capita NDDP was registered for Mumbai (city & suburb) at Rs 1, 51,608 while the lowest was registered for Nandurbar at Rs 46,156. Only six districts (Mumbai, Thane, Pune, Raigad, Kolhapur and Nagpur) have per capita NDDP more than the Per Capita State Income. Thirteen districts have per capita NDDP in the range of Rs 61,564 (the Net National Income) to Rs 95,339 (the per capita State Income). **Fifteen districts have per capita NDDP below the national level of Rs 61,564.**

The state is governed by Article 371 (2) of the Constitution mandating the Governor to ensure balanced regional development and equitable allocation of state resources to various regions. In accordance with this mandate, efforts are being made to address the issues of regional disparities.

Figure 1.5: District wise Per Capita NDDP (2011-12)

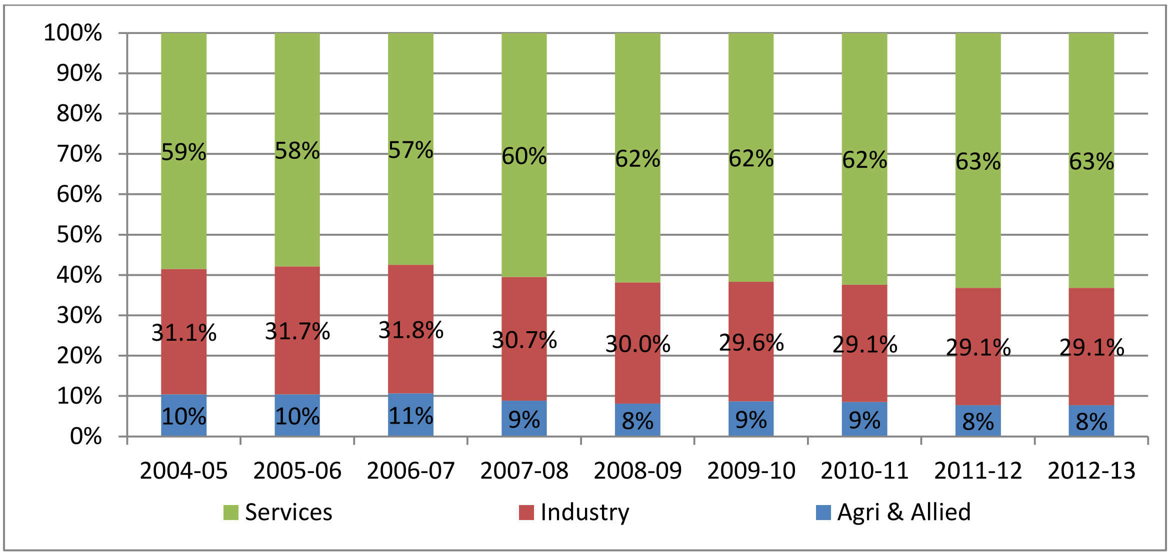


Source: Directorate of Economics and Statistics, Government of Maharashtra

1.5 Structural Composition - GSDP

During the period 2004-05 to 2011-12, the share of agriculture and allied sector in GSDP has been in the range of 10-12 %, while the share of Industry was in the range of 28%- 32% in the same period. The services sector has the highest contribution to the GSDP and it has been around 59-60% through 2004-05 to 2011-12 barring 2007-08 where it dropped to 56% of GSDP. Presently industrial and services sector both together contribute about 87.1% of the State's GDP, while the agriculture & allied activities sector contributes to 12.9% of the GSDP.

Figure 1.6: Trends in structural composition of Maharashtra's GSDP (%)

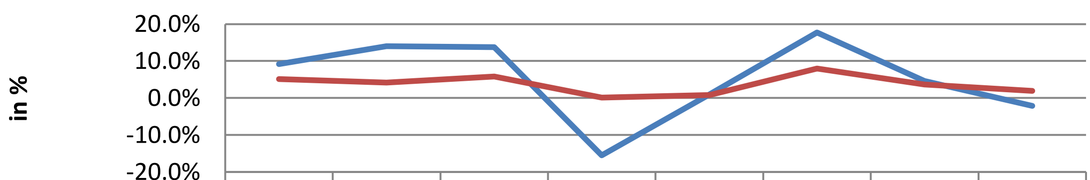


Source: http://planningcommission.nic.in/data/datatable/1612/table_61.pdf

1.6 Sector Growth Rates

Agriculture & allied sector: The growth rate of the output in agriculture & allied sector in Maharashtra shows a fluctuating trend with alternate years of low and high growth rate. However, the growth rate of Maharashtra has been much higher than the all India growth rate of agriculture and allied sector for all years barring 2008-09 and 2012-13 where Maharashtra had a negative growth rate of -13% and -2.1% while at the all India level, it was 0.1% and 1.9% respectively.

Figure 1.7: Trends in Growth rate in Agriculture and allied sector (GSDP at Factor Cost, constant prices-2004-05)



	2005-2006	2006-2007	2007-2008	2008-09	2009-10	2010-11	2011-12	2012-13
Maharashtra	9.2%	14.0%	13.8%	-15.5%	1.0%	17.8%	4.6%	-2.1%
All India	5.1%	4.2%	5.8%	0.1%	0.8%	7.9%	3.6%	1.9%

Source: http://planningcommission.nic.in/data/datatable/1612/table_61.pdf

Maharashtra is a leading state in sugar cane production and has been doing extremely well in pulses production (16 % of total pulses production in the country) and horticulture. It is the largest producer of seedless grapes in India (> 70%), banana (> 70%), mandarin oranges (> 70%),

onions (> 60%), tomatoes (>35%) of the total production in India. It also accounts for close to 40 % turnover of the seed industry in the country.
However, Maharashtra is heavily dependent on the monsoons as witnessed by the variable growth rates in agriculture. Even in areas with assured irrigation, cropping patterns favoring water intensive cash crops is a serious concern. The State is attempting to address these issues by promoting efficient use of water resources and sustainable agricultural practices through in situ water conservation and development of protective irrigation facilities.

Industry sector: The trend of growth in the industry sector of the State mirrors that of the industry sector for all India. Though there was a steep decline in the output to -1.1% in year 2008-09, the growth rate in the year 2009-10 had significantly increased to 7%.

Figure 1.8: Trends in Growth rate of Industry sector (GSDP at Factor Cost, constant prices- 2004-05)

	2005-2006	2006-2007	2007-2008	2008-09	2009-10	2010-11	2011-12	2012-13
Maharashtra	18.9%	15.8%	11.7%	-1.1%	6.9%	8.8%	5.2%	7.0%
All India	9.7%	12.2%	9.7%	4.4%	9.2%	9.2%	3.5%	2.1%

Source: http://planningcommission.nic.in/data/datatable/1612/table_61.pdf

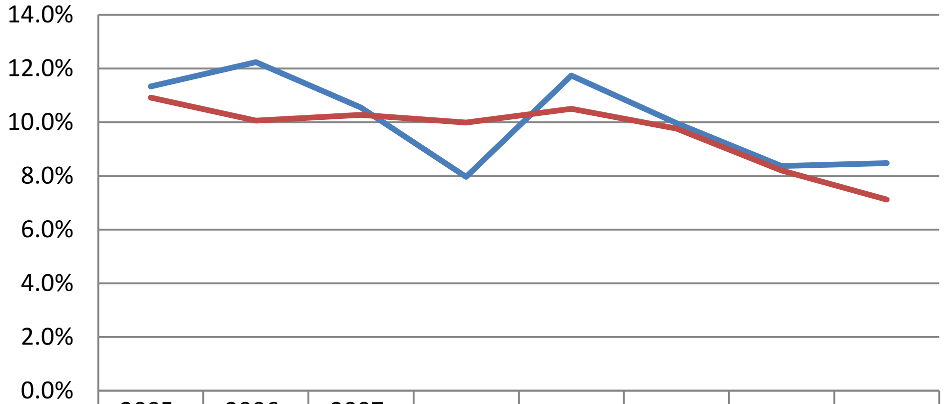
Maharashtra has attracted the highest number of proposals for investments that have huge employment potential. Of the total number of proposals received in the country, the State's share in the industrial proposals and associated investment and employment is 18%, 10% & 20% respectively. Since 2007-08, the State contributed nearly 27% to the total exports from India. The main products exported from the State are gems & jewelry, software, textiles, readymade garments, cotton yarn, metal & metal products, agro-based products, engineering items, drugs & pharmaceuticals and plastic & plastic items.

Maharashtra introduced the New Industrial Policy, 2013, which specifically promotes Micro, Small and Medium Enterprises (MSME) by providing them with good incentives. The policy provides for a dedicated budget line for providing supporting infrastructure in the industrial estates. One of the major challenges impacting the industrial competiveness is the high tariffs for electricity for industrial use. The New Industrial Policy provides for electricity subsidy for new commercial units in Vidarbha, Marathwada and North Maharashtra.

Further, given the importance of textiles in the state economy, Maharashtra introduced the new Textile Policy in 2011 that offers a range of incentives over and above the benefits of the Technology Upgradation Fund Scheme for Textile provided by Government of India (GoI). This includes a 10 % capital subsidy to new units in Vidarbha, Marathawada and in the Khandesh region.

Services sector: From 2005-2012, Maharashtra's output in the services sector grew at a CAGR of 10.1% against the CAGR was 9.6% for all India during the same period.

Figure 1.9: Trends in Growth rate of Services sector (GSDP at Factor Cost, constant prices- 2004-05)



	2005-2006	2006-2007	2007-2008	2008-09	2009-10	2010-11	2011-12	2012-13
Maharashtra	11.3%	12.2%	10.5%	8.0%	11.7%	10.0%	8.4%	8.5%
All India	10.9%	10.1%	10.3%	10.0%	10.5%	9.8%	8.2%	7.1%

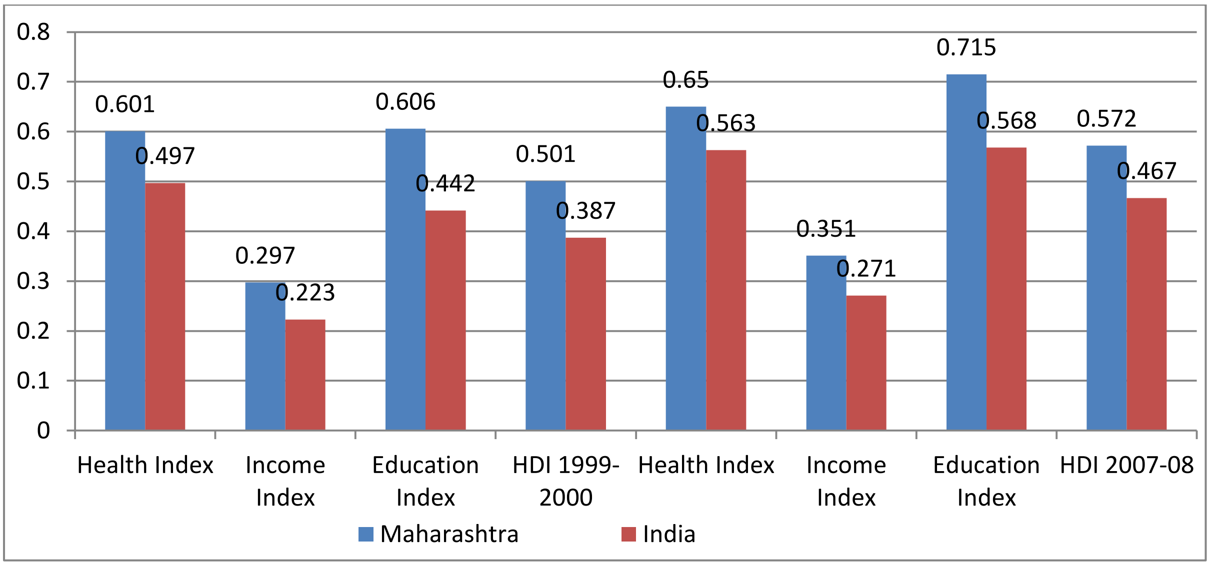
Source: http://planningcommission.nic.in/data/datatable/1612/table_61.pdf

Sustaining services sector growth requires the development of Mumbai as an international financial center, removal of infrastructure bottlenecks across the state, better connectivity through roads, and provisioning of urban infrastructure to the satellite towns amongst other things. This requires initial capital expenditure as well as regular operation and maintenance expenditure and this is a high priority for the state.

1.7 Social Indicators

Maharashtra has made significant progress in all the three indices namely, health, income and education which are the three components of the Human Development Index (HDI). The HDI score of the state improved from 0.501 in 1999-2000 to 0.572 in 2007-08. During the same period, India's HDI score improved from 0.387 to 0.467.

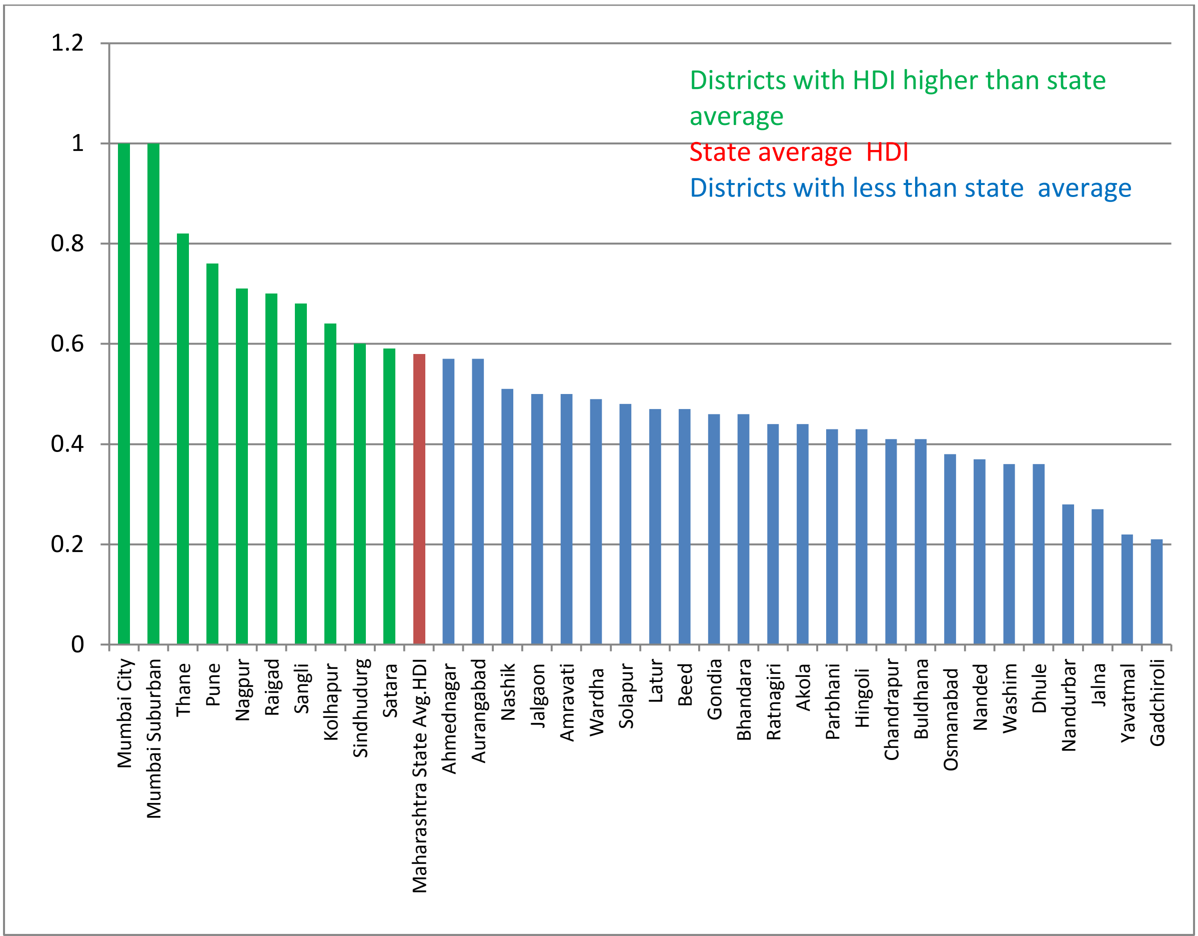
Figure 1.10: Comparison of HDI Scores Maharashtra and India (1999-2000, 2007-08)



Source: Various National Human Development Reports

Inter district disparities in HDI: Despite progress made in the HDI rankings at the state level, there is a need to address the intra-district disparities as reflected in the HDI rankings of the districts of Maharashtra. The district level HDI was computed in 2002. The state average was 0.58 and as many as 25 districts had HDI values less than the state average. The acuteness of disparity can be gauged from the fact that four districts- Nandurbar, Yavatmal, Gadhchiroli and Jalna had HDI less than 50% of the state average. It is crucial to address inter district disparities for equitable and balanced development in all regions of the state.

Figure 1.11: Performance of Districts in Maharashtra HDI 2002

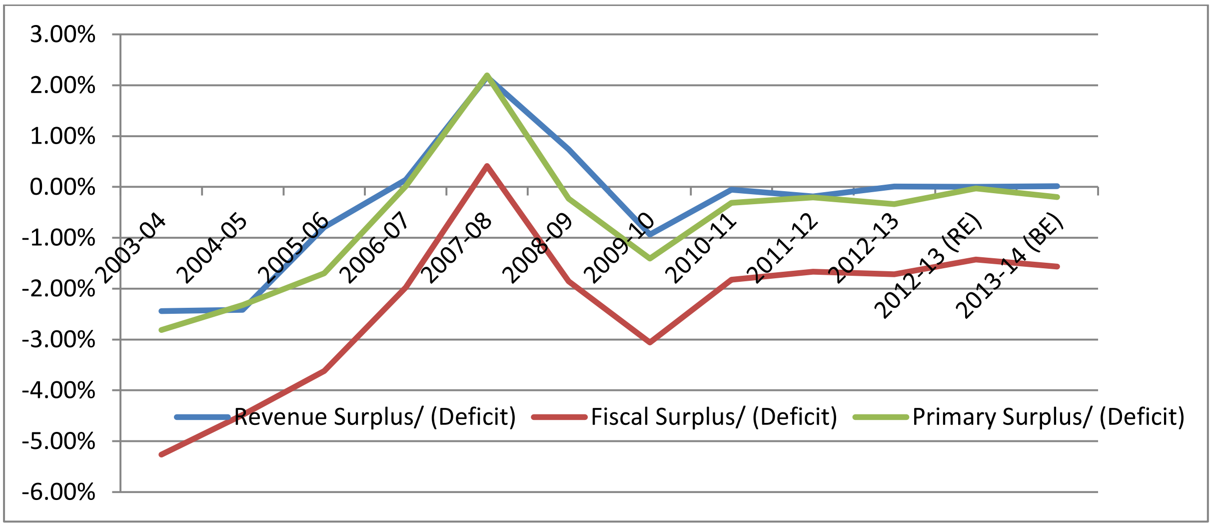


Source: Directorate of Economics and Statistics, Government of Maharashtra

2 Fiscal Profile

The fiscal situation of the State has shown considerable improvement in the last three years (2010 – 2012) and the State is expected to sustain its march towards fiscal consolidation into 2013-14. The Government has been able to curtail its Fiscal Deficit from a peak of 5.3% of GSDP in 2003-04 to 1.4% in 2012-13 and has been able to keep it at around 1.7% of GSDP through 2011-12 to 2013-14. The Revenue Deficit which was Rs 8,309 crore (2.4% of GSDP) in 2003-04 has progressively converted to a surplus and is expected to be close to Rs 184 crore (0.01 % of GSDP) in 2013-14(BE). Primary Deficit reduced from Rs 9,593 crore (2.8% of GSDP) in 2003-04 to Rs 3,020 crore (0.20% of GSDP) in 2013-14(BE).

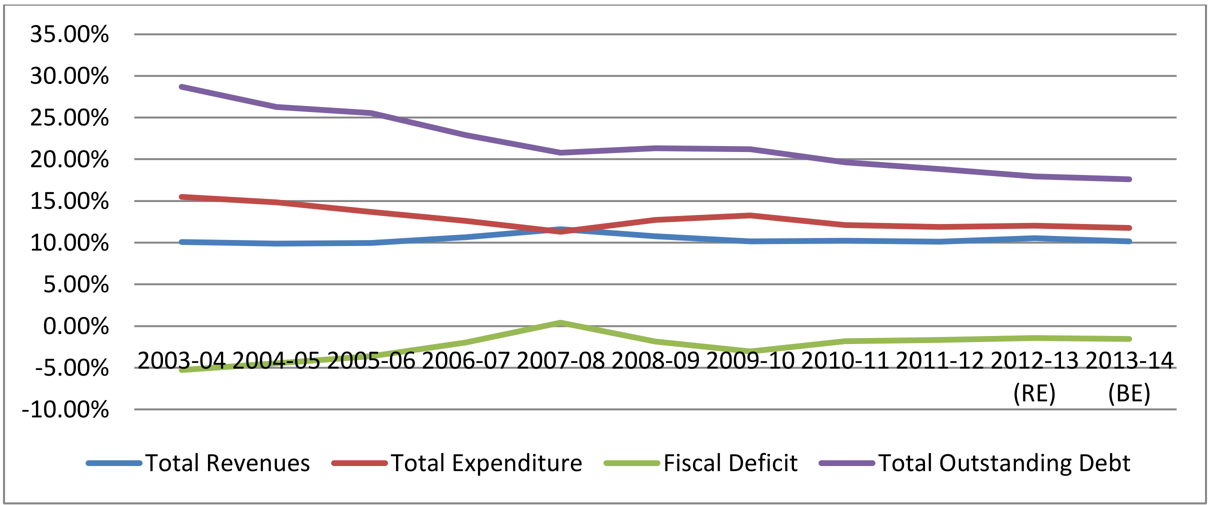
Figure 2.1: Trends in Deficits (%GSDP) (2003-04 to 2013-14(BE)



Source: Finance Accounts & Budgets of the relevant years

The size of the Total Receipts of the state has grown from Rs 52,592 crore in 2003-04 to Rs 1, 81,100 crore in 2013-14(BE). In the period 2003-04 to 2013-14, the Total Receipts have been around 10-11 % of GSDP. Total Outstanding Debt of the State was Rs 82,549 crore (28.7% GSDP) at the end of the 2002- 2003 and is expected to be Rs 2, 70,551 crore (17.6 % of GSDP) at the end of 2013-14.

Figure 2.2: Trends in Key Fiscal indicators (%GSDP) (2003-04 to 2013-14(BE)



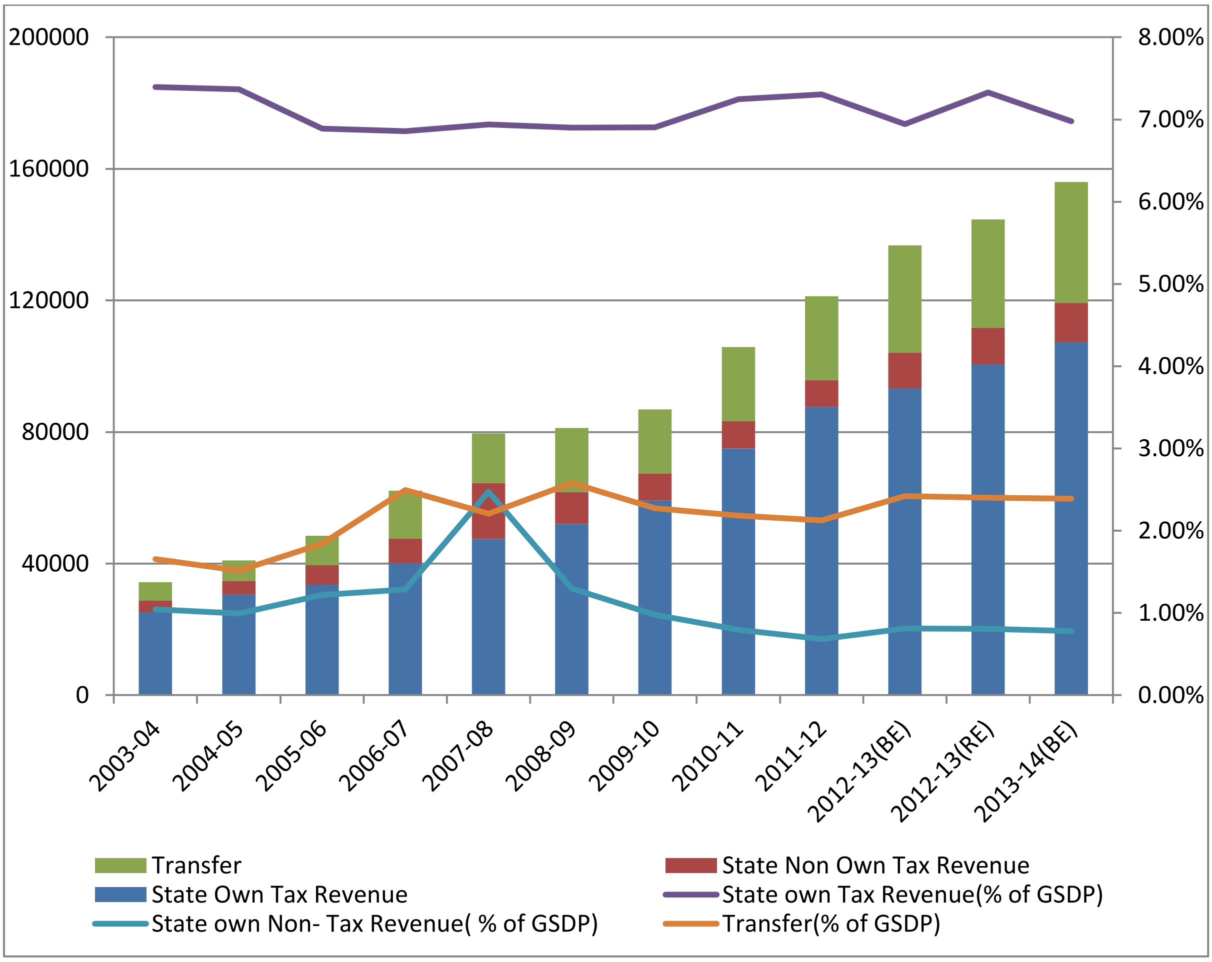
Source: Finance Accounts & Budgets of the relevant years

2.1 Growth in Revenue

The Revenue Receipts grew from Rs 34,370 crore (10.1% of GSDP) in 2003-04 to almost 4.5 times to Rs 1, 55,987 crore (10.15% of GSDP) in 2013-14(BE). The State's Own Tax Revenue (OTR) was Rs 25,181 crore (7.39% of GSDP) in 2003-04. It grew by almost 3.5 times to Rs 1,07,285 crore (6.98 % of GSDP) in 2013-14(BE).

The Own Non Tax Revenue (ONTR) grew from Rs 3,548 crore (1.04% of GSDP) in 2003-04 to Rs 11,994 crore (0.78% of GSDP) in 2013-14(RE). The transfer from Centre (both Grants-in Aid & State's share in Central Taxes) grew from Rs 5,640 crore (1.66% of GSDP) in 2003-04 to Rs 36,707 crore (2.39 % of GSDP) in 2013-14(BE).

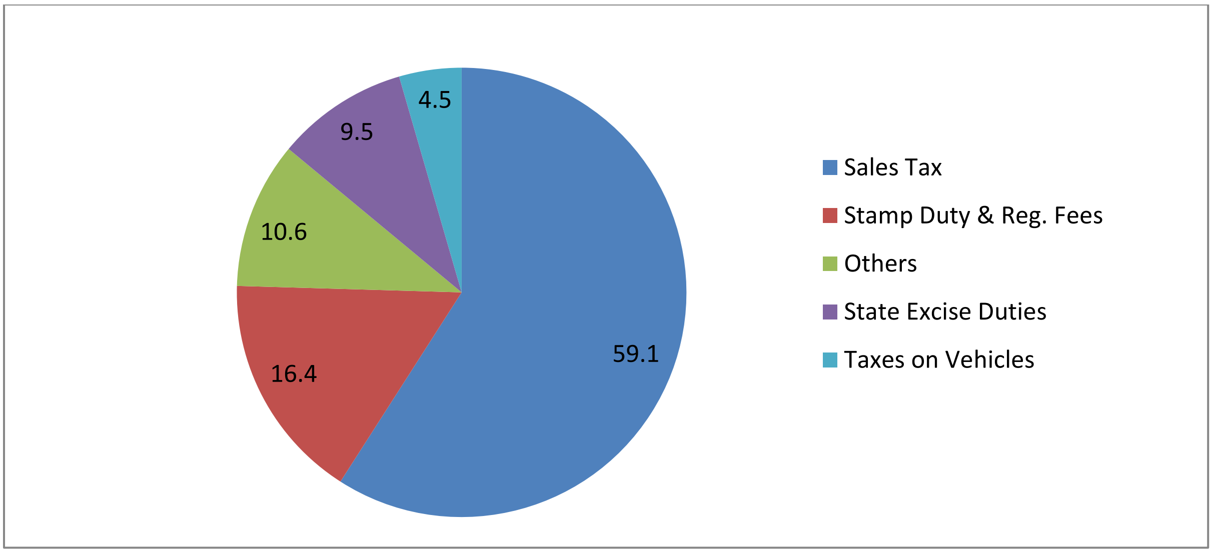
Figure 2.3: Trends in Revenue Receipts (Rs crore) (2003-04 to 2013-14(BE)



Source: Finance Accounts & Budgets of the relevant years

Own Tax Revenues: Commercial Taxes (VAT/Sales tax) accounts for 59 % of OTR in 2012-13(RE). Stamp Duties & Registration contribute nearly 16.4 % followed by State Excise Duty with a share of 9.5% in the OTR. Taxes on vehicles contribute 4.5% of the OTR. Other Taxes contribute 10.6% of OTR that include Profession Tax, Tax on Goods and Passengers etc.

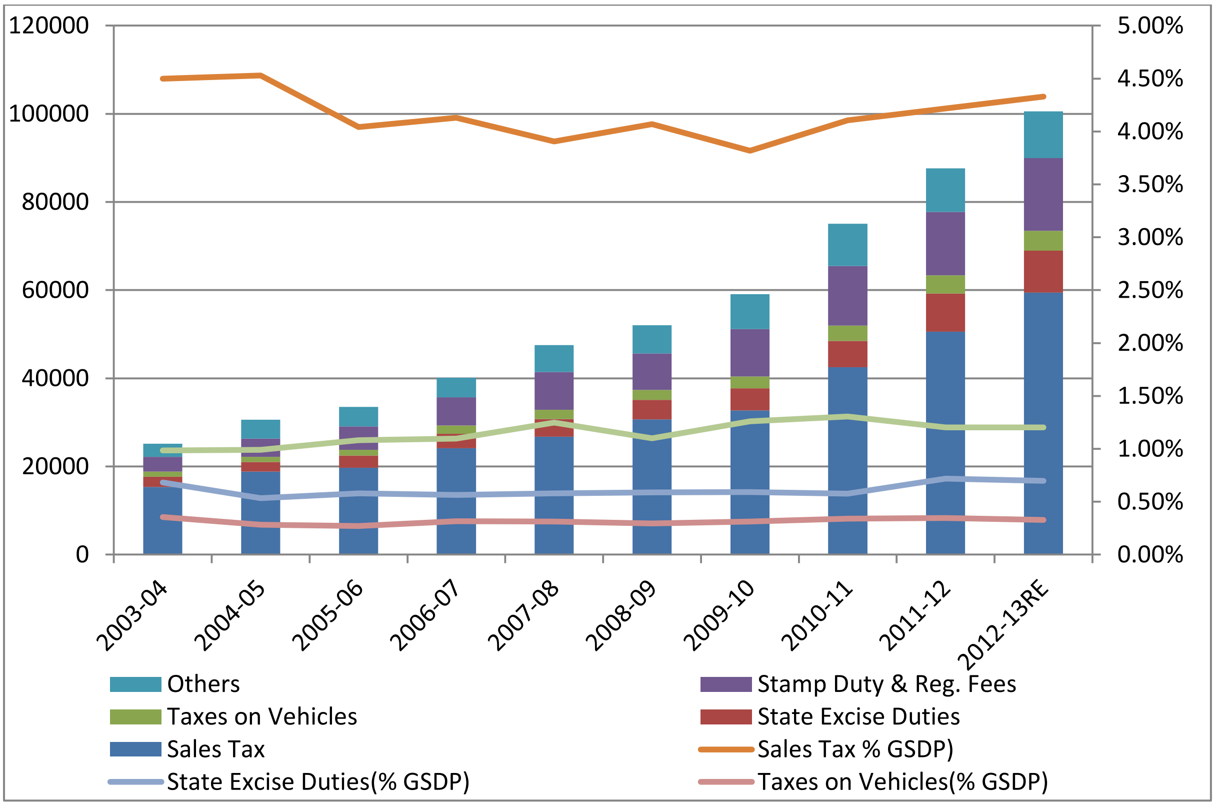
Figure 2.4: Components of Own Tax Revenue (%share in OTR in 2012-13(RE)



Source: Finance Accounts & Budgets of the relevant years

Post 2004-05, The State's efforts in improving its OTR position is reflected in growth in actual size of OTR though there is a slight reduction in OTR as a % of GSDP. Commercial Taxes (VAT/Sales Tax), the main contributor grew from the absolute size of Rs 15,326 crore (4.5% of GSDP) in 2003-04 to almost four times at Rs 59, 409 crore (4.33% of GSDP) in 2012-13(RE).

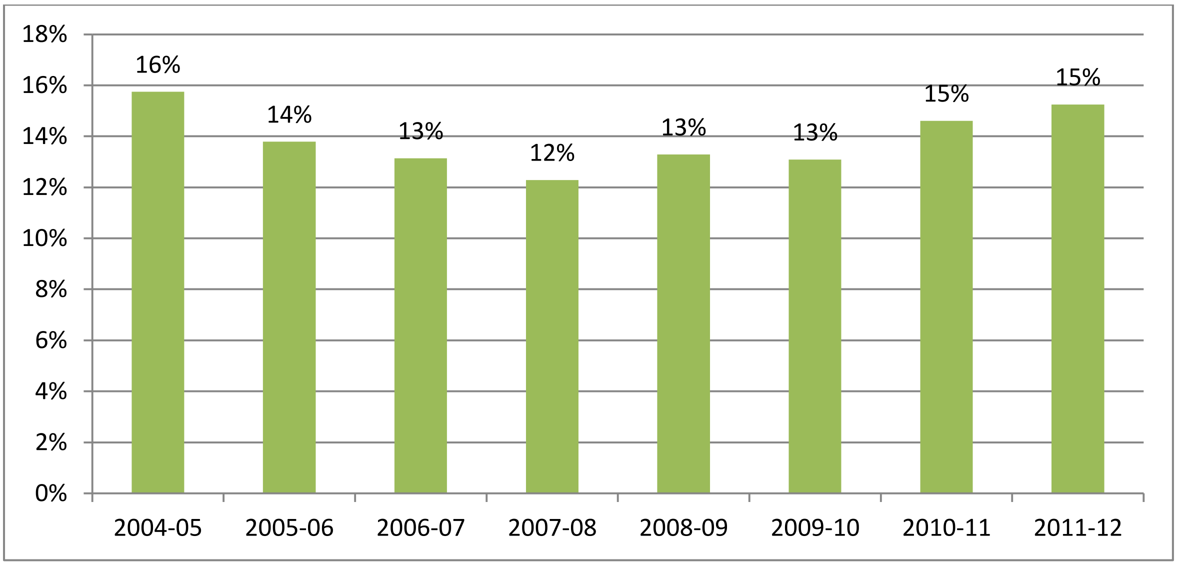
Figure 2.5: Trends in Own Tax Revenue (Rs crore)



Source: Finance Accounts & Budgets of the relevant years

Considering the composition of the economy (60% tertiary sector & 28% secondary sector), the fairer measure of the performance of Commerical Taxes would be the ratio of the Commercial Taxes as a % of the secondary sector GSDP which is at 15% in 2011-12.

Figure 2.6: VAT as % of Secondary sector

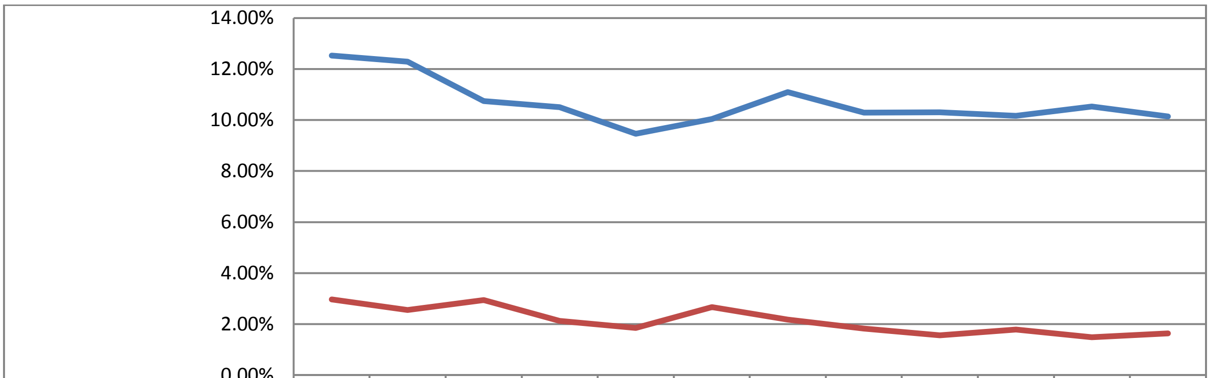


Source: Finance Accounts & Budgets of the relevant years

2.2 Expenditure Management

The State's Total Expenditure grew from Rs 52,781 crore in 2003-04 to Rs 1, 80,932 crore in 2013-14(BE). However, as a % of GSDP, it shrank from 15.5% in 2003-2004 to 11.7% in 2013-14(BE). This is the main reason for the improved fiscal position of the state. The decrease in Total Expenditure as a % of GSDP became possible due to reduction in the Revenue Expenditure as a % of GSDP. The size of Revenue Expenditure was Rs 42,680 crore in 2003-04, which grew to Rs 1, 55,803 crore in 2013-14(BE) which is almost 3.6 times the 2003-04 levels. Revenue Expenditure as a % share of GSDP fell from 12.5 % in 2003-04 to 10.1 % in 2013-14(BE).

Figure 2.7: Trends in Revenue & Capital Expenditure (% of GSDP)



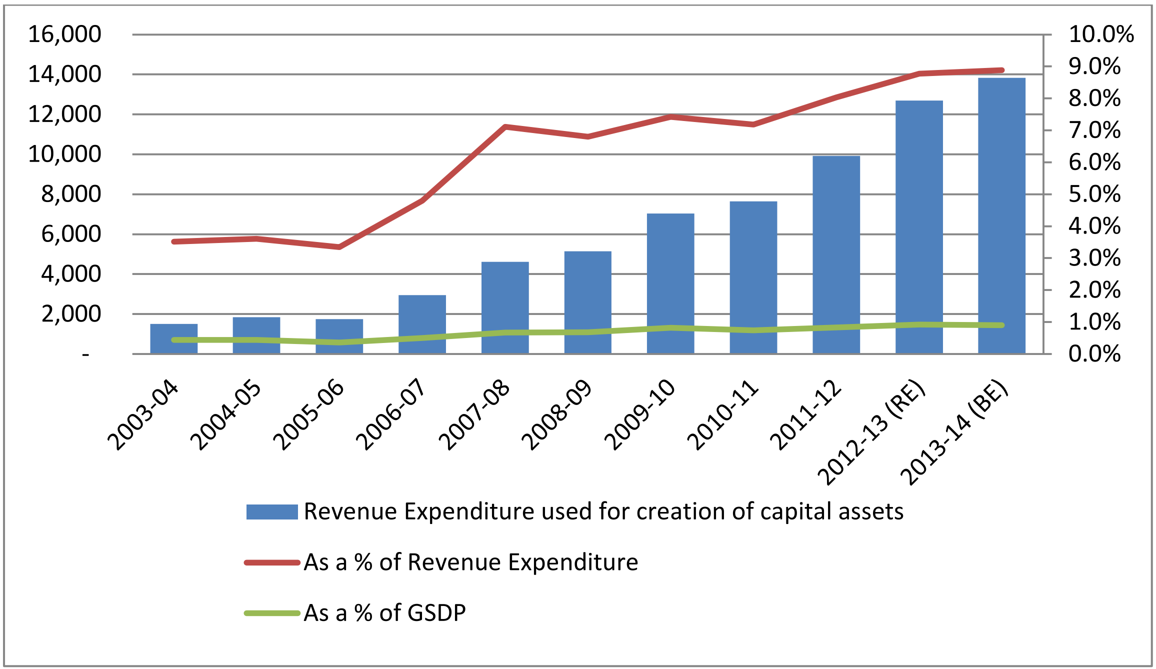
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2012-13 (RE)	2013-14 (BE)
Revenue Expenditure	12.53%	12.29%	10.74%	10.50%	9.46%	10.04%	11.09%	10.29%	10.30%	10.17%	10.53%	10.13%
Capital Expenditure	2.97%	2.56%	2.95%	2.12%	1.86%	2.67%	2.18%	1.83%	1.56%	1.78%	1.49%	1.63%

Source: Finance Accounts & Budgets of the relevant years

Capital Expenditure grew from Rs 10,101 crore in 2003-04 to Rs 25,129 crore in 2013-14(BE). It fell from 2.9% of GSDP in 2003-04 to1.6% of GSDP in 2013-14(BE). Capital Expenditure constitutes only around 14% of the Total Expenditure. The declining trend as a % of GSDP of Capital Expenditure is a concern. It may however be pertinent to point out that the State Government is making substantial grants to Urban Local Bodies and Panchayati Raj Institutions for creation of capital assets. While this expenditure is correctly reflected in the State Government's accounts as Revenue Expenditure, it nonetheless results in creation of capital assets in the state. Such grants which were utilized for indirect capital asset creation but was booked as Revenue Expenditure, was approximately Rs 13,833 crore in 2013-14(BE).

The figure below shows the trend in Revenue Expenditure utilized for creation of capital assets in the period 2003-04 to 2013-14(BE)

Figure 2.8: Trends in Revenue Expenditure used for creation of capital assets (Rs crore and % of GSDP)

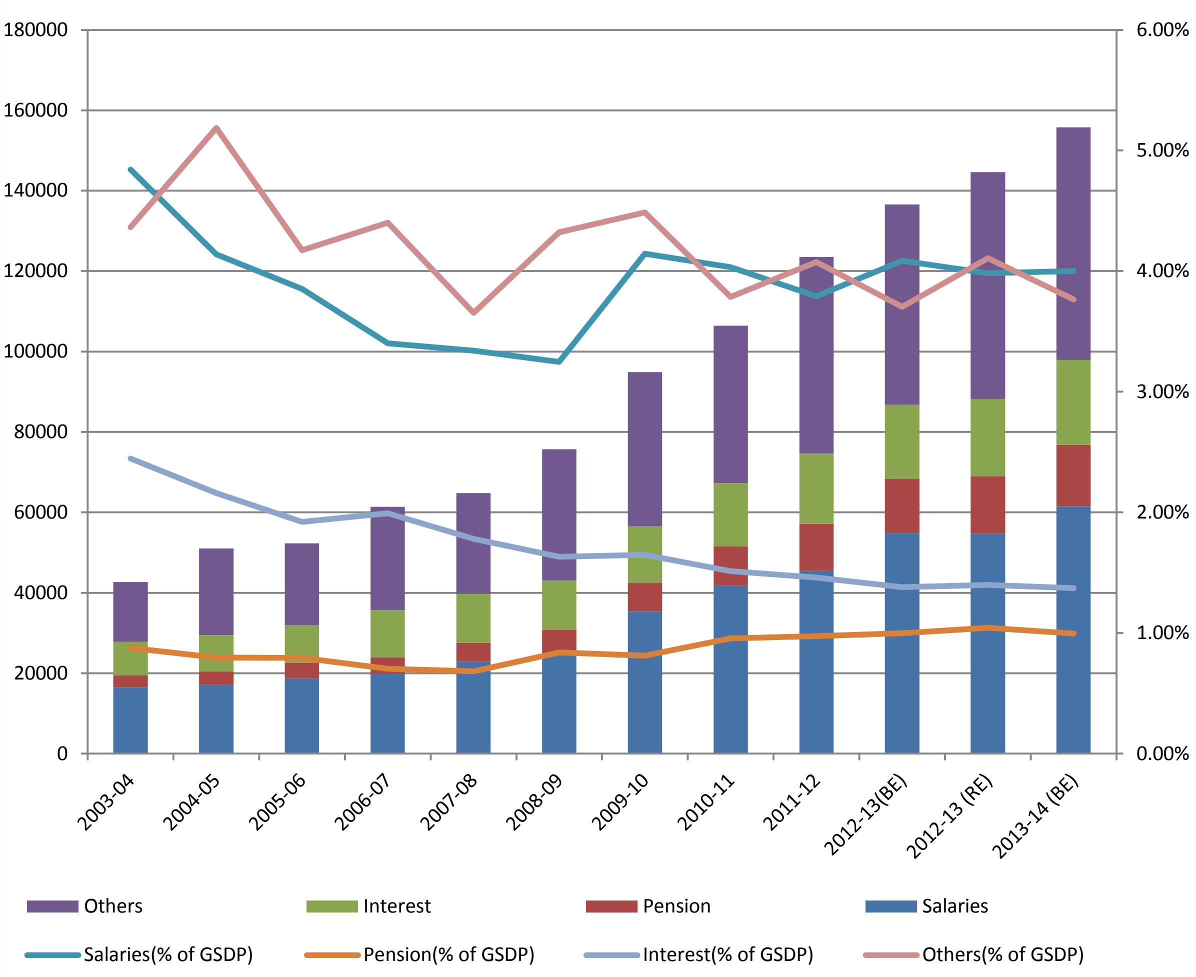


Source: Finance Department, Government of Maharashtra

The State has made substantial use of Public Private Partnership (PPP) projects for creation of capital assets such as the Mumbai Metro I, the largest PPP project in the state. Similarly, a large number of road projects have been taken through the PPP mode. In addition, large infrastructure projects are being carried out by parastatals like Maharashtra Housing & Area Development Authority (MHADA), Mumbai Metropolitan Region Development Authority (MMRDA), City and Industrial Development Corporation (CIDCO), Maharashtra Industrial Development Corporation (MIDC) and others which are not reflected fully in the Government accounts.

Revenue Expenditure- Salary expenditure constitutes the biggest share of Revenue Expenditure and was Rs 16,496 crore (4.8 % of GSDP) in 2003-04. This grew to Rs 61,521 crore (4% of GSDP) in 2013-14(BE).

Figure 2.9: Trends in components of Revenue Expenditure (Rs crore)



Source: Finance Accounts & Budgets of the relevant years

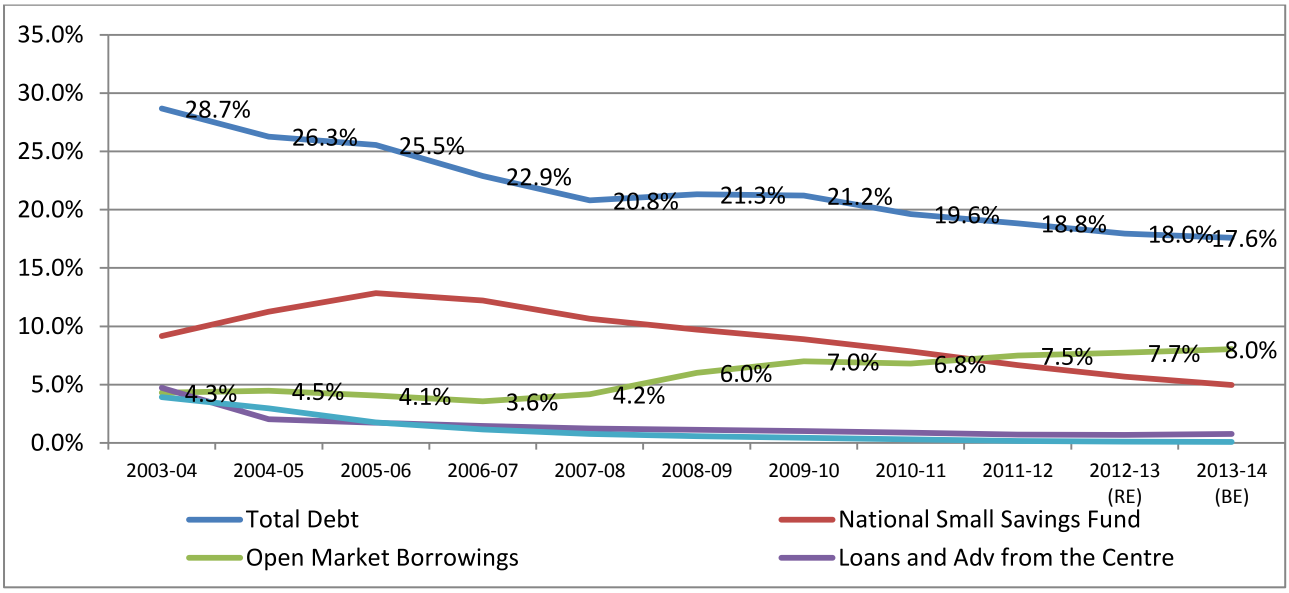
The expenditure on interest has been reduced significantly from 2.4% of GSDP in 2003-04 to 1.4% of GSDP in 2013-14(BE). However, the absolute interest burden grew from Rs 8,335 crore to Rs 21,098 crore during the same period. The effective rate of interest on debt has come down from 10.1% in 2003-04 to 8.56% in 2012-13. Similarly, Pension related expenditure was Rs 2,980 crore (0.9%) to Rs 15,293 crore (1 %.) in 2013-14(BE). The State has already introduced the Defined Contributory Pension Scheme for all its employees since November 2005. While presently the contribution is held in Public Account, the State would shortly be joining the new pension scheme administered by Pension Fund Regulatory and Development Authority (PFRDA).

2.3 Debt

The State has witnessed improvement in its debt position over the period of 2003 to 2013. The Total debt to GSDP ratio declined from 28.7% in 2003-04 to 17.6% in 2013-14. At the end of 2002- 2003, the size of the debt was Rs 82,550 crore which is expected to grow to Rs 2,70,550 crore by the end of 2013-14.

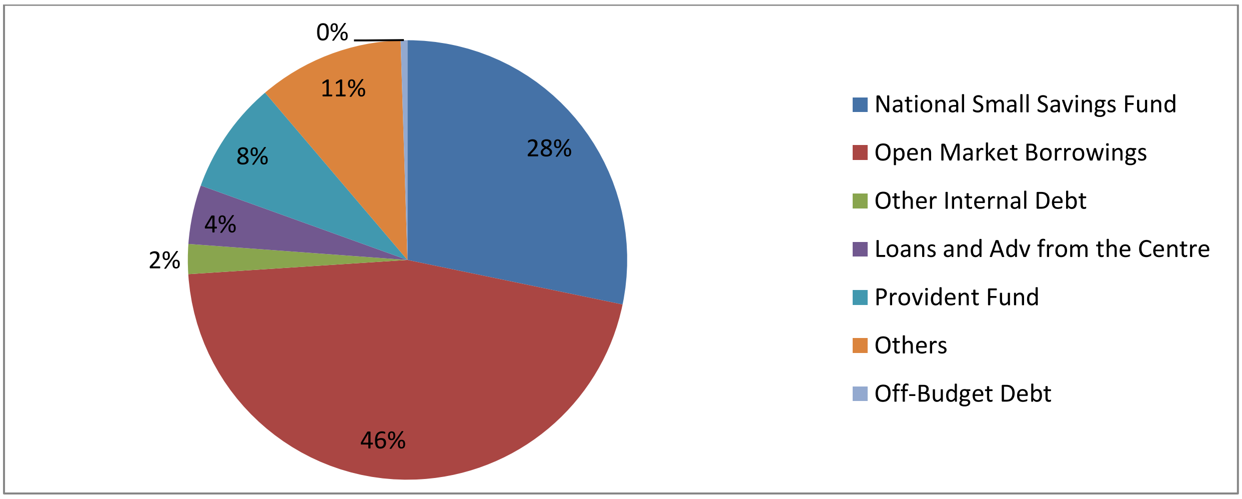
The main components of the State's debt are Open Market Borrowings followed by National Small Savings Fund (NSSF). During the period 2003-2014, Open Market Borrowing is expected to grow fourteen times from Rs 7,459 crore (4.3% of GSDP) to Rs 106,149 crore (8% of GSDP). During the same period, NSSF is expected to grow 3.8 times from Rs 20,669 crore (9.2% of GSDP) to Rs 78,167 crore (5% of GSDP). The share of Open Market Borrowings as a percentage of GSDP has been increasing while the share of NSSF has been declining principally due to the implementation of the recommendations of the 12th Finance Commission.

Figure 2.10: Trends in Debt (% of GSDP)



Source: Finance Accounts & Budgets of the relevant years

Figure 2.11: Debt composition (%, 2013)

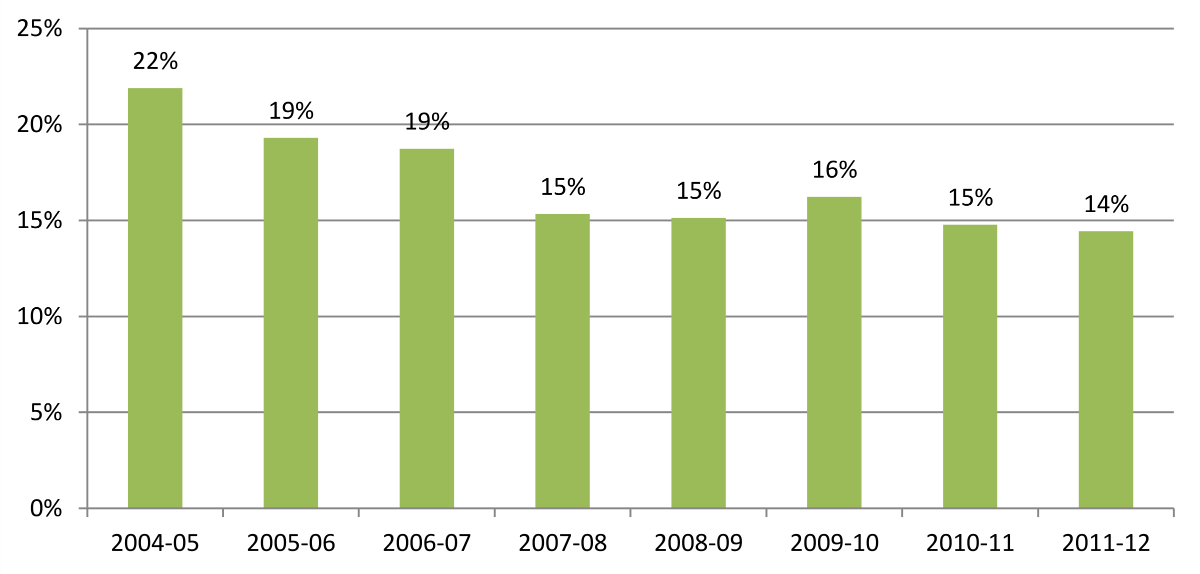


Source: Finance Accounts & Budgets of Maharashtra (2013-14)

Interest as a % of Revenue Receipts has progressively declined from a high of 22% in 2004-05 down to 14% in 2011-12. The effective Interest rate on Open Market

Borrowings in 2012-13 was 8.2% per annum while that on the NSSF was at 9.7% per annum in 2012-13.

Figure 2.12: Trends in Interest as % of Revenue Receipts



Source: Finance Accounts & Budgets of the relevant years

2.3.1 Views on Debt Relief

According to the recommendations of the 13th Finance Commission, Central loans given to State Governments for Centrally Sponsored Scheme (CSS) and Central Plan Schemes through ministries other than Ministry of Finance, as outstanding at the end of 2009-10 shall be written off. The State Government was accordingly eligible for a debt relief of Rs 526 crore and Rs 503 crore in the years 2010-11 and 2011-12 respectively. However, the state has so far received only a relief of Rs 573 crore for both the years.

The 13th Finance Commission has reset the interest rate on NSSF loans contracted till 2006-07 and outstanding at the year end 2009-10, to a common interest rate at 9 % per annum in place of 10.5% or 9.5%, subject to compliance to fiscal targets. However, this rate needs to be further reduced for reasons explained below. The current sustained inflationary economic conditions have resulted in a high interest rate scenario, because of which the States have been locked into a high interest rates on their market borrowings. Hence we would urge the Finance Commission to reset the rates on the NSSF loans. The Finance Commission may arrive at a lower rate by accounting for the interest spread of the NSSF for the Central Government. There is also a case for benchmarking the management cost of the NSSF and taking firm measures for decreasing the fund management costs since there are being passed on to the States.

Additionally, the 13th Finance Commission mandated the maintenance of Revenue Surplus as one of the fiscal targets to be achieved for eligibility for debt relief. With the implementation of pay revision pursuant to the recommendations of the 6th Pay Commission in the state, there was a destabilizing impact on the revenue balances of the state. The 13th Finance Commission did not consider this while stipulating the conditionality for debt relief. Ideally debt relief should be made available without any condition, given especially, the risk free arbitrage available to the Central Government in NSSF. Further, if there are conditionalities imposed on State Governments, there should be a symmetric treatment for the Central Government and State Governments in so far as fiscal targets and attendant penalties for slippages are concerned.

In any case, we would like the 14th Finance Commission to consider the impact of Pay Commission on State finances while recommending fiscal targets.

2.4 Financial Projections for the period 2015-2020

Detailed financial projections have been submitted to the Finance Commission. Some of the key fiscal ratios are presented below.

Table 2.1: Financial Projections (2015-16 to 2019-2020)

As a % of GSDP	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Total Revenue Receipts	**10.17**	**10.20**	**10.24**	**10.29**	**10.34**	**10.41**
State Own Tax Revenue	7.10	7.23	7.36	7.49	7.62	7.76
State Non Tax Revenue	0.73	0.69	0.64	0.60	0.56	0.53
Share in Central Taxes	1.20	1.22	1.24	1.26	1.29	1.31
Grants-in -Aid from the Centre	1.14	1.07	1.00	0.93	0.87	0.81
Non Plan Revenue Expenditure	**8.16**	**8.17**	**8.37**	**8.52**	**8.58**	**8.64**
Salaries	3.87	3.95	4.15	4.30	4.39	4.47
Pension	1.04	1.09	1.18	1.29	1.35	1.41
Interest	1.37	1.38	1.38	1.39	1.39	1.40
Plan Revenue Expenditure	**1.93**	**1.90**	**1.87**	**1.75**	**1.72**	**1.69**
Revenue Deficit	-0.08	-0.14	0.00	-0.01	-0.05	-0.08
Total Capital Receipts	1.85	1.85	1.86	1.86	1.87	1.88
Capital Expenditure	1.91	1.99	1.86	1.88	1.92	1.96
Fiscal Deficit	**1.78**	**1.81**	**1.81**	**1.82**	**1.83**	**1.84**
Primary Deficit	**0.40**	**0.43**	**0.43**	**0.43**	**0.44**	**0.44**
Debt Stock	17.49	17.42	17.37	17.32	17.30	17.28
Interest as a % of Total Revenue Receipts*	13.50	13.49	13.48	13.47	13.46	13.45

We would like to submit that there will be a considerable impact of the 7th Central Pay Commission (CPC) recommendations on the state’s revenue balances.

The projections given by us assume that it would be possible to stagger the salary increases resulting from recommendations by the Pay Commission over a period of 3 years. In case, this does not materialize, the state would slip into a Revenue Deficit in the year the revision is actually effected and would continue to remain in deficit for a couple of years thereafter. It is also assumed that the introduction of Goods & Service Tax (GST) will not result in any revenue shocks and state revenue growth trajectories are maintained.

While we appreciate that the award of CPC is applicable only to the Central Government employees and that the States are at a liberty to decide their pay structure, this does not become practically possible. The States are expected to benchmark their salary structures to the recommendations of the Central Pay Commission. In view of this,it would be worthwhile if the CPC has a structured discussions with the State Governments.

Further as mentioned above, the pay increase as awarded by the CPC needs to be implemented in a staggered manner over a period of 3-5 years so that the shock can be well absorbed by the

States. While this is in the purview of CPC, the 14th Finance Commission is requested to urge the Central Government to consider these submissions.

In any case we reiterate that, the impact of pay rises on the expenditure patterns of the States following CPC recommendations need to be built into the devolution considerations of the Finance Commission.

3 Vertical Devolution

3.1 Introduction

The Constitution recognizes that the States have more responsibilities and lesser tax resources than the Centre. Vertical devolution purposefully aims to correct the imbalance between functional responsibilities and tax resources of States and Centre. The 13th Finance Commission improved the shares of the States in the divisible pool to 32% which was an increase of 1.5% over the share recommended by the 12th Finance Commission. However, this falls short of the State's representation before the successive Finance Commissions

The State would request the 14th Finance Commission to consider the following reasons for a further enhancement of States' share in the divisible pool.

3.2 Compensation for Reduction in the size of the Divisible Pool

The loss to the States due to the reduction in the overall size of the divisible pool needs to be compensated through an increase in States' share in the divisible pool. The size of the divisible pool has reduced due to the policies of the Central Government enumerated below.

3.2.1 Tax Concessions given by the Center

The Central Government has announced certain tax concessions/holidays to promote investment and stimulate economic activity. Companies in core infrastructure like power, oil and gas, and providers of telecom services, Special Economic Zone (SEZ) units have benefitted from these tax concessions and tax holidays.

In 2010-11, the net revenue foregone by way of both Corporate and Personal Direct Taxes amounted to Rs 94,738 crore (GoI budget documents). The net revenue foregone by way of exemptions in Excise Duty and Customs Duty was Rs 1,92,227 crore and Rs 1,72,740 respectively.

While there may be some issues in the methodology for the computation of losses, there is no denying that these tax concessions (both direct and indirect taxes) reduce the size of the divisible pool available for devolutions.

3.2.2 Cesses & Surcharges

The share of Cesses & Surcharges in Gross Tax Receipts of Centre has grown substantially from 3.98% in 2000-01 to 13.5% in 2009-10 (Source: Commission on Centre State Financial Relations and Planning report, 2010). The cesses and surcharges have taken the form of regular taxes as they are being levied year-on year. Though they form a sizeable part of the taxes, yet they do not form part of the divisible pool.

3.2.3 Delay in revision of Royalty on Minerals

The power to fix royalty on major minerals is vested with the Centre, under the provisions of the Mines and Minerals (Development and Regulation) Act 1957(MMDR

Act). The rates of royalty of coal was revised in 2012 and of non-coal minerals in 2009. The undue delay in the revision of these rates at periodic intervals deprives the States of potential revenue.

We believe that a market based suitably designed competitive auction would be the appropriate way of price discovery of the minerals. The proceeds of such auction should be transferred to the States to which the minerals belong to. Additionally we also believe that the auction should be carried out by the States to which the mines belong to. In the absence of such an arrangement, we would prefer progressive ad-valorem rates for all minerals including coal so that the States are more benefitted from an increase in the market prices of the minerals.

In any case we agree with the recommendations of the Commission on Centre State Financial Relations and Planning, 2010, which recommended that the royalty rates should be revised at least every three years without any delay based on mineral prices and that the States should be properly compensated for any delay in the revision of royalty beyond three years. We request the Finance Commission to work out a suitable methodology for estimating the losses due to the delay in revision of royalties and accordingly compensate the States through higher devolution.

3.2.4 Changes in Income Tax Act

The Income Tax Act has brought the state bodies like Maharashtra Housing & Area Development Authority (MHADA), Mumbai Metropolitan Region Development Authority (MMRDA), City and Industrial Development Corporation (CIDCO), Maharashtra Industrial Development Corporation (MIDC) etc. within the tax ambit. These institutions have been created to provide greater administrative flexibility in the performance of functions which are essentially those of the State Government. A levy of income tax on them constitutes a levy of taxes on the revenues of the State Government in an indirect manner. Similarly, service tax has also been levied on several services provided by State Government bodies. It may be argued that Central Government parastatals are also subject to such taxes. But in that case, the flow of funds is within the Central Government, while in the case of State Government there is a reverse flow of funds from the States to the Centre. The Finance Commission needs to consider the reverse flow of funds while considering vertical devolution.

3.3 Additional source of Non Tax Revenue of Centre arising out of Spectrum Sales, License Fees

The Non Tax Revenue from Economic Services includes proceeds from telecom auction, royalty for offshore oil & gas resources and other license fees. The Non Tax Revenue receipts of the Central Government have grown substantially due to realization from the proceeds of auction of telecom 3G/broadband wireless access spectrum. These do not form part of the divisible pool.

3.4 Impact of Central Legislations & Policies

Various legislations, policies and decisions of the Central Government have serious implication for the States. **Firstly**, quite a few of these have an adverse impact on economic activity in the State. The challenges posed by the laws relating to environment protection, coastal zone management and forest protection are easily the most prominent of these laws. To give other examples, Food Safety and Standards Authority of India (FSSAI) established recently by the Central Government under the Food Safety and Standards Act 2006 have issued the Food Safety and Standards Regulation 2011. The regulations not only require the State to set up huge machinery for enforcement but also significantly increase the compliance burden on everyone impacted by the Act including small scale operators like milk vendors and small restaurants.

Similarly the Central Government has proposed rules/acts for regulation of private nursing homes and radiological test centers. While the need for regulation in these areas is recognized, the methodology proposed can definitely detract from the ease of carrying out a profession and unwittingly subdue reasonable economic activity.

Secondly, these laws/policies increase the fiscal burden on the state. A good example is the Victim's Compensation Scheme. This has been formulated by the Ministry of Home Affairs and requires the state to compensate from it's own resources, victims of certain grievous offences. The nature of the policy of the Central Government on such issues often leaves the States with very little option but to comply with and bear the additional fiscal burden.

We would also like to refer to the case of salary revision for college and university teachers mandated by University Grants Commission, because of which the state has to bear a high recurrent expenditure. While it is accepted that a higher salary is essential to attract good talent, there must also be consideration of the States' fiscal position and the ability of the States to fund such recurrent expenditure. Yet the salaries are set quite independent of such considerations.

The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Bill 2013 (LARR 2013) will also have serious impact on the state as it may push up the land acquisition cost to the State Government for various essential infrastructure projects

Thirdly, as part of reforms, Central Government is rationalizing or reducing various subsidies. These have left the States vulnerable to pressures from groups that are now no longer eligible for Central subsidies.

In the newly enacted Food Security Act (FSA), 2013, a fixed number of beneficiaries in each state are entitled to food grains at subsidized prices. However, nearly 1.8 crore of beneficiaries (currently covered by Public Distribution System in Maharashtra) are not covered in the FSA. It is estimated that the State Government has to spend nearly Rs 1,400 crore out of its own budget to maintain the existing entitlements of 1.8 crore of beneficiaries not covered under FSA.

Another instance is the case of the Scheme of Post Matric scholarships to students belonging to OBC. When the scheme was originally formulated in 1998, it was an open ended scheme with 100% Central assistance. The State Government has been accordingly selecting all eligible beneficiaries and has been implementing the scheme. However, the Central Government has failed to give full reimbursement of the expenditure incurred and arrears of more than Rs 1,150 crore have accumulated. In 2011, the scheme was modified as a funds limited scheme. The relevant portion of the Government of India Order dated 1st July 2011 reads as follows" *This scheme was, to begin with, meant to be open-ended, but has, in practice been implemented subject to allocation available for it. This "Funds-Limited" nature is now being formalized, as per details given in para 5 below*"

The State Government, however, now finds it extremely difficult to limit the scope of the scheme in this manner to only a limited number of beneficiaries and is faced with a situation where it may have to bear such recurrent liabilities from its own resources.

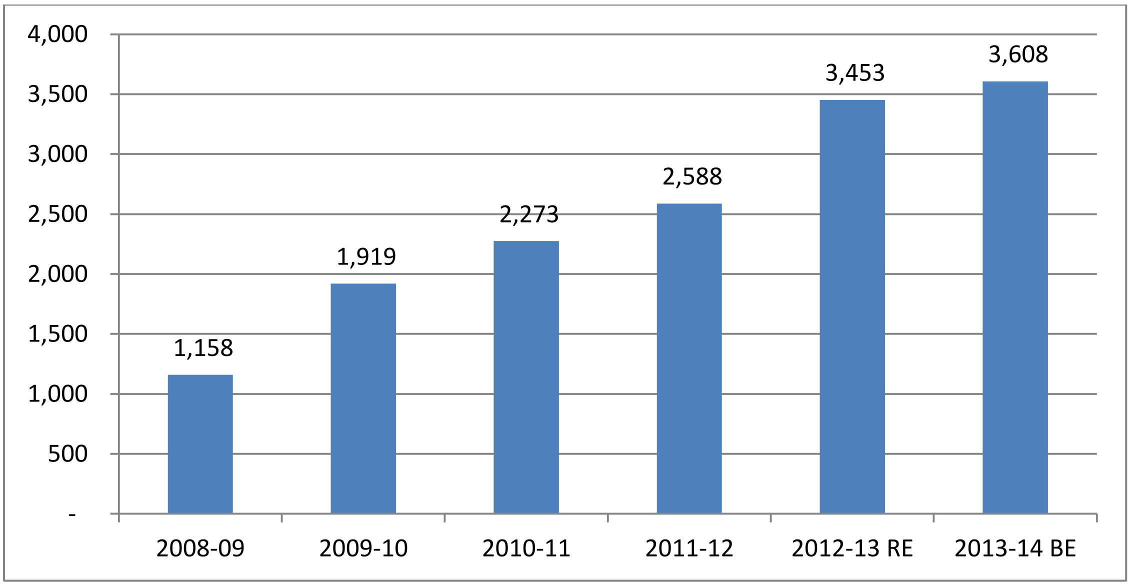
Similarly, the capping of subsidies on sugar and LPG has exposed the Stat Government to pressures, to maintain the existing level of subsidy from its own funds.

3.5 Impact of Centrally Sponsored Schemes (CSS) and Centrally Assisted Schemes (CAS)

Since the transfers through Centrally Sponsored Schemes (CSS) and Centrally Assisted Schemes (CAS) are tied to matching provisions by the States, the latter's autonomy was adversely affected. In response to this, the Central Government has now decided to restructure the CSS & CAS by reducing the number of schemes and also provide for flexi-funds to pursue state specific development need.

While this is a welcome decision, the need for providing a matching contribution to these schemes continues to remain a substantial charge on the State's finances, as shown in the figure below.

Figure 3.1: Trends in matching grants provided by Maharashtra for availing CSS and ACA (Rs crore)



Source: Finance Department, GoM

In fact such schemes cast a double jeopardy on the States. On one hand, whenever Plan schemes are formulated with a large provision by way of Central assistance, it is not feasible for the States to refuse to implement such schemes as it would amount to giving up funds or letting them 'Lapse'. On the other hand if the States do decide to implement the schemes, as they inevitably do, then at the end of the Plan period the entire burden of the schemes fall on the States. The schemes which were never state schemes in the first place become a direct draft on the state's own resources. A good example is the 100% CSS of Post Matric scholarships to the students belonging to Scheduled Castes. This has resulted in a committed liability of Rs 461 crore from the year 2013 onwards, to the State Government as the Central Government has stopped giving 100% share after the plan period.

Clearly the States need to be provided with a greater share in the divisible pool to meet the huge fund requirements that arise not only on account of the matching contribution but also because of the committed expenditure that they are forced to incur in perpetuity when the scheme ends and the Central Government stops contributing to the scheme.

Many of these schemes also involve hiring of a large number of contractual employees. The State Government presently employs nearly 1.5 lakhs of such employees in addition to those employed in Anganwadis. In course of time, there are pressures to regularize such employees and States are faced with a large risk of a permanent increase in salary expenditure. We also urge the Finance Commission to make appropriate suggestions to the Central Government in regard to these issues.

Ideally the States should have the flexibility to choose from a bouquet of schemes and should also be given a lump sum grant without tying them up to specific schemes. This would be a logical next step following the acceptance of the recommendations contained in the Report on the Committee on Restructuring of Centrally Sponsored Schemes (2011) and also a move in the direction of the recommendations of the Report of the High Level Expert Committee on Efficient Management of Public Expenditure (2010).

3.6 Additional funds for Operation & Maintenance (O&M) and Capital Expenditure

The State Government has been taking stringent measures for expenditure control to comply with Fiscal Responsibility and Budget Management Act. However, crucial Capital Expenditure is required to address various infrastructure bottlenecks that exist in the state. The state suffers from inadequate Capital Expenditure as well as inability to sufficiently provide for O&M expenditure due to committed plan & non-plan expenditures.

3.7 Submission on Vertical Devolution

In view of the foregoing arguments, The State Government would request the 14th Finance Commission to enhance the quantum of vertical devolution to States to 40% of the divisible pool. This alone in our view can provide the States with resources adequate to meet their development, regulatory and welfare needs without impinging on their fiscal autonomy.

4 Horizontal Devolution

Equity and efficiency have been the principles followed by successive Finance Commissions for determining inter-state devolution. The 13th Finance Commission has mentioned four critical factors that form the core of horizontal devolution; Fiscal need, Fiscal capacity, Costs of providing similar levels of public goods and services and Rewarding Efficiency in public administration and management, fiscal effort and outcomes. The 13th Finance Commission used population, area, fiscal distance capacity and fiscal discipline as criteria for horizontal devolution of funds among the States.

Table 4.1: Criteria used by 13th Finance Commission

Criteria	Weight (%)	Parameter
Population	25	Census 1971
Area	10	Minimum 2% with no upper limit
Fiscal Capacity Distance	47.5	Estimate Per Capita Fiscal Capacity at reasonably comparable levels of taxation by application of the observed group average
Fiscal Discipline	17.5	Improvement in the ratio of own Revenue Receipts of a State to its total Revenue Expenditure to average ratio across all the States

Source: Report of 13th Finance Commission (2009)

Ideally the shares of the States could be fixed based on contribution to the economy and population only. But it is also unexceptionable that there has to be some consideration for the fiscal capacity and special needs of the States. In view thereof, successive Finance Commissions have been using these criteria. However, the methodology for computing these parameters and the weights attached to these need a review.

4.1 Population

The use of population as criteria is unexceptionable as most of the services especially social services, are to be provided based on some kind of per capita norm. Social services such as education and infant & child care are predominately provided to the young. But as our state moves forward along the demographic transition curve, the proportion of the aged is growing. Thus, the social security schemes for the old, such as provision of health care and pensions would also become an important draft on the State’s resources. Additionally, a large population in the age group of 15-25 years requires special attention for developing skill sets for improving employability. In view thereof the weight attached to population needs to be enhanced and hence we would request the 14th Finance Commission to assign weightage of 35% to the population parameter.

4.2 Area

Many infrastructure facilities need to be provided on an area basis. There is an increasing need to strengthen quality of road networks, water supply and sanitation service and electricity network. We request the 14th Finance Commission to assign a weightage of 15% to the area criterion.

4.3 Fiscal Capacity Distance

The Finance Commission devolution follows a principle of equalisation that would lead to convergence of per capita resource availability. The 13th Finance Commission has assigned criteria of Fiscal Capacity Distance with a weightage of 47.5% to achieve this.
It is unexceptionable that States with a low fiscal capacity should receive a higher share in the resources, yet it is also necessary that such resources as are made available to the States are prudently used and result in tangible/measurable improvement in outcomes and overall quality of life in the respective States. Thus equity and efficiency both need to go hand in hand for the overall objective of balanced development to be achieved. In fact, an overemphasis on equity may have a detrimental effect on efficiency. If carried to an extreme, it can lead to a situation where the incentive for performance of even the better placed States may be compromised thus leading to a situation where the overall growth of the divisible pool is itself adversely affected.

Thus we feel the present weightage of 47.5% to equity through fiscal capacity distance is excessive and this needs to be reduced to 25%. The methodology for arriving at the fiscal capacity distance between the States also needs improvement. The state GSDP is a single point estimate of their resource base and this does not capture the intrastate disparities. As detailed in the earlier sections, intrastate disparity is a serious concern for the State Government and addressing equality at the district level is as important as addressing equality at state level. Hence we suggest that population weighted district level average income data could be more appropriate for calculating the fiscal capacity distance of the States. As an alternative, the Finance Commission may also take into consideration any appropriate measure of dispersion of state income while calculating the fiscal capacity distance.

4.4 Efficiency

As mentioned in the earlier section, efficiency parameter should be given a higher weightage so as to ensure that resources are prudently used for providing welfare. States must be incentivized and rewarded for their efforts towards fiscal prudence. The 13th Finance Commission used the improvement in proportion of Own Revenue to Total Revenue Expenditure, as the efficiency parameter. We would like to point out that this ratio does not fully capture the effect of the high proportion of services sector in the economy of a State like Maharashtra as well as the substantial commodity taxes being collected by the local bodies in the State.

While the ratio used by the 13th Finance Commission does encourage the States to improve Revenues and reduce Revenue Expenditure, it may also discourage States from providing adequate services in health care and education. It also indirectly discourages States from accessing the debt market to its full potential as interest expenses on the higher debt would have a negative impact on the ratio used by 13th Finance Commission.

We do recognise that the measurement of efficiency is a complex issue and evolving a single parameter is even more difficult. We submit that the Finance Commission can take a holistic view and use composite parameters like improvements in HDI as a measure of efficiency. In case there are issues of data or if for any other reason the Commission is not inclined to use such a broad criterion, then the approach followed by the 13th Finance Commission may be followed for the efficiency parameter in essence but should be suitably modified for the issues raised above.

The efficiency parameter can be assigned a weightage of 25%.

4.5 Summary

We would like to submit to the 14th Finance Commission the following criteria and formula that could be considered for the horizontal devolution in 14th Finance Commission Period.

Table 4.2: Proposed Criteria for the 14th Finance Commission

#	Criteria	Weightage
1	Population	35%
2	Area	15%
3	Fiscal Capacity Distance	25%
4	Fiscal Discipline	25%

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5 Goods & Service Tax

5.1 The Experience of VAT – Delay in Compensation

Maharashtra along with most of the other States achieved an important breakthrough in the indirect tax systems by implementing the Value Added Tax (VAT) system from 1st April 2005. VAT removed the cascading burden of 'tax on tax' by giving full set-off of tax paid on inputs and capital goods. VAT also merged various other tax acts existing for the levy of tax on deemed sales. The figures of tax collections, excluding tax on motor spirit and tax on liquor after introduction of VAT are shown in the table below:

Table 5.1: Receipts of VAT for years 2005-06 to 2012-13(Rs. crore)

Year	VAT Gross receipts	Refund	Net VAT receipts	Growth over earlier year
2005-06	15,860	1,662	14,198	-3%
2006-07	20,134	2,057	18,077	27%
2007-08	23,352	2,705	20,646	14%
2008-09	25,530	1,983	23,547	14%
2009-10	27,091	2,617	24,474	4%
2010-11	34,695	3,192	31,502	29%
2011-12	41,946	4,218	37,728	20%
2012-13	48,505	3,477	45,028	19%

In consultation with the States and after careful considerations, the Central Government issued guidelines for providing compensation to the State for loss of revenue on account of introduction of VAT. The compensation was payable for a period of three years from 2005-06 onwards. The claims of the State were computed on the basis of guidelines issued by the Central Government. However, the claims submitted by the State were objected to on various grounds which in our view were not justified. One of the reasons given by the Central Government is that LPG is taxed by the State at the reduced rate of 4% instead of the agreed rate of 12.5%. In fact, the States were forced to collect the tax at the lesser rate because Ministry of Finance, Government of India had included LPG in the list of "declared goods". Thus the reduction is solely because of the decision of the Central Government and the State has to unfairly bear the cost thereof. The claims of the State for compensation which have not been accepted by the Central Government are shown in the table below:

Table 5.2: Compensation against VAT (Rs. crore)

Year	Compensation payable	Compensation received	Balance
2005-06	3,679	260	
2006-07	3,061	2,815	
2007-08	3,134	1,204	
2008-09	---	1,895	
2009-10	---	1,475	
2010-11	---	277	
2011-12	---	161	
Total	9,874	8,187	1,686

As Central Sales Tax (CST) is not compatible with VAT, it was decided to gradually phase out CST with an appropriate package of compensation for the loss to the States. The compensation on account of reduction of CST from 4% to 2% has also not been fully received. The actual loss of revenue vis-à-vis compensation received from the Central Government is shown in the table below:

Table 5.3: Statement showing receipt of compensation against CST (Rs. crore)

Year	Compensation payable	Compensation received	Cumulative short fall
2008-09	192	207	-15
2009-10	641	253	361
2010-11	207	---	207
Total	1,013	460	554

The compensation on account of introduction of VAT and phasing out of CST receivable from the Central Government is delayed inordinately. Overall, an amount of Rs. 2,240 crore is due from the Central Government.

5.2 **Introduction of GST**

One of the important issues that this Finance Commission has been asked to consider is the impact of the proposed GST on the finances of the Centre and States and the mechanism for compensation in case of any revenue loss. The 13th Finance Commission had recommended a comprehensive design for GST and a framework to be used for compensating the States for implementing GST.

The Empowered Committee of State Finance Ministers (EC) and the Central Government are working for developing the frame work for the implementation of GST. GST envisages additional powers to levy tax on trade by the Centre and on services by the States. Accordingly, Constitutional Amendment (One Hundred and Fifteenth) has been introduced in Lok Sabha and vetted by the Standing Committee. Based on the recommendations of the Standing Committee, some amendments to the Bill have been proposed by the Central Government. The amendments are presently under deliberations with the EC.

The EC has crystallized some other areas which also need detailed deliberations for smooth introduction of GST. It has formulated three working groups to work on (i) Dual Control (Administrative control over the dealers) and Exemptions and Thresholds (ii) Inter-State GST and GST on Imports and (iii) Place of Supply and Revenue Neutral Rate (RNR). The final reports of these working groups are awaited.

5.3 Our viewpoint

The State Government agrees to the introduction of GST. It would like to reiterate the following issues which would facilitate smooth implementation of GST.

5.3.1 Service Tax Base

The major reason for loss of revenues to the States in GST will be due to abolition of CST and loss of tax on Excise Duty. This loss will have to be compensated by revenue gained due to State GST on Services. To calculate the revenue gain on account of State GST on services, it is essential to know the Private Final Consumption of Services in the State as the services at intermediate stages, consumed by the trade and industry, will be entitled for input tax credit. The private final consumption service tax base is very difficult to be worked out due to non-availability of State specific data. Due to uncertainty in calculation of tax base and the resultant gain which may arise due to State GST on services and loss that may occur due to grant of input tax credit discussed above, the States feel that high revenue risk is involved in introducing GST. The loss on account of CST abolition is tangible and gain out of services taxation is not measurable. Additionally it needs to be noted that services such as entertainment, transport, luxuries, and banking in some ways are already subject to some State level taxes. The concerns of the States regarding the likely revenue generation out of the services needs be properly addressed.

5.3.2 Revenue Neutral Rate

The Revenue Neutral Rates (RNR) for the individual States may substantially vary depending upon whether it is a consuming State or a manufacturing State. The amount of CST loss, revenue received from State GST on services and several other factors are important for determining the Revenue Neutral Rate. While uniform State GST rates are ideal, these do detract from State specific requirements and therefore the EC has suggested a band for SGST rates. The State is in agreement with this. The overall rate of GST will be required to be capped considering the acceptability of the rates by the trade and people in general. After evolving an acceptable GST rate, the component of State GST should be fixed considering the revenue neutrality for the States. The balance part of GST may be the rate of CGST. This will reduce the need of compensation to the States, which may become necessary if the RNR for a State exceeds the upper limit of the agreed band for the SGST.

5.3.3 Octroi

73rd and 74th Constitutional amendment Act have provided for local bodies (Panchayats and Municipalities / Corporations). These bodies need resources for discharging various responsibilities assigned to them. Funds can come by way of tax or grant-in-aid. The major source of revenue for local bodies is through Entry Tax/Commodity Taxes/Local Body Taxes (LBT). Abolishing Entry Tax/ LBT would substantially increase the funds required for compensating the consequential revenue loss amounting to Rs.12,000 crore and more for the State. If this is to be made up by increasing the SGST rate, then it may go up by 25 to 50% which probably will be more than upper limit of the permissible band provided. This steep hike in tax rate may also not be acceptable by the trade, industry and even the common man. Therefore, the State strongly feels that entry tax in lieu of Octroi should not be abolished until a firm commitment is made by the Central Government, for compensating separately the loss which will occur due to abolition of commodity taxes at local body level for at least initial ten years.

5.3.4 Independent Compensation Mechanism

Ideally, State GST rate should be revenue neutral for the States, so that there is a minimal need for any compensation. But if there is any revenue loss to any State, it must be compensated fully by an independent compensation mechanism. The quantum of compensation shall be the difference between the actual collection and the projected collection based on the CAGR of previous five years or 14 %, whichever is higher. The compensation claims based on projected tax collections and actual tax collections may be verified by an independent body comprising of members from representatives of the Central Government and the State Government. On approval of the claims by the Committee, funds should be released immediately and automatically. For this purpose the budgeted amount of compensation should be transferred to the GST Council of State Finance Ministers every year and the Council should be authorized to release the amounts.

5.3.5 Dual Control of Dealers

An important gain of GST would be completely negated if a dealer has to face dual authorities for the same transactions. As things stand today, with the introduction of a negative list, the foot print of Service Tax has expanded considerably. Restaurant, theatres and the like which were subject only to State taxation are liable to pay Service Tax. Certainly, this has increased the compliance burden and is a sub optimal situation. We are of the view that dealers below a particular turnover or those without interstate business should be required to deal only with the State Government.

6 Local Bodies

6.1 Rural Local Bodies

6.1.1 Profile

The 73rd Amendment to the Constitution of India provided the constitutional status to and the institutional framework for the Panchayati Raj Institutions (PRI). District Panchayats and Block Panchayats in the State are governed by the "Maharashtra Zilha Parishad and Panchayat Samitees Act, 1961" and the Village Panchayats in the State are governed by the "Maharashtra Village Panchayat Act, 1958".

As per 2011 Census, 54.8 % of the State's population is rural (roughly 6.16 crore) and the average population of Zilla Parishads(ZPs), Panchayat Samitis(PSs) and Village Panchayats(VPs) in the State is presented in the table below.

Table 5.4: Profile of PRIs in Maharashtra

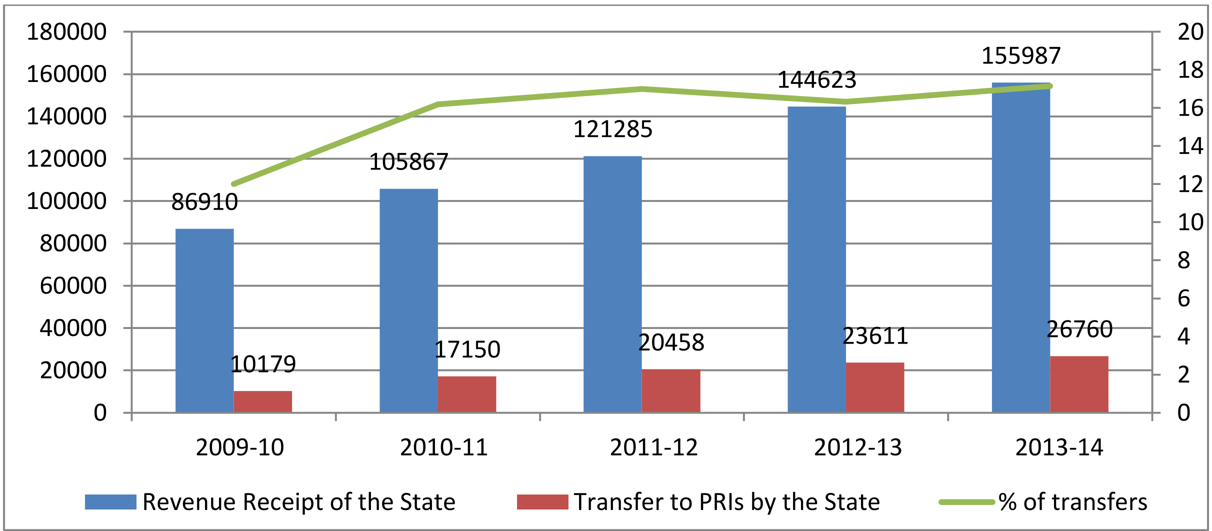
#	Types of PRIs	Number	Average Population	Average Area (Sq.Km)	Members
1.	Zilla Parishad	33	18,65,013	9,102	1,955
2.	Block Panchayat/ Panchayat Samitis	351	1,75,343	856	3,910
3.	Village Panchayat	27,906	2,205	11	1,90,691

Source: Rural Development Department, Government of Maharashtra

6.1.2 Status of fund transfers to Rural Local Bodies

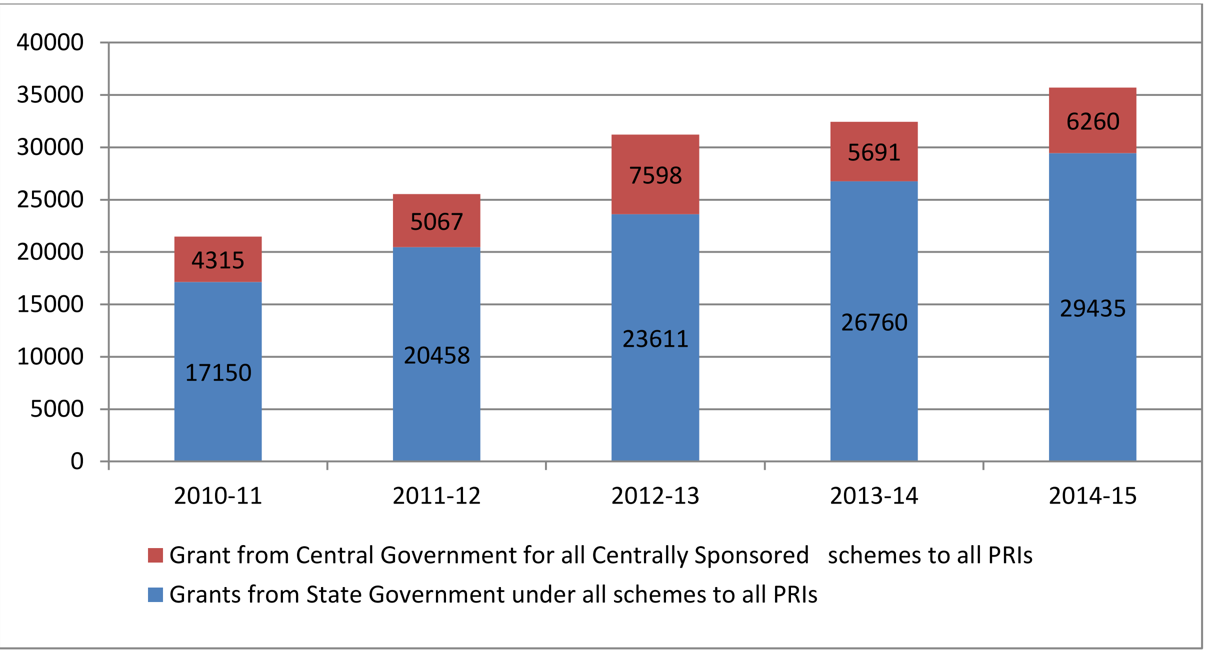
The Government of Maharashtra has been a pioneer in transferring funds, functionaries and functions to its local bodies. PRIs in Maharashtra have manpower of nearly 6 lakh employees and more than 100 schemes have been transferred to them. In 2009-10, PRIs received nearly 12 % of State's Revenue Receipts which has grown to 17% in 2013-14.

Figure 6.5.1: Trends in transfer of funds to PRIs as (Rs.crore as % of State's Revenue Receipts)



Source: Rural Development Department, Government of Maharashtra

Figure 6.5.2: Trends in transfer of funds to PRIs by the Central Government and the State Government (Rs crore)



Source: Rural Development Department, Government of Maharashtra

The size of transfers to the Maharashtra PRIs has increased by one and a half times in 2013-14 (Rs 32,451 crore) in comparison to its size in 2010-11(Rs 21,465 crore)

6.1.3 Revenues of PRIs

PRIs in Maharashtra continue to depend heavily on the State Government funds. However, in 2012-13, their own revenues were nearly 10% of transfers from the State Government. In the period 2007-08 to 2012-13, the PRIs have had a CAGR of nearly 21% in revenues.

Table 5.5: Trends in Revenues of PRIs (Rs crore)

#	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
1	Own Tax (ZP)	154	240	285	306	331	374
2	Non Tax (ZP)	494	688	664	913	976	1,074
3	Own Tax (VP)	380	468	443	796	900	1,027
3.a	*of which Property Tax collection by VPs*	193	214	238	446	525	621
4	Non Tax (VP)	89	87	164	186	283	325
Total Income		1,116	1,483	1,556	2,202	2,490	2,800

Source: Rural Development Department, Government of Maharashtra

It can be seen that there is considerable achievement in the Property Tax collections at the VP level. There is complete autonomy to VPs to decide the rates and there is a legal requirement to periodically revise the rates. Considerable efforts have also been made in recovery of water charges and other user charges as reflected in the high annual growth of non-tax revenues.

6.1.4 Efficiency in Governance/Reforms in PRIs

Maharashtra has been in the forefront of reforms in PRIs. Some of the recent important initiatives taken include the following:

Eco-Village Scheme- In 2010, GoM launched the Eco-Village Scheme for sustainable development of Village Panchayats by implementing the concept of eco-village. Villages are rated on the basis of tree plantation, efforts on containing open defecation, ban on plastic, use of renewable energy etc and provided monetary awards based on achievements. This has significantly improved the governance in Panchayats and also enabled them to provide useful village infrastructure.

e-PANCHAYAT Project (Sangram)- E-Panchayat is one of the Mission Mode Projects under National e-Governance Project. The main aim of this project is to standardize the process of day to day work of all PRIs, maintaining all process and records online and to bring the transparency in their business. 28, 275 official websites have been created for all ZPs, PSs and VPs.

e-Tendering- In 2012, GoM has introduced the process of e-tendering for all projects pertaining to ZPs, PSs and VPs of the State. Government has taken a decision that all the works having a value of Rs. 5 lakhs and above should be done by e-tendering. Likewise, e-tendering is mandatory for purchasing goods, material and services costing Rs. 1 lakh and above.

The efforts of GoM in improving rural governance have won several accolades, some of which are enumerated below:

- Maharashtra has been the model State in execution of e-panchayat project. The State bagged national level 2nd prize for excellent achievement in effective implementation of Model Accounting System/ (PRIA Soft) for the year 2010-11 and 1st prize for the year 2011-12.

- Maharashtra has bagged the first prize for effective devolution to PRIs at national level for the past three years.

- Under the Panchayat Empowerment and Accountability Incentive Scheme (PEAIS), Ministry of Panchayati Raj awarded 17 PRIs of Maharashtra with a cash prize of Rs 1.64 crore in 2012-13.

- The State also received the National level first prize of Rs 2.5 crore as an incentive for doing excellent work under cumulative Panchayat Strengthening Index.

- The State received all the forfeited grants of other non-performing States in the year 2011-12 for complying with all the stipulated conditions prescribed for receiving performance grants from the 13th Finance Commission.

6.1.5 Fund Requirements

For effective functioning of PRIs, they must have adequate financial resources in line with the functions devolved to them. One of the major problems of PRIs is the persistent inadequate allocations especially for initiating major reforms and also for operation and maintenance of assets. We have broadly estimated fund requirements for undertaking activities like provisioning of basic amenities, periodical maintenance of roads, maintenance of ZPs, PSs and VPs buildings. Funds are also required for e-Panchayat initiative for hardware, training of staff and technical manpower. The table below shows the broad estimates of funds requirements for PRIs over and above what would be routinely available under present arrangements.

Table 5.6: Fund requirements of PRIs (Rs crore)

#	Funds required for	Required fund for 5 years(2015-2020)	Required Avg. fund /per year
1	Maintenance of basic amenities of all the Villages	7,375	1,475
2	Routine and Periodic Maintenance of Rural Roads	10,000	2,000
3	Maintenance of PRIs Buildings	1,470	294
4	Disaster Management Facilities	1,755	351
Total		20,600	4,120

Source: Rural Development Department, Government of Maharashtra

6.2 Urban Local Bodies

6.2.1 Profile

As per 2011 Census, Maharashtra's urban population is 5.08 crore which constitutes 13.47% of the total urban population (37.7 crore) of the country. In Maharashtra, the urban population constitutes 45.22% of the total State population as compared to the national urban population of 31.16 %.

There are 259 Urban Local Bodies (ULBs) in the State (26 Municipal Corporations, 219 Municipal Councils and 14 Nagar Panchayats) which are mandated to provide infrastructure facilities and services required to support the population residing in these urban areas.

6.2.2 Status of Transfers & Trends in Revenue of ULBs

In order to empower the ULBs as per the 74th Constitutional Amendment, the Government of Maharashtra has transferred all 18 subjects as listed in the schedule of the Amendment to ULBs. The table below shows revenues of Municipal Corporations.

Table 5.7: Source of Revenue and Capital of Municipal Corporations (Rs crore)

Year	Sources of Revenue						
	Own Revenue			Transfers from Central Government	Transfers from 12th FC/ 13th FC	Grant-in Aid + Devolution (GoM)	Others
	Tax Revenue		Non Tax				
	Property Tax	Other Taxes					
2009-10	5,917	7,744	6,054	403	37	580	889
2010-11	5,904	9,242	7,251	833	49	420	406
2011-12	5,936	11,101	7,842	625	147	692	980
2012-13	6,276	12,407	10,581	544	149	1,117	976

Source: Urban Development Department, Government of Maharashtra

In 2012-13, the Tax Revenues was 58% of the Total Revenues, while the Non Tax Revenues and other sources of revenue (including transfers from Central Government and State) was 33% and 9% respectively. Property Tax accounted for almost 19.6% of the total revenues.

Similarly, the table below shows the revenues of the Municipal Councils

Table 5.8: Source of Revenue and Capital of Municipal Councils (Rs crore)

Year	Sources of Revenue						
	Own Revenue			Transfers from Central Government	Transfers from 12th FC/ 13th FC	Grant-in Aid + Devolution (GoM)	Other
	Tax Revenue		Non Tax				
	Property Tax	Other Taxes					
2009-10	309	279	187	367	244	1504	253
2010-11	325	249	199	281	436	2085	256
2011-12	321	264	250	266	280	1982	243
2012-13	337	286	268	304	391	2408	272

Source: Urban Development Department, Government of Maharashtra

6.2.3 Improving governance/reforms in ULBs

Maharashtra has implemented the Performance Assessment System (PAS) in Urban Water Supply and Sanitation in Maharashtra (www.pas.org.in). This is a seven years project (2009 – 2016) being implemented in partnership with CEPT University, Ahmedabad and All India Institute of Local Self Government, Mumbai. The project is being implemented in all ULBs in Maharashtra and aims to develop a sustainable statewide Urban Water Supply & Sanitation (UWSS) model that can be used for improving service delivery making it more efficient, equitable and sustainable.

The State has implemented the Sujal Nirmal Maharashtra Abhiyan (SNMA) for reforms in water supply and sanitation sectors. Similarly, State Level Service Level Benchmarking (SLB) Cell has been established at All India Institute of Local Self Government, Mumbai for providing technical assistance to ULBs for their performance measurement, monitoring and improvement in SLB.

The State Government has taken a number of reforms as required in Jawaharlal Nehru National Urban Renewal Mission (JNNURM). A modern, accrual based accounting system is being introduced along with several e-Government initiatives, as part of the mandatory reforms. A number of optional reforms have also been taken up including revision of bye laws to streamline approval process for construction of buildings, simplification of procedures for conversion of land use, earmarking of 20-25% land for Economically Weaker Section/ Low Income Group housing in each building site, computerization of registration of land and property and also revision of bye laws to mandate rain water harvesting and incentivizing green buildings.

6.2.4 Fund Requirements

Based on the Service Level Benchmarks set by Ministry of Urban Development of the Central Government for the urban services, there is a significant gap between the present level of services and those set by the Central Government as evident from the information tabulated in following tables showing status of Water Supply, Sanitation and Sewerage and Municipal Solid Waste Management in Maharashtra.

Table 5.9: Performance of ULBS in provisioning of Services

Key Performance indicators	Benchmarks	Unit	FY 2012-13
Coverage of WS connections	100	%	61
Per capita availability of water at consumer end	135	LPCD	81
Quality of water supplied	80	%	94
Coverage of Wastewater Network Services	100	%	44
Coverage of Storm Water Drainage Network (%)	100	%	36
Household level coverage of solid waste management services	100	%	72
Efficiency of collection of municipal solid waste	100	%	92
Coverage of WS Connections in Slums		%	32
Coverage of Individual Toilets in Slums		%	20
Household Level Coverage of SWM Services in Slums		%	65

Source: Performance Assessment System, UDD

We would urge the Finance Commission to not only consider the operation & maintenance requirements of ULBs but also to provide for adequate amount of capital that is required for investments to provide the minimum benchmark level of services to the urban population .

6.3 Criteria for transfer of funds to Local Bodies

The 13th Finance Commission allocated 1.93 % of divisible pool as a grant to local bodies for the period 2010-15 (including basic grant of 1.5% & performance grant varying between 0.5% & 1% from 2010-2015). We submit that the 14th Finance Commission considers the large financial requirements of the local bodies in meeting infrastructural needs and routine operation and maintenance requirements, and provide 5% of the divisible pool to the local bodies. Basic grants could be 3.5% which would be available to all States while 1.5% of funds could be Performance based grants that the local bodies would receive on fulfillment of performance related parameters. The 13th Finance Commission divided the grants between the ULBs and PRIs based on the urban and rural population as per 2001 Census. Further funds were transferred to the States based on the parameters of population, area, distance from highest per capita income, index of devolution and Finance Commission local body grants utilization index. We submit the following methodology for consideration of 14th Finance Commission for transferring funds to the States for onward transfer to the Local Bodies (LBs).

The general basic grant and the general performance grant could be divided into rural and urban shares on the basis of their respective populations as per the 2011 Census. However, the urban population could be provided higher weightage as services such as health, education, roads, electrification etc. in rural areas are directly funded by State and Central Government. Also, since the equality factor is already provided for in the horizontal devolution formula for States, we would urge the Finance Commission not to use it again for distribution of funds to LBs. The performance grant is based on the fund utilization of the LBs, Hence, we would request that it may not be again used as a factor for devolution of basic grants.

We would like to submit that the following criteria be used to decide the share of the States in the pool of funds earmarked for rural and urban local bodies.

Table 5.10: Proposed criteria for transfers to local bodies

Parameter	% weightage
Population	60
Area	25
Decentralization/devolution	15

7 Views on Financing of disasters

7.1 Maharashtra – Hazard Profile

In Maharashtra, the seasonal rains from the western sea-clouds are very heavy and the rainfall is over 400 cm on the Sahyadrian crests, while it declines considerably to the east of the Sahyadri, where it diminishes to a meager 70 cm. The western plateau districts of Solapur-Ahmednagar are in the heart of the dry zone. Owing to its geographical location, urbanization and other factors, Maharashtra is vulnerable to a host of natural and manmade hazards – like earthquake, floods, drought, landslides, cyclone, lightning, cold wave, cloudburst, floods, and chemical disasters among others. The State faces considerable losses on account of disasters.

7.2 Fund Utilization

The State Disaster Response Fund (SDRF) has been created in 2011 in place of the Calamity Relief Fund (CRF). At the time of setting up of the SDRF, there was no transfer of balances from CRF to the SDRF as Maharashtra's CRF had a negative balance. Also, the State Disaster Mitigation Fund and the District Disaster Mitigation funds have been created at the State and the District Levels respectively. The District Disaster Response Funds are in the process of being set up in the State.

The State has spent more than Rs 3,940 crore from its own resources from 2008-2013 as shown in the table below.

Table 7.1: Trends in Funds received under SDRF, NDRF and additional expenditure (Rs crore)

Year	SDRF Allocation	Total NDRF	Total (SDRF +NDRF)	Total Amount spent	Additional amount spent by State
2008-09	258	-	258	748	490
2009-10	271	182	453	527	74
2010-11	443	310	753	972	219
2011-12	465	-	465	1,944	1,479
2012-13	488	1,825	2,313	2,789	476
2013-14 (till Nov 2013)	320	730	1050	2251	1201
Total	2,245	3,047	5,292	9,231	3,940

Source: Relief and Rehabilitation Department, GoM

7.3 Procedure for National Disaster Relief Fund assistance

Maharashtra has faced consecutive years of drought in 2011-12 and 2012-13. The funds are usually released after the State Government submits a memorandum in a drought situation followed by visit of a Central Team to the drought affected areas.
The Central Team must visit while the crops are still there so that the ground situation can be better appreciated and losses better estimated. This also requires that the State memorandum should be submitted well before the final paisewari is declared. It is found that there is a substantial difference between the provisional and final paisewari. The memorandum is based on the provisional paisewari and the Central Government releases funds from the NDRF based on the provisional paisewari mentioned in the memorandum. It is necessary that the release from the National Disaster Relief Fund (NDRF) is based on the final paisewari rather than the provisional paiseqwari contained in the memorandum.

Further, it has been pointed out that in certain years, almost entire area in some villages remains unsown due to severe drought. No paisewari is declared for such areas. In absence of the fulfillment of the criteria of 50% paisewari, Central Government does not consider such areas for relief under NDRF. This anomaly needs to be corrected.

The procedure followed for the release of the funds from NDRF needs to be transparent and predictable. The States should be assured of the funds from NDRF over and above the funds spent from SDRF for calamities that are covered by SDRF. Also, the visit of the Central Team should be necessary only if relief is sought for items not covered under SDRF or where relief beyond the norms of SDRF is sought.

7.4 Norms for SDRF assistance

Current norms are largely designed on the basis of those calamities that are sudden in nature. However situations like drought are creeping in nature. The norms should be revised to include creeping or persistent disasters as well. This will allow States to take anticipatory mitigation measures like water harvesting, fodder production in the drought affected areas. In addition, Maharashtra would like to submit the following for consideration under the SDRF by the 14th Finance Commission.

- Present norms allow for provision of only 90 days period for fodder depots and cattle camps. This may be increased from 90 days to 120 days, especially in successive years of drought.
- The assistance for big and small animals in cattle camps on an everyday basis may be increased to suit the actual expenses required.
- The ex gratia compensation of Rs 1.5 lakh to the next of kin of the deceased is inadequate. It is recommended that it may be increased to above Rs 2.5 lakhs. Similarly compensation for disability and hospitalization also needs to be increased.
- Compensation for replacement of milch and draught animals needs be reviewed as it is quite less as compared to the actual cost of replacing the animals.

7.5 Estimation of Crop losses

There is a need to support efforts in scientific estimation of losses occurring due to calamities including that of estimation of crop losses due to drought. We request the Finance Commission support the development of a scientific methodology for loss estimation.

7.6 Need for Higher Allocation

As compared to Maharashtra, some of the other States having equal or lesser area, having much lesser population and a similar hazard profile have received a larger or equal share of the SDRF based on the principle of past expenditure under the Major Head 2245.

Table 7.2: Comparison of Finance Commission Grants to select States (Rs crore)

State	10th FC	11th FC	12th FC	13th FC
Rajasthan	943	1,144	2,297	3,319
Gujarat	735	892	1,359	2,775
Andhra Pradesh	654	1,094	1,901	2,812
Maharashtra	359	869	1,232	2,446

The expenditure figures given earlier indicate that almost in all years, the State received substantial amounts of assistance from NDRF and also it had to spend additionally from its own resources. This underscores the fact that the size of the SDRF for Maharashtra as stipulated by various Finance Commissions is grossly inadequate. Based on the past expenditures as shown in the table above, a sum of Rs 10,000 crore could be allocated to Maharashtra for the period 2015-20.

8 Environment

Like all developing economies, Maharashtra too is facing the challenge of balancing the development needs with environmental sustainability. Environmental degradation resulting through rapid urbanization and industrialization need to be tackled on an ongoing basis.
The prime challenges that the State faces is the stress on air, water and soil due to various development related activities. In this context, the State Government plans to undertake the following key activities for which it requests the consideration of 14th Finance Commission.

8.1 Forests

Maharashtra supports nearly 15,000 villages spread across its forest area of 61,357 sq km. Majority of villages in forests are inhabited by the Scheduled Tribes community, who draw their livelihoods and basic needs from forests, and minor forest produce like *Tendu, Moha*, and wage employment through working of forests. The State is home to a number of national parks and sanctuaries including the Pench National Park that is on the border of Maharashtra and Madhya Pradesh. Chaprala Wildlife Sanctuary, Tadoba National Park, Bhamragarh Wild Life Sanctuary, Navegaon National Park, Bor Wildlife Sanctuary are the important sanctuaries in Maharashtra.

8.1.1 Initiatives

Maharashtra has taken special efforts to conserve its forests, by taking measures to support natural regeneration and also through plantation. In order to introduce transparency and accountability, all plantation sites have been uploaded on the Forest Department website, (www.Mahaforest.nic.in) showing GPS readings and geo tags.

Secondly, the State Government has taken initiatives for e-governance of its forest areas by digitizing its entire forest area. All these digitized maps are available on Forest Department website, (www.Mahaforest.nic.in) and have been placed on GIS platform online. All Forest Guards have been provided PDA (Personal Digital Assistant) to record forest offences, movement of wild animals and managements of plantation sites.

Thirdly, the State Government took initiative to rehabilitate nearly 17 villages out of 211 villages situated in core Tiger reserves and wildlife sanctuaries.

8.1.2 Constraints & Fund Requirements

The major constraint faced by the State Government is in meeting the shortfalls in Working Plan for carrying out the work in forest area. The working in forest area has to be executed strictly in accordance with Working Plans, duly approved by the State and Central Government. Against the average annual requirement of about Rs 250 crore for implementation of these working plans, the State Government at the most allocates only about Rs 80-90 crore under the non-plan heads. Hence the mandatory works under the Working Plans *viz*. fire prevention measures, regeneration measures in harvested areas and demarcation of precious forest lands remain un-implemented.

Secondly, nearly 194 villages remain located in 5 Tiger reserves and 49 wildlife sanctuaries with constant exposure to the risks arising out of man-animal conflicts and crop raiding in these villages. Due to inadequacy of funds, the rehabilitation work has slowed, and the State has not been able to continue the initiatives in a time bound manner.

Thirdly, there is an increasing demand for forest land for cultivation (1 lakh hectare has been assigned to forest-right holders from 2007-13). Further there is also the pressure from the increasing population for fuel wood, minor forest produce. This has led to depleting forest cover and reduced yields of MFP, timber from existing forests, reducing livelihoods of tribal people dependent on forests. Limited financial resources aggravate the problem.

Hence, we would request the 14th Finance Commission to grant the key financial requirements. In order to meet the fund requirement for executing the Working Plan, Rs 170 crore per year could be provided for the period 2015-2020. These funds will be utilized for fire line, protection works and regeneration activities as per Working Plan. These grants will also be utilized for taking 5,000 hectare of natural regeneration per year.

Further, a grant of Rs 50 crore per year is requested for taking up rehabilitation of 5 villages per year (of remaining 211 villages in Wildlife Sanctuaries).Also, to provide further impetus to the E-governance reforms in forest sector, Rs 5 crore per year is requested for covering the remaining areas.

The State Government accordingly requests Rs 1,125 crore for the five year period 2015-2020 to fulfil above mentioned requirements in the forest sector.

8.1.3 Green Bonus

Also, the burden of maintaining green cover disproportionately falls on certain States and specifically certain regions/districts/areas in the States. These regions are deprived of development and need to be provided with a ‘Green Bonus’ so that the feeling of deprivation is somehow ameliorated. We request the 14th Finance Commission to consider compensatory incentives for such areas.

8.2 Conservation of Water Resources

Maharashtra has 20 river basins and a 720 km long coastal belt on which most of the urban local bodies and industrial establishments are located. To reduce the adverse impact of this localized development, following programs are under implementation/ consideration by the State Government.

8.2.1 Clean River Project- State River Action Plan

In Maharashtra, most of the rivers are polluted by municipal sewage generated from towns and villages settled on the banks of river. Around 70% of the river water is being polluted due to discharge of untreated sewage released directly in to the rivers from households. On a daily basis, around 6,423 MLD sewage is discharged in the river water without any treatment. Therefore, State Government has proposed a new scheme to conserve the 28 highly polluted river stretches in the State. The State River Action Plan involves providing Sewage Treatment Plants (STP), interception and diversion of the sewage, river ghat development, afforestation, and low cost sanitation units. Anticipated expenditure for this program is around Rs. 3,000 crore. The State Government is also contemplating market based solution for waste water management. We request the 14th Finance Commission to provide substantial incentives for this purpose.

8.2.2 Common Effluent Treatment Plants (CETP)

Industries account for around 20% of the water bodies' pollution. Small and medium scale industries, which are financially constrained, are unable to provide treatment to the effluents generated. Therefore, the State has provided Common Effluent Treatment facilities in the Industrial areas. So far 27 CETPs are planned, out of which 16 are working at full capacity. For installation of remaining CETPs and increasing the capacity of the existing CETPs, an amount of Rs 1,000 crore is requested from the 14th Finance Commission.

8.2.3 Preparation of Coastal Zone Management Plans

As per the Coastal Regulation Zone Notification of 2011, preparation of Coastal Zone Management Plan (CZMP) is mandatory. The State Government has allotted the work of preparation of CZMP of 5 Coastal districts to Institute of Remote Sensing, Chennai and Center for Earth Science Studies, Kerala. Draft plans are expected to be ready by April 2014. The expected expenditure for the same is around Rs.20 crore.

8.3 Climate Change Action Plan

With the help of The Energy Research Institute (TERI), the State Government is preparing a State level climate change adaptation plan on the basis of projections of the climate scenario for the time slab of 2030, 2050, and 2070. State Action Plan comprises strategies for water sector, agriculture sector, forest and bio diversity, health and livelihood issues and market. On the basis of vulnerability index, six hotspots viz. Solapur, Buldhana, Nandurbar, Thane, Hingoli and Gondia have been identified. Adaptation proposals on the basis of recommendations and findings of the State Action Plan will be implemented to mitigate the impacts of climate change in the State. Financial assistance of around Rs.1, 000 crore is requested from the 14th Finance Commission for the same.

8.4 Capacity Building in Environment Department

Since June 2008, all projects to be set up in Maharashtra need environmental clearance. For this purpose, Central Government has constituted the State Level Environmental Impact Assessment Authority (SEIAA) and the State Level Expert Appraisal Committee (SLEAC). The State Government plans to strengthen the department by expanding its activities at the district/division level so that technical support in environmental clearance process, field monitoring of compliance of conditions stipulated in the Environmental clearance and reporting of violation and legal action can be taken up. Further, in view of the large number of legal matters in the High Court, Supreme Court and National Green Tribunal, law officers specialized in Environmental law need to be hired.

For undertaking the above mentioned activities, the State Government would request the 14th Finance Commission to sanction Rs 50 crore.

8.5 Summary

The summary of the various projects proposed in the environment sector and the broad estimates are presented below:

Table 8.1: Fund estimation for Environment sector (Rs crore)

Item	Amount(Rs crore)
Forest sector initiatives	1125
Water Resource management Clean River Project- Assistance for sewage treatment to 32 Municipal bodies	4020
Climate Change Action Plan	1000
Capacity Building in Environment Department, Research	50
Total	6195

The State Government requests the 14th Finance Commission to grant an amount of Rs. 6,195 crore to undertake various initiatives towards environment conservation.

9 Pricing of Public Utilities

Government of Maharashtra has taken special efforts to appoint independent regulators for the pricing of public utilities especially electricity, water and public transport.

9.1 Water

Appropriate water pricing is an important incentive for efficient water use & water conservation. However water pricing remains a complex process and diverging financial, economic, and environmental as well as social objectives are required to be met.

Irrigation and Bulk Water: Maharashtra is the only State that has set up an independent regulatory authority in 2005 as per the Maharashtra Water Resources Regulatory Authority (MWRRA) Act 2005.

The important provisions in the MWRRA, Act 2005 relating to tariff are Section 11 (d), 11 (r) and 11 (u). As per Section 11 (d), the Authority is required to fix the criteria for water charges after ascertaining the views of the beneficiary public, based on the principle that water charges shall reflect the full recovery of the cost of irrigation management, administration, operation and maintenance of water resources projects. Section 11 (r) requires the Authority to address the issue of cross subsidy between categories of use, if any, and Government subsidy while as per Section 11 (u), the Authority is required to review and revise the water charges after every three years.

Keeping this in consideration, the MWRRA circulated the draft Approach paper on Bulk Tariff for 2010-13 amongst all the stakeholders such as the water users associations, civil society and water experts. It incorporated valid suggestions by holding elaborate consultations to arrive at the final shape of the Bulk Water Tariff. Accordingly water tariff order 2010-2013 was issued.

As required by the Act, Maharashtra has been able to meet the O&M expenditure on its irrigation projects by water charges; however the major challenge is to increase the efficiency of water use in agriculture. This is actively engaging the attention of the Authority and the Government

Drinking Water: The Government has issued directives in 2010 for computation of water charges to make the Water Supply & Sanitation schemes in urban areas self-sustainable. The principal guideline laid down is that “The revenue receipt from water tariff should be at par with cost of production of water, i.e. expenditure of operation and maintenance of Water Supply System.” A detailed methodology for computation of water charges was issued. The proposal for setting a regulator for Municipal services including drinking water is under consideration.

9.2 Electricity Tariffs

The Maharashtra Electricity Regulatory Commission was established on August 5, 1999 under the Electricity Regulatory Commission Act, 1998, a Central Act which was superseded by Electricity Act (EA), 2003. The Commission continues to function as provided for under Section 82 of the EA, 2003. The Act has mandated the promotion of competition, efficiency and economy in the power sector and regulation of tariffs of power generation, transmission and distribution and protection of the interests of the consumers and other stakeholders.

MERC has been fixing tariffs based on the cost of supply. With progressive efforts there has been reduction in Aggregate Transmission and Collection (AT&C) losses. The AT&C losses have reduced from 33.9% in 2006-07 to 18.7% in 2012-13.

While the Act mandates progressive elimination of cross subsidy, nonetheless commercial and industrial users continue to cross subsidise agriculture by nearly Rs 5,000 crore. This has resulted in higher tariffs for the industry and has reduced the competitiveness of the industry in the State and has led to the bulk consumers attempting to move to other suppliers through open access available under the Electricity Act. The need to reconcile the legitimate requirements of agriculture subsidy, competitive tariff to industry and of maintaining stable fiscal parameters is a serious challenge before the State Government.

9.3 Public Transport

With a view to fix tariffs of the public transport in the State based on actual costs, notifications have been issued by the Government of Maharashtra from time to time. In so far as Maharashtra State Road Transport Corporation (MSRTC) is concerned, fares for various types of buses such as ordinary, luxury, air conditioned etc. are fixed as per provisions of Government Notification dated 16th April 1999. These fares are based on fuel rate (diesel), cost of chasis, tyres and salary of the employees. Concessional fares to the aged, students, freedom fighters etc are reimbursed by the State Government.

It is worth mentioning that, MSRTC has been in profits till FY 2012 despite high passenger tax (17.5%) and high taxation on diesel. The profits are enough to support a fleet renewal cycle of about 9 years.

Fares for Bombay Electric Supply and Transport Company (BEST) buses are similarly fixed. The State Government is considering a levy on private vehicles operating on profitable routes to create a Universal Service Obligation (USO) fund. The fund would be used for subsidizing vehicle operations in remote areas of the State.

9.4 Property Tax Board

Maharashtra Municipal Property Tax Board is proposed to be established vide The Maharashtra Municipal Property Tax Board Act 2011 to carry out following main functions:

- Audit the assessment done by the Municipal Corporations for levying the property Tax, on various categories of properties and to revise the assessment, if necessary.
- To recommend action on mis-valuation of property.
- To determine the terms of compromise in case of dispute between the property tax payer and the Municipal Corporation.
- To perform advisory role in respect of matters pertaining to the property tax system.

10 Operation and Maintenance Expenditure

10.1 Roads

Government of Maharashtra has received grants from 13th Finance Commission for maintenance of Roads and Bridges to the tune Rs.352.5 crore and Rs.378.0 crore for the year 2011-12 and 2012-13 respectively. For 2013-14 and 2014-15 it is expected to receive grants to tune of Rs.408.8 crore and Rs.439.2 crore respectively. Over all Rs.1578.4 crore are earmarked for the State of Maharashtra for maintenance of roads and bridges. With the help of these funds and funds from other schemes it has been possible to reduce the renewal cycle from 10 to 12 years to 5 to 6 years.

After receipt of grants as per the award of the 13th Finance Commission there has been substantial increase in renewal length of road. However, keeping in view the total length of roads, there is a need to increase the grants further. We would request the 14th Finance Commission to provide Rs 1,000 crore per year in the period 2015-2020 to support the State Government in maintenance of road and bridges in coming years.

10.2 Buildings

A substantial proportion of Government buildings are reaching the end of their effective life. Structural strengthening and retrofitting on large scale has become inevitable in order to enhance the life of Government buildings in the State. 12th Finance Commission had provided Rs 118.8 crore but the 13th Finance Commission did not provide any grants for maintenance of buildings. For the upkeep and maintenance of Government buildings, there is a requirement of Rs. 2,000 crore. We request the 14th Finance Commission to sanction these grants so that the State Government can undertake the proposed reconstruction work in a phased manner.

10.3 Strengthening of Irrigation Projects

There is an urgent need to take up rehabilitation of all the irrigation projects that could not be covered under the Maharashtra Water Sector Improvement Plan (MWSIP), Repair Renovation Restoration (RRR) programme and through the 13th Finance Commission grants. This will ensure that the systems will not deteriorate further and can be maintained at workable level.

Excluding the area and projects covered under the MWSIP (6.70 lakh hectare), RRR (0.54 lakh hectare) and though the 13th Finance Commission grants, the remaining projects to be handed over for Irrigation management have an area of 12.18 lakh hectare. These are proposed to be taken up under the Participatory Rehabilitation of Irrigation System scheme, with grants from the 14th Finance Commission.

The rehabilitation cost is approximately assessed as Rs. 35,000 per hectare. As such, the total cost will be about Rs. 4,225 crore spread over five years of which 20% is to be borne by the farmers.

The State Government would therefore urge the 14th Finance Commission to make available a grant of Rs. 3,380 crore over the next five years i.e. Rs. 676 crore per year for the rehabilitation of the irrigation projects before they are handed over to Water User Associations.

10.4 Maintenance of Kolhapur Type (KT) Weirs

Kolhapur Type Weirs are structures designed for run-of the river water storage meant for irrigation of area upto 250 hectare. These have removable gates that are put in place so that the last monsoon run-off water is stored in these rivers. Till date, 9,321 KT weirs have been constructed and 2.55 lakh hectare of irrigation potential is created through them.

Many of the KT Weirs are situated in remote areas and the gates need to be replaced. However, lack of funds for maintenance is not allowing a comprehensive replacement program. Hence, the State Government submits a request of Rs 210 crore for maintenance of KT weirs during 2015-2020.

11 Special Grants

The following table provides a summary of the special grants that have been broadly estimated for various proposals:

Table 11.1: Proposals for consideration of 14th Finance Commission for Special Grants

#	State specific proposals for Special Grants	Amount (Rs crore)
1	Funds required for initiatives in reducing regional disparities(Special Status accorded by Article 371(2)	2500
2	Construction of 9,000 new Anganwadis	450
3	Provisioning of vocational skills and creation of Centres of Excellence in Government Polytechnics	162
4	Automation of Sales Tax Department	250
5	Academy for Indirect Taxes	150
6	National Centre for Multi-level Public Finance	30
7	E-Panchayat Project	1,260
8	Strengthening of judicial infrastructure	200
9	New Forensic laboratories	186
10	Strengthening of Prison infrastructure	380
11	Development of Roads in hilly and remote areas	1,000
12	Initiatives in the agriculture sector • Developmental activities at MAFSU, Nagpur • Strengthening of Seed testing Laboratories in the State • Fertilizer Control Laboratories • Insecticide Testing Laboratories • Strengthening of Pesticide Residue Testing Laboratories	174
13	Tourism and Pilgrimage Development in Rural Area	710
14	Heritage Conservation and Making Maharashtra as garbage free tourism destination	507
15	Special needs of Mumbai	12,500
16	Surya drinking water project	1,700
17	Strengthening the Police/Security infrastructure in Mumbai	445
	Total	21,097

11.1 Special status accorded by Article 371(2)

The State is governed by Article 371 (2) of the Constitution mandating the Governor to ensure balanced regional development and equitable allocation of State resources to various regions. In accordance with these, efforts are being made to address the issues of regional disparities.

We believe that, in view of the spirit of the Article 371(2) Union Government should provide such funds through Finance Commissions which would enable the State to fulfill the development responsibilities. Some sectors are entirely within the domain of the Central Government e.g. Railways, Commercial prosperity of the most backward region of Marathwada will be radically altered if the long pending overdue railway projects are implemented with due alacrity and urgency. Similarly forest policy, environmental clearances related to forest areas, royalty rates and payments on major minerals from Vidarbha region and coastal zone restrictions policy in Konkan are within the domain of the Union Government that need urgent attention. More importantly, there are several areas such as O&M expenditures of existing assets, appointment of staff in educational sector which presently suffer from inadequacy of non-plan funds and delay the elimination of regional disparities. It is requested that the 14th Finance Commission may provide Rs 500 crore per year for taking up initiatives for reducing regional disparities.

11.2 Construction of Anganwadis

The basic services provided to pre-school children and pregnant & lactating mothers under the Integrated Child Development Scheme (ICDS) include immunization, supplementary nutrition, health check-up, referral services, nutrition & health education and pre-school education. The scheme is being implemented through more than 97,000 Anganwadi Centers (AWCs), 10,900 mini AWCs and 553 Child Development Projects (CDPs) located at the block level.

At present 51,012 Anganwadis are operating from their own premises, construction of 9, 723 Anganwadis is under progress and 36, 449 Anganwadis do not have their own buildings. The State Government is providing about Rs.150 crore every year from its own resources for construction of Anganwadis.

It would be seen that approximately Rs 1800 crore is required to take up the work of balance Anganwadis. We would urge the 14th Finance Commission to provide 20% of the amount, that is Rs 450 crore. Approximately, 9000 Anganwadi Centers would be taken up through these grants.

11.3 Provisioning for improving Vocational Skills

The State Government proposes to provide employment oriented training to students belonging to disadvantaged & underprivileged groups, school dropouts with low skill or no skill etc. through Government Technical High Schools (GTHS). In order to implement this initiative, 51 existing Government Technical High Schools are being proposed to be converted in to Training cum Production Centers. The students will earn while they learn in these Training cum Production Centers.

The State Government also plans to establish 40 Centres of Excellence in Government Polytechnics for which it requests the 14th Finance Commission to grant a sum of Rs 120 crore.

11.4 Automation of Sales Tax Department

VAT/Sales Tax is the most important source of revenue for the State. A robust automation system will help in efficient tax collection, revenue forecasting and locating the points of revenue leakages. The proposed GST also envisages high degree of automation for its successful implementation. The State has introduced an automated system with e-payments, e-returns along with data warehousing and business intelligence tools to analyse data and help in forecasting. A cyber forensic lab is also established for detecting fraud cases.

It is also proposed to integrate all indirect tax systems of the State for correct dealer profiling. The automation system needs further updation keeping in pace with the changing technology and future requirements of the Sales Tax administration. A project of Rs 250 crore has been conceptualized and approved. It is requested that the 14th Finance Commission may provide these funds.

11.5 Academy for Indirect Taxes

The changing economic scenario and complex business transactions have made it essential to have well trained tax administrators. The State Government has decided to establish a Tax Academy to provide in depth training to tax administrators and to carry out work of research and analysis in the field of taxation. An area of 22 acres has been earmarked for the Academy and construction work is expected to begin in the near future. The proposed Academy can be useful to the tax administrators from other States and Central Government also as the GST will be a unified tax system. An amount of Rs.150 crore is required for establishment of the Tax Academy.

11.6 National Centre for Multi-level Public Finance

It is being proposed to set up a National Centre for the study of Multi level Public Finances. This would be based in an existing institution in Mumbai or Pune. An amount of Rs 30 crore is required for this over a period of five years.

11.7 Assistance for developing the E-Panchayat Project

For the e-Panchayat project, additional funds are required to the tune of Rs 1,259 crore to provide to all PRIs the training requirements, recurring expenditure for technical manpower in the Mahaonline project and provisioning of service providers for initiating financial inclusion services for all PRIs.

11.8 Strengthening of Judicial Infrastructure

Maharashtra has two Judicial Academies in Nagpur & Thane. Beside there is a Judicial Officer Training Institute (JOTI) at Nagpur. The facilities in the Judicial Academies and in the JOTI need to be upgraded, which requires an amount of Rs. 60 crore. An amount of Rs 20 crore is required for training of Public Prosecutors. Additionally, Rs 120 crore is required for setting up Alternate Dispute Resolution Centres and conducting Lok Adalats in the State.
We request the 14^{th} Finance Commission an amount of Rs. 200 crore for strengthening judicial

infrastructure in the State.

11.9 Strengthening of Forensic Laboratories

The Directorate of Forensic Science Laboratories has its head office in Mumbai and has five Regional Forensic Science Laboratories at Nagpur, Pune, Aurangabad, Nashik and Amravati. These laboratories are providing services of crime investigation across the administrative division. This has resulted in huge workload in the biology and toxicology divisions of the Laboratories. Police personnel have to travel long distance to submit the exhibits as there is only one laboratory in each administrative division which causes delays and leads to accumulation of cases. This affects the credibility of the laboratories as well as that of the administrative system in dispensing justice.
The State Government would request the 14th Finance Commission to grant Rs 186 crore for the period 2015-2020 to construct new forensic laboratories and to upgrade the infrastructure in the existing ones.

11.10 Prison related infrastructure

The Public Works Department plans to strengthen the prisons by providing them with various infrastructure related facilities like new barracks, administrative buildings, watch towers, drainage lines and other facilities. Also, there is a plan to strengthen the security systems by providing the prisons with Close Circuit TV, Letter Bomb detectors, Mobile Jammers etc.

We request the 14th Finance Commission an amount of Rs 230 crore for the infrastructure related work and Rs 150 crore for provisioning of security appliances in the prisons.

11.11 Development of Roads in hilly and remote areas

The State Government received grants of Rs 200 crore for the period 2011-12 to 2014-15 for the development of roads in hilly and remote areas. Nearly, 138 works are in progress. Priority is being given to those villages which are not connected by any road and also for conversion of fair weather roads into all-weather roads. For further development of roads in hilly and remote areas, we request the 14th Finance Commission to provide Rs 200 crore every year to the State Government.

11.12 Initiatives in the Agriculture Sector

The State Government plans various developmental activities in Maharashtra Animal and Fisheries Sciences University (MAFSU), Nagpur and in its constituent colleges. The total requirement of funds is Rs 145 crore.

#	University /College	Amount (Rs crore)
1	University headquarters including common amenities required at constituent colleges	36
2	Bombay Veterinary College. Mumbai	29
3	Nagpur Veterinary College, Nagpur	12
4	College of Fishery Sciences Nagpur	4

5	College of Veterinary, Dairy Technology and Fisheries, Udgir	32
6	K.N.P College of Veterinary Science, Shirval	13
7	Post-graduate institute of Veterinary & Animal Sciences	19
	Total	146

Secondly, the State Government plans to strengthen the existing seed testing and fertilizer laboratories in the State. The proposals and the fund requirements are mentioned below.

Strengthening of Seed Testing Laboratories in the State : In Maharashtra, there are three seed testing laboratories (Pune/Parbhani/Nagpur) that are working for testing of various parameters of seeds. More than 48,000 samples are tested every year to ensure the seed quality. The facilities for DNA Finger Print Test and Hybridity Testing are also created at Pune, Parbhani and Nagpur. This scheme requires funds upto Rs. 8 crore.

Fertilizer Control Laboratories : In Maharashtra, there are four fertilizer laboratories situated in Pune, Nashik, Aurangabad and Amravati and one newly established laboratory situated at Kolhapur that are involved in the analysis of various nutrient and micro nutrient content of fertilizers. Nearly, 18,000 samples are analyzed every year. These facilities ensure a supply of quality fertilizers to the State farmers throughout the year. This scheme requires additional fund of Rs. 9 crore.

Insecticide Testing Laboratories: In Maharashtra there are four insecticide testing laboratories situated in Pune, Thane, Aurangabad and Amravati. All these laboratories are equipped for testing of various insecticides. More than 5,000 samples are tested every year which help to supply quality insecticide to the farmers for protecting their crops against various insect /pests. This scheme requires funds upto Rs.8 crore.

Strengthening of Pesticide Residue Testing Laboratories: Two pesticides residue testing laboratories have been established in Pune and Nagpur. Fresh fruits and vegetables are tested at these laboratories for pesticide residue content. The test results help the Department of Agriculture in advocating the farming community for judicious use of pesticides. This also helps the producers in adoption of Good Agriculture Practices (GAP). The scheme requires funds of about Rs 4 crore.

The total fund requirement for above mentioned initiatives in the agriculture is Rs 174 crore approximately.

11.13 Promoting pilgrimage and tourism in rural areas

The State Government is implementing a scheme of development of pilgrimage places under which, funds are provided to PRIs for providing civic amenities for pilgrims- viz. Bhaktniwas, parking, toilets and bathing facility, a link road to pilgrim places, drinking water, street lights etc.

The rural pilgrimage places have been categorized as “A" Grade, "B" Grade,and "C" Grade. The "A" Grade pilgrimage places are of national and international importance, and receive grants from Government of India. The "B" Grade Pilgrimage places are those for which the funds are provided by the Rural Development Department. Up till now, 142 Pilgrimage Places have been given "B" grade status. The "C" Grade Places are of local importance for which the District Planning Committee provides funds.

In the last 5 years, the Rural Development Department provided Rs. 138 crore to the 142 “B" grade pilgrimage places. For further developing the Grade “B” places, the PRIs would require special grants of roughly Rs 710 crore.

11.14 Heritage conservation and making Maharashtra a garbage free tourism destination

Maharashtra has a rich and vibrant heritage which is visible in the form of hundreds of archaeological remains, monuments and folk arts and other traditions dating from 2nd century BC to 20th century AD. It also has a large number of forts which depict a rich history of the State. The following amounts are requested from the 14th Finance Commission for development of public amenities and tourist infrastructure :

- Buddhist Circuit- Rs 175 crore
- Aurangabad- Rs 90 crore
- Mumbai – Rs 100 crore
- Fort Circuit-Rs 95 crore

Maharashtra Tourism Development Corporation (MTDC) is supporting Clean India Campaign. The development of garbage free tourism destination is constrained by lack of efficient garbage collection systems and good garbage recycling methods which needs segregation of garbage at source. With the increasing volume of such waste, measures are required to improve the garbage collection and treatment systems for which a sum of Rs 47 crore is requested from the 14th Finance Commission.

The State Government would therefore request a total of Rs 507 crore for implementing the above mentioned proposals in the tourism sector in the State.

11.15 Special needs of Mumbai

Most of international and national financial institutions prefer to set up their India operations in Mumbai. The geographical location, quality human capital, shared network of national and international financial firms and emergence of a fairly sophisticated financial system supported by proper regulation and governance provides Mumbai the edge in the financial sector. However, there is an urgent need for improving infrastructure in the Mumbai Metropolitan Region (MMR).

The urban infrastructure and governance related initiatives have been initiated through the Mumbai Metropolitan Region Development Authority (MMRDA) by the State Government.

MMRDA has conducted a Comprehensive Transportation Study (CTS) to gauge requirements of the urban transport facilities in Mumbai Metropolitan Region (MMR). Accepting the findings of the CTS, it implemented the Mumbai Urban Infrastructure Project (MUIP). 15 roads were completed and 12 flyovers have been commissioned.Under the Mumbai Urban Transport Project, 101 new trains, 644 new environment friendly buses have been procured. Jogeshwari Vikhroli Link Road has already been completed and Santa Cruz Chembur Link Road is expected to be completed soon.The first two phases of the Eastern Freeway have been opened to traffic in June 2013. Metro I corridor linking Versova to Ghatkopar is expected to be Commissioned soon.

Substantial funds have been spent by MMRDA on creation of new infrastructure in the Greater

Mumbai Municipal area. It has been focusing on implementation of two major projects namely the Mumbai Trans Harbour Link and Multi Modal Corridor (Virar to Alibaug). It has been implementing the Rental Housing Project to provide cheap housing options to its citizens.

There are a host of investment requirements and MMRDA estimates nearly Rs 2, 07,956 crore for implementing its various projects as suggested by the CTS. This includes 435 km Metro Rail Network, 248 km suburban rail network and 1,661 km of road network, among others. Nearly 70% of it will be funded through the PPP mode and debt financing. The State Government through its agencies will provide nearly 30% of the total investment requirements.

Mumbai city is unique and it has heavy in-migration due to it being the financial capital of India. As mentioned above, there are huge financial requirements to generally improve the work environment and quality of life.
We request the Finance Commission to provide at least 20% of the funds required to be provided by the State Government. This is approximately a grant of Rs 12,500 crore, which may be provided over the next five years.

Additionally, there is an urgent need to decongest Mumbai by developing infrastructure in satellite towns. We would request the 14th Finance Commission to provide roughly Rs 1,700 crore for implementing the Surya Water project which will benefit the satellite towns of Mumbai especially the urban population residing in Navi Mumbai, Vashi, Virar, Mira Road and Bhayander, thereby reduce the pressures on the Mumbai city.

11.16 Strengthening the Police/Security infrastructure in Mumbai

The city of Mumbai has been a prized target for various terrorist organizations. The State Government has taken up several steps to meet the challenges. These include raising a new anti-terrorist task force called Force 1. It has also approved a CCTV project costing more than Rs.600 crore. New posts for police men & officers have been sanctioned and a program for modernization of the vehicles, weaponry, communication equipment and other equipment has been taken up. The Finance Commission is requested to provide Rs.445 crore for supporting the following initiatives for strengthening of the police/security infrastructure for Mumbai:

- Weapons, Vehicles and equipment for Force 1- Rs 50 crore
- Training of City Police force - Rs 75 crore
- Weapons, Vehicles and equipment for City Police force – Rs 205 crore
- Setting up of a Cyber Lab - Rs 75 crore
- Modernizing of the Traffic Branch - Rs 40 crore