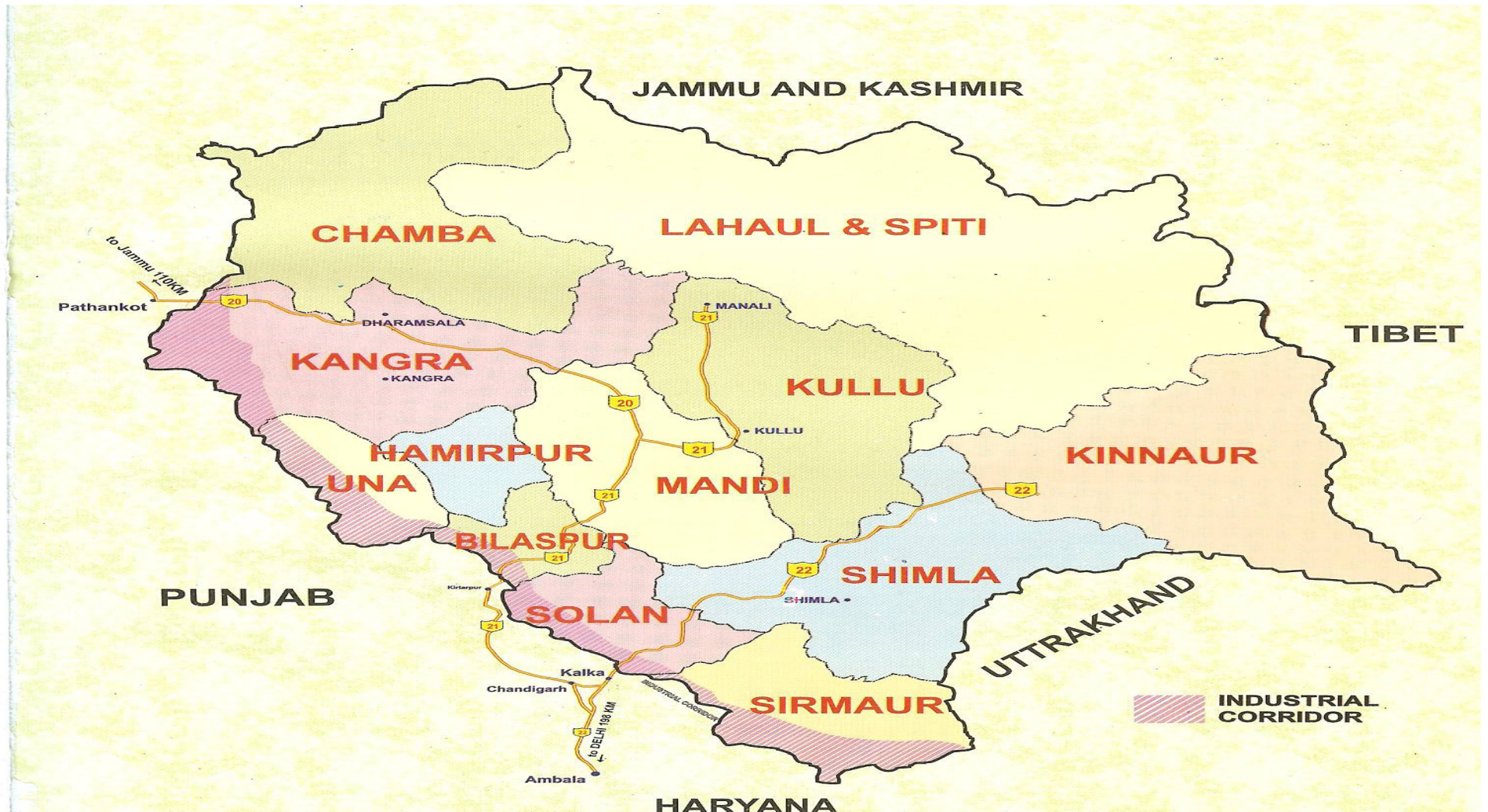


# Presentation before Planning Commission February-2009

Arvind Mehta

Pr. Secy. (Planning & Finance) to the  
Government of Himachal Pradesh



55673 Sq Km [2 D Area]

86384 Sq Km [3 D Area]

Percentage increase as per 3D area = 56%

# Introduction to Himachal Pradesh

	Unit	2001 Census
Area	Sq. Kms.	55673(2D Area) 86384(3D Area)
Districts	No.	12
Tehsils	No.	113
Development Blocks	No.	77
Inhabited Census Village	No.	17495
Gram Panchayats	No.	3243
Towns	No.	56

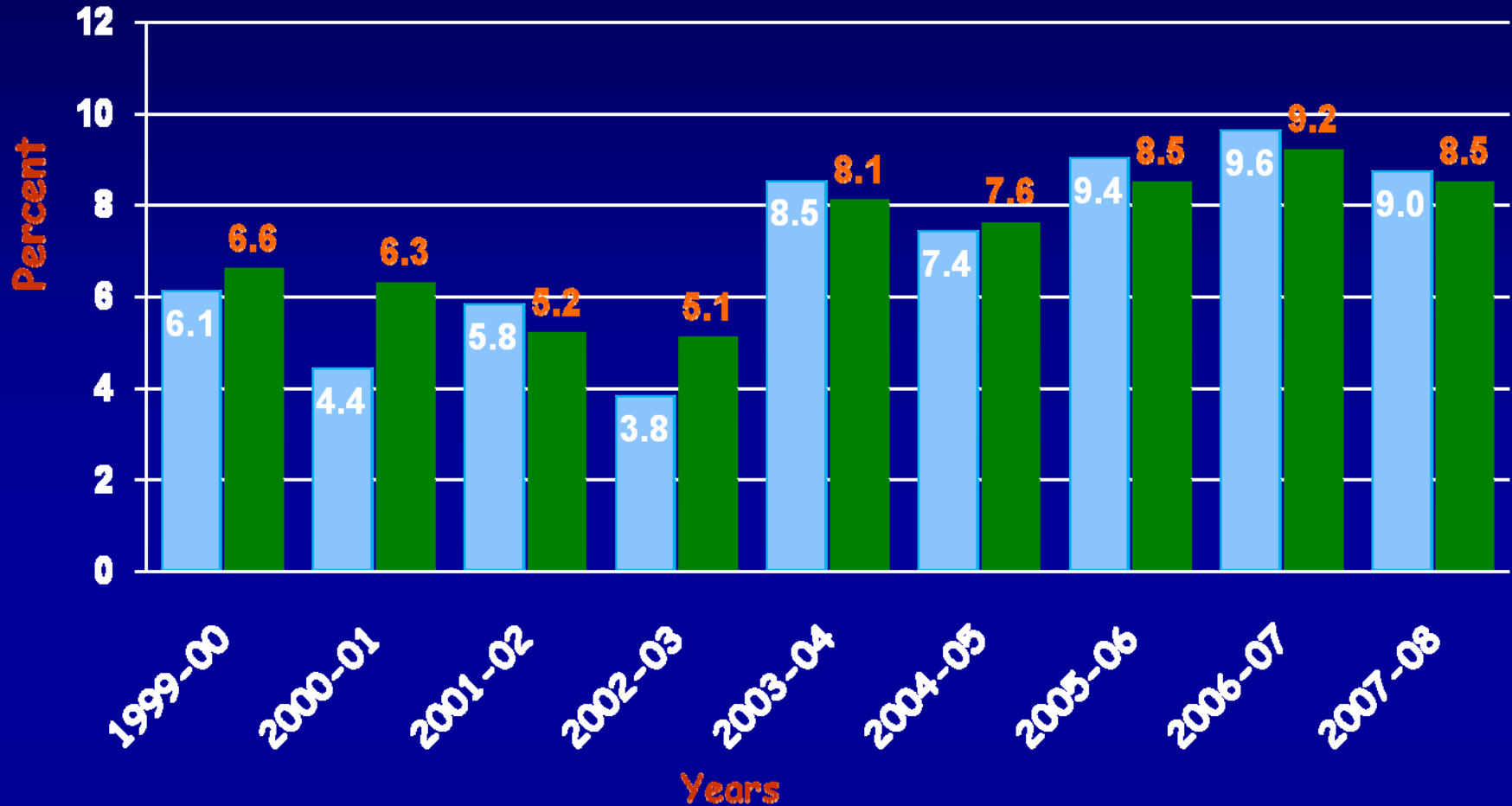
# Demographic Profile of the State

	HP	All India
Population (million) (As on 2007)	6.7	1122.9
Decennial Growth Rate(%)	17.53	21.34
Population Density per sq. km.	109	324
Sex Ratio (Females per 1000 males)	970	933
Rural Population	90.21	72.2
Literacy Rates	83.2*	65.38**
Life Expectancy (1996-2000)		
Male	66.1	62.1
Female	66.8	63.7
<b>Average Population Per Village</b>	<b>313</b>	<b>1251</b>

\*National Sample Survey estimates-06 \*\* 2001 census

# Growth Performance

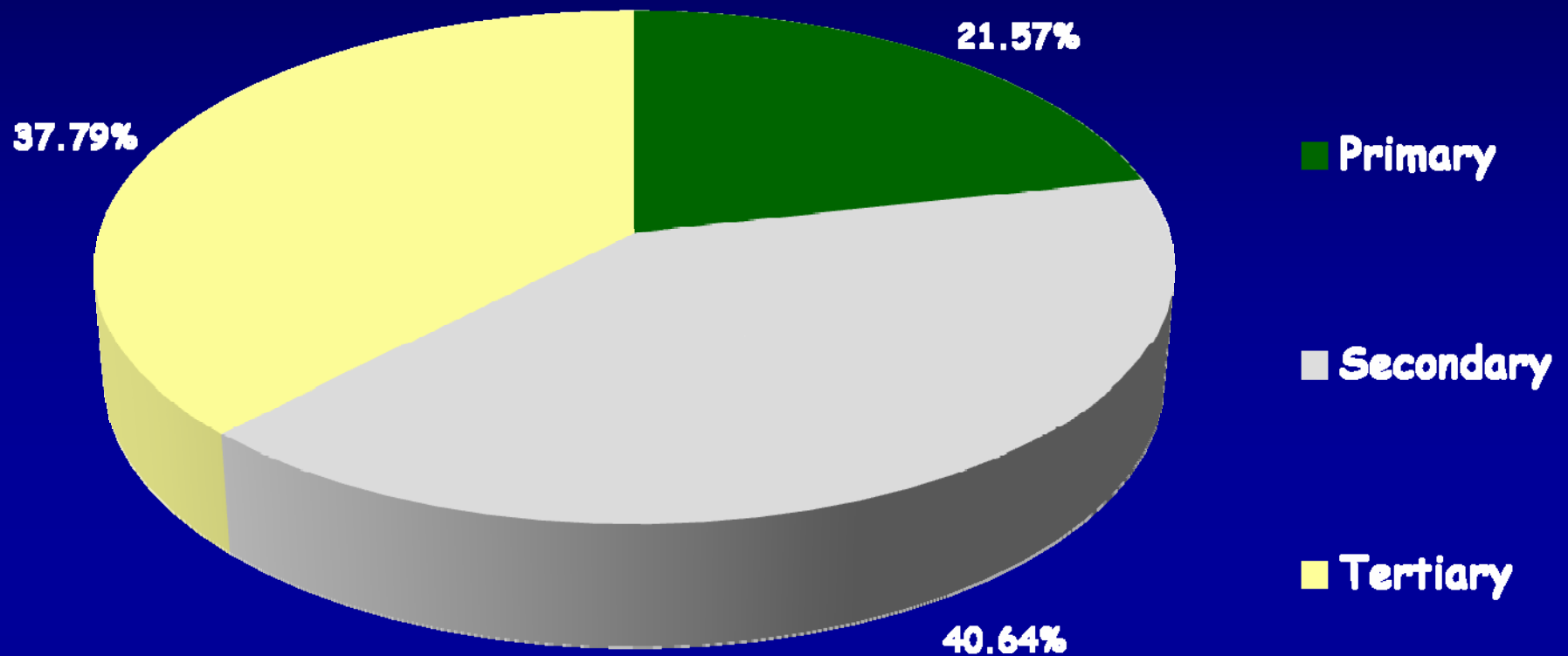
## Percentage Growth in GSDP



ALL INDIA

HIMACHAL PRADESH

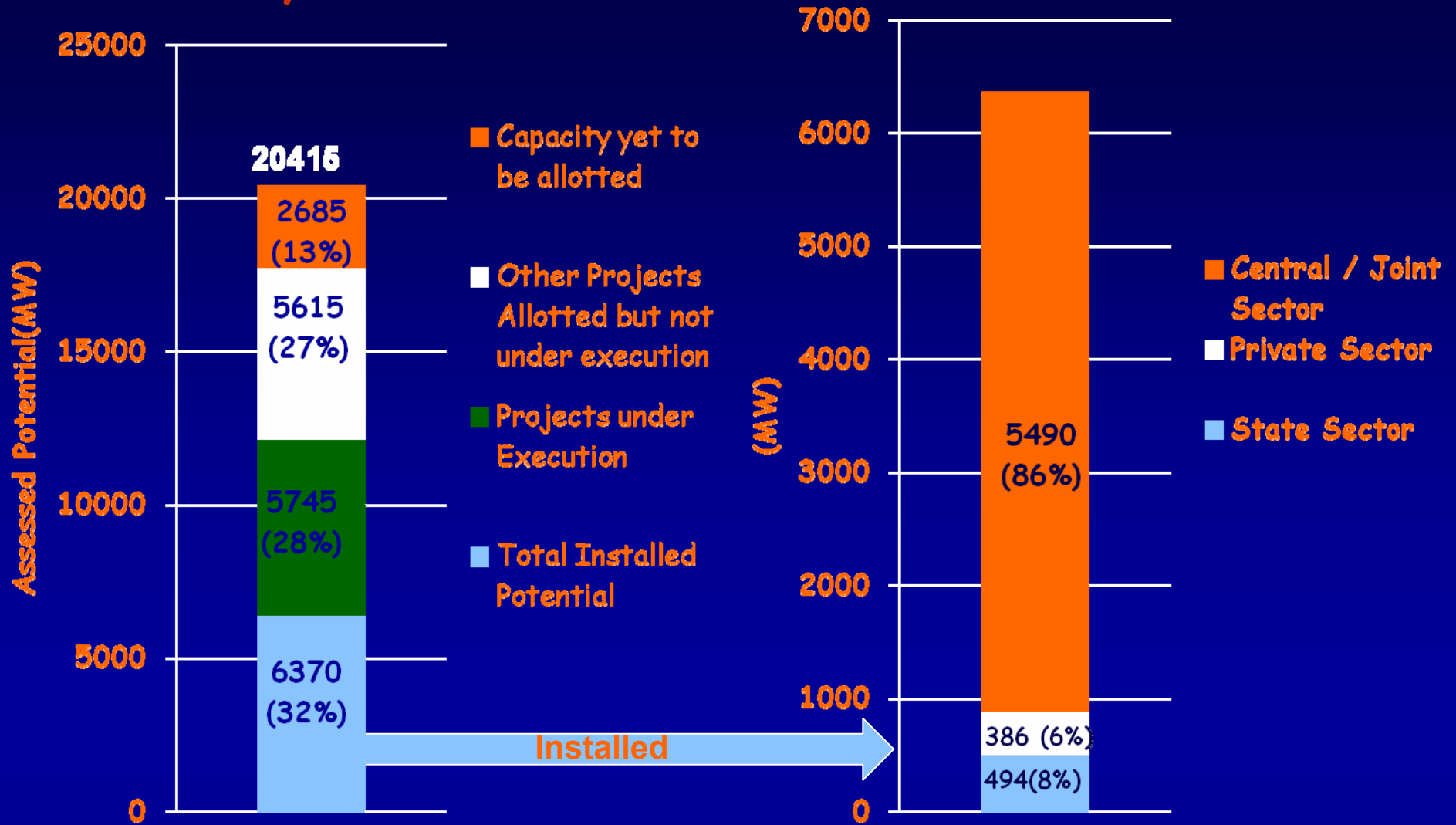
# Percentage Contribution of GSDP(2006-07)



# Important Infrastructure Indicators

	Himachal Pradesh	India's Average
Roads Density	53 km per 100 sq km	106 km per 100 sq km
Irrigation facilities	23% of net cropped area	39% of net cropped area
Status of Electrification	100% villages electrified	70% villages electrified
Primary Schools	1.74 per 1000 persons	0.70 per 1000 persons
Secondary Schools	0.30 per 1000 persons	0.25 per 1000 persons

# Hydel Status





# Credit Deposit Ratio (December, 2007)

	State	CD Ratio
1.	Tamil Nadu	111.12
2.	Andhra Pradesh	91.72
3.	<b>All India</b>	<b>73.35</b>
4.	Mizoram	66.21
5.	Punjab	64.27
6.	Orissa	58.47
7.	Haryana	58.40
8.	Jammu & Kashmir	49.83
9.	Assam	43.81
10.	<b>Himachal Pradesh</b>	<b>40.92</b>

*Source : RBI*

**Low CD ratio shows the Infrastructure Deficit of the State and lack of adequate investment in the State.**

# Number and Population of Villages

State	No. of Villages	Average Population per Village	Density of Population
Haryana	6,764	2,222	478
Andhra Pradesh	26,613	2082	277
Goa	347	1951	364
<b>All India</b>	<b>593,732</b>	<b>1,732</b>	<b>324</b>
Punjab	12,278	1,311	484
J & K	6,417	1,189	46
Assam	25,124	924	340
Manipur	2,315	742	103
<b>H.P.</b>	<b>17,495</b>	<b>313</b>	<b>109</b>

Source: 2001 Census

## District wise 3D and 2D geographical area

	District	2D area (sq. kms.)	3D area (sq. kms.)
1.	Bilaspur	1167.00	1327.0252
2.	Chamba	6528.00	11674.5283
3.	Hamirpur	1118.00	1146.642
4.	Kangra	5739.00	7088.4325
5.	Kinnaur	6401.00	11762.311
6.	Kullu	5503.00	9693.987
7.	Lahaul & Spiti	13835.00	22892.628
8.	Mandi	3950.00	5402.766
9.	Shimla	5131.00	7888.039
10.	Sirmour	2825.00	3654.497
11.	Solan	1936.00	2284.508
12.	Una	1540.00	1569.406
	<b>Himachal Pradesh</b>	<b>55673.00</b>	<b>86384.769</b>

The 3 D Geographical Area is 56% higher than the 2 D area. Hilly States need to be suitably compensated for this area handicap.

## Area of States - Himachal and Adjoining States

State	Area of States 000 Sq. Km.	State's Area as % of All States
Himachal Pradesh	86.39*	2.6*
Punjab	50.36	1.54
Haryana	44.21	1.35

\* Adjusted for 3D area of the State keeping all States area constant i.e. 3276,100 sq. km.

# Cost Disadvantages

- Cost of Delivery of Services is dependent upon many factors including population density, average size of habitation and the density of habitations.
- Low population density, small size of habitations and high habitation density, topography, climatic and degree of remoteness increases the cost of delivery of services.

# Human Development

Indices:

Education , Literacy and Health

# Literacy Rates by Gender (2001 Census)

States	Male	Female
Himachal Pradesh	86	68.1
All Spl. Category States	74.4	56.7
All India	75.9	54.2

# Government Education Institutions in the State

INSTITUTIONS	1981	1991	2001	2006	2007
PRIMARY	6093	7471	10499	10613	10607
MIDDLE	1031	1066	1709	2112	2168
HIGH/HIGHER SECONDARY & +2	665	1125	1832	1622	1851
COLLEGE OF GENERAL EDUCATION	27	44	64	74	74
MEDICAL COLLEGE	1	1	2	2	2
ENGINEERING COLLEGES	-	1	1	1	1
ITIs	0	32	45	51	75



# Comparison with Some States

State	Per Lakh of Population (2003-04)	
	Primary Schools	Middle Schools
Himachal Pradesh	175	35
Goa	75	6
Punjab	54	10
Haryana	54	10
Kerala	21	9

# State Revenue Expenditure on Higher Education

State	Per Student (Rupees)	Per Institution (lakh Rupees)
Mizoram	19858	89.58
J&K	12990	227.12
Assam	11696	77.86
Haryana	9328	144.19
Punjab	8006	102.25
<b>Himachal Pradesh</b>	<b>6109</b>	<b>67.35</b>

Source : World Bank Report

# Health Indicators

	Sex Ratio	IMR (2006)	CBR (2006)	CDR (2006)	Life Expectancy (2000-04)
HP	968	50	18.8	6.8	66.5
All India Average	933	57	23.5	7.5	63.00

	Children who received all vaccinations	Women with Anemia
Himachal Pradesh	74.2	43.3
Haryana	65.3	56.1
Punjab	60.1	38.0
All India	43.5	56.2

Source : National Family and Health Survey 2005-06

# Health institutions in the State

Institution	1981	1991	2001	2006	2007
Hospitals	53	57	81	90	92
PHCs	77	225	304	439	443
CHCs	-	18	65	66	71
CDs	199	196	172	40	40
Sub- Centres	974	1851	2068	2069	2071
Ayurvedic Hospitals	5	12	23	25	25
Ayurvedic Dispensaries	404	522	1112	1105	1105
Homeopathy Dispensaries	-	2	14	14	14
Unanai Dispensaries	3	3	3	3	3

# Health Infrastructure in the State

	1981	1991	2001	2006	2007
No. of Health sub-centres per lakh popln.	22.89	35.8	34.3	32	31
No. of PHC's per lakh popln.	1.4	3.67	5.0	6.6	6.6
No. of CHC's per lakh popln.	0.4	0.68	1.07	1.00	1.11
No. of Health sub-centres per 1000 sq.km.	17.6	33.25	37.15	37.65	37.20
No. of PHC's per 1000 sq km	1.08	3.41	5.46	8.14	7.96
No. of CHC's per 1000 sq km	0.31	0.63	1.17	1.32	1.28

# Comparison with Some States

State	Per Lakh of Population	
	Hospital & Dispensary Beds	PHC's
<b>H.P.</b>	<b>162</b>	<b>6.6</b>
Punjab	138.8	2.04
Kerala	134.3	3.03
Haryana	62.34	2.19
Goa	N.A	1.74

Source: Himachal Pradesh Human Development Report

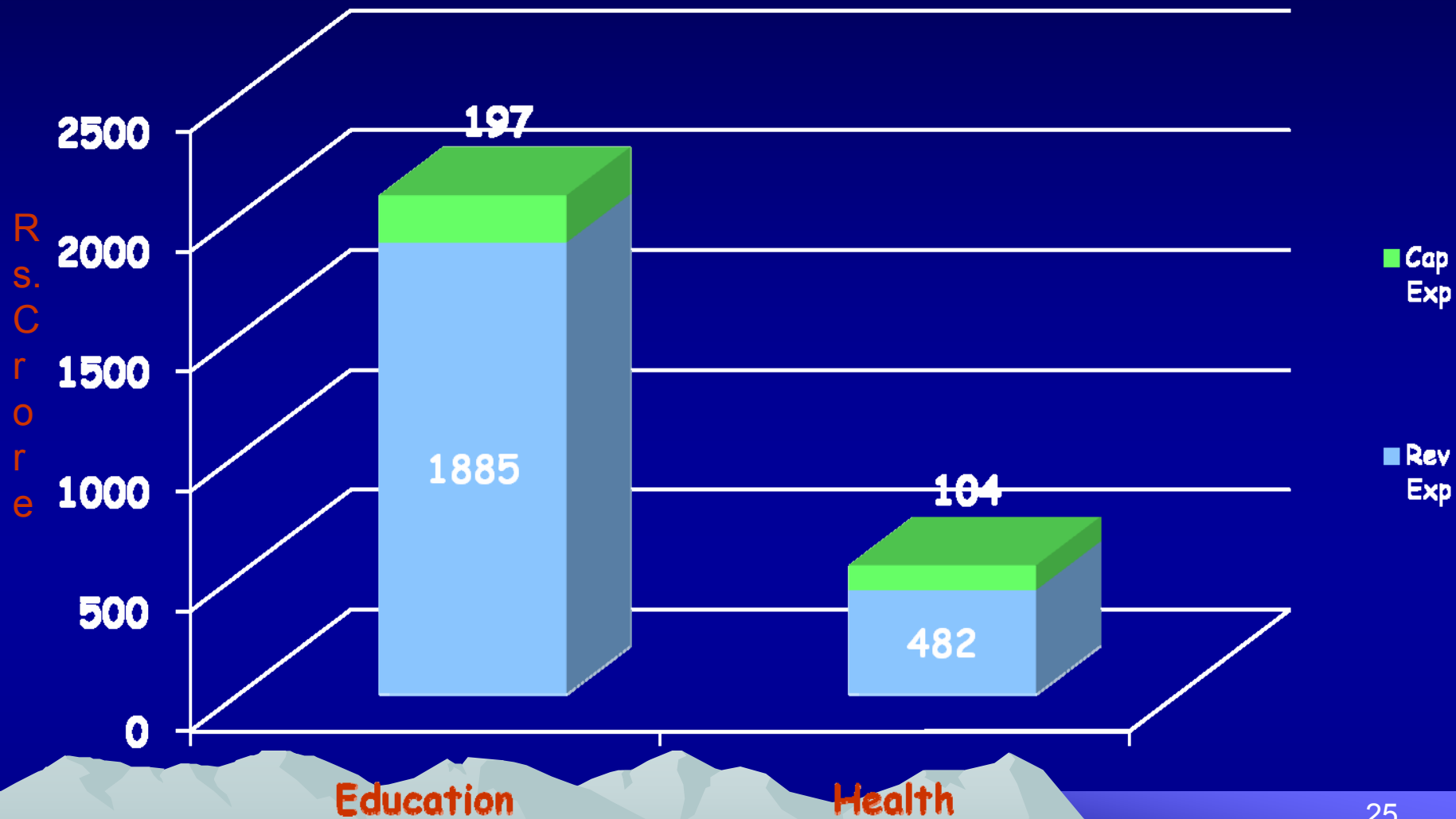
# Education /Health Expenditure

	2008-09 (Rs.crore)	Salary Expenditure as percentage of Revenue Expenditure
<b>Education</b>		
a) Revenue Expenditure	1885	87
b) Capital Expenditure	197	
<b>Total</b>	<b>2082</b>	
<b>Health</b>		
a) Revenue Expenditure	482	84
b) Capital Expenditure	104	
<b>Total</b>	<b>586</b>	

Education & Health Expenditure is 21.5 % & 6 % respectively of total expenditure (net of interest and capital repayment)



# Expenditure Education & Health (2008-09)



# Human Resource Development

- The State's HRD achievements in Education, Literacy and Health are better than many States
- These achievements need to be sustained with adequate funding of Revenue Expenditure by the State
- 21% of the total budget in 2008-09 is earmarked for the two sectors ie Rs 2082 crore is being spent on Education and Rs 586 crore on Health
- 85% of the Education and Health outlay is on Staff salaries which comes to Rs 2268 crore in 2008-09
- The achievement in these sectors can be sustained only with liberal Central assistance.

# State Government Finances and Fiscal Reforms in Himachal Pradesh

# Percentage of Debt Liabilities to Total GSDP-States Comparison

States	2006-07
Mizoran	83.60
Sikkim	81.00
Manipur	70.80
Arunachal Pradesh	64.30
Himachal Pradesh	63.80
J&K	60.10
Uttarakhand	55.00
Punjab	52.90
Goa	48.40
All India	31.8
Haryana	29.10

Source: Study of state budgets 2006-07- RBI

# Per Capita Debt-States Comparison

(in Rupees)

States	2006-07
Goa	38,221
Mizoram	32,850
<b>Himachal Pradesh</b>	<b>26,860</b>
Sikkim	26,638
Punjab	21,829
Arunachal Pradesh	16,470
Uttarakhand	16,227
Manipur	13,973
J&K	13,559
Haryana	12,610
<b>All India</b>	<b>11,209</b>

Source: Study of state budgets 2006-07-RBI

**Year-wise detail of Net Borrowings and cumulative debt of the State Govt. since 1998-99** (Rs. Crore)

Year	Net Borrowings	Cumulative debt at the end of the year
1998-99	864.69	5923.26
1999-00	1811.93	7735.19
2000-01	1859.18	9594.38
2001-02	1283.90	10878.27
2002-03	2331.20	13209.47
2003-04	1768.09	14977.56
2004-05	2680.84	17658.40
2005-06	1014.58	18672.98
2006-07	1124.22	19797.20
2007-08(RE)	1220.69	21017.89

# Interest Payments

Year	Interest Payments (Rs. Crore)	Interest as % of Rev. Exp.
2002-03	1171	22.00
2003-04	1472	26.00
2004-05	1641	25.35
2005-06	1563	21.40
2006-07	1696	19.30
2007-08	1737	17.00
2008-09	1834	14.62
2009-10	2048	18.50
2010-11	2294	15.80
2011-12	2570	18.00
2012-13	2878	18.00
2013-14	3223	17.80
2014-15	3610	17.50

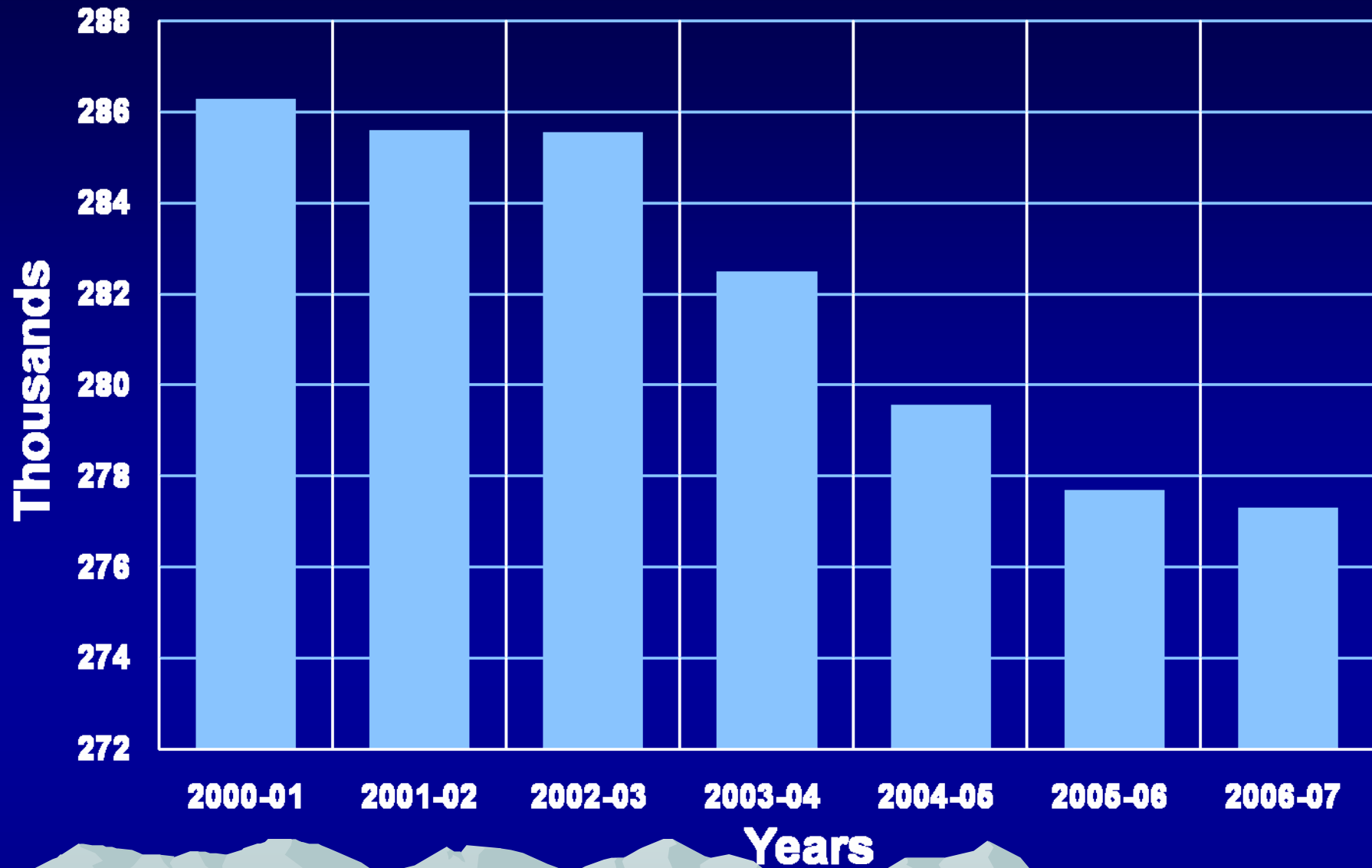
# Important Fiscal Indicators

(Rs Crore)

	2004-05	2005-06	2006-07	2007-08 (RE)
Total Expenditure	6471	7301	8780	10,221
Revenue Deficit	(-) 1158	(+) 93	(+) 191	(-) 46
GSDP	23,066	25,471	28,358	31,974
Outstanding Debt	17,658	18,672	19,797	21018
Debt as a %age to GSDP	76.6	73.3	69.8	65.7



# Employees Strength



# Employees Strength

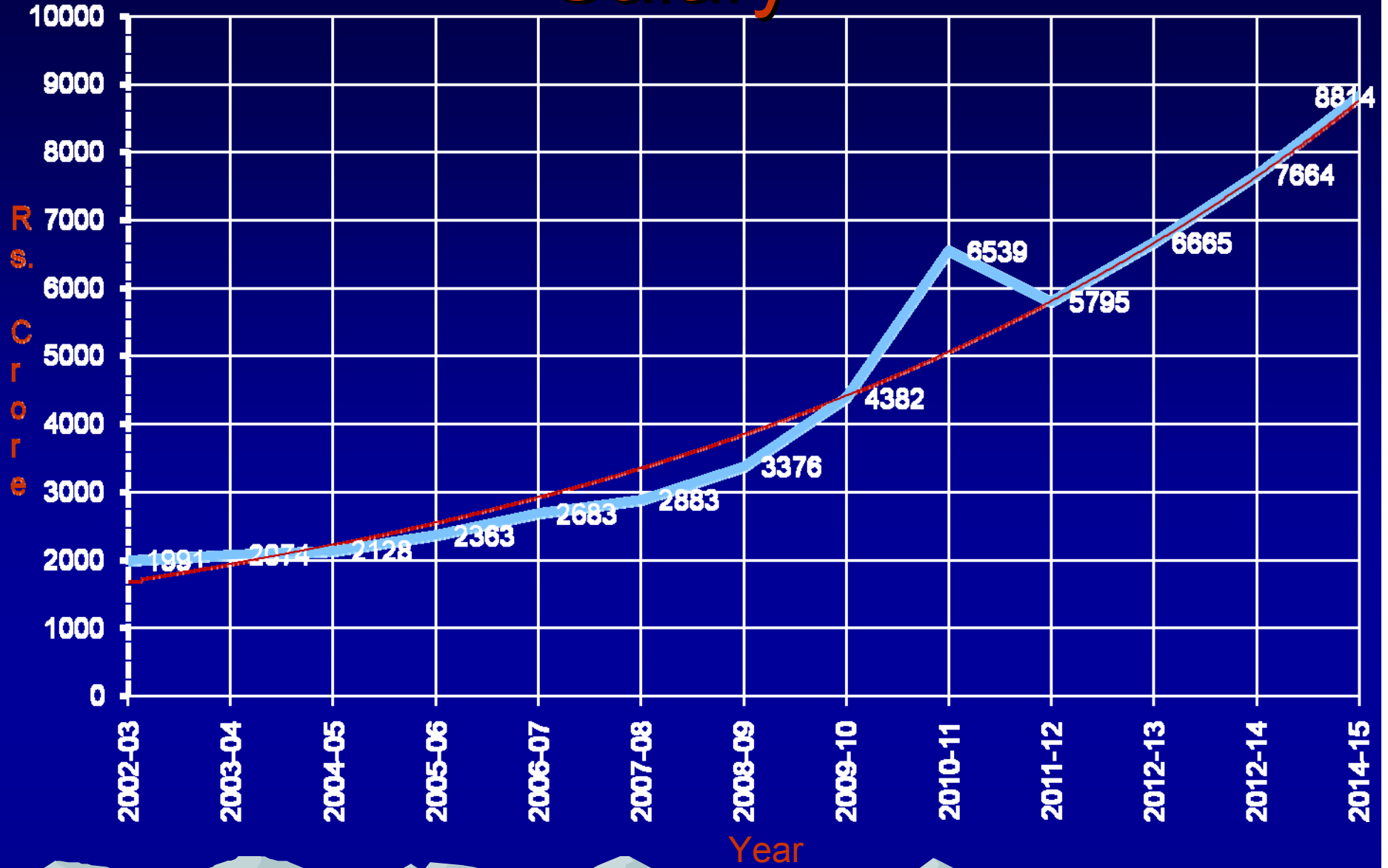
	All Govt Employee	Local Bodies	Public Undertaking	Total
2000-01	235594	4239	46494	286267
2001-02	235389	4274	45926	285589
2002-03	236659	4176	44707	285542
2003-04	233142	4248	45083	282473
2004-05	230968	4203	44366	279537
2005-06	229641	4207	43815	277663
2006-07	228933	4206	44151	277290

*Foot Note: Salary increases due to change in composition structure of Employees and to court judgments. Compression in numbers has taken place due to non filling of functional vacancies even in Education, Health Deptts etc.*

# Salary Expenditure Trends

Year	Exp. (Rs Crore)	% of Rev. Exp.	% Growth
2002-03	1991	38.72	--
2003-04	2074	37.12	4.17
2004-05	2128	36.73	2.60
2005-06	2363	36.54	11.04
2006-07	2683	35.10	13.54
2007-08	2883	36.47	7.45
2008-09	3376	36.19	17.10
2009-10	4382	39.52	29.80
2010-11	6539	44.00	49.22
2011-12	5795	40.97	-11.38
2012-13	6665	41.65	15.01
2013-14	7664	42.28	14.99
2014-15	8814	42.87	15.01

# Salary



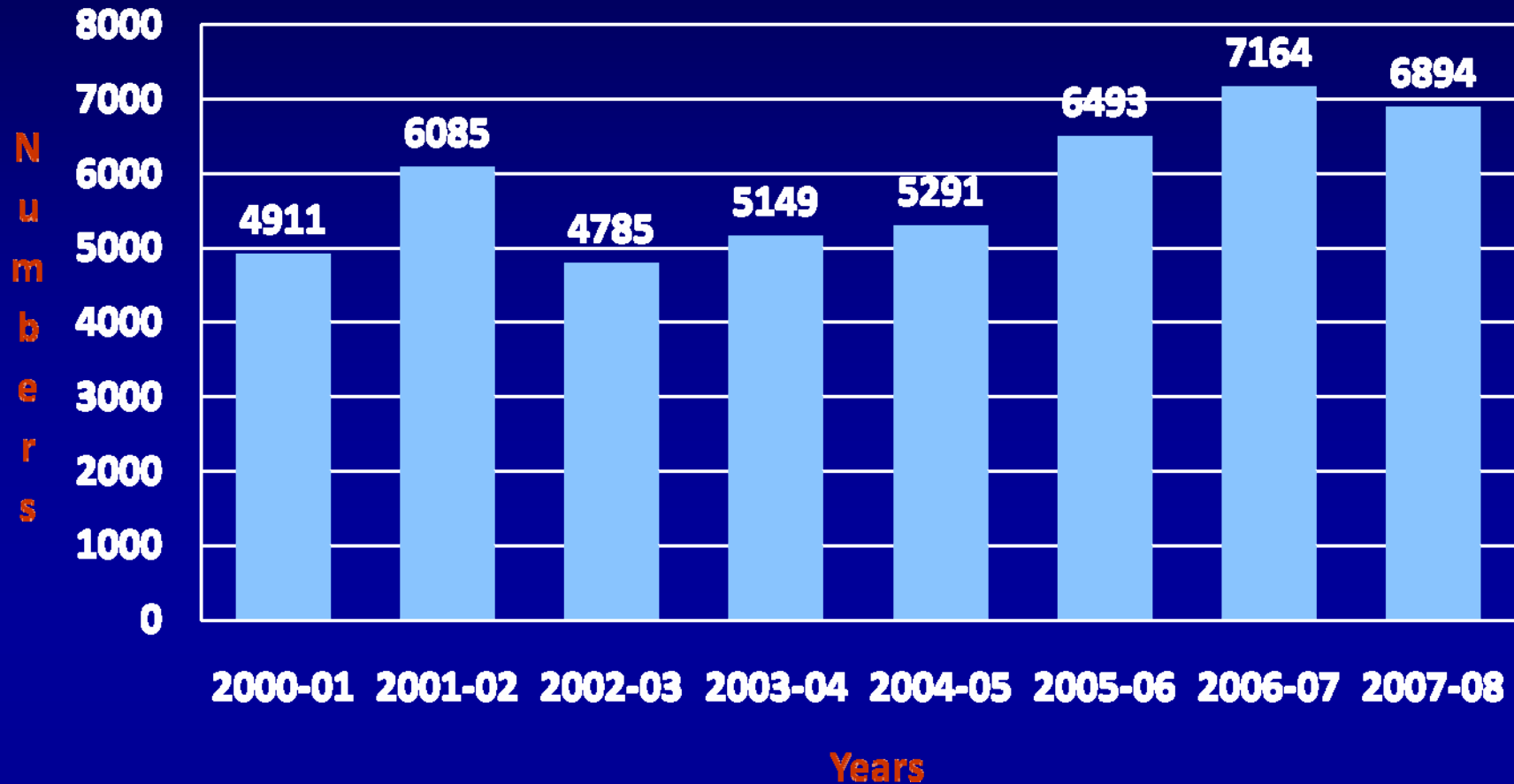
CAGR for Salary is 13.2% in the period from 2002-03 to 2014-15

# ANNUAL INCREASE IN PENSIONERS

Year	No. of Pensioners
2000-01	4911
2001-02	6085
2002-03	4785
2003-04	5149
2004-05	5291
2005-06	6493
2006-07	7164
2007-08	6894

Source: AG record

# ANNUAL INCREASE IN PENSIONERS

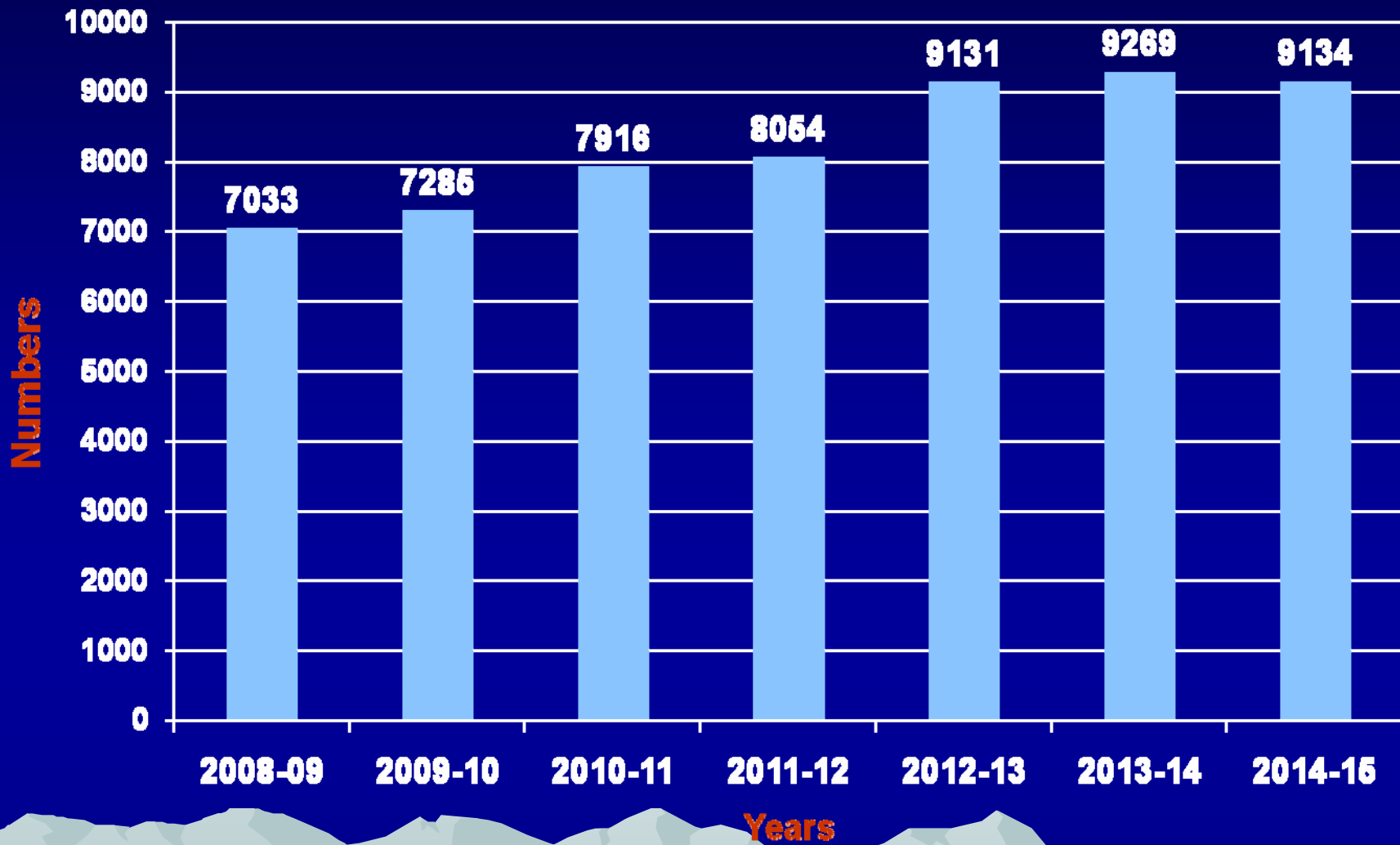


## ANNUAL INCREASE IN PENSIONERS

Year	No. of Pensioners
2008-09	7033
2009-10	7285
2010-11	7916
2011-12	8054
2012-13	9131
2013-14	9269
2014-15	9134

Source: Actual data input from all departments

# ANNUAL INCREASE IN PENSIONERS





# Pension Expenditure

Year	Exp.(Rs.crore)	% of Rev. Exp.	% Growth
2002-03	489	9.51	--
2003-04	533	9.53	9.00
2004-05	639	11.03	19.89
2005-06	715	11.06	11.89
2006-07	912	11.93	27.55
2007-08	1049	13.27	15.02
2008-09	1206	12.93	14.97
2009-10	1579	14.24	30.93
2010-11	2372	16.00	50.22
2011-12	2125	15.02	-10.41
2012-13	2465	15.40	16.00
2013-14	2859	15.77	15.98
2014-15	3317	16.13	16.02

# Pension Expenditure



CAGR for Pension is 17.31 % in the period from 2002-03 to 2014-15

## Committed Expenditure on Salaries, Interest, Pension & Maintenance 2008-09

	Revenue Expenditure <i>(Rs Crore)</i>	% of Rev. Expenditure
Salaries*	3566	38
Interest	1834	20
Pension	1206	13
Maintenance	868	9
Others	1854	20
Total	9328	100

\* Includes Wages, MR & TE

## Central Pay Commission Impact Salary and Pensions

	12 <sup>th</sup> FC period (2006-07 to 2009-10) Arrears (Rs Crore)	13 <sup>th</sup> FC period (2010-11 to 2014-15) (Rs Crore)	Total (Rs Crore)
Salary	2000	3871	5871
Pension	762	2058	2820
Total	2762	5929	8691

The total impact of 6<sup>th</sup> Central Pay Commission of Salary and Pension Expenditure is Rs 8691 crore approx.

The State needs to be fully compensated for the Arrears so that Revenue Deficits are correctly assessed.

# Own Non Tax Revenue Sources

(Rs Crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Power	00	35	285	253	910
Forests	32	77	102	150	45
Mines & Minerals	35	37	38	43	48
Others	96	143	186	244	334
Total	163	292	611	690	1337

CAGR over the period is 70%. Such high Growth Rate shall not be sustained in future

# Own Tax Revenues

(Rs Crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Sales Tax / VAT	383	437	542	727	914
State Excise	274	280	300	329	342
Taxes on Vehicles	82	78	108	102	106
Others	151	189	302	339	294
Total Own Tax Revenue	890	984	1254	1497	1656

CAGR for Own Tax Revenue is 17% in the period 2002-03 to 2006-07

# Revenue Receipts Trends

	2002-03	2006-04	2004-05	2005-06	2006-07
<b>Total Revenue Receipts (Rs Crore)</b>	3659	3981	4635	6559	7835
<b>Own Revenue Receipts (Rs Crore)</b>	1065	1276	1863	2187	2993
<b>Central Tax Transfers (Rs Crore)</b>	346	450	537	493	629
<b>Central Grants in Aid (Rs Crore)</b>	2248	2255	2235	3879	4213
<b>Central Transfers as % of Revenue Receipts</b>	70.9	67.95	59.81	66.66	61.8

# Per Capita Revenue Effort- Himachal vs All States 2006-07

	Himachal Pradesh ( In Rs)	All States (In Rs)
Own Tax Revenue per Capita	2308	2320
Own Non Tax Revenue Per Capita	1048	481

Source: Study of Budgets- RBI



# States's Own Total Receipts as percentage to GSDP

Year	(In percentage terms)
2002-03	5.63
2003-04	6.15
2004-05	8.07
2005-06	8.58
2006-07	10.55

Source: Economics & Statistics Deptt.

# ENHANCING RECEIPTS

1. Sales Tax/ VAT revenues recorded a CAGR of 25% in the 2002-2007 period.
2. Receipts from Hydel sources increased substantially from Rs. nil in 2002-03 to BE of Rs. 886 Crore in 2008-09.
3. Committee under Chief Secretary constituted in April 2008 to rationalise the User Charges
4. HRTC bus fares increased by 25% in February 2008
5. User charges for Water increased by 10%.
6. Electricity tariff being hiked periodically as per Regulator determined tariff.

Increased from April 2008 by average of 10% <sup>50</sup>

# Containing Expenditure

1. 23000 Employees covered by contributory pension scheme instead of the existing defined benefit scheme
2. Creation and filling up of only functional posts mainly in Education and Health departments as part of the Government's initiative to improve the quality of its service delivery
3. Recruitment rules amended to facilitate contract hiring.
4. All India LTC abolished since 2001. Estimated savings Rs.1000 crore
5. Outsourcing measures adopted for delivery of services.
6. Budgetary support to several PSUs has been discontinued or frozen.

# Fiscal Front Initiatives

- FRBM Act enacted in 2005 to ensure fiscal prudence and stability
- Fiscal Deficit was 3.26% in 2006-07, within the FRBM targets
- The State received debt relief of Rs. 72.50 crore under DCRF constituted by GOI in pursuance to 12<sup>th</sup> FC report
- The State achieved a small revenue surplus of Rs. 191 crore in 2006-07

- Own Tax revenue increased by CAGR of over 17% in 2002-2007 period
- Non Tax revenue increased by CAGR of 70% in 2002-07 period. The State's investments in power projects and power royalty have helped the State to achieve greater fiscal self-reliance
- Interest liability has been compressed from 32% of Total revenue receipts in 2002-03 to 21.30% in 2006-07

## Problem Areas

- The State continues to be severely debt stressed with per capita debt at Rs 26,860 being one of the highest in the country.
- Despite State efforts to generate its own revenues, it is heavily dependent on Central Transfers, which will constitute 62% of total revenue receipts in 2008-09
- Despite recent attempts to increase Capital Investment, Revenue Expenditure still comprises over 85% of total expenditure

- Maintenance of Existing Assets, Infrastructure and Public Services poses a huge fiscal challenge due to difficult terrain, dispersed population, greater wear and tear and vagaries of weather
- Salary and Pension Expenditure are increasing at a very high rate due to Central Government linked DA/DP releases.
- Since Pay Commission arrears are payable from 1/1/2006, these payments need to be included in the forecast period of 2010-2015

- 6<sup>th</sup> Pay Commission Report Implementation will have a crippling effect on our finances unless these committed liabilities are accurately assessed for the 2010-15 forecast period
- The State has suffered an investment handicap in exploiting its 20,000 MW hydel potential. If the State had adequate resources to fully exploit this potential, the State could have earned about Rs 32,000 crore per annum



# Reward the State for its Forest Conservation Efforts

- Conservation is a Public Good with positive externalities; Benefits reach States and communities other than the local stake holders
- Conservation & afforestation policies of the State have actually led to an increase in forest cover by 2589 sq km between 1991 and 2005 as per Forest Survey of India
- The State must be fully compensated for Revenue Loss due to ban on green felling and provided additional grants for Forest Maintenance/Soil Conservation.
- Until a Legally binding Carbon Credit protocol emerges in the country whereby other States compensate Himachal for its forest conservation efforts, the Union Government must step in to additionally compensate the State on account of Carbon Credits achieved by the State.

# Environment/Ecological Grant

(Rs. Crore)

(2010-11)

1. Revenue loss per annum due to ban on green felling to be compensated	Rs.1000
2. Additional cost per annum for plantation and soil conservation (to treat 450 sq. km. per year @ Rs. 40,000 per hectare)	Rs.180
3. Additional Grant for Maintenance & Preservation of Forest	Rs.150
4. Compensation for Carbon Credits for forests preservation	Rs.500
<b>Total</b>	<b>Rs.1,830*</b>

\*This amount to be suitably indexed for inflation at 7% for the entire award period upto 2014-2015 which would cumulate to Rs. 10,523 crore

# Devolution of Central Taxes

## Vertical Distribution

- In view of increased responsibility of states, the share of the States in the shared pool of taxes be significantly increased from 30.5%. Progressively it should be enhanced to 70%. Immediately 50% vertical devolution of taxes to the States be recommended.
- Surcharges / Cess on taxes be included in the divisible pool of taxes to benefit the States alongwith Union Government.

# Horizontal distribution of Taxes - Inter-se States

- Himachal's share in Central Taxes as percentage of total Devolution has gone down progressively

	H.P. Share in Central Taxes as % of Devolution
10 <sup>th</sup> FC	0.70
11 <sup>th</sup> FC	0.68
12 <sup>th</sup> FC	0.52
13 <sup>th</sup> FC (Proposed)	2.00

- Progressive decline in percentage share of State's share affects devolutions to the State.
- It does not benefit from buoyancy in Central Revenue Receipts. The State is getting a declining Revenue Deficit Grant.
- Submission. Himachal's share in Central Taxes as % of Devolution be increased to two percent of all States share of central taxes.

# Other Main Suggestions

1. Recommend our case for imposition of Generation Tax on hydro power generation within the State in line with the recommendations of the Rangarajan Committee
2. Support our claim for 7.19% share in BBMB projects.

## Special Problems.

- To fund Rs 715 crore project Shimla water Gravity Scheme from River Pabbar, situated about 150 km away from Shimla. It will meet long term water requirements of Shimla
- The State has a huge deficit of Rail network. It got only 33 km rail network in 60 years.
- To improve air connectivity for wide-bodied Aircraft, to fund Rs 700 crore for proposed airport in Mandi district on lines of Greenfield Airports proposed for North Eastern States in the 11<sup>th</sup> Plan

# Relief Expenditure

- Himachal is prone to various natural calamities like floods, land slides, cloud bursts, droughts, snow avalanches, earthquakes etc.
- Union Government does not provide adequate resources to meet natural calamities in Himachal- this puts further debt stress on state's own resources.

# Forecast for 2010-15



# Summary of the Forecast-Receipts

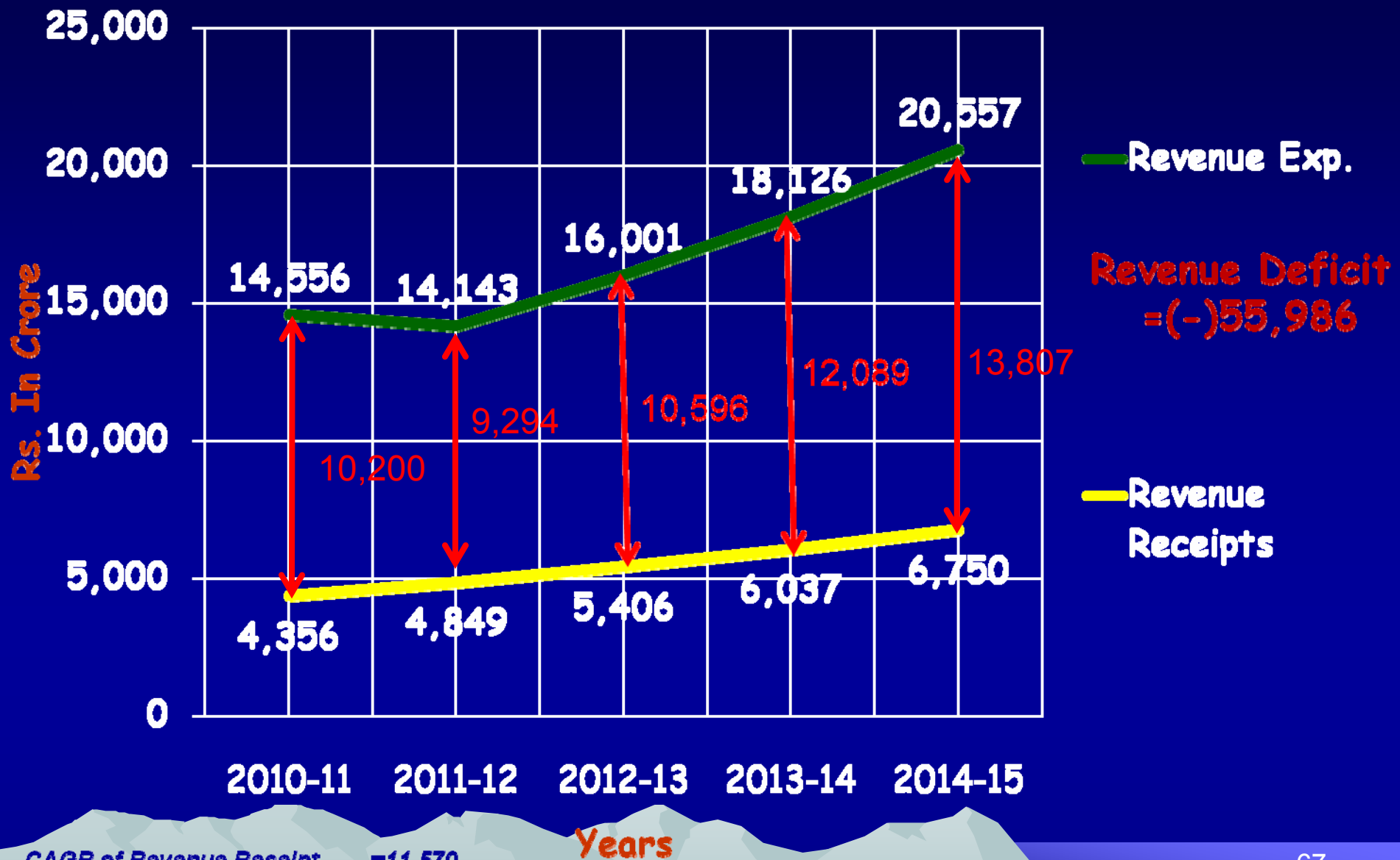
				(Rs. Crore.)
Year	Tax	Non-Tax	TOTAL	
2010-11	2926	1430	4356	
2011-12	3309	1540	4849	
2012-13	3746	1660	5406	
2013-14	4247	1790	6037	
2014-15	4820	1930	6750	
Total			27,398	
<b>CAGR (%)</b>	<b>13.290</b>	<b>7.785</b>	<b>11.570</b>	

# Summary of the Forecast-Expenditures

*(Rs Crore)*

Year	Revenue Exp.
2010-11	14556
2011-12	14143
2012-13	16002
2013-14	18126
2014-15	20557
Total	83,384
<b>CAGR(%)</b>	<b>9.015</b>

## Summary of the Forecast - Revenue Receipts/Revenue Expenditure



CAGR of Revenue Receipt = 11.570  
 CAGR of Revenue Expenditure = 9.015

# Revenue Deficit Forecast

(Rs Crore)

	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Pre Devolution Revenue Deficit	-10200	-9294	-10596	-12089	-13807	-55,986
GSDP	48628	55923	64311	73958	85051	-
RD as % GSDP	-21.0	-16.6	-16.5	-16.4	-16.2	-

Total Revenue Deficit over the 2010-2015 period is Rs 55,986 crore.

If the State had adequate resources to exploit the entire 20,000 MW hydel potential, the State could have earned Rs 32,000 crore per annum.



*THANK YOU*