

1 Strategy for Assam's Development

1.1 State of Assam's Development – The Point of Departure

1. The most striking fact of Assam's economic development is that it is falling behind the rest of the country. In 1950-51, per capita income in Assam was 4 per cent above national average. In 1998-99, it was 41 per cent below the national average at current prices and 45 per cent below the national average at 1980-81 prices. See Table 1.1.

Table 1.1: Per Capita Income (at constant 1980-81 prices)

Year	1950-51	1960-61	1970-71	1980-81	1990-91	1995-96	1996-97	1998-99
India	1127	1350	1520	1630	2222	2608	2761	3132
Assam	1173	1140	1221	1284	1524	1606	1628	1708
Difference	46(+)	210(-)	299(-)	346(-)	698(-)	1002(-)	1133(-)	1424(-)
Assam/India	1.04	0.84	0.80	0.79	0.69	0.62	0.59	0.55

Source: Government of Assam Vision Assam 2025

2. What is even more alarming is that the gap is growing (See Figure 1.1). Between 1980 and 1990, per capita income at 1980-81 prices grew by 20 per cent in Assam compared with 40 per cent for all India. Between 1980 and 1998 per capita income in Assam grew by 10 per cent compared with 39 per cent for all India.
3. During 1951-79 Assam's economy grew at more or less the same rate as the rest of India. Yet, Assam's per capita income fell due to higher rate of population growth in Assam due to immigration. Over the period Assam's population grew at an average rate of around 4 per cent per year. The widening disparity since 1980-81 is, however, due to slower growth of its economy. While the Indian economy grew at 6 per cent over 1981 to 2000, Assam State GDP grew only at 3.3 per cent (See Table 1.2). While the growth rate of the Indian economy accelerated in the 1990s over 1980s, Assam's economy decelerated in the 1990s.
4. The poor growth performance is in all sectors as can also be seen in Table 1.2. Agriculture has grown only at 2.1 per cent per year over the 1980s and 1990s and has slowed down in the 1990s to 1.6 per cent. Manufacturing growth rate in the 1990s was higher at 3.4 per cent

compared to 2.4 per cent in the 1980s, while services growth has decreased marginally from 4.9 per cent to 4.5 per cent.

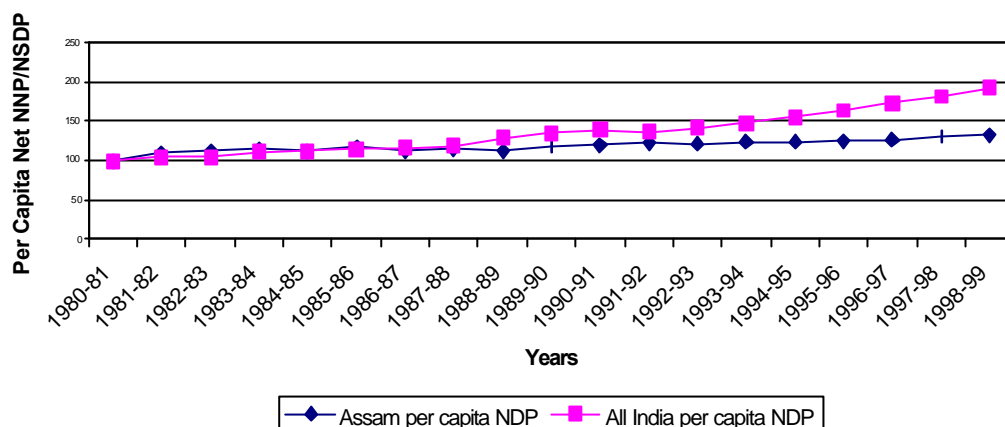


Figure 1.1: Comparison of Per Capita Net NNP/NSDP

Table 1.2: State GDP at Factor Cost by Industry of Origin at Constant (1980-81) Prices

Sector	Average Annual Growth Rates		Per cent of total SGDP			
	1981-82 to 1990-91	1990-91 to 1999-2000	1981-82 to 1990-00	1981-82	1990-91	1999-00
Agriculture, forestry, fishing and logging	2.6	1.6	2.1	41.6	38.3	33.5
Mining & Quarrying	0.1	2.0	1.0	5.2	3.8	3.4
Manufacturing	2.4	3.4	2.9	7.7	6.9	7.1
Construction	3.7	2.4	3.1	4.3	4.3	4.1
Electricity, Gas and Water Supply	9.4	0.9	5.0	1.2	1.9	1.6
Trade, Transport, Banking and Other Services	4.9	4.5	4.7	40.1	44.7	50.3
Gross SDP	3.6	3.1	3.3	100.0	100.0	100.0

The fall in the growth rate of electricity, gas and water supply was from 9.4 per cent per year in 1980s to 0.9 per cent in the 1990s. Construction sector has also slowed down in the 1990s. Many incomplete projects have made investment less effective. At the same time capital expenditure for development fell from 3 per cent of NSDP in 1980-81 to 1.5 per cent in 1997-98. The resulting poor growth meant fewer new jobs with rising educated unemployment. Governments in the past have followed the easy way out to increase government and public sector employment. Thus, labour-employing activities under public sector like electricity and water supply grew rapidly in the 1980s. The situation today is such that 90 per cent of Assam's tax and non-tax revenue inclusive of its share in central taxes and non-plan grants in 1997-98 went for maintaining the government servant, past and present, that is, for wages, salaries and pensions (NIPFP (1998), State Fiscal Studies: Assam P.40). Very little is left to do what the government is supposed to exist for. While most governments are more or less government of the employees, for the employees and by the employees, Assam's has truly become one. See Box A.

Box A: Government of the employees, for the employees and by the employees

Rapid growth of government and public sector employment has led to a dead end. The Assam government spends 90 per cent of its budget on salaries. Very little is left to provide services to the people or to invest in development.

To what extent, this has become a government for the employees can be seen from the fact that the government spends for reimbursement of medical expenses of its 4 lakh employees and their 16 lakh dependents more than that it spends for the remaining 250 lakh citizens of Assam for providing medical services.

The bloated government has also led to a fiscal crisis. The government has a monthly over draft of Rs 200 crore. It cannot mobilize even 10 per cent of the funds needed to benefit from many centrally sponsored development schemes with a 90 per cent grant component. It is unable to complete projects that go on forever delaying completion and increasing costs.

Downsizing government is the most pressing imperative if Assam is to develop faster.

5. It is not that Assam has made compensatory progress in other indicators of human welfare. Its progress in education and health shown in Table 1.3 and 1.4 is just about average for the

country. The literacy rate as per the provisional tables of 2001 census shows a decline in literacy compared to the NSS data for 1997 that is not credible.

Table 1.3: Literacy Rate (Per cent)

	Assam			India		
	Total	Male	Female	Total	Male	Female
1981	NA	NA	NA	43.56	56.37	29.75
1991	53.42	62.34	43.7	52.11	63.86	39.42
1997@	75	82	66	62	73	50
2001*	64	72	56	65	76	54

Source: Economic Survey Various Issues

@ National Sample Survey, 53rd round, Jan – Dec 1997; * Census of India 2001 (2001), Provisional Population Totals Paper 1 of 2001.

Table 1.4: Gross Enrolment Ratio (Per cent)

	Primary (I-V)		Upper Primary (VI -VIII)	
	Assam	India	Assam	India
1997-98	109.1	89.7	69.3	58.5
1998-99	109.63	92.14	61.12	56.8

Source: Economic Survey Various Issues

- The progress in alleviation of poverty is also disturbing (See Tables 1.5 and 1.6). Compared to India, it has higher rural poverty and the decline has been much smaller in Assam. Rural poverty shows a decline only in recent years. Assam is the only major state in India that showed increasing rural poverty over a long period from 1957 to 1994, even though inequality as reflected in Gini coefficient, of consumption expenditure was falling. Urban poverty level has been lower in Assam. However, urban population constitutes only 11 per cent of the total population in Assam compared to 25.7 per cent in the country as per the 1991 census.

Table 1.5: Poverty in Assam (Head Count Ratio in per cent)

	Assam			India		
	Rural	Urban	Total	Rural	Urban	Total
1972-73	58.3	32.1	55.9	55.8	45.0	
1986-87	44.3	27.8	42.5	38.8	34.4	
1993-94	49.0	10.0	49.6	38.7	30.0	33.5
1999-00						
30 day recall	40-04	7.5	36.1			
7 day recall	34.00	6.3	30.6			

Source: Government of India (2001), Economic Survey 2000-2001 and www.indiastat.com

Table 1.6: Selected Indicators of Human Development

	LEB	I.M.R.	Death Rate	Birth Rate
	Years (1991-95)	Per '000 in 1998		
Assam	55.7	78	10.1	27.7
India	60.3	72	9	26.4

Where

LEB is Life expectancy at birth

I.M.R. is infant mortality rate

Source: Economic Survey Various Issues

- Assam must grow faster and catch up with the rest of the country. How can Assam grow faster? To understand that we must first look at the reasons for Assam's poor record of development. We need to understand why a relatively prosperous state has become one of the poorest in the country.

1.2 Agriculture and Floods

- Agriculture and allied activities have overriding importance as a source of livelihood to the people of Assam. It still contributes more than one-third (35.1 per cent in 1995-96) of its NSDP and supports about 70 per cent of its population. But the average operational holding size is small at 1.31 hectare as compared to 1.57 hectare for all-India. On top of it, 92.6 per cent of the cultivated land is flood prone.

9. Floods have been another exogenous source of handicap to the development of Assam. Floods in the Brahmaputra and Barak valleys of Assam cause “serious erosion, loss of life and livestock and heavy damage to infrastructure and property retarding agricultural productivity on account of risk avoidance and sand casting, disrupting communications and education and posing health hazards. The floods damage to crops, cattle, houses and utilities in Assam alone between 1953 and 1995 is estimated at Rs 4400 crore with a peak of Rs 664 crore in a single bad year.” (Shukla Commission, 1997). The assessed flood prone area in the state is estimated at 3.15 m ha (million hectares) or 92.6 per cent of the cultivated land as in 1992-93, almost half of which (1.63 m ha) do not have any flood management structures. Even the limited flood management structures that exist are poorly maintained. The master plan prepared by the Brahmaputra Board estimates Rs 1848 crore at 1995 prices for short time measures and Rs 50,000 crore for long-term measures up to 2050. In the meantime, the state government continues with fire fighting operations and provides flood/ natural calamity relief causing a heavy drain on their otherwise meagre resources.
10. Floods have impeded the technological transformation of agriculture in Assam. For farmers do not apply costly inputs such as fertilizers and HYV seeds for the fear of their being washed away by floods. Floods can be moderated by maintaining the forests and arresting deforestation in the catchment area. This solution to moderating floods primarily rests outside Assam. In the short run, Assam has to learn to live with floods and make the best use of it. Recently, short duration variety of paddy has been developed which can be planted after the floods. Yet, as it is argued in Chapter 6, Assam’s agricultural growth has to count on the rabi season. For rabi crops, irrigation is important. The success of the shallow tubewells programme shows that Assam’s agriculture can develop rapidly.
11. Apart from floods, inadequate attention to agriculture has also been responsible for slow agricultural development. The asset creation in agriculture and allied activities stood at only one per cent of the total capital outlay of the Assam government in 1998-99 and even less (0.7 per cent) in 1992-93. The net irrigated area as percentage of the net area sown was only 20.6 per cent in 1995-96. Assam has also very few regulated markets for agriculture. Coupled with poor rural roads these result in farmers getting low price for their produce and thus have smaller incentive to produce more. The credit flow to agriculture is also very meagre. As of December 2000, in the entire North-Eastern states Kisan cards were issued to only 2590 persons and crop loan given was Rs 2.70 crore. It is not surprising therefore, that only 39.7 per cent of the cultivated land was brought under high yielding variety in 1994-95. The fertilizer consumption (NPK) per hectare was just 12.8 kg against 74.8 kg for all-India in 1995-96. Only 2.3 per cent of the total electricity consumption took place in agriculture sector against 28.2 per cent for rest of the country in 1991-92. As a consequence, the crop

productivity in the state was very low. For example, the productivity (kg per hectare) of its main crop, rice was only 71.7 per cent of the all-India average in 1997-98. Similarly, wheat productivity was only 52.6 per cent of all-India average.

12. All this clearly highlights partly the neglect of agriculture and partly the difficulty in increasing productivity with a high probability of floods that may wash away costly inputs. Its consequences on an economy with 89 per cent rural population are overwhelming. This is reflected in a much higher level of the people below the poverty line (36.09 per cent against 26.10 per cent for all-India) in 1999-2000.

1.3 Slow Industrial Growth

13. Industrial growth in Assam has been very poor (See Table 1.7) growing at only 2.6 per cent compared to 4.8 per cent in the country. Industries grow when the demand for their products grow. If the local market does not provide enough demand then external markets are needed. Moreover, the output has to be sold competitively. Industries in Assam and other North-Eastern states have not had adequate markets. Outside the region, they have not been able to compete because of the high transport cost. Within the region they have lacked good infrastructure. We look at these in turn.

Table 1.7: Index Number of Industrial Productions (1970=100)

	1970	1997	1970-97 Growth rate
Assam	100	202	2.6
India	100	357	4.8

Source: Economic Survey Assam, 1998-99, Directorate of Economics and Statistics, Assam
Economic Survey 2000-2001, Ministry of Finance, Government of India

1.3.1 The Transport Disadvantage

14. The Partition of the country imposed on Assam and the North-East a huge transport and access disadvantage. As the Shukla Committee put it, "Partition further isolated an already isolated geo-politically sequestered region. It was left with over 4500 km of external frontier with Bhutan, China, Myanmar and Bangladesh but no more than a slender 22 km connection with Indian hinterland through the tenuous Siliguri corridor, the Gateway to the North-East. The very considerable market disruption, socio-economic distancing and retardation that

resulted has not been adequately appreciated and compensated.¹” Once goods have to be transported around Bangladesh through the Siliguri “chicken neck” and cannot go through Bangladesh, Kolkata becomes a far off city. The distance between Kolkata and Agartala is 300-odd km through Bangladesh but is 1700 km via the “chicken neck”. Even for Guwahati, Kolkata has receded by 500 km. This transport disadvantage discourages industry from locating in Assam. Only those industries that are based on special raw materials available in the North-East are likely to locate here. If a firm has to import raw materials from India over the large distance that it involves and transport the finished products back to India, its costs mount and the firm may not remain competitive. To move a 9ton truck from Guwahati to Kolkata, a distance of 1100 km, today costs around Rs 20,000. A truck going from Chennai to Kolkata, a distance of 1600 km, costs only Rs 16,000. This also reflects on the quality of road connecting the North-East with the rest of the country. In the pre-partition days, boats laden with tea, coal and timber reached Kolkata from Dibrugarh in 8 days. But now Kolkata-Guwahati takes more than 25 days due customs formalities at various points. The transport cost has increased. The net effect has been that people pay higher prices for goods imported from the rest of the country and Assam’s producers do not get right prices for their products.

15. Of course, one could have developed industries to supply the North-East market itself. The high transport cost would have provided some protection. This did not take place. This suffered from lack of infrastructure within the North-East in the early decades after Independence. This led to a much slower growth of industries and incomes in North-East and Assam than in the rest of the country. Once industrial growth stagnated so did income growth and the growth of demand for manufactured goods slowed down in turn. Thus, even industries to serve North-East demand did not grow. A vicious circle developed.
16. While significant progress in infrastructure development has been made in recent years, other developments have overtaken it and negate whatever cost advantage infrastructure development may have given. How much of a burden corruption of all kinds and extortion by different underground groups impose on transport cost even within the region has been documented by Sachdeva (2000). A moving truck load of goods from Moreh to Dimapur, a distance of 316 km, costs Rs 50,000. Part of these charges may be due to the fact that the truck was carrying illegally traded goods. Yet the number of “tax collectors” are likely to collect something from trucks carrying legally traded goods too. These “taxes” must act as a significant disincentive to any one thinking of setting up an industry in the North-East to

¹ Planning Commission, GOI, (1997), High Level Commission, Transforming the North-East-Tackling Backlogs in Basic Minimum Services and Infrastructural Needs, Part I.

meet North-East demand. This refers to Manipur and Nagaland. The situation in Assam is much better. We have noted that carrying a truck from Guwahati to Kolkata over a distance of 1100 km costs Rs 22,000. Yet the high transport costs in other NE States restrict market reach of industries located in Assam. Traders claim that to move a truck from Imphal to Guwahati (487 km) costs Rs 35,000.

17. The transport disadvantage is not just for movement of goods and raw materials. It also makes movement of people expensive too. Businessmen who have to visit Kolkata for meeting suppliers, customers, etc. suffer a big handicap. To travel by train takes time and requires advance planning that is not always possible. It costs more to fly and since convenient flights for returning the same day are not available, a trip to Kolkata requires spending a night in a hotel adding to the cost. Small businessmen could hardly afford this.
18. The army and the railways demand significant goods in the North-East. Some industries could have been developed to meet these demands. Unfortunately, products have to be tested and certified for their quality. This, however, is done in Kolkata. A supplier may have to make few trips to Kolkata, the cost of which small entrepreneurs could ill afford. Of course, if testing and certification facilities are set up on Guwahati, this disadvantage could be overcome.

1.3.2 Infrastructure: Improved but Still Inadequate

19. Infrastructure of road, rail, water and air, transport, power, telecommunication and finance are vital for development in general and industrial development in particular. The development of infrastructure, roads, railway, power and telecommunication in Assam has also not kept pace with that in the rest of the country. Chapter 5 gives a details look at infrastructure. Though Assam's infrastructure has improved in recent years it is still inadequate. More needs to be done. Yet it only recently reached a state where industrial development can be somewhat accelerated. In the new liberalized economy where government is getting out of industrial activities, government's role is that of a facilitator. It should create an environment where private industries are attracted and can flourish. The scope for industrial planning is thus restricted to identifying industries where Assam has comparative advantage (See Chapter 5) and to target promotion policies to such industries. Government can also provide special incentives to offset some disadvantage.

1.3.3 Special Packages and Incentives

20. The Assamese have a feeling of neglect by the Centre and feel that the Centre has not treated them fairly. How else could one explain the relatively poor growth of Assam's economy? Has Assam been neglected? Table 1.8 shows the expenditure on different plans of Assam and all states. It also shows expenditure on Assam plan as a proportion of expenditure on all state plans. Since Assam's population has been around 2.5 to 2.6 per cent of India's population.

On that basis, prima facie it may seem that expenditure on Assam's plan on a per capita basis have been equitable and that Assam has not been discriminated against. However, one cannot say, that Assam has been treated specially. Considering the disadvantage that partition imposed on Assam, it should have been specially treated. To this extent, the sense of neglect is justified. The constitution of number of Special Committees, Commissions and study groups and the announcement of special packages by Prime Ministers indicate that the country in recent years have been concerned about development of Assam and North-East. Thus, in addition to many projects and larger size plan, many tax concessions are also offered to attract industry to the region. More needs to be done. For example, the Centre has liquidated a debt of several thousand crore of Punjab Government due to insurgency. But in case of Assam, no positive action has been taken till today in spite of repeated request from Assam Government to liquidate debt due to expenses on insurgency. Central relief for floods in Assam is extremely meagre compared to the havoc created by floods and in comparison to allocation for floods to other states. Also, if Assam is to be deprived of tourism by travel restrictions or if the North-East is not allowed to benefit from the communication revolution of cellular telephony for considerations of national security, the Centre ought to compensate Assam in other ways so that its development does not suffer.

Table 1.8: Plan Expenditure (Actuals)

(Rs in crore)

S No	Plan Period	Centre Plan	All State Plans	Assam Plan	Assam/All State (%)
1.	First plan (1951-56)	706	1245	28	2.25
2.	Second plan (1956-61)	2535	2115	63	2.99
3.	Third plan (1961-66)	4212	4227	132	3.13
4.	Annual plan (1966-69)	3401	3118	87	2.79
5.	Fourth plan (1969-74)	7826	7675	198	2.59
6.	Fifth plan (1974-79)	18755	20015	429	2.14
7.	Annual plan (1979-80)	5695	6291	160.7	2.54
8.	Sixth plan (198-85)	57825	49458	1280	2.59
9.	Seventh plan (1985-90)	127520	87492	2490	2.85
10.	Annual plan (1990-92)	72101	48856	1396	2.86
11.	Eighth plan (1992-97)*	328906	188449	4987	3.86

* Eighth plan expenditure is based on 1992-93 (actuals), 1993-94 (actuals), 1994-95 RE, 1995-96 RE and 1996-97 BE

Source: Economic Survey and Annual Plans of different years); www.planningcommission.nic.in and Planning Commission.

21. Successive governments in recent years have offered many concessions to industries in the North-East. These reduce their tax burden to compensate them for the transport disadvantage to attract them to locate in the region. The New Industrial Policy for the North-East announced by the Government of India offers many concessions. It gives grants to set up industrial estates, transport subsidy, a variety of fiscal incentives, assistance for techno-economic studies and so on. Box B lists these incentives. In addition, the state government offers further incentives. These are listed in Box C.
22. These are very attractive incentives. However, as long as the taxes waived by the government are collected by others, these incentives would not be effective. If the problem of governance can be solved, Assam should now be an attractive place for many industries.
23. Unless extortion by various insurgent groups, which seems to have been the fastest growing activity, is brought under control, industrial growth is unlikely to accelerate. Assam is a uniquely complex state with its ethnic diversity, Bangladeshi immigrants and an educated and cultured middle-class frustrated by Assam's poor economic development. We need to understand better how militancy and insurgency can be contained. A separate study on militancy should be carried out.
24. Effective governance thus is a most vital necessity for development.

Box B: Main Features of Government of India's New Industrial Policy for the North-East

I. Development of Industrial Infrastructure

- (a) Government of India will provide entire expenditure on the establishment of Industrial Growth Centres (Upto a ceiling of Rs 15 crore as against Rs 10 crore admissible earlier).
- (b) Government of India would provide 80 per cent funds for Integrated Industrial Development Centres (IIDCs) as grant (as against 40 per cent earlier) and balance 20 per cent would be by SIDBI.

II. Transport Subsidy Scheme

The transport subsidy will be extended for a further period of seven years, i.e., up to 31st March 2007.

III. Fiscal Incentives

- (a) The Industrial Growth Centres and IIDCs would be total tax free zone for the next 10 years. All industrial activity in these zones would be free from income tax, excise, for a period of 10 years from the commencement of production.
- (b) Industries located in the growth centre would also be given capital investment subsidy at the rate of 15 per cent of their investment in plant and machinery, subject to a maximum ceiling of 30 lakh.
- (c) The commercial banks and the NEDFi will have dedicated branches/counters to process applications for term loans and working capital in these centres.
- (d) An interest subsidy of 3 per cent on the working capital loans would be provided for a period of ten years after the commencement of production.
- (e) Similar benefits would also be extended to the new industrial units or their substantial expansion in other growth centres or IIDCs or industrial estates/parks/export promotion zones set up by the states in the North-East region.

IV. Relaxation of PM's Rozgar Yojana Norms

The PMRY would be expanded in scope to cover areas of horticulture, piggery, poultry, fishing, small tea gardens, etc. so as to cover all economically viable activities. PMRY would have a family income ceiling of Rs 40,000 per annum for each beneficiary along with his/her spouse and upper age limit will be relaxed to 40 years. Projects costing upto 2 lakh in other than business sectors will be eligible for assistance. No collateral will be insisted for projects costing upto Rs 1 lakh. Group financing upto Rs 5 lakh will be eligible. Schemes will have a subsidy component @ 15 per cent with an upper ceiling of Rs 15,000. The margin money may vary from 5 per cent to 12.5 per cent of the project cost to make the subsidy and margin contribution at 20 per cent of the project cost.

V. Other Incentives

- (a) A comprehensive insurance scheme for industrial units in the North-East will be designed in consultation with General Insurance Corporation of India Ltd. And 100 per cent premium for a period of 10 years would be subsidized by the Central Government.
- (b) A one-time grant of Rs 20 crore will be provided to the NEDFi by the Central Government through NEC to fund techno-economic studies for industries and infrastructure best suited for the region.
- (c) State Governments may consider setting up of a "Debt Purchase Window" by the NEDFi which buys the debt of the manufacturing units particularly in respect of the supplies made to Government Departments so as to reduce the problem of blocking of funds for these units.
- (d) It may be considered to provide assistance for restructuring State PSUs from the national Renewal Fund.

VI. Procedure for Release of Assistance Under the New Initiatives

Currently central assistance for transport subsidy is given on reimbursement basis. The expenditure is first incurred by states and then reimbursement claimed from the Centre. Releases under the growth centre scheme are made taking into consideration the physical and financial progress and release made by the State Governments. Inadequacy of funds with states delays the releases which affects the entrepreneurs to hardship. So, it was decided that the transport subsidy budget would be released by a designated agency on the basis of the recommendations of S.L.C. NEDFi would be designated as the nodal agency for release of transport subsidy.

VII. Development of Village & Small Industries

Weavers' Service Centres in the region and Indian Institute of Handloom Technology at Guwahati would be suitably strengthened to provide technology and training support to the weavers. National Handloom Development Corporation will give priority in supply of hank yarn to the NE region. All the four varieties of silk would be covered under the Mill Gate Price Scheme. Priority would be given to the region in schemes setting up of market complexes and permanent exhibition facilities. A new design centre for development of handicrafts would be set up in the region. New emporia would be set up and financial assistance for renovation of existing emporia would be provided. Central Silk Board would give priority to the region in its schemes.

Source: Office Memorandum No. EA/1/2/96-IPD, Department of Industrial Policy and Promotion, Ministry of Industry, Government of India. 24 December 1997.

Box C: Incentives for Industries in Assam given by the State Government

Power Subsidy

Connected Load	Amount of Subsidy	Ceiling on Subsidy (per unit per year)
Upto 1 Mw	50 per cent	Rs 5 lakh
Above 1 MW and Upto 5 MW	30 per cent	Rs 15 lakh
Above 5 MW	20 per cent	Rs 30 lakh

Interest Subsidy on Working Capital

Rate: 5 per cent subsidy to SSI Units with an investment upto 60 lakh

Period: 3 years from the date of production

Maximum Benefit 3 lakh per year per unit

Sales Tax Exemption

Category	SSI/Tiny/SSSEBs	Medium and Large
New Unit	7 years subject to maximum of 150 per cent of fixed capital investment	7 years subject to maximum of 100 per cent of investment
Units undergoing expansion /diversification/ modernization	7 years subject to maximum of 100 per cent of additional fixed capital investment	7 years subject to maximum of 90 per cent of additional fixed capital investment
Six/relief undertaking units	3 years subject to maximum of 100 per cent of additional investment made for rehabilitation	3 years subject to maximum of 90 per cent of additional investment made for rehabilitation
Electronic Industries	7 years subject to maximum of 250 per cent of fixed capital investment	7 years subject to maximum of 250 per cent of fixed capital investment.

Equity Participation

AIDC or ASIDC may participate in the equity participation up to 20 per cent of the issued capital of the company subject to a ceiling of Rs 20 lakh.

Feasibility Study Cost

For large and medium scale units, 90 per cent subsidy on cost (ceiling Rs 2 lakh) in each case.

For SSI, 100 per cent or 90 per cent subsidy on cost (ceiling Rs 50,000).

State Capital Investment Subsidy (SCIS)

A special SCIS @ 30 per cent of the capital investment on land, building and plant, machinery etc., subject to ceiling of Rs 10 lakh.

Subsidy on Generating Cost

50 per cent of the cost of generator (ceiling Rs 10 lakh per unit).

Infrastructural Facilities

In case, an undeveloped land is allotted to entrepreneur for industrial purposes, actual land development cost will be provided as an interest free loan with certain ceilings.

Manpower Subsidy

If loan persons are employed and trained in industrial units, the following subsidy per person would be provided: Manager: Rs. 10,000, Supervisor: Rs 7,500, Skilled Worker: Rs 5,000, Unskilled Worker: Rs 2,000. This is subject to the following ceiling:

Units with investment	Total ceiling
Upto 2 crore	Rs 1 lakh
2 to 5 crore	Rs 2 lakh
5 to 10 crore	Rs 5 lakh
10 crore and above	Rs 7 lakh

Pioneer Unit

If a new unit with fixed capital exceeding Rs 3 crore is set up in a no industry district, an additional SCIS of 5 per cent of fixed capital investment (ceiling Rs.10 lakh) as well as power subsidy for an additional 2 years would be provided.

Incentives for Export Oriented Units

For 100 per cent EOUs additional SCIS of 10 per cent (ceiling Rs 10 lakh); additional 20 per cent subsidy for purchase of testing equipments (ceiling 2 lakh). Incentives also for other units with an export effort.

Agro & Food Processing Industries

Additional SCIS of 5 per cent (ceiling Rs 5 lakh); 50 per cent of cost payable for getting FPO license / AGMARK etc. (ceiling 1 lakh).

Women Entrepreneurs

Additional SCIS of 5 per cent (ceiling Rs 5 lakh) where women constitute 50 per cent of labour force.

Additional 2 per cent interest subsidy on working capital for 3 years (ceiling Rs 1 lakh per year).

75 per cent subsidy on factory shed rent for 5 years.

Physically Handicapped Person

Additional SCIS of 5 per cent (ceiling Rs 5 lakh).

Additional 2 per cent interest subsidy on working capital for 3 years (ceiling Rs 1 lakh per year).

Handicraft Industries

Additional SCIS of 10 per cent (ceiling Rs 2 lakh).

Additional 2 per cent interest subsidy on working capital for 3 years (ceiling Rs 1 lakh per year).

Other Subsidies (applicable on units where fixed capital does not exceed Rs 5 crore)

20 per cent of cost payable to Assam State Electricity Board for drawing HT/LT line up to the unit and installation (ceiling Rs 1 lakh); 50 per cent of fees paid for procurement of know how from National Research and Development Corporation or other agency (ceiling Rs 1 lakh); 50 per cent of the cost of pollution control and monitoring (ceiling Rs 2 lakh); 50 per cent of the cost of quality control equipment (ceiling Rs 1 lakh).

1.4. Strategy for Development

25. Assam's economy has to accelerate and catch up with the rest of the country. Assam has come to a state where this seems possible. Infrastructure is in a better shape in terms of roads and railways. Civil aviation can be quickly improved. Power situation can be made better soon if projects under implementation are quickly completed. Telecommunication is growing rapidly and the new technology makes it possible to get connected from any place at modest cost without waiting for government to invest in capacity creation and network expansion. Finance is now relatively easier to obtain.
26. The new refinery at Numaligarh opens up the possibility for downstream petrochemicals industries that can stimulate many small-scale industries. Since the raw material is local, the transport disadvantage is only for selling products to rest of the country for which the various incentives and concessions should suffice.
27. Yet Assam and the development of the North-Eastern states can get a big boost if trade with neighbouring countries like Bangladesh, Myanmar and China can be made freer. The Ministry of External Affairs can do more for the North-East than perhaps what Planning Commission can do. One cannot, however, plan one's strategy on such hopes.
28. The creation of a network of institutions to impart skills and establishment of computer information centres in all the blocks provide an opportunity for private initiatives to flourish. The ICT revolution knows no geographical distance and the transport disadvantage does not exist in satellite communications. A signal bouncing of a geostationary satellite travels the same distance when you talk to your neighbour or to someone across the world. An attractive new opportunity has opened up for service-based development.
29. The implementation of the package announced by Prime Minister Vajpayee will give a big thrust to the region's economy. The continuous monitoring of the various measures in a transparent manner where the progress report can be tracked on a website updated every three months, offers hope that these measures will be implemented. Thus the stage is set for Assam to take off.
30. A development strategy based on mega-projects implemented by government has not succeeded. Somehow, the projects go on forever, the costs mount and benefits get delayed for long. A strategy of development led by many small entrepreneurs and initiatives all over the state is more likely to succeed. Assam's development has to be built on the initiatives and actions of people of Assam on a large number of issues all over the state. Large projects undertaken by the Central or State governments can only play an enabling role and a very limited one at that. The many packages announced by successive Prime Ministers based on various committee reports have led to disappointing results. We feel this is largely due to the

fact that they were top-down projects and did not build on the creativity and talent of Assamese people. As economist, Atul Sharma observed, “Initiatives have to be of such expanse and order that people, more importantly, young people, and women clearly perceive that something is happening all around them and that the future holds out a lot of promise”. All these initiatives need not be very costly. It is critically important to develop institutional mechanism particularly to provide accountability and to shake up non-performing systems. For this, decentralization and devolution of financial resources to local Panchayats is necessary. For accountability of Panchayats, other local bodies and government, a right to information should be given to the people through an act.

31. If the gap between average income in Assam and the country is to be narrowed, Assam’s economy should grow at a faster rate than the 6 per cent rate at which the Indian economy is growing. To accelerate to such a rate in a short period may be unrealistic. We believe, however, that a minimum growth rate of 6 per cent per year can be realized over the next five years. Such a growth rate will reduce rural poverty from 40 per cent to 28 per cent in five years, if income distribution does not worsen in the process. The opportunities available to Assam are such that a widespread growth is possible, which, if anything, should improve income distribution.
32. A 6 per cent growth rate in the next five years should be just the beginning. Assam and North-East development must accelerate beyond that so that by 2020 they catch up with the rest of the country. This requires that after five years, Assam’s economy to grow by 2 percentage points faster than the Indian economy. A strategic long-term vision for the region should be developed.
33. If Assam’s development is to be based on its natural resources and on a participatory basis, the following sectors will play important roles:
 - Agriculture
 - Horticulture and Agro Processing
 - Silviculture and Handicrafts
 - Fishery
 - Forestry and related industries
 - Tourism
 - Petrochemicals and related industries
 - IT based services

These are obvious and well-known. We have tried to explore: what has constrained development of these sectors? What should we do now that is different and would lead to better results? These are critical questions.

34. Assam's agriculture sector has the potential to grow much faster. The recent experience with shallow tubewells shows great potential when it is coupled with participatory local management. We noticed a lot of enthusiasm about shallow tubewells. One village we visited showed spectacular results. However, even the Jain Committee promoted shallow tubewells and noticed that some 43000 shallow tubewells were already installed by 1990. Then how come a mere 60000 tubewells in the last couple of years are creating such excitement? What is the reason? Under what circumstances and what institutional arrangements, shallow tubewells bring about real agricultural growth? These issues will be addressed in subsequent chapters.
35. Fishery would seem to be an obvious growth sector for Assam. Assam has vast water resources. Brahmaputra and the beels provide opportunity for fishery development on a widely dispersed large-scale so that many can share in it. Yet Assam imports some 25000 tonnes of fish from Andhra. Why is it so? There is nothing wrong in importing fish if it is economic to do so. Imports do indicate the potential market for development of fisheries. It should be possible to increase fish production by 40000 tonnes in the next five years indicating a growth rate of 6 per cent per year. What prevents development of intensive fisheries? What needs to be done? What kind of institutional arrangements are needed? These are examined in a later chapter.
36. Forests are a major resource of Assam. What has been the experience with joint forest management? What are the consequences of the Supreme Court ban on the industry? How to achieve sustainable forestry and related industries development?
37. Assam has vast potential for tourism. It can develop cultural, lifestyle (tea), adventure and eco-tourism. There are more than 1000 tea gardens, many with guesthouses, some with golf-courses, air strips and helipads. Assam has wildlife and bio-diversity with two sites that are recognized by the UN as Ramsar sites, that is, wetlands that are unique, rare or representative and internationally important to preserve biodiversity. North-East has also unique cultural and ethnic diversity. The rivers, forests and mountains provide scope for adventure and eco-tourism. Tourism in the North-East should be booming. How can one develop it? What is missing? Is it just insurgency? If so, we should emphasize that no tourist has been harmed by insurgents. What prospects are there for making it a major growth industry? In the first phase Assam should concentrate on developing domestic tourism. Indians travel a lot and Assam and North-East should be made a tourist hot-spot like Kerala has become.
38. All these developments require resources. How much is needed? What is the prospect of raising them? To explore these, one chapter deals with macro scenarios of economic development, and shows that a 6 per cent growth rate is within reach of Assam.

39. Apart from growth of economic activities, development requires social development too. Another chapter deals with poverty and social development.
40. Government has important role to play. Apart from creating a facilitating environment that promotes private initiative and supports participatory development, it needs to provide social services, infrastructure and good governance. It will have to put its fiscal house in order. A chapter deals with how to reorient fiscal strategies towards economic development.
41. All these possibilities and needed policies are discussed in subsequent chapters.
42. Before concluding, let us note that while this report deals with development of Assam, it is intricately linked with the development of the whole North-East. They need each other's markets. Provision of infrastructure and development of tourism become easier when done for the whole region. Also, the States of the North-East have complementary resources. A concerted effort should be made to accelerate the development of all the States of the North-East.
43. Assam should and can develop much faster than it has been doing with sound policies and good governance.

1.5 Summary and Recommendations

The main recommendation that emerge from this analysis are:

- a) The most striking fact of Assam's economic development is that it is falling behind the rest of the country. From a per capita income above the national average in 1951, it is now barely 60 per cent of it. Assam's economy has to accelerate and catch up with the rest of the country. A minimum growth rate of 6 per cent per year can be realized over the next five years which will reduce rural poverty from 40 per cent to 28 per cent in five years
- b) Assam should aim to catch up with the rest of the country. This requires that after five years of 6 per cent growth rate Assam's economy has to grow by 2 percentage points faster than the Indian economy.
- c) The Partition of the country imposed on Assam and the North-East a huge transport and access disadvantage. While Assam could have developed industries to supply the North-East market itself, lack of infrastructure within the North-East in the early decades after Independence prevented such development.
- d) Assam's transport infrastructure has improved but it is still inadequate. More needs to be done.

- Maintenance of existing roads needs to be improved as many roads are in poor state and all weather connectivity for many villages is limited
 - Congestion on the Siliguri-Guwahati sections of the railway should be relieved either by double tracking or providing adequate bypass siding.
 - Army and the railways testing and certification facilities should be set up in Guwahati,
 - Bridges across Brahmaputra are extremely important for connectivity and there are only three bridges today.
 - Air connectivity is vital for a modern economy. To develop tourism, it is a must. Fuel price and tax concession are offered to encourage internal air services within the North-East should be continued.
 - Convenient same day return flights to Kolkata are needed.
 - The inland water transport network was disturbed by partition and further disrupted by the earthquake of 1950. Its revival needs a coordinated effort to provide infrastructure support and night facilities.
- e) Per capita electricity consumption in Assam is only one-fourth of the All India consumption reflecting the poor quality of life and low level of economic activity. If all the projects that were under implementation in March 1996 were to be completed, the NE would have a total installed generating capacity of 3396 MW, enough to meet its demand for some years. The work on these projects proceeded at a slow pace due to lack of funds. The gap between the average cost of supply and the average tariff is a phenomenal figure of Rs 4.50 per unit. Power sector reforms have become critical to improve the financial position of ASEB and should be steadfastly pursued.
- f) Apart from pressing for more funds for large hydel projects conceived years ago a fresh look at them should be taken for alternative designs taking into account their social and environmental consequences.
- g) A world-class telecomm service at low international prices offers an opportunity to Assam to develop and to overcome its traditional access disadvantage. Government policy must facilitate development of telecommunications in the North-East which has difficult terrain and many remote villages.
- h) Availability of credit is critical for development of small enterprises that in turn, is crucial for Assam's development. The credit disbursed by banks and financial institutions needs to be stepped up.
- i) Unless extortion by various insurgent groups, which seems to have been the fastest growing activity, is brought under control, industrial growth is unlikely to accelerate despite many tax

concessions and very attractive incentives given to industries to compensate them for the transport disadvantage as long as what the government gives other “tax collectors” collect.

- j) We need to understand better how militancy and insurgency can be contained. A separate study on militancy should be carried out.
- k) Trade with neighbouring countries like Bangladesh, Myanmar and China can be made freer. The Ministry of External Affairs can do a lot for the North-East.
- l) Government has an important role to play in the development of Assam. It needs to provide social services, infrastructure and good governance. It will have to put its fiscal house in order. It is so starved of funds today that it cannot even find the 10 per cent needed to benefit from central projects. Downsizing government is a most pressing imperative if Assam is to develop faster. Fiscal strategies towards economic development are examined in a subsequent chapter where specific recommendations are given.
- m) It is critical to develop institutional mechanism particularly to provide accountability and to shake up non-performing governance systems.
- n) Decentralization and devolution of financial resources to local Panchayats should be done as soon as possible.
 - A right to information should be given to the people through an Act, so that local bodies function in a transparent manner.
 - The stage is set for Assam to take off. The implementation of the package announced by Prime Minister Atal Bihari Vajpayee will give a big thrust to the region's economy. Attractive new opportunity has opened up for service-based development due to the ICT revolution.
- o) A strategy of development led by many small entrepreneurs and initiatives all over the state is more likely to succeed, where young people and women clearly perceive that something is happening all around them and that the future holds out a lot of promise. Such decentralized development is less likely to be a victim of extortions.
- p) Assam's development has to be based on its natural resources and on a participatory basis. The following sectors offer much scope for development
 - Agriculture
 - Horticulture and Agro Processing
 - Silviculture and Handicrafts
 - Fishery
 - Forestry and related industries
 - Tourism
 - Petrochemicals and related industries
 - IT-based services

- q) Agricultural growth can be stepped up with a continued emphasis on shallow tubewells, formation of village development councils, development of rural roads and establishments of organized markets.
- r) It should be possible to increase fish production by 40000 tonnes a year in the next five years indicating a growth rate of 6 per cent per year.
- s) Assam and North-East have a vast potential for tourism and should be made a tourist hot-spot like Kerala has become.
- t) Revival of forestry and wood industries requires development of plans for sustainable use of forests. Innovative actions may be needed to implement them.
- u) Assam's handicrafts need to be marketed to obtain high prices for them. This requires a modern design and marketing set up that targets high-income consumers in the world. A system to encourage private designers and entrepreneurs needs to be evolved.
- v) Assam's unique Muga silk has not seen any technological development as hardly any research effort has gone into it. A silviculture research institute should be set up in Assam.
- w) Development is incomplete without social development. A chapter deals with poverty and social development and suggests specific measures.
- x) We should also note that development of Assam is intricately linked with the development of the whole North-East. With sound policies and good governance Assam should and can develop much faster than it has been doing.

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