

Subject: Package of measures approved for Andhra Pradesh.

Prime Minister's Office (PMO) vide ID Note No.5444590/2022-TG Cell, dated January 10, 2022 constituted a committee under the chairmanship of the Finance Secretary & Secretary (Expenditure) to examine the issues raised by the Government of Andhra Pradesh (GoAP). The committee deliberated on the issues in its meetings held on January 24, 2022 and August 25, 2022.

2. Amongst the issues flagged, the GoAP has subsequently identified the following three issues of higher importance;

- i. Release of revenue deficit grant for the financial year 2014-15;
- ii. Over borrowing made by GoAP during 2016-17, 2017-18 & 2018-19;
- iii. Funding of the Polavaram Irrigation Project.

Issue-I: Release of revenue deficit grant for the financial year 2014-15.

3. The Accountant General, Andhra Pradesh had reported a revenue deficit of Rs.16,078.76 crores for 2014-15. Out of this, an amount of Rs.5,617.89 crores has been paid in terms of Section 46 (2) of the Andhra Pradesh Re-organization Act, 2014. This included an amount of Rs.1,500 crores paid towards financial reconstruction package to DISCOMs on March 31, 2022. The remaining amount of Rs.10,460.87 crores has been disallowed on the grounds that these items were caused by decisions taken by the GoAP subsequent to bifurcation of the State. Based on the deliberations in the meeting, various representations and explanations given by GoAP, and after taking a very lenient view, the balance amounts as provided in the Table below was released to the State on May 19, 2023 as part of the Resource Gap.

(Rs. in crores)		
S. No.	Description	Amount
(i)	Pay Revision Commission arrears (said to be decided pre-bifurcation but paid post-bifurcation)	3,920.00
(ii)	Increase on account of monthly pension rate and broadening of base of pensioners (said to be influenced by advice of Ministry of Rural Development)	3,391.20
(iii)	Part of the bills pertaining to 2014-15 uploaded but not cleared	3149.67
Total		10,460.87

Issue-II: Over borrowing by State of Andhra Pradesh

4. From analysis of the information provided by the GoAP regarding borrowing from different sources, it was discerned that the State has suppressed borrowing information in the several years. It was revealed that there was over borrowing of

Rs.17,923.94 crores between 2016-17 to 2020-21. Therefore, Rs.17,923.94 crores were deducted from the borrowing space of Andhra Pradesh for 2021-22.

5. On the request of the GoAP and in view of the resource crunch faced by the State due to the ongoing pandemic, it was decided to spread the deductions on account of over-borrowing of Rs.17,923.94 crores over three financial years:

- Rs.3,923.94 crores in 2021-22
- Rs.6,000 crores in 2022-23
- Rs.8,000 crores in 2023-24

6. Accordingly, deduction of Rs.3,923.94 crores in 2021-22, Rs.6,000 crores in 2022-23 and Rs.8,000 crores in 2023-24 has already been carried out. However, GoAP officials expressed the difficulties experienced in complying with the reduction in the borrowing space, even post-staggering, in view of the State's emerging revenue-deficit post-bifurcation, & bearing the brunt of the Covid-19 pandemic, and requested that the over borrowing be either waived or staggered over a longer time-frame.

7. Normally, the request of the State of Andhra Pradesh would not be acceptable as there is no credible basis for further extending the time, taking note of the fact of suppression of borrowing information. However, as a special case, a lenient view was taken and Rs.8,000 crores has been adjusted in equal amounts of Rs.2,666.67 crores annually for the 3 years from 2023-24 to 2025-26 (current Finance Commission period).

Issue-III: Funding of the Polavaram Irrigation Project
Part A – Reimbursement towards Government of Andhra Pradesh as per Cabinet Approval dated 15.03.2017:

8. The Union Cabinet on 15.03.2017 approved the following:

- (a) GoI will provide 100% of the remaining cost of the Irrigation Component only of the Project as on 01.04.2014;
- (b) No further Central funding for: (i) cost incurred on the Project before 01.04.2014; (ii) cost escalation beyond the cost as on 01.04.2014 due to change in scope or price;
- (c) total cost of the Irrigation Component of the Polavaram Irrigation Project as on 01.04.2014 and expenditure already incurred till then to be determined by Polavaram Project Authority (PPA) with the approval of DoE;
- (d) GoAP to execute the Project on behalf of the GoI.

9. Details of Revised cost of the Polavaram Irrigation Project as on 01.04.2014 and reimbursement to the GoAP so far are as under:

(Rs. in crores)

S. No.	Description	Amount
1.	Revised Cost Estimates of "Irrigation Component" of Polavaram Irrigation Project at 2013-14 Price Level (as on 01.04.2014).	20,398.610
2.	The expenditure already incurred on the "Irrigation Component" of the Polavaram Irrigation Project till 31.03.2014	4,730.710
3.	Balance cost of "Irrigation Component" of Polavaram Irrigation Project (2013-14PL) remaining to be reimbursed to the Govt. of A.P. as on 01.04.2014	15,667.900
4.	Total amount reimbursed to the Govt. of A.P towards execution of Polavaram Irrigation Project from 2014 till date.	14,418.393
5.	Amount remaining to be reimbursed to Govt. of A.P towards execution of Polavaram Irrigation Project as on date	1,249.507

10. An amount of Rs.550.97 crores was considered for release by DoE due to breach of component-wise ceiling imposed by DoWR, RD & GR. No proposal for the reimbursement is presently pending in the DoE.

Part B – The funds required to complete the balance works of the Polavaram Irrigation Project upto +41.15 meter height

11. Special Chief Secretary, Finance Department, GoAP vide his letter dated 15th March, 2022 has stated that the funds required to complete the balance works of the Polavaram Irrigation Project upto +41.15 metre height (MDDL level) is **Rs.10,911.15 crores**.

12. He has further informed that the GoAP has assessed that the following benefits will accrue by the completion of the Polavaram irrigation Project at the MDDL level.

- Creation of new ayacut by gravity to an extent of 2,99,142 acres.
- Supplementation of ayacut of 10,13,000 acres under the Godavari Delta System.
- Supplementation of ayacut of 3,93,000 acres under the Krishna Delta System.
- Meeting drinking water of 246 villages & Visakhapatnam, Anakapalli & nearby towns having 10,60,000 population.
- Hydel power generation of 720 MW, if 12 TMC of water per day is available for utilization.
- Pisciculture in the reservoir dead storage of 119.4 TMC.

Part C – Cost of repairing to be done to the damages caused by recent flood:

13. In the meeting with the Finance Secretary and Secretary (Expenditure) on 17.03.2023, the Chief Secretary, GoAP stated that DoWR, RD & GR have estimated

the cost of repairing the damage caused to Polavaram Irrigation Project due to flood as approximately Rs.2,000 crores.

14. It has been the stand of the GoI that there will be no further central funding for cost escalation beyond the cost as on 01.04.2014 due to change in scope or price, as the project is executed by GoAP. The GoAP has represented that if filling of water is completed up to 41.15 metres height, then the benefits of irrigation to the farmers of Andhra Pradesh would be realized to a very significant extent. GoAP has pointed out that their own-resource position would greatly delay the completion of this project unless assistance is provided by the Centre. In the interest of the farmers of Andhra Pradesh, the following have been decided:

- i. In case of Part-A, the component-wise ceiling earlier fixed by Department of Water Resources has been relaxed and balance amount of Rs.1,249.507 crores will be released without insisting on component-wise ceiling compliance.
- ii. In case of Part-B & C, funds for completing the balance work for filling of water up to 41.15 metres and for cost of repairing damages caused by floods will be additionally funded by GoI, subject to approval of the Cabinet, by modifying the earlier decision. However, this additional funding shall be limited to a maximum of Rs.12,911.15 crores or such lower amount as may be recommended by the Department of Water Resources. For providing additional funds for the Polavaram Irrigation Project, the Department of Water Resources has to draft a Cabinet Note, complete inter-ministerial consultations and obtain approval of the Union Cabinet.
