



Towards Faster and Sustained Revival of Assam's Economy

A Note Submitted to Advisory Committee for Revitalisation of State Economy in the Wake of the COVID-19 Pandemic

May 2020

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Introduction

The COVID-19 pandemic and the long-standing lockdown that was implemented to mitigate the emergency, has given rise to an unprecedented challenge for the Union Government as well as the State Governments. Though initially in Assam, the number of those affected by the virus has been low, however, the impact of the lockdown extends beyond a public health crisis into different domains of the state's economy. Additionally, the imminent threat of floods in the State will compound the suffering of people. In this backdrop, a slew of comprehensive reforms and the robust implementation of the same, by the State Government, can prove to be critical not only in revitalising the state economy but also to make it a self-reliant economy.

Economic Vulnerability of Assam

According to a recently launched dashboard (<https://covid19vul.in/>) for tracking the economic vulnerability of states during the COVID-19 outbreak, Assam has a medium economic vulnerability status with almost 52 per cent of its workers engaged in sectors partially or fully closed due to the lockdown. The vulnerability assessment of Assam, as reported in the dashboard, is based on a set of 18 relevant indicators that include the percentage of workers in sectors that are partially or fully closed due to COVID-19, percentage of in-state migrant workers, percentage of out-of-state migrant workers, Gross State Domestic Product per

capita, amongst others. The indicators have been grouped under four broad sections that were then weighted based on perceived importance towards economic vulnerability. These groups are COVID-19 Economy Related, Highly Impacted Population, General Economic Indicators, and COVID-19 Spread Related. The lockdown implemented to combat the spread of the virus will, inevitably, have a long-term impact on the economic status and wellbeing of a large part of the state's population.

Considering the gravity of the situation, it is imperative for the State to develop a three-pronged approach, viz. undertaking immediate measures to combat the crisis, planning and implementing medium- and long-term measures for revival and developing a strategy to be prepared for any such crisis in future. The formation of the Advisory Committee for Revitalisation of the State Economy on May 4, 2020, by the Government of Assam, is a welcome move in this regard.

Centre for Budget and Governance Accountability (CBGA)¹, given its experience of working closely with the Finance Department of Assam for the past few years, would like to take this opportunity for sharing a few short- and medium-term measures that the government can consider in its fight against COVID-19. In this note, CBGA puts forward a few suggestions like putting in place emergency spending provisions, carrying out some amount of expenditure reprioritisation, and taking steps to ensure access to essential public provisions for the people of Assam.



¹ CBGA is an independent, non-profit policy research organisation based in New Delhi. It strives to inform public discourse through rigorous analysis of government budgets in India; it also tries to foster people's participation on a range of policy issues by demystifying them. For more details, visit: www.cbgaindia.org.

Assam Vulnerability Score 33.5%

Rank | Medium
28



COVID -19 related Economic Metric

- % of People in COVID-19 Red Zones: 2.3%
- % of Workers in Sectors Fully or Partially Closed due to COVID-19: 51.6%

POPULATION IMPACTED BY COVID-19 METRICS

- % Employed that are Casual Labour or Household Help: 24.7%
- % of Casual Workers Who Earn Less Than Rs 7,500 / Month: 83.0%
- % of In-State Migrants: 32.2%
- % of Out-Of-State Migrants: 1.6%
- Quality of Migrant Integration Policy Index (IMPEX 2019): 46
- # MSMEs Per 1000 People: 34.61
- % of Non-Agro Salaried Workers who are Informal (no contract, no social security): 26.5%

GENERAL ECONOMIC METRICS (non-COVID-19 related)

- GSDP Per Capita: 74,204
- GSDP 7-Year CAGR %: 7.4%
- Unemployment % (as of April 2020): 11.1%
- Fiscal Deficit % of GDP: 4.2%

COVID-19 SPREAD-RELATED METRICS

- # of COVID Cases per 1000: 0.087
- Fatality Rate %: 0.2%
- Positive Test Rate %: 1.6%

COVID-19 CASES

- Confirmed: 3,051
- Active: 1,946
- Recovered: 1,097
- Deceased: 5

Source:
<https://covid19vul.in/>

Some of the specific measures are discussed under the following points:

1. Measures to address the State's economic vulnerability

• Instituting concrete employment opportunities for migrant workers:



More than 4.30 lakh migrant workers from Assam are stranded across other states in the country as a result of the lockdown. The Government of Assam initiated relief activities on April 20, 2020, by providing financial aid of Rs. 2,000 to 86,000 migrant workers. As many workers return to Assam, in the fourth phase of this lockdown, the State Government has decided to provide job cards along with skill-building training and employ them under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). With the announcement of an additional Rs. 40,000 crore under the MGNREGA by the Union Ministry of Finance, the State can expedite its action and provide immediate relief in the form of employment opportunities for the returning migrants. The State Government can also consider extending the MGNREGA to urban areas to move towards a more universal approach towards the provision of work. The upper limit of 100 days of work, per household, per year, could also be reconsidered and, if possible, removed to provide more employment opportunities in these difficult times.

• Reviving agricultural economy including tea plantations and livestock:

The economy of Assam is largely agrarian with more than 80 per cent of the total population depending on it (including those working in tea plantations).

- The tea industry has suffered immensely during the lockdown. According to an estimate, Assam has suffered losses to the tune of Rs. 1,218 crore. In addition to exempting plantation worker from the purview of the lockdown, the State Government can look into the immediate implementation of the Chah Bagicha Dhan Puraskar Mela scheme that was allocated Rs. 225 crore in the Assam Budget for 2020-21 and has over 7,00,000 beneficiaries². Under this scheme, Rs. 3,000 will be credited to the bank accounts of tea garden workers to drive financial inclusion and inculcate banking habits. Expediting the transfer to these accounts can provide much-needed relief to tea garden workers.
- Further, the State Government can promote value addition and strengthen the value chain of agri-products and provide credit support to rural youth (with additional interest subvention and back-end subsidy). In the relief package announced by the Union Government, it proposes to enact a central law to let farmers transport their produce across state borders and sell to whomever they want, not just Agricultural Produce Market Committee (APMC) licensees. Facilitation by the State Government in this process can certainly shorten the farm-to-fork path and assure farmers a larger share of the consumer spending on food.
- The announcement, by the Finance Minister, of Rs. 1,00,000 crore to supporting agricultural infrastructure would provide relief to the farmers who are fighting for survival. Moreover, immediate fiscal support has to be provided by the State to the farmers in the animal husbandry, dairy and fisheries sectors to revive the supply chain of the products from these sectors. In this regard, the State Government can look at expediting payments



² <https://www.northeasttoday.in/assam-government-approves-release-of-chah-bahgicha-dhan-puraskar-mela/>

under the *Mukhyamantri Krishi Sa Sajuli Yojana*, which is a financial aid scheme in Assam for the economic development of rural farmers. The State Government should launch a large-scale programme for promoting agricultural practices, including harvesting and marketing practices, that are compliant with public health interventions like physical distancing that contain the spread of COVID-19.

- **Fiscal stimulus to local artisans/craftsmen:**



Those involved in non-agricultural, self-employed occupations are badly affected by the COVID-19 crisis. Being a part of an informal economy further adds to the problem.

The Union Government's announcement to launch a comprehensive e-market for artisans is a welcome step. This would provide artisans from Assam, especially those involved in bamboo-based handicrafts and indigenous handlooms, a platform to sell their products. However, while the State Government institutes the process and builds the infrastructure for the platform, some immediate relief in the form of cash support/income support will be necessary for the artisans to survive. As part of a medium-term plan, provisions should be made to provide them interest-free loans to be able to revive and continue their work.

- The crisis has a disproportionately adverse impact on the vulnerable sections of the State's population, especially women, children, the elderly, persons with disabilities, denotified tribes, and minorities. Therefore, the State Government needs to take measures to protect their well-being. In this regard, the State Government can consider making temporary modifications in the guidelines and scope of Centrally Sponsored Schemes (CSS), with

the concurrence of the Union Government where necessary, and State schemes. This can help in meeting the objective of extending welfare measures to marginalised groups and communities. Some suggestions on this are given below:

- Under the *Pradhan Mantri Matru Vandana Yojana* (PMMVY), the State Government restricts the benefits extended to pregnant women to the birth of the first child. The State can suspend these restrictions and expand it to cover two children. Benefits can also be provided to women with children up to five years of age to meet their basic nutritional requirements. Moreover, the State Government can take necessary actions to process the full payment under this scheme at one go rather than in three instalments as has been mentioned in the scheme guidelines. Advance payments of *Janani Suraksha Yojana* amounts can be made to expecting mothers who are due in the next three months. The State Government can leverage components of the National Health Mission (NHM) namely the corpus of Rs.50 crore for medical support to children below 14 years. This can help to provide immediate relief and fulfil direct nutritional requirements of pregnant and lactating mothers as well as children. The State can also expedite all pending payments as well as future payments (Rs.12,000 each) under the component of Compensation of Wages to Pregnant Women Workers of Tea Gardens under the NHM to cover 35,600 pregnant women from tea gardens in FY 2020-21.
- The State Government could release food grains for three months at a time, and not in tranches, to its beneficiary base of 57 lakh households³ under the Affordable Nutrition & Nourishment Assistance (ANNA) *Yojana* to strengthen food security. In addition to providing rice, the State can also



³ <https://economictimes.indiatimes.com/news/politics-and-nation/assam-budget-2020-21-will-consolidate-gains-already-made-himanta-biswasarma/articleshow/74305572.cms?from=mdr>

consider the inclusion of other essential items like pulses, cooking oil, soap, sugar, salt, and more by expanding the scope of this scheme. Soaps should be treated as an essential commodity for the next several months and hence their provisioning and distribution will have to be prioritised all over the State, especially in the rural areas, to enable people to follow the COVID-19 protocol and maintain general hygiene.



- Releasing advance payments for the State's comprehensive social security schemes like the *Indira Miri Widow Pension*, *Swahid Kushal Konwar Sarbajanin Briddha Pension Asoni*, *Deen Dayal Divyang Sahajya Achoni*, *Aidon Handique Samman Asoni*, etc for the next six months. The process of releasing these payments can also be expedited and made simpler. Additionally, the release of pending payments, if any, should also be processed urgently.

2. Measures to protect Assam's human capital

According to the Rural Health Statistics 2017-18⁴, brought out by the Union Ministry of Health and Family Welfare, Assam has a shortage of health specialists and paramedical staff. Considering the gaps in human resources in the health sector, the Government of Assam can take the following steps:

- Temporary recruitment of doctors and paramedical staff (like nurses, physicians' assistants, and emergency medical technicians) in the rural and urban areas is required to tackle the COVID-19 crisis and its resultant burden on the delivery of health services in the State. The human resources for such temporary recruitments can be drawn from private sector hospitals in Assam and neighbouring states. Additionally, the State Government could train medical students (including AYUSH) and nursing

students as assistants to the doctors and nurses (Odisha has taken similar steps). The state government can also consider an increased health insurance coverage as well as ex-gratia payment to the family members of health workers, in case of casualties.

- Temporary recruitment of frontline health workers like Auxiliary Nurse Midwife (ANMs), Accredited Social Health Activists (ASHAs), Anganwadi Workers (AWWs) and sanitation staff can be mobilised to enable village communities to access health services. With adequate training, the State can build a strong network of rural health and sanitation workers to enable better access to healthcare for rural communities, spread awareness on the symptoms and preventive protocol, as well as serve as a channel to report potential infections. It is encouraging to see that the Department of Health and Family Welfare, Government of Assam, has already initiated the process and training has been conducted.⁵ This should be done in a sustained manner on a regular basis. Such a step by the government will move well beyond the pandemic and help “save lives from non-COVID-19 infectious diseases as well” (Glassman et al. April 2020). The State can also consider paying the salaries/honorarium for all frontline workers in advance for the next three months.



- The Government of Assam can also consider deputing officials like accountants, clerks, managers, and administrators from other departments to the health department, to ensure efficient functioning of the public healthcare system in the State. Such a step can also help in the timely release of funds, expediting clearances, and ensure that the State's response to COVID-19 is timely and efficient.

⁴ Rural Health Statistics, Ministry of Health and Family Welfare, Government of India, 2017-18

⁵ https://twitter.com/nhm_assam/status/126204528487338887?s=19

3. Measures to expand Assam's fiscal space

Large-scale spending by the State will be of utmost importance for the immediate revival of the economy. This can be financed by borrowing under the relaxed Fiscal Responsibility and Budget Management (FRBM) ceiling of five per cent, albeit by fulfilling the conditionalities imposed by the Ministry of Finance. In addition to increased borrowing and using the available resources under the Contingency Fund and the State Disaster Risk Management Fund, the following are some of the specific areas of budgetary spending in Assam in FY 2020-21. These are opportunities for the State Government to draw resources relatively easily (i.e. with limited disruption of the usual activities of the government) and add to the COVID-19 Response Fund.

- **Using the funds allocated for some of the new schemes and deferring the launch of those schemes to the next fiscal year:** Several new schemes have been announced in the current Assam Budget for 2020-21, but some schemes are yet to be operationalised. Leaving aside the committed expenditure of the allocations for such schemes (i.e. salaries, wages, pensions, etc.), the scheme expenditure of the allocations can be utilised for financing the COVID-19 response measures. The following is the list of such schemes⁶:

Scheme/ Programme	Allocation in BE for 2020-21 ⁷ (in Rs. crore)
Arundhati Asoni	150
Asom Mala	550
Redesigned 'Swami Vivekananda Youth Empowerment Yojana'	1000
Yuva Arohan	140
Bhraman Sarathi	148
Total	1988

Source: Compiled by CBGA from Assam Budget Speech 2020-21 and Assam Citizens Budget 2020-21.

- **Drawing upon funds allocated for some of the infrastructure projects:** Government of Assam can consider drawing upon funds allocated for some of the big infrastructure projects/programmes in the State. In this case, too, only the scheme expenditure part of the allocations could be utilised leaving aside the committed expenditure of the allocations.
- **Utilising the unspent balance from 14th Finance Commission (FC) Grant to Gram Panchayats (GPs) for FY 2019-20:** To combat the spread of the COVID-19 pandemic in rural areas, a recent advisory from the Government of India⁸ calls for using the unspent balance from the 14th FC grants given to GPs for 2019-20. It has been advised that the unspent balance at their disposal at the end of March 2020, should be utilised for disinfection, fumigation,



⁶ New schemes having direct linkages to social sectors like ANNA Yojana, Welfare schemes for the Tea Tribes and Adivasi Community, etc. have been left out of the above-mentioned list.

⁷ Assam Citizens Budget 2020-21. Link: https://finassam.in/budget_documents/.

⁸ DO No.N-11011/9/2016-FD, 'Utilisation of Fourteenth Finance Commission's (FFC) Grants of tackling COVID-19 pandemic in Gram Panchayats', Advisory from Ministry of Panchayati Raj, Government of India, April 3, 2020.

sanitisation, sanitation and for purchasing necessary personal protection gears and items like masks and sanitisers. Such expenditure can be undertaken by the GPs after accounting for other basic services as outlined in the 14th FC guidelines and the State Financial Corporation/State Specific Guidelines. The advisory also explicitly mentions that a one-year extension has already been allowed in the Panchayati Raj Institution Accounting Software PRIASoft) to all states that received the 14th FC grant to utilise these unspent funds until March 31, 2021.

- **Loan agreements:** An agreement (through Government of India) can be arranged with the multi-lateral agencies for a loan repayable over a multi-year schedule at a marginal rate of interest. Alternatively, the State can defer the payment of an existing loan instalment so that the funds can be exclusively used to tackle the COVID-19 crisis.
- **Negotiation for rescheduling/deferring the payment of loans taken:** Arrangements should be made to defer the payment of an existing loan so the funds meant for debt repayment can be immediately available with the Government and used for tackling COVID-19.
- **Levy additional surcharges on petroleum and liquor:** The government of Assam has already increased the price of liquor products by 25 per cent and it is estimated that additional funds of Rs. 1000 crore will be accrued to the exchequer. The state could also consider increasing the price of liquor by 50 per cent immediately and after six months this price can be reviewed and reduced. This will generate additional revenue for the State on an immediate basis. The Government of Assam can also consider levying an additional 5 per cent

surcharge on liquor licencing and sale, and the proceeds from this can be exclusively used for filling the funding gap in responding to COVID-19. Based on CBGA's calculations⁹, an amount of Rs. 255 crore can be tapped through this initiative.

- **Additional Resources through Externally Aided Projects (EAPs):** The state government has already initiated the process of mobilising additional resources through EAPs. An amount of Rs.39,009 crore has been earmarked for 19 proposed projects that cover key sectors like transport, energy, health, rural water supply, water resources, tourism, industries, urban development, fisheries, forestry, etc. The Government of India has so far approved only seven projects in the transport and fisheries sector with a cost of Rs.188.62 crore¹⁰. These projects are crucial at this juncture and the State Government can work with the Government of India to pursue the remainder of the projects.
- **Additional resources through fresh borrowings:** The State government has been allowed to raise additional resources to the tune of 2 per cent of GSDP for the current fiscal year, over and above the existing loan proposed to be withdrawn in the year 2020-21. For Assam, the Fiscal Deficit/GSDP ratio projected for the year 2020-21 is only 2.3 per cent, which allows further scope for the state to go for additional borrowing. The additional 2 per cent of GSDP comes close to Rs. 8000 crore¹¹. Out of this Rs. 2000 crore (0.5 per cent of 2 per cent Fiscal Deficit to GSDP limit) can be availed immediately.

4. Initiatives to prepare for the imminent floods in Assam

With the ongoing pandemic, the annual floods in Assam during the monsoon will compound the effects of the pandemic and the subsequent health

⁹ In 2020-21, GoA has projected an amount of Rs. 5116 crore of revenue collection under the head "Taxes on Sales, Trade etc. (VAT) on Petroleum Products and Liquor". An additional five per cent surcharge on this head would lead to an amount of Rs. 255 crore accrued to the government exchequer. (Source: Assam Budget 2020-21: Revenue & Receipts, Finance Department, GoA)

¹⁰ Ibid, p- 41.

¹¹ Statements laid before the Assam Legislative Assembly as required under the Assam Fiscal Responsibility and Budget Management Act, 2005, Finance Department, Government of Assam.

crisis. However, the state can consider the following steps to strengthen its preparedness.

- An adequate number of quarantine facilities, care centres and robust communication networks will have to be established to take care of COVID-19 patients in the districts that are most prone to floods. This would help in ensuring physical distancing measures during the flood as well as prevent overcrowding in the relief camps.
- Stocking up of medicines, ventilators, sanitisation kits and diagnostic services with Elisa Kits in remote district hospitals and health centres, not just for COVID-19 related symptoms but also for Japanese

encephalitis, which surfaces in Assam every year during the monsoons. This would be crucial for the treatment of several other chronic diseases in case the supply chains get disrupted.



- Widespread awareness generation programmes for both COVID-19 and encephalitis are to be embarked upon and fogging operations have to be initiated by the State Government as preventive measures before the floods hit Assam.

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