

# REPORT



**Economic Revival Committee**

**Arunachal Pradesh**

**June 2020**

## 1. Introduction

The Government of Arunachal Pradesh has constituted an Economic Revival Committee (ERC) for the economic revival of the state's economy in the wake of the COVID-19 pandemic. The Order No PD (SPD)-15/2020-21/2928 dated 27<sup>th</sup> May 2020 constituting the above Committee has been provided as Annex-1 to this Report. The Terms of Reference of the Committee are as follows:

- I. The scope of this Committee's work area shall include making sector specific recommendations based on broad assessment of impact of COVID-19 on particular sector.
- II. The Committee will review the economic situation and suggest corrective steps.
- III. The Committee will also give recommendations for policy formulation to bring investment and attract foreign investment to Arunachal Pradesh.
- IV. The Committee will suggest all the measures for the short term, medium term and long term economic revival of the state.
- V. The Committee will devise strategies for the expeditious implementation of the Rs. 20,00,000 crore packages in the state as soon as it is announced in detail by the Union Finance Minister Ms. Nirmala Sitharaman.
- VI. The Committee will give suggestions on easy availability and mobility of labourers in the State.

After due deliberations, the ERC has completed its work based on the above TOR. **This document is the Report of the Economic Revival Committee**, which furnishes the recommendations of the Committee for the recovery of the economy of Arunachal Pradesh. The Report is based on data pertaining to the prevailing economic situation in the first half of June 2020, as well as on the terms of the Atmanirbhar Bharat stimulus package announced by the Government of India in May 2020.

## 2. Background

### COVID-19 and the World

Coronavirus Disease 2019 (COVID-19) is an infectious disease caused by the Serious Acute Respiratory Syndrome Corona-Virus 2 (SARS-CoV-2), the most recently discovered corona virus. Coronaviruses are a large family of viruses which may cause illness in animals or humans. In humans, several corona-viruses are known to cause respiratory infections ranging from the common cold to more severe diseases. The SARS-CoV-2 virus and COVID-19 were unknown before its outbreak began in December 2019 in Wuhan, China. On 11<sup>th</sup> March 2020, the World Health Organization (WHO) declared COVID-19 as a pandemic.

COVID-19 can spread through small droplets from an infected person hosting the SARS-CoV-2 virus, when he or she coughs, sneezes or exhales. Most people (about 80%) recover from the disease without needing special treatment. Around 1 out of every 6 people who gets COVID-19 becomes seriously ill and develops difficulty breathing. Older people, and those with underlying medical problems like high blood pressure, heart problems or diabetes, are more likely to develop serious illness.

Almost all countries around the world have reported cases of COVID-19 and many have seen repeated outbreaks. As on 12<sup>th</sup> June 2020, the number of COVID-19 cases reported globally has crossed 7.61 million, with more than 424,000 deaths. Lockdown (a requirement for people to stay where they are when declared) is a common measure to slow down the further spread of COVID-19. Other measures adopted across the world include wearing of masks, frequent hand-washing, physical distancing, quarantine and self-isolation of suspected cases etc. These are essential, since there are no vaccines to prevent the spread of COVID-19.

### COVID-19 in India and Arunachal Pradesh

In India, the first case of COVID-19 was reported on 30<sup>th</sup> January 2020. The 100,000 mark of COVID-19 cases was reached on 19<sup>th</sup> May 2020; and the 200,000 on 3<sup>rd</sup> June 2020. As on 7<sup>th</sup> July 2020, the number of COVID-19 cases in India and Arunachal Pradesh is recorded as follows:

**Table-1: No. of COVID-19 Cases (7<sup>th</sup> July 2020)**

Administrative Unit	Active Cases	Cured / Discharged / Migrated	Deaths (*)	Total Confirmed Cases
Arunachal Pradesh	176	92	2	270
India	259,557	439,948	20,160	719,665

(\*) Including cases due to co-morbidities

**Note:** Above includes Foreign Nationals in India

**Source:** Ministry of Health & Family Welfare, Government of India

It may be noted that India's fatality rate (2.80%) on the above date is considerably lower than the global rate of 4.66% on the same date.

On 3<sup>rd</sup> March 2020, Government of India implemented its first travel and visa restriction to countries with reported COVID outbreaks. Further measures were implemented subsequently. On 24<sup>th</sup> March 2020, the Government of India issued an Order prescribing a national lockdown in order to adopt and implement effective and uniform measures for the containment of COVID-19 pandemic in the country. Initially, the Order specified a lockdown period of 21 days from 25<sup>th</sup> March 2020. Later on, additional phases of lock-down were announced. Currently, Phase 5 of the lockdown is under effect till 30<sup>th</sup> June 2020. While the functioning of essential services and movement of goods were permitted, many sectors of the economy became non-functional during the early phases of the lockdown.

### 3. Review of the Overall Economic Impact of COVID-19

The economic impacts of COVID-19 have resulted from various actions taken up in order to prevent its further spread, such as lockdowns and travel restrictions. Most of the affected countries (or their sub-national units) have enforced these measures to safeguard the lives of people. These steps have severely curtailed consumption and investment, apart from constraining labour supply and production. The restrictions in international travel and movements have disrupted financial and commodity markets, global trade, supply chains, travel, and tourism. All the above developments have resulted in large-scale lay-offs of staff and workers, creating large scale unemployment,

necessitating government interventions in most countries. The long-run economic fallout of the pandemic will largely depend upon the nature and duration of the measures taken for its control, the consequent disruptions, and the ability of policymakers to ameliorate their economic consequences.

There is a great deal of uncertainty about the ultimate economic impacts of COVID-19. The Financial Stability and Development Council (FSDC) of India headed by the Union Finance Minister has observed in its 22<sup>nd</sup> Meeting on 28<sup>th</sup> May 2020 that *'the COVID-19 Pandemic crisis poses a serious threat to the stability of the global financial system as the **ultimate impact of the crisis and the timing of recovery, is uncertain at this point of time**'*.

The following paragraphs briefly give the overall impact of COVID-19 upon the economies of the world, India and Arunachal Pradesh. The sector-wise impacts have been discussed separately later on.

### Global Impact

As a consequence of COVID-19, The World Bank has recently projected a **decline of 5.2%** in the global economic output during 2020, against an estimated growth of 2.4% in 2019. ('Global Economic Prospects, June 2020'). This is the deepest economic recession in the past eight decades, despite unprecedented policy support. As per an earlier forecast made by the International Monetary Fund (IMF) in April 2020, the world's output was to reduce by 3% in 2020 ('World Economic Outlook, April 2020: The Great Lockdown' April 2020). Further, The World Bank has estimated that about 71 million – 100 million people will be pushed into extreme poverty (living below \$ 1.90 per day) due to COVID-19.

The following table gives the projections of The World Bank and the IMF regarding the economic prospects of the world in the next two years, compared to the growth achieved in the recent years.

**Table-2: Growth Forecasts for the World's Economy**

Source	Percent Change in the Estimated Global Output (Year over Year)			
	2018	2019	2020	2021
The World Bank (June 2020)	3.0	2.4	-5.2	4.2
IMF (April 2020)	3.6	2.9	-3.0	5.8

**Notes:** Estimates for 2018 & 2019; and Forecasts for 2020 & 2021

The World Bank estimates of the aggregate growth rates are calculated using GDP weights at 2010 prices and market exchange rates. In the IMF forecast, approximately 90% of the annual output has been estimated at purchasing-power-parity weights.

**Sources:** (1) The World Bank: ('Global Economic Prospects, June 2020'; and (2) IMF: 'World Economic Outlook, April 2020: The Great Lockdown' April 2020

There exists some ambiguity about the above forecasts. The World Bank has recently opined that *'The global recession would be deeper if bringing the pandemic under control took longer than expected, or if financial stress triggered cascading defaults.'* ('Global Economic Prospects, June 2020')

In addition, the International Monetary Fund (IMF) has remarked: *'the economic fallout depends on factors that interact in ways that are **hard to predict**, including the pathway of the pandemic, the intensity and efficacy of containment efforts, the extent of supply disruptions, the repercussions of the dramatic tightening in global financial market conditions, shifts in spending patterns, behavioural changes (such as people avoiding shopping malls and public transportation), confidence effects, and volatile commodity prices.'* ('World Economic Outlook, April 2020: The Great Lockdown' April 2020)

There is no doubt that the world is facing the greatest economic crisis, perhaps equalling the upheavals brought about by the Great Depression of the 1930s that followed the stock market crash of 1929.

### National Impact

The containment steps for combating COVID-19 have adversely affected the Indian economy. These effects started emerging from the 4<sup>th</sup> Quarter (Q4) of FY 2019-20, when the GDP grew by just 3.1% in real terms as assessed by the Ministry of Statistics & Programme Implementation (MOSPI), Government of India. The annual growth rate of the nation's GDP for FY 2019-20, has been estimated to be 4.2% at constant prices, and 7.2% at current prices. Annex-2 gives some of the changes in the past financial year (and its last quarter) regarding the main indicators used by MOSPI in its estimation of India's GDP.

After the above slowdown, the national economy is heading for a sharp recession in the current year. The World Bank has recently forecasted that the Indian GDP economy **will reduce by 3.2% in 2020** (at constant prices) as a result of COVID-19. ('Global Economic Prospects, June 2020'). Other estimates (like SBI Research, Goldman Sachs, ICRA and CRISIL) have indicated higher reductions of the GDP during FY 2020-21 ranging from 5% (Goldman Sachs, CRISIL and ICRA) to 6.8% (SBI Research).

Regarding the industrial sector, the Quick Estimates of the Index of Industrial Production (IIP) brought out by MOSPI in June 2020 reveal a sharp reduction of the IIP for its various constituent sectors. The following table compares the Indices of Industrial Production for the Mining, Manufacturing and Electricity sectors for the month of April 2020 with the corresponding figures for April 2019.

**Table-3: Comparison of Index of Industrial Production (IIP) April 2020 vis-à-vis April 2019**

	<b>Index of Industrial Production – Sectoral (Base 2011-12 =100)</b>			
Sector →	Mining	Manufacturing	Electricity	General
Weight →	14.37%	77.63%	7.99%	100%
April 2020	78.3	45.1	126.1	56.3
April 2019	107.8	126.2	162.9	126.5

**Source:** Press Note dated 12<sup>th</sup> June 2020, Ministry of Statistics & Programme Implementation (MOSPI), Government of India

The above table gives an indication of the impact of the lockdown upon the industrial production in India, especially for manufacturing and (to a lesser extent) for mining and electricity production.

At the state level, the impact of the containment measures is expected to be largely dependent upon the **share of non-farm non-government sectors** in the Net State Value Added (NSVA). It is forecasted that the agriculture and government sectors will witness the least impact; while the economic fallout of COVID-19 is likely to be more painful on the other sectors (i.e. the non-farm non-government sectors). States located in the more developed parts of India are expected to be impacted to a greater extent by the ongoing pandemic.

### Impact upon Arunachal Pradesh

The economy of Arunachal Pradesh is substantially dependent upon the Government. However, it has a considerable contribution from other sectors as indicated in the following table, which gives the share of various sectors in the Net State Value Added (NSVA) in the recent past.

**Table-4: Arunachal Pradesh: Share of various Sectors in Net State Value Added (at Current Prices)**

Sector / Sub-sector	Share of Sector / Sub-sector as a % of the NSVA of the State (Current Prices)						
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Agriculture & Related	46.52	45.12	44.36	44.56	38.94	36.29	33.70
Mining & Quarrying	2.68	2.86	1.95	1.78	2.44	1.78	1.85
Secondary Sector	14.99	14.80	20.36	17.16	18.67	19.66	21.30
Public Administration	10.21	10.96	11.41	12.09	12.44	13.63	13.51
Tertiary Sector less Public Administration	25.60	26.27	21.92	24.40	27.51	28.65	29.65
Total NSVA	100.00	100.00	100.00	100.00	100.00	100.00	100.00
<b>Agriculture &amp; Related + Public Administration as % of Total</b>	<b>72.12</b>	<b>71.39</b>	<b>66.28</b>	<b>68.96</b>	<b>66.45</b>	<b>64.94</b>	<b>63.35</b>
<b>Non Farm Non Government Sectors as % of Total NSVA</b>	<b>27.88</b>	<b>28.61</b>	<b>33.72</b>	<b>31.04</b>	<b>33.55</b>	<b>35.06</b>	<b>36.65</b>

**Notes:** Revised Estimates for FY 2011-12 to FY 2014-15, Provisional Estimates for FY 2015-16, Quick Estimates for FY 2016-17. Figures for FY 2017-18 are Preliminary Estimates.

The Agriculture & Related sub-sectors include Crops, Livestock, Forestry & Logging and Fishery & Aquaculture. The Primary Sector consists of the Agriculture & Related sub-sectors plus Mining & Quarrying.

Tertiary Sector consists of sub-sectors like (1) Trade, repair, hotels and restaurants; (2) Transport, storage, communication & services related to broadcasting; (3) Financial services; (4) Real estate, ownership of dwelling & professional services; (5) Public administration; and (6) Other services

**Source:** Ministry of Statistics & Programme Implementation, Government of India based on data provided by the Directorate of Economics & Statistics of Arunachal Pradesh (<http://mospi.nic.in/GSVA-NSVA>)

It can be inferred that **the non-farm non-government sectors contribute to more than a third of the NSVA of Arunachal Pradesh**. Across India, such sectors are likely to be substantially affected due to the containment measures taken up to fight COVID-19, as well as the consequent disruptions in the movement of people and goods. This indicates that the pandemic has probably impacted around a

third of the state's economy quite substantially. According to SBI Research (in 'ECOWRAP' dated 26<sup>th</sup> May 2020), the economy of the state is expected to **contract by about 6.3% during FY 2020-21**. The above study has also quantified the economic losses of the state to be Rs 1780 for the year.

In addition, as per the workings furnished by Dr. J. Denis Rajakumar of the EPWRF, Mumbai who is a Member this Economic Revival Committee (ECR), the receipt of its share of the divisible pool of taxes ('central taxes') may fall by nearly 35% for Arunachal Pradesh (assuming a 2.1% fall in the GDP of India and the resultant impact on tax buoyancy). The detailed working in this regard has been provided at Annex-3 of this Report.

This can mean a short-fall of over Rs. 4,800 crore such receipts, which can have a dire impact upon the finances of the State Government unless such shortfall is compensated in some manner by increased grants-in-aid, permitting larger market borrowings and the adoption of a liberalized approach of RBI towards the repayment of the WMAs. This could have an adverse resultant impact upon the state's economy in the present year.

The actual receipt of the state's share of the divisible pool of taxes ('central taxes') has been lower by Rs. 1620.56 crore for the months of April and May 2020. This represents a shortfall of nearly 19% for the first two months of the present financial year. The reduction of such support which accounts for a bulk of the state's receipts may indicate a serious economic impact upon Arunachal Pradesh.

## 4. Broad Sector-wise Assessment

The following discussion makes a broad assessment of the impact of COVID-19 containment measures on the following major sectors and sub-sectors of the economy of Arunachal Pradesh.

### AGRICULTURAL SECTOR

- Crops (Agriculture & Horticulture);
- Livestock; and
- Forestry & Logging.

### SECONDARY SECTOR

- Construction;
- Manufacturing; and
- Electricity, Gas, Water Supply & Other Utility Services.

### TERTIARY SECTOR

- Trade & Repair Services; Hotels & Restaurants;
- Public Administration; and
- Other Services.

[These include services like health and educational services (government plus private), coaching units, tailoring, miscellaneous services (like waste disposal, funerals, cleaning, hair dressing) etc.]

It may be noted that the above sub-sectors account for over 91% of the Net State Value Added. Hence, these areas are very important for the economy of the state. Annex-4 gives the details in this regard. In addition, impact on tourism sector has been discussed separately, since this is an upcoming sub-sector in the economy of the state.

The following table (given at the next few pages) summarises the sector-wise assessment of the impact in Arunachal Pradesh, on account of the COVID-19 containment measures. This has been done at both the state and national levels, based on the data available at the present date.



**Table-5: Broad Sector-wise Impact of COVID-19 in Arunachal Pradesh & India (Q1 FY 2020-21) – MAJOR AREAS OF STATE ECONOMY**

Sector/ Sub-sector	As % of NSVA of Arunachal Pradesh (2018-19)	Sector-wise Impact due to COVID-19 (for 1 <sup>st</sup> Quarter of Current Year)	
		At the State Level	At the National Level
<b>AGRICULTURAL SECTOR</b>		No estimates of the impact of COVID-19 on the farm sector are available for Arunachal Pradesh.	This is expected to decline in India by 1.3% during Q1 of FY 2020-21. (STATISTA – www.statista.com)
Crops (Agriculture & Horticulture)	14.10	<p>Due to lockdown, there has been a <b>disruption</b> in the availability of out-station labour for harvesting and other works, as well as the flow of other farm inputs (seeds, fertilizers, pesticides etc.) which are mostly brought from outside the state. These will continue to be areas needing particular attention. Key issues are the availability of farm labour, and seeds and other inputs for different crops.</p> <p>Tea gardens located in the state had been <b>shut-down</b> and these could not pick the first flush. Gardens depending upon factories located in nearby Assam could not carry out plucking of leaves.</p> <p>The disruption of road transport has brought into focus the importance of having adequate and suitable storage facilities in all districts of the state for both food-grains and locally surplus crops. It may be noted that the state's annual off-take of paddy from the Central Pool continues to be around 100,000 MT.</p>	<p>The main problems included harvesting of the rabi crops like wheat, gram, lentil, mustard etc.; storage and transportation of the output to sales points (<i>mandis</i>); loss of output of perishable crops (like vegetables and other horticultural crops); loss of output due to inability to harvest some plantation crops (like first flush of the tea industry) etc.</p> <p>A study (covering 12 states and 1000 farming households) in May 2020 showed that 10% of the farmers could not complete their harvesting in the previous month, and many reported losses in yield. About one-quarter of the farmers reported that they had to store their output, as they could not sell it.</p> <p>Plantations (tea, coffee and rubber) and dairy units were allowed to start functioning from 20<sup>th</sup> April 2020.</p>
Livestock	3.33	<p><b>Marginal</b> impact as the livestock (cattle, mithun, pigs, poultry etc.) is mostly bred in free-ranging conditions.</p> <p>African swine fever outbreak has killed thousands of pigs in the state. Rearing under free-ranging conditions has spread the disease (not transmittable to humans) to both pigs and wild boars in Arunachal Pradesh.</p>	In the livestock sector, the availability of animal feed has declined for areas like poultry feed due to falling demand as well as restricted supply of inputs (like soybean).

Sector/ Sub-sector	As % of NSVA of Arunachal Pradesh (2018-19)	Sector-wise Impact due to COVID-19 (for 1 <sup>st</sup> Quarter of Current Year)	
		At the State Level	At the National Level
Forestry and Logging	15.68	Logging has been <b>considerably impacted</b> , as the transportation of felled timber to saw mills, veneering units and other forest based units located both in the state and outside has been disrupted. Afforestation activities have been <b>affected</b> by non-availability of labour and problems in movement.	This sector contributes to less than 2% of India's GDP.
<b>SECONDARY SECTOR</b>			
Manufacturing	3.23	The MSME sub-sector has been <b>worst affected</b> by the lockdown announced to contain the spread of COVID-19. The main impacts of COVID-19 upon the entire manufacturing sub-sector include loss of production due to shutdown, resultant stoppage of the working capital cycle due to sudden shutdown of all activities (especially at the end of the financial year), migration of the out of place workforce, lack of servicing and maintenance of equipment etc. As per the 73 <sup>rd</sup> Round of NSS (2015-16), there were 22,427 MSME units in the state employing about 41,000 workers in Arunachal Pradesh.	IIP for manufacturing is recorded at 45.1 in April 2020 (Quick estimate). In April 2019, the IIP for manufacturing was 126.2 (Base 2011-12). As per STATISTA ( <a href="http://www.statista.com">www.statista.com</a> ), manufacturing is forecasted to reduce by 6.3% in Q1. The worst affected segments will include automotive (vehicle registrations were down by over 90% in Lockdown 1 & 2), IT, FMCG, export oriented areas (gems and jewellery, ready-made garments), steel etc.
Construction	10.57	Almost all construction activities got <b>stalled</b> in Arunachal Pradesh due to the initial lockdown. The construction sub-sector largely depends upon other states for both materials and labour. Due to the lockdown, the supply of construction materials (cement, steel, bricks, bitumen etc.) had stopped. The workers had also left the state as soon as possible. Unless the workers are induced to return, almost all construction activities may remain in an incomplete state even if the lockdown is relaxed.	This is an employment intensive sub-sector in India. It employs 12% of the workforce and contributes to about 8% of the GVA. It is estimated that the sub-sector will shrink by 13.3% during the 1 <sup>st</sup> Quarter of FY 2020-21. (STATISTA – <a href="http://www.statista.com">www.statista.com</a> ) The above will endanger the livelihoods of a large number of workers from the poorer sections.

Sector/ Sub-sector	As % of NSVA of Arunachal Pradesh (2018-19)	Sector-wise Impact due to COVID-19 (for 1 <sup>st</sup> Quarter of Current Year)	
		At the State Level	At the National Level
Electricity, Gas, Water Supply & Other Utility Services	7.49	<p>The peak demand in 2019-20 was 154 MW (Central Electricity Authority), this has reduced to just above 90 MW now. The above reduction of 37% in peak load is mirrored by a 38% reduction in the power consumption during April 2020 as compared to April 2019.</p> <p>Power consumption in Arunachal Pradesh is expected to normalize once the economy opens up.</p> <p>The impact on water supply is expected to be <b>minimal</b> as essential services were exempted.</p>	<p>Due to lower power (and gas) consumption in industrial and commercial establishments, the sub-sector (including power, gas and water utilities) is expected to witness a 13.9% decline in Q1 in India. Power production is expected to decline by 18.3% in this quarter.</p> <p>(STATISTA – www.statista.com)</p>
<b>TERTIARY SECTOR</b>			
Trade, Repair, Hotels & Restaurants	5.15	<p>These types of units (especially retail and tourism) are amongst the <b>worst affected</b> segments of the state's economy. Their operations have become completely stalled in the initial lockdown.</p> <p><b>Retail shops</b> functioned in a minimal manner, and have resumed recently. However, as the supply chains from Assam have become affected, the retail units will need time to normalize.</p> <p>As tourist flows have almost dried up due to travel restrictions, hotels have almost completely closed. Restaurants have remained closed till recent times.</p>	<p>This sector has high employment elasticity. So a decline in the output will result in high job losses.</p> <p>As per STATISTA (www.statista.com), this sub-sector will witness a decline of 9.7% in Q1. Consequently, there will be large scale layoffs in these types of establishments.</p>
Other Services	18.31	<p>While expenditures on health have risen in the Government sector on account of COVID-19 related steps, other areas included under this head have been badly affected as the concerned establishments have been shut down till date (like schools, colleges, tuition centres etc.) or have recently resumed in a subdued manner.</p> <p>Many of the establishments under the above heads depend upon migrant labour (tailoring, hair dressing,</p>	<p>The impact of COVID-19 closure on the public administration, defence and other services has been estimated to be just -0.4% (in terms of growth).</p> <p>(STATISTA www.statista.com)</p>

Sector/ Sub-sector	As % of NSVA of Arunachal Pradesh (2018-19)	Sector-wise Impact due to COVID-19 (for 1 <sup>st</sup> Quarter of Current Year)	
		At the State Level	At the National Level
		cleaning and waste disposal services), most of whom have departed. These services clubbed as 'other services' include: educational and healthcare services (government plus private), coaching units, tailoring, miscellaneous services (like waste disposal, funerals, cleaning, hair dressing)	
Public Administration	13.51	As the administration was fully functional, there is expected to be very <b>little economic slowdown</b> on this segment. However, the short-fall in receipts from the Government of India (about 18% in the first two months) can have an <b>adverse impact</b> on 'public administration'.	
<b>Total of above Sub-sectors</b>	<b>91.37</b>	Major sub-sectors badly affected: <ul style="list-style-type: none"> <li>• MSME Units</li> <li>• Retail Trade</li> <li>• Hotel &amp; Tourism</li> <li>• Construction</li> <li>• Power Consumption</li> <li>• Other Services like educational services (government plus private), coaching units, tailoring, miscellaneous services (like waste disposal, funerals, cleaning, hair dressing)</li> </ul>	Overall GVA is expected to reduce by 9.3% in the present quarter as compared to the same period in the previous year. The sub-sectors forecasted to be worst affected in Q1 (2020-21) in terms of growth in GVA (as compared with Q1 of FY 2019-20) <ul style="list-style-type: none"> <li>• Financial, real estate and professional services: minus 17.3%</li> <li>• Mining &amp; Quarrying; minus 14.7%</li> <li>• Electricity, Gas, Water Supply &amp; Other Utility Services: minus 13.9%</li> <li>• Construction: minus 13.3%</li> <li>• Trade, Repair, Hotels &amp; Restaurants: minus 9.7%</li> <li>• Manufacturing: minus 6.3%</li> </ul> [STATISTA (www.statista.com)]

**Report**

**Economic Revival Committee, Arunachal Pradesh**

**Sources:** Analysis based on sources cited, as well as inputs from Members of the Committee

## 5. The Aatmanirbhar Bharat Stimulus Package

On 12<sup>th</sup> May 2020, the Hon'ble Prime Minister announced a Special Economic & Comprehensive Package of Rs 20 lakh crore (trillion) - equivalent to about 10% of India's estimated GDP for FY19-20. He gave a clarion call for an Aatmanirbhar Bharat Abhiyan or Self-Reliant India Movement. He also outlined five pillars of a self reliant India, as follows:

- **Economy**, which brings in quantum jump and not incremental change;
- **Infrastructure**, which should become the identity of India;
- **System**, based on 21st century technology driven arrangements;
- **Vibrant Demography**, which is our source of energy for a self-reliant India; and
- **Demand**, whereby the strength of our demand and supply chain should be utilized to full capacity.

The Prime Minister said that several bold reforms are needed to make the country self-reliant, so that the impact of crisis such as CoVID-19 can be negated in future. These reforms include supply chain reforms for agriculture, rational tax system, simple and clear laws, capable human resource and a strong financial system. These reforms will promote business, attract investment, and further strengthen Make in India.

Subsequently, the Union Finance Minister gave the details of the above stimulus package in five separate parts, which were presented from 13<sup>th</sup> May 2020 to 17<sup>th</sup> May 2020. In addition, several reform measures were unfolded on the above dates. The following table furnishes the components of the Aatmanirbhar Bharat stimulus package.

**Table-6: Aatmanirbhar Bharat Overall Stimulus Package**

	<b>Components of the Stimulus Package</b>	<b>Amount (Rs. in crore)</b>
	<b>Part-1 [Announced on 13<sup>th</sup> May 2020]</b>	
1	Emergency Credit Line Guarantee Scheme for additional funding of eligible MSME borrowers & interested MUDRA Borrowers	3,00,000
2	Subordinate Debt for Stressed MSMEs	20,000
3	Fund of Funds for MSMEs	50,000
4	EPF Support for Business & Workers	2,800
5	Reduction in EPF Rates	6,750
6	Special Liquidity Scheme for NBFC / HFC / MFIs	30,000
7	Partial Credit Guarantee Scheme 2.0 for Liabilities of NBFCs / MFIs	45,000
8	Liquidity Injection for DISCOMs	90,000
9	Reduction in TDS / TCS rates	50,000
	<b>Sub-total</b>	<b>5,94,550</b>
	<b>Part-2 [Announced on 14<sup>th</sup> May 2020]</b>	
1	Free Food grain Supply to Migrant Workers for 2 months	3,500
2	Interest Subvention for MUDRA Shishu Loans	1,500
3	Special Credit Facility to Street Vendors	5,000
4	Extension of CLSS-MIG Scheme for Housing	70,000
5	Additional Emergency Working Capital through NABARD	30,000
6	Additional Credit through KCC	2,00,000
	<b>Sub-total</b>	<b>3,10,000</b>
	<b>Part-3 [Announced on 15<sup>th</sup> May 2020]</b>	

	Components of the Stimulus Package	Amount (Rs. in crore)
1	Agri-Infrastructure Fund	1,00,000
2	Formalization of Micro-Food Enterprises (MFE)	10,000
3	PM Matsya Sampada Yojana (PMMSY)	20,000
4	Animal Husbandry Infrastructure Development Fund	15,000
5	Promotion of Herbal Cultivation	4,000
6	Beekeeping Initiative	500
7	From TOP to TOTAL: Operation Greens	500
	<b>Sub-total</b>	<b>1,50,000</b>
	<b>Parts-4 &amp; 5 [Announced on 16<sup>th</sup> &amp; 17<sup>th</sup> May 2020]</b>	
1	Viability Gap Funding	8,100
2	Additional MGNREGS Funding	40,000
	<b>Sub-total</b>	<b>48,100</b>
	<b>Total of all Parts (1+2+3+4+5)</b>	<b>11,02,650</b>
	Add:	
	Earlier Measures (incl. PMGKP)	1,92,800
	RBI Measures (Actual)	8,01,603
	<b>GRAND TOTAL</b>	<b>20,97,053</b>

**Source:** Presentations of the Union Finance Minister

Annex-5 gives an analysis of the components of the above package, in order to derive a workable Action Plan for the revival of the economy of Arunachal Pradesh, apart from listing the needed policy and regulatory changes in the state.

## 6. Suggested Action Plan for the Revival of the State's Economy

The suggested Action Plan for the revival of the state's economy has been outlined in the next few pages. The exercise has been separated into the steps that can be taken soon in the short term (0-6 months hence), and the measures for the medium term (6-12 months hence). The plan covers the revival of the major sectors of the state's economy, which have been affected by the COVID-19 pandemic. These include Agriculture & Allied, MSME, Other Business (Retail, Tourism etc.), Housing, Rural Employment, Public Works etc.

The suggestions have been based on an analysis of the Aatmanirbhar Bharat stimulus package, as well as the various suggestions received for the present exercise. Annex-6 gives an analysis of the various suggestions for short and medium term measures received from the different stakeholders involved in the process.

It may be noted that several measures have already been taken up under the PM Garib Kalyan Yojana, announced on 26<sup>th</sup> March 2020 to ameliorate the effects of the lockdown upon the poor and weaker sections. These measures have not been covered as the period of their implementation is largely over.

### Short Term Measures (0-6 months)

The following measures have been suggested for adoption in the short term, which covers a time horizon spanning the next six months.

**AGRICULTURE & ALLIED SECTORS****Under Components of the Aatmanirbhar Bharat Stimulus Package****(A) Component: Additional Credit through KCC**

1. Supporting all uncovered PM KISAN beneficiaries of the state to obtain Kisan Credit Cards (KCC) to through wide publicity and enrolment mobilization by means of a joint drive of the State Government and the Lead Bank.
2. Ensuring that livestock farmers and fishermen are included in the above drive for the provision of KCC, with focus upon the Animal Husbandry sector.
3. Taking other steps as a special drive to enable PM-KISAN beneficiaries of the state to obtain concessional credit to through Kisan Credit Cards (KCC).

**(B) Component: PM Matsya Sampada Yojana (PMMSY)**

1. Commencing planning at the state level for the implementation of the above scheme as per the guidelines already released by the Department of Fisheries, Ministry of Fisheries, Animal Husbandry & Dairying, Government of India; and taking other preliminary steps as feasible in the short term including the creation of structures needed at the state and district levels for scheme implementation.
2. Following up with the Department of Fisheries, Government of India on the proposal of the State Government.

**(C) Component: Agri Infrastructure Fund**

1. Obtaining guidelines from the nodal agency about the above fund.
2. Taking all steps for awareness creation amongst entities like Primary Agricultural Cooperative Societies, Farmers Producer Organisations, Agriculture entrepreneurs, Start-ups, etc. which will be supported through the above fund for investment in viable projects in post-harvest management Infrastructure and community farming assets.

**(D) Other Components: (a) Animal Husbandry Infrastructure Development Fund; (b) Promotion of Herbal Cultivation; and (c) Beekeeping Initiative**

1. Obtaining guidelines from the concerned Ministry, Department, or designated Nodal Agency for the above components.
2. Submitting detailed proposals as per the scheme guidelines to the designated Nodal Agency (if necessary), and following up.
3. Creating awareness amongst proposed beneficiaries in the state for the above components, such as: (a) FPOs, MSMEs, Private Companies and individuals in dairy-processing, value addition and cattle feed infrastructure to be supported under the Animal Husbandry Infrastructure Development Fund; and (b) beneficiaries of the other components for herbal cultivation and beekeeping as per their guidelines.

Continued...

**(E) Component: From TOP to TOTAL: Operation Greens**

1. Taking up with the Ministry of Food Processing, Government of India for inclusion of some clusters of eligible horticultural crops in the state for support under the scheme, if it is extended beyond the pilot phase (viz. after March 2021).
2. Carrying out steps like survey of clusters and obtaining data on months of harvest, average price and production for past three years, if some clusters in the state for support become eligible under the scheme.



**Other Suggested Measures in the Short Term**

1. Implementing afforestation and plantation works, including in urban areas, for employment push under Compensatory Afforestation Fund Act, 2016 for which the State Government has proposed to release funds for the above works.
2. Following up for the receipt of the pending amount of about Rs. 11.51 crore in connection with the state's proposal to the Government of India for 100% vaccination for FMD and Brucellosis under National Animal Disease Control Programme.
3. Taking up with the Govt. of Assam on the possibility of exporting perishable agricultural produce through the Centre for Perishable Cargo established by Assam Industrial Development Corporation Ltd. (AIDC) in the Guwahati airport.
4. Developing project proposals for interventions in the agricultural and horticultural sectors through the RGU- Atal Community Innovation Centre (RGU-ACIC), including workable proposals under the agriculture and horticulture related components of Aatmanirbhar Bharat package, such as Agri-Infrastructure Fund, Promotion of Herbal Cultivation and Beekeeping Initiative.
5. Evolving simplified process of collateral security against agricultural loans in association with commercial banks and NABARD.
6. Based on the availability of funding, continuing the on-going schemes of the Government for the support of the Agriculture & Allied sectors during the current Kharif season.

**MSME & BUSINESS SECTORS (including RETAIL TRADE, TOURISM etc.)****Under Components of the Aatmanirbhar Bharat Stimulus Package****(A) Component: Emergency Credit Line Guarantee Scheme (for existing MSME & Business Borrowers)**

1. Taking steps, along with Lead Bank and other stakeholders, to create awareness amongst the eligible borrowers for availing of the collateral free automatic loans under the above scheme, especially amongst Business borrowers (including MUDRA borrowers) meeting the eligibility criteria.

**(B) Component: Subordinate Debt for Stressed MSMEs**

1. Undertaking measures, together with the Lead Bank and other stakeholders, to create awareness amongst the promoters of eligible MSME units with stressed accounts to benefit from the Subordinate Debt Scheme for MSMEs.

**(C) Component: Formalization of Micro-Food Enterprises**

1. Initiating works under the above component such as notification of the Nodal Department for scheme implementation in the state; and the commencement of the preparation and validation of State Level Up-gradation Plan, Cluster Development Plan.
2. Forming the State Level Committee (SLC), to be chaired by the Chief Secretary for monitoring the progress of the scheme and for the sanctioning and recommendation of proposals.

3. Preparing the Annual Action Plan for FY 2020-21, covering various activities for implementation of the scheme, for approval of the Government of India.
4. Identifying the resource groups at the district and cluster levels in connection with the scheme.

**(D) Component: Special Credit Facility to Street Vendors**

1. Conducting the preparatory work to complete the registration of street vendors (if any left out), issue of vending certificates, and the completion of formation of State and City Level Committees as per scheme guidelines.
2. Creating awareness amongst the eligible beneficiaries, so that they seek loan under this scheme from the lending institutions.

**Other Suggested Measures in the Short Term**

1. Mobilizing applicants for obtaining bank loans covered by the CGTMSE scheme, which can benefit first generation entrepreneurs in the micro and small-enterprise categories.
2. Promoting MUDRA loans to benefit micro and small businessmen and entrepreneurs in the non-corporate non-farm sectors, with focus on MUDRA SISHU loans.
3. Based on the availability of funding, continuing the on-going schemes of the Government for the promotion of the MSME and Tourism sectors.

**LAND MANAGEMENT MEASURES TO IMPROVE CREDIT FLOWS**

[As observed, **‘the existing security oriented (land based) loan products are not suitable for states like Arunachal Pradesh in view of community ownership of land and lack of individual land title’** The following measures seek to address the above issue in the short term.]

1. Ensuring that stamp duty is taken for all the gift deed transactions of land within township areas, based on proper valuation of the asset.
2. Continuing work to digitize all land records in the state under Digital India Land Records Modernization Programme, especially works that can be done indoors like computerisation of existing records, so that the digital records are developed and become easily accessible in order to give lenders more authentic documentary proof in connection with the sanction of credit to local businessmen and entrepreneurs.
3. Streamlining the issue of non-encumbrance certificate for facilitating the flow of property loans to local businessmen and entrepreneurs, which can be used for business purposes.

**FINANCIAL INCLUSION MEASURES**

[As the state has low financial inclusion scores as per the reports of CRISIL Financial Inclusion Surveys, a strong need exists to improve the same including taking up works to strengthen the needed infrastructure. This will improve the flow of credit for MSME and business, especially in the interior areas. The measures in the short term are outlined below.]

1. Establishing Customer Service Points (CSPs) in the unbanked areas of the state, with the support of NABARD from its Financial Inclusion Fund and the Lead Bank.
2. Taking suitable action, along with the stakeholders, on the suggestions received from NABARD regarding the strategies for improving efficiency, sustainability and viability of CSPs in the state.

## **HOUSING SECTOR**

### **Under Components of the Aatmanirbhar Bharat Stimulus Package**

#### **(A) Component: Extension of CLSS-MIG Scheme for Housing**

1. Taking measures for the expansion of CLSS in Arunachal Pradesh in consultation with SBI, with the short-term focus being the creation of awareness among intended beneficiaries regarding the 'Credit Linked Subsidy Scheme for Middle Income Group' (CLSS-MIG) as the operation of this scheme has now been extended up to March 2021 in order to boost housing sector for the middle income group.

## **RURAL EMPLOYMENT**

### **Under Components of the Aatmanirbhar Bharat Stimulus Package**

#### **(A) Component: Additional MGNREGS Funding**

1. Addressing the need for more work, including for returning migrant workers in the monsoon season, through the creation of larger number of durable and livelihood assets including water conservation assets.

## **PUBLIC WORKS**

1. Considering the measures that can be adopted by the State Government for extending relief to contractors, in line with measures that have been announced by the Union Finance Minister on 13<sup>th</sup> May 2020 for the relief of contractors working with Central Agencies.
2. Forming an Inter-Departmental Committee of the State Government to examine the feasibility of the suggestions furnished by State PWD for the procurement of works and contract management.
3. Initiating discussions with contractor associations, banks and other stakeholders regarding the utilization of mechanized construction in the state.

## **OTHER SECTORS**

The following measures may be examined for adoption in the short term based on the availability of funding, as none of these suggestions are being funded under the stimulus package:

1. Reviving the hard-hit tourism sector, it is proposed to introduce a new scheme viz., Dekho Apna Pradesh whereby the people of the State will be encouraged to visit various parts of the State.
2. Examining other possible measures for extending relief to the tourism units.

3. Continuing the teaching and learning process of school education, through dedicated TV channels and radio platforms.
4. Enhancing online learning for the school in the state as coordinated by the Rajiv Gandhi University.
5. Working out the costing, once the costs norms are shared by Government of India, in connection with the establishment of one Infectious Disease Block in every District Hospital under Emergency Health Response Package.
6. Making optimal use of 'E-Sanjeevani Tele-Consultation Services', which is an online OPD that is being integrated to deliver telemedicine solutions to the masses in both rural and isolated community areas as per the Central Government focus on Tele Medicine.
7. Taking steps for the disbursement of Revolving Fund (RF) to Self Help Groups was on-boarded on PAISA Portal.
8. Facilitating, in coordination with the concerned stakeholders, the regular conduct of awareness and training programs through video conferencing by specialists of banks and other service providers.
9. Developing the capacities of local persons to act as Consultants for the preparation of Detailed Project Reports and other documents needed in connection with the implementation of various components of the Aatmanirbhar Bharat stimulus package in the state.
10. Utilizing the support of institutions and other facilities in the state while undertaking measures for the revival of the state's economy.
11. Constituting a Committee to examine in-depth the suitable technologies for adoption by farmers, farmer organizations and entrepreneurs in the state.

### **Medium Term Measures (6-12 months)**

The following measures have been suggested for adoption in the medium term, which covers a time horizon spanning six months beyond the short term.

#### **AGRICULTURE & ALLIED SECTORS**

##### **Under Components of the Aatmanirbhar Bharat Stimulus Package**

###### **(A) Component: Additional Credit through KCC**

1. Continuing the joint drive of the State Government and the Lead Bank to provide KCC to all uncovered PM KISAN beneficiaries of the state, with focus upon the Animal Husbandry sector; and taking all other steps to enable PM-KISAN beneficiaries to obtain concessional credit through KCC.

###### **(B) Component: PM Matsya Sampada Yojana (PMMSY)**

1. Implementing the Centrally Sponsored Scheme component of the above scheme, based on funds received, including supporting the beneficiary linked activities in association with SHGs, JLGs, Cooperatives, Federations, Development Corporations

in the sectors, entrepreneurs and companies, Fish Farmers Producer Organizations, entities of State Government etc.

**(C) Component: Agri Infrastructure Fund**

1. Assisting interested entities like Primary Agricultural Cooperative Societies, Farmers Producer Organisations, Agriculture entrepreneurs, Start-ups, etc. being supported through the above fund for investment in viable projects in post-harvest management Infrastructure and community farming assets in every viable district as per the availability of interested and eligible entities.

**(D) Other Components: (a) Animal Husbandry Infrastructure Development Fund; (b) Promotion of Herbal Cultivation; and (c) Beekeeping Initiative**

1. Undertaking the role mandated for the State Government as per guidelines from the concerned Ministry, Department, or designated Nodal Agency for the above components.
2. Assisting the beneficiaries in the state being supported under the above components of the stimulus package, as per the scheme or fund guidelines.

**(E) Component: From TOP to TOTAL: Operation Greens**

1. Undertaking necessary follow up actions in connection with price support for the eligible horticultural crops in the identified crop clusters of the state under the scheme.

**Other Suggested Measures in the Medium Term**

1. Continuing the afforestation and plantation works under Compensatory Afforestation Fund Act, 2016 as per the release of CAMPA funds.
2. Based on the receipt of funds, taking necessary action for 100% vaccination for FMD and Brucellosis under National Animal Disease Control Programme.
3. Depending upon the fund position, continuing works the on-going schemes of the Government for the development of the Agriculture & Allied sectors including the CM Krishi Rinn Yojana, Nutritional Kitchen Garden and Agri-Horti Cluster Farm, Mission Organic Value Chain Development for North East Region (MOVCD-NER) scheme, CM Sashakt Kisan Yojana etc. apart from strengthening the agencies working in this area like Arunachal Pradesh Agriculture Marketing Board.

**MSME & BUSINESS SECTORS (including RETAIL TRADE, TOURISM etc.)**

**Under Components of the Aatmanirbhar Bharat Stimulus Package**

**(A) Component: Subordinate Debt for Stressed MSMEs**

1. Continuing with the measures started in the short-term (with the Lead Bank and other stakeholders) for the awareness creation of the Subordinate Debt Scheme for MSMEs, so that more eligible MSME units with stressed accounts can benefit, especially in the interior areas of the state.

**(B) Component: Formalization of Micro-Food Enterprises**

1. Completing all the works for the preparation and validation of State Level Up-gradation Plan, Cluster Development Plan.
2. Obtaining the approval of the Government of India for the Annual Action Plan for FY 2020-21 in connection with the above scheme.

3. Convening periodic meetings of the State Level Committee (SLC), for the sanctioning and recommendation of proposals, as well as monitoring of approved proposals.
4. Initiating the work of the resource groups at the district and cluster levels in connection with the scheme.
5. Continuing with the other responsibilities of the State Government in connection with the implementation of the above scheme.

**(C) Component: Special Credit Facility to Street Vendors**

1. Completing the registration of street vendors and issuing of vending certificates by State and City Level Committees as per scheme guidelines.
2. Continuing with the measures started in the short-term for the creation of awareness amongst the eligible beneficiaries, so that they seek loan under this scheme from the lending institutions.

**Other Suggested Measures in the Medium Term**

1. Reviving the MSME and other business sectors in Arunachal Pradesh by facilitating the provision of credit through Scheduled Commercial Banks, NEDFi and other lending institutions.
2. Continuing steps, along with the Lead Bank, for creating awareness about credit linked schemes (such as bank loans covered by the CGTMSE scheme and MUDRA loans) to intending entrepreneurs, including interested youth who have completed skill development courses.
3. Depending upon the fund position in the current Financial Year, to continue work on the on-going schemes of the Government for the support of the MSME and Tourism sectors.

**LAND MANAGEMENT MEASURES TO IMPROVE CREDIT FLOWS**

[As observed, 'the existing security oriented (land based) loan products are not suitable for states like Arunachal Pradesh in view of community ownership of land and lack of individual land.' The following measures seek to address the above issue in the medium term.]

1. Taking up efforts to sort out difficulties in the valuation process and transfer of property with regards to urban areas of the state.
2. Continuing the work to digitize all land records in the state under Digital India Land Records Modernization Programme, especially the survey and other outdoor works, in order to develop an easily accessible database, that can be used by potential lenders to obtain authentic records for the extension of credit to local businessmen and entrepreneurs.

**FINANCIAL INCLUSION MEASURES**

[Since the state has low financial inclusion scores as per reports of the CRISIL Financial Inclusion Surveys, a strong need exists to improve the same including taking up works to strengthen the needed infrastructure. This will improve the flow of credit for MSME and business, especially in the interior areas. The measures in the medium term are given below.]

1. Continuing, with the support of the stakeholders, the measures suggested in the short term for improving the financial inclusion in the state, including (a) completing the establishment of Customer Service Points (CSPs) in around 160 villages in the unbanked areas of the state, and (b) completing the decided course of action on the suggestions received from NABARD regarding the strategies for improving efficiency, sustainability and viability of CSPs in the state.

## **HOUSING SECTOR**

### **Under Components of the Aatmanirbhar Bharat Stimulus Package**

#### **(A) Component: Extension of CLSS-MIG Scheme for Housing**

1. Taking measures for the expansion of CLSS in Arunachal Pradesh in consultation with SBI, with the medium-term focus being: (a) creation of awareness among intended beneficiaries in district towns regarding the 'Credit Linked Subsidy Scheme for Middle Income Group' (CLSS-MIG) whose operation has been extended up to March 2021; and (b) awareness creation about other PM Awaas Yojana (Urban) housing schemes like CLSS – EWS / LIG which is available up to March 2022.

#### **Other Suggested Measures in the Medium Term**

1. Obtaining from the Ministry of Housing and Urban Affairs, the detailed guidelines of the proposed scheme for 'Affordable Rental Housing Complex (ARHC)' under PMAY (U) for migrant labour and urban poor, to be launched by the Government of India to provide ease of living at affordable rent; so that the same may be studied and preparatory work may be initiated in the state on the scheme.
2. Incentivizing eligible and interested entities like manufacturing units, industries, institutions, associations etc. to develop Affordable Rental Housing Complexes (ARHC) on their private land and operate the same.

## **SOCIAL INFRASTRUCTURE SECTOR**

### **Under Components of the Aatmanirbhar Bharat Stimulus Package**

#### **(A) Component: Viability Gap Funding**

1. Exploring the interest of private companies in investing in PPP projects for developing social infrastructure (health, education etc.) in the state.

## **COAL & MINING SECTORS**

1. Taking steps for the revival of the Namchik Namphuk Coalfield in coordination with the Coal Ministry, Govt. of India in line with the recent reforms announcement of the Union Minister for the Coal Sector aimed at introducing competition, transparency and private sector participation in this sector.
2. Examining the possibilities of reforming the rules for regulating the grant of quarry leases, mining leases or other mineral concessions in respect of minor minerals, over which the State has the regulatory powers.

## **PUBLIC WORKS**

1. Implementing the recommendations of the Inter-Departmental Committee of the State Government formed in order to examine the feasibility of the suggestions furnished by State PWD for the procurement of works and contract management.
2. Taking forward the outcomes of discussions with contractor associations, banks and other stakeholders regarding the utilization of mechanized construction in the state; including the training of local operators and mechanics on the feasible plant and equipment to be locally used in mechanized construction.

## **OTHER SECTORS**

The following measures may be considered for adoption in the medium term, based on the availability of alternative funding, since none of these steps are being funded under the Aatmanirbhar Bharat Stimulus Package:

1. Exploring the interest of private companies in investing in PPP projects for developing industrial infrastructure in the state through the Swiss Challenge Mode.
2. Surveying the skills of (a) returnees to the state, and (b) retrenched employees, so that suitable re-skilling initiatives can be targeted at these sections.
3. Strengthening digital infrastructure in the State to meet the various objectives: administrative, social, commercial etc.
4. Continuing with the development of local consultants for the preparation of Detailed Project Reports and other documents needed in connection with the implementation of various components of the Aatmanirbhar Bharat stimulus package in the state.
5. Continuing the utilization of support from institutions and other facilities in the state while undertaking the medium term measures for the revival of the state's economy.
6. Examining the Report of the Committee (constituted in the short term to evaluate the suitable technologies for adoption in the state, especially in the agriculture & allied sectors and MSME sector), so that the recommended technologies can be forwarded to interested farmers, farmer organizations and entrepreneurs for their use.

Additional Details of the suggested Action Plan have been summarized at Annex-7, such as the major departments and official stakeholders, and beneficiaries and their eligibility. This has not been given in the main text, on account of the need for brevity.

### **NOTE:**

**In addition to the above suggestions of the proposed Action Plan, all the other on-going and newly planned schemes and programmes of the State Government, for which finances have been assessed to be available, may be carried out in the short and medium terms.**

## **7. Recommended Changes in Policy & Regulations**



### **State Government Reforms Linked for Additional Borrowing Limits (under Aatmanirbhar Bharat related Announcements)**

As per the announcement of the Union Finance Minister on 17<sup>th</sup> May 2020, additional borrowing limit of 2% for the State Government shall be allowed by Central Government, the disbursement of most of which has been linked to four key reforms.

These key reform areas are:

1. Universalisation of 'One Nation One Ration Card';
2. Ease of Doing Business;
3. Power Distribution; and
4. Urban Local Body Revenues.

The Department of Expenditure, Government of India **is in the process of notifying a special scheme** where the feasible reform actions related to the above areas will be clearly specified along with their measurable reform improvements.

Additional details about the above key reform areas has been furnished at Annex-8, including the status of the probable reform parameters linked to each reform area at above.

#### **Note:**

As announced by the Union Minister, the Government of India has decided to increase borrowing limits of States to give states extra resources, with part of the same being linked to specific reforms. A specific scheme will be notified by Department of Expenditure of Ministry of Finance on the following pattern:

- **Unconditional increase** of 0.50%;
- 1% in 4 tranches of 0.25%, with **each tranche linked to clearly specified, measurable and feasible reform actions**; and
- Further 0.50% if milestones are achieved in **at least three out of four** reform areas.

[Source: Presentation of Union Finance Minister on 17<sup>th</sup> May 2020]

### **Other Suggested Reforms**

The Government may consider the following important changes in the policy and regulations.

#### **Consequent to the other Announcements related to the Aatmanirbhar Bharat Package**

1. **New Definition of MSMEs:** In addition to the existing investment limits for defining MSME units (which are being revised upwards), additional criteria has been introduced based on annual turnover. The differentiation between manufacturing and service MSMEs has been removed. Gazette Notification has been issued by Govt. of India on 1<sup>st</sup> June 2020.

Changes may be needed in Clauses of the Arunachal Pradesh State Industrial & Investment Policy 2020, as well as related official circulars and notifications

2. **Global Tenders Disallowed:** For government tenders of value of up to Rs 200 crore, global tenders have been disallowed. This measure is expected to help MSME units,

as there will be no competition from foreign units for tenders smaller than the above limit. Notification issued by Department of Expenditure, Ministry of Finance, Government of India on 15<sup>th</sup> May 2020 about changes to Rule 161 (iv) of General Financial Rules 2017.

Changes may be needed in public procurement policies and rules of the State Government.

### **Reform Measures not explicitly given in the Package**

1. It is proposed that the **Model Agriculture Land Leasing Act 2016** and **Model Agriculture Produce & Livestock Contract Farming and Services (Promotion & Facilitation) Act 2018** be adopted by the State Govt soon.

Such legislation is not given in the Aatmanirbhar Bharat package. However, the passage of these Bills has been **strongly recommended by the 15<sup>th</sup> Finance Commission** in its report for 2020-21. The Commission recommends that 'State Governments take preparatory action by securing the passage of these Bills in their respective legislatures in 2020-21 to become eligible to avail the grants awarded by us from 2021-22 onwards'.

2. **Reforms required in bringing Credit Discipline** in the state may be adopted, based on inputs from SLBC, Lead Bank and NABARD, especially since a considerable part of the crop loans under Priority Sector Loans.

It is felt that the adoption of the above changes in policies and regulations of the State Government, along with the different action points suggested earlier, will help in reviving the economy of Arunachal Pradesh in the short and medium term, besides laying a strong foundation for bringing private investment and attracting foreign investment to the state in the longer time horizon.

## **8. Observations about the Labour Supply Scenario**

Many of the economic activities of Arunachal Pradesh largely depend upon the availability of labour from other parts of India, including educated professionals. Such migrants are engaged in various sectors of the local economy such as agriculture and horticulture, construction, MSMEs, other businesses (trade, tourism etc.), health and education etc. Most sectors of the state's economy have been affected due to exit of migrants due to the measures taken up to contain COVID-19. However, the number of migrant labourers working in the state before the outbreak is not available readily.

In fact, there are no official estimates regarding the number of inter-state migrant workers in the country. The Census definition of a *migrant* is as follows: 'When a person is enumerated in census at a different place than his/her place of birth, she/he is considered a migrant'. As per the Census of India 2011, the number of people who had been thus is over 450 million in India, i.e. 37% of the national population. This includes inter-state migrants as well as those who have shifted within the state, with the latter constituting most of the migrants as per the above census. In fact, out of the total population which has migrated,

about 48% are women who have joined their husband's home. The migrants' figure also includes people who have moved for other purposes, including work and education. Based on the 2011 Census, NSSO surveys and economic surveys, one estimate has arrived at a figure of about 65 million inter-state migrants in India, with the highest number of migrants being women who have moved due to marriage. Of the above number of inter-state migrants, only 33% (about 21.5 million) are estimated to be *inter-state migrant workers*, and this includes about 6.5 million casual workers and a similar number working on regular basis in the informal sector.

Since the economy of Arunachal Pradesh requires an adequate availability of labourers, including of (inter-state) migrant labourers; the following measures are suggested to ensure the same:

### Measures announced in the Aatmanirbhar Bharat Presentations

1. Universalisation of 'One Nation One Ration Card' through full FPS automation and by using Technology Systems for enabling Migrants to access Public Distribution System (Ration) from any Fair Price Shop in India by March 2021;
2. Development of Affordable Rental Housing Complexes (ARHC) for Migrant Workers / Urban Poor (since Government will launch a scheme under PMAY for migrant labour/urban poor to provide ease of living at affordable rent);
3. Implementation of Labour Codes to benefit workers as follows:
  - Universalisation of right of minimum wages and timely payment of wages to all workers including unorganized workers;
  - Introduction of Statutory concept of National Floor Wage;
  - Simplification of the fixation of minimum wages, leading to less number of rates of minimum wages and better compliance;
  - Appointment letter for all workers to promote formalization;
  - Annual Health Check-up for employees; and
  - Making Occupational Safety & Health (OSH) Code also applicable to establishments engaged in work of hazardous nature even with threshold of less than 10 workers.
4. Modifying the definition of inter-state migrant worker to include:
  - a. Migrant workers employed directly by the employer;
  - b. Workers directly coming to destination state on their own; and
  - c. Migrant workers employed through a contractor.
5. Portability of welfare benefits for migrant workers;
6. Extension of ESIC coverage pan-India to all districts and all establishments employing 10 or more employees as against those in notified districts/areas only;
7. Extension of ESIC coverage to employees working in establishments with less than 10 employees on voluntary basis.; and
8. Mandatory ESIC coverage through notification by the Central Government for employees in hazardous industries with less than 10 employees.

Continued...

### **Other Measures for Mobility of Labour**

In view of the quarantine protocols evolved for containing the spread of COVID-19 in India, the mobility of labour has been affected. In consultation with the Government of India, the State Government may consider special protocols for the return of migrant labour to their work sites, as well as for their deployment in the work sites.

Engagement of migrant labour in urban settings for aspects like building and road works, retail trade, hotels and other business establishments may need special rules. The measures being taken by other states of India may be studied in this connection for evolving the suitable protocols for engagement and mobility of migrant workers in urban areas.

### **Other Measures - Mechanization of Construction of Farming**

The following measures had been suggested by stakeholders:

1. Mechanization of construction (especially for works being undertaken by the State PWD), where it has been suggested to encourage mechanised construction in the state where minimum manpower is engaged and also plan for development in-house skilled labourer required for construction industry
2. Implementation of farm mechanization to bring significant improvement in agricultural productivity and reduction of the cost of production. [Ongoing CM Agri-Mechanization program to be strengthened to cover all labour intensive operations]

Mechanization whether for construction or for farm works is a big step forward. Many factors have to be considered.

In case of mechanized construction, these may include (a) the availability and willingness of contractors engaged in construction to deploy mechanical construction on large scale; (b) building up their capacities based on financial resources, manpower, equipment etc; (c) development of repair facilities within the state for such equipment; (d) availability of spares and mechanics, (e) suitability of equipment to carry out works in the local terrain; (f) carrying capacity of roads and bridges to work-sites (especially in the interior areas); (g) supply of fuel or power at work sites, etc. While the above hurdles may need the deployment of capital and development of a local cadre of trained operators and mechanics, the utilization of mechanized construction (if feasible) can speed up works and lead to better quality. This can help to reduce the requirement of a large levy of labour in the remote work sites.

Similarly, for the introduction of farm mechanization in Arunachal Pradesh, several factors have to be suitably considered, such as (a) the types of equipment suitable for the state; (b) availability of sales and service networks; (c) cost and availability of fuel supplies; (d) development of a suitable package of practices in agriculture for mechanized farming; (e) availability of other inputs; (f) cost economics of various mechanization models etc. While it can definitely improve agricultural productivity and (perhaps) reduce the cost of production, farm mechanization will need the large-scale deployment of capital in order to substitute labour in agriculture. This will require addressing the challenges affecting the present flows

of agricultural credit in the state, including issues of collateral security, large scale NPAs in the farm sector etc. highlighted elsewhere in this Report.

In the short and medium term (i.e. this year), discussions on this matter can be started with various stakeholders like: (a) larger farmers, farmer organizations, banks and others involved in the farm sector; and (b) contractors, banks and other stakeholders involved in the construction sector. A practical and viable road map for mechanization of economic activities in Arunachal Pradesh can emerge from such deliberations. This can include the deployment of machinery for farming as well as for construction works. The experience of other farmers in hilly areas of India on farm mechanization may be also studied in order to avoid their mistakes, along with a similar study covering the experiences of mechanized construction in the hilly or mountainous areas of India.