



**IMPACT EVALUATION STUDY
OF
NORTH EAST INDUSTRIAL POLICY**

(REVISED DRAFT)

(B-3226)

Prepared for

**North Eastern Development Finance
Corporation Ltd.
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**TATA ECONOMIC CONSULTANCY SERVICES
ORIENT HOUSE, ADI MARZBAN PATH,
MUMBAI 400 001
TEL: 022 56388585 : FAX 56388597
e-MAIL : <tecs_mumbai@vsnl.com>**

EXECUTIVE SUMMARY

TITLE OF THE STUDY

IMPACT EVALUATION OF NORTH EAST INDUSTRIAL POLICY 1997

CONTEXT:

- The North Eastern Region (NER) consisting of the Seven Sister States, represents one of the least developed regions in the country – economically and industrially. Considering the severity and magnitude of the socio-economic problems faced by the region, the need was felt for evolving a broader development perspective involving active Central Government Intervention, for the economic uplift of the Region. The Government of India, Ministry of Commerce and Industry, Department of Industrial Policy and Promotion (DIPP), sought to address the developmental concern the developmental task. The DIPP accordingly announced the “North East Industrial Policy 1997” [referred to as NEIP 1997] vide its Notification dated December 24, 1997, aimed at stepping up the industrial activity in the Region.
- The NEIP 1997 seeks to address the concerns of the Region, based on a two-pronged approach, viz. (i) development of industrial infrastructure, and (ii) provision of fiscal subsidis & 3incentives, and encouragement to resource-based and employment intensive industrial investments. The NEIP 1997 will be in operation for a period of 10 years, from December 24, 1997 to December 23, 2007.
- The NEIP 1997, having been in operation for more than 6 years, now, the DIPP has sought to evaluate its impact to the NER. The North Eastern Development Finance Corporation (NEDFi), Guwahati, the nodal agency for overseeing the proper implementation of the Policy, have accordingly mandated Tata Economic Consultancy Services (TECS), to carry out the impact evaluation exercise.
- TECS has carried out the impact evaluation exercise in close coordination with NEDFi, and the report formulated. What follows is the Executive Digest of the Report.

SECTION I :: PREAMBLE : & A BACKGROUNDER

A] THE NER : PHYSICAL & GEOGRAPHICAL FEATURES

1.1 Location / Topography

The North-Eastern Region (NER) consists of the Seven Sister States :

- Arunachal Pradesh
- Assam
- Manipur
- Meghalaya
- Mizoram
- Nagaland
- Tripura

NER accounts for an area of 2.55 lakh sq. km. (or 7.8% of the area of the country) and a population of 38.5 million (or 3.75% of the country's population)

Almost 98% of NER is bound by International Borders – 4500 KM. The region shares just 2% of its border with Mainland India – a 21 km width corridor in Northern Bengal, known as “Siliguri Neck” or “Chicken’s Neck”

About 70% of the Region is Hilly. Hills cover most of Arunachal Pradesh, Mizoram, Nagaland and Meghalaya, and about half of Tripura, one-fifth of Assam and nine-tenths of Manipur

1.2 Natural Resources

NER is endowed with rich natural resources:

- ❑ Agro-Forestry
 - Accounts for 26 % of the Forest cover of India
 - Largest producer of bamboo
 - World's Single largest Tea growing region (16% share).
 - Largest producer (share of 55%) and Exporter of Tea in India
 - Producer of premium quality Jute and silk
 - Horticulture and herbal resources

- ❑ Minerals
 - India's oldest & major Petroleum and Natural Gas Source, with shares of 16% and 8% respectively of total production.

 - Other major Mineral Resources include: Coal, Limestone, Dolomite.

- ❑ Hydel Power
 - The region is assessed to have the largest hydel power generation potential in the country (60,000 MW)

- ❑ River/ Waterways
 - The river network provides cost effective transport for movement of goods, notably to neighbouring countries and to Indian ports like Kolkata, & Haldia.

1.3 Human Resources Profile

- The region boasts of a high literacy rate among the population in general, and among the female population in particular, vis-à-vis the national average (Exhibit 1).
- The number of students in primary and secondary schools per thousand population in the NER is amongst the highest in the country
- The region has a large number of English speaking / understanding population

B] DEMOGRAPHIC & ECONOMIC DEVELOPMENT PROFILE

1.4 SELECT ECONOMIC INDICATORS

The natural resource endowments and education levels of the population notwithstanding, the NER represents one of the least developed – economically and industrially – regions of the country.

This fact is clearly brought out by the following economic and demographic features of NER, as compared with that of the country, [For select economic indicators of NER, please refer Exhibit - 1]

Per Capita Income	➤ NER as a whole is placed amongst the poorest regions in the country. The per capita income at Rs. 12407 is less than The national average of Rs. 17978/- (2001-02).
Sectoral Share of GDP	➤ The share of the Secondary sector in the GDP at 15%, is much lower than the national average of 23.7% [1999-2000].
Population below Poverty Line	➤ All the states in NER has much higher levels of population below poverty line [35.13%] as compared to the national average (26.1%) [2000-01].
% of Urban Population	➤ The share of urban population to total in the NER is 14.6%. The national average in this regard is 27.8% [2001 Census].
Unemployment Rate (as a % of workers)	➤ The region represents one of the highest rates of unemployment in the country, with an unemployment rate close to 12%, against the national average of 7.7%. [1999-00].
Gross Per capita industrial output	➤ The region has one of the lowest gross per capita industrial output. at around Rs. 3313, (in Assam) which is much below the national average of Rs. 9111 [2000-01].

- | | | |
|-------------------------------------|----------------|--|
| Domestic
Consumption, per capita | Electricity | ➤ The average per capita domestic electricity consumption in the NER works out to 20.4 kwh, against the national average of 75.2 kwh. [1999-00]. |
| Per capita
ratio | Credit-Deposit | ➤ This works out to 26.34% in the NER, against the national average of 62.3% [2001-02]. |

The demographic and economic features reflect a highly skewed backwardness of the region. On all these measures, NER lags considerably behind the national average. This cardinal observation provides the underpinning of a strong rationale for development of a conducive policy framework that addresses this asymmetric development scenario. NEIP 1997 was a policy instrument that sought to address this cardinal concern.

C] INDUSTRY SECTOR FEATURES - PRE NEIP 1997

- Historically, Petroleum and Tea sectors dominated the region's industrial activity. These sectors are in existence for over 100 years now.
- The important industry sectors included : Plywood, Chemical/Petrochemical/ Fertilizers, Paper and pulp, Engineering, Textiles, Jute, and others.
- A good number of medium and large units were established under the PSU banner. In fact major Private Investments in medium and large sectors was absent, except, perhaps in the tea & plywood sectors.
- Plywood, which was once the major industrial activity of the region lost its ground due to a governmental order banning cutting of trees, in late 90's. Nearly 300 plywood units were reportedly closed as a result.
- Otherwise, the SME sector dominated the industrial activity, by and large

1.5 Location & Infrastructure : Major Areas of Concern

- ❑ NER is, by and large, a land-locked region with a narrow corridor providing the link with the Indian mainland. Its secluded location – away from the major market centers of the country - has led to a general perception of the region being seen to be one „outside the main stream“
- ❑ It has been observed from a historic perspective of manufacturing development that hilly topography is generally not conducive to development of manufacturing sector.
- ❑ The region suffers from constant power shortages and relatively high power tariffs. The power sector in NER has one of the lowest Plant Load Factor (PLF) [of the order of 30%] and one of the highest Transmission and Distribution Losses (TDL) [of the order of 40%].

SECTION II :: APPROACH TO INDUSTRIAL DEVELOPMENT(MEDIUM AND LARGE SECTORS)IN THE NER

A] STATE LEVEL APPROACHES

2.1 State Industrial Policies of NER – Non Starter

The constituent states of the NER pursued their development strategy through their own Industrial Policies (IPs). These IPs offered a range of incentives such as capital investment subsidy, interest subsidy, transport subsidy, sales tax exemption, subsidized power tariff, and others – for durations 3-5 years.

However, the State IPs have failed to induce investment interest into the medium and large sectors in these states. The main reasons for this are:

The local entrepreneurship base in the NER is relatively weak against the national and regional perspective. [Promotion of medium and large enterprises is critically driven by high quality entrepreneurial resources – local or otherwise].

Infrastructure weaknesses [hilly terrain poses transportation bottleneck]. The weak profile of the region's market – in terms of size and concentration index – quite clearly acted as a deterrent to investments in Medium and large sectors

States have limitations in committing large scale investments in setting up infrastructure facilities like modern Growth Centres, etc., on their own.

The shorter duration of the incentives (3-5 years), did not adequately neutralize the negative implications of the investment deterrents.

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2.2 The Need For A Broader Development Perspective & Initiative

It was against the above backdrop, that the need was felt for evolving a broader development perspective, involving active Central Government intervention.

B] CENTRAL GOVERNMENT LEVEL INITIATIVES

The announcement by the Hon. Prime Minister in Guwahati, in October 1996, set in motion the process of formulation of an appropriate Industrial Policy for the region as a whole.

The Ministry of Commerce & Industry, Department of Industrial Policy and Promotion (DIPP), sought to address the Region's concerns, and to develop an appropriate policy package for the NER.

The Policy formulation exercise involved Expert Committees, Groups and the Planning Commission.

The Cabinet approved the Policy in November 20, 1997.

2.3 Notification of North East Industrial Policy 1997 (NEIP 1997)

The Ministry of Commerce & Industry, Department of Industrial Policy and Promotion (DIPP), Government of India, New Delhi announced the "North East Industrial Policy 1997", vide its Notification dated December 24, 1997.

The Policy envisages a common/uniform approach towards stepping up industrial investment in the entire NER, with a two pronged approach:

- (i) Development of Industrial Infrastructure [Growth Centres (GCs), Integrated Infrastructure Development Centres (IIDCs)];
- (ii) Range of Fiscal Subsidies/Incentives of longer duration (upto 10 years);

Encouragement to Thrust sectors (Natural Resources intensive / Employment intensive Sectors) for development, constitutes one of the primary objectives.

As a further step, Department of Development of North Eastern Region (DoNER) was created in September 2001.

DIPP is the Implementing Agency of the Policy, and NEDFi is the Nodal Agency for overseeing the implementation & disbursement of funds released by the Centre.

SECTION III :: NEIP 1997 : THE MAIN ANCHORS

I] DEVELOPMENT OF INDUSTRIAL INFRASTRUCTURE

This relates to development of Growth Centres (GCs), and Integrated Infrastructure Development Centres (IIDCs).

Development of GCs to be financed totally by the GOI, subject to a cap of Rs. 15.00 crores per centre.

The financing of IIDCs : In the ratio of 4:1 by the GOI and SIDBI/State respectively

The above levels of financing reflect a special status accorded to NER by Central Government. The normal practice in financing GCs is with a cap of Rs. 10.00 crores and ratio of 3:2 in the financing of IIDCs.

II] FISCAL SUBSIDIES / INCENTIVES

A] Transport Subsidy Scheme

Transport Subsidy provided to the eligible units at the rate of :

90% of the cost of transport of Raw Materials from source point to the factory gate; and

50% of the cost of transport of Finished Goods from Factory to the Destination

The Source/Destination Points within the NER necessarily refers to movement between points located at different states.

In other cases, Siliguri in West Bengal, is the designated Source/Destination Point
The subsidy is provided for a period of 5 years from the date of commencement of production

B] Central Capital Investment Subsidy Scheme [CCIS]

CCIS provided to the eligible units @ 15% of the investment in Plant & Machinery, subject to a maximum of Rs. 30.00 lakhs.

C] Central Interest Subsidy Scheme

Subsidy provided to the eligible units @ 3% of the interest rate on Working Capital Loan. The scheme valid for a period of 10 years from the date of commencement of production

D] Central Comprehensive Insurance Scheme

Premiums paid by Eligible Units reimbursed through National Insurance Co. Ltd. Scheme valid for a period of 10 years from the date of commencement of production.

E] Excise Duty exemption/refunds

Eligible units allowed 100% excise duty exemption/refunds, for a period of 10 years from the date of commencement of production.

F] Income Tax exemption

Eligible units allowed 100% Income Tax exemption for a period of 10 years from the date of commencement of production. Minimum Alternate Tax (MAT) is, however, applicable.

3.1 Eligibility Criteria for Fiscal Incentives

Units covered by the Thrust Sector [18 sectors listed by Annexure A to the NEIP 1997 Notification], set up anywhere in the NER eligible for fiscal incentives.

Other units set up in any "Notified Area" [GCs, IIDCs, Industrial Estates, Industrial Areas, Export Promotion Industry Parks (EPIPs), etc.] eligible for fiscal incentives.

New Units set up or existing units undertaking substantial expansion*, fulfilling above eligibility criteria, eligible for incentives.

* Substantial Expansion has been interpreted (in terms of capacity addition) differently by various Notifications:

Notification on Capital Investment Subsidy Scheme defines substantial expansion as capacity addition not less than 33%.

Notification on Interest Subsidy Scheme defines substantial expansion as capacity addition not less than 10%.

Notification on Central Excise Exemption defines substantial expansion as capacity addition not less than 25%.

3.2 Duration of NEIP 1997

The operations of NEIP 1997 will be in force for a period of 10 years from December 24, 1997 to December 23, 2007.

III] DEVELOPMENT OF THRUST SECTORS

With a view to developing local resource based, and high employment intensive industrial sectors in the NER, the Central Government formulated a list of 18 sectors, attached as Annexure A to the North East Industrial Policy 1997 Notification dated December 24, 1997.

The list of 18 sectors covered by Annexure A cited above, is given in Exhibit 2.

Under the NEIP 1997, industrial units belonging to sectors covered by Annexure A, set up anywhere in the NER, or undertaking substantial expansion, are eligible for all the fiscal incentives.

SECTION IV :: OVER ARCHING INVESTMENT ANALYSIS & THE IMPACT

TECS has sought to design and deploy a comprehensive framework towards review, analysis and evaluation of the Impact of the NEIP 1997. The Review and Impact Evaluation efforts in relation to the NEIP 1997 is anchored in the following elements:

4.1 Schedule of Notifications

The NEIP 1997 became effective from December 24, 1997. However, Notifications giving effect to various incentive schemes were published much later, as follows:

Incentive & Subsidy Scheme	Notification Date
Capital Investment Subsidy	June 1, 1998
Interest Subsidy	February 19, 1999
Excise Duty exemption/Refunds	July 8, 1999
Comprehensive Insurance	July 14, 1999
Amendments to I.T. Act	March 2003

A) Industrial Entrepreneurs Memorandum (IEMs) Filed

Announcement of NEIP 1997, specially the Excise Duty Notification in July 1999, witnessed a flurry of IEMs filed for investment in the NER. 392 IEMs [106 IEMs during the previous 8 years] involving an investment of Rs. 5672 crores have been filed during the five years since the Excise duty exemption Notification. [Note: IEMs filed is not an effective indicator of industrial activity. However, it does reflect the investors' interest as a result of the Policy announcement]

B) Investment & Employment

As on September 1, 2004, the following pattern of Investment has taken place in the NER, as a result of NEIP 1997:

No. of units set up	Investment (Rs. crores)	Employment (Nos.)
650	755.28	17279

The NER represents one of the highest rates of unemployment in the country. Viewed from this angle, NEIP 97 has been instrumental in addressing one of economic problem faced by the NER, to some extent. The employment generation as stated by the units works out to 17279 nos. Besides, the indirect or casual labour engaged in activities like packaging, marketing, movements of the goods etc. Is estimated to work out to atleast 50% of the above. The overall employment generation as a result of NEIP 97 is therefore placed of the order of 25,000.

C] State-wise Investment & Employment Pattern

The following state-wise Investment & Employment Pattern emerges [Ref. Exhibit 3.]

Assam dominates the scene with 508 proposals and an investment of Rs. 488.19 crores, followed by Meghalaya [54 proposals and investment of Rs. 219.01 crores. These two states, together, accounted for almost 94 per cent (Rs. 707.20 crores) of the overall investment.

The states of Nagaland, Arunachal Pradesh and Tripura accounted for the balance 6 per cent [Rs. 46.08 crore].

No investment is reported from states Manipur and Mizoram, under the Policy.

Assam's leadership position is attributable to :

Its rich resource base [Tea, Limestone, Coal, Jute etc.] which have together attracted major share of investment [42%].

Geographically positioned as gateway to NER. Assam has clear edge over other states in terms of infrastructure/logistics, and connectivity to the Mainland.

Largest population [67% of NER] and therefore the largest market within NER.

Investor interest in Meghalaya is attributable to its perceived better Power outlook – both in availability and cost terms. The state has therefore attracted most of the power intensive investment proposals – Metallurgical sector [Rs. 168.17 crores], the second largest [share of 23%], after Tea sector.

Most of Meghalaya's investments are centred around Byrnihat-Guwahati belt – to take the twin advantages of cheaper power, as well as logistics / connectivity advantages comparable to the Guwahati region of NER.

D] Sector-wise Investment Pattern

The following Sector-wise Investment Pattern emerges [Ref. Exhibit 4.]

Tea sector accounted for the largest investment (Rs. 213.31 crores) with a share of 28.32%, mostly in Assam.

Metallurgical sector (including ferro alloys, steel fabrication) ranks next, with an investment of Rs. 172.14 crores, accounting for a share of 23%. Meghalaya accounted for most of the investment.

The other important sectors are : Food & Beverages, Cement [with shares of the order of 11% each].

Cosmetics accounted for 6.63% plastics for 2% and Pan Masala 2%.

Other miscellaneous sectors accounted for the balance 16%.

Several of excise intensive investments are of franchisee nature.

4.2 Sector-wise Investment Pattern – A Situation Audit

Resource based industries [tea, cement, jute, rubber and coal] accounted for a major share [42%] of investment. [Rs. 317.55 Cr.].

Metallurgical sector including ferro alloys accounted for an investment Rs. 172.15 crores or a share of 23% of overall investment.

Excise intensive sectors viz. Food & beverages, cosmetics & personal care products, tobacco & pan masala, mosquito repellents, together accounted for 20% [Rs. 158.0 crore].

NEIP 1997 is yet to make an impact on other resource based and high employment sectors such as Handloom, handicrafts, bamboo, agro-forestry, etc.

E] Greenfield vz Brownfield units

The following Pattern emerges [Ref. Exhibit 5.]

Greenfield (new) units accounted for an investment of Rs.542.30 crores [share of 72%] and brownfield (expansion) units accounted for an investment of Rs. 210.0 crores [28%].

F] Sector-specific vs Location-specific Investment Pattern

Sector-specific investments [i.e. sectors covered under Annexure A to the NEIP 1997 Notification] is placed in the region of 60%

Location-specific investments [i.e. in „Notified Areas“] is placed in the region of 40%.

The larger share of Sector-Specific investments is mainly on account of Tea Sector. Also, most of sector-specific investments like food and beverages, plastics, etc. have been set up in the „Notified Areas“. In other words, even those units which are free to be located any where in the NER, have chosen the „Notified Areas“ for siting their projects which would have otherwise been occupied by „Location Specific“ units.

G] Investment Pattern by Size of Investment

The following Investment Pattern emerges [Ref. Exhibit 6.]

Almost 69% of units fall in the investment range of upto Rs. 1.0 crore.

Around 26% of units fall in the investment range of Rs. 1.0 – 5.0 crore

Around 5% units fall in the investment range of >Rs. 5.0 crores

H] Investment Pattern : Public Sector Vs Private Sector

The entire investments made under the NEIP 1997 are from the Private Sector

I] Investment Pattern : Thrust Sectors

Out of the 18 Thrust Sectors identified for Development, only around 6 sectors have attracted investment viz. Bread, Biscuits, etc., Non-alcoholic Beverages, Jute products, Plastics, Plantation Crops (Tea), Mineral based (Cement)

Agro/forestry, Horticulture, Floriculture & other Resource based Sectors have not attracted any investment so far

The above is mainly because the investor perception is driven by commercial/business considerations [Excise/IT benefits]

SECTION V : NEIP 1997 -A PERFORMANCE EVALUATIONI]

INFRASTRUCTURE DEVELOPMENT SCHEMES

A] Growth Centre Scheme

20 GCs are proposed [ref. Exhibit 7] of which 5 are in advanced stages of completion, as under:

2 GCs in Assam, viz. Balipara (cost Rs. 25.44 crores) and Matia (cost Rs. 22.44 crore) are in advanced stages of completion. The disbursements so far, have been Rs. 8.52 crores to Matia [Centre Rs. 7.0 crores, State Rs. 1.52 crores], and Rs. 10.08 crores to Balipara [Centre Rs. 8.16 crore, State 1.92 crore]

One GC in Arunachal Pradesh, viz. Niklok-Ngorlung (cost Rs. 20.20 crores) reported advanced stages of completion. Disbursements so far, has been Rs. 8.05 crores (Centre 6.68 crore, State 1.37 crore).

One GC in Nagaland viz. Ganeshnagar [cost Rs. 20.20 crores : Centre Rs. 15.00 crore, State 5.20 crore] has reported completion. 1000 acres of land has been acquired and around 23 sheds have already been developed.

One GC in Tripura viz. Bodhjangnagar [cost Rs. 15.00 crore: Centre Rs. 15.00 crore, State 0.82 crore] has reported completion. Has acquired 242 acres of land, developed 49 plots/sheds, allotted 9 plots & 1 unit established.

B] Integrated Infrastructure Development Centres (IIDCs)

In all, 11 IIDCs have been proposed in the NER [Ref. Exhibit 7]
Of the above, advanced progress has been reported on only 2 IIDCs in Assam viz. Bhomraguri and Dalagaon.

I] FISCAL INCENTIVES & SUBSIDIES

Financial Approvals / Disbursements

Since the introduction of the NEIP 1997 the total financial approvals/disbursements made so far, on account of various fiscal incentive schemes, aggregates to Rs. 1664.76 crores. [For details please refer Exhibit 8].

The disbursements towards various incentives, upto August 2004 are as follows: [in Rupees crores]

(Rs. Crore)

Subsidy/Incentive	Disbursals	% to total
Transport Subsidy	227.02	13.63
Investment Subsidy	26.82	1.63
Interest Subsidy	3.05	
Central Insurance Subsidy	0.10	
Growth Centre Scheme	22.2	1.35
Excise duty exemption/Refunds*	1363.02	81.87
Income Tax waiver		
Pending/Outstanding Claims	22.55	1.37
Total	1664.76	100

* This relates to the Excise Duty Exemption/Refunds made to units set up under the Scheme. Under the Central Excise Notification dated 1st March 2002, the four petroleum refineries in the region viz. Assam Oil Digboi, BRPL, Numaligarh and Noonmati, were also brought under the purview of the excise benefits, to the tune of 50% of the normal rates applicable. The details on excise incentives provided to the petroleum sector in the NER to the extent available has been given separately

**The extent of Income Tax benefits given to NEIP 1997 units could not be quantified despite best efforts made with the Income Tax Commissionerates at Guwahati and Shillong.

5.2 FISCAL INCENTIVES & SUBSIDIES :

- A SITUATION AUDIT

State-wise, scheme-wise disbursement of various subsidies for each year of the Scheme period, is given in Exhibit 9.

A] Transport subsidy

Transport Subsidy [the second most significant in terms of disbursements] is highly relevant to NER, considering the difficult topography and connectivity. While the subsidy is beneficial to the units, the claims / settlement management needs to be streamlined to see that only the genuine claims are covered by the benefits.

B] Interest Subsidy

The NER appears to carry a high credit risk perception amongst the commercial banks, thereby leading to relatively higher rates of interest, collateral security etc., as compared to the rest of the country. The low interest regime prevalent in the country over the past few years, does not seem to have effectively percolated into the NER. The subsidy is therefore, highly relevant to the NER context. The interest subsidy covers interest on working capital loans.

C] Central Capital Investment Subsidy

The disbursements under the CCIS works out to Rs. 26.82 crores, since the commencement of the Policy, upto August 2004. Considering that the Policy is in force for almost 7 years now, the disbursements can be considered as modest.

D] Excise Duty Exemption / Refund

Excise Duty Exemption/Refunds constituted the single most significant claims / disbursements made under the Policy. [For details on year-wise claims/ refunds, refer Exhibit 8 and for sector-wise break-up of refunds made so far, please refer Exhibit 10].

The aforesaid Exhibit brings out the following interesting features:

Tobacco, Pan Masala, Ghudka, Supari etc. sector, accounted for the highest receipt of the incentive – Rs. 400.35 crores or 29.38% of the overall excise duty claims/refunds made, so far.

Excise benefits given to cigarette units have since been withdrawn, and for other tobacco based units like Pan Masala, the benefits are extended conditionally, subject to the units investing an equal amount in the NER. The units have therefore shifted (to a large extent) to production of Ghutka not containing tobacco, which accounted for excise refunds of Rs. 134.00 crores].

Cosmetics and Personal care products accounted for excise exemption / refunds amounting to Rs. 289.91 crores or 21.27% of the overall excise duty claims/ refunds made so far.

The other significant recipients of excise duty incentives are the Metallurgical sector, Food Sector, mosquito repellents, etc.

An interesting feature of the excise duty claims/refunds relate to Tea & Cement Sectors which accounted for 28% and 11% of the investments made, received Rs. 65.97 crores and Rs. 35.77 crores, or a share of just 4.84% and 2.62% respectively, of the excise duty incentives. As against this, the tobacco, cosmetics & personal care sector which accounted for investments of the order of 20%, accounted for almost 50% of the excise refunds made so far.

III] OTHER RELEVANT DEVELOPMENTS

A] FISCAL INCENTIVES & SUBSIDIES

EXTENDED TO OTHER STATES :

During 2002 and 2003, the fiscal incentive schemes were extended to other states like Uttaranchal, Himachal Pradesh, Jammu & Kashmir, and Sikkim, through governmental Notifications. While the contours of the incentive schemes are more or less similar to that of NEIP 1997, there is an emphasis on resource based units and environmental friendly.

States like Uttaranchal and Himachal Pradesh are strategically placed closer to the main markets than, say, the North East. These states, therefore, enjoy inherent locational/ logistics advantages.

This is reflected from the fact that several of the major manufacturers of excise intensive items, viz. Hindustan Lever, Proctor and Gamble, Godrej, Colgate Palmolive and others, who have set up their units in the North East, are now in the process of establishing and/or already established new manufacturing facilities in these states.

The above development, therefore, has the potential of these states being viewed as prospective and preferred investment destinations by the FMCG and other manufacturers, in their future investment

B] FISCAL INCENTIVES EXTENDED TO

REFINERY SECTOR :

Though refinery sector is not covered by the Policy, a Governmental Notification dated March 1, 2002, extended 50% Excise Duty concession to the products originating from North Eastern Refineries.

The beneficiary Refineries are: Assam Oil Division, Digboi, BRPL, Numaligarh Refinery, Assam (Noonmati) Refinery.

The incentive was extended to these refineries, to overcome some of the inherent disadvantages they face, like sub-economic size of plants, shortage of raw materials, (crude) distant markets involving extra freight burden, etc.

The Incentive is expected to enable these Refineries to be competitive to some extent, in the deregulated market scenario.

The experience so far shows that the Excise Incentives extended to the Refineries has proved to be highly beneficial to their overall operating and financial performance.

The overall Excise refunds/benefits made to the Refinery Sector so far, works out to Rs. 252.75 * crores [For year-wise break-up of excise refunds made to the sector, kindly Ref. Exhibit 8].

- * This refers to the refunds made by Dibrugarh Excise Commissionerate, under which the Assam Oil Dvn. Digboi falls. Details of other refineries viz. BRPL, Numaligarh and Nornmati which fall under Shillong Excise Commissionerate, are not readily available from the commissionerate.

SECTION VI :: SOCIO ECONOMIC IMPACT OF NEIP 1997

ECONOMIC COST BENEFIT ANALYSIS

While the previous two sections deal in brief with micro impact analysis in terms of discrete dimensions mentioned therein, it was also felt necessary to perform a macro economic cost benefit analysis to reflect the overarching impact of the policy framework on the economy. This Economic Cost Benefit Analysis (ECBA) in fact constitutes a unique value proposition of the consulting research study and the review*. The results that have emerged appears interesting, as documented below.

The ECBA framework is based on the design and deployment of a Model anchored in the following propositions/considerations:

- Subsidies and fiscal incentives are considered as soft investments;
- Soft investments, together with hard investments (project investments) constitute “resources cost framework”;
- Value added constitutes “economic benefits/returns” streams.framework;
- Besides, the salvage value of the hard investments at the end of the Policy tenure is also factored into the Model.

.....

- * While the concept and framework for performing economic cost benefit analysis for public sector investments (hard performing investments) is well established and practiced for public investments especially in the infrastructure sector, it is for the first time in the country that the economic cost benefit analysis model is being deployed with epistemological changes deemed appropriate for the purpose of analysis of the overall impact of the policy framework.

With the Model designed as above, two strategic scenarios have been worked out based on the level of value added component in the manufacturing output resulting from the investment made as a result of the NEIP 1997 policy framework. The rationale for different scenarios in relation to the value added arises from the fact that the excise refunds tends to increase the value added component depending on the exact manner in which the benefit is shared by the producer and the consumer.

The framework as above is internally consistent and therefore represents a verifiable and demonstratable Model even if one were to deploy this Model in 2007-08., based on the conclusion of the initial Policy period of 10 years.

Results

Based on the Model designed and deployed as above, the following results emerge:

Value Added Component (%)	Economic IRR based on Cost Benefit Analysis (%)
18	10.97%
20	32.07%

Exhibit 11 provides the complete computational framework and the details.

Conclusion

The Impact Analysis undertaken as above establishes that the Policy framework has served to be an instrument for producing/creating a positive impact on the economy.

Epilogue

It is possible that in some cases, excise benefits has been partially passed on to the consumers. If this indeed be so, then the consumer welfare so produced defines and reflects another (additional) dimension along which the impact of the Policy can be measured.

SECTION VII :: MAIN CONCLUSIONS

□ Economic Development Concerns

NEIP 1997 has addressed economic development concerns, to some extent (unemployment and investment)

NEIP 1997 has a favourable impact on the tea sector, which was passing through a lean phase of growth, to some extent.

Investment Pattern

No large scale sector investment has taken place as a result of NEIP 1997.

SMEs dominate the Investment Scenario. Several excise intensive units [e.g. cosmetics, personal care, etc.] reflect only the final stages of manufacturing activity, entailing relatively low investment & employment. Most of these are in the form of franchisee outfits. These sectors, however, figure amongst the major beneficiaries of Excise Incentives

Several of the higher level investments, say Rs. 5.0 crore & above, are accounted for by the Metallurgical sector, in the State of Meghalaya.

□ **Balanced Regional Growth**

Developed states within the region continued to maintain their stranglehold (Assam & Meghalaya together account for 94% of the investments). Within these states, the Investors' interest is found to be centered around developed/urban areas say, Guwahati-Shillong belt, for an example.

The states of Manipur and Mizoram have not attracted any investment proposal.

The investment scenario thus reveals a skewed development profile within the region, thereby defeating the fundamental objective of achieving balanced economic growth, across the different states of the region.

Better Connectivity (with the mainland), Quality of Infrastructure & Logistics, Security concerns etc. In which the states of Assam and Meghalaya have clear edge over others, appear to be the main reasons for the above pattern of development.

□ **Thrust Sector Development**

Thrust sector development not fully realized. [Out of 18 Thrust Sectors identified for development, only around 6 or so sectors have found investors' interest]

Thrust Sectors such as Handlooms & Handicrafts, Agro-Forestry etc. are yet to see the light of the day.

Special Observations

Meghalaya, by virtue of its relatively comfortable power situation, has attracted power-intensive units (Metallurgical sector). These units being capital intensive, have contributed significantly to the State's ranking in the overall investment pattern.

During the years 2002-2003, Incentives were also extended to other states viz. Uttaranchal, Himachal Pradesh, etc. These states being strategically better placed, within close proximity to the major markets and therefore have a competitive edge in attracting investment.

SECTION VIII :: RECOMMENDATIONS

Having performed the impact analysis of NEIP 1997 (in the previous sections) along with a set of key observations, the stage is set for formulation of recommendations that define the way forward. These recommendations broadly touch upon the following three cardinal concerns:

The rationale for the extension of NEIP 1997, if any

The rationale for modifications proposed for the existing features of the policy framework, should the policy framework itself be extended as recommended above;

The rationale for new **policy features** to be incorporated, if any.

I) **Extension of the Existing Policy Framework (with modifications)**

TECS recommends extension of NEIP 1997 for a period of 5 fiscal years. The rationale for the extension (from fiscal year 2008-09 to fiscal year 2012-13*), rests on the following anchors.

* The existing policy framework of NEIP 1997 ends in the fiscal year 2007-08.

- A. The Economic Cost Benefit Analysis carried out [in Section VI) clearly establishes that the policy has had a positive impact on the economy of NER.
- B. If the NEIP 1997 is not extended as proposed above, then NER will lose out on development landscape, in relation to industrially other backward states such as Uttaranchal, Himachal Pradesh and Jammu & Kashmir, where similar policy prescriptions and inducements have been implemented in the year 2002 and 2003, with a validity framework of 10 years. Thus, if NEIP 1997 is not extended as specified above, NER will suffer a competitive disadvantage in relation to other industrially backward states referred to above.

II. Recommendations and the Rationale for Modification of NEIP 1997

Before we set out the modifications to NEIP 1997 framework, it is important to define the overarching philosophy that drives these recommendations.

World-wide, there is a growing body of thought which strongly supports a tectonic shift away from the use of incentives and subsidies regime to a regime of inducements that help create an “enabling environment”. **Both hard infrastructure and soft infrastructure (regulatory environment) have established their dominance in creating this enabling and investment inducing environment.** It would also be relevant to observe in this context that the pervasive influences and movement towards globalisation and liberalization have induced this tectonic shift. **Besides, this tectonic shift is also broadly compatible with WTO environment.**

RECOMMENDATION 1

Units and/or investments made (Greenfield or brownfield) **anywhere** in the NER should qualify for securing the benefits of NEIP 1997. The rationale for this modification stems from the following considerations:

- I. The existing policy framework requires the investment to be made in “notified areas” only, if the investment proposed is in the non-thrust sector (not belonging to any of the 18 thrust sectors identified in Annexure A to the NEIP Notification dated December 24, 1997) for the investing unit to qualify for availing of the benefits under the policy framework.
- II. It is necessary to do away with this restrictive stipulation since the principal overarching concern of the policy framework is to induce investment with a view to generating income and employment. In other words, the discrimination made out in the existing policy framework between the thrust sector investment and non-thrust sector investment does not appear to be conducive to the achievement of the primary policy objectives. In any case, in a liberalized investment environment, investment should only to be established in those sectors where viability is established. The case therefore for building this discrimination appears to be “artificially” propped upon.
- III. Besides, the examination of the ground realities clearly establishes that many of the “notified areas” have reached saturation levels.

RECOMMENDATION 2

TECS recommends a strategic modification to the Central Capital Investment Subsidy Scheme (CCIS scheme) to **reflect a graded structure** which will build in/factor in incentive/inducement to higher level of value addition and employment generation along with capital investment. The specifics of such a policy modification can be the outcome of a detailed deliberation process designed and deployed in this regard.

An illustrative graded structure is specified in the Annexure I attached to the report.:

Rationale

A key observation that has emerged from the Impact Evaluation Study is that NEIP policy framework has led to proliferation of low investment, low value added and low employment generating manufacturing activities. In quite a few cases, these units are contracted manufacturing entities for large national players. Besides, many of these units restrict their manufacturing to finishing processes and packaging only, and yet secure significant advantages of the policy framework principally because the principal incentive elements of the NEIP policy, notably excise duty refund is **related to the value of the output** and does not take into account the **value addition** or **employment generation**.

A graded structure has, therefore, been recommended to be introduced to set right this asymmetric development impact.

III. NEW FEATURES/SPECIAL POLICY DISPENSATION/ RECOMMENDATIONS

Besides proposing modifications to existing policy features as above, TECS recommends the following additional/supplementary policy dispensation instruments:

RECOMMENDATION 1

The ambit and scope of the policy framework for NER should be expanded to include the following segments of the services sector (tertiary sector of the economy):

- i) IT Sector (both software development and training/education) – software development to include software services/ITES/BPOs;
- ii) Construction / Real Estate
- iii) Health care
- iv) Tourism

All investments in the defined services sector scheme that meet the following qualifying criteria should be fully exempt from service tax, for the duration of the policy:

Fixed capital investment to exceed Rs. 25.00 crores

Employment generated to exceed 300 persons

Rationale

The rationale for the above recommendation must necessarily be seen in the following factors/observations:

- Service sector has, in the recent years, dominated the development agenda landscape (on a macro perspective, the share of the tertiary sector in the GDP has increased from around 15 per cent in the early 70's to around 50 per cent currently. Indian economy in the years to come would be increasingly driven as much by the services focus as by the industrial sector activities.
- Employment intensity of the services sector is considerably higher than that of the secondary sector.

RECOMMENDATION 2 : INFRASTRUCTURE DEVELOPMENT

- Infrastructure development holds the key to turbo charging the pace of industrial investments as the global experience has unequivocally established. In contrast, the pace and quality of infrastructure development, both in relation to connectivity and communications infrastructure, as well as specific industrial infrastructure, has been abysmally poor and therefore the policy intentions, especially in relation to the industrial infrastructure, have been largely unrealized.
In these circumstances, there is a strong market induced compulsion to develop and customize infrastructure development plan for the NER, that will focus both on connectivity and communications assets as well as specific industrial infrastructure creation, such as those that can be formulated under the special economic zones. Since this strategic issue has far reaching dimensions, TECS has not made any recommendations in this regard.

EXHIBIT 1

NORTH EASTERN REGION – SELECT ECONOMIC INDICATORS

State	Land Area (sq. km)	Population 2001 (lakh nos.)	Literacy Rate (%)	Per Capita Income, at Current Prices (2001/2002) (Rs.)
Arunachal Pradesh	83743	10.91	54.74	14587
Assam	78438	266.38	64.28	11755
Manipur	22327	23.89	68.87	13213
Meghalaya	22429	23.06	63.31	14510
Mizoram	21087	8.91	88.49	18491
Nagaland	16579	19.89	67.11	12408
Tripura	10486	31.91	73.66	10931
Total North East	255089	384.95	68.77	12407
Indian Average [wherever relevant]			65.38	17978

NORTH EASTERN REGION – SELECT ECONOMIC INDICATORS

State	% Urban Population	Population below Poverty Line (2000)(%)	Per capita Credit/Deposit Ratio (%) 2003	Gross Industrial Output Per Capita (2000-01)
Arunachal Pradesh	16.96	
Assam	12.7	36.1	28.59	3313
Manipur	23.9	28.5	28.01	
Meghalaya	19.6	31.4	28.79	
Mizoram	26.35	
Nagaland	17.7	32.7	13.08	
Tripura	17.0	34.4	25.56	
Total North East	14.61	35.13	26.34	
Indian Average [wherever relevant]	27.8	26.1	56.50	9111

NORTH EASTERN REGION – SELECT ECONOMIC INDICATORS

State	No. of Bank Centres (2002)	Transmission & Distribution Losses % (2003)	Share of Secondary Sector in the GDP (1999-2000)	Out of which Share of Manufacturing Sector
Arunachal Pradesh	69	51.51	18.48	2.86
Assam	813	35.00	16.00	10.00
Manipur	51	40.00	21.00	8.43
Meghalaya	130	24.00	12.00	1.89
Mizoram	66	46.00	8.00	0.00
Nagaland	42	39.00	15.40	2.31
Tripura	122	38.00	14.02	1.80
Total North East	1293	40.00	15.00	
Indian Average [wherever relevant]			23.7	

POWER SCENARIO IN NER – 2001-02 (MW)

State	Availability	Peak Demand	Shortfall
Arunachal Pradesh	56.76	94.00	37.24
Assam	618.00	688.00	70.00
Manipur	94.00	98.00	4.00
Meghalaya	160.00	165.00	5.00
Mizoram	50.62	93.00	42.38
Nagaland	58.00	70.00	12.00
Tripura	140.00	156.00	16.00
Total	1177.38	1364.00	186.62

STATE-WISE ENERGY DEMAND FORECAST

State	Energy Requirement (MU)		Peak Demand (MW)	
	2006-07	2011-12	2006-07	2011-12
Arunachal	303	423	97	136
Assam	5294	7604	991	1423
Manipur	1039	1672	252	406
Meghalaya	955	1410	198	293
Mizoram	525	838	136	217
Nagaland	388	555	98	141
Tripura	997	1559	253	396
Total NER	9501	14061	1875	2789
Current installed Capacity	2309.41 MW			

EXHIBIT 2

LIST OF INDUSTRIES APPROPRIATE FOR DEVELOPMENT IN THE NORTH EASTERN REGION [THRUST SECTOR]

[SPECIFIED INDUSTRIES WHICH CAN BE SET UP ANYWHERE (WITHIN
OR
OUTSIDE
THE NOTIFIED AREA) IN THE NE REGION UNDER THE NEIP 1997]

1.	Fruit & Vegetable Processing	
	i)	Canned or Bottled Products
	ii)	Asceptic Packaged Products
	iii)	Frozen Products
	iv)	Dehydrated Products
	v)	Oleoresins
2.	Meat and Poultry Products	
	i)	Meat Products (Buffalo, Sheet, Goat and Pork)
	ii)	Poultry Production
	iii)	Egg Powder Plant
3.	Cereal Based Products	
	i)	Maize Milling including Starch & its Derivatives
	ii)	Bread, Biscuits, Breakfast Cereals, etc.
4.	Consumer Industry	
	i)	Snacks
	ii)	Non-Alcoholic Beverages
	iii)	Confectionery including Chocolate
	iv)	Pasta Products
	v)	Processed Spices, etc.
	vi)	Processed Pulses
	vii)	Tapioca Products
5.	Milk and Milk based Products	
	i)	Milk Powder
	ii)	Cheese
	iii)	Butter/Ghee
	iv)	Infant Food
	v)	Weaning Food
	vi)	Malted Milk Food

6.	Food Packaging
7.	Paper Products
8	Jute and Mesta Products
9.	Cattle/Poultry/Fishery Feed Products
10.	Edible Oil Processing/Vanaspati
11	Processing of Essential Oils & Fragrances
12	Processing and Raising of Plantation Crops (Tea, Coffee,Rubber, Coconut)
13	Gas Based Intermediate Products
	i) Gas Exploration and Production
	ii) Gas Distribution & Bottling
	iii) Power Generation
	iv) Plastics
	v) Yarn Raw Materials
	vi) Fertilisers
	vii) Methanol
	viii) Formaldehyde & FR Resin, Melamine & MF Resin
	ix) Methylamine, Hexamethienc Tetranine, Ammonium Bicarbonate
	x) Nitric Acid & Ammonium Nitrate
	xi) Carbon Black
	xii) Polymer Chips
14.	Agro Forestry
15.	Horticulture
16.	Mineral Based
17.	Floriculture
18.	Agro Based

EXHIBIT 3

STATE-WISE INVESTMENT & EMPLOYMENT PATTERN

State	No.of units	Investment (Rs. crores)	% share	Employment (Nos.)
Assam	508	488.19	64.80	11422
Meghalaya	54	219.01	29.07	4756
Tripura	33	11.58	1.53	465
Arunachal Pradesh	9	14.86	1.97	197
Nagaland	46	19.64	2.60	439
Manipur*				
Mizoram*				
Total	650	753.28	100	17279

EXHIBIT 3 (contd.)

STATE-WISE & SECTOR-WISE INVESTMENT & EMPLOYMENT PATTERN

State/Sector	Investment (Rs. lakhs)	% Share in State	Employment (Nos.)
ASSAM			
Tea	19845.08	40.65	5398
Food	6573.15	13.46	1130
Jute	1236.73	2.53	238
Coal	645.46	1.32	85
Plastics	1785.28	3.66	422
Cement	6997.79	14.33	732
Cosmetics	4993.21	10.23	1335
Pan masala	1349	2.76	829
Mosquito	965	1.98	173
Paints	166.93	0.34	76
Paper	665.85	1.36	235
Metallurgical	397.9	0.82	184
Miscellane	3197.96	6.55	585
TOTAL	48819.34	100.00	11422

State/Sector	Investment (Rs. lakhs)	% Share	Employment (Nos.)
MEGHALAYA			
Metallurgical	16816.85	76.78	3448
Cement	1312.27	6.00	345
Miscellaneous	3772.6	17.22	963
TOTAL	21901.72	100	4756

State/Sector	Investment (Rs. lakhs)	% Share	Employment (Nos.)
NAGALAND			
Cement	231.66	11.80	76
Food	907.92	46.24	159
Rubber	480.08	24.45	107
Plastic	24.35	1.24	12
Printing	29.71	1.51	12
Miscellaneous	289.85	14.76	73
TOTAL	1963.57	100.00	439

State/Sector	Investment (Rs. lakhs)	% Share	Employment (Nos.)
TRIPURA			
Rubber	41.19	3.56	26
Food	943.11	81.46	381
Miscellaneous	173.48	14.98	58
TOTAL	1157.78	100.00	465

EXHIBIT 4

SECTOR-WISE DISTRIBUTION OF INVESTMENTS

Sector	No. of units	Investment (Rs. lakhs)	% Share of investment
Tea	239	213.31	28
Steel fabrication	44	172.14	23
Food & Beverages	108	84.24	11
Cosmetics, toiletries, pan masala, ghudka, mosquito coil, IMFL,, etc.	44	73.07	11
Cement	38	85.42	11
Plastics/Polymers	33	18.16	2
Jute	8	12.37	1
Printing, stationery	14	6.66	1
Coal	3	6.45	1
Paints	5	1.67	1
Others	114	79.79	10
Total	650	753.28	100

EXHIBIT 5

GREEN-FIELD VS BROWNFIELD INVESTMENTS

Green Field (New Units)		Brown Field (Expansion Units)	
Investment (Rs. crores)	% share	Investment (Rs. crores)	% share
542.38	72.00	210.92	28.00

EXHIBIT 6

INVESTMENT PATTERN BY NUMBER OF INVESTMENT PROPOSALS

Investment Range	No. of units	% to Total
Upto Rs. 1.0 crore	355	69.0%
Rs. 1 – 2 crore	95	18.0%
Rs. 2 – 3 crore	23	4.4%
Rs. 3 – 4 crore	10	1.9%
Rs. 4 – 5 crore	8	1.5%
Rs. 5 – 10 crore	13	2.5%
Rs. 10 – 20 crore	7	1.3%
More than Rs. 20 crore	3	0.5%
Total	650	100%

EXHIBIT 7

STATUS ON THE DEVELOPMENT OF INFRASTRUCTURE SCHEMES

State	Growth Centres		IIDC s	
	Nos. Proposed	Active Progress	Nos. Proposed	Active Progress
Assam	11	2	3	2
Arunachal Pradesh	1	1	8	-
Meghalaya	1	-	-	-
Manipur	1	-	1	-
Mizoram	1	-	1	-
Nagaland*	4	1	-	-
Tripura**	1	1	1	-
Total	20	5	11	2

*Construction work is complete. Sheds ready for allocation.

**7 sheds already allotted and 1 unit has been set up.

EXHIBIT 8
DISBURSALS TOWARDS VARIOUS INCENTIVE SCHEMES :
SUMMARY

Incentive Scheme	Fiscal Incentives : Disbursals/Refunds (Rs. crores)						
	98-99	99-00	00-01	01-02	02-03	03-04	04-05+
EXCISE DUTY:							
Petroleum : Dibrugarh	-	-	-	-	66.77	130.01	55.97
Petroleum : Shillong					N.A.	N.A.	N.A.
Petroleum Total							
Other Sectors:							
Dibrugarh Commiss.	-	2.82	43.28	116.75	153.42	157.11	31.18
Dibrugarh : Outstandg							24.70
Shillong Commiss.	-	13.61	242.03	103.80	202.30	200.2	61.49
Shillong : Outstandg							10.06
Other Sectors Total		16.43	285.31	220.55	355.72	357.31	127.43
Excise Refunds Total							
OTHER INCENTIVES							
Transport Subsidy		35.34	20.00	40.27	54.39	53.02	24.00
Capital Investment			0.26	3.91	10.34	7.57	4.74
Central Interest				0.25	1.17	1.57	0.06
Comp. Insurance			0.05				0.05
Growth Centre		5.00	9.95	5.25	-	2.00	-
Total		40.34	30.26	49.68	65.9	62.16	30.85
Grand Total (Excl. Refinery Sector)		56.77	315.57	270.23	421.62	419.47	158.28
Grand Total (Incl. Refinery Sector)*							

+April-August.

* Based on Feedback from : Chief Excise Commissionerate, Shillong,

Aggregate of Excise Duty exemption/refunds (excluding Refinery Sector)	Rs. 1363.02
Aggregate of Other Subsidies Disbursed	Rs301.74
Overall Claims Disbursals/Refunds	Rs. 1664.76

EXHIBIT 9

DETAILS OF AMOUNTS SANCTIONED/DISBURSED UNDER VARIOUS INCENTIVE SCHEMES OF NEIP 1997

State/Scheme	Amount Sanctioned/Disbursed (Rs.crores)					
	1999-2000	2000-01	2001-02	02-03	03-04	04-05+
ARUNACHAL PRADESH						
Transport Subsidy Scheme	6.09	-	1.98	2.52	3.02	1.87
Capital Investment Subsidy Scheme	-	-	-	-	-	-
Central Interest Subsidy Scheme	-	-	-	-	-	-
Comprehensive Insurance Scheme	-	-	-	-	-	-
Growth Centre Scheme (NiklokNgorlung)	0.50	-	-			
Excise duty exemption claimed						
ASSAM						
Transport Subsidy Scheme	11.95	16.69	17.97	18.30	21.40	22.11
Capital Investment Subsidy Scheme	-	-	3.89	5.92	5.60	2.92
Central Interest Subsidy Scheme	-	-	0.05	0.93	1.34	0.06
Comprehensive Insurance Scheme	-	-	0.04			
Growth Centre Scheme : Chariduar Matia	1.50 1.00	1.00 1.00	- -			
Excise duty exemption claimed						
MANIPUR						
Transport Subsidy Scheme	0.04	-	-	-	-	-
Capital Investment Subsidy Scheme	-	-	-	-	-	-
Central Interest Subsidy Scheme	-	-	-	-	-	-
Comprehensive Insurance Scheme	-	-	-	-	-	-
Growth Centre Scheme (Lamlai -Napat)	-	1.00	-			
MEGHALAYA						
Transport Subsidy Scheme	7.04	2.62	10.13	19.78	28.42	-
Capital Investment Subsidy Scheme	-	-	-	3.87	1.8	1.64
Central Interest Subsidy Scheme	-	-	0.20	0.24	0.21	-
Comprehensive Insurance Scheme	-	-	0.01			

State/Scheme	Amount Sanctioned/Disbursed (Rs.crores)					
	1999-2000	2000-01	2001-02	02-03	03-04	04-05+
Growth Centre Scheme (Mendipathar)	-	-	-			
Excise duty exemption claimed						
State/Scheme	Amount Sanctioned/Disbursed (Rs.crores)					
	1999-2000	2000-01	2001-02	02-03	03-04	04-05+
MIZORAM						
Transport Subsidy Scheme	3.47	-	4.35	6.70	-	-
Capital Investment Subsidy Scheme	-	-	-	-	-	
Central Interest Subsidy Scheme	-	-	-	-	-	-
Comprehensive Insurance Scheme	-	-	-	-		
Growth Centre Scheme (Luangmual)	-	2.50	-			
Excise duty exemption claimed						
NAGALAND						
Transport Subsidy Scheme	6.49	-	5.65	6.00	0.02	-
Capital Investment Subsidy Scheme	-	-	-	-	-	-
Central Interest Subsidy Scheme	-	-	-	-	-	-
Comprehensive Insurance Scheme	-	-	-			
Growth Centre Scheme (Ganeshnagar)	5.00	1.95	2.55			
Excise duty exemption claimed						
TRIPURA						
Transport Subsidy Scheme	0.26	0.69	0.19	1.09	0.16	0.02
Capital Investment Subsidy Scheme	-	0.26	0.02	0.55	0.17	0.18
sCentral Interest Subsidy Scheme	-	-	-	-	0.02	-
Comprehensive Insurance Scheme	-	-	-			
Growth Centre Scheme (Bodhjungnagar)	-	2.50	2.70			
Excise duty exemption claimed						
TOTAL	43.31	30.21	50.42			

+ April-August. :: Source : DIPP, NEDFi.

EXHIBIT 10

EXCISE DUTY REFUNDS – SECTOR- WISE DISBURSAL PATTERN [1998-99 TO 2004-05 (Apr-August)]

Sector	Disbursals (Rs. Crores)	% to Total
Tobacco, cigarettes, ghudka, etc.	400.39	29.38
Cosmetics, toiletries, personal care	289.91	21.27
Metallurgical Sector	119.00	8.73
Food Products	101.69	7.46
Tea	65.97	4.84
Mosquito Repellent	54.16	3.97
Cement	35.77	2.62
Others	296.13	21.73
Total [Excluding Refinery]	1363.02	100.00

ANNEXURE I

GRADED CCIS SCHEME STRUCTURE (TO REFLECT INDUCEMENT TO HIGHER LEVEL OF VALUE ADDITION AND EMPLOYMENT GENERATION)

Value Addition Norm Range (%)	CCIS Entitlement	Cap (Rs. lakhs)
10-20%	15%	30.00
20-30	A graded structure between 15 & 20%	40.00
30-50%	A graded structure between 20 & 25%	50.00
>50%	30%	60.00