

## 1. Examine the role of irrigation and flood control measures in Andhra Pradesh's budget, with a special focus on the Polavaram Project.

Irrigation and flood control are critical components of Andhra Pradesh's budget, reflecting the state's commitment to agricultural development and disaster management. A significant focus within this domain is the Polavaram Irrigation Project, often termed the lifeline of Andhra Pradesh. This project plays a pivotal role in the state's water resource management, agricultural productivity, and flood control strategies.

### Budgetary Allocations for Irrigation

- **Total Allocation:** ₹18,019 crore for the Water Resources Department.
- **Key Focus Areas:**
  - ❖ **Polavaram Project:** ₹12,157 crore sanctioned by the Union Government for the first phase, set for completion by 2027.
  - ❖ Polavaram - Banakacherla River Interlinking Project to harness 2,000 TMC of water wasted into the sea, aimed at making Andhra Pradesh drought-proof.
  - ❖ Clearing of ₹4,600 crore pending irrigation bills out of ₹10,000 crore inherited from the previous government.
  - ❖ Restoration of deteriorated dams like Tungabhadra Dam.

### Budgetary allocation for Flood Control

While the substantial allocation covers various aspects of water resource management, including irrigation projects and dam maintenance, specific details regarding the funds earmarked exclusively for flood control measures are not distinctly outlined in the available budget documents. Flood control initiatives are typically integrated within the broader scope of water resource management and may not always be itemized separately in budgetary allocations.

For precise information on the budgetary allocation dedicated solely to flood control in Andhra Pradesh for the 2025-26 fiscal year, it would be advisable to consult the detailed budget documents released by the Andhra Pradesh Finance Department. These documents provide comprehensive insights into sector-wise and project-specific funding.

### The Polavaram Project: A Focal Point

The Polavaram Project is a multi-purpose major terminal reservoir project on the Godavari River, located near Rammayyapet in Polavaram mandal of West Godavari district. It is designed to serve multiple purposes, including irrigation, hydropower generation, and drinking water supply. The project is a cornerstone of Andhra Pradesh's irrigation strategy and has received significant budgetary attention.

### Key Features of the Polavaram Project

- ❖ **Irrigation Potential:** The project will provide irrigation facilities to 2.91 lakh hectares (CCA) and has a tentative irrigation potential of 4.368 lakh hectares.
- ❖ **Hydropower Generation:** It will have an installed capacity of 960 MW, with an annual power generation of 2,369.43 million units.
- ❖ **Drinking Water Supply:** The project will provide 23.44 TMC (663.7 MCM) of drinking water to Visakhapatnam city and its steel plant, along with drinking water facilities to 540 villages in the command area.
- ❖ **Water Diversion:** It will transfer 80 TMC of surplus water from the Godavari River to the Krishna River, benefiting Andhra Pradesh, Karnataka, and Maharashtra as per the Godavari Water Disputes Tribunal (GWDT) award.

## Budgetary Allocations for Polavaram

- In the 2024-25 state budget, ₹5,449 crore was earmarked specifically for the Polavaram Project.
- The Union Budget for 2025-26 allocated ₹5,936 crore towards the project, with an additional ₹12,157 crore designated as a balance grant.
- These allocations highlight the collaborative effort between the state and central governments to expedite the project's completion.

## Recent Developments and Initiatives

- In June 2023, the Department of Expenditure, Ministry of Finance, approved additional funding of ₹10,911.15 crore to finalize the remaining work of the Polavaram Project, enabling water storage up to 41.15 meters.
- An additional ₹2,000 crore was sanctioned to repair flood-induced damages.
- These financial commitments aim to ensure the project's timely completion by 2028, addressing both irrigation needs and flood control measures.

## Impact on Agriculture and Flood Management

### Agricultural Benefits

- Upon completion, the Polavaram Project is expected to irrigate approximately 2.91 lakh hectares, significantly boosting agricultural productivity in the region.
- It will support the agricultural economies of East Godavari, Visakhapatnam, West Godavari, and Krishna districts.

### Flood Control Mechanisms

- The project includes flood control mechanisms designed to mitigate the impact of recurrent floods in the Godavari basin.
- By regulating water flow, it will safeguard lives, property, and agricultural lands from flood-related damages.

## Conclusion

Andhra Pradesh's substantial investments in irrigation and flood control, particularly through the Polavaram Project, underscore a strategic emphasis on enhancing agricultural output and bolstering disaster resilience. These initiatives are anticipated to drive sustainable economic growth, improve livelihoods, and ensure long-term water security for the state's populace. The collaborative efforts between the state and central governments further highlight the project's national significance in water resource management and regional development.

## 2. The state government has committed a significant portion of its revenue to pensions and interest payments. Discuss the challenges posed by committed expenditure and suggest ways to improve fiscal flexibility.

Andhra Pradesh's fiscal landscape is significantly influenced by committed expenditures, particularly pensions and interest payments. In the 2025-26 fiscal year, the state has proposed a revenue expenditure of ₹2,51,163 crore and capital expenditure of ₹40,636 crore. This expenditure encompasses salaries, pensions, interest, grants, and subsidies.

### Challenges Posed by Committed Expenditure

1. **Reduced Fiscal Flexibility:** A substantial portion of the budget allocated to fixed commitments limits the state's ability to fund developmental projects and respond to unforeseen financial needs. For example, the fiscal deficit for 2024-25 is targeted at 4.2% of GSDP (Rs 68,743 crore), as compared to 4.3% of GSDP at the revised estimate stage in 2023-24.
2. **Increased Borrowing:** High committed expenditures can lead to fiscal deficits, compelling the state to resort to borrowing, which may further escalate interest obligations. For instance, at the end of 2024-25, the outstanding liabilities are estimated to be 34.1% of GSDP, higher than the revised estimates for 2023-24 (33.7% of GSDP).
3. **Crowding Out Developmental Spending:** Prioritizing pensions and interest payments can result in reduced allocations for sectors like infrastructure, education, and healthcare, potentially hindering overall economic growth. For example, in 2022-23, 30% of revenue receipts were spent on pension and interest payments.

## Strategies to Enhance Fiscal Flexibility

**1. Pension Reforms:** Transitioning from defined benefit schemes to contributory pension schemes can help manage long-term liabilities. Encouraging state employees to participate in the National Pension System (NPS) may also alleviate future pension burdens. For example, In 2024-25, Andhra Pradesh is estimated to spend Rs 50,604 crore on pension and interest payments, which is 25% of its estimated revenue receipts. This comprises spending on pension (11% of revenue receipts), and interest payments (14%). In 2022-23, 30% of revenue receipts were spent on pension and interest payments.

**2. Debt Management:** Implementing prudent borrowing practices and exploring debt restructuring options can reduce interest payments. Prioritizing loans with favorable terms and focusing on self-sustaining projects can improve the state's debt profile. For example, according to the CAG (2023), total off-budget borrowings in Andhra Pradesh stood at Rs 1,18,394 crore as on March 31, 2022.

**3. Enhancing Revenue Streams:** Diversifying and increasing revenue sources, such as optimizing tax collections, introducing new taxes, or enhancing non-tax revenues, can provide additional funds to offset committed expenditures. For example, in 2024-25, State GST is estimated to be the largest source of own tax revenue (34% share). State GST revenue is estimated to increase by 20% over the revised estimates of 2023-24.

**4. Expenditure Rationalization:** Conducting regular expenditure reviews to identify and eliminate inefficiencies can free up resources. Implementing zero-based budgeting can ensure that all expenses are justified annually, promoting fiscal discipline. The Andhra Pradesh Government is planning to rationalise the village and ward secretariat employees to improve the services they provide. It is also contemplating appointing an aspirational secretary to introduce new technologies such as AI and drones in villages.

**5. Public-Private Partnerships (PPPs):** Leveraging PPPs for infrastructure and service delivery can reduce immediate capital outlays, allowing the state to benefit from private sector efficiency and investment. For instance, in recent budget, the innovative Viability Gap Funding (VGF) scheme for Public Private Partnership (PPP) projects for up to 20% of the project cost of any department, beyond the existing budgetary allocation

The high level of committed expenditures, particularly on pensions and interest payments, poses significant challenges to Andhra Pradesh's fiscal flexibility and development goals. By rationalizing pension liabilities, optimizing debt management, enhancing revenue mobilization, and improving expenditure efficiency, the state can create fiscal space for growth-oriented investments. These measures, coupled with prudent fiscal management and strategic reforms, will enable Andhra Pradesh to achieve sustainable economic growth and improve the well-being of its citizens.