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सत्यमेव जयते

Government of Gujarat



**STATEMENTS UNDER THE
GUJARAT FISCAL RESPONSIBILITY ACT, 2005
FEBRUARY 2010**

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1. GUJARAT FISCAL RESPONSIBILITY ACT, 2005

1.1. Gujarat Fiscal Responsibility Act, 2005 and Gujarat Fiscal Responsibility Rules, 2005 have been framed by the Government of Gujarat to make the State Government accountable for ensuring prudence in fiscal management and to ensure fiscal stability by progressive elimination of revenue deficit, sustainable debt management consistent with fiscal stability, greater transparency in fiscal operations and to chart the course of fiscal policy in a medium term frame work.

1.2. As per Section 3 of the Act, the State Government is required to lay before the legislature in every financial year, the Medium Term Fiscal Policy Statement, and the Fiscal Policy Strategy Statement along with the budget. The Medium Term Fiscal Policy Statement and the Fiscal Policy Strategy Statement set forth the fiscal objectives, strategic priorities of the State Government and a three-year rolling target for fiscal management.

The targets for fiscal consolidation have been set forth in Section 5 of the Act.

1.3. In wake of the global financial crisis, Government of India relaxed the fiscal deficit target for FY 2008-09 and FY 2009-10 by 0.5% and 1% of GSDP, respectively. This was to spur infrastructural development and employment generation by undertaking capital expenditure. In addition, the Debt Consolidation and Relief Facility (DCRF) requirement of maintaining Revenue Deficit at zero was also relaxed for 2008-09 and 2009-10. Government of India had suggested the States to amend their Fiscal Responsibility Legislations (FRLs) accordingly.

1.4. The Bill seeking amendment to the said Act was introduced in the Assembly in June 2009 wherein it was mentioned that the revenue deficit and fiscal deficit may exceed the limits specified under Section 5 of FRBM Act 2005 due to grounds of unforeseen demands on the finances of the State Government arising out of internal disturbance or natural calamity or due to any other exceptional ground specified by the State Government.

The accompanying statements are as per the Rule 7(1) of the Gujarat Fiscal Responsibility Rules, 2005.

2. STATUS OF ADHERENCE TO FRBM TARGETS

2.1. The State Government undertook a number of steps to move forward on the path of fiscal correction and achieved all set parameters of FRBM Act well before its stipulated timeline.

Table 2.1: Achievement of FRBM targets

Particulars	Target	Achievement
Revenue Deficit	Zero by 2007-08	Achieved in 2006-07
Fiscal Deficit against GSDP	3 % by 2008-09	Achieved in 2006-07
Public Debt against GSDP	30 % by 2007-08	Achieved in 2006-07
Outstanding Guarantees	Rs. 16000 crores by 2007-08	Achieved in 2006-07

2.2. The process of fiscal reforms has been carried forward by active debt management which has led to decline in the weighted average interest on the debt stock from 10.79 % in 2004-05 to 8.91 % as at the end of March 2009. The State has also been augmenting its Consolidated Sinking Fund (CSF), set up to meet the outstanding liability which has resulted in an accumulated balance of Rs. 4867 crores as on 31st December 2009.

2.3. The contingent liabilities of the State Government, as defined in terms of its outstanding guarantees, have shown significant reduction over the last few years. The total outstanding guarantees have come down to Rs. 10340 crores as on end March 2009 as compared to Rs.11561 crores as on end March 2008, registering a decline of 10.56 %. The Guarantee Redemption Fund (GRF) has been steadily augmented and aggregated to Rs. 1540 crores as on 31st December 2009.

2.4. The State Government has initiated a number of measures to institutionalize the path of fiscal correction. Measures such as rationalization of tax structure, ceiling on Guarantees, introduction of VAT, New Pension Scheme and Integrated Financial Management System (IFMS) have led to better fiscal management.

2.5. However, maintaining this fiscal equilibrium in the coming years would be a challenge in the backdrop of recessionary pressures being faced by the Indian economy as also mounting financial burden of implementation of Sixth Pay Commission recommendation. The onset of global financial crisis in the year 2008-09 had moderated the growth of the Indian economy as a result of which State also experienced recessionary pressures. The State Government stepped up its developmental expenditures to provide fiscal stimulus to the State's economy and stay on its path of high growth.

2.6. To ensure that adequate fiscal stimulus was made available to the economy, the State Governments were allowed to have revenue deficit in the years 2008-09 and 2009-10. The revenue deficit for the year 2008-09 and 2009-10 (RE) are Rs. 66 crores and Rs. 4356 crores respectively. This was primarily on account of additional financial burden of Rs. 3622 crore in FY 2009-10 alone due to implementation of Sixth Pay Commission recommendations. In order to provide additional fiscal space to the State

governments, the Government of India had revised the FRBM target for Fiscal Deficit as a percentage of GSDP from 3 % to 3.5 % in 2008-09 and further to 4 % in 2009-10. Against this, the State reported a Fiscal Deficit of Rs. 10437 crores (3.1 % of GSDP) in 2008-09 and Rs. 12628 crores (3.31 % of GSDP) in 2009-10 (RE). The Government has not only continued to be on the path of fiscal consolidation through adherence to the prescribed FRBM targets, but has also kept the deficits much below the FRBM limits, ensuring prudence in spite of the available fiscal space.

Table 2.2: Achievement of revised FRBM targets

Particulars	Revised Targets 2008-09	Achievement 2008-09	Revised Targets 2009-10	Revised Estimate 2009-10
Revenue Deficit	Revenue Deficit was allowed	-66 crores	Revenue Deficit was allowed	-4356 crores
Fiscal Deficit against GSDP	3.5 %	3.1 %	4.0 %	3.31 %
Public Debt against GSDP	30 %	25.8%	30%	25.86%
Outstanding Guarantees	Rs. 16000 crores	Rs. 10340 crores	Rs.16000 crores	Rs.10257 crores

2.7. The State has thus successfully adhered to FRBM targets despite the impact of exogenous shocks on the State's economy and Government's finances. However, going forward the State's finances would have to absorb full impact of implementation of Sixth Pay Commission in the current inflationary scenario as also the recommendation of 13th Finance Commission, which will have significant bearings on the finances of the State Government. The fiscal balance would also be greatly impacted by the pace of the economic recovery. All these uncertainties make it difficult to estimate their impact on the Government finances and would be deciding factors in assessment of future outlook.

2.8. With various measures taken for resource mobilization and controlling the expenditure, the State Government is committed to continuing with its policy of fiscal consolidation in the coming years. However, the imperatives of growth are such that some amount of stimulus will have to be retained to ensure that momentum of growth is not slowed down.

2.9. In keeping with the requirement of fiscal transparency, which is considered to be the cornerstone of good governance, the current budgetary process involves placing all financial statements and underlying information and assumptions on the table of the House. The accompanying statements and an assessment of future outlook is to further the objectives of Gujarat Fiscal Responsibility Act, 2005.

3. MACROECONOMIC FRAMEWORK STATEMENTS

A. OVERVIEW OF THE STATE ECONOMY

3.1. The State has a target of 11.2 per cent growth rate for the Eleventh Five Year Plan (2007-12) as against 9 per cent growth rate of the nation. The State economy at current prices has recorded an annualized growth rate of 15.04 % for the last six years (2004-05 to 2009-10), one of the highest in the country. GSDP at current prices in 2009-10 has been estimated at Rs. 3,81,028 crores as against Rs. 3,37,217 crores in 2008-09, showing an increase of 13 per cent during the year. Table 3.1 shows the GSDP of the State over the years.

Table 3.1: Gross State Domestic Product

(Rs. crores)

Sr. No.	Year	Current Prices	Percent Growth Over Previous Year
1	2	3	4
1	1999-00	109861	-
2	2000-01	111139	1.16
3	2001-02	123573	11.19
4	2002-03	141534	14.53
5	2003-04	168080	18.76
6	2004-05	189118	12.52
7	2005-06	226897	19.98
8	2006-07	262723	15.79
9	2007-08 (P)	303734	15.61
10	2008-09 (Q)	337217	11.02
11	2009-10 (A)	381028	12.99

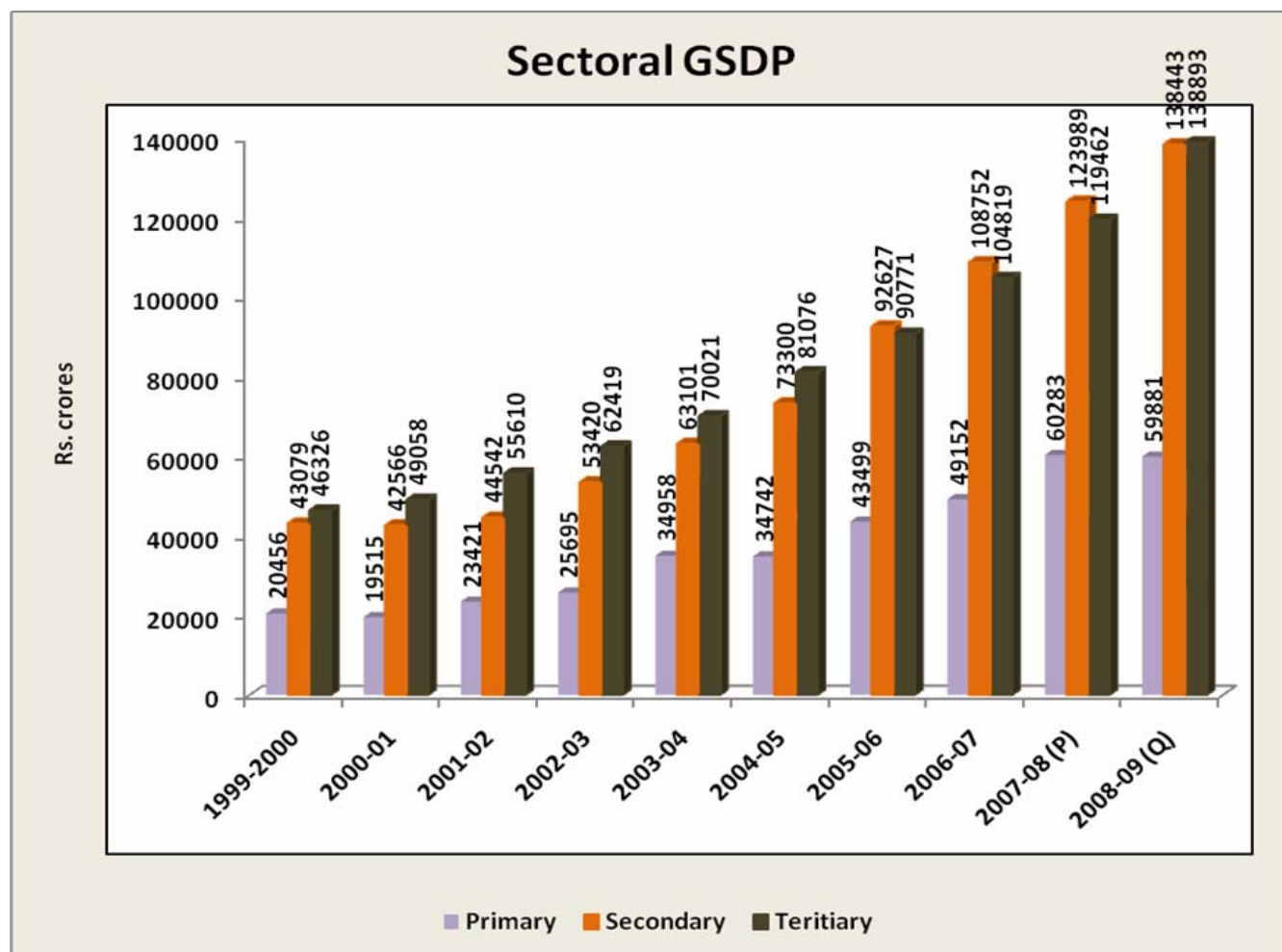
P = Provisional Estimates, Q = Quick Estimates, A = Advance Estimates (Base Year: 1999 – 2000)

Source: Directorate of Economics and Statistics, Gandhinagar

It can be observed that while there was a slight decline in GSDP growth during 2008-09, in keeping with recessionary pressure felt by the Indian economy due to global financial crisis, the State's economy has been quick to rebound in 2009-10 and continues to maintain its high growth trajectory.

3.2. The share of primary, secondary and tertiary sector has been reported to be 17.76 %, 41.05 % and 41.19 % respectively, of the total GSDP at current prices in 2008-09. The share of these sectors in the base year 1999-2000 was reported to be 18.62 %, 39.21 % and 42.17% respectively. This is indicative of the balanced growth of the economy.

Figure 3.1 : Sectoral overview of GSDP



Source: Directorate of Economics and Statistics, Gandhinagar

Table 3.2 : GSDP by broad sectors- Sectoral Contribution (per cent)

Sr. No.	Industry	Current Prices 1999-00	At Current Prices				
			2004-05	2005-06	2006-07	2007-08	2008-09
1	2	3	4	5	6	7	8
1	Primary	18.62	18.44	19.87	18.71	19.85	17.76
1.1	Agriculture	14.54	13.53	15.04	14.53	15.95	14.10
2	Secondary	39.21	38.20	37.91	41.39	40.82	41.05
2.1	Manufacturing	30.75	30.11	29.71	32.08	31.62	31.08
3	Tertiary	42.17	43.36	42.22	39.90	39.33	41.19
	Total GSDP	100.00	100.00	100.00	100.00	100.00	100.00

Source: Directorate of Economics and Statistics, Gandhinagar

B. OVERVIEW OF STATE GOVERNMENT FINANCES

Major fiscal Indicators:

The revenue and fiscal deficit of the State has been within the framework of FRBM Act. The revenue deficit in the year 2008-09 was at Rs. 66 crores as compared to Rs 2150 crores surplus in 2007-08. The revised estimate for revenue deficit in 2009-10 is Rs 4356 crores. The fiscal deficit for 2008-09 was Rs 10437 crores, as compared to Rs 4771 crores in 2007-08. The State Government has been successful in limiting its fiscal deficit for 2008-09 to 3.10 % of the GSDP. This is within the relaxed FRBM guidelines of 3.5 % for the year 2008-09. For the year 2009-10 (RE) the fiscal deficit is estimated to be Rs. 12628 which is 3.31 % of the GSDP, well within the relaxed guideline of 4 % of GSDP.

Receipts:

3.3. The total receipts of the Government are aggregation of Consolidated Fund of the State and balance from the Public Account. The Consolidated Fund of the State, in turn, comprises of revenue receipts, public debt and recovery of loans. Table 3.3 shows the total revenue receipts of the State Government.

Table 3.3 : Total Receipts of the State Government

(Rs. crores)

Year	Revenue Receipt	Public Debt	Recovery of Loans	Consolidated Fund (CF) 2+3+4	Net Public Account	Total 5+6
1	2	3	4	5	6	7
2004-05	20265	16401	186	36852	1157	38009
2005-06	25067	10671	1783	37521	- 3108	34413
2006-07	31002	6951	798	38751	20	38771
2007-08	35690	8611	214	44515	- 1784	42731
2008-09	38676	10079	181	48936	2925	51861
2009-10 (RE)	43449	14761	230	58440	1250	59690

Source: Finance Accounts of the relevant years

3.4. The revenue receipts of the State have been growing at annualized rate of 16.48 % over the period of 2004-05 to 2009-10 (RE). The revenue receipts in the FY 2008- 09 aggregated to Rs. 38676 crores, showing a YOY growth of 8.37 %. The revised estimate of revenue receipts in FY 2009-10 is Rs.43449 crores, registering a growth of 12.34% over the previous year.

3.5. Revenue Receipts comprise of State's own revenue receipts and central devolution. The central tax devolution is determined by the Finance Commission award. The Twelfth Finance Commission (TFC) awarded 3.569 % of sharable tax excluding service tax and 3.616 % of the sharable service tax to Gujarat as against the Eleventh Finance Commission award of 2.821 % and 2.858 % respectively. Although Gujarat contributes significantly to the central pool of taxes, the devolution by way of share of central taxes and grants-in-aid are in no way commensurate, which impedes the availability of resources to the State. The State Government has forcefully advocated its case to the Thirteenth Finance Commission for higher devolution to more efficient States like Gujarat. The recommendation of Thirteenth Finance Commission, which is still awaited, will have significant impact on the revenue resources available to the State. Table 3.4 shows the composition of revenue receipts.

Table 3.4 : Composition of Revenue Receipt

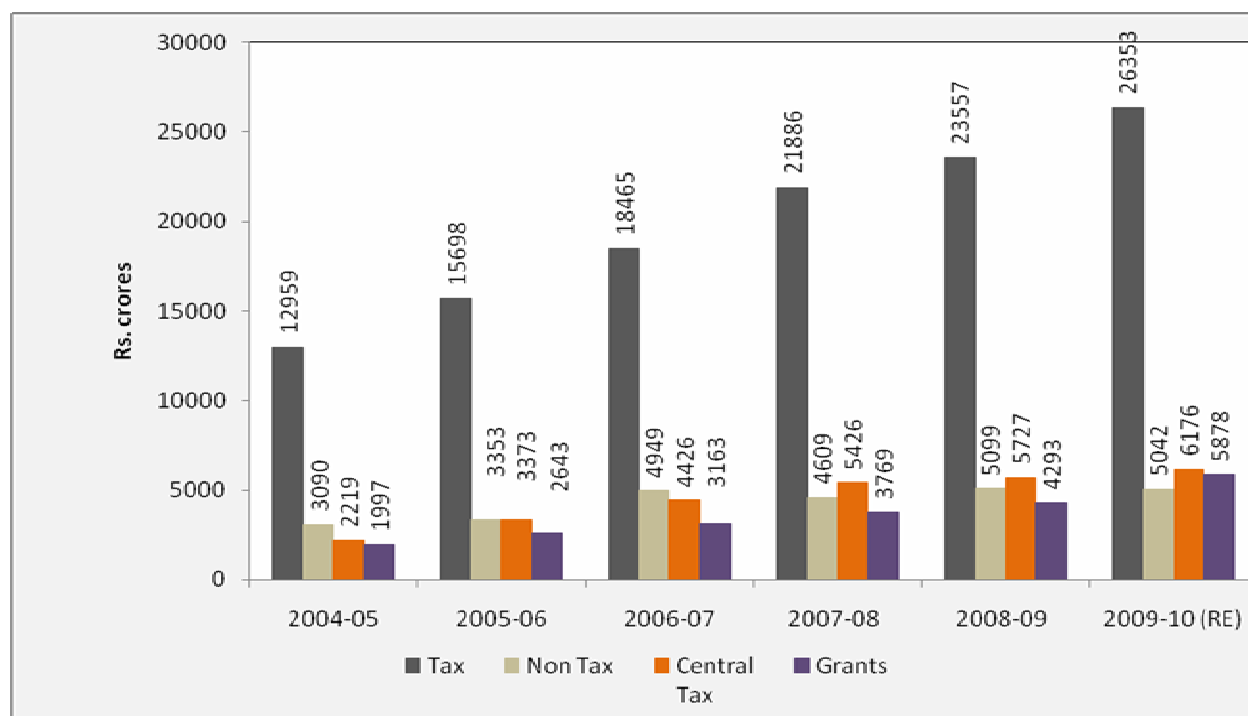
(Rs. crores)

Year	State's Own Revenue Receipts (SORR)				Central Devolutions				% of SORR in the Total Revenue
	Tax	Annualized growth (%)	Non Tax	Annualized growth (%)	Central Tax	Annualized Growth (%)	Grant	Annualized Growth (%)	
2004-05	12959	-	3090	-	2219	-	1997	-	79
2005-06	15698	21.14	3353	8.51	3373	52.01	2643	32.35	76
2006-07	18465	19.37	4949	26.56	4426	41.23	3163	25.85	75
2007-08	21886	19.09	4609	14.26	5426	34.72	3769	23.58	74
2008-09	23557	16.12	5099	13.34	5727	26.72	4293	21.09	74
2009-10 (RE)	26353	15.25	5042	10.29	6176	22.72	5878	24.10	81

Source: Finance Accounts of the relevant years

The Central Government is yet to release the outstanding amount of Rs. 2208 crore due to the State on account of compensation for phasing Central Sales Tax (CST) and as such revenue receipt is understated to this extent. The State's own revenue receipts has shown significant increases in the last year, and accounted for 81% of total revenue of the Government.

Figure 3.2: Composition of Revenue Receipt



Source: Finance Accounts of the relevant years

State's Tax Revenues

3.6. Tax revenues of the State have been growing at a steady pace. It is observed that while GSDP has grown at a CAGR of 15.04 % during the period 2004-05 to 2009-10 (RE), the taxes have registered CAGR of 15.25 % during the same period, which indicates buoyant tax revenue. The State's own tax revenues have been growing at a healthy rate as could be seen in Table 3.5.

Table 3.5 : Composition of State's Own Tax Revenue**(Rs. Crores)**

Own Tax Revenues	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 (RE)	Annualized Growth Rate (%)
Profession Tax*	132	119	131	150	186	186	7.10
Land Revenue	235	380	499	683	544	925	31.53
Stamps & Registration	963	1153	1425	2018	1729	2100	16.87
State Excise	47	48	42	47	49	58	4.30
Sales Tax / VAT	8309	10562	12817	15105	16810	18215	17.00
M V Tax	1061	1154	1191	1310	1382	1600	8.56
Taxes on Goods and Passengers	160	157	6	152	169	265	10.62
Electricity Duty	1829	1900	2088	2047	2370	2605	7.33
Entertainment Tax	51	44	28	29	35	40	-4.74
Tax on Immovable Property	0	0	0	111	101	110	-0.90
Other Tax	172	181	238	233	182	249	7.68
Own Tax Revenues	12959	15698	18465	21885	23557	26353	15.25

Source: Finance Accounts of the relevant years

* Profession tax is being levied and collected by local bodies w.e.f. 1-4-2008 in respect of all professions, trades and callings except Government, PSUs and Panchayat employees and therefore to that extent the revenue figures are understated.

3.7. Amongst the State's own tax revenue, Value Added Tax (VAT) is the highest contributor, accounting for 69.11 % of the total own tax revenue in 2009-10 (RE). Sales Tax or VAT has grown steadily at an annualized growth rate of 17 % during 2004-05 to 2009-10 (RE). Land revenue has grown at an annualized growth rate of 31.53 % during 2004-05 to 2009-10 (RE). Revenues from Stamps & Registration and Motor Vehicles Tax have also shown steady growth during the year 2004-05 to 2009-10 (RE). As a tax reform measure, the collection of Profession tax was given to the local bodies.

3.8. Since 2000-01, the State Government has undertaken a series of steps to rationalize various taxes that have led to better compliance and buoyancy in the tax collection.

State's Non Tax Revenues:

3.9. Non-tax revenues of the State have increased from Rs. 3091 crores in the year 2004-05 to Rs. 5099 crores in the year 2008-09. It has decreased to Rs. 5042 crores as per the revised estimate for the year 2009-10 (RE).

3.10. The change in the calculation of royalty on crude oil unilaterally by ONGC in the FY 2008-09 has led to a significant loss of non-tax revenue of the State. The estimates show that revenue loss due to short payment of royalty on crude oil aggregated to Rs. 1532 crores. Table 3.6 shows the composition of State's non tax revenue.

Table 3.6 Composition of State's Non Tax Revenue**(Rs. crores)**

Non Tax Revenue	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 (RE)
1	2	3	4	5	6	7
Fiscal Services incl. interest receipts	506	271	638	377	617	600
General Services	407	406	1176	800	992	916
Social Services	182	235	323	382	654	673
Economical Services	1996	2441	2812	3050	2836	2853
Non Tax Revenue	3091	3353	4949	4609	5099	5042

Source: Finance Accounts of the relevant years

Expenditure

3.11. Public expenditure signifies the quantum of government spending on social and physical infrastructure for the development of the State. The size, composition and productivity of public expenditure are important parameters to assess the effectiveness of public expenditure in accelerating growth of the economy. The basic categorization of public expenditure is into plan and non-plan.

3.12. Plan expenditure has grown at an annualized growth of 20.03 % over the period 2004-2005 to 2009-2010 (RE) as shown in Table 3.8. During the same period, the non-Plan expenditure has increased annually by only 4.79 %. This indicates the developmental thrust of State's public expenditure.

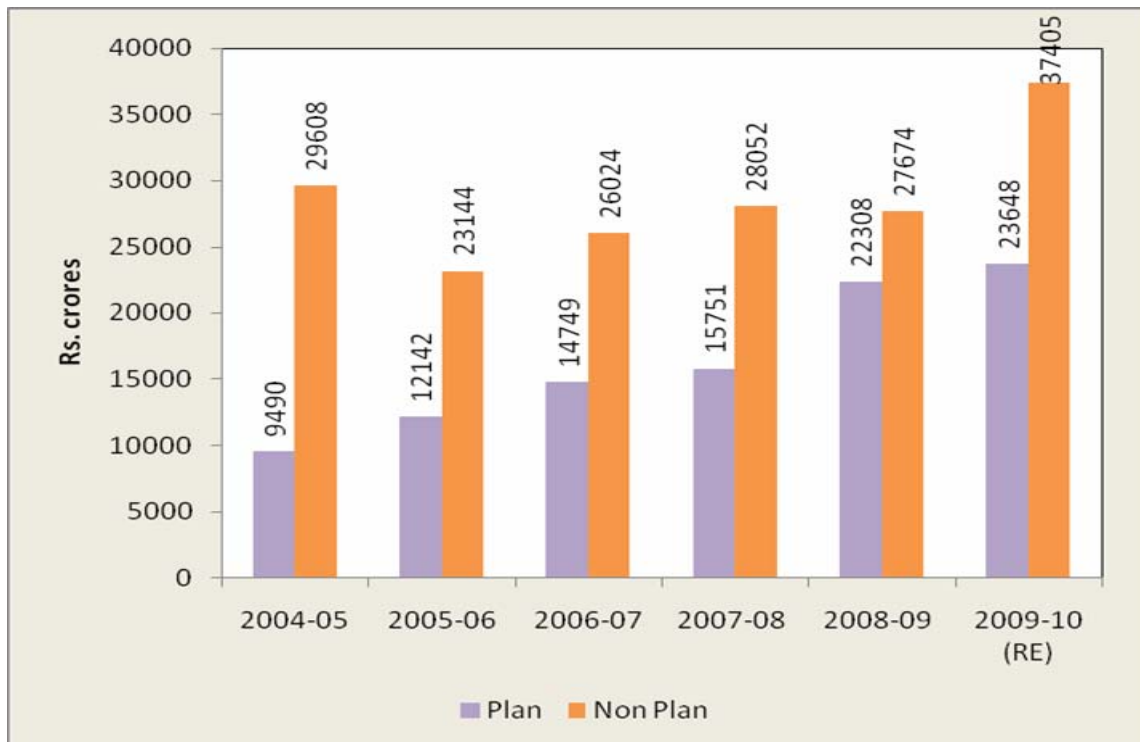
Table 3.7: Plan and Non Plan Expenditure

(Rs. crores)

Year	Plan			Annualized Growth (%)	Non Plan	Annualized Growth (%)	Total Expenditure
	Budgetary Support	NBR	Total				
2004-05	8421	1069	9490	-	29608	-	39098
2005-06	11113	1029	12142	27.95	23144	- 21.83	35286
2006-07	13198	1551	14749	24.67	26024	- 6.25	40773
2007-08	14651	1100	15751	18.40	28052	- 1.78	43803
2008-09	21288	1020	22308	23.82	27674	-1.67	49982
2009-10 (RE)	22148	1500	23648	20.03	37405	4.79	61053

Source: Finance Accounts of the relevant years

Figure 3.3: Plan and Non Plan Expenditure



Source: Finance Accounts of the relevant years

3.13. Curtailment of growth of revenue expenditure is a focus area for the State Government so that resources can be optimally utilized for developmental purposes. The annualized growth in Revenue Expenditure over the period of 2004-05 to 2009-10 (RE) has been 14.49 % whereas the Revenue Receipts have shown annualized growth of 16.48 % during the same period. Table 3.8 shows the revenue expenditure over the years.

Table 3.8: Revenue Expenditure

(Rs. crores)

Year	Revenue Expenditure	Annualized Growth (%)
2004-05	24302	-
2005-06	25465	4.79
2006-07	29232	9.68
2007-08	33540	11.34
2008-09	38742	12.37
2009-10 (RE)	47805	14.49

Source: Finance Accounts of the relevant years

The State Government has made consistent efforts to bring down the non-developmental expenditures, by taking a host of measures like pre-payment of high cost borrowings, rightsizing of the Government establishments, adoption of e-tendering, prioritization of spending, computerization of work areas, use of energy saving devices in Government offices, use of CNG vehicles and several other economy measures. State Government's implementation of an Integrated Financial Management System (IFMS) is nearing completion which would link all treasuries and accounting units with the Finance Department leading to better utilization and monitoring of State's resources. Such steps have not only reduced non-development expenditure but have also led to better outcomes. Table 3.9 shows the composition of revenue expenditure.

Table 3.9 : Composition of Revenue Expenditure

(Rs. crores)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 (RE)	Annualized Growth (%)
1	2	3	4	5	6	7	8
Revenue Expenditure	24302	25465	29232	33540	38742	47805	14.49
of which							
Salaries	6393	6675	7068	7925	8727	12487	14.32
Pension	1892	2101	2443	2706	2962	4331	18.01
Interest on Public Debt	5436	5452	6192	6677	7065	7707	7.23

Source: Finance Accounts of the relevant years

3.14. Salary Expenditure

The salary expenditure of the State Government has increased to Rs. 12487 crores in 2009-10 (RE) as compared to Rs. 8727 crores in 2008-09. The annualized growth of salary expenditure for the State has been 14.32 % over a period of 2004-05 to 2009-10 and is less than the annualized growth of 14.49 % for the revenue expenditure during the same period. However FY 2009-10 witnessed full impact of implementation of Sixth Pay Commission on State's finances with it being extended to the Grant-in-aid Institutions and part payment of arrears.

3.15. Subsidies:

Table 3.10 : Subsidies (Non-Plan)

(Rs. crores)

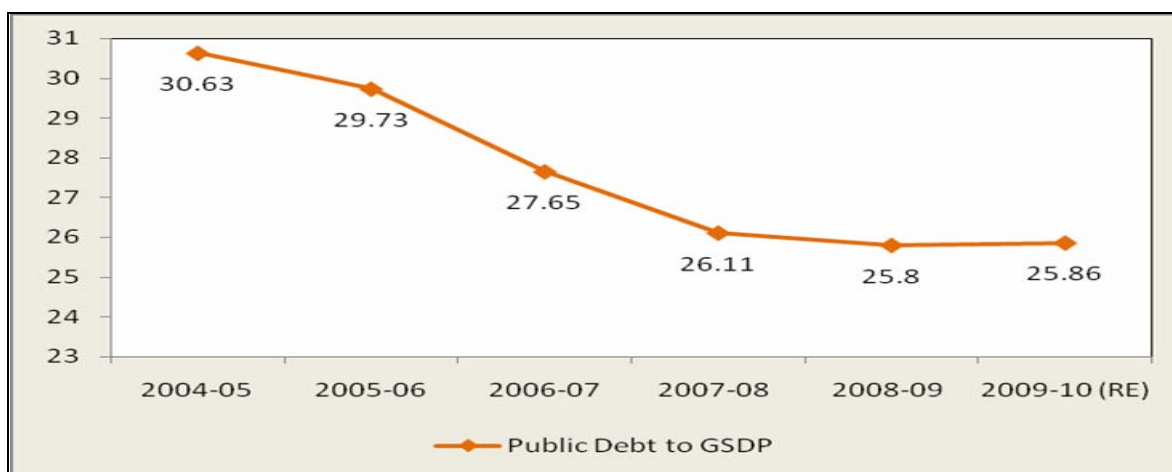
Department	2005-06	2006-08	2007-08	2008-09	2009-10 (RE)
Agriculture and Co-operation	183	195	408	74	270
Energy and Petrochemicals	2053	1873	1781	2941	2702
Food and Civil Supplies	138	130	141	144	312
Ports and Transport	356	356	362	362	502
Others	31	597	730	12	71
Total	2761	3151	3422	3533	3857

Source: Finance Accounts of the relevant years

Public Debt:

3.16. As on 31 March, 2009, the gross public debt of the State is estimated to be Rs. 87010 crores which works out to 25.8 % of the GSDP. The trend of improvement in the Debt to GSDP ratio is given in the Figure 3.4:

Figure 3.4: Public Debt as a per centage of GSDP



Source: Finance Accounts of the relevant years

The composition of the gross public debt is shown in Table 3.11 below:

Table 3.11 : Composition of Public Debt

(Rs. crores)

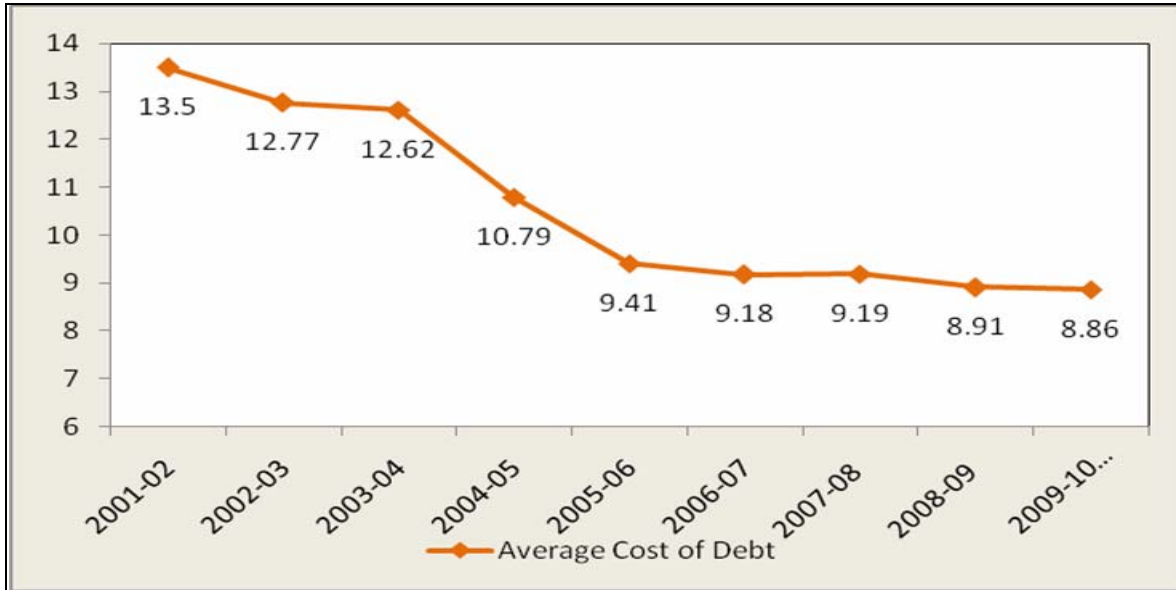
Source/ Year	As on 31 st March 2005	% to Gross	As on 31 st March 2006	% to Gross	As on 31 st March 2007	% to Gross	As on 31 st March 2008	% to Gross	As on 31 st March 2009	% to Gross
Market Borrowing + CPSU bonds	14358	24.79	14711	21.81	14265	19.64	20402	25.72	28020	32.20
Central Loans	11431	19.74	11567	17.15	11003	15.15	10658	13.44	10325	11.87
Loans from Financial Institutions	1519	2.62	2100	3.11	2822	3.89	3283	4.14	3773	4.34
NSSF Loans	30610	52.85	39068	57.92	44542	61.33	44966	56.70	44892	51.59
Total	57918	100	67446	100	72632	100	79309	100	87010	100

Source: Finance Accounts of the relevant years

The composition of the debt stock has undergone a change wherein proportion of central government loans has reduced to 11.87 % of total debt stock at the end of FY 2008-09 from 19.74 % at the end of FY 2004-05. The analysis of the debt portfolio of the State (Table 3.11) reveals that the bulk of the total public debt of Rs. 87,010 crores is on account of NSSF loans, which comprises 51.59 % of the public debt. The revised estimate for the total debt stock in fiscal year 2009-10 is Rs. 98528 crores.

3.17. The average cost of debt for Gujarat was 10.79 % in 2004-05. This has reduced to 8.91% in year 2008-09 and is expected to further reduce to 8.86 % in the year 2009-10 (RE). The interest payment as a percentage of revenue receipts in 2009-10 (RE) is 17.28 % as compared to 26.82 % in 2004-05.

Figure 3.5: Trend in average cost of Debt



Source: Finance Accounts of the relevant years

3.18. The Twelfth Finance Commission (TFC) had recommended that if the State satisfies the conditionality of prescribed fiscal performance, central loans contracted till 31-03-2004 and outstanding on 31-03-2005 will be consolidated and rescheduled for a fresh term of 20 years resulting in repayments in twenty equal installments at an interest rate of 7.5 %. As the State has fulfilled the conditions of fiscal performance laid down by the TFC, the loan of Rs. 9437 crores has been rescheduled by Government of India. The total savings due to reschedulement on account of debt repayment and interest payment is estimated at Rs. 3972 crores over a period of five years (2005-2010).

Table 3.12 : Debt Consolidation as per the recommendation of Twelfth Finance Commission

(Rs. crores)

Year	Before Consolidation		After Consolidation		Savings in Interest	Debt Waiver
	Principal	Interest	Principal	Interest		
2005-06	477	1083	374	708	375	374
2006-07	526	1014	472	620	394	472
2007-08	585	957	472	614	343	472
2008-09	649	892	472	578	314	472
2009-10	672	827	472	543	284	472
Total	2910	4774	2262	3062	1710	2262

Source: Finance Department

3.19. Gujarat State Guarantees Act, 1963 provides the frame work for fixing the limit on the executive power of the State regarding the Government Guarantees. The State Legislature decides such limits from time to time. At present (with effect from March 2001) the limit for the total outstanding guarantees is Rs. 20,000 crores. As against this limit, the outstanding Government Guarantees, as on March 31, 2009 stood at Rs.10,340 crores. Table 3.13 below gives the department wise outstanding guarantees as percentage of total guarantees.

Table 3.13 : Department wise Outstanding Guarantees as % of Total Guarantee

Sr. No.	Name of Department	2004-05	2005-06	2006-07	2007-08	2008-09
1	Agriculture & Co-operation	7.84	8.30	10.41	11.39	12.62
2	Industries & Mines	4.81	5.11	5.67	6.11	6.64
3	Panchayat & Rural Housing	0.02	0.02	0.03	0.03	0.03
4	Urban Development & Urban Housing	1.84	2.05	2.26	2.49	2.74
5	Ports & Transport	(N)	2.43	(N)	(N)	(N)
6	Narmada Water Resources	40.71	47.31	50.00	51.84	52.24
7	Home Department	3.74	0.07	2.77	1.83	2.04
8	Energy & Petro-Chemicals	39.97	33.69	27.74	24.81	21.76
9	Forest & Environment	0.05	0.06	0.06	0.07	0.08
10	Food, Civil Supplies & Consumer Affairs	-	-	-	-	-
11	Social Justice and Empowerment	0.82	0.75	0.75	1.16	1.54
12	Tribal Development	0.16	0.18	0.18	0.22	0.24
13	Women & Child	0.01	0.01	0.01	0.01	0.01
14	Roads & Building	0.03	0.03	0.03	0.04	0.04
15	General Administration Department	-	-	-	-	-

Note: Figures are percentages to Total Outstanding Guarantees, (N) = Negligible

Source: Finance Department

4. MEDIUM TERM FISCAL POLICY STATEMENT

FORM A-1 (See Rule – 4)

MEDIUM TERM FISCAL POLICY STATEMENT

A. FISCAL INDICATORS – ROLLING TARGETS

Sr. No.	Item	Previous Year		Current Year	Current Year	Ensuing Year	Target for the next Two Years #	
		2007-08	2008-09	2009-10 (BE)	2009-10 (RE)	2010-11	2011-12	2012-13
1	2	3	4	5	6	7	8	9
1	Revenue Deficit (-) / Surplus (+) (Rs. crores)	2150	-66	-3913	-4356	-4502	-2500	0
2	Fiscal Deficit (-) / Surplus (+) (Rs. crores)	-4771	-10437	-12148	-12628	-15143	-14986	-17234
3	Public Debt (Rs. crores)	79309	87010	98085	98528	112462	126148	142082
4	GSDP (Rs.crores)	303734	337217	406498	381028	434371	499526	574455
5	Fiscal Deficit as percentage of GSDP	1.57	3.10	2.99	3.31	3.49	3.00	3.00
6	Public Debt as percentage of GSDP	26.11	25.80	24.13	25.86	25.89	25.25	24.73
7	Government Guarantees (Rs. crores)	11561	10340	16000*	10257	16000*	16000*	16000*

Source: Finance Accounts & Budgets of the relevant years.

*New guarantees will be given subject to vacation of guarantees and will be kept below Rs. 16000 crores

The projections are subject to recommendations of the Thirteenth Finance Commission

B. ASSUMPTIONS UNDERLYING THE FISCAL INDICATORS

(1) Revenue Receipts: Revenue Receipts comprise tax revenue and non-tax revenue. A part of both tax and non-tax revenue come from the Centre.

a) Tax revenue: Tax revenue consists of State's own tax revenue and Central tax devolutions. The State's own tax revenues for the year 2009- 10 are estimated at Rs. 26353 crores with an annualized growth rate of 15.25 % over a period of 2004-05 to 2009-10 (RE) and 11.86 % over the last year. However, for the coming years, it is assumed to grow at 12 % from the revised estimates of 2009-10 (base year).

b) Non-tax Revenue: Non-tax revenue comprises of State's own non-tax revenue and plan and non-plan grants from Centre. The State's own non-tax revenues for the year 2008-09 was Rs.5099 crores, as compared to Rs. 4609 crores in FY 2007-08, registering a growth of 10.63 % over the year. The revised estimates for FY 2009-010 put the non-tax revenue at Rs. 5042 crores indicating decrease of 1 % over the last year. However it is assumed to grow at 6 % from the revised estimates of base year of 2009-10.

(2) Capital Receipts: The capital receipts for the FY 2008-09 were Rs. 10508 crores while the capital outlay was Rs. 10220 crores in the same period. For the year 2009-10 (RE), capital receipts and capital outlay have been estimated at Rs. 14991 crores and Rs. 8090 crores respectively.

a) Loans and Advances from Centre as Additional Central Assistance (ACA): Based on the recommendations of the Twelfth Finance Commission, the Government of India has stopped giving plan loans from the FY 2005-06 to the States, except in case of ongoing externally aided projects (EAP). As such this has not been factored in medium term fiscal policy projections.

b) Special Securities Issued to the NSSF:

The NSSF Loans continue to remain the most dominant component of public debt accounting for 51.59% of the total as on end March 2009. The total receipts of loans from NSSF aggregated to Rs. 671 crores in FY 2008-09 as against Rs. 915 crores in 2007-08. Due to a lower interest rate regime prevailing in the markets, the flow of NSSF loans are expected to surge to Rs 4000 crores (Revised Estimates) vis-à-vis the budgeted figure of Rs.500 crores for FY 2009-10. To compensate for the higher inflow of NSSF loans, the State government had to curtail down its relatively cheaper market loans This, being a high cost and involuntary debt for the State Government, will have an adverse impact on its debt servicing commitments.

c) Open Market Borrowing: As per RE for FY 2009-10, it is estimated that the State would borrow Rs. 9327 crores in the financial year. In case of open market borrowing, the State has been able to borrow at most competitive rates without taking recourse to underwriting. This has resulted in significant interest savings for the State as the market borrowings were made at weighted average cost of 8.15 % in FY 2009-10 (RE). Going forward, the State Government expects the market borrowings to be at a rate higher by 50- 75 basis points, in line with the inflationary pressures, higher growth and the anticipated tightening of the monetary policy.

d) Recovery of loans and advances: As per the accounts of the year 2008-09, Rs.4456 crores of loans and advances were outstanding. The State Government has recovered Rs. 181 crores in 2008-09 and the recovery has increased to Rs. 230 crores in 2009-10 (RE). The recovery of remaining loans and advances are projected to grow at 8 % average annual growth rate from the revised estimates of the year 2009-10.

e) Borrowings from financial Institutions: The borrowing from the institutions like NABARD, HUDCO, LIC are project based and are part of the overall borrowing programme. The Rural Infrastructure Development Funds (RIDF) from NABARD carries an interest rate of 6.5% and is the cheapest source of loan to the State Government. The State has been availing maximum possible loans from this source and it intends to carry forward this strategy to lower the cost of funds required for budget financing.

f) Other receipts (net)-Employees Insurance, Provident Fund etc.: There are instances of the incremental liability on the State Government due to increase in balance of Provident Fund and other deposits within the public account which are out of Consolidated Fund of the State. State Government has implemented certain recommendations of Sixth Pay Commission. It has been decided that payment of arrears will be credited in the provident fund account of employees in five equal installments commencing from 2009-10. Due to this, receipt on public account will increase by Rs. 1300 crores annually for ensuing years.

(3) Total Expenditure: The total expenditure is classified into revenue and capital account. Further, the non-plan expenditure is primarily in the revenue account. Plan revenue expenditure for the year 2009-10 onwards is projected to grow at the rate of 17 %. Non-plan revenue expenditure is projected to grow at 11 %.

a) Revenue Account: The revenue account mainly consists of salaries, pensions, interest payments and subsidies.

I. Interest payments: For the year 2008-09, the average cost of borrowing was 8.91 % and this cost is estimated to come down to 8.86 % in 2009-10 (RE). Going forward, State Government expects the interest payment burden to increase reflecting the upward pressure on the interest rate.

II. Major explicit subsidies: The growth rate assumed on General Subsidies is negligible. Power Subsidies is based on in-principle approval of the Financial Restructuring Programme of GUVNL and is as per the actual.

III. Salaries: The salary expenditure of the State Government has increased to Rs. 12487 crores in 2009-10 (RE) as compared to Rs. 8727 crores in 2008-09. The annualized growth of salary expenditure for the State has been 14.33 % over the period of 2004-05 to 2009-10 and is less than the annualized growth of 14.49 % for the revenue expenditure during the same period. However FY 2009-10 witnessed full impact of implementation of Sixth Pay Commission on State's finances with it being extended to the Grant-in-aid Institutions and part payment of arrears.

IV. Pensions: The expenditure on pensions has also increased on account of implementation of Sixth Central Pay Commission recommendations. The State Government has introduced the New Pension Scheme (NPS) w.e.f. 1st April 2005, modeled on Government of India scheme.

b) Capital Account:

I. Capital Outlay: Capital Outlay for the year 2009-10 (RE) is estimated to be Rs. 8090 crores.

II. Disbursement of Loans and advances: The loans and advances has increased to Rs. 81 crores in 2009-10 (RE) as compared to Rs. 72 crores in 2008-09. This has been assumed to be at around these levels, going forward.

(4) GSDP Growth: GSDP at current prices in 2009-10 has been estimated at Rs. 381028 crores (AE) as against Rs. 337217 crores (QE) in 2008-09, registering a nominal growth of 13% during the year. The GSDP at current prices has grown at an annualized rate of growth of 15.04% over the period 2004-05 to 2009-10. With resumption of growth process it is expected that in the next two years for the 11th five year plan, the State would accelerate its growth rate to 14% and 15% respectively.

C. ASSESSMENT OF SUSTAINABILITY

(i) The balance between receipts and expenditure in general and revenue receipts and revenue expenditure in particular:

The total revenue receipt of the State Government had increased to Rs. 43449 crores in 2009-10 (RE) from the level of Rs. 20265 crores in 2004-05 registering an annualized growth of 16.48 %, while its own tax revenue has grown at an annualized rate of 15.25 %. The trend in the revised estimates for 2009-10 vis-à-vis the budget estimates for 2009-10 indicates an improvement in the revenue account of the State Government which is mainly on account of increase in the State's own tax revenue and non tax revenue. Table I below shows the composition of revenue receipts:

Table I: Composition of Revenue Receipts

(Rs. crores)

Year	State's Own Revenue Receipts (SORR)				Central Devolutions			
	Tax	Annualized growth (%)	Non Tax	Annualized Growth (%)	Central Tax	Annualized Growth (%)	Grants	Annualized Growth (%)
2004-05	12959	-	3090	-	2219	-	1997	-
2005-06	15698	21.14	3353	8.51	3373	52.01	2643	32.35
2006-07	18465	19.37	4949	26.56	4426	41.23	3163	25.85
2007-08	21885	19.09	4609	14.26	5426	34.72	3769	23.58
2008-09	23557	16.12	5099	13.34	5727	26.72	4293	21.09
2009-10 (RE)	26353	15.25	5042	10.29	6176	22.72	5878	24.10

Source: Finance Accounts of the relevant years

The State Government has taken initiative to rationalize the tax / duty structure which has not only simplified the mechanism but also led to greater compliance with more economic transactions being reported and increasing the incidence of taxation. Particularly, in the area of stamp duty and registration of properties / real estate transactions, there has been significant improvement in overall collections due to rationalization of rates and change in basic computation methodology. The non-tax revenue account for only 10 %-15 % of the total revenue of the State Government.

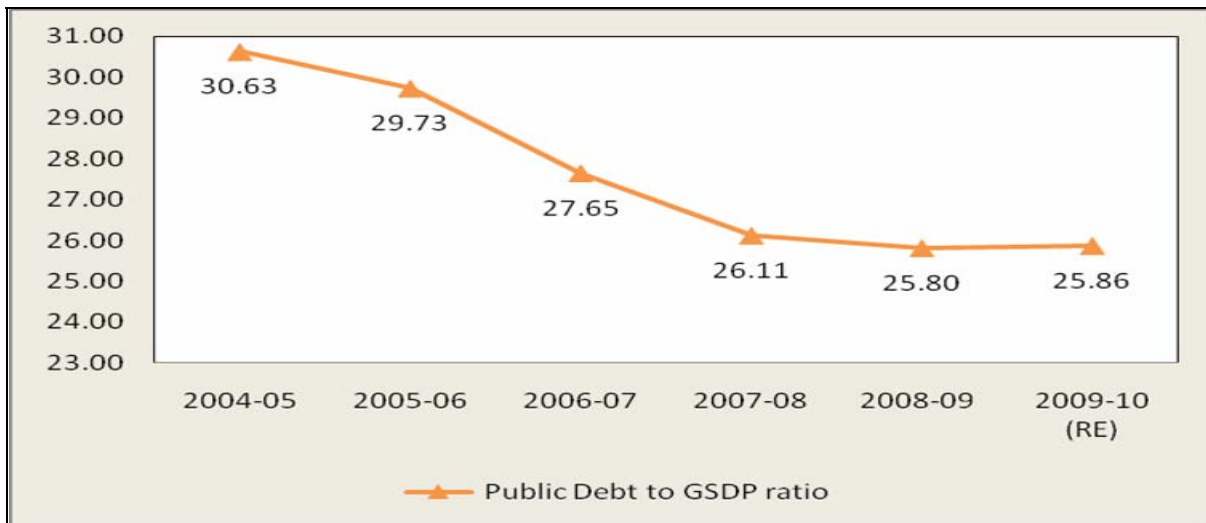
The revenue expenditure for the year 2009-10 (RE) is estimated at Rs. 47805 crores depicting annualized growth rate of 14.49 % over a period of 2004-05 to 2009-10. The revenue expenditure has seen an unprecedented rise in year 2009-10 as compared to 2008-09 due to the part implementation of Sixth Pay Commission Recommendations.

This spike in revenue expenditure is not indicative of any trend and going forward the State expects the growth of revenue receipts with the higher economic growth would ensure that in the medium term sustainability is not impacted.

Debt Sustainability

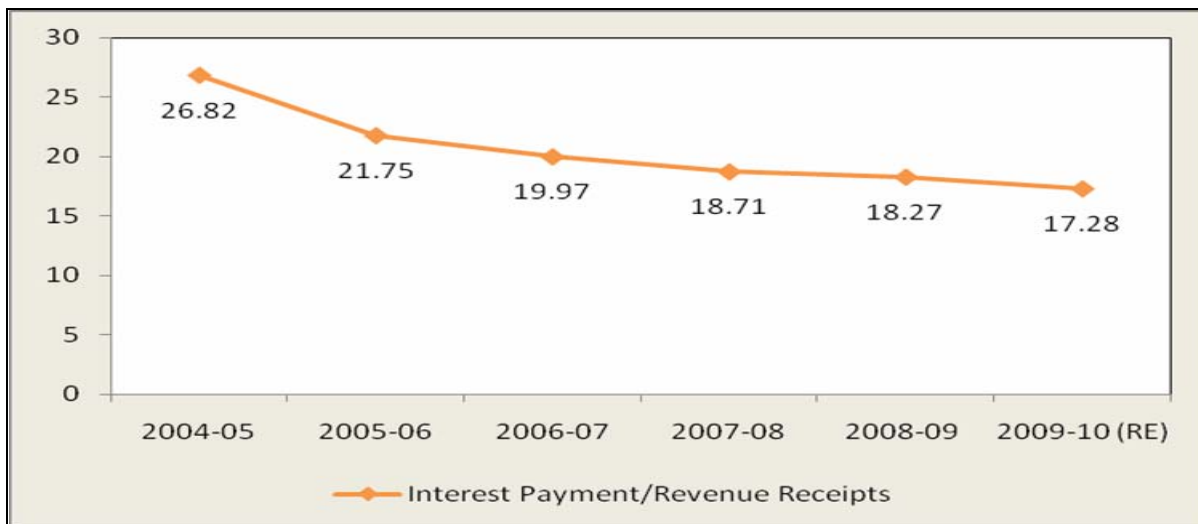
The State has ensured that public debt remains within the limits of fiscal prudence and sustainability. The gross public debt of the State has increased to Rs. 87010 crores as on end March 2009 as compared to Rs. 79309 crores as on end March 2008. However the weighted average interest on these loans has declined to 8.91 % as compared to 9.19 % during this period. This was largely on account of increasing share of market borrowings at lower than the average interest cost. Moreover, the fiscal prudence observed by the State has resulted into improvement of sustainability ratios like Debt to GSDP and Interest Payment to Revenue Receipts over the years. The trend of improvement in the Debt to GSDP ratio and Interest Payment to Revenue Receipts is given in the Figure I and II below:

Figure I: Public Debt to GSDP



Source: Finance Accounts of the relevant years

Figure II: Interest Payment to Revenue Receipt

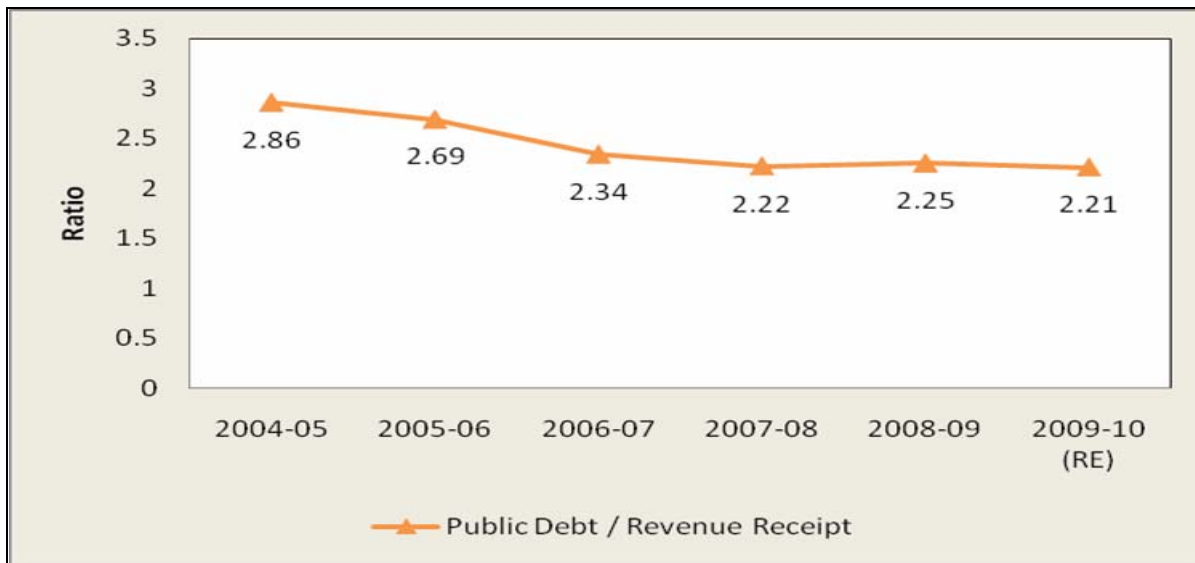


Source: Finance Accounts of the relevant years

As seen from the figures above, the State has Debt to GSDP of 25.86 % and Interest Payment to Revenue Receipt of 17.28 % in 2009-10 (RE) which is much below the prescribed benchmarks of 30 % and 20% respectively.

The ratio of total public debt as a percentage of total revenue receipts is considered to be one of the parameters for evaluating the sustainability of debt. As per the review of Fiscal Reform Facility by Ministry of Finance (MoF), a benchmark of 3 for this ratio indicates that the State is highly stressed in terms of debt and debt servicing. In case of Gujarat the total debt to total receipts is showing a declining trend indicating an improved debt sustainability of the State. Figure III below shows the trend in public debt to revenue receipts over a period of years:

Figure III: Public Debt to Revenue Receipt



Source: Finance Accounts of the relevant years

The State has ensured prudent debt management through measures like setting up of Debt Management Office (DMO), participation in Consolidated Sinking Fund (CSF) and Guarantee Redemption Fund (GRF), ceiling on guarantees etc. In a situation of primary deficit, the debt stabilization condition requires that rate of growth of nominal GSDP to be greater than the nominal rate of interest on the debt stock. In this context, it is important to note that the average growth of nominal GSDP for Gujarat over a period of 2004-05 to 2009-10 has been 15.04 %, while the nominal rate of interest on the debt stock has been steadily declining to the level of 8.91 % as at the end of March 2009.

With all this in place, Debt at the current level and its projected rise is perfectly sustainable.

Debt Consolidation and Relief

The Twelfth Finance Commission put forward a debt relief package for consolidation of Central loans under Debt Consolidation and Relief Facility (DCRF) for the State Governments. On all these parameter, the State has qualified for maximum concession. The total amount of consolidated loans of the State Governments stands at Rs.9438 crores, debt write-off availed stands at Rs. 2262 crores and interest relief stands at Rs.1710 crores upto FY 2010.

Contingent Liabilities

The contingent liabilities of the State, as defined in terms of its outstanding guarantees, have shown a significant reduction. The guarantees stood at Rs. 10340 crores as at end March 2009 which is much below the ceiling of Rs. 20000 crores under the Gujarat Guarantees Act, 1963. There has been no reported instance of invocation of guarantees during the current financial year. The Guarantee Redemption Fund has witnessed further inflow of Rs. 84 crores in current financial year till 31st December 2009 leading to aggregate balance of Rs. 1540 crores, , which has attained the level considered necessary to meet the contingency

(ii) The use of capital receipts including market borrowing for generating productive assets

The declining trend of Debt / GSDP clearly points out that capital receipts are being utilized for generating productive assets. The capital receipts are being used for capital formation in irrigation, power, roads and bridges. While developing the core infrastructure is priority of the State, the prime focus has been developing the Human Assets. With a view to attain the objective of improving the HDI, the capital expenditure is being targeted into areas like health, education, social development etc, which is reflected in higher plan capital outlays.

(iii) Pension liabilities

Pension liabilities is estimated on the basis of trend growth rates (i.e. average rate of growth of actual pension payments during the last three year for which data are available along-with data on forthcoming retirements) on year to year basis.

5. THE FISCAL POLICY STRATEGY STATEMENT

Form A-2

(See rule 5)

The Fiscal Policy Strategy Statement

Overview of Fiscal Policy

State Government is focused on promoting an inclusive growth model. Aim of fiscal policy is to support and facilitate higher economic growth by optimally tapping the resource base and prioritizing expenditure so as to generate maximum social and economic return.

The Government's long-term fiscal objectives is to attain a revenue surplus across the economic cycle to ensure that government revenues and expenditure are in broad balance through an appropriate level of taxation and spending and that public debt is contained at a prudent level. The strategy aims at increasing capital expenditure to ensure higher investments in social and economic infrastructure. This would be possible through maximizing revenue receipts of the State while concurrently containing revenue expenditure.

The Government's endeavor continues to widen the tax base thereby improving the revenues. This has been possible through a strategy of evolving a robust broad-based tax system that aims at collecting taxes in a manner that is equitable and efficient. The emphasis of the Government has been to increase outlays in social sector expenditure so as to ensure better service delivery and provide impetus to equitable growth and improve quality of life.

Tax Policy

The State continues to simplify and rationalize its tax structure to improve upon tax efficiency and to ensure effective mobilization of resources. The taxation policy of the State focuses on streamlining the tax structure and administration for better tax compliance and greater transparency. Financial delegation of certain taxation powers to the local bodies has led to better resource mobilization. Introduction of VAT resulted in better tax compliance and increase in tax revenue. VAT Information System (VATIS) has facilitated electronic payment and effective monitoring of the VAT . Taxation reforms during the ensuing year would aim at increasing the number of tax payers, improving tax compliance and making tax administration more efficient and fair. The process is expected to yield an increased tax base and faster growth in tax revenue.

Levy of user charges

Prudent fiscal management requires that durable fiscal consolidation is attempted through fiscal empowerment, i.e., by expanding the scope and size of revenue flows. The State is exploring ways to augment resources mobilization from non-tax resources through appropriate user charges, cost recovery from social and economic services and restructuring of State PSUs.

Borrowings and other liabilities

Declining level of Public Debt to GSDP ratio indicates that the borrowings are primarily being utilized for fostering economic growth of State. The State has been very conscious of the magnitude and composition of its outstanding liabilities and a number of steps have been taken to contain the growth of its liabilities.

It is observed that better financial management of the State was being recognized by the market and the State was able to raise money at most competitive rates. The increased confidence of the State Government in dealing with the market participants was also evident from the fact that none of these borrowing exercises were underwritten, further bringing down the cost of borrowings. With the setting up of Debt Management Office within the Finance Department, the Government intends to have greater market orientation for its borrowing programmes.

The Consolidated Debt Sinking Fund which has been set up would continue to be augmented to take care of pay-outs at the time of maturity of market borrowings.

Expenditure Policy

With bulk of the responsibilities pertaining to public expenditure on social services placed in the domain of State Governments, it is widely recognized that the level of social sector expenditure has important implications for the level of human development. State Government is adopting a wide variety of methods including placing limits on certain expenditures, prioritization of expenditure, and greater decentralization of executive functions, improved cash management and greater accountability in the delivery of services against specified targets. The adoption of these principles is expected to facilitate a qualitatively superior process of fiscal consolidation.

In the Eleventh Five Year Plan, the State Government has laid out its goal of attaining "Faster and More Inclusive Growth" by setting out certain priorities. The Government aims to allocate more resources to health, education, and agriculture and poverty alleviation - in line with the strategy of achieving significant improvement in the State's Human Development Index by;

(I) Containing non-developmental expenditure;

(ii) Improving the quality of expenditure by better targeting of subsidies and focusing on outcomes rather than outlays;

(iii) Making available additional resources for social and infrastructural sectors like education, health, irrigation, power etc.

For containing non-plan expenditure, the vacant posts in the Government have been abolished.

Further, the State is contemplating several measures to carry forward the expenditure reforms and make it more effective. These include introduction of performance budgeting, rationalization of approval processes, better delegation of powers, improved expenditure MIS and introduction of a public investment approval mechanism that seeks to cut down delays, improve quality of project appraisal and ensure better targeting.

Contingent and other liabilities

The contingent liabilities of the State Government, as defined in terms of its outstanding guarantees, have shown significant improvement over last few years. The current level of outstanding is far below the level of ceiling of Rs. 20000 crores fixed as per the Gujarat State Guarantee Act, 1963. During FY 2008-09 there has no invocation of State Government Guarantees.

A Guarantee Redemption Fund (GRF) has been set up to take care of any contingent liabilities arising out of the State Government guarantees. The GRF has been steadily augmented and aggregated to Rs. 1540 crores as at end December 2009, which has attained the level considered necessary to meet the contingency. The State government will ensure that new guarantees will be given subject to vacation of guarantees.

Strategic priorities for the ensuing year

The State would continue to endeavor to leverage its high GSDP growth to improve its revenues with better tax buoyancy and to maintain a prudent and sustainable level of public debt. Application of resources is being done keeping in view the overarching objective of achieving the inclusive growth focusing on HDI improvements. For this Government has conceptualized, planned, implemented and monitored the progress of several initiatives aimed at eradication of poverty and unemployment leading to equitable growth and sustainable development. Going forward the State will continue with its proactive governance to catalyze the inclusive economic growth.

Rationale for Policy changes

The State has been enjoying a very high and consistent level of economic growth in last five years. The average GSDP growth at current prices has been 15.04 % over a period of 2004-05 to 2009-10 (RE) which is significantly higher than that of its peer group states and much higher than the national average.

Although public finances have improved over the last few years, major challenge for the State Government would be the management of impact of the Sixth Pay Commission award. The fiscal space available to Government is limited, since essential items of expenditure like salaries, pensions and interest payment absorb a major share in total expenditure. Policies will be driven to address the challenges by achieving effective and credible expenditure rationalization and additional resource mobilization.

Financial Disclosure

Fiscal transparency, which is considered to be one of the cornerstones of good governance, has been gaining critical importance in the recent period in the context of prudent fiscal management and attainment of macroeconomic balance. Fiscal transparency requires providing comprehensive and reliable information about past, present, and future activities of economic policy decisions. It is in this context that the State has initiated measures to put as much of information, as practically possible, in the public domain. The current budgetary process involves placing all financial statements and underlying information and assumptions on the table of the House.

Policy evaluation

The assumptions underlying the Medium Term Fiscal Policy Statement and Fiscal Strategy Policy are based on the available data and projections of the State Government. All necessary disclosure statements have been provided. The State shall review the trends in receipts and expenditure in relation to the budget and enunciate remedial measures required to be taken to achieve budget targets.

Budget 2010-11 reflects the inevitable upward shift in expenditure trend due to award of the Sixth Pay Commission. At the same time, it has been ensured that public investment in Agriculture, Human Development and infrastructure is not squeezed and as the figure show that the economy has already reverted back to its high growth trajectory. In such a scenario, State is in a position of following the twin pronged strategy of fiscal consolidation along with “growth with a human face”.

6. DISCLOSURE FORMS

FORM B - 1 (See Rule 7)

(Rs. crores)

Sr. No	Items	Previous Year Actuals		Current Year	Current Year	Ensuing Year
		2007-08	2008-09	2009-10(BE)	2009-10(RE)	2010-11 (BE)
1	Revenue Deficit/Surplus	2150	-66	-3913	-4356	-4502
2	Fiscal Deficit	-4771	-10437	-12148	-12628	-15143
3	Public Debt	79309	87010	98085	98528	112462
4	GSDP	303734	337217	406498	381028	434371
5	Revenue Deficit/Surplus as percentage of GSDP	0.71	0.02	0.96	1.14	1.04
6	Fiscal Deficit as percentage of GSDP	1.57	3.10	2.99	3.31	3.49
7	Public Debt as percentage of GSDP	26.11	25.80	24.13	25.86	25.89
8	Revenue Receipt to Revenue Expenditure	1.06	1.00	0.91	0.91	0.92
9	Capital Outlay as a percentage of Gross Fiscal Deficit	143.00	97.92	65.90	64.06	67.87
10	Interest payment on public debt as percentage of Revenue Receipt	18.71	18.27	18.31	17.74	18.16
11	Salary Expenditure as percentage of Revenue Receipt	22.40	22.56	29.86	28.74	26.75
12	Pension Expenditure as percentage of Revenue Receipt	7.38	7.66	10.36	9.97	9.36
13	Total Direct Subsidy	3422	3533	3277	3857	3428

FORM B -2 (A)

(See Rule 7)

A. COMPONENT OF THE STATE GOVERNMENT LIABILITIES

(Rs.crores)

Sr. No.	Category	Raised during the Fiscal Year		Repayment/Redemption during the Fiscal Year		Outstanding Amount (End – March)	
		Previous Year (Y-2) Actual 2008-09	Current Year (RE) Y-1 2009-10	Previous Year (Y-2) Actual 2008-09	Current Year (RE) Y-1 2009-10	Previous Year (Y-2) Actual 2008-09	Current Year (RE) Y-1 2009-10
1	2	3	4	5	6	7	8
1	Special Securities issued to the NSSF Loans and Advances	671	4000	745	1069	44892	47823
2	From Central Government	227	180	559	563	10325	9943
3	Market Loans	8534	9327	916	1093	28020	36254
4	Loans from Financial Institutions/Banks	874	1254	384	519	3773	4508
	Public Debt (1 to 4)	10306	14762	2604	3244	87010	98528
5	Ways and Means Advances/Over Draft from RBI	-	-	-	-	-	-
6	Small savings, Provident Fund of Government Employees	1132	2472	812	1222	5171	6421
7	Pension Liabilities *	-	-	-	-	-	-
8	Reserve Fund/Deposits & Provident Fund of other employees	14924	12458	13744	12458	13470	13470
9	Other Liabilities	-	-	-	-	-	-
	Total (*) Liabilities (1 to 9)	26362	29691	17160	16924	105651	118419

*Pension liabilities are being estimated on actuarial basis.

Source: Finance Department

FORM B -2 (B)

(See Rule 7)

B. WEIGHTED AVERAGE INTEREST RATES ON STATE GOVERNMENT LIABILITIES

(Percent)

Sr. No.	Category	Raised during the Financial Year		Outstanding Amount (End-March)	
		Previous Year (Actual)	Current Year (RE)	Previous Year (Actual)	Current Year (RE)
		2008-09	2009-10	2008-09	2009-10
1	2	3	4	5	6
1	Special securities issued to NSSF	9.50	9.50	44892	47823
2	Loans From Centre	7.26	0.77	10325	9943
3	Market Borrowings + CPSU Bonds	7.24	8.15	28020	36254
4	Borrowing from Financial Institutions/Banks	6.51	6.50	3773	4508
	Public Debt (Total 1 to 4)	7.33	8.41	87010	98528
5	WMA/OD from RBI	-	-	-	
6	Small Savings, Provident Fund etc.	8.00	8.00	5171	6421
7	Pension Liability	-	-	-	-
8	Reserve Fund/Deposits	-	-	13470	13470
9	Other Liabilities	-	-	-	-
	Total (*) Liabilities (1 to 9)	-	-	105651	118419

Source: Finance Department

*Pension liabilities are being estimated on actuarial basis.

Weighted average interest rate where the respective weight is the amount borrowed. This is calculated on contractual basis and then annualized.

* Weighed average interest where the weights are the amount of the respective components of State Government liabilities.

FORM B -3

(See Rule 7)

THE CONSOLIDATED SINKING FUND

(Rs. Crores)

Outstanding balance in CSF at the beginning of the previous year	Additional during the previous year	Withdrawals from CSF during the previous year	Outstanding balance in CSF at the beginning of the previous year/beginning of current year	Col. 4 outstanding stock of SLR Borrowings (%)	Additional during the current Year	Withdrawals from CSF during the current year	Outstanding balance in CSF at the end of current year/beginning of ensuing year	Col. (8) outstanding stock of SLR Borrowings (%)
2008-09	2008-09	2008-09	2008-09		2009-10*	2009-10*	2009-10*	
1	2	3	4	5	6	7	8	9
3570	522	0	4092	15.22	775	0	4867	14.91

Source: Finance Department

- Note:** i) Current year is 2009-10, while previous year is 2008-09. Current year figures are available till 31st December 2009.
ii) Closing balance of current year (col. No.8) includes the figures of interest earned and stands reinvested during the current year.
iii) SLR Market borrowing means "Open Market Borrowing".

FORM B-4

(See Rule 7)

GUARANTEES GIVEN BY THE GOVERNMENT

(Rs. crores)

Category (No. of Guarantees within bracket)	Maximum Amount Guaranteed during the year	Outstanding at the beginning of the year	Additional during the year	Reductions during the year (other than invoked during the year)	Invoked during the year (Rs.crores)		Outstanding at the end of the year	Guarantee Commission of fee (Rs. Crores)		Remarks
					Discharged	Not Discharged		Receivable	Received	
					2008-09	2008-09		2008-09	2008-09	
1	2	3	4	5	6	7	8	9	10	11
	11561	11561	95	1316	0	0	10340	78	78	-

Source: Finance Department

FORM B-5

(See Rule 7)

OUTSTANDING RISK – WEIGHTED GUARANTEES

(Rs. crores)

Default Probability	Risk Weights (%)	Amount outstanding in		Risk weighted outstanding guarantee in	
		2007-08	2008-09	2007-08	2008-09
Direct Liabilities	100	165	148	165	148
High Risk	75	1930	1726	1448	1295
Medium Risk	50	1665	1489	833	745
Low Risk	25	6158	5508	1540	1377
Very Low Risk	5	1643	1469	81	72
Total Outstanding		11561	10340	4067	3637

Note: The risk weights have been pre-specified for various categories.

Reporting Year 2008-09

Source: Finance Department

FORM B-6

(See Rule 7)

GUARANTEE REDEMPTION FUND (GRF)

(Rs. crores)

Outstanding invoked guarantees at the end of the previous year	Outstanding amount in GRF at the end of the previous year	Amount guarantees likely to be invoked during the current year	Addition to GRF during the current year	Withdrawal from the GRF during the current year	Outstanding amount in GRF at the end of the current year
2008-09	2008-09	2009-10	2009-10	2009-10*	2009-10*
1	2	3	4	5	6
0	1456	0	84	0	1540

Reporting year 2008-09, Current Year 2009-10

Note: i) Current Financial Year is 2009-10, while previous year is 2008-09. Current year figures are available till 31st December 2009.

ii) Closing balance of current year (col. No.2 & 6) does not include the figures of interest earned and stands reinvested.

FORM B -7

(See Rule 7)

TAX REVENUE RAISED BUT NOT REALISED (PRINCIPAL TAXES) AS ON 31st March, 2009

(Rs. crores)

Major Head	Description	Amount Under Disputes					Amount Not Under Disputes					Grand Total
		Over 1 Year but less than 2 years	Over 2 Year but less than 5 years	Over 5 Year but less than 10 years	Over 10 Years	Total	Over 1 Year but less than 2 years	Over 2 Year but less than 5 year	Over 5 Year but less than 10 years	Over 10 Years	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13
	Tax on Profession	0	0	0	0	0	0.33	0.21	0	0	0.54	0.54
	Land Revenue	0.09	0.23	0.16	0.04	0.52	5.00	6.07	3.72	0.52	15.31	15.83
	Stamps and Registration Fees	1.52	0	0	0	1.52	10.57	29.8	84.6	184.04	309.01	310.53
	Gujarat Sales Tax (VAT)	1514.47	1103.12	628.18	9.66	3255.43	556.44	279.76	48.19	13.61	898	4153.43
	Central Sales Tax	337.12	378.12	195.43	116.23	1026.9	73.46	38.66	13.34	7.66	133.12	1160.02
	Tax on Motor Spirit	0	0	0	0	0	0	0	0	0	0	0
	Surcharge on Sales Tax (VAT)	0	0	67.95	2.22	70.17	0	0	9.66	1.94	11.6	81.77
	State Excise	0	0	0	0	0	0	0	0	0	0	0
	Taxes on Vehicles	0	0	0	0	0	18.45	40.89	19.07	1.67	80.08	80.08
	Electricity Duty	0	36.53	22.00	616.88	675.41	0	0	0	0	0	675.41
	Other Taxes	0	0	0	0	0	0	0	0	0	0	0
	Total	1853.20	1518.00	913.72	745.03	5029.95	664.25	395.39	178.58	209.44	1447.66	6477.59

Source: Respective Departments

FORM B -8

(See Rule 7)

STATEMENT OF MISCELLANEOUS LIABILITIES: OUTSTANDING

(Rs. crores)

Particulars	Department	Outstanding Amount (As on 31 st March, 2009)
Committed Liabilities in respect of Major Work and contracts	Road and Buildings department	2336
	Narmada, Water Resources, Kalpasar department	198
	Water Supply department	NIL
Claims in respect of unpaid bills on works and supplies	Road and Buildings department	156
	Narmada, Water Resources, Kalpasar department	3
	Water Supply department	NIL
Committed Liabilities in respect of land acquisition charges	Road and Buildings department	NIL
	Narmada, Water Resources, Kalpasar department	63
	Water Supply department	NIL

Source: Respective Department

FORM B -9

(See Rule 7)

NUMBER OF EMPLOYEES AND RELATED SALARIES

(Rs. crores)

Sr. No.	Category	Number			Salaries		
		Previous Year 2008-09	Current Year 2009-10 (RE)	Ensuing Year 2010-11 (BE)	Previous Year 2008-09	Current Year 2009-10 (RE)	Ensuing Year 2010-11 (BE)
1	2	3	4	5	6	7	8
1	Employees in Government Department	198495	196613	189601	10084	14461	15329
2	Employees in aided institutes	233686	227338	220389			
3	Employees in Public Sector	77980	77980	77980			
Total		5010161	501931	487970	10084	14461	15329
4	Pensioners in Government Department	329560	343422	358079	2963	4331	4633
5	Pensioners in aided institutions						
6	Pensioners in Public Sectors						
Total		329560	343422	358079	2963	4331	4633

Source: Finance Department

*Salary expenditure includes the first installment (20%) of the arrears on account of revision of pay.

**Includes employees in Panchayats.

FINANCE DEPARTMENT, GOVERNMENT OF GUJARAT

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