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PART IV-B

**Rule and Orders (Other than those published in Part I, I-A and I-L) made
by the Government of Gujarat under the Gujarat Acts.**

FINANCE DEPARTMENT

Notification

Sachivalaya, Gandhinagar, Dated the 23rd February, 2006.

GUJARAT FISCAL RESPONSIBILITY ACT, 2005.

No. (GHN-7)FRB-20-2005-252-R. : In exercise of the powers conferred by section 8 of the Gujarat Fiscal Responsibility Act, 2005 (Guj. 11 of 2005), the Government of Gujarat hereby makes the following rules, namely :-

1. Short title.- These rules may be called the Gujarat Fiscal Responsibility Rules, 2006.

2. Definitions. -

(1) In these rules, unless the context otherwise requires, -

(a) "Act" means the Gujarat Fiscal Responsibility Act, 2005;

(b) "contingent liabilities" means the liabilities to State Government that may arise out of the borrowings by Public Sector Undertakings and other institutions owned or controlled by the State Government for which the State Government has given guarantees, subject to the condition that the liabilities do not exceed the ceiling on total government guarantees given under the Gujarat State Guarantees Act, 1963;

(c) "Form" means Form appended to these rules;

(d) "GSDP" means Gross State Domestic Product at current prices;

(e) "public debt" means small savings loan, market borrowings by the Government, loan from the Government of India and the Financial Institutions outstanding at the beginning of the financial year;

(f) "section" means a section of the Act.

(2) The words and expressions used herein but not defined in these rules shall have the meaning respectively assigned to them in the Act.

3. Fiscal Indicators.- The fiscal indicators for the purpose of evaluating the fiscal position of the Government, as defined in clause (d) of section 2, shall *inter alia* be –

- (a) revenue deficit as a percentage of GSDP;
- (b) fiscal deficit as a percentage of GSDP;
- (c) public debt as a percentage of GSDP;
- (d) Government Guarantees outstanding.

4. Medium Term Fiscal Policy Statement:-

(1) The Medium Term Fiscal Policy Statement required to be laid before State Legislature in every financial year under sub-section (1) of section 3, shall be in Form A-1 and include three years rolling target.

(2) The Medium Term Fiscal Policy Statement shall also explain the assumptions underlying the above mentioned targets for fiscal indicators and in assessment of sustainability relating to the items indicated in sub-section (3) of section 3.

5. The Fiscal Policy Strategy statement.- The Fiscal Policy Strategy Statement required to be laid before State Legislature in every financial year under sub-section (1) of section 3 shall be in Form A-2.

6. Annual Targets.- In order to achieve the targets set out under section 5 by applying fiscal management principles as laid down in section 4, there shall be reduction in revenue deficit to per cent. and Fiscal deficit to per cent. of the estimated GSDP in each year.

7. Disclosures.-

(1) The State Government shall, at the time of the presentation of the Budget, disclose in the forms prescribed hereinunder and the information therein, namely :-

- (a) a statement of indicators of Fiscal situation in Form B-1;
- (b) a statement on components of State Government liabilities and interest on borrowings/mobilization of deposits in Form B-2(A) and B-2(B) respectively;
- (c) a statement on the consolidated sinking fund in Form B-3.
- (d) a statement on guarantees given by the Government in Form B-4;
- (e) a statement on outstanding risk-weighted guarantees in Form -5;
- (f) a statement on the Guarantee Redemption Fund in Form B-6;
- (g) a statement on revenue demands raised by the State Government but not realized in Form B-7;
- (h) a statement on liability in respect of major works and contracts, committed liabilities in respect of land acquisition charges and claims on the State Government in respect of unpaid bills on works and supplies in Form B-8;
- (i) a statement on the details of number of employees in Government, Public Sector and Aided institutions and related salaries and also pensioner and financial liabilities in Form B-9.

(2) The aforesaid provisions shall be complied with not later than three years after the coming into force of this Act.

8. Measures to enforce compliance.- In case the outcome of the quarterly reviews of trends in receipts and expenditure, at the end of the second quarter of any financial year shows that, -

(i) the total non-debt receipts are less than 80 per cent of Budget Estimates for that year; or

(ii) the fiscal deficit is higher than 20 per cent. of the Budget Estimates for that year; or

(iii) the revenue deficit is higher than 20 per cent. of the Budget Estimates for that year;

then, -

(a) as required under sub-section (3) of section 7, the State Government shall take appropriate measures, and

(b) the Report of review as provided for in sub-section (3) of section 7, shall be placed before the State Legislature during the session immediately following the end of the second quarter of the financial year.

Form A -1

(See Rule 4)

MEDIUM TERM FISCAL POLICY STATEMENT

A. Fiscal Indicators - Rolling Targets

	Item	Previous Year Actuals		Current Year Budget Estimates Y-1 (BE)	Current Year Revised Estimates Y-1 (RE)	Ensuing Year Budget Estimates Y (BE)	Targets for next Two Years	
		Y-3	Y-2				Y + 1	Y + 2
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Revenue Deficit							
2	Fiscal Deficit							
3	GSDP							
4	Fiscal Deficit as percentage of GSDP							
5	Public Debt as percentage of GSDP							
6	Government Guarantee Outsanding							

B. Assumptions Underlying for the Fiscal Indicators -

1 Revenue Receipts

- (a) Tax Revenue
- (b) Non Tax Revenue
- (c) Grants from Govt. of India

2 Capital receipts

- (a) Loans and advances from the Centre
- (b) Special Securities issued to the NSSF
- (c) Open Market Borrowings
- (d) Borrowings from financial institutions
- (e) Recovery of Loans and advances
- (f) Other receipts (net) - provident fund, etc.

3 Expenditure

(a) Revenue Account

- (i) Interest payments
- (ii) Major Subsidies
- (iii) Salaries
- (iv) Pensions
- (v) Others

(b) Capital Account

- (i) Loans and Advances
- (ii) Capital Outlay
- (iii) Loans Repayments

4 GSDP Growth

C. Assessment of Sustainability Relating to-

(i) The balance between and revenue receipts and revenue expenditure. The Medium Term Fiscal Policy statement may specify the tax GSDP ratio, own tax GSDP ratio and State's share in Central tax for the current year and subsequent two years with an assessment of the changes required for achieving it. It may specify the non tax revenue and the policies concerning the same. Expenditure on revenue account, both plan and non plan, may be also detailed with particular emphasis on the measures proposed to meet the overall objectives. It may specify policies to contain expenditure on salaries, pension, subsidies and interest payment. An assessment of the capital receipts shall be made including the borrowing and other liabilities, as per policies spelt out. The Statement shall also give projections for GSDP.

(ii) The use of capital receipts including market borrowings for generating productive assets. The Medium terms Fiscal Policy statement may specify the proposed use of capital receipts for generating productive assets in different categories. It may also spell out the proposed changes among these categories and discuss them in terms of the overall policy of the Government.

(iii) The Estimated yearly pension liabilities worked out on actual basis for the next ten years. In case it is not possible to calculate the pension liabilities on actual basis during the period of first three years after the coming into force of this Act, the State Government may, during that period, estimate the pension liabilities by making forecast on the basis of trend growth rates (i.e. average rate of growth of actual pension payments during the last three years for which data are available)

Form A -2

(See Rule 5)

The Fiscal Policy Strategy Statement

- A. Fiscal Policy Overview:- This paragraph will present an overview of the fiscal policy currently in vogue.
- B. Fiscal Policy for the ensuing Financial Year:- This paragraph shall have, inter alia, six sub paragraphs dealing with -

(1) Tax Policy :-

In Tax Policy the approach of the State Government towards fiscal reforms, introduction of various taxes in the ensuing financial year will be presented. It shall contain an assessment of exemption in various taxes and how far it relates to principles regarding tax exemptions.

(2) Levy of User Charges:-

Any change proposed in the levy of user charges of public services shall be spelt out.

(3) Borrowings and other Liabilities:-

On borrowing the policy relating to internal borrowing including the access to WMA / OD facility from the Reserve Bank of India, shall be indicated. The borrowings by Public Sector Undertakings, Special Purpose Vehicle and activities of Public Sector Undertakings which have potential budgetary implications shall be indicated.

(4) Expenditure Policy:-

Under expenditure policy, trend of major components of expenditure, charges in the allocation of expenditure shall be indicated. It shall also contain an assessment of principles regarding the benefits and target group of beneficiaries.

(5) Contingent and Other Liabilities:-

Any change in the policy on contingent and other liabilities, in particular guarantees, which have potential budgetary implications shall be indicated. Any change in the policy related to borrowing by Special Purpose Vehicle (SPV) and other equivalent instruments where liability for repayment is on the State Government shall be indicated. The Policy on building up of the Guarantee Redemption Fund (GRF) and commission charges / collected for guarantees issued shall also be indicated.

C. Strategic Priorities for the ensuing Year

(1) Broad approach for Resource mobilisation for the ensuing financial year through tax, non tax and other receipts shall be spelt out.

(2) The broad principles underlying the expenditure management during the ensuing year shall be spelt out.

(3) Priorities relating to management of public debt proposed during the ensuing year shall be indicated.

D. Rationale for Policy Changes

(1) The Rationale for policy changes consistent with the Medium Term Fiscal Policy Statement in respect of taxes proposed in the ensuing Budget shall be spelt out.

(2) The Rationale for major policy changes in respect of Budgeted expenditure including expenditure on subsidies and pensions shall be indicated.

(3) Rationale for changes if any proposed in the management of the public debt shall be indicated.

E. Policy Evaluation

The paragraph shall contain an evaluation of the changes proposed in the fiscal policy for the ensuing year with reference to fiscal deficit reduction and objectives set out in the Medium Term Fiscal Policy Statement.

Form B -1

(See Rule 7)

FISCAL INDICATORS

SR No.	Item	Previous Year Actuals		Current Year	Current Year	Ensuing Year
		Y-3	Y-2	Y-1 BE	Y-1 RE	Y BE
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Revenue Deficit					
2	Fiscal Deficit					
3	Public Debt					
4	Revenue Deficit as percentage of GSDP					
5	Fiscal Deficit as percentage of GSDP					
6	Public Debt as percentage of GSDP					

7	Own Revenue Receipts to Revenue Expenditure					
8	Capital Outlay as percentage of Gross Fiscal Deficit					
9	Interest Payment as percentage of Revenue Receipts					
10	Salary Expenditure as percentage of Revenue Receipt					
11	Pension Expenditure as percentage of Revenue Receipt					
12	Total Direct Subsidy					

Form B -2 (A)

(See Rule 7)

A. COMPONENTS OF STATE GOVERNMENT LIABILITIES

(Rs. Crores)

SR. No.	Category	Raised during the Fiscal Year		Repayment / Redemption during the year Fiscal Year		Outstanding Amount (End-March)	
		Previous Year (Y-2) (Actuals)	Current Year (RE) Y-1	Previous Year (Y-2) (Actuals)	Current Year (RE) Y-1	Previous Year (Y-2) (Actuals)	Current Year (RE) Y-1
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Special Securities issued to the NSSF						
2	Loans from Centre						
3	Market Borrowings						
4	Borrowings from Financial Institutions / Banks						
	Public Debt (1 to 4)						
5	WMA / OD from RBI						
6	Small Savings, Provident Fund, etc.						
7	Pension Liabilities						
8	Reserve Fund / Deposits						
9	Other Liabilities						
	Total Liabilities (1 to 9)						

Form B -2 (B)

(See Rule 7)

B. WEIGHTED AVERAGE INTEREST RATES ON STATE GOVERNMENT LIABILITIES

(per cent)

Sr. No	Category	Raised during the Fiscal Year		Outstanding Amount (End-March)	
		Previous Year (Actuals)	Current Year (RE)	Previous Year (Actuals)	Current Year (RE)
(1)	(2)	(3)	(4)	(5)	(6)
1	Special Securities issued to the NSSF				
2	Loans from Centre				
3	Market Borrowings				
4	Borrowings from Financial Institutions / Banks				
	Public Debt(Total 1 to 4)				
5	WMA / OD from RBI				
6	Small Savings, Provident Fund, etc.				
7	Pension Liabilities				
8	Reserve Fund / Deposits				
9	Other Liabilities				
	Total (*) Liabilities (1 to 9)				

(□) Weighted average interest rate where the respective weight is the amount borrowed. This is calculated on contractual basis and then annualised.

(*) Weighted average interest where the weights are the amount of the respective components of State Government liabilities.

Example 1

Suppose the Government raised resources from the market on three occasions during a fiscal year for an aggregate amount of Rs.6,000 crores. The annual rates of interest were 10 per cent, 12 per cent and 14 per cent, for Rs. 1,000 crore, Rs. 2,000 crore and Rs. 3,000 crore, respectively. The weighted average interest rate in respect of the resources raised during the year would, therefore, be $[Rs.1000*(10/100)+2000*(12/100)+3000*(14/100)]/(1000+2000+3000)*100$

$$=[100+240+420]/6000*100$$

$$=(760/6000)*100$$

$$=12.67\%$$

Example 2

Suppose the previous and current years pertain to 2002-03 and 2003-04. Suppose the total outstanding amount of special securities issued by the Government to the NSSF was Rs.1,000 crore as at end-March 2002 and Rs. 1,500 crore as at end-March 2003. Suppose the total interest cost incurred by the Government on this account during 2003-04 and 2004-05 amount to Rs.100 crore and 120 crore, respectively, then the weighted average interest cost on the outstanding amount of special securities issued to the NSSF during the previous year (i.e.2002-03) is equal to $100/1000 = 10$ per cent. Similarly, the weighted average interest cost on the outstanding amount of special securities issued to the NSSF during the current year (i.e. 2003-04) is equal to $120/1500=8$ per cent.

Form B -3

(See Rule 7)

THE CONSOLIDATED SINKING FUND

(Amount in Rs. crore)

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 end of 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 the ensuing year	Col. (8)/ Outstanding stock of SLR Borrowings (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

Form B -4
(See Rule 7)

GUARANTEES GIVEN BY THE GOVERNMENT

(As at the end of reporting year) (Rs. crore)

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. crore)		Out standing at the end of the year	Guarantee Commission or Fee (Rs. crores)		Re- marks
					Discharged	Not discharged		Recei- vable	Recei- ved	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	11

Note : Reporting year refers to the next year preceding the year per which the Budget is presented.

Form B -5
(See Rule 7)

OUTSTANDING RISK - WEIGHTED GUARANTEES

(Rs. crores)

Default Probability	Risk Weights (per cent)	Amount Outstanding as in the previous year and the current year	Risk weighted outstanding guarantee in the previous year and the current year
Direct Liabilities	100		
High Risk	75		
Medium Risk	50		
Low Risk	25		
Very Low Risk	5		
Total Outstanding			

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

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
(1)	(2)	(3)	(4)	(5)	(6)

Form B -7

(See Rule 7)

TAX REVENUE RAISED BUT NOT REALISED (PRINCIPAL TAXES)

(As at the end of the reporting year)

Major Head	Description	Amount under disputes (Rs. in crores)					Amount not under disputes (Rs. in crores)					Grand Total
		Over 1 year but less than 2 years	over 2 years but less than 5 years	over 5 years but less than 10 years	Over 10 years	Total	Over 1 year but less than 2 years	over 2 years but less than 5 years	over 5 years but less than 10 years	Over 10 years	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	Taxes on Professions											
	Land Revenue											
	Stamps and Registration fees											
	Gujarat Sales Tax											
	Central Sales Tax											
	Tax on Motor Spirit											
	Surcharge on Sales Tax											
	State Excise											
	Taxes on Vehicles											
	Electricity Duty											
	Other Taxes											
	Total											

Note :- Reporting year refers to the second year preceding the year for which the annual financial statement and demands for grants are presented.

Form B -8 (See Rule 7) STATEMENT OF MISCELLANEOUS LIABILITIES : OUTSTANDING (Rs. crores)	
	Outstanding Amount
Committed Liabilities in respect of Major Works and contractss	
Committed liabilities in respect of land acquisition charges	
Claims in respect of unpaid bills on works and supplies	

The Outstanding amount pertains to the end-March position for the Year before the current Year.

Form B -9 (See Rule 7) NUMBER OF EMPLOYEES AND PENSIONERS AND EXPENSE ON SALARIES AND PENSION.							
Sr. No	Category	Number			Salaries/Pension (Rs. crores)		
		Previous Year	Current Year	Ensuing Year (Budget Estimates)	Previous Year	Current Year	Ensuing Year (Budget Estimates)
		Y-2	Y-1	Y	Y-2	Y-1	Y
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A.							
1	Employees in Government department						
2	Employees in Public sectors						
2	Employees in aided institutions						
	Total :						
B.	Pension Liabilities						
1.	Pensioners in Government department						
2.	Pensioners in Public Sectors						
3.	Pensioners in aided institutions						
	Total Pensioners liabilities						

By order and in the name of the Governor of Gujarat,

N. SRIVASTAVA
Joint Secretary to Government.

Government Central Press, Gandhinagar.