

Form F-1

[see Rule 3]

MACRO-ECONOMIC FRAMEWORK STATEMENT

Overview of the State Economy:

- 1.1 The quick estimates of Gross State Domestic Product (GSDP) for the year 2006-07 are now available. As per these quick estimates, GSDP at constant prices grew by 4.20 percent in 2006-07. The review statement for the first six months of the fiscal year 2007-08 relating to the income and expenditure trends had mentioned that as per the advance estimates GSDP (at 1999-2000 constant prices) grew by 5.26 percent in 2006-07 as compared to the previous year. The main reason for declining growth in the revised estimates as compared to the advanced estimates is the growth in the secondary sector by 3.29 percent as compared to 5.81 percent and tertiary sector growth of 5.62 percent as compared to 6.96 percent.
- 1.2 The sectoral composition of GSDP is presented in the Table 1.1, characterizing the structure of the economy and its changing nature. For the purpose of analysis, the year 1999-2000 has been taken as the base as it is also the base year for GSDP calculations.

Table 1.1
Changes in the Structure of the Economy

(Figures in Percentage)

Sector/Year	All India		Madhya Pradesh	
	1999-2000	2006-2007	1999-2000	2006-2007
Primary	25.00	18.40	29.75	28.12
Secondary	25.30	26.60	24.23	25.06
Tertiary	49.70	55.00	46.02	46.82

- 1.3 There have been significant changes in the structure of the economy at the All India level during the years 1999-2000 to 2006-07. The contribution of primary sector declined from 25 percent to 18.40 percent and the tertiary sector contribution has increased from 49.70 percent to 55 percent. Comparatively these changes are very limited for Madhya Pradesh.

- 1.4 The contribution of Madhya Pradesh in Gross State Domestic Product (GSDP) in 1999-2000 was 4.49 percent which has declined to 3.38 percent by the year 2006-07. The main reason for this decline is the higher rate of economic growth at the National level as compared to the state level. The effort of the fiscal policy is to increase public investment and encourage private investment so that this difference can be abridged.
- 1.5 During the year 2007-08, the State had approximately 27 percent less rainfall than the average. The eastern and the northern districts of the State had very scanty rainfall due to which the kharif and rabi crops in these areas have been adversely affected. According to the advanced estimates of the kharif crop the total production in the State is anticipated to be average, but the scanty rainfall in the northern and eastern districts have adversely affected the total crop production in these areas. Leaving aside districts which have received scanty rainfall, rabi production is expected to be average.

Growth in Gross State Domestic Product (GSDP)

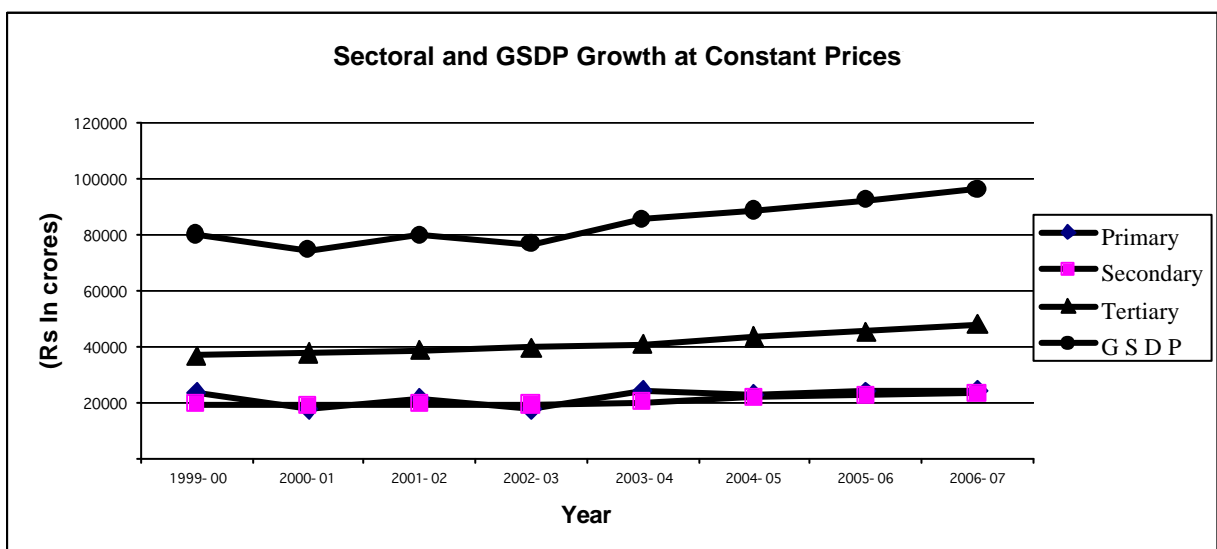
- 2.1 During the period 1999-2000 to 2006-07, at constant prices the GSDP grew at an annual rate of 3.36 percent (calculated using trend line), which is much below the national average of 6.88 percent. The economy of the State has been adversely affected in the years 2000-01 to 2003-04 due to infrastructural bottlenecks and low rainfall in the years 2000, 2001 and 2002. The growth of registered manufacturing during this period has also been negative.
- 2.2 The GSDP for the year 2006-07 at current prices was Rs. 128201.64 crores as per the quick estimates. It grew by 10.21 percent as compared to the previous year. At 1999-2000 constant prices, the growth in 2005-06 was 4.23 percent as compared to growth of 4.20 percent in the year 2006-07.
- 2.3 The growth rates for the year 2006-07 at constant prices were 2.38, 3.29 and 5.62 percent for the primary, secondary and tertiary sectors respectively. The contribution of various sectors in the GSDP and their growth for the year 2006-07 is presented in table 2.1 .

Table 2.1
Contribution of Different Sectors in GSDP at Constant Prices
(Base Year 1999-2000)

(Rs. In crores)

Sector	Year 2005-06	Year 2006-07	% Increase Year 2006-07 Over Previous Year
Agriculture (Including Animal Husbandary)	22359.14	22984.17	2.80
Forestry	1459.53	1387.99	-4.90
Fishries	231.83	250.69	8.14
Mining & Minerals	3362.03	3524.12	4.82
Infrastructure	9843.03	10094.50	2.55
Construction	6421.96	6625.34	3.17
Electricity, Gas & Water Supply	3079.86	3209.03	4.19
Railways	2393.78	2564.94	7.15
Trasnportation & Warehousing by other sources	2937.67	3141.09	6.92
Communication	2137.59	2405.72	12.54
Trade, Hotel & Restaurants	13600.72	13923.09	2.37
Banking & Insurances	4196.60	4522.69	7.77
Real Estate	7189.97	7493.26	4.22
Public Aministration	4287.70	4771.93	11.29
Other Services	8869.87	9355.49	5.47
Total	92371.28	96254.05	4.20

2.4 The sectoral growth of the economy in the State during the period 1999-2000 to 2006-07 is depicted below.



3. Overview of State Finances

- 3.1 As per accounts, the revenue surplus had remained at Rs. 3331.68 as against the revenue surplus of Rs. 1763.38 crore as shown in the revised estimates. Similarly, as per accounts, the fiscal deficit was Rs. 2814.23 crore against the revised estimate of Rs. 4593.23 crore. Significant improvement in fiscal indicators, especially in revenue surplus, are continuing in the year 2007-08. The revenue surplus is estimated to increase from Rs.2006.73 crore (BE) to Rs. 3356.37 crore (RE). The fiscal deficit is estimated to decrease from Rs. 4654.63 crore (BE) to Rs. 4499.75 crore, which is within the prescribed limits for the year 2007-08 in The Madhya Pradesh Rajkoshiya Uttardayitva Evam Budget Prabandhan Adhiniyam, 2005
- 3.2 As per accounts for the year 2006-07, the revenue receipts were Rs. 25694.28 crore, which is higher than the revised estimates of Rs. 24859.86 crore. The revised estimates of revenue receipts for the year 2007-08 are Rs.29840.01 crore which is 6.58 percent higher than the Budget Estimate of Rs. 27995.84 crore.
- 3.3 The Revised Estimates for 2006-07 for non tax revenue are 3.72 percent less than the actual receipts. The reason for this is that the debt relief fund to the tune of Rs.363.06 crore which was to be received in the year 2005-06 according to the recommendations of the Twelfth Finance Commission has been received in the year 2006-07. Upon the reduction of this amount from the non tax revenue receipts the revised estimates for non tax revenue receipts for 2007-08, are 11.51 percent more than the actual receipts of 2006-07

4. Prospects

- 4.1 The growth rate in registered manufacturing has been positive since the year 2004-05 due to the improvement in infrastructure. The manufacturing sector has attracted new investment and as a result there is further expectation of improvements in the growth rate in this sector.

- 4.2 The high investment in public irrigation systems and adequate power supply for irrigation pumps has resulted in decreased dependence of agriculture on monsoons. The credit availability for agriculture sector has also more than doubled in the last three years. These are likely to improve the growth prospects of the State.
- 4.3 The fiscal deficit as percentage of GSDP has been limited to only 2.2 percent during the year 2006-07 due to which loan burden on the state has been limited. The State is likely to meet the fiscal targets prescribed for the year 2007-08.

B. Trends in Select Fiscal Indicators

(Rs in crore)

S.No.	Fiscal Indicators	Previous Year	Current Year	Ensuing Year	% Change in Current Year over Previous Year	% Change in Ensuing Year over Current Year
		2006-07	2007-08 (RE)	2008-09 (BE)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Revenue Receipts (2 +3+4)	25694.28	29840.01	34403.78	16.13	15.29
2	Tax Revenue (2.1+2.2)	18561.67	21459.06	24745.04	15.61	15.31
2.1	State Tax	10472.20	11885.68	14214.30	13.50	19.59
2.2	Share in Central Taxes	8089.47	9573.38	10530.74	18.34	10.00
3	Non-Tax Revenue	2658.46	2559.59	3017.70	-3.72	17.90
4	Grant-in-aid from Central Govt.	4474.15	5821.36	6641.04	30.11	14.08
5	Capital Receipts (6+7+8)	2408.66	4762.48	5059.01	97.72	6.23
6	Recovery of loans and advances	38.42	42.85	297.55	11.53	594.40
7	Net public debt	2871.44	4641.33	4675.15	61.64	0.73
8	Net Receipts from Public Account	-501.20	78.30	86.31	-115.62	10.23
9	Total Receipts (1+5)	28102.94	34602.49	39462.79	23.13	14.05
10	Revenue Expenditure (10.1+10.2)	22362.60	26483.64	31564.00	18.43	19.18
10.1	Non-Plan Revenue Expenditure	16910.51	19419.48	23245.54	14.84	19.70
10.2	Plan Revenue Expenditure	5452.09	7064.16	8318.46	29.57	17.76
10.3	Revenue Expenditure Of which:					
10.3.1	Interest payments	4028.95	4199.89	4489.67	4.24	6.90
10.3.2	Subsidies	6870.13	8658.68	10760.59	26.03	24.28
10.3.3	Wages & Salaries	6337.02	7562.34	9550.36	19.34	26.29
10.3.4	Pension Payments	1751.69	1999.05	2298.96	14.12	15.00
11	Capital Expenditure (11.1+11.2)	5169.94	6781.67	6099.93	31.18	-10.05
11.1	Non-Plan Capital Expenditure	313.97	201.28	199.44	-35.89	-0.91
11.2.	Plan Capital Expenditure	4855.97	6580.39	5900.49	35.51	-10.33
12	Loans and advances (12.1+12.2)	1014.39	1117.30	1778.40	10.15	59.17
12.1	Non Plan Loans and advances	750.71	545.25	645.51	-27.37	18.39
12.2	Plan Loans and advances	263.68	572.05	1132.89	116.95	98.04
13	Total Expenditure	28546.93	34382.61	39442.33	20.44	14.72
13.1	Non Plan Expenditure (10.1+11.1+12.1)	17975.19	20166.01	24090.49	12.19	19.46
13.2	Plan Expenditure (10.2+11.2+12.2)	10571.74	14216.60	15351.84	34.48	7.99
14	Revenue Deficit (1-10)/Surplus	3331.68	3356.37	2839.78	0.74	-15.39
15	Fiscal Deficit (1+6-13)	-2814.23	-4499.75	-4741.00	59.89	5.36
16	Primary Deficit [1+6-(13-10.3.1)]	1214.72	-299.86	-251.33	-124.69	-16.18

Form 2
(Rule 4)

Medium Term Fiscal Policy Statement

A. Fiscal Indicators- Rolling Targets

S. No.	Fiscal Indicators	Account 2006-07	Revised Estimates 2007-08	Budget Estimates 2008-09	Targets for 3 Years		
					2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Revenue Surplus as percentage of GSDP	2.60	2.36	1.80	2.06	2.21	2.38
2	Fiscal Deficit as percentage of GSDP	2.20	3.16	3.00	3.00	3.00	3.00
3	Total outstanding Liabilities as percentage of GSDP	46.57	44.49	43.65	42.20	41.16	40.22

B. Assumptions underlying the Fiscal Indicators

(1) Revenue receipts:

- a) **Tax-revenue** - Tax revenue consists of State own tax revenue and Central tax devolutions. The State's share in Central taxes for the year 2008-09 is estimated at Rs. 10530.74 crore. The 12th Finance Commission had projected an annual increase of 14.50 percent but in the first two years of the Commission's award period itself a higher percentage increase has been attained. Even then the projections have been calculated at 14.5 percent for the coming years.

The State's Own Tax Revenue (SOTR), Rs. 14214.30 crore for the year 2008-09 (BE) are based on the assessment of the respective tax collecting Departments, showing a growth of 21.32 percent over 2007-08 (BE). For later years, SOTR is assumed to grow at 13.5 percent over the budget estimates of 2008-09.

- b) **Non-Tax Revenue** - Non-tax revenue comprises of State own non- tax revenue and plan and non-plan grants from Centre. State's own non-tax revenue for the year 2008-09 (BE) are estimated at Rs.3017.70 crore. This also includes the recovery of interest payments due for previous years from

power companies. The review statement presented for the year 2007-08 under Madhya Pradesh Rajkoshiya Uttardayitva Evam Budget Prabandhan Adhinyam 2005 has estimated that the States non-tax revenue would increase at a rate of 5 percent. The growth rate is now anticipated at 5.5 percent because coal royalty has now become partially ad valorem.

Plan grants are assumed to grow at 10 percent annually. Non-plan grants as specified by 12th finance Commission for the year 2009-10 have been taken to be the same for the years 2010-11 and 2011-12.

- c) **Share of own tax revenues to total revenue receipts** – The share of own tax revenues to the total revenue receipts is 39.83 percent in the year 2007-08 (RE) and is expected to reach 43.29 percent by 2011-12.
- d) **Share of own non-tax revenues to total revenue receipts** – The share of own non-tax revenue to the total revenue receipts is 8.58 percent in the year 2007-08 (RE) and is expected to be 6.28 percent by 2011-12. This proportion is going down as tax revenues are growing at a higher rate than non-tax revenues.
- (2) **Capital receipts** – The Capital receipts for the year 2008-09 are expected to be Rs. 5059.01 crore which is 5.03 percent more than the Budget Estimates of 2007-08. The gross debt is determined keeping in view the fiscal targets to be achieved by year 2008-09 as prescribed in the Madhya Pradesh Rajkoshiya Uttardayitva Avam Budget Prabandhan Adhinyam, 2005. In the year 2005-06 and 2006-07, the State had fulfilled the conditions of the Debt Consolidation and Relief Facility (DCRF) scheme which enabled us to get the benefit of debt waiver. It is expected that Rs. 363.06 crore of debt will be waived off for the year 2007-08. Internal debt for future years will be decided on the basis of the fiscal deficit. The new credit portfolio will be worked out on a yearly basis keeping in mind the various sources of credit availability and rate of interests.

- (a) **Loans and advances from the Centre** – Based on the recommendations of the TFC, the Government of India has stopped giving plan loans, except in case of externally aided projects (EAP) to the State. For the year 2008-09, an estimated amount of Rs. 1775.58 crore will be received for ongoing EAPs.
- (b) **Special securities issued to the National Small Savings Fund (NSSF)** – Small saving schemes are no longer as attractive as in the earlier years to house-hold savers, therefore the net collection under these schemes has been decreased. This is a costlier source of financial arrangement for the State Government. Depending upon the availability of funds from other sources, NSSF would be cautiously used. Loans from NSSF have dipped from Rs 2096 crore in 2007-08 to Rs. 538.80 crore as per revised estimates.
- (c) **Recovery of loans and advances** - As on 31st March 2007, Rs. 4773.49 crore of loans and advances are outstanding. A major portion of these loans is to be recovered from the MP State Electricity Board and its successor companies. Due to an estimated recovery of Rs. 250 crore in the year 2008-09 from these companies, the budget estimate under this head is Rs. 297.55 crore.
- (d) **Borrowings from financial institutions** – The budget estimates is Rs. 2286.34 crore for market borrowings for the year 2007-08 as against this the revised estimates are Rs. 4068.19 crores. This is estimated to be Rs. 2922.98 crore for the year 2008-09 and for future years this has been estimated on the basis of fiscal indicators. The borrowings from institutions like NABARD, HUDCO, LIC are project based and are part of the overall borrowing programme. Since, NABARD (RIDF) assistance is a relatively low cost source, the State would try to maximise the utilisation of this source of funding.
- (e) **Other receipts (net) –provident funds, etc.–** This is a source of borrowing from public accounts outside the Consolidated Fund of the State. As and when such funds are available they are used as a gap-filling instrument to finance capital expenditure.

(f) **Outstanding Liabilities - Internal Debt and Other Liabilities** –The gross debt at the end of March 2007 is Rs. 48225.82 crore and is estimated to be Rs 53009.83 crore at the end of March 2008. The review statement presented for the year 2007-08 had estimated an increase in gross debt to be at 7.5 percent per annum. Since there is no need to decrease the fiscal deficit as a percentage of GSDP by more than 3 percent after year 2008-09, the fiscal deficit is therefore expected to rise in net terms. Therefore, after 2008-09, the gross debt is estimated to increase at an average growth rate of 8.25 percent. The estimates for the guarantee amounts for future years are based on 8 percent rate of increase. It would be ensured that these guarantees are within the fiscal deficit limits.

(3) **Total expenditure** - The total expenditure is classified into revenue and capital account. The revenue account consists of plan and non-plan expenditure. Plan Revenue Expenditure for the year 2008-09 onwards is projected at a growth rate of 12 percent. The Non Plan Revenue Expenditure grants recommended by the Twelfth Finance Commission are included in the Non Plan Revenue Expenditure. After including the interest relief, it is estimated that this will increase at a rate of 11.25 percent.

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

1. **Interest payments:** For the year 2007-08, the average cost of borrowing is estimated to be 8.34 percent and the same has been used for projections.

2. **Major subsidies:** The growth rate assumed on Major Subsidies is 10 percent.

3. **Salaries:** Due to merger of 50 percent of basic pay into dearness pay, there is an estimated increase of 19.45 percent in the salary head for the year 2007-08 as compared to the year 2006-07. Increased

provisioning has been made in the year 2008-09 due to the removal of difference in the DA received by the State government employees and the central government employees. The State Government has constituted the State Pay Commission. It is estimated that due to the implementations of the recommendations of the Commission, there will be an increase in the salary head for the year 2009-10 compared to the year 2008-09 to the tune of 15 percent but in the next year 2010-11, the increase under this head is estimated to be 10 percent.

4. **Pensions:** Due to the removal of the difference in the Dearness Relief being given to the pensioners there is an increase of 15 percent in this head in the year 2008-09 as compared to the year 2007-08. It is estimated that because of the implementation of the recommendations of the State Pay commission in the year 2009-10, there will be a growth of 15 percent but in the later years the growth in this head has been estimated at 12 percent.

(b) **Capital account**

- (1) **Loans and advances:** The significant increase in loans and advances in the year 2008-09 over the budgetary estimates of 2007-08 is due to the loan assistance by Asian Development Bank to the Power Transmission and Distribution Companies. In the coming years, this is estimated to grow at rate of 15 percent annually.
- (2) **Capital Outlay:** The Capital outlay of the State is being used for infrastructural improvements like roads, power and irrigation. According to the revised estimates of 2007-08, the Plan Capital expenditure was 4.77 percent of the GSDP. There will be efforts to maintain public investment in infrastructure development at this level. Capital expenditure is expected to grow at the rate of 15 percent.

(4) **GSDP Growth** –The DCRF guidelines suggest a growth rate of 12 percent for projecting the GSDP. According to the quick estimates for the year 2006-07 this

growth rate has been 10.21 percent. Therefore the projected growth rate of GSDP has been estimated for the years 2007-08 and 2008-09 to be 11 percent and there after 12 percent per annum .

C. Assessment of sustainability

- 1. The balance between receipts and expenditure in general and revenue receipts and revenue expenditure in particular:** In order to achieve the revenue deficit and fiscal deficit targets envisaged in the Act, it is necessary for the receipts to grow at a faster rate than the total expenditure in general and revenue expenditure in particular. The tax revenue -GSDP ratio is 15.08 percent in the year 2007-08 as per the revised estimates and is expected to go up to 16.48 percent by the year 2011-12. Own tax-GSDP ratio is 8.35 percent which would reach 9.36 percent in the terminal year. State's share in Central tax devolutions as a proportion of GSDP for the current year is 6.73 percent and would reach 7.12 percent in the terminal year. In order to increase the non-tax revenues, user charges would be reviewed from time to time with a view to making them sustainable.

The interest payments as a proportion of total revenue receipts in the Budget Estimates for 2007-08 were 15.19 percent. This is expected to remain at 13.05 percent in Budget Estimates for 2008-09 and become 11.89 percent by the year 2011-12. This is significantly less than the limit of 15 percent targeted from the sustainability point of view.

The budget estimate of ratio of total liability to GSDP was 49.03 percent for 2007-08. This ratio is expected to be 43.65 percent for 2008-09. By 2011-2012, this ratio is expected to become 40.22 percent.

- 2. Assessment of increase in Non Plan Revenue Expenditure (NPRE):** Dearness allowance equal to 50 percent of the basic pay payable to the State Government employees has been merged w.e.f. 01.04.2007. Similarly, 50 percent of the Dearness Relief of pensioners and family pensions have also been merged as Dearness Pension. Because of this, in the revised estimates of 2007-08 as compared to the year 2006-07, there is an estimated growth of 19.45 percent in salary head and 14.12 percent in pension head. Due to

removal of disparity between the DA payable to the Central Government employees and the State Government employees, the salary and pension heads for Budget Estimates of 2008-09 are estimated to increase by more than average over the Revised Estimates of 2007-08. Apart from this, the State Government has decided to constitute the State Pay Commission to review the service conditions for the employees of the state and its organizations. There is the possibility of an increase in the NPRE as a result of modifications in the service conditions based on the recommendations of the Commission.

The increase in interest liability has remained under check due to the State's fiscal deficit being under control and prudent selection of credit portfolio. The interest head under Revised Estimates for 2007-08 as compared to 2006-07 has increased at 4.24 percent and it is estimated to have a limited growth of 5.56 percent in the Budget Estimate 2008-09. Non Plan Revenue Expenditure is estimated to grow at 19.70 percent in 2008-09 and there after the growth rate is estimated at 11.25 percent.

3. **The use of capital receipts including market borrowings for creating productive assets:** The State has already achieved revenue surplus in the year 2005-06. From 2007-08, all capital receipts are being used for capital formation in irrigation, power, roads and bridges as per the priorities of the Government. The plan capital outlay in the budget for 2008-09 for irrigation, power and roads & bridges is Rs.1796.66 crore, Rs. 1185.96 crore and Rs. 1656.50 crore, respectively.
4. **The estimated yearly pension liabilities worked out for the next ten years:** The estimated pension liabilities by making forecasts on the basis of trend growth rates (i.e. average rate of growth of actual pension payments during the last five years for which data are available) are as given below.

Projections of Pension Liability

Year	(Rs. In crore)
2002-03	1082.68
2003-04	1197.27
2004-05	1329.89
2005-06	1557.15
2006-07	1729.16
2007-08	1999.05
2008-09	2298.96
2009-10	2643.80
2010-11	2961.06
2011-12	3316.39
2012-13	3714.35
2013-14	4160.08
2014-15	4659.29
2015-16	5218.40
2016-17	5844.61

Note:- Data for the 2002-03 to 2006-07 are Actual, 2007-08 is Revised Estimates, 2008-09 is Budget Estimates.

There is 15 percent growth estimated in the budget estimates for the year 2008-09 compared to the budget estimated of the year 2007-08 due to the increase in Dearness Relief payable to the state pensioners. Due to the constitution of State Pay Commission, 15 percent growth rate has been taken for the year 2009-2010 and thereafter growth rate of 12 percent per annum.

Form F – 3

[see Rule 5]

FISCAL POLICY STRATEGY STATEMENT

1. Fiscal Policy-Overview: The fiscal policy of the State is aimed at increasing capital expenditure so as to ensure investment in social and physical infrastructure. This would expand the productive base of the State's economy and help to attract more private investments. In order to achieve this objective, it is necessary to increase revenue receipts and decrease of Non-Plan Revenue Expenditure (NPRE). Tax buoyancy has been observed in the years 2006-07 and 2007-08 due to improvements in the economic growth rate. Interest rates have been reduced due to swapping of the debt, debt consolidation and relief facility (DCRF) and the increase in interest payment has been under control. The revenue receipts of the State in the Budget Estimates for 2007-08 compared to Budget Estimates 2008-09 are estimated to grow at 22.89 percent. State own tax revenues (SOTR) are estimated to grow at 13.5 percent during the year 2007-08 (RE) as compared to the year 2006-07. SOTR is expected to grow at 23.10 percent in 2008-09(BE) as compared to 2007-08 (BE). NPRE grew at 14.84 percent in the year 2007-08(RE) as compared to the year 2006-07. NPRE for the year 2008-09 is estimated to grow at 19.70 percent over 2007-08(RE).The main reason for the increase in the NPRE in 2008-09 is the additional instalment of DA to be given to the state government employee. There is an estimated growth of 15 percent in salary and pension head for the year 2009-2010 due to the expected implementation of the State Pay Commission 'srecommendations. However, there will be an effort to limit the total Non Plan Revenue Expenditure at 11.25 percent. In the coming years also this limit this will be maintained at the above level. Due to these fiscal measures, the States revenue surplus is estimated to be 3356.37 crore compared to the BE 2007-08 at Rs. 2006.73 crore. The fiscal deficit is expected to remain limited at Rs. 4499.75 crore. Thus, all the fiscal parameters are within the targets set under Act.

2. Fiscal policy for the ensuing year: The present fiscal policy is showing good and positive results. The Government would continue to pursue the same policy of increasing revenue receipts and decrease NPRE.

- (i) **Tax Policy:** The Government endeavors to increase the revenue receipts continuously. It is the Government's intention to undertake positive tax initiatives to improve the tax to GSDP ratio, expand the tax base, increase tax compliance and make tax administration more efficient. The State Government would be further strengthening Information Technology initiative in tax collecting departments.

- (ii) **Expenditure Policy:** Outcomes are the measure of success or failure of government expenditures. These can be evaluated on the standards of outcomes and accountability.
 - (a) **Works Departments Drawal Facility (WDDF) :** The new drawal facility for works departments (WDDF) has been implemented from 1st April, 2007. This maintains project-wise availability of funds so that works can be monitored effectively and financial control becomes easier. This can be strengthened further so that by month of April itself, availability of budgetary allocations can be ensured at the field level for the implementation of various projects.
 - (b) **Outcome Budget:** The Outcome Budget has been prepared and presented before the Vidhan Sabha in the year 2006-07. In continuation the Outcome Budget is being presented for the year 2008-09. By this method we will be able to better assess outcomes through estimates of Quantifiable Deliverables.
 - (c) **Gender Budget :** The Government's committed to enable women to realise their full potential is evident by the preparation and presentation of gender budget. Through the gender budget we are able to classify some major schemes that benefit women and this will help in the better targeting of the schemes. Towards this end gender budget had been presented for the first time for 13 departments in the year 2007-08. For 2008-09 we have brought 21 departments within this purview.
 - (d) **Off Budget Estimates:** Apart from the grants received by the State from the Centre, various institutions receive grants directly. These funds are a part of Public Account but do not form a part of the

Consolidated Fund of the State. Therefore, these are not presented in the budget and remain outside the scrutiny of the House. This year they are being presented before the House. This presentation will ensure the effective monitoring of the House on the utilization of these funds.

- (iii) **Borrowing and Contingent liabilities:** Revenue surplus has already been achieved in the year 2005-06 and there has been a positive rate of growth in revenue surplus thereafter. As a result there has been an increase in Plan Capital expenditure though the reliance on capital investment has been considerably reduced. We have been able to attain the target of limiting the fiscal deficit as a percentage of GSDP within the prescribed limit of 3 percent in the year 2008-09 and there after this will be kept within the limit itself. The state will be able to increase desirable capital investment expenditure while staying within this limit, as a result of growth in the economy. The contingent liabilities for 2007-08 have been significantly reduced compared to the year 2006-07. In the future also the contingent liabilities will be kept under control.

3. Strategic priorities for the coming year:

- (i) It has been decided to adopt information technology to attain maximum growth in revenue earnings. The progress of computerisation will be further energized for stamps and registration, commercial taxes, state excise and transport. The implementation of the tax regime will be more transparent and more effective due to the use of new information technology.
- (ii) There will be an effort to complete physical infrastructure development projects on priority basis. Apart from this priority will be given to education, health and food security for improvement in the productivity of human resources.
- (iii) The Medium Term Expenditure Framework is being prepared for six government departments under the DFID supported "Strengthening Performance Management in Government" programme. The Medium Term Fiscal Framework is also being developed for the State so that the expenditure of government departments can be better aligned with their

priorities and targets and resources can be utilised more effectively. This will also assist in more accurate assessment of the state's fiscal estimates and thereby formulating the fiscal policies in accordance with state's fiscal targets.

(4) Rationale for Policy changes

- (i) Equity and productivity considerations have prompted the Government to increase the salaries and the pensions of Government employees. The complementary nature of revenue expenditure in social sector is recognized. The Education and Health sectors require deployment of more teachers, Doctors and Para-medical staff. Food security is crucial due to the high incidence of poverty and malnutrition in the State. As a result, revenue expenditures may go up.
- (ii) Changing money market conditions would be kept in mind while deciding the borrowing programme of the Government. The basic objective of the borrowing policy is to bring down the average cost of borrowing, and to increase its efficiency.
- (iii) In order to increase agricultural production there is a need to decrease the cost of agricultural inputs and ensure their availability.
- (iv) There is a need to strike a balance between decreasing power subsidy to agriculture and the interest of the farmers. Therefore, the level of power subsidies and loan subsidies to farmers would be decided by the economic rationality in the context of a democratic polity.
- (v) **Policy Evaluation:** All updated fiscal information has been provided as per the Act. The targets set for 2007-08 are likely to be met. Further, the assumptions underlying the projections have been appropriately modified with explanations to ensure that they continue to be rooted in reality. The commitment of the Government to fiscal transparency is reflected through the disclosure statements and other information provided.

FORM F-4

[see Rule 7]

SELECT FISCAL INDICATORS

(Percent)

S.No.	Item	Previous Year (Accounts)	Current Year (RE)	Ensuing Year (BE)
		2006-07	2007-08	2008-09
(1)	(2)	(3)	(4)	(5)
1	Gross Fiscal Deficit as Percentage of GSDP	2.20	3.16	3.00
2	Revenue surplus as Percentage of Gross Fiscal Deficit	118.39	74.59	59.90
3	Revenue surplus as Percentage of GSDP	2.60	2.36	1.80
4	Revenue surplus as Percentage of TRR	11.86	9.70	7.20
5	Total Liabilities -GSDP Ratio (%)	46.57	44.49	43.65
6	Total Liabilities - Total Revenue Receipts (%)	232.39	212.17	200.39
7	Total Liabilities –State’s Tax Revenue Receipts (%)	570.18	532.66	485.03
8	State’s Tax Revenue Receipts in comparison of Revenue Expenditure (%)	46.83	44.88	45.03
9	Capital Outlay as Percentage of Gross Fiscal Deficit	183.71	150.71	128.66
10	Interest Payment as Percentage of Revenue Receipts	15.68	14.07	13.05
11	Salary Expenditure as Percentage of Revenue Receipts	24.66	25.34	27.76
12	Pension Expenditure as Percentage of Revenue Receipts	6.82	6.70	6.68

FORM F-5

[see Rule 7]

A. COMPONENTS OF STATE GOVERNMENT LIABILITIES

(Rs. in crore)

S.No.	Category	Raised or to be raised during the Fiscal Year			Repayment/Redemption during the Fiscal Year			Outstanding Amount (as on 31st March)		
		Previous Year	Current Year	Ensuing Year	Previous Year	Current Year	Ensuing Year	Previous Year	Current Year	Ensuing Year
		2006-07 (Account)	2007-08 (RE)	2008-09 (BE)	2006-07 (Account)	2007-08 (RE)	2008-09 (BE)	2006-07 (Account)	2007-08 (RE)	2008-09 (BE)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	Market Borrowings	1420.00	4068.19	2922.98	356.84	510.84	508.59	11309.38	14866.73	17281.12
2	Loans from Centre	431.34	870.57	1874.73	742.67	436.75	445.45	8679.70	9113.52	10542.79
3	Special Securities issued to the NSSF	2120.93	538.80	800.00	76.18	117.26	194.72	14172.56	14594.10	15199.38
4	Borrowings from Financial Institutions/ Banks	510.70	851.09	914.00	555.84	622.47	687.80	6184.74	6413.36	6639.57
5	WMA/OD from RBI	0.00	500.00	2000.00	0.00	500.00	2000.00	0.00	0.00	0.00
6	Public Account	1445.14	1427.35	1532.56	1887.23	1296.55	1393.55	7879.44	8022.12	8155.92
7	Other Deposits									
8	Total	5928.11	8256.00	10044.27	3618.76	3483.87	5230.11	48225.82	53009.83	57818.78

B. WEIGHTED AVERAGE INTEREST RATES ON STATE GOVERNMENT LIABILITIES

(Percent)

S. No	Category	Raised during the Fiscal Year [^]		Outstanding Amount (as on 31 st March)	
		Previous Year (Acc) 2006-07	Current Year (RE) 2007-08	Previous Year (Acc) 2006-07	Current Year (RE) 2007-08
(1)	(2)	(3)	(4)	(5)	(6)
1	Market Borrowings	8.31	8.45	8.01	5.97
2	Loans from Centre	9.00	9.00	8.27	7.80
3	Special Securities issued to the NSSF	9.50	9.50	8.68	9.65
(4)	Borrowings from Financial Institutions/ Banks	6.70	6.66	10.99	10.12
(5)	WMA/OD from RBI	7.50	7.50	0.00	0.00
(6)	Public Account	8.00	8.00	8.00	8.00
(7)	Other Deposits	0.00	0.00	0.00	0.00
(8)	Overall Average Rate *	8.70	8.34	8.35	7.92

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

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

C. DETAILS OF SPECIAL WAYS & MEANS ADVANCE / WAYS & MEANS ADVANCE OVER-DRAFT AVAILED BY THE STATE GOVERNMENT FROM RESERVE BANK OF INDIA

S.No.	WMA/OD	Previous Year 2006-07	Current Year* 2007-08
	(1)	(2)	(3)
(1)	Average amount of WMA (Rs crore)	0	0
(2)	Average amount of OD (Rs crore)	0	0
(3)	Number of days of WMA	0	0
(4)	Number of days of OD	0	0
(5)	Number of occasions of OD	0	0

* as on 31st December, 2007.

FORM F-6

[see Rule 7]

CONSOLIDATED SINKING FUND (CSF)

(Rs in Crore)

Outstanding balance in CSF at the beginning of the previous year	Additions to CSF during the previous year	Withdrawals from CSF during the previous year	Outstanding balance in CSF at the end of the previous year/beginning of current year	Outstanding Stock of SLR Borrowings at the beginning of current year (%)	Additions to CSF during the current year	Withdrawals from CSF during the current year	Outstanding balance at the end of current year/beginning of ensuing year	Outstanding Stock of SLR Borrowings at the end of current year (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
-Nil-	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-

FORM - F - 7

(See Rule 7)

GUARANTEES GIVEN BY THE GOVERNMENT

Category (No. of Guarantees within bracket)	Maximum Amount Guaranteed during the year (Rs. crore)	Outstanding at the beginning of the year (Rs. crore)	Additions during the year (Rs. crore)	Reductions during the year (other than invoked during the year) (Rs. crore)	Invoked during the year (Rs. crore)		Total Outstanding Guarantees (Rs. crore)	Guarantee Commission or Fee (Rs. crore)		Total Outstanding Guarantees as a % of Total Revenue Receipts *
					Discharged	Not Discharged		Receivable	Received	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Home (5)					Un received	Un received		Un received	Un received	
Finance (36)	74.21	1.63	0.00	0.00	-.	-.	1.63	-.	-.	
Transport (6)	5,88.32	2,78.79	50.00	0.00	-.	-.	3,28.79	-.	-.	
Forest (1)	58.56	58.56	0.00	0.00	-.	-.	58.56	-.	-.	
Commerce, Industry and Employment Department (8)	13.77	13.77	0.00	0.00	-.	-.	13.77	-.	-.	
Energy Department (70)										
Co-operation (36)	60,82.03	34,96.64	2,71.21	4,03.54	-.	-.	33,64.31	-.	-.	
Urban Administration & Development (89)	19,88.02	19,88.02	0.00	2,16.00	-.	-.	17,72.02	-.	-.	
Tribal, Schedule Cast and Backward Classes Welfare (2)	3,68.81	3,68.81	0.00	0.00	-.	-.	3,68.81	-.	-.	
Housing and Environment (31)										
Animal Husbandary (3)	5,41.07	5,41.07	0.00	0.00	-.	-.	5,41.07	-.	-.	
Higher Education (1)	40.75	26.91	0.00	0.00	-.	-.	26.91	-.	-.	
Village industry (7)	13.00	10.34	0.00	0.00	-.	-.	10.34	-.	-.	
Minority & Backword Class Department (7)	61.69	61.69	0.00	0.00	-.	-.	61.69	-.	-.	
Schedule Cast Welfare Department (3)	53.38	53.38	0.00	0.00	-.	-.	53.38	-.	-.	
Rural Development (1)	60.00	44.54	0.00	0.00	-.	-.	44.54	-.	-.	
	2,87.50	1,75.00	0.00	0.00	-.	-.	1,75.00	-.	-.	
Grand Total	1,03,00.58	71,88.40	3,21.21	6,19.54			68,90.07			73.19 %

* 2007-08 (R.E.).

FORM F-8

[see Rule 7]

GUARANTEE REDEMPTION FUND (GRF)

(Rs. in Crore)

Outstanding invoked guarantees at the end of the previous year	Outstanding Amount in GRF at the end of the previous year	Amount of 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)
0	205.31	0	100.00	0	305.31

FORM F – 9

[see Rule 7]

STATEMENT OF FINANCIAL ASSETS

S.No.	Item	Assets at the beginning of the previous year Book Value (Rs. in crores)	Assets acquired during the previous year Book Value (Rs. in crores)	Cumulative total of assets at the end of the previous year Book Value (Rs. in crores)
(1)	(2)	(3)	(4)	(5)
(1)	Loans and advances <i>Of which:</i> Loans to Local Bodies Loans to companies Loans to others	3848.55 733.61 0.00 3114.94	924.95 36.09 0.00 888.86	4773.50 769.70 0.00 4003.80
(2)	Equity Investment Shares Bonus shares	6956.80*	1204.91	8161.71
(3)	Investments in Govt dated securities/Treasury Bills	5.57	-2.25	3.32
(4)	Investments in 14-day Intermediate Treasury Bills	644.96	1857.35	2502.31
(5)	Other financial investments	-	-	-
	Total	11455.88	3984.96	15440.84

Note: Assets above the threshold value of Rupees two lakh only to be recorded.

* Proforma reduction of Rs. 9.19 cr has been made due to depositing the investment amount in major head 4000-01-800 in consequence of share capital redemption by co-operative banks.

FORM F – 10

[see Rule 7]

REVENUES RAISED BUT NOT REALISED
(principal taxes and non-taxes)

(As at the end of the year 2006-07)

Major Head	Description	Amount under disputes (Rs. crore)	Amount not under disputes (Rs. crore)	Grand Total (Rs. crore)
(1)	(2)	(3)	(4)	(5)
	Taxes on Income and Expenditure			
0023	Hotel Receipts Tax	-	-	-
0028	Other Taxes on income and expenditure	-	-	-
	Taxes on Property and capital Services			
0029	Land Revenue	79.34	37.84	117.18
0030	Stamps and Registration fees	16.55	60.63	77.18
	Taxes on Commodities and Services			
0040	Taxes on Sales, trade, etc	538.58	48.66	587.24
0039	State Excise	28.84	29.44	58.28
0041	Taxes on Vehicles			
0045	Other taxes and duties on commodities and services	00.16	00.37	00.53
0043	Taxes and Duties on Electricity	20.61	06.06	26.67
0853	Non-Ferrous Mining and Metallurgical Industries	429.24	10.96	440.20
0700 0701 0702	Major Medium and Minor Irrigation	6.01	524.11	548.12
0406	Forestry and Wild life	3.01	12.30	15.31
	Other	-	-	-
	TOTAL	1122.34	748.37	1870.71

FORM F-11
[see Rule 7]

A. Employment in State Government

(As at the end of 31st March 2007)

S.No	Pay Group (in Rupees)	No. of Employees	Percentage
(1)	(2)	(3)	(4)
1.	upto 2500	6187	01.33
2.	from 2501 to 4300	154983	33.41
3.	from 4301 to 6100	146882	31.67
4.	from 6101 to 9700	133330	28.74
5.	from 9701 to 13300	14860	03.20
6.	from 13301 to 19300	7118	01.54
7.	above 19301	453	00.10
	Total	463813	100.00

B. Employment in State Public Sector Undertakings

(i) New Payscale

(As at the end of 31st March 2007)

S.No	Pay Group (in Rupees)	No. of Employees	Percentage
(1)	(2)	(3)	(4)
1.	upto 2500	1319	02.00
2.	from 2501 to 4300	7025	10.68
3.	from 4301 to 6100	13076	19.87
4.	from 6101 to 9700	32195	48.90
5.	from 9701 to 13300	8710	13.22
6.	from 13301 to 19300	2582	03.92
7.	above 19301	929	01.41
	Total	65836	100.00

(ii) Old Payscale

1.	upto 800	162	10.41
2.	from 801 to 1000	410	26.35
3.	from 1001 to 1400	468	30.08
4.	from 1401 to 2000	344	22.11
5.	from 2001 to 3500	153	09.83
6.	from 3501 to 5000	15	00.96
7.	above 5001	4	00.26
	Total	1556	100.00

C. Employment in Semi Government Bodies

(i) New Payscale

(As at the end of 31st March 2007)

S.No	Pay Group (in Rupees)	No. of Employees	Percentage
(1)	(2)	(3)	(4)
1.	upto 2500	407	05.25
2.	from 2501 to 4300	3094	39.90
3.	from 4301 to 6100	1859	23.98
4.	from 6101 to 9700	1712	22.07
5.	from 9701 to 13300	531	06.85
6.	from 13301 to 19300	133	01.72
7.	above 19301	18	00.23
	Total	7754	100.00

(ii) Old Payscale

(As at the end of 31st March 2007)

S.No	Pay Group (in Rupees)	No. of Employees	Percentage
(1)	(2)	(3)	(4)
1.	upto 800	27	01.97
2.	from 801 to 1000	405	29.56
3.	from 1001 to 1400	194	14.16
4.	from 1401 to 2000	304	22.19
5.	from 2001 to 3500	374	27.30
6.	from 3501 to 5000	56	04.09
7.	above 5001	10	00.73
	Total	1370	100.00

D. Employment in Universities

New Payscale

(As at the end of 31st March 2007)

S.No	Pay Group (in Rupees)	No. of Employees	Percentage
(1)	(2)	(3)	(4)
1.	upto 2500	104	01.08
2.	2501 to 4300	5799	60.13
3.	4301 to 6100	1096	11.36
4.	6101 to 9700	1108	11.49
5.	9701 to 13300	851	08.82
6.	13301 to 19300	545	05.65
7.	above 19301	142	01.47
	Total	9645	100.00

E. Employment in Urban Local Bodies

New Payscale

(As at the end of 31st March 2007)

S.No	Pay Group (in Rupees)	No. of Employees	Percentage
(1)	(2)	(3)	(4)
1.	upto 2500	20506	29.92
2.	2501 to 4300	40185	58.64
3.	4301 to 6100	5687	08.30
4.	6101 to 9700	1815	02.65
5.	9701 to 13300	296	00.43
6.	13301 to 19300	45	00.06
7.	above 19301	00	00.00
	Total	68534	100.00

F. Employment in Development Authorities

New Payscale

(As at the end of 31st March 2007)

S.No	Pay Group (in Rupees)	No. of Employees	Percentage
(1)	(2)	(3)	(4)
1.	upto 2500	364	19.11
2.	2501 to 4300	917	48.14
3.	4301 to 6100	275	14.43
4.	6101 to 9700	227	11.91
5.	9701 to 13300	99	05.20
6.	13301 to 19300	23	01.21
7.	above 19301	00	00.00
	Total	1905	100.00

G. Employment in Rural Local Bodies

New Payscale

(As at the end of 31st March 2007)

S.No	Pay Group (in Rupees)	No. of Employees	Percentage
(1)	(2)	(3)	(4)
1.	upto 2500	57888	51.36
2.	2501 to 4300	48407	42.95
3.	4301 to 6100	5062	04.49
4.	6101 to 9700	1144	01.01
5.	9701 to 13300	181	00.16
6.	13301 to 19300	39	00.03
7.	above 19301	00	00.00
	Total	112721	100.00

