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Introduction- Gujarat Fiscal Responsibility Act, 2005

Gujarat Fiscal Responsibility Act¹, 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.

As per section 3 of the Act, the State Government is required to lay, in every financial year, before the State Legislature, 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 operative provisos of the Act are:

(a) Reduce revenue deficit to zero within a

period of three years commencing from the 1st April, 2005 and ending on the 31st March, 2008 and maintain it at that level or generate revenue surplus thereafter;

(b) Reduce revenue deficit in each of the financial year commencing from the 1st of April, 2005 in a manner so as to achieve the desired goal set out in (a) above;

(c) Reduce fiscal deficit to not more than three per cent, of the estimated Gross State Domestic Product within a period of four years commencing from 1st April, 2005 and ending on the 31st March, 2009;

(d) Reduce fiscal deficit in each of the financial year commencing from the 1st of April, 2005 in a manner so as to achieve the desired goal set out in (c) above;

(e) Cap within a period of three years commencing from the 1st April, 2005 and ending on the 31st March, 2008, the total public debt of the State Government at thirty percent of the estimated Gross State Domestic Product for that year;

(f) Cap outstanding guarantees within the limit provided in the Gujarat State Guarantees Act, 1963;

(g) Disclosures in the forms prescribed in the Rules at the time of presentation of the budget.

The accompanying statements are as per the Rule 7(1) of the Gujarat Fiscal Responsibility Rules, 2006.

¹ The Fiscal Responsibility Legislation of the State has been referred to as "FRBM Act" in this publication, as it has been modelled on FRBM Act of Union Government, for ready comprehension.

Status of Adherence to FRBM Targets

The enactment of the Gujarat Fiscal Responsibility Act, 2005 has given impetus to the process of attaining fiscal sustainability. The Government of Gujarat has embarked upon a larger process of fiscal consolidation which goes beyond meeting the targets set out in the Act for maintaining credibility in budgetary operations and to have prudent debt management.

The major fiscal indicators of Gujarat have shown significant improvement in the recent years. Continuing the fiscal correction and consolidation process, the State has initiated a number of measures to institutionalize the path of fiscal correction.

The ratio of gross fiscal deficit (GFD) to Gross State Domestic Product (GSDP) has been declining from the level of 5.44 in 2003-04 to 2.22 in 2006-07 and was estimated lower at 2.16 in the budget estimates (BE) for 2007-08, over last year. The GFD as per the revised estimates (RE) for 2007-08 stands at 1.74, indicating a significant reduction of 48 basis points over last year.

The State has been generating revenue surplus from the FY 2006-07 and the fiscal consolidation process is being carried forward through continued surplus as per revised estimates of 2007-08. It is heartening to note that the State has wiped out its primary deficit in FY2006-07 and has generated a higher primary surplus of Rs.

1499 crores, accounting for 0.51% of GSDP in the current financial year, as per the revised estimates of FY 2007-08.

The gross public debt of the State has increased to Rs. 72154 crores as on end March 2007 as compared to Rs. 66926 crores as on end March 2006. However, the weighted average interest on these loans had declined to 9.22% as compared to 9.48% during this period. The Debt / GSDP ratio had declined to 28.35 as on end March 2007 and is estimated to decline to 26.98 by end March 2008, well within the prudential stipulation of the Act. The State had been augmenting its Consolidated Sinking Fund (CSF), set up to meet outstanding liabilities and has contributed an additional Rs. 900 crores during FY 2007-08 which has resulted in an accumulated balance of Rs.3690 crores as on December 2007.

The contingent liabilities of the State Government as defined in terms of its outstanding guarantees have shown significant reductions over last few years. The total outstanding guarantees have come down to Rs. 12701 crores as on end March 2007 as compared to Rs.14079 crores as on end March 2006 registering a decline of 9.79%. The Guarantee Redemption Fund (GRF) has been steadily augmented and aggregated to Rs. 1420.21 crores as on December 2007.

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.

2005 Fiscal Position of the State Government

3.1 The State had a target of 10.2 percent growth rate for the Tenth Five Year Plan (2002-07) as against 8 percent growth rate of the national level. Notwithstanding severe exogenous shocks to the economy, including earthquakes and floods, the State economy has recorded an annual average growth rate of 10.4 percent for the last five years (2002-03 to 2006-07), one of the highest in the country.

Gross State Domestic Product (GSDP) at factor cost at constant (1999-2000) prices

in 2006-07 has been estimated at Rs. 185802 crore as against Rs. 170200 crore in 2005-06, registering a real growth of 9.17 percent during the year. At current prices, GSDP in 2006-07 has been estimated at Rs. 254533 crore as against Rs. 219780 crore in 2005-06, showing an increase of 15.81 percent during the year.

3.2 The share of primary, secondary and tertiary sector has been reported to be 18.21 percent, 37.78 percent and 44.00 percent respectively to the total GSDP in 2006-07 at constant (1999-2000) prices. The share of these sectors in the base year 1999-2000 was reported to be 18.62 percent, 39.21 percent and 42.17 percent respectively.

Table 3.1
Gross State Domestic Product (Rs. Crore)

Sr. No.	Year	Current prices	Constant Prices	Percent Growth Over Previous Year	
				Current prices	Constant Prices
1	2	3	4	5	6
1	1999-00	109861	109861	-	-
2	2000-01	111139	104494	1.16	-4.89
3	2001-02	123573	113277	11.19	8.41
4	2002-03	141534	122500	14.53	8.14
5	2003-04	168080	140598	18.76	14.77
6	2004-05 (P)	189118	153079	12.52	8.88
7	2005-06 (P)	219780	170200	16.21	11.18
8	2006-07 (Q)	254533	185802	15.81	9.17

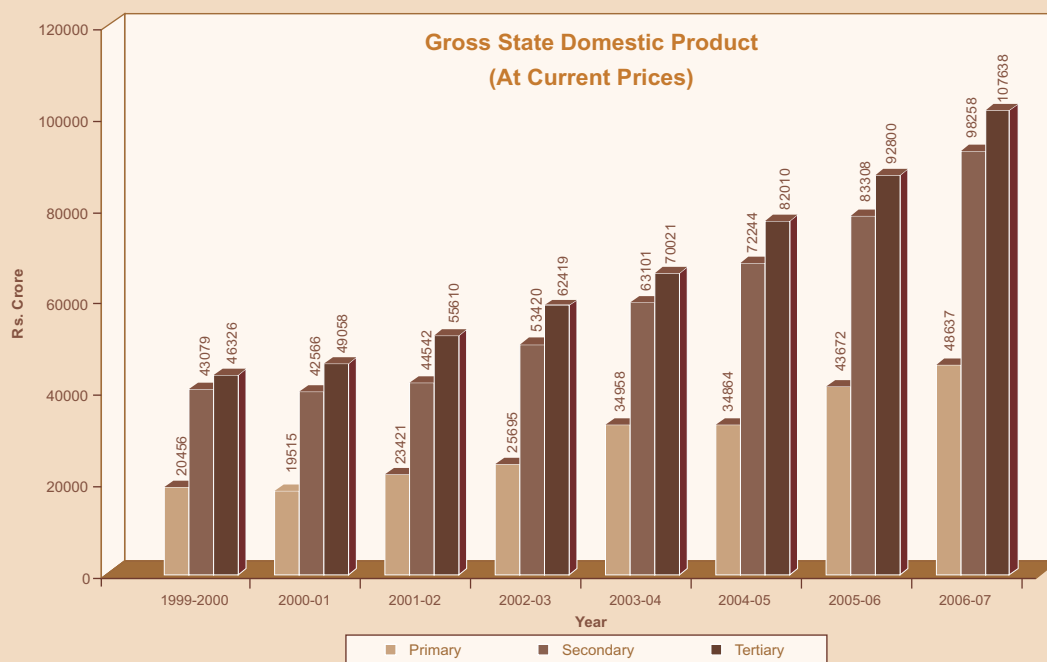
Source: Directorate of Economics and Statistics, Gandhinagar

P = Provisional Estimates Q = Quick Estimates

Base Year: 1999 - 2000

The higher growth in economy during the year 2006-07 could be attributed to an all round performance that includes improved output in agriculture, manufacturing,

3.3 The State income i.e. Net State Domestic Product (NSDP) at factor cost at constant (1999-00) prices in 2006-07 has been estimated at Rs.149933 crore



Source: Directorate of Economics and Statistics, Gandhinagar

Table 3.2
GSDP by broad sectors - Sectoral Contribution (percent)

Sr. No.	Sector	Current Prices 1999-00	Current Prices			Constant Prices		
			2004-05	2005-06	2006-07	2004-05	2005-06	2006-07
1	2	3	4	5	6	7	8	9
1	Primary	18.62	18.44	19.87	19.11	18.37	19.94	18.21
	Agriculture	14.54	13.53	15.04	14.79	15.17	16.77	15.29
2	Secondary	39.21	38.20	37.91	38.60	37.29	36.52	37.78
	Manufacturing	30.75	30.11	29.71	30.18	29.81	28.97	29.89
3	Tertiary	42.17	43.36	42.22	42.29	44.34	43.54	44.00
	Total GSDP	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Directorate of Economics and Statistics, Gandhinagar

electricity, construction, trade and communication sectors which have contributed 10 to 25 percent growth during the year 2006-07, as compared to last year.

as against Rs. 139265 crore in 2005-06, showing an increase of 7.66 percent during the year. At current prices, the NSDP in 2006-07 is estimated at Rs.

208211 crore as against Rs. 180271 crore in 2005-06, showing a growth of 15.50 percent during the year.

3.4 The Per Capita Income (i.e. Per Capita NSDP at factor cost) at constant (1999-2000) prices has been estimated at Rs. 27027 in 2006-07 as against Rs. 25487 in 2005-06, registering a growth of 6.04 percent during the year. The per capita income at current prices has been

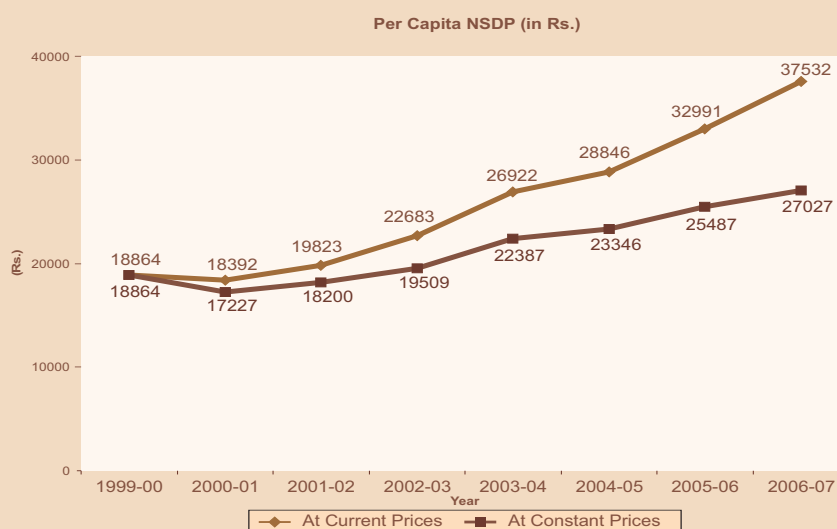
estimated at Rs. 37532 in 2006-07 as against Rs. 32991 in 2005-06, showing an increase of 13.76 percent during the year, which is higher than the national average of Rs. 29642 in 2006-07.

3.5 The share of Gujarat in Gross Domestic Product at all India level works out to 6.66 and 6.50 percent at current prices and at constant (1999-2000) prices respectively.

Table 3.3
Net State Domestic Product at factor cost (Rs. Crore)

Year	Current Prices	Constant Prices	Percentage Growth Over Previous Year	
			Current Prices	Constant Prices
1999-00	92541	92541	-	-
2000-01	92274	86431	-0.29	-6.60
2001-02	101790	93455	10.31	8.13
2002-03	118130	101603	16.05	8.72
2003-04	142534	118525	20.66	16.66
2004-05 (P)	155184	125599	8.88	5.97
2005-06 (P)	180271	139265	16.17	10.88
2006-07 (Q)	208211	149933	15.50	7.66

Source: Directorate of Economics and Statistics, Gandhinagar



Source: Directorate of Economics and Statistics, Gandhinagar

Overview of the State Government Finances

Receipts:

4.1 The fiscal base of a State is related to its level of economic development. In the medium term, the fiscal base of the State, has to be improved so that the Government can increase the development expenditure. Public investment in the infrastructure would expand the productive capacity of the economy and thus, expand the revenue generating potential of the State.

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 the way of share of central taxes and grants-in-aid is in no way commensurate.

Table 4.1
Total Receipts of the State Government

(Rs. crore)						
Year	Revenue Receipt (RR)	Public Debt	Recovery of Loans	Consolidated Fund (CF) 2+3+4	Net Public Account	Total 5+6
1	2	3	4	5	6	7
2002-03	17875	24401	223	42499	-523	41976
2003-04	18247	22169	200	40616	-624	39992
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 (RE)	34979	8681	200	43860	-200	43660

Source: Finance Accounts, of the relevant years.

4.2 The total receipts of the Government is 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.

4.3 Revenue Receipts comprise of State's own

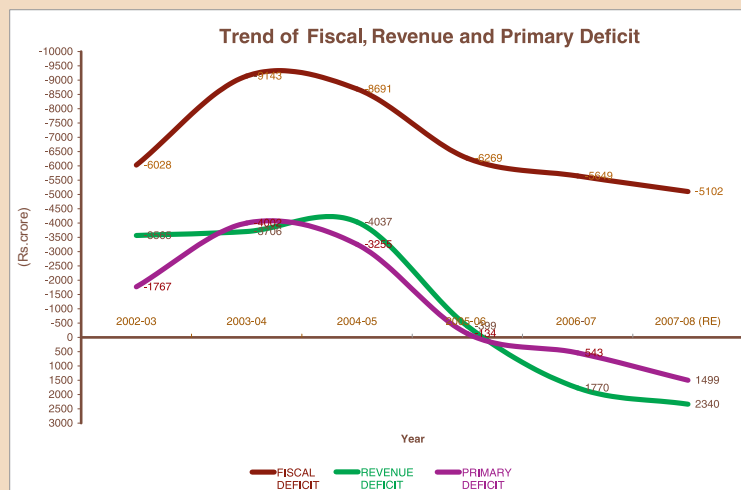


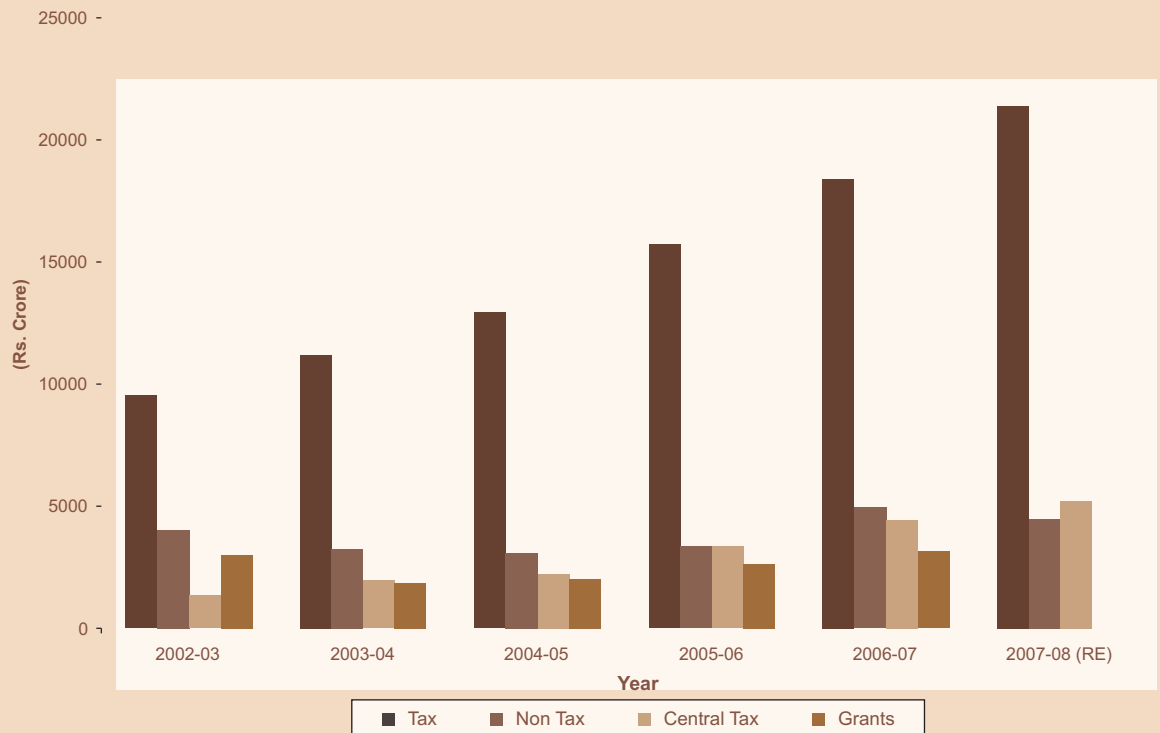
Table 4.2
Composition of Revenue Receipts

(Rs. Crore)

Year	State's Own Revenue Receipts (SORR)				Central Devolutions				Proportion of SORR in the Total Revenue (%)
	Tax	Annualised Growth (%)	Non Tax	Annualised Growth (%)	Central Tax	Annualised Growth (%)	Grants	Annualised Growth (%)	
2002-03	9529	-	3996	-	1355	-	2996	-	76
2003-04	11181	17.34	3272	-18.12	1958	44.50	1837	-38.68	79
2004-05	12956	16.60	3090	-12.06	2221	28.03	1997	-18.36	79
2005-06	15698	18.10	3353	-5.68	3373	35.53	2643	-4.09	76
2006-07	18465	17.98	4949	5.49	4426	34.44	3163	1.37	75
2007-08 (RE)	21473	17.64	4503	2.42	5210	30.91	3793	4.83	74

Source: Directorate of Economics and Statistics, Gandhinagar

Composition of Revenue Receipts



Source: Directorate of Economics and Statistics, Gandhinagar

4.4 Tax revenues of the State have been buoyant during the current year. The buoyancy of State tax revenues reveals that while GSDP for the period 2002-2003 to 2006-2007 has grown at

CAGR of 15.80%, the taxes have risen by 17.98% for the same period.

4.5 The State's own tax revenues have been growing at a healthy rate as seen in the table 4.3 below :

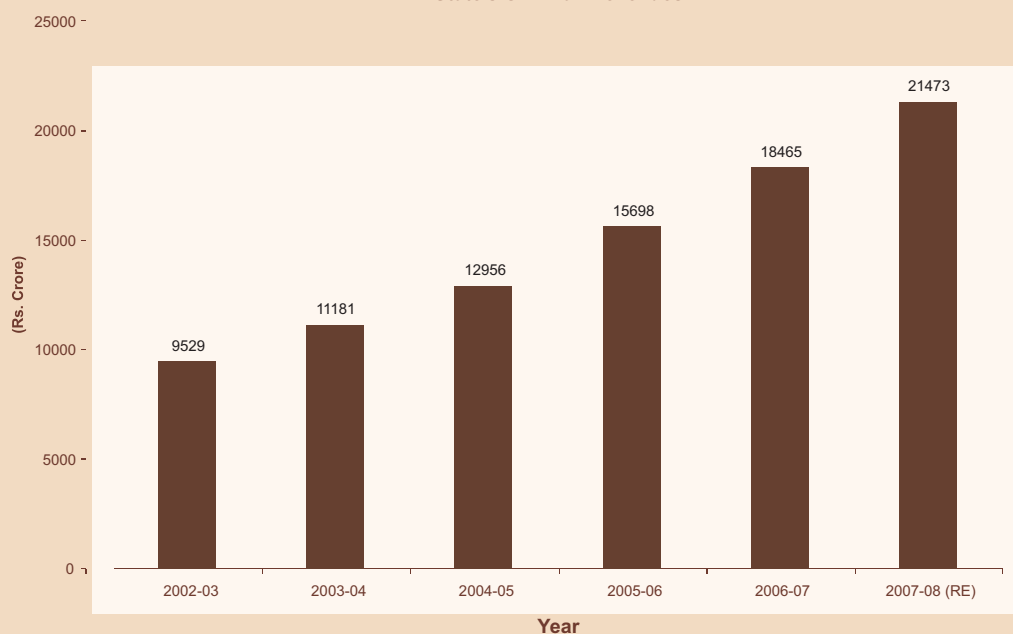
Table 4.3
Growth of State's Own Tax Revenues

(Rs. Crore)

Own Tax Revenues	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 (RE)	Annualised Growth Rate (%)
Professional Tax	96	99	132	119	131	140	7.84
Land Revenue	95	127	235	380	499	450	36.49
Stamps & Registration	650	825	963	1153	1425	1590	19.59
State Excise	47	46	47	48	42	44	-1.31
Sales Tax / VAT	6252	7170	8309	10562	12817	15380	19.73
M V Tax	808	936	1061	1154	1191	1300	9.98
Taxes on Goods and passengers	11	172	160	157	6	151	68.86
Electricity Duty	1384	1592	1829	1900	2088	2090	8.59
Entertainment Tax	40	41	51	44	28	35	-2.64
Other Tax	146	173	169	181	238	293	14.95
Own Tax Revenues	9529	11181	12956	15698	18465	21473	17.64

Source: Finance Accounts, of the relevant years.

State's Own Tax Revenues



Source: Finance Accounts, of the relevant years.

4.6 Amongst the State's own tax revenues, Value Added Tax is the highest contributor at 71.62% of the total own tax revenue in 2007-08 (RE). Sales Tax, now Value Added Tax, has grown steadily at an annualised growth rate of 19.73% during 2002-03 to 2007-08 (RE). Land revenue has grown 5.25 times during the period 2002-03 to 2007-08 (RE).

Revenues from Stamps & Registration and Motor Vehicles Tax have also shown good growth during the year 2002-03 to 2007-08(RE).

4.7 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:

Table 4.4
Composition of State's Non Tax Revenues

(Rs. crore)						
Non Tax Revenue	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08(RE)
Fiscal Services including Interest Receipts	1727	927	506	271	638	305
General Services	562	298	407	406	1176	826
Social Services	242	195	182	235	323	349
Economic Services	1464	1852	1996	2441	2812	3023
Non Tax Revenue	3995	3272	3091	3353	4949	4503

Source: Finance Accounts, of the relevant years.

State's Non Tax Revenues



Source: Finance Accounts, of the relevant years.

4.8 Non-tax revenues of the State has increased from Rs. 3995 crore in the year 2002-03 to Rs. 4949 crore in the year 2006-07. However, it has marginally declined to Rs. 4503 crores as per the revised estimate for the year 2007-08 (RE). The decline in the non-tax revenues is primarily owing to low cost recovery from publicly provided economic and social services due to low user charges and unrealistic rates of royalty on crude oil, natural gas and lignite.

4.9 To increase its non-tax revenues, the State has taken several steps to rationalize and revise the user charges.

Expenditure

4.10 Public expenditure is an instrument

to assess the effectiveness of public expenditure in accelerating growth impulse of the economy. The basic categorization of public expenditure is into plan and non-plan.

4.11 Plan expenditure has grown at an annualized growth of 27.89% over the period 2002-2003 to 2007-2008 as shown in table 4.5. During the same period the Non Plan expenditure has reduced by 6.54%.

4.12 More appropriate classification of the public expenditure is into capital and revenue expenditure. The level of capital expenditure indicates the level of public investment, which not only

Table 4.5
Plan and Non Plan Expenditure

(Rs. Crore)

Year	Plan	Annualised Growth (%)	Non Plan	Annualised Growth (%)	Plan EBR	Total Expenditure with EBR	% of Plan to Total Expenditure
2002-03	4451	-	37742	-	920	43113	10.32
2003-04	6808	52.95	33329	-11.69	870	41007	16.60
2004-05	8421	37.55	29608	-11.43	1069	39098	21.54
2005-06	11113	35.66	23144	-15.04	1029	35286	31.49
2006-07	13198	31.22	26024	-8.88	1551	40773	32.37
2007-08 (RE)	15228	27.89	26914	-6.54	1000	43142	35.30

Source : Finance Accounts of the relevant years.

EBR: Extra Budgetary Resources

through which the Government provides social and physical infrastructure for the development of the State. Thus, the size, composition and productivity of public expenditure are important parameters to

creates public assets; but also accelerates private investment. It is important to reduce the revenue expenditure and increase the capital expenditure.

Table 4.6
Revenue Expenditure

(Rs. Crore)

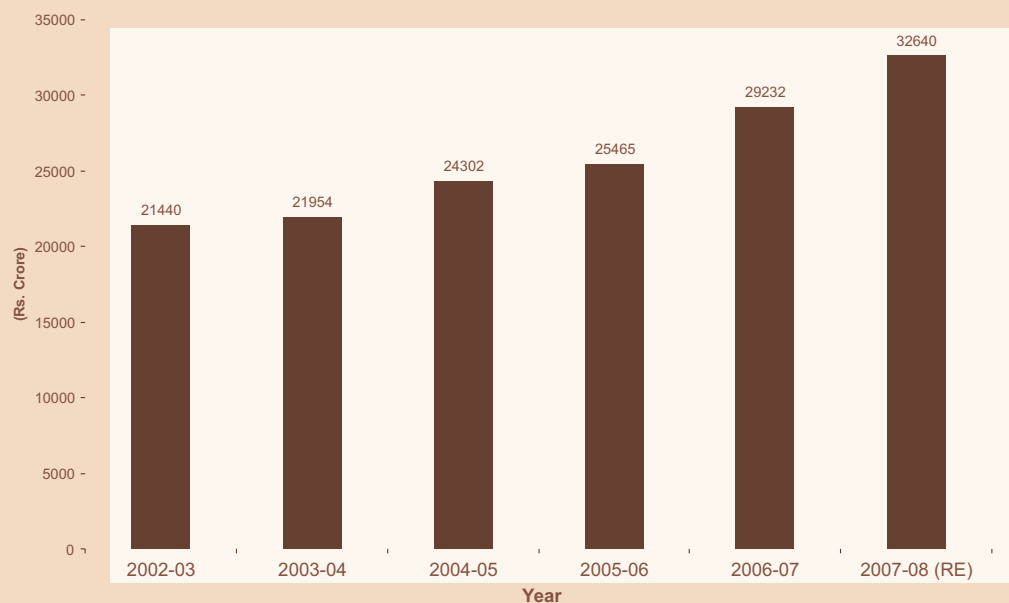
Year	Revenue Expenditure	Annualised Growth (%)
2002-03	21440	-
2003-04	21954	2.40
2004-05	24302	6.47
2005-06	25465	5.90
2006-07	29232	8.06
2007-08 (RE)	32640	8.77

Source: Finance Accounts, of the relevant years.

4.13 The annualized growth in Revenue Expenditure over the period of 2002-03 to 2007-08 (RE) was 8.77% whereas in the same period, the Revenue Receipts had shown annualised growth of 14.37%. Revenue Expenditure is an area where

State Government is focusing its attention to curtail its growth so that resources can be optimally utilized for developmental purposes. Salaries, pensions, interest payments and subsidies, are the major components of revenue expenditure.

Revenue Expenditure



Source: Finance Accounts, of the relevant years.

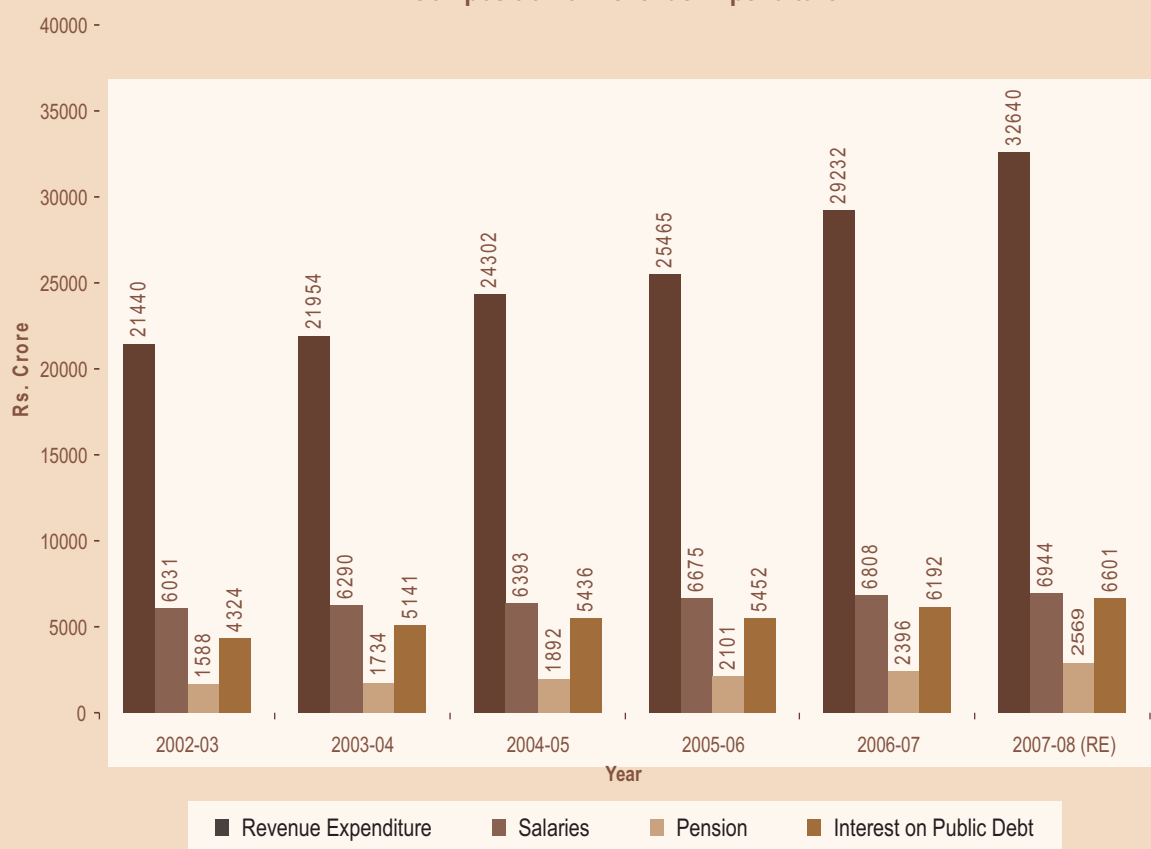
Table 4.7
Composition of Revenue Expenditure

(Rs. Crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 RE	Annualised Growth (%)
1	2	3	4	5	6	7	8
Revenue Expenditure	21440	21954	24302	25465	29232	32640	8.77
Salaries	6031	6290	6393	6675	6808	6944	2.86
Pension	1588	1734	1892	2101	2396	2569	10.10
Interest on Public Debt	4324	5141	5436	5452	6192	6601	8.83

Source: Finance Accounts, of the relevant years.

Composition of Revenue Expenditure



Source: Directorate of Economics and Statistics, Gandhinagar

4.14 Subsidies :

Table 4.8

(Rs. Crore)

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 (BE)
Subsidies	2878	3316	3336	2761	2814	3378
of which:						
Energy	2177	2461	2056	2053	1798	1767
Transport	143	180	310	356	356	356
Agriculture & Cooperation	76	140	238	183	175	333
Food & Civil Supply	107	171	193	138	130	133

Source: Finance Department

Public Debt:

4.15 Increasing public debt raises not only question of sustainability; but also equity. As on 31st March, 2007, the gross public debt of the State was estimated to

central government loans have reduced to 15.19% of total debt stock on 31-3-2007 from 19.85% on 31-3-2005. The significant change is in ratio of Small Savings loans which accounts for 60.93% of total debt stock as on 31-3-2007 as compared to

Table 4.9

Composition of Public Debt

(Rs. crore)

Source / Year	As on 31st March 2005	% to Gross	As on 31st March 2006	% to Gross	As on 31st March 2007	% to Gross
Market Borrowing + CPSU bonds	14286	24.84	14632	21.86	14187	19.66
Central Loans	11414	19.85	11523	17.22	10959	15.19
Loans from Financial Institutions	1648	2.87	2279	3.41	3043	4.22
NSSF Loans	30162	52.45	38492	57.51	43965	60.93
Total	57510	100.00	66926	100.00	72154	100

Source: Finance Department

be Rs. 72154 crore, which works out to 28.35% of the GSDP. The composition of the gross public debt is shown in the Table 4.9 above.

The Composition of the debt stock has undergone a change wherein proportion of

52.45% on 31-3-2005.

4.16 The weighted average cost of debt for Gujarat which was 12.10% in 2001-02 is expected to further reduce to 9.11% in the year 2007-08 (RE).

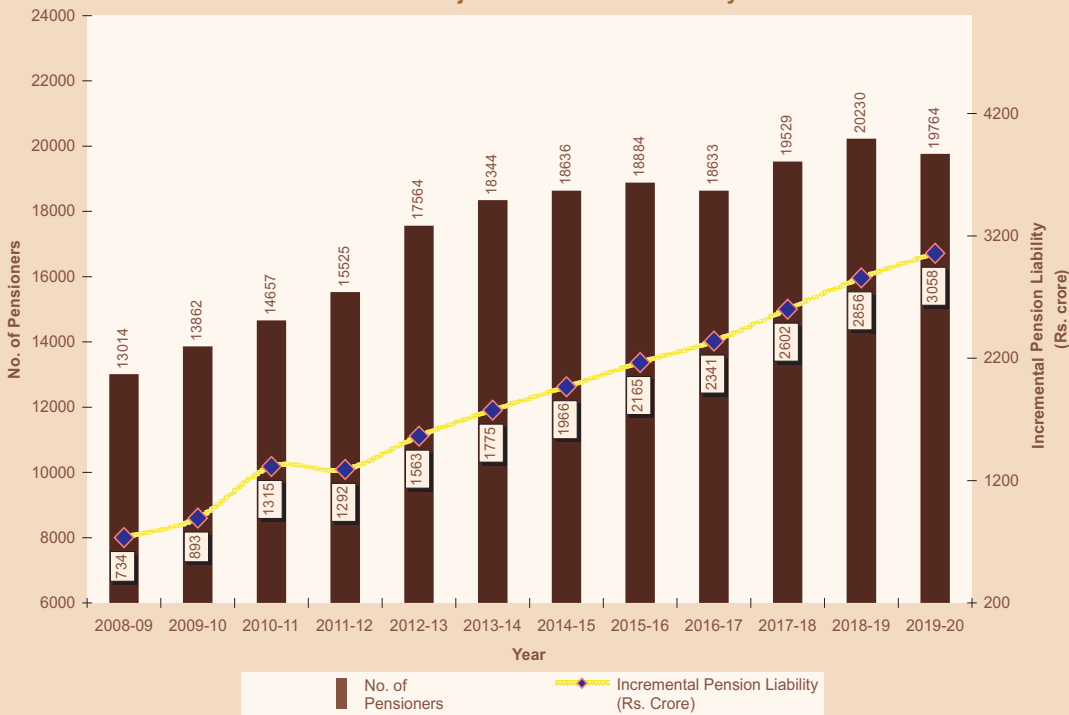
4.17 The Twelfth Finance Commission

(TFC) has recommended that if the State satisfies the conditionality of fiscal performance laid down, central loans contracted till 31-03-2004 and outstanding as on 31-03-2005 will be consolidated and rescheduled for a fresh term of 20 years resulting in repayments in 20 equal instalments at an interest rate of 7.5%. Central Government loans contracted till 31-03-04 and outstanding on 31-03-2005 stood at 9437.33 crore. As the State has fulfilled the conditions of fiscal performance laid down by the TFC, the loan of Rs.9437.33 crore 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. 2208.35 crore over a period of five years (2005-2010).

4.18 In the year 2006-07 the State's finances reported revenue surplus of Rs. 1770 crore as compared to revenue deficit of Rs. 399 crore in 2005-06. State has received total debt waiver of Rs. 846.05 crores during the year 2006-07, which includes Rs. 315.89 crores for the year 2005-06, Rs. 471.87 crores for the year 2006-07 and Rs. 58.29 crores for the period of the Eleventh Finance Commission.

Yearwise Projection of Pension Liability



DEPARTMENTWISE OUTSTANDING GUARANTEES

(Rs. In Lacs)

Sr. No 1	Name of Department 2	2001-02 3	2002-03 4	2003-04 5	2004-05 6	2005-06 7	2006-07 8
1	Agriculture & Co-operation	168149 8.98	158100 8.32	144706 8.21	122974 7.84	116892 8.30	132178 10.41
2	Industries & Mines	91280 4.88	89213 4.70	84824 4.81	75400 4.81	71959 5.11	71959 5.67
3	Panchayat & Rural Housing	13612 0.73	13716 0.72	14021 0.80	343 0.02	349 0.02	349 0.03
4	Urban Development & Urban Housing	77895 4.16	78059 4.11	55689 3.16	28840 1.84	28830 2.05	28758 2.26
5	Ports & Transport	630 0.03	35 (N)	30 (N)	30 (N)	34246 2.43	31 (N)
6	Narmada Water Resources	664587 35.49	687707 36.19	653583 37.08	638474 40.71	666143 47.31	635021 50.00
7	Home	64411 3.44	64411 3.39	64411 3.65	58639 3.74	923 0.07	35139 2.77
8	Energy & Petrochemical	723327 38.63	737711 38.82	718647 40.78	626914 39.97	474264 33.69	352307 27.74
9	Forest & Environment	820 0.04	820 0.04	820 0.05	820 0.05	820 0.06	820 0.06
10	Food, Civil Supply & Customer Affairs	300 0.02	0 0	0 0	0 0	0 0	0 0
11	Social Justice and Empowerment	12676 0.68	15674 0.82	12709 0.72	12909 0.82	10490 0.75	10490 0.83
12	Tribal Development	0 0	0 0	2492 0.14	2492 0.16	2492 0.18	2492 0.20
13	Women & Child Development	0 0	0 0	100 0.01	100 0.01	100 0.01	100 0.01
14	Roads & Building	10422 0.56	10422 0.55	10422 0.59	422 0.03	422 0.03	422 0.03
15	General Administration	44231 2.36	44231 2.33	0 0	0 0	0 0	0 0
Total Guarantees		1872340	1900099	1762454	1568357	1407930	1270066

Note : Figures in red are percentage to total outstanding guarantees, (N) = Negligible

Source : Finance Department

Medium Term Fiscal Policy Statement

FORM A- 1

(See Rule - 4)

MEDIUM TERM FISCAL POLICY STATEMENT

A. Fiscal Indicators - Rolling Targets

(1)	Item	Previous Year		Current Year	Current Year	Ensuing Year	Target for the next Two Years	
		2005-06	2006-07	Budget Estimates (BE)	Revised Estimates (RE)	Budget Estimates (BE)		
				(3)	(4)	(5)	(6)	(7)
1	Revenue Deficit (-) / Surplus (Rs. Crores)	-399	1770	1651	2340	52	1200	1500
2	Fiscal Deficit (-) / Surplus (Rs. Crores)	-6270	-5649	-5994	-5102	-7767	-9618	-11129
3	Public Debt (Rs. Crores)	66926	72154	78753	78975	86742	96360	107489
4	GSDP (Rs. Crores)	219780 (P)	254533 (Q)	278014*	292712*	336619*	387112*	445179*
5	Fiscal Deficit as percentage of GSDP	2.85	2.22	2.16	1.74	2.31	2.48	2.50
6	Public Debt as percentage of GSDP	30.45	28.35	28.33	26.98	25.77	24.89	24.15
7	Government Guarantees (Rs. Crores)	14079	12701	12701	12701	15000**	15000**	15000**

Source : Finance Accounts of the relevant years, 11th Five years plan projections.

P : Provisional Estimates, Q: Quick Estimates

*: Projected GSDP at an assumed annual growth of 15%

** : New guarantees will be given subject to vacation of guarantees and will be kept below Rs. 15000 crore

* GSDP projected at 15% growth for the during year at current prices.

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 were Rs. 18465 crores for the year 2006-07 and have grown at an annualized rate of 14.85% over the last five years. The revised estimates for FY 2007-08 puts the tax revenue at Rs. 21473 crores indicating a growth of 16.29% over the last year. However, for the coming years, it is assumed to grow at 10.1 % from the budget estimates of 2006-07 (base year).

b) Non-tax Revenue: Non-tax 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 2006-07 was Rs.4949 crores, as compared to Rs. 3353 crores in FY 2005-06, registering a significant growth of 48% over the year which was mainly on account of recovery of arrears of debt waiver. However, it is assumed to grow at 6.9% from the base year of 2005-06. The central grants were Rs.3163 crores in FY 2006-07.

(2) Capital Receipts: The capital receipts for the FY 2006-07 were Rs. 7749 crores while the capital expenditure was Rs. 9990 crores in the same period. The gross debt is derived keeping in view the fiscal targets to be achieved by year 2008-09 as envisaged in the Gujarat Fiscal Responsibility Act, 2005. As the State would be fulfilling the conditions of the Debt Consolidation and Relief Facility (DCRF) scheme, the benefits of debt consolidation and debt write-off are taken into consideration. All due repayments during this period have been accounted for. The portfolio of the fresh loans is to be worked out on a yearly basis depending on the availability from different sources and rate of interest.

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 60.93% of the total as on end March 2007. However its significance has started declining. During the FY 2007-08, there has been a major

shift in the structure and composition of State's liabilities. During this fiscal the flow from this source has almost dried up and market borrowings is expected to emerge as largest source of deficit financing. The total receipts of loans from NSSF aggregated to Rs. 915.02 crores in FY 2007-08 as against Rs. 5775 crores in 2006-07. The State Government has taken recourse to increased level of market borrowing to compensate for the decline in NSSF loans in FY 2007-08. This has resulted in significant interest savings for the State as the market borrowings were made at weighted average cost of 8.11% as against 9.5% for NSSF loans

c) Open Market Borrowing: The State Government has been increasingly been resorting to market borrowings to offset the shortfall of NSSF loans and also to take advantage of the lower rates of interest on these loans. As per RE for FY 2007-08, it was estimated that the State would borrow Rs. 6415 crores in this financial year. It is of significance to note that in these auctions, the State has been able to borrow at most competitive rates without taking recourse to underwriting on account of its improving financial performance.

d) Recovery of loans and advances: As per the accounts of the year 2006-07, Rs.4241 crores of loans and advances were outstanding. The recovery of remaining loans and advances are

projected to grow at 10% average annual growth rate from the budget estimates of the year 2006-07.

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 negotiated loans, which are financial assistance from NABARD, HUDCO and other financial institutions, are another source of deficit financing. In particular, the Rural Infrastructure Development Funds (RIDF) from NABARD carries an interest rate of 6.5% and is the cheapest source of loan. The State has been availing maximum possible loans from this source as is evident from the fact that during FY 2006-07 it borrowed Rs. 879 crore as against an allocation of only Rs. 516 crores. The State Government 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.: This is a potential source of borrowing from public account outside the Consolidated Fund of the State. This is to be used as a gap filling instrument as a last resort. Whenever there is gap between availability of borrowing from other sources and the need for capital outlay within the fiscal deficit parameters, loans from public account are to be used. However, for the years 2005-06 onwards,

these receipts are assumed to be zero.

(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 2006-07 onwards is projected at a growth rate of 7%. Non-plan Revenue Expenditure is projected to grow at 4.9%. These projections include interest relief under DCRF scheme.

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

I. Interest payments: For the year 2006-07, the average cost of borrowing was 9.22% and this cost is estimated to come down to 9.11% in 2007-08. As we expect that the overall interest cost would decline further due to enhanced proportion of market borrowing in coming years and expectations of moderation of interest rate, the same level of interest cost has been assumed in projections.

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: Salaries are projected at 2.8 - 3% from the year 2007-08 onwards.

IV. Pensions; Pensions are projected at actual growth rate as computed by the State Government for the FY 2007-08 and onwards.

(b) Capital Account:

I. Capital Outlay: Capital Outlay would be growing at an annual average rate of 8-10%.

II. Disbursement of Loans and advances: It is projected at 10% from the year 2007-08 onwards.

GSDP Growth: GSDP is an important economic variable in State finances, which determines the capacity of the State to impose taxes and thus in a macro way determines the size of the budget. In order to make comparative assessment of the fiscal performance across time and space, all fiscal parameters are presented as a proportion of GSDP. GSDP at current prices in 2006-07 has been estimated at Rs. 254533 crores as against Rs. 219780 crore in 2005-06, registering a growth of 15.81% during the year. The GSDP at current prices has grown at an annualized rate of growth of 15.55% in last five years beginning FY 2001-02. The annualized growth of GSDP at factor cost at constant (1999-2000) prices works out to 10.40% over the last five years beginning 2001-02. However on a conservative estimate, we have assumed a growth rate of 15% for GSDP at current prices over the next two years, which is in line with the advance estimate for 2007-08. .

C. Assessment of Sustainability

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

The State's own tax revenue have been growing at a steady pace and its own taxes / GSDP ratio improved to 7.54 in 2006-07 from the level of 6.73 in 2002-03. The total revenue receipt of the State Government had increased to Rs. 31002 crores in 2006-07 from the level of Rs. 17875.33 crores in 2002-03 registering an annualized growth of 11.25%, while its own tax revenue has grown at an annualized rate of 14.18%. The trend in the RE for 2007-08 vis-à-vis the BE for 2007-08 indicates an improvement in the revenue account of the State Government which is mainly on account of increase in State's own tax revenue and share in central taxes which more than compensated for the increase in revenue expenditure.

In order to achieve the revenue deficit and fiscal deficit targets envisaged in the Act, it is necessary for the revenue receipts to grow at a faster rate than the total expenditure in general and revenue expenditure in particular. The State's finances had recorded a revenue surplus for FY 2006-07 and are on course to record

another year of revenue surplus. While there is scope for further improvement considering the growth of GSDP and large contribution of tertiary sector to the overall economic growth of the State, the contribution of State's excise duty to overall taxes is very small in comparison with peer group states. This is mainly attributed to the stated policy of prohibition in the State of Gujarat which precludes the excise revenue available to other State Governments.

The State Government has taken initiative to rationalize the tax / duty structure which has not only simplified the mechanism but also has led to greater compliance with more economic transactions being reported and carrying 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 pursuant to rationalization of rates and basic computation methodology.

The non-tax revenue account for only 12%-15% of the total revenue of the State Government. The expenditure on economic, social and general services by the State Government is very high but the recovery from these services is not commensurate. This is mainly on account of low cost recovery from publicly provided economic and social services, low

profitability of the Public Sector Undertakings (PSUs), low interest recovery from local bodies, cooperatives and others, unrealistically high rates of royalty on crude oil, natural gas and lignite etc.

Debt Sustainability

An important issue relating to sustainability of debt is the concern about the ability of the State Governments to service their debt obligations. Over the years, large revenue deficits have led to large fiscal deficits and spiralling debt resulting in the emergence of a vicious cycle of deficit, debt and debt service payments for most of the State Governments. The gross public debt of the State has increased to Rs. 72153.99 crores as on end March 2007 as compared to Rs. 66925.84 crores as on end March 2006. However the weighted average interest on these loans had declined to 9.22% as compared to 9.48% during this period. It is observed that in the current FY, the weighted average rate has further declined to 9.11%. This was largely on account of consolidation of central loans to State government at 7.5% for all loans contracted before March 31, 2004 and outstanding as on March 31, 2005 and increasing share of market borrowings. In aggregate, the State had consolidated central loans of Rs. 9437.77 crores resulting in significant interest savings for the State Government. Important measures of institutional

changes included enactment of FRL for making the process of fiscal discipline legally binding, introduction of guarantee ceilings, participation in the Consolidated Sinking Fund and the Guarantee Redemption Fund. It is noteworthy that the State Government has included provisions for caps on the debt- GSDP ratio as well as State guarantees.

For ensuring sustainability of debt in terms of a stable debt to GSDP ratio, generation of a primary surplus is a necessary condition, given that the rate of growth of nominal GSDP and nominal rate of interest on the debt stock are equal. In a situation of primary deficit, the debt stabilisation condition requires that rate of growth of nominal GSDP is 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 last five years has been 12.88%, while the nominal rate of interest on the debt stock has been steadily declining to the level of 9.22% as at the end of March 2007.

Debt Consolidation and Relief

The TFC put forward a debt relief package for consolidation of Central loans under Debt Consolidation and Relief Facility (DCRF) for the State Governments. The DCRF has two components – (i) a general scheme of debt relief applicable to all

States, and (ii) a write-off scheme linked to fiscal performance with a view to providing an incentive for achievement of revenue balance by 2008-09. The availment of DCRF is subject to the enactment of FRL, the quantum of reduction in RD in each successive year and the containment of GFD at the level of 2004-05. On all these parameters, the State has qualified for maximum concession. The total amount of consolidated loans of the State Governments stands at Rs.9437.77 crore, debt write-off stands at Rs. 1,318 crore and interest relief stands at Rs.1,085 crore as on end December 2007.

Contingent Liabilities: The contingent liabilities of the state, as defined in terms of its outstanding guarantees, have shown a significant reduction. The guarantees at Rs. 12701 crores as at end March 2007 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 even as the Guarantee Redemption Fund has witnessed further inflow of Rs. 100 crores in FY 2007-08 leading to aggregate balance of Rs. 1420.21 crores as on end December 2007. The State Government is very closely monitoring the issuance of fresh guarantees to keep them at reduced level.

The use of capital receipts including

market borrowing for generating productive assets:

As the State's finances have been put on path of fiscal correction and consolidation, the key deficit indicators of the State viz., Revenue Deficit, Gross Fiscal Deficit and Primary Deficit recorded significant improvement in the last few years and the trend of decline has been secular. The State has recorded revenue surplus as well as primary surplus for the second year in continuation, it is evident that the capital receipts including market borrowings are being utilized for generating productive assets. The capital receipts are being used for capital formation in irrigation, power, roads and bridges as per the priorities of the Government. The Plan capital outlays in the ensuing budget for irrigation, power, roads & bridges and water supply etc. have kept at higher level as compared to previous years.

The estimated yearly pension liabilities are worked out on actuarial basis. In the transitional period, pension liabilities will be 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) on year to year basis. However the State Government has taken initiative to estimate yearly pension liabilities for next ten years which show that the liabilities would go up significantly over these years.

The Fiscal Policy Strategy Statement

Form A-2

(See rule 5)

The Fiscal Policy Strategy Statement

Fiscal Policy Overview:

The State Government in its budgets for last few years has proposed various policy initiatives to carry forward the process of fiscal correction and consolidation through measures aimed at augmenting revenue and improving expenditure management. To augment its revenues, the State Government has announced measures for enhancing resource mobilisation through simplification/ rationalisation of tax structure, better enforcement and tax compliance. By adopting an outcome-oriented budgetary framework, the Government has emphasised on translation of outlays into defined outcomes through monitorable performance indicators.

The State Government has embarked upon a three pronged strategy encompassing fiscal, structural and institutional reforms to strengthen its finances. In the last three years, the Government has introduced VAT, enacted the Fiscal Responsibility Legislation,

introduced New Pension Scheme, imposed ceiling on its Guarantees, constituted a Consolidated Sinking Fund and a Guarantee Redemption Fund.

The Government's long-term fiscal objectives include 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 not greater than 30% of the GSDP. 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, thus improving 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. On the expenditure side, the State Government has been successful in continuing to rein in revenue expenditure. 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. Committed expenditure has been kept under control. Development expenditure as a per cent of GSDP has grown, reflecting effort towards increasing outlay for promoting economic growth.

Tax Policy:

Rationalization of the tax-structure of the State continues to be a major priority area. 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 improved tax to GSDP ratio. The strategy would include devolution of certain taxation powers to local bodies to strengthen their financial position. After introduction of the Value Added Tax since April-2006; the implementation issues related to VAT administration have largely been addressed to ensure that tax-payers are facilitated. Use of information technology and the development of the VAT Information System (VATIS) software would make it simpler for filing of electronic returns and electronic payment. Refund procedures have been streamlined. Rationalization would continue as regards Stamp Duty to ensure a more transparent and market oriented system. E-stamping has been initiated as a pilot project. The initial success of the project has encouraged the State Government to broaden its coverage. Tax on Motor Vehicles have been rationalized. With the above simplifications and rationalizations, It is envisaged that the common man would be benefitted and economic activities would also get the required boost ensuring a better compliance resulting in better tax buoyancy.

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. A fiscal strategy based on revenue maximization would also provide the flexibility to shift the pattern of expenditure towards developmental purposes. On the other hand, fiscal adjustment predominantly based on expenditure reduction may result in welfare losses and risks the danger of triggering a downturn in overall economic activity. 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.

The State Government had constituted a Committee to study and recommend possible enhancement of user charges in keeping with the objective of meeting social requirement and offering economic services on cost basis. The report has since been submitted and accepted by the Government and the recommendations are being implemented in a phased manner after due deliberations.

Borrowings and other liabilities:

The State Government closed the financial year 2006-07 with revenue surplus and the process has been carried forward in this financial year as well, which has meant that the borrowings are primarily being utilized for developmental expenditure.

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. The outstanding liabilities as ratio to GDP have witnessed a continuous decline in last few years. The public debt of State Government, as a proportion of GSDP, is estimated at 26.98 as at end-March 2008, lower than 28.35 % as at end-March 2007 and well within the prudential limit as per FRBM Act.

During the FY 2007-08, there has been a major shift in the structure and composition of State's liabilities. While loans from National Small Savings Fund (NSSF) remains the dominant component of outstanding debt, during this fiscal the flow from this source has almost dried up and market borrowings is expected to emerge as largest source of deficit financing. The total receipts of loans from NSSF aggregated to Rs. 915 crores in FY 2007-08 as against Rs. 5775 crores in 2006-07. The State Government has taken recourse to increased level of market borrowing to compensate for the decline in NSSF loans in FY 2007-08. This has resulted in significant interest savings for the State as the market borrowings were made at weighted average cost of 8.11% as against 9.5% for NSSF loans. It was 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. As per the policy pronouncement of RBI, the State Government is fully geared up to progressively increase the share of market borrowings through the auction route. 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 negotiated loans, which are financial assistance from NABARD, HUDCO and other financial institutions, are another source of deficit financing. In particular, the Rural Infrastructure Development Funds (RIDF) from NABARD carries an interest rate of 6.5% and is the cheapest source of loan. The State has been availing maximum possible loans from this source as is evident from the fact that during FY 2006-07 it borrowed Rs. 879 crores as against an allocation of only Rs. 516 crores. This strategy is being carried forward in the coming years as well.

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

While owing to higher economic growth and a favourable interest rate environment in the recent years, the debt to GSDP ratio of the State has declined in the recent period, it would be important to carry forward the

policy initiatives to ensure that repayment obligations are met.

Expenditure Policy :

With bulk of the responsibilities pertaining to public expenditure on social services placed in the domain of State Governments, it is widely recognised that the level of social sector expenditure has important implications for the level of human development. A reorientation of expenditure towards productive purposes may necessitate the adherence to the principles of public expenditure management. In this context, the State Government is adopting a wide variety of methods including placing limits on certain expenditures, prioritisation of expenditure, and greater decentralisation 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, agriculture and poverty alleviation - in line with the strategy of achieving an order of magnitude 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 focussing 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 and new recruitments have been frozen for most of the departments of the government. The State has already implemented the New Defined Pension Contribution Scheme for employees to contain its revenue expenditure. In order to improve productivity, large scale computerization of departments and work areas has been completed. In order to further streamline manpower utilization, an expert group on manpower planning was constituted which has since submitted its recommendations that are being taken up for implementation.

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 2007-08 there has no invocation of State Government Guarantees.

A Guarantee Redemption Fund has been set up to take care of any contingent liabilities arising out of the State Government guarantees. The Guarantee Redemption Fund (GRF) has been steadily

augmented and aggregated to Rs. 1420 crores as at end December 2007. The GRF accounts for 11.18 % cover of the outstanding guarantees and are far in excess of mandated level.

Strategic priorities for the ensuing year:

It has been the focus of the Government to ensure that the process of fiscal correction does not adversely impact capital outlay and expenditure on social sectors. Therefore, the quality of fiscal correction would be the focus of the effort.

Measures have been undertaken in a planned manner for rationalization of tax structure, widening of tax base, improvement in tax administration, compliance and enforcement etc. with a view to improve the revenue income of the State Government.

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.

While the market borrowings are due to emerge as the principal source of deficit financing, giving greater flexibility in raising resources, this would also entail greater financial discipline on part of the State Government, in as much as, cost of borrowing would be linked to State's rating which is a function of performance on major financial indicators. Revenue expenditure on pre-committed items like interest payments would be brought down further through debt swapping and pre-payment of high cost debt.

To carry the process of structural and institutional reforms forward, steps were undertaken to reform the power sector, state transport and public sector undertakings. As a part of budgetary reforms, the State has made efforts to bring down its off-budget borrowings as well as debt stock. It is proposed to phase out off-budget borrowings from by bringing them on-budget in graduated manner.

To supplement State's investment in infrastructure, public private partnership route for viable projects through transparent bidding procedure would be emphasised. Programme budgeting would be introduced to monitor outcomes against outlays.

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 15.57% in last five years which is significantly higher than that of its peer group states and much higher than the national average. During this period there has been significant improvement in fiscal balance of the state Government through concerted efforts at increasing its revenue base and at the same time pruning its non-developmental and non-plan expenditure. This has ensured revenue surplus and primary surplus for the State.

State has seized on these advantages to set itself on the road of durable fiscal correction and fiscal consolidation. While it has achieved its FRBM targets ahead of the

prescribed schedule, it is in the process of institutionalizing the changes to ensure that these policy changes get well entrenched.

The State Government is committed to the process of fiscal reforms, it is also conscious of the need to enhance its commitment for socio economic development of the State.

Although public finances have improved over the last few years, major challenge for the State Government would be the likely 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. Apart from effective and credible expenditure rationalisation and additional resource mobilisation, revenue reforms including, inter-alia, automation of the tax administration are crucial for placing State's finance on a sustainable fiscal consolidation path.

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.

5. 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 present Fiscal Policy is within the parameters enunciated in the Act. The State Government would continue to review and ensure that formulation of budget and announcement of policies underlying the budgetary estimates would adhere to the basic tenets of FRBM Act. 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.

While it is crucial for the State to adhere to

Disclosure Forms

FORM B-1

(See Rule 7)

FISCAL INDICATORS

(Rs. crore)

Sr. No.	Items	Previous Year Actuals		Current Year	Current Year	Ensuing Year
		2005-06	2006-07	2007-08 (BE)	2007-08 (RE)	2008-09
1	Revenue Deficit / Surplus	-399	1770	1651	2340	52
2	Fiscal Deficit	-6270	-5649	-5994	-5102	-7767
3	Public Debt	66926	72154	78753	78975	86742
4	GSDP at current prices	219780 (P)	254533 (Q)	278014*	292712*	336619*
5	Revenue Deficit/Surplus as percentage of GSDP	-0.18	0.70	0.59	0.80	0.02
6	Fiscal Deficit as percentage of GSDP	2.85	2.22	2.16	1.74	2.31
7	Public Debt as percentage of GSDP	30.45	28.35	28.33	26.98	25.77
8	Revenue Receipt to Revenue Expenditure	0.98	1.06	1.05	1.07	1.00
9	Capital Outlay as a percentage of Gross Fiscal Deficit	140	177	121	141	95
10	Interest payment on public debt as percentage of Revenue Receipt	21.75	19.97	21.26	18.87	16.09
11	Salary Expenditure as percentage of Revenue Receipt	26.63	21.96	21.80	19.85	18.60
12	Pension Expenditure as percentage of Revenue Receipt	8.38	7.73	7.02	7.34	7.97
13	Total Direct Subsidy	2761	2814	3378	3378	3000

Source : Finance Department

*: Projected GSDP at an assumed annual growth of 15.00%

Form B - 2 (A)
(See Rule 7)

A. COMPONENT OF THE STATE GOVERNMENT LIABILITIES

(Rs. Crore)

SR. NO.	Category	Raised during the Fiscal Year		Repayment / Redemption during the Fiscal Year		Outstanding Amount (End - March)	
		Previous Year (Y-2) Actual 2006-07	Current Year (RE) Y-1 2007-08	Previous Year (Y-2) Actual 2006-07	Current Year (RE) Y-1 2007-08	Previous Year (Y-2) Actual 2006-07	Current Year (RE) Y-1 2007-08
1	2	3	4	5	6	7	8
1	Special Securities issued to the NSSF	5774	950	301	491	43965	44424
2	Loans and Advances from Central Government	295	280	859	554	10959	10685
3	Market Loans	0	6415	445	557	14188	20046
4	Loans from Financial Institutions / Banks	879	1036	115	259	3043	3820
	Public Debt (1 to 4)	6948	8681	1720	1861	72154	78975
5	Ways and Means Advances / Over Draft from RBI	-	-	-	-	-	-
6	Small savings, Provident Fund of Government Employees etc.	941	-	656	-	4415	4415
7	Pension Liabilities*	-	-	-	-	-	-
8	Reserve Fund / Deposits & Provident Fund of other employees	14423	51487	13281	51687	10924	10724
9	Other Liabilities	-	-	-	-	-	-
	Total (*) Liabilities (1 to 9)	22312	60168	15657	53548	87493	94114

Source : Finance Department

*: Pension liabilities are being estimated on actuarial basis.

FORM B - 2 (B)

(See Rule 7)

B. WEIGHTED AVERAGE INTEREST RATES ON STATE GOVERNMENT LIABILITIES

(Per cent)

Sr. No.	Category	Raised during the Financial Year		Outstanding Amount (End- March)	
		Previous Year (Actuals)	Current Year (RE)	Previous Year (Actuals)	Current Year (RE)
		2006-07	2007-08	2006-07	2007-08
(1)	(2)	(3)	(4)	(5)	(6)
1	Special Securities issued to the NSSF	10.02	10.00	43965	44424
2	Loans From Centre	7.93	7.96	10959	10685
3	Market Borrowings + CPSU Bonds	7.92	7.98	14188	20046
4	Borrowing from Financial Institutions / Banks	8.36	7.92	3043	3820
	Public Debt (Total 1 to 4)	9.22	9.11	72154	78975
5	WMA / OD from RBI	-	-	-	-
6	Small Savings, Provident Fund, etc.	8.00	8.00	4415	4415
7	Pension Liability	-	-	-	-
8	Reserve Fund / Deposits	-	-	10924	10724
9	Other Liabilities	-	-	-	-
	Total (*) Liabilities (1 to 9)	-	-	87493	94114

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

Note: Current year is 2007-08, while previous year is 2006-07.

FORM B - 3

(See Rule 7)

CONSOLIDATED SINKING FUND

(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 ensuing year	Col. (8) Outstanding stock of SLR Borrowings (%)
2006-07	2006-07	2006-07	2006-07 / 2007-08		2007-08	2007-08	2007-08 / 2008-09	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1560	800	0	2360	18.55	900	0	3260	18.60

Note:

i) Current year is 2007-08, while previous year is 2006-07.

ii) Closing balance of current year (col. No. 8) does not include the figures of interest earned and stands reinvested during the current year.

iii) SLR Market borrowing is equal to "Market Borrowing".

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 of Fee (Rs. crore)		Remarks
					Disch arged	Not disc harged		Recei- vable	Recei- ved	
	2006-07	2006-07	2006-07	2006-07			2006-07			
1	2	3	4	5	6	7	8	9	10	11
	14079	14079	744	2136	0	0	12701	109	109	-

Reporting Year 2006-07

Source : Finance Department

Form B- 5
(See Rule 7)
OUTSTANDING RISK - WEIGHTED GUARANTEES

(Rs. crore)

Default Probability	Risk Weights (%)	Amount Outstanding in		Risk weighted outstanding guarantee in	
		2005-06	2006-07	2005-06	2006-07
Direct Liabilities	100	200	181	200	181
High Risk	75	2352	2121	1764	1591
Medium Risk	50	2027	1829	1013	915
Low Risk	25	7500	6765	1406	1691
Very Low Risk	5	2000	1805	100	90
Total Outstanding		14079	12701	4483	4468

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

Reporting Year 2006-07

Source : Finance Department

Form B-6
(See Rule 7)
GUARANTEES REDEMPTION FUND (GRF)

(Rs. crore)

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
2006-07	2006-07	2007-08	2007-08	2007-08	2007-2008
4	1053	0	100	0	1153

Source : Finance Department

Note: i) Current Financial Year is 2007-08, while previous year is 2006-07.

ii) Closing balance of current year 2007-08 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)

(Rs. crore)

(As on 31st March 2007)

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 years	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	1	4			5	5
	Land Revenue	471	184	252	533	1441	9174	3469	1331	280	14254	15695
	Stamps and Registration Fees	2	43	0	0	45	8	31	216	123	378	422
	Gujarat Sales Tax (VAT)	1372	2461	587	10	4431	461	333	50	16	861	5291
	Central Sales Tax	320	496	170	141	1127	87	45	19	8	160	1287
	Tax on Motor Spirit	0	0	0	0	0	0	0	0	0	0	0
	Surcharge on Sales Tax (VAT)	36	93	24	14	166	3	5	3	2	13	179
	State Excies	0	0	0	0	0	0	0	0	0	0	0
	Taxes on Vehicles	0	0	0	0	0	44	35	9	1	89	89
	Electricity Duty	0	45	505	14	564	0	0	0	0	0	564
	Other Taxes	0	0	0	0	0	0	0	0	0	0	0
	Total	2202	3320	1538	712	7772	9779	3921	1629	432	15761	23533

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.crore)

Particulars	Department	Outstanding Amount (As on 31-03-2007)
Committed Liabilities in respect of Major Work and contracts	Road and Buildings	1032
	Narmada, Water Resources, Kalpasar	909
	Water Supply	52
Claims in respect of unpaid bills on works and supplies	Road and Buildings	18
	Narmada, Water Resources, Kalpasar	30
	Water Supply	0
Committed Liabilities in respect of land acquisition charges	Road and Buildings	32
	Narmada, Water Resources, Kalpasar	72
	Water Supply	0

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 RELATED SALARIES

Sr. No.	Category	Number			Salaries (Rs. crore)		
		Previous year	Current year	Ensuring year (Budget Estimates)	Previous year	Current year	Ensuring year (Budget Estimates)
		2006-07	2007-08 (RE)	2008-09	2006-07	2007-08 (RE)	2008-09
1	2	3	4	5	6	7	8
1	Employees in Government department	367354	386588	392387	6808	6944	7118
2	Employees in aided institutions	91839	90681	88287			
3	Employees in Public Sector*	6190	6088	5966			
	Total	465383	483357	486640	6808	6944	7118
1	Pensions in Government department	300444	306483	312613	2396	2569	3049
2	Pensions in aided institutions						
3	Pensions in Public Sectors*						
	Total Pensioners liabilities	300444	306483	312613	2396	2569	3049

Source : Finance Department