



GOVERNMENT OF ARUNACHAL PRADESH

**Statements laid before Assembly
as required under the Fiscal Responsibility
And
Budget Management Act, 2006**

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1. Macro-Economic Framework Statement
2. Medium Term Fiscal Plan Statement
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PREFACE

The Fiscal Responsibility and Budget Management (FRBM) Act, 2006 came into force with effect from 30th March, 2006 and the Fiscal Responsibility and Budget Management (FRBM) Rules, 2007 came into force with effect from 12th February, 2007.

In compliance with the relevant provisions of the said Act and Rules, the State Government is required to lay before the State Legislature (1) Macro-Economic Framework Statement, (2) Medium Term Fiscal Plan Statement and (3) Fiscal Plan Strategy Statement, along with the Annual Financial Statement and Demands for Grants.

This document containing the three Statements referred to above is, therefore, laid before the House of Legislature in compliance with the above statutory requirements.

1. MACRO-ECONOMIC FRAMEWORK STATEMENT

OVERVIEW OF THE ECONOMY

Sustained, high, and broad-based growth is essential for economic development and poverty alleviation. What is needed for such growth is an increase in investment in the economy. There are encouraging signs on both the growth and investment fronts in recent years. The record in the recent past points to a pick up in investment and likely upward shift in the trajectory of growth.

GSDP GROWTH

The growth rate of the State economy in 2007-08 was 9.27%. Against this growth rate, the economy had registered a growth rate of 10.92% 2008-09.

STATE GOVERNMENT FINANCES

In 2006-07, the State was in revenue surplus of Rs. 694.95 crore which was 20.30 percent of GSDP. In 2006-07, in stead of fiscal deficit, there was Fiscal surplus of Rs. 106.90 crore. The figures for 2007-08 indicated that Revenue Surplus is Rs. 743.46 (being 19.88 per cent of GSDP) and Fiscal Deficit during the year was estimated at Rs. 9.94 crore (being 0.27% of GSDP). Therefore, maintenance of revenue surplus and reduction of fiscal deficit mandated under the Fiscal Responsibility and Budget Management Act, 2006 were achieved in 2007-08.

MACRO - ECONOMIC FRAMEWORK STATEMENT
(ECONOMIC PERFORMANCE AT A GLANCE)

Sl.No.	Heads	Rs. in Crore		Percentage change (%) in
		2006-07	2007-08	
1	2	3	4	5
A	Real Sector			
	GSDP at factor cost			
	(a) at current prices	3423.89	3739.62	
	(b) at 1993-94 prices			
	XI as % of GSDP	3.12	-0.27	
I	Revenue Receipts (A+B)	2592.18	3003.01	15.85
A	State's own revenue (1+2)	375.39	754.99	101.12
1	Tax Revenue	78.21	98.07	25.39
2	Non-Tax Revenue	297.18	656.92	121.05
B	Receipts from Centre (3+4)	2216.79	2248.02	1.41
3	State's Share of Central Taxes	347.17	437.89	26.13
4	Grants from Centre	1869.62	1810.13	-3.18
	Non Plan	387.54	380.30	-1.87
	Plan	1482.08	1429.83	-3.53
II	Capital Receipts (5+6+7)	-100.57	216.90	315.67
5	Recovery from loan and advances	2.34	2.97	26.92
6	Net Public Debt	17.93	213.93	1093.14
7	Net Public Account	-120.84	-563.65	-366.44
III	Total Receipts (I+II)	2491.61	3219.91	29.23
IV	Non Plan Exp. (8+9+10)	1087.96	1452.12	33.47
8	Revenue Expenditure of which	1086.23	1252.99	15.35
(a)	Interest Payment	187.76	154.94	-17.48
(b)	Pension	78.82	108.76	37.99
(c)	Salaries Expenditure	461.96	496.60	7.50
(d)	Other Expdr.	357.69	492.69	37.74
9	Capital Expenditure	0.14	196.16	
10	Loans and Advances	1.59	2.97	86.79
V	Plan Exp. (11+12+13)	1399.66	1563.80	11.73
11	Revenue Expenditure	811.01	1006.56	24.11
	of which Salaries	175.33	226.82	29.37
12	Capital Expenditure	585.46	557.05	-4.85
13	Loans and Advances	3.19	0.19	-94.04
VI	Total Expenditure (IV+V)	2487.62	3015.92	21.24
VII	Revenue Expenditure of which (8+11)	1897.24	2259.55	19.10
(a)	General Services	559.60	620.06	10.80
(b)	Social Services	633.59	706.58	11.52
(c)	Economic Services	704.04	932.91	32.51
VIII	Capital Expenditure (9+12)	585.60	753.21	28.62
IX	Loans and Advances (10+13)	4.78	2.38	-50.21
X	Revenue Surplus (I - VII)	694.94	743.46	6.98
XI	Gross Fiscal Deficit (I+5-VI)	106.90	-9.94	-109.30
XII	Primary Deficit ((IV 8(a) - XI)	-93.62	-164.88	76.12
XIII	Outstanding Liabilities (year ending)	2336.40	2837.63	21.45

2. MEDIUM TERM FISCAL PLAN STATEMENT

A. FISCAL INDICATORS - ROLLING TARGETS

(Rs. in crore)

	1	Actuals	Actuals	Targets for	
		2	3	4	5
		2006-07	2007-08	2008-09 (RE)	2009-10 (BE)
1.	Revenue surplus as percentage of GSDP (%)	20.30	19.88	9.21	-20.39
2.	Fiscal Deficit as percentage of GSDP (%)	-	-0.27	-	-28.15
3.	Gross Tax revenue as percentage of GSDP (%)	10.96	20.19	9.67	9.29
4.	Total outstanding liabilities at the end of the year.	2214.16	2504.67	2881.41	3243.15
5.	Liabilities as percentage of GSDP for the year (%)	64.67	66.98	69.47	70.49

B. Assumptions underlying the Fiscal Indicators

1. Revenue receipts

(a) Tax revenue

The State's own Tax Revenue and State's Share of Central taxes in RE 2008-09 are placed at Rs. 98.95 crore and Rs. 515.60 crore respectively as against the estimate of Rs. 98.07 crore and Rs. 410.92 crore respectively during 2007-08. In line with the progress already made, State's tax revenue is expected to grow by an average 0.08 per cent during 2008-09.

(b) Non-tax revenue

The Non-Tax Revenue in RE 2008-09 is placed at Rs. 302.28 crore as against the Estimates of Rs. 625.62 crore during 2007-08 (RE). The non-plan revenue receipt has been estimated at Rs. 318.41 crore for BE 2009-10.

Under the award of the TFC, Central loans to State contracted till March 2004 and the same outstanding as on 31st March, 2005 amounting to Rs. 400.18 crore have been consolidated and rescheduled for fresh term of 20 years at an interest rate of 7.5 per cent, which is subject to the enactment of Fiscal Responsibility Legislation by the State. The State Legislation has passed FRBM Act, 2006. The State Govt. has achieved the eligibility norms for debt waiver during the year 2006-07 & 2007-08 and received the debt waiver for Rs. 20.21 crore each in both the years.

(c) State's Economy

While Gross State Domestic Product (GSDP) at current prices was Rs. 2104.12 crore in 2001-02, decreased to Rs. 2071.20 crore in 2002-03. It has been estimated at Rs. 2367.72 crore for 2003-04, at Rs. 2853.49 crore for 2004-05, at Rs. 2918.23 crore for 2005-06 and Rs. 3423.89 crore for 2006-07. It would be Rs. 4147.99 crore for 2008-09 and Rs. 4600.95 for 2009-10 as per provisional estimates. The annual average growth rate of GSDP from the financial year 2001-02 to 2007-08 is 10.99%.

2. Capital receipts

As per provision of FRBM Act, 2006 the State's budgetary borrowing as % of GSDP has to be brought down at 3% during 2008-09. However, as a part of economic stimulus package, announced by the Govt. of India, the State has been allowed to raise the borrowing in the current financial year up to 3.5% of GSDP during 2008-09. After passing the FRBM Act, the borrowing by the State Govt. has been controlled. Receipt of loan during 2007-08 was of the order of Rs. 438.91 crore which has increased to Rs. 546.45 crore during 2008-09. For the year 2009-10, receipt of loan has been estimated at Rs. 530.52 crore.

2. Total expenditure

(a) Revenue account

Plan revenue expenditure

Total Plan Revenue expenditure was reduced from Rs. 1776.26 crore in BE 2008-09 to Rs. 1031.41 crore in RE 2008-09. The total Plan Revenue expenditure has been estimated at Rs. 1677.17 crore in BE 2009-10.

Non-Plan revenue expenditure

(i) Interest payments

Interest burden in RE 2008-09 was estimated at Rs. 2277.19 crore which was estimated as Rs. 228.11 crore in RE 2008-09. However, the interest burden has been estimated at Rs. 253.00 crore for BE 2009-10. The TFC envisaged that State's interest payments should be brought down to 15% of revenue receipts whereas, this percentage has estimated at 6.21 per cent in RE 2008-09 to 7.77 per cent in BE 2008-09.

(ii) Non-Plan grant to State

As per the TFC's recommendation, non-plan grants to the State in 2007-08 are placed at Rs. 380.30 crore. In subsequent years RE 2008-09 and BE 2009-10, these grants will be about Rs. 407.28 crore and Rs. 326.27 crore respectively.

(b) Capital account

(i) Loans and advances received

As per recommendation of the TFC, only grant portion of the Central assistance is being released by the Central Government to the State with effect from the year 2005-06. The State has been raising the loans directly from the market through the borrowing programme. Total receipt of loan during 2007-08 was Rs. 438.91 crore in 2007-08 which increased to Rs. 546.54 crore in 2008-09. This has been estimated at Rs. 530.52 crore for BE 2009-10.

(ii) Capital outlay

Total Capital outlay (Plan + Non-Plan) was estimated at Rs. 519.88 crore for BE 2008-09 which increased to Rs. 1942.56 crore in RE 2008-09. These has been estimated at Rs. 944.24 crore for BE 2009-10.

2. GSDP Growth

GSDP at current prices is assumed to grow annually by 10.99 per cent for the period 2001-02 to 2007-08.

Assessment of sustainability relating to

(i) the balance between revenue receipts and revenue expenditure:

The tax revenue as percentage of GSDP was targeted to improve from 10.96 per cent in 2006-07 to 20.19 per cent in 2007-08. Tax GSDP ratio needed to improve well beyond the targeted reduction in fiscal deficit to GSDP ratio because increase in tax revenue was to make up for shortfall in non-tax revenue.

The planned introduction of State level Value Added Tax (VAT) w.e.f. 1st April, 2005 marks one of the biggest tax reforms undertaken so far. Government intends to expand the scope of taxation of services not only by bringing new services within the tax net but also to increase the rates of tax and non-tax revenues. In the long run this will be beneficial to the State finances.

In the normal course, Government borrowings are advisable only for meeting the needs of financing productive investments. However, owing to continuing rigidities, and a narrow tax base, the revenues of Government have not been able to keep pace with its needs of recurring expenditure leading to borrowings to finance such expenditures. This is reflected in the trends in non-plan revenue deficit.

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

One of the major objectives of the Fiscal Responsibility and Budget Management Act, 2006, is to effect a shift in the composition of total expenditure, by increasing the share of capital expenditure that would help achieve a higher growth trajectory. The practice of capital receipts for funding revenue expenditure needs to be reversed. The Fiscal Responsibility and Budget Management Act, 2006, has set an important target maintaining revenue surplus at least at the base year level up to 2009-10 which would provide Government the desired flexibility in incurring capital expenditure.

3. FISCAL PLAN STRATEGY STATEMENT

A. Fiscal Plan Overview

The fiscal stress, which had peaked in the aftermath of the recommendation of the 5th Central Pay Commission has since eased, mainly due to improvement in tax collections and softening of interest rates. In an attempt to remove the fiscal drag on the economy, the Government has been attempting to increase the tax base and increase in the tax and non-tax rates. However, due to acceptance by the Govt. to implement the 6th Central Pay Commission recommendation with effect from 1.1.2009 and agreeing for payment of arrears for 6 months, there has now been, stress on the Govt. on raising the resources for 2008-09 and 2009-10.

B. Fiscal Plan for the ensuing financial year (2009-2010):

Government Borrowings, Lending and Investments

The Government continues to rely on market borrowing for financing fiscal deficit ; to have a soft interest rate regime; and to develop a deep and wide market for government securities.

To conclude, I would like to assure this august House that the Government's commitment to maintain the revenue surplus at least at the base year 2004-05 level upto 2008-09 and thereafter to maintain this remains intact and to reduce the fiscal deficit by 2008-09 at the minimum to 3.5% of GSDP and to maintain at 3% in 2009-10.

A statement showing details of number of employees as on 31.3.2008 in the Government and expenditure on their salaries is enclosed at Annex- I in compliance with the Act.

Total No. of State Govt. Employees and their Salaries as on 31st March, 2008

(Rs. In crore)

Heads of Accounts		Number of Employees			Salaries		
		Plan	Non-Plan	Total	Plan	Non - Plan	Total
1	2	3	4	5	6	7	8
A	General Services	-	-	-	0	0	
(a)	Organs of State	-	-	-	0	0	
2011	State Legislature	-	150	150	0	2.99	2.99
2012	Governor	-	66	66	0	0.72	0.72
2013	Council of Ministers				0	0.41	0.41
2014	Admn. of Justice	90	35	125	0.10	0.60	0.70
2015	Elections	-	275	275	0	3.00	3.00
(b)	Fiscal Services	-	-	-	0	0	0
2020	Collection of Taxes on Income and Expenditure	-	-	-	0	0	0
2029	Land Revenue	46	127	173	0.44	1.25	1.69
2039	State Excise	-	134	134	0	2.03	2.03
2047	Other Fiscal Services	8	7	15	0.10	0.11	0.21
(c)	Administrative Services	-	-	-	0	0	0
2051	Public Service Commission	-	48	48	0	0.88	0.88
2052	Sectt. Gen. Services	2	979	981	0.14	17.21	17.35
2053	Distt. Administration	13	2644	2657	0.16	33.06	33.22
2054	Treasury & Accounts Administration	-	257	257	0	3.73	3.73
2055	Police	21	7221	7242	0.28	95.78	96.06
2056	Jails	33	35	68	0.27	0.28	0.55
2058	Stationery and Printing	48	49	97	0.73	1.00	1.73
2070	Other Administrative Services	-	168	168	0	2.73	2.73
2075	Misc. General Services	-	3	3	0	0.04	0.04
	Total (A)	261	12198	12459	2.22	165.82	168.04
B	Social Services						
2202	General Education	5228	4949	10177	93.11	93.04	186.15
2203	Technical Education	0	26	26	0	0.81	0.81
2204	Sports & Youth Services	69	21	90	2.91	0.58	3.49
2205	Art & Culture	126	145	271	1.73	3.38	5.11
2210	Medical & Public Health	1112	4295	5407	11.75	58.76	70.51
2211	Family Welfare	388	0	388	3.76	0	3.76
2215	Water Supply & Sanitation	1037	757	1794	8.48	4.73	13.21
2216	Housing	57	23	80	0.58	0.43	1.01
2059	Public Works	2376	2398	4774	19.71	19.9	39.61
2217	Urban Development	10	70	80	0.01	0.96	0.97
2220	Information & Publicity	9	185	194	0.85	2.02	2.87
2230	Labour & Employment	62	83	145	1.46	1.26	2.72
2235	Social Security & Welfare	488	58	546	17.54	5.18	22.72
2251	Sectt. Social Service	0	98	98	0	3.29	3.29
	Total (B)	10962	13108	24070	161.89	194.34	356.23

(Rs. in crore)

Heads of Accounts		Number of Employees			Salaries		
		Plan	Non-Plan	Total	Plan	Non - Plan	Total
1	2	3	4	5	6	7	8
C	Economic Services	-	-	-			
2401	Crop Husbandry	401	1327	1728	6.34	25.83	32.17
2402	Soil & Water Conservation	540	203	743	4.69	6.06	10.75
2403	Animal Husbandry	320	894	1214	5.42	12.94	18.36
2404	Dairy Development	10	8	18	0.16	0.16	0.32
2405	Fisheries	132	172	304	1.84	1.87	3.71
2406	Forestry and Wild life	446	1900	2346	5.27	24.96	30.23
2408	Food-Storage and Warehousing	0	403	403	0	3.96	3.96
2415	Agricultural Research and Education	0	12	12	0	0.43	0.43
2425	Co-operation	51	153	204	0.85	2.11	2.96
2435	Other Agri. Programme	5	6	11	0.10	0.25	0.35
2501	Special Programmes for Rural Development	239	543	782	1.85	2.34	4.19
2505	Rural Employment	19	0	19	1.37	0	1.37
2506	Land Reforms	33	0	33	1.31	0	1.31
2515	Other Rural Development Programmes	357	624	981	2.03	9.76	11.79
2575	Other Special Area Programmes	11	0	11	0.07	0	0.07
2702	Minor Irrigation	68	167	235	5.76	8.11	13.87
2801	Power	1879	691	2570	10.19	12.09	22.28
2851	Village & Small Industries	383	326	709	4.65	5.56	10.21
	Total	4894	7429	12323	51.90	116.43	168.33
2853	Non- Ferrous Mining and Metallurgical Industries	161	99	260	0.71	0.44	1.15
3053	Civil Aviation	13	-	13	0.17	0	0.17
3054	Roads & Bridges	364	51	415	4.39	0.61	5.00
3055	Road Transport Services	18	796	814	0.26	10.52	10.78
3425	Other Scientific Research	10		10	0.06	0	0.06
3451	Sectt. Economic Services	77	143	220	1.51	0.65	2.16
3452	Tourism	53	14	67	0.94	0.27	1.21
3454	Census, Surveys & Statistics	63	186	249	1.48	2.88	4.36
3456	Civil Supplies	20	168	188	0.92	3.33	4.25
3475	Other Gen. Eco. Services	108	163	271	0.37	1.31	1.68
	Total (C)	887	1620	2507	10.81	20.01	30.82
D		0	0	0	0	0	0
3604	Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	0	67	67	0	0.34	0.34
Total Salary Expenditure (A+B+C+D)		17004	34355	51359	226.82	496.60	723.42