

CONTENTS

<u>S. No.</u>	<u>Item</u>	<u>Form</u>	<u>Page</u>
1.	Medium Term Fiscal Plan Statement	1	1-5
2.	Accounting Policy and Practices of the State Government.	2	6-8
3.	Statement of Guarantees on Long Term Liabilities of State Government.	3	9
4.	Detail of Number of Employees as on 31 st March. 2007.	4	10

Compliance under Rule 4, 5 & 6 of Himachal Pradesh Fiscal Responsibility and Budget Management Rules, 2005.

1. The Medium Term Fiscal Plan Statement is detailed in Form-1 as provided under Rules 4 & 5.
2. The Accounting Policy and Practices of the State Government is described in Form-2 as provided under Rule-6.
3. The Statement depicting Guarantees on Long Term Liabilities of the State Government is given in Form-3 as provided under Rule-6
4. The detail of the number of employees as on 31.3.07 is given in Form-4 as provided under Rule-6(1).

Form 1

(See rule 4 and 5)

Medium Term Fiscal Plan Statement

A. FISCAL INDICATORS – ROLLING TARGETS:

(Rs. in Crore)

Fiscal Indicator	Current year Revised Estimates	Ensuring year Target: Budget Estimates Y	Target for next two years	
			Y+1	Y+2
1. Revenue Receipts	7860.70	9397.73	10174	11458
2. Revenue expenditure	7905.37	9327.80	10362	11549
3. Revenue deficit as percentage of revenue receipts.	(-) 0.57	(+) 0.74	(-) 1.85	(-) 0.79
4. Fiscal deficit as percentage of gross state domestic product.	4.18	5.37	5.14	4.77
5. Tax revenue as percentage of gross state domestic product	8.47	8.84	9.17	9.52
6. Total outstanding Debt as percentage of gross state domestic product.	65	63	61	59
7. Total outstanding guarantees as percentage of revenue receipts.	27.18	22.82	State Govt. would try to keep this at B.E. level in future.	State Govt. would try to keep this at B.E. level in future.

B. ASSUMPTIONS UNDERLYING THE FISCAL INDICATORS:

1. REVENUE RECEIPT:

(A) Tax revenue growth rates and gross state domestic product rate:

1. The GSDP is assumed to grow @ 13% per annum.
2. Tax Revenue is assumed to grow at 15% which is mainly due to VAT & Share in Central Taxes.

2. CAPITAL RECEIPT:

- (a) Fresh Loans and Policy stance: No off budget borrowing has been done by the State Government in 2007-08. All loans raised are within the limits authorized by Government of India.
- (b) Recovery of Loans: Recovery is being done regularly.
- (c) Other receipts: Entail loaning to departments and recovery from them.
- (d) Borrowing: Public debt and other Liabilities: This liability is regularly incurred on account of GPF.

3. TOTAL EXPENDITURE

(a) REVENUE ACCOUNT:

- i. **Salary and Wages**:-Salary is assumed to grow at 29%, wages also are assumed to grow 26% in 2008-09 and then 17%.
- ii. **Pension**:- Pensions are assumed to grow at 15%.
- iii. **Interest payments**
Interest payment forecasted with restructuring and fiscal reforms is projected as follows, due to projected outstanding loans and liabilities:

(Rs. in Crore)

	2007-08	2008-09	2009-10	2010-11
Interest payment	1742.31	1834.40	1948.00	2074.70

iv. Major Subsidies

State Government subsidy flows mainly to domestic consumers under Energy Sector while other subsidies are mainly on account of food subsidies. The likely subsidies are going to be as follows:

(Rs. in Crore)

	2007-08	2008-09	2009-10	2010-11
1.Subsidies-General	99.63	182.15	182.15	182.15
2. Subsidies- Power	130.00	140.00	140.00	140.00
Total	229.63	322.15	322.15	322.15

(b) CAPITAL ACCOUNT:

(i) Loans and Advances:

Capital expenditure is increasing while loan repayments are stable in the medium term but at very high level compared to revenue receipts.

(ii) Capital Outlay

(Rs. in Crore)

	2007-08	2008-09	2009-10	2010-11
Capital Outlay	1131.76	1778.86	1867.80	1961.19
i) Centrally Sponsored Schemes	153.40	151.73	172.97	197.19
ii) Disbursement of Loans and Advances	29.46	101.76	101.76	101.76
iii) Recovery of Loans and Advances	22.60	23.17	23.17	23.17

C. STATEMENT ON:

(i) The balance between revenue receipts and revenue expenditure

State Own Tax Revenue at current price is expected to be as per the following table:

(Rs. In crore)

	2007-08	2008-09	2009-10	2010-11
Land Revenue	1.76	1.85	1.94	2.04
State Excise Duties	382.69	428.61	480.04	537.65
Taxes on Motor Vehicles	130.00	136.50	143.32	150.49
Sales Tax(VAT)	1097.34	1336.81	1604.17	1925.00
Taxes on Goods and Passengers	46.35	68.67	72.10	75.71
Taxes & Duties on Electricity	78.22	90.32	99.35	109.29
Stamps & Registration Fee	90.88	95.42	100.19	105.20
Others Taxes & Duties on Commodities and Services	136.10	142.80	149.94	157.44
Total	1963.34	2300.98	2651.05	3062.82

The expected State Non Tax Revenue is likely to be as follows:

(Rs. In crore)

	2007-08	2008-09	2009-10	2010-11
Interest receipts	13.41	63.58	66.76	70.10
Dividends & Profits	0.85	1.50	1.57	1.65
General Services	65.14	64.35	67.57	70.95
Social Services	79.53	83.58	87.76	92.15
Education, Sports, Art & Culture	47.90	49.67	52.15	54.76
Medical and Family Welfare	6.20	6.90	7.25	7.61
Water Supply & Sanitation	16.75	18.28	19.19	20.15
Housing	2.35	2.34	2.46	2.58
Urban Development	0.41	0.50	0.53	0.56
Others	5.92	5.89	6.18	6.49
Economic Services	933.39	1018.65	1069.59	1123.07
Crop Husbandry	4.88	4.92	5.17	5.42
Forestry & Wild Life	48.64	46.94	49.29	51.75
Co-operation	2.45	2.61	2.74	2.88
Major & Medium Irrigation	0.13	0.26	0.27	0.29
Minor Irrigation	0.75	0.78	0.82	0.86
Power Projects (Dept.) (Net)	813.00	886.00	930.30	976.82
Non Ferrous Mining	42.00	54.53	57.26	60.12
Others	21.54	22.61	23.74	24.93
Total	1092.32	1231.66	1293.25	1357.92

The revenue expenditure during the forecast period is likely to be as follows:

(Rs. in Crore)

	2007-08	2008-09	2009-10	2010-11
1. Plan Expenditure	1048.57	652.54	717.79	789.57
2. Non Plan Expenditure	6741.34	8541.40	9497.18	10597.06
3. CSS	115.46	133.86	147.24	161.97
Salary	2596.06	3345.04	3913.70	4579.02
Pension	1048.80	1206.12	1411.16	1651.06
Interest Payment	1742.31	1834.40	1948.00	2074.70
Others	2518.20	2942.24	3089.35	3243.82
Total	7905.37	9327.80	10362.21	11548.60

- (ii) **The use of capital receipts including market borrowings for generating productive assets:** These have been used for critical infrastructure development like water supply, irrigation, roads that may not directly improve the GSDP but has a major impact on the livelihood of the people of the Pradesh.
- (iii) **Statement on recent economic trends and future prospects of growth affecting fiscal position of the State government:** Due to the attractive package of incentives the industrial growth in HP has jumped, which augurs very positively for the corresponding growth in manufacturing, services and other allied employment generation. Hence the State Economy is poised towards a phase of high economic growth.
- (iv) **Strategic priorities of the Government in the fiscal areas:** The State Government shall increase Capital Investment, while keeping fiscal deficit under control, through better revenue buoyancies.
- (v) **Statement of cumulative debt or liabilities:** By the year 2007-08 the total debt of the state is expected to be Rs. 20800 crore. The State Government recognizes that high outstanding debt will impact on future fiscal space.

Form 2
(See rule 6)

Accounting Policy and Practices of the State Government

Existing Procedure/Practices	Change, if any	Reasons for Changes	Impact, if any
1. EXISTING ACCOUNTING STANDARDS			
(a) State Government:			
<p>Article 150 and 283 of the Constitution provides for maintenance of accounts of the the State Government in the form and manner as prescribed by the comptroller and Auditor General of India. As at present , the accounts are prepared keeping in view the provisions prescribed under the following Rules/Manuals:</p> <ul style="list-style-type: none"> I. H.P. Budget Manual or Financial Handbook-4, 1971 II. H.P. Financial Rules III. Accounts Codes IV. Treasury Rules 			
(b) Public Sector Undertakings:			
<p>The Public Sector Undertakings incorporated under the company's Act follow the Accounting Standards issued by Accounting standard Board/Indian Institute of Chartered Accountant, Government of India.</p> <p>The Boards/Corporations and other H.P Public Sector Undertakings not incorporated under the Company's Act have their own set of Rules/Manuals and the accounts are prepared in the form and manner as prescribed under such Rules/Manuals.</p>			

<p>2. EXISTING ACCOUNTING POLICY/PRACTICES</p>			
<p>(a) State Government:</p>			
<p>i. The annual accounts comprise of those transactions which take place for the financial year commencing from 1st April and ending on 31st March of the designated period.</p> <p>ii. The accounts are prepared on 'cash basis' and 'single entry system' of accounting is followed. In respect of the transactions where the government acts as a banker or remitter or borrower or lender, 'double entry system' of accounting is followed.</p> <p>iii. The accounts of government in the State are maintained in Indian currency.</p> <p>iv. The accounts of government are kept in three parts viz:</p> <ol style="list-style-type: none"> 1. Consolidated Fund. 2. Contingency Fund. 3. Public Account. <p>v. In terms of requirement of Article 202(2)(b) of the constitution expenditure on revenue account is shown separately from other expenditure.</p> <p>vi. The annual accounts of State Government are prepared in two viz. appropriation Accounts and the Finance Accounts.</p>			

(b) PUBLIC SECTOR UNDERTAKINGS:			
<p>The Public Sector Undertakings incorporated under the Company's Act are following "Accrual System of Accounting." The two financial statements viz. Profit & Loss Account/Income and Expenditure Account to depict the result of operation for the specified period followed by Balance Sheet to disclose the financial position as at the end of the financial year are prepared.</p> <p>The Boards/Corporation and other H.P. Public Sector Undertakings nor incorporated under the Company's Act have their own set of Rules/Manuals and the accounts are prepared in the form and manner as prescribed under such Rules/Manuals.</p>			

Form 3
(See rule 6)

Statement of Guarantees on Long Term Liabilities of State Government

Maximum amount Guaranteed for the year which actuals are available(31.3.07) (Rs. Crore)	Amount outstanding against the guarantee given(31.3.07) (Rs. Crore)	Guarantees outstanding as on 31 st March of previous year (31.3.2006) (Rs. Crore)	Additional guarantees given during the current year (2007-08) (Rs. Crore)	Remarks, if any
1.	2.	3.	4.	5.
4071.35	2129.50	3553.31	7.70	Outstanding guarantees are 27.18% of the revenue receipt which is below the 80% reform target defined under rule3 (2).

Form 4
[See rule 6(1)]

DETAIL OF NUMBER OF EMPLOYEES AS ON 31ST march, 2007

S. No.		Number	Salary (Rs. in Crore)		
			Plan	Non Plan	Total
1.	No. of State Govt. Employees	207691	77.94	3298.58	3376.52
	Total	207691	77.94	3298.58	3376.52