

EXPLANATORY NOTE ON

REVISED MEDIUM TERM FISCAL PLAN, 2002-07 (Orissa)

Back ground

Chapter-III of the Final Report of the Eleventh Finance Commission lays down the broad parameters of fiscal correction in the State Sector. Starting with the base year, 1999-2000, each State is expected to take effective steps for revenue augmentation and expenditure compression over five years period so as to broadly achieve the following objectives:-

- Gross fiscal deficit of the States as an aggregate to fall to 2.5% of GSDP
- Revenue deficit of all States, in an aggregate, falling to zero.
- Interest payments as a percentage of revenue receipts of the State Sector as a whole to be 18 to 20%.

In the Supplementary Report, the EFC has also suggested the following objectives:-

- (a) Increases in wages and salaries should not exceed 5% or increase in Consumer Price Index whichever is higher.
- (b) Increase in interest payments (in absolute terms) may be limited to 10% per year.
- (c) Explicit Subsidies to be brought down by 50% over the next 5 year period so as to eliminate subsidies altogether by 2009-10.

M.T.F.P., 2000-05

2. In pursuance of monitorable of fiscal reform recommended by the EFC, Government of Orissa had submitted a draft Medium Term Fiscal Reform Programme to Ministry of Finance, Govt. of India. The draft Medium Term Fiscal Plan was discussed in the meeting of the Monitoring Committee held on 22nd-24th August 2001 in the Chamber of Expenditure Secretary, Ministry of Finance, Department of Expenditure. Subsequently, with due modifications, wherever necessary, the draft Medium Term Fiscal Plan and draft MoU were approved by the State Cabinet on 8.10.29001 and thereafter, an MoU was signed on 11.10.2001 with Ministry of Finance, Department of Expenditure by the Chief Secretary on behalf of Government of Orissa.

ASSUMPTIONS IN THE MTFP,2000-05

3. The Medium Term Fiscal Plan, 2000-05 submitted to Government of India as stated above was based on assumptions of various expenditure compression and additional resource mobilisation (ARM) measures as indicated below as well as those mentioned in Para-4 that follows:-

- (I) The actuals of expenditure and revenue receipt for 1999-2000 were taken as the basis for projecting the expenditure and receipt for the forecast period, 2000-05.

- (II) The rate of growth of GSDP was assumed at 10.5% (real GSDP – 4.5%, inflation-6%).
- (III) Civil Service numbers were to be reduced by 18% for the period from 2001-02 to 2004-05 at the rate of 3% in 2001-02 and 5% from 2002-03 to 2004-05. This was based on attrition of 3% per annum and reduction by introduction of VRS @ 2% per annum.
- (IV) Basic salary was to grow @ 2% per annum due to incremental hike
- (V) D.A. on Pay and T.I. on Pension was to grow @ 6% per annum equal to the rate of inflation assumed.
- (VI) Grant-in-aid was to be frozen.

4. Based on the pre-actuals of collection of State's own tax and non-tax revenue for 2000-01, the estimate of State's own tax and non-tax revenue for the period from 2001-02 to 2004-05 was projected after taking into account the various additional resource mobilisation measures assumed under different items of State own tax and non-tax revenue as indicated below:-

- Professional Tax was assumed to grow from Rs.60.00 crores in 2001-02 (B.E.) to Rs.80.95 crore in 2004-05.
- Tax on collection of State Excise was assumed to grow from Rs.114.82 crores in 1999-2000 and Rs. 135.31 Crores in 2000-01 to Rs.300.00 crores in 2001-02 and Rs.500.00 crores in 2004-05.
- Motor Vehicle tax was assumed to grow from Rs. 178.17 crores in 2000-01 to Rs.401.62 crores in 2004-05.
- Electricity Duty was assumed to grow from Rs.146.71 crores in 2000-01 to Rs.178.46 crores in 2004-05.
- Water rate on irrigation and tariff for industrial water was assumed to grow from Rs.19.98 crores in 2000-01 to Rs.77.62 crores in 2004-05.
- In case of Urban Water Supply and Sanitation, collection was assumed to grow from Rs.17.32 crores in 2000-01 to Rs.69.58 crores in 2004-05.
- In case of Education Sector, the collection was assumed to grow from Rs.19.91 crores in 2000-01 to Rs.60.83 crores in 2004-05.
- The explicit subsidy on food, Lift Irrigation water rate, transport etc. was assumed to be reduced from Rs.160.58 crores in 1999-2000 and Rs.87.10 crores in 2000-01 to Rs.30.53 crores in 2004-05.

NEED FOR REVISED MTFP, 2002-07

5. Going by the action taken during 2001-02 and the trend of expenditure compression and generation of revenue, it has been felt that projection earlier made on expenditure and revenue side may not materialise. This is mainly because 5% reduction in civil service assumed to take place starting from 2002-03 has not yet materialised. Similarly, higher assumptions on revenue collection under State Excise, Motor Vehicle Tax, Tax on registration, Professional tax etc. has not materialised because of various reasons.

6. Hence there is the need for realistic projection of revenue receipt and expenditure and accordingly the projection of expenditure and receipt for the 10th Plan have taken the following situations and events.

- The collection of State's own tax revenue was Rs.2184.03 crores during 2000-01, which registered a growth rate of 28.16% over the collection of Rs.1704.08 crores in 1999-2000. However, the overall collection of State's own tax and non-tax revenue during 2000-01 was at Rs.2869.50 crores, which has registered a growth rate of 18.55% over Rs.2420.56 crores collected during 1999-2000. But, the collection of State's own tax revenue was Rs.2472.69 crores during 2001-02 which has registered a growth rate of 11.32% over the collection of Rs. 2184.03 crore in 2000-01. The collection of State's own tax and non-tax revenue taken together collected at Rs.3320.94 crores during 2001-02 has registered a growth rate of 8.78% only. Hence, it is now clear that despite the best efforts made, it may not be possible to maintain a growth rate from 2002-03 in collection of States own tax revenue registered at 28.16% in 2000-01.
- On the expenditure side, reduction of the staff in position has not been possible to the extent of 5% per annum. Only vacancies arising out of attrition are being abolished and restriction has been imposed for filling up of the base level posts except in case of essential post like doctors, nurses, primary school teachers, drivers & striking police forces. Normal net attrition would work out 2% and there would be 1% further reduction through VRS of the surplus staff to be identified after organisational revision.
- Because of additional coverage of BPL families under distribution of subsidized rice, it has not been possible to reduce the food subsidy, even though the subsidy to road transport corporation has been pegged at Rs.1.60 crores per annum. Lift Irrigation Corporation has not been closed and State Government is forced to provide subsidy to the extent of Rs.20.00 crores during 2002-03 compared to Rs.29.50 crores during 2000-01 and Rs.30.00 crores during 2001-02. Food subsidy has been reduced from

Rs.100.00 crores in 1999-2000 to Rs.56.00 crores in 2000-01, but this has been increased from Rs.51.31 crores in 2001-02 to Rs.60.00 Crores in 2002-03.

- Grant-in-aid has not been frozen and it has been increased from Rs.204.35 crores in 2000-01 to Rs.277.16 crores in 2001-02 (RE) and Rs.282.38 crores in 2002-03.
- Similarly, the total salary (including Grant-in-aid and wage salary) has been increased from Rs.3801.11 crores in 2000-01 to Rs.3873.92 crores in 2001-02 (RE) and Rs.4194.45 crores in 2002-03 (BE). Increase in salary is mainly due to payment of revised UGC Scale of pay to teachers of Government Colleges and Aided Colleges w.e.f. 1.1.1996 which was notified in February 2001.
- The of expenditure on D.A. for the year 2001-02 was projected at 41% (38% paid during 2000-01 + 3% w.e.f. 1.7.2000 released in May 2001). The D.A. doses due from 1.1.2001 and 1.7.2001 which would have been normally released during 2001-02, were not taken into account and these two doses were deferred indefinitely in our projection in the MTFP, 2000-05. But for each year 2 doses of D.A. @ 3% each were assumed in the projections. In the meantime D.A. dose @ 2% w.e.f. 1.1.2001 and @ 2% w.e.f. 1.7.2001, which were assumed to have been deferred indefinitely in the earlier projections, have now been released on 15.7.2002. Now in the Revised projection the D.A. falling due on 1.7.2002 is deferred to the financial year 2003-04 and the D.A. falling due on 1.1.2003 is normally released during the financial year 2003-04. In other words, instead of deferring two doses of D.A., only one dose has been deferred to the next financial year.

ASSUMPTIONS FOR RE-PROJECTION OF MTFP FOR 2002-2007

7. After taking into account the latest changes and steps already taken so far, there is need to revise Medium Term Fiscal Plan consistent with the projection made for the 10th Plan, 2002-07. The Medium Term Fiscal Plan now proposed is based on the broad assumptions indicated below.

- (i) Re-projection for MTFP, 2002-07 has been done taking the year 2000-01 (Actuals) as BASE YEAR, instead of 1999-2000 actuals taken earlier for projecting the MTFP, 2000-05.
- (ii) The Nominal GSDP Growth rate is assumed @ 10% per annum from the base year onwards instead of 10.5% assumed earlier.
- (iii) Rate of Inflation is taken at 6% per annum. Real Growth of GSDP is assumed at 4% per annum. Thus the nominal growth rate of GSDP is assumed to be 10% (6% + 4%) per annum.

(iv) Keeping in view the broad assumptions indicated above the estimates of revenue and expenditure have been worked out for the period 2000-07. These has been explained in the subsequent paragraphs.

8. State's Own Tax Revenue

The collection of State's own-tax during 2000-01 was Rs.2184.03 crore registering a growth rate of 28.16% over the collection of Rs.1704.08 crore made during 1999-2000. The collection of State's own-tax during 2001-02 is Rs.2472.69 crore against Rs.2184.03 crore collected during 2000-01, the growth rate being 11.32%. The budget estimate for 2002-03 is Rs.2880.00 crore which assumes 16.46% increase over the collection of Rs.2472.69 crore made during 2001-02. Taking the budget estimate of 2002-03 as the base, growth rate of 10% has been assumed for the subsequent years. These projections are the same as projected for the 10th Plan, 2002-07.

9. State's Own Non Tax Revenue

9.1 The collection of state's own non-tax revenue was Rs.716.48 crore, Rs.685.47 crore and Rs.648.25 crore during 1999-2000, 2000-01 and 2001-02 respectively. The declining trend is mainly because of stagnation in collection of Forest Revenue, Mining Royalty and Non-payment of dividends and payment of interest by Public Sector Undertaking because of their poor financial conditions. There was a collection of dividend of Rs.111.15 crore and 37.91 crore during 1999-2000 and 2000-01 respectively. The dividend were paid by OPGC during those year but the OPGC has not paid dividend 2001-02. However, OPGC have in the meantime paid Rupees 64.18 crore in April 2002 for the financial year 2000-01.

9.2 The collection of mining royalty was Rs.320.09 crores and Rs.360.33 crore during 1999-2000 and 2000-01. The collection during 2001-02 is Rs.370.68 crore. The Budget Estimate under mining royalty has been put at Rs.421.83 crore for 2002-03. This assumes the revision in the rate of royalty on coal which is likely to be notified some time towards end of August, 2002.

9.3 Collection of non-tax revenue estimated at Rs.833.77 crore for 2002-03 is 28.70% higher than the collection of Rs.648.25 crore made during 2001-02. Taking the BE of 2002-03 as the base, the projections for the period 2003-04 to 2006-07 have been made assuming 10% growth per annum from 2003-04. These projections are as per the projections made in the estimate of financial resources for the 10th Plan, 2002-07.

10. Share in Central Tax.

For the year 2002-03, the share tax as given in the Union Budget at Rs. 3063.31 Crs. has been adopted. For the year 2003-04 and 2004-05, the amount recommended by the Eleventh Finance Commission has been taken. Normally it is seen that for the 1st year of the award period

of the Finance Commission, the growth rate assumed in the share tax is quite high compared to the amount recommended for the terminal year of the previous Finance Commission. For example the share tax estimated by the 10th Finance Commission for 1999-2000 was Rs.2096.61 crore and the share tax estimate by the Eleventh Finance Commission for 2000-01 is Rs. 2733.00 crore, the growth rate being 30%. However, for the year 2005-06, being the first year of 12th Finance Commission, the rate of growth has been assumed at 22% instead of historical growth 30%. The share tax estimated by the Eleventh Finance Commission for the year 2001-02 at Rs.3187.00 crore assumes growth rate of 16.61% over the estimate of Rs.2733.00 crore for the year 2000-01. Hence for the year 2006-07, a growth rate of 16% has been adopted over the estimate of 2005-06.

11. Grant in Aid from Centre :

a) Non-Plan Grant

The Non Plan Grant in Aid till the year 2004-05 has been taken as recommended by the Eleventh Finance Commission. Normally the Finance Commission recommends Non-plan deficit grant for the 1st two to three years of the award period. The Eleventh Finance Commission has recommended Non Plan Deficit Grant of Rs. 318.49 Crore, Rs. 36.43 crore and Rs. 278.68 crore for 2000-01, 2001-02 and 2002-03 respectively, but no deficit grant has been recommended for 2003-04 and 2004-05. Hence, non-plan deficit grant for the year 2005-06 and 2006-07 has been assumed even though the guidelines of the Planning Commission stipulates that the non-plan grants for the year 2005-06 and 2006-07 should be assumed at the same level as that for the terminal year 2004-05 of the Eleventh Finance Commission. For the year 2005-06 and 2006-07 the Revenue Deficit Grant has been taken at a higher level consistent with the recommendation of previous Finance Commissions, i.e., a higher Revenue Deficit Grant during the 1st two to three years of one Finance Commission period. The year wise position of non-plan grant-in-aid have been assumed as indicated below :-

Year	Non-plan deficit grant	Central Share of Calamity Relief Fund	Grant from NCCF	Grant under Fiscal Reform	Other misc. non-plan grant	Total
1	2	3	4	5	6	7
2000-01 (Actuals)	304.72 (318.49 – 15% withheld 53.77)	103.65 (82.10 advance release for 2001-02 Rs.21.55)	35.00	-	24.45	467.82
2001-02 (Revised Estimate)	30.97 (36.43 – 15% withheld i.e Rs.5.46)	64.55	114.62	77.95 (53.77 withheld for 2000-01 + incentive grant 24.18)	2.00	290.09
2001-02 (Pre-Actuals)	30.97	64.66	114.62	77.95	19.85	308.05
2002-03 (Budget Estimate)	278.68	90.52	0.00	45.54	2.24	416.98
2003-04 (Projections)	0.00	95.04	0.00	50.91	2.25	148.20

2004-05 (Projections)	0.00	99.79	0.00	51.62	2.27	153.68
2005-06 (Projections)	446.31	99.79	0.00	51.62	2.28	600.00
2006-07 (Projections)	346.30	99.79	0.00	51.62	2.29	500.00

(b) **Plan Grants**

The State Plan Grants are the Grant Component of the resources projected for the 10th Plan period from 2002-2007.

Central Plan Grants and Centrally Sponsored Plan Grants have been projected taking a growth rate of 12% per annum over the actuals of the base year of 2000-01. This is in line with the stipulations of the Planning Commission for calculating the financial resources in which it has been stated that the nominal growth rate may be adopted starting from 12.05% in 2002-03 to 14.66 % in 2006-07. Accordingly plan grants has been assumed as indicated below :-

Year	State Plan Grants	Central Plan Grants	Centrally Sponsored Plan Grants	Total Plan Grants
1	2	3	4	5
2000-01 (Actuals)	600.98	36.16	323.59	960.73
2001-02 (Revised Estimate)	976.13	469.20	65.43	1510.76
2001-02 (Pre-Actuals)	586.10	43.56	201.12	830.78
2002-03 (Budget Estimate)	1451.06	451.23	96.30	1998.59
2002-03 (Latest Estimate)	1330.59	451.23	96.30	1878.12
2003-04 (Projections)	1145.07	50.80	454.62	1650.49
2004-05 (Projections)	1176.88	56.90	509.18	1742.95
2005-06 (Projections)	1160.27	63.73	570.28	1794.27
2006-07 (Projections)	1228.78	71.37	638.71	1938.86

12. Interest Payment :

12.1 Interest Payment liability is calculated in two phases. In the first place, the repayment liability on the existing outstanding loans as on 31.03.2002 is calculated. Then the interest payment Liability on the balance outstanding has been estimated during the 10th Plan period 2002-07. Then the interest liability has been calculated on fresh loans assumed from 2002-03 to 2006-07 for calculation of resources for the 10th Plan. The total of these two amounts is taken as the total interest Payment liability from 2002-03.

Rs. In Crores

Interest Payment	2000-01 (Actuals)	2001-02 (Pre-Actuals)	2002-03 (B.E.)	2003-04 (Projection)	2004-05 (Projection)	2005-06 (Projection)	2006-07 (Projection)
Interest on Outstanding Loans as on the beginning of previous Financial Year	1854.73	2452.30	2418.07	1939.36	1830.19	1705.99	1577.69
Interest on Fresh Loans received / assumed during the previous Financial year	432.08	392.58	497.23	1056.70	1496.13	1903.72	2253.67
Total	2286.81	2941.83	2915.30	2996.06	3326.33	3609.71	3831.36
<i>(of which interest on GPF)</i>	<i>(508.22)</i>	<i>(754.75)</i>	<i>(664.89)</i>	<i>(670.29)</i>	<i>(753.54)</i>	<i>(814.29)</i>	<i>(866.04)</i>

12.2 The interest is now projected less than the projections made earlier in the MTFP of 2000-05. This is mainly because of the following reasons :-

(i) The interest calculations was based on the estimated outstanding loan of Rs. 24495.05 crores as on 31.3.2002 as per the Revised Estimate for 2001-02, but actually loan received in 2001-02 is less than the amount estimated. Hence the actual outstanding loan is Rs. 23779.93 Crores which is less than the estimated ones.

Type of Loans	Outstanding as on 31.3.2001	Receipt in 2001-02		Repayment in 2001-02		Outstanding as on 31.3.2002 (2+3-4)	
		Estimated	Pre-Actuals	Estimated	Pre-Actuals	Estimated	Pre-Actuals
1	2	3	4	5	6	7	8
Government of India Loan	9184.20	2147.49	1407.27	568.58	676.06	10763.11	9915.41
Open Market Loan	4953.48	838.07	839.56	96.08	96.08	5695.47	5696.96
Other Loan	1029.00	456.79	524.41	84.54	81.99	1401.25	1471.42
TOTAL :	15166.68	3442.35	2771.24	749.20	854.13	17859.83	17083.79
GPF	5835.22	1412.61	1504.04	612.61	423.24	6635.22	6916.02
GRAND TOTAL	21001.90	4854.96	4275.28	1361.81	1277.37	24495.05	23999.81

13. Principal Repayment :

13.1 Principal Repayment liability is also calculated as in case of Interest Payment. The repayment liability of both loans outstanding as on 31.3.2002 and the fresh loans assumed for the 10th plan period are calculated separately and then the sum total of both amounts is taken as the new repayment liability for the period 2002-2007. The summary of the position is indicated below :-

(Rs. In Crores)

Principal Repayment	2003-04	2004-05	2005-06	2006-07
Principal Repayment of Outstanding Loans as on 31.3.2002	915.09	976.15	1054.95	1108.30
Principal Repayment of Fresh Loans assumed for 10th Plan Period	56.35	110.03	162.05	266.70
Total	971.44	1086.18	1217.00	1375.00

It is important to note here that the repayment of principal does not include repayment of Ways and Means Advances and Overdraft from R. B. I. for each of the years.

13.2 The receipt, the repayment and the outstanding loan at the end of each year for the 10th Plan 2002-07 has been calculated after taking into account the outstanding loan as on 31.3.2002, the loan portion of the Central Assistance and Market Borrowing Negotiated loan, net accretion to GPF Account etc., assumed for calculation of resource for the 10th Plan. The particulars of the loan earlier projected in the MTFP, 2000-05 and now projected for the revised of MTFP, 2002-07 are indicated below :-

Items of Loans	Outstanding as on 31.3.2002		Receipt during 2002-03		Repayment during 2002-03		Outstanding as on 31.3.2003		Interest payment during 2002-03	
	1	2	3	4	5	6	7	8	9	10
Source of Loan	MTFP 2000-05	Revised MTFP 2002-07	MTFP 2000-05	Revised MTFP 2002-07	MTFP 2000-05	Revised MTFP 2002-07	MTFP 2000-05	Revised MTFP 2002-07	MTFP 2000-05	Revised MTFP 2002-07
Government of India Loan	10788.57	9975.47	1725.00	2155.92 (1738.54 + Small Savings 417.38)	527.22	552.31	11986.35	11579.08	1271.76	1210.28
Open Market	5318.86	5696.96	693.92	621.05 (514.71 Net + Repayment 106.34)	106.34	106.34	5906.44	6211.67	713.82	689.33
LIC	111.87	38.08	21.89	21.89	5.17	4.94	128.69	55.03	9.53	9.61
GIC	79.97	63.68	11.83	11.83	4.90	5.06	86.90	70.45	11.53	9.51
NABARD	559.27	458.10	145.62	300.00	82.29	97.65	622.60	660.45	80.50	63.63
NCDC	9.91	12.01	3.30	0.02	3.28	2.69	9.93	9.34	2.44	1.74
HUDCO	798.75	900.00	0.00	0.00	20.83	20.15	777.92	879.85	87.50	71.88
Others	0.25	0.41	0.00	0.00	0.03	0.02	0.22	0.39	15.00	194.43
TOTAL :-	17677.55	17144.71	2601.56	3110.71	750.06	789.16	19519.05	19466.26	2192.08	2250.41
WB + DFID				448.00				448.00		
GPF Net :-	7041.77	6635.22	812.41 (Net)	812.41 (Net)	0.00	0.00	7854.18	7447.63	707.60	664.89
Grand Total :-	24709.32	23779.93	3413.97	4371.12	750.06	789.16	27373.23	27361.89	2899.68	2915.30

14. Salary :

14.1 For Salary Projection the actuals of the year 2000-01 has been taken as the base. Salary is projected in two phases. Firstly, the Salary for O & M Sectors (Roads, Buildings, Major Irrigation, Minor Irrigation, Flood Control and Water Supply) and all other salaries (including GIA, Wages and Work Charged Salary) are separated. The salary for others are projected with the following assumptions –

- (i) Annual Incremental hike in Basic Pay @ 2.5% per annum
- (ii) Reduction in the civil service size @ 3% per annum. The normal reduction due to retirement is 3% but since about 1% of the work force will be needed for new recruitments in the exempted categories of primary school teachers, medical personnel and police striking force. Hence net attrition per annum would be 2% of the work force. Besides this, there would be reduction of 1% through voluntary retirement of the surplus work force which would be identified by organisational review of different departments.
- (iii) D. A. is given @ 6% per annum in two doses of 3% each from 1st July and 1st January each year from 1.7.2002. D.A for 2002-03 is assumed at 49% and thereafter fresh doses of 6% from 2002-03 onwards.
- (iv) Other Components of Normal Salary i.e. R.C.M., H.R.A. and O.A. is projected to grow @ 7.54% of Basic Pay based on historical figures.

With the above assumptions, the salary bill grows at the following rate per annum

Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Rate of Growth	0.18%	7.70%	1.99%	3.04%	2.91%	2.79%

14.2 The same growth rate is then applied to Wages Salary, Work Charged Salary, Grant-in-Aid Salary and Salary for the O & M Sectors as explained above. The total of Normal Salary,

Wages Salary, Work Charged Salary, Grant-in-Aid Salary is taken as the salary bill of Government for the 10th Plan Period.

The Salary component for O & M Sector (work charged salary and wage salary) is taken as the Administrative Expenditure in the MTFP.

As such the comparative position of salary works out as under :-

Type of Salary Expenditure	1999-00 (Actuals)	2000-01 (Actuals)	2001-02		2002-03		
			Projected in the MTFP	2001-02 (RE)	Projected in the MTFP 2000-05	2002-03 (BE)	Now projected in MTFP 2002-07
1	2	3	4	5	6	7	8
Wage Salary	119.22	121.96		127.41		156.59	156.59
Work Charge Salary	7.97	9.35		10.09		10.88	10.88
Grant-in-aid Salary	160.81	206.08		279.47		282.37	282.37
Other Salary	3598.77	3465.45		3487.34		3742.61	3742.61
TOTAL :-	3886.77 (3791.48 + Administrative Expenditure-95.29)	3802.83 (3644.83 + Administrative Expenditure-158.01)	3420.98 (+122.53 Administrative Expenditure-3543.51)	3904.31 (3769.17+ Administrative Expenditure-135.14)	3449.37 (+ 129.26 administrative expenditure-3578.63)	4192.45 (4048.84 + Administrative Expenditure-143.61)	4192.45 (4048.84 + Administrative Expenditure-143.61)

14.3 The Comparative position of the Projection of the Salary in the original MTFP, 2000-05 and the Revised MTFP,2002-07 is as follows :-

Items of Salary	2003-04		2004-05		2005-06	2006-07
	Projected in the MTFP 2000-05	Now Projected in MTF P 2002-07	Projected in the MTFP 2000-05	Now Projected in MTF P 2002-07	Now Projected in the MTFP 2002-07	Now Projected in the MTFP 2002-07
1	2	3	4	5	6	7
Wage Salary		134.21		138.29	142.32	146.29
Work Charge Salary		10.88		11.29	11.54	11.86
Grant-in-aid Salary		224.88		231.71	238.46	245.12
Other Salary		3813.54		3929.44	4043.89	4156.90
TOTAL :-	3440.57 (+ 136.02 administrative Expenditure= 3576.59)	4183.51 (4011.16 + Administrative Expenditure 172.35 = 4183.51)	3427.35 (+administrative expenditure 142.78 = 3570.13)	4310.66 (4133.01+ Administrative Expenditure 177.65)	4436.21 (4253.32+ Administrative Expenditure 182.89)	4560.18 (4372.12+ Administrative Expenditure 188.06)

14.4 The main reasons for projection of higher amount on salary are

- i) In the earlier projection 5% reduction of civil service was assumed but now 3% reduction has been assumed on account of net attrition and VRS for the surplus work force to be identified through organisational review of different departments.
- ii) The revised UGC Scale of Pay has been implemented for teachers of Government Colleges Private Colleges, University, Medical Colleges and Engineering Colleges w.e.f. 1.1.1996. The arrears from 1.1.1996 to 31.3.2000

has been paid in 2001-02 leaving a stray few cases. On that account the basic pay having been revised, full impact would be felt from 2001-02 onwards.

- iii) D.A. @ 38% was paid during 2000-01 (37% + 1% w.e.f. 1.1.2000 released in September 2000). Rate of D.A. paid during 2001-02 was 41% (38% paid during 2000-01 + 3% w.e.f. 1.7.2000 released in May 2001. In the mean time D.A. @ 2% w.e.f. 1.1.2001, 2% w.e.f. 1.7.2001 and 4% w.e.f. 1.1.2002 has been released by Government of India in April 2001, September 2001 and April 2002 respectively but State Government have not released 8% of the D.A. due from 1.1.2001. **D.A. @ 49% has been calculated in the projection 2002-03.** Besides this arrear D.A. @ 2% w.e.f. 1.1.2001 to 28.2.2002 and @ 2% from 1.7.2001 to 28.2.2002 and @ 4% from 1.1.2002 to 28.2.2002 amounting to Rs. 101.33 crores has been included in the projection for the year 2002-03. In 2003-04, D.A. @ 55% (49% w.e.f. 1.1.2002 + 3% from 1.7.2002 + 3% from 1.1.2003) has been projected along with the arrear D.A. @ 3% w.e.f. 1.7.2002 to 28.2.2003, D.A. @ 3% w.e.f. 1.1.2003 to 28.2.2003 for Rs. 58.10 crores has been included.
- iv) In case of aided educational institution State Government now bears 100% salary cost of the employees of those institutions which have been brought under 100% grant-in-aid fold. The scale of pay of the employees of 611 High Schools under State Plan 48 High Schools under Non-Plan in receipt of grant-in-aid has not been revised. The arrear differential pay on revision from 1.1.1996 to 31.3.2002 would be Rs.160.00 crore in addition to annual additional liabilities of Rs.30.00 crore.

There are 448 aided Colleges of the State which are currently in receipt of grant-in-aid and annual requirement in the prevised scale is Rs.120 crore. When the revised scale of pay is made applicable to those employees w.e.f. 1.1.1996, the arrear requirement of the salary from 1.1.1996 to 31.3.2002 would be nearly Rs.100.00 crore and the additional liabilities per annum form 1.4.2002 would be Rs.35.00 crore.

Under the existing grant-in-aid rules 1529 private High Schools, 283 U.P. Schools, 8 Sanskrit toll, 93 Madrasa (Total 1913), 38 +2Colleges and 114 degree Colleges have acquired eligibility criteria for admission grant-in-aid fold. If these institutions are admitted to grant-in-aid fold the annual requirement salary in the **pre-revised scale** would be nearly Rs.200.00 crore and in the revised scale it would be nearly Rs.260.00 crore.

However without taking the account the arrear liabilities and future liabilities in the event of the revision of scale of pay the expenditure projection of grant-in-aid has been made are indicated below.

(Rs. in Crores)

Year	Expenditure on grant-in-aid Salary Projected
2000-01	204.35 (Actual)
2001-02	204.72 (Projection) 277.16 (R.E.)
2002-03	220.48 (Projection) 282.38 (B.E.)
2003-04	224.88(Projection)
2004-05	231.71(Projection)
2005-06	238.46(Projection)
2006-07	245.12(Projection)

15. Pension :

15.1 The projection made for the 10th Plan has been adopted for the revised Medium Term Fiscal Plan 2002-07.

15.2 Basic Pension grows owing to the annual retirement of 3% per annum. Half of the Basic Pay (the fresh pension amount) is added to the Basic Pension every year.

$\text{Basic Pension (Next Year)} = \text{Basic Pension (previous year)} + \frac{1}{2} * \{(\text{Basic Pay (previous year)} * 3\%)\}$
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T. I. (Temporary Increase) grows at the same rate as that of D. A. in case of Salary i.e. 6% per annum.

15.3 During 2000-01 T.I. was being paid @38% (37% w.e.f 1.7.1999 + 1% w.e.f. 1.1.2000). The rate of T.I. paid during 2001-02 was 41% (38% w.e.f. 1.1.2000 + 3% w.e.f. 1.7.2000). Government of India have released T.I. @ 2% w.e.f. 1.1.2001, 2 % w.e.f. 1.7.2001 and 4 w.e.f. 1.1.2002 in April 2001, September 2001 and April 2002 respectively. T.I. @ 49 % has been projected for 2002-03 along with arrear T.I. @ 2% w.e.f. 1.1.2001 to 28.2.2002, @ 2% from 1.7.2001 to 28.2.2002 and 4% w.e.f. 1.1.2002 to 28.2.2002 has also been projected. For 2003-04, T.I. @ 55% and arrear T.I. @ 3% w.e.f. 1.7.2002 to 28.2.2003 and @ 3% w.e.f. 1.1.2003 to 28.2.2003 has also been included as in case of D.A.

15.4 One time Payment like Gratuity, Commuted Value of Pension are calculated separately for each year's fresh retiring employees. The sum of Basic Pension, T.I. and One time payments are summed up to arrive at the future pension liabilities for the projection period. The component of expenditure on pension during 2000-01 consist of as follows :

Basic Pension	– 455.28
T.I.	– 186.67
Gratuity	– 100.32
Commutation	– 89.81
Total	– 832.08

15.5 The revision of pension of the retired employees and family pension is being done w.e.f. 1.1.1996 relating to the revised scale of pay applicable to the post held by the retired employees/diseased employees at the time of retirement or death while in service 174472 no. of pensioner and family pensioner are being benefited by this revision. As a result there has been an unusual hike in expenditure on pension.

15.6 Further UGC revised scale of pay effective from 1.1.1996 was notified in February 2001. The teachers who have retired from 1.1.1996 are getting their pension revised based on revised UGC scale of pay. Similarly those teachers enjoying pre-revised UGC scale of pay and

retired prior to 1.1.1996 are also getting their pension revised relatable to the revised scale of pay w.e.f. 1.1.1996 applicable the post last held by the retired teachers.

15.7 Based on the above background expenditure on pension has been projected as indicated below :

Year	Expenditure on Pension Projected in the MTFP, 2000-05	Expenditure now projected in revised MTFP,2002-07	Remark
1999-2000	475.30(R.E.)	688.41 (Actual)	
2000-01	835.10 (R.E.)	832.57 (Actual)	
2001-02	998.84 (Projection & B.E.)	1243.90 (R.E.) 999.79 (Pre-actual)	The pre-actual is less because arrear pensions, fresh pensions, gratuity, commutation value of pension were held up from February 2002 to middle of May 2002 because of serious Ways & Means positions
2002-03	1138.25 (Projection)	1451.11 (Projection)	B.E. – 1451.11
2003-04	1280.68	1668.78	
2004-05	1425.89	1919.09	
2005-06	-	2206.96	
2006-07	-	2538.00	

16. Subsidies : (Plan & Non-Plan)

16.1 At present Rice @ 16 Kg per family is being provided to 18,20,893 BPL families (1997 survey) of 143 ITDA and DPAP Blocks (ITDA 118 + DPAP 25) at concessional price Rs.4.75 pr Kg. The issue price per Kg being Rs.6.30 (purchase price Government of India + Transportation and administrative charges etc) the subsidies pr kg come to Rs.1.55. Hence, for 8,20,893 families @ 16 kg for 12 months the subsidies works out at Rs.54,18,97,757 or say Rs.54.19 crores , besides this the proposal is pending for Cabinet decision to enhance family quota of BPL from 16 kg to 25 kg per month . In that case the additional subsidies works out Rs.30,48,17,488 or say Rs.30.48 crores. Therefore, the level of subsidies on account of supply of rice at concessional rate would go up to Rs. 84.67 crores or say Rs.85.00 crores.

16.2 In case of Antodaya Anna Yojana 505500 BPL families are being provided 25 Kg of rice per month per family at a price fixed at Rs.3.00 per Kg. The transport and other incidental expenditure per Kg works out to Re.0.50. Hence the subsidies per annum works out Rs.7,58,25,000 or say Rs.7.58 crores . In the meantime Government of India have enhanced the allotment per family from 25 kg to 35 kg. The additional subsidies on this account works out Rs.30330000 or say Rs.3.03 crores . Hence in case of Antodaya Anna Yojana the level of subsidies would go up to Rs. 10.61 crores or Rs.10.00 crores .

16.3 Thus the subsidies on rice at concessional rate to 8,20,893 BPL families in 143 ITDA and DPAP Blocks and subsidies on account of supply of rice at concessional rate to 5,05,500 families under Antodaya Anna Yojana taken together works out to Rs.95.00 crores per annum.

But ,however, in our MTFP we have provided subsidies Rs.60.00 crores in 2002-03 and 2003-04 thereafter Rs.65.00 crores in 2004-05, Rs.70.00 in 2005-06 and Rs.75.00 crores in 2006-07.

16.4 Despite the need for enhanced subsidy on rice, attempt have made to keep the total subsidy at 2002-03 level (Rs. 97.78 Crores every year) till the year 2006-07. The comparative position is as follows :

Year	Earlier Projected in the MTFP 20002-05					Now Projected in Revised MTFP 2002-07				
	Food Subsidy	Lift Irrigation Subsidy	Subsidy to OSRTC	Others	Total	Food Subsidy	Lift Irrigation Subsidy	Subsidy to OSRTC	Others	Total
1999-2000 (Actual)	100.00	34.95	1.60	24.68	161.23	100.00	34.95	1.60	24.68	161.23
2000-01 (Actual)	56.00	29.50	1.60	30.91	118.01	56.00	29.50	1.60	30.91	118.01
2001-02 (Proj.)	40.00	15.00	1.60	3.02	56.92	40.00	30.00	1.60	10.32	81.92 (BE)
2001-02 (R.E.)	51.31	30.00	1.60	32.18	115.09	51.31	30.00	1.60	* 32.18	115.09
2002-03 (B.E.)	60.00	20.00	1.60	77.79	159.39	60.00	20.00	1.60	** 77.79	159.39
2002-03 (Proj.)	30.00	5.00	1.60	11.10	47.70	60.00	20.00	1.60	16.18	# 97.78
2003-04 (Proj.)	25.00	3.00	1.60	8.56	38.16	60.00	20.00	1.60	16.18	97.78
2004-05 (Proj.)	20.00	0.00	1.60	8.93	30.53	65.00	20.00	1.60	11.18	97.78
2005-06 (Proj.)	--	--	--	--	--	70.00	20.00	1.60	6.18	97.78
2006-07 (Proj.)	--	--	--	--	--	75.00	20.00	1.60	1.18	97.78

* Rurral Electification Subsidy Rs. 17.04 Cr. + Others Rs. 15.14 Cr. = Rs. 32.18 cr.

** Rural Electrification Subsidy Rs. 61.61 Cr. + Others Rs. 16.18 cr. = Rs. 77.79 Cr.

The power sector subsidy shown separately from 2002-03 onwards.

17. O & M :

O & M Expenditure is divided into two parts – Major O & M and (Roads, Buildings, Flood Control, Major & Minor Irrigation) and O & M for Water Supply. These are projected as per the recommendations of the Eleventh Finance Commission till the year 2004-05. For the last two years i.e. 2005-06 and 2006-07 O & M Expenditure is projected to grow @ 10% per annum over previous year.

O & M Expenditure = Total Expenditure for these Sectors (Major Head No. – 2059, 2215, 2216, 2701, 2702, 2711, 3054) – Salary Expenditure for these Sectors (Administrative Expenditure). The Salary Expenditure incurred on maintenance of capital assets is classified as wage salary and work charge salary. But these salary have been shown as administrative expenditure.

18. Devolution to ULBs / RLBs :

The recommendations of Eleventh Finance Commission has been adopted for projecting the devolution to ULBs / RLBs till the year 2004-05. For the last two years i.e. 2005-06 and 2006-07, these are projected to grow @ 10% per annum over the previous year. The State's Share @50% of the grant for Urban Local Bodies and State's Share @25% of the grant for the Rural Local Bodies recommended by the Eleventh Finance Commission has been included in the devolution to Urban Local Bodies and Panchayati Raj Institution.

19. Other Revenue Expenditure :

Other Revenue Expenditure is projected to grow @ 10% over the year 2000-01 actuals till the year 2006-07. But the Revised Estimate for 2001-02 and Budget Estimate for the year 2002-03 is taken for those years.

20. Non Debt Capital Receipts :

20.1 Non Debt Capital Receipt is the sum of Recovery of Loans and Advances and Resources from disinvestments. These are projected to grow @ 10% per annum over the previous year till the year 2006-07.

20.2 As there was no resource from disinvestments in the year 2000-01, receipt from that sector is treated as nil for future years as well.

20.3 The comparative position of the Non Debt Capital Receipts is as follows :

Year	Non Debt Capital Receipts projected in the MTFP, 2000-05	Non Debt Capital Receipts now projected in the revised MTFP, 2002-07	Remarks
1999-2000	319.40 (R.E.) 102.81 (Actuals)	319.40 (R.E.) 102.81 (Actuals)	
2000-01	128.69 (R.E.) 76.58 (Actuals)	128.69 (R.E.) 76.58 (Actuals)	
2001-02	227.93 (Projected) 227.93 (B.E.)	150.00 (R.E.) 133.97 (Pre-Actuals)	
2002-03	203.00 (Projected) 237.44 (B.E.)	203.00 (Projected)	
2003-04	260.53 (Projected)	101.93 (Projected)	
2004-05	285.86 (Projected)	112.12 (Projected)	
2005-06	-	123.33(Projected)	
2006-07	-	135.67(Projected)	

21. Gross Lending :

21.1 The Gross Lending under Non-Plan pertain to loans and advances to Government servant under House Building Advances, Loan for cars and Scooter etc. During 2002-03 a sum of Rs.200.00 crores has been provided for towards disbursement of Special House Building Advances to State Government servant affected in 1999 cyclone. Hence the Gross Lending under Non-Plan in the subsequent years from 2003-04 would be around Rs.80.00 crores which consist of normal House Building Advance, advance for vehicles etc.

21.2 As regards the lending under State Plan, it mostly pertains to GRIDCO and distributing companies under Power Sector Reform Projects, under which US \$ 350 million loans have been sanctioned by the World Bank – DFID. So far Rs.811.25 crore has been released to GRIDCO and distributing companies out of which Rs.645.60 crore relates to World Bank and Rs.165.65 crore relates to DFID. The expected date of completion of utilisation of Power Sector Reform Program loan is 31.3.2005. While Rs.600.00 crore has been projected as gross lending under power sector for the year 2002-03, no loan has been projected under power sector for 2003-04 and 2004-05 as the rest amounts to be released by DFID are to be released as share capital to GRIDCO and DISTCOs.

21.3 Beside the Gross Lending under Power Sector, the central assistance under Accelerated Power Development Reform Programme (APDRP) has been assumed at Rs.151.77 crore, Rs.159.36 crore, Rs.167.33 crore, Rs.175.69 crore and Rs.180.00 crore for the year 2002-03, 2003-04, 2004-05, 2005-06 and 2006-07 respectively during the 10th Plan and these amounts are to be passed on as loan to GRIDCO and distributing companies.

21.4 After taking into account the background indicated above, the Gross Lending has been projected as part of capital expenditure. The year wise position of Gross Lending is as indicated in the Table.

Year	Gross Lending projected in the MTFP, 2000-05	Gross Lending now projected in the revised MTFP, 2002-07	Remarks
1999-2000	539.62 (R.E.) 467.04 (Actuals)	539.62 (R.E.) 467.04 (Actuals)	
2000-01	699.54 (R.E.) 635.79 (Actuals)	699.54 (R.E.) 635.79 (Actuals)	
2001-02	714.78 (Projection) 714.78 (B.E.)	564.53 (R.E.) 379.40 (Pre-Actuals)	
2002-03	512.90 (Projection)	1033.98 (Projection) 882.21 (B.E.)	
2003-04	441.28 (Projection)	253.69 (Projection)	
2004-05	351.42 (Projection)	261.66 (Projection)	
2005-06	-	270.02 (Projection)	
2006-07	-	274.33 (Projection)	

22. Capital Outlay :

In order to protect expenditure in this sector, it is projected to grow @ 10% per annum over the base year 2000-01 actuals till the year 2006-07. However, Revised Estimate for 2001-02 and Budget Estimate for the year 2002-03 has been taken for those years. Taking into account the fact that the Gross Lending would decrease because of the reason indicated Para- 21,

the Capital Outlay would increase though the total capital expenditure will remain the same. The comparative position is as follows :

Year	Capital Outlay projected in the MTFP, 2000-05	Capital Outlay now projected in the revised MTFP, 2002-07	Remarks
1999-2000	864.10 (R.E.) 798.99 (Actuals)	864.10 (R.E.) 798.99 (Actuals)	
2000-01	777.27 (R.E.) 839.31 (Actuals)	777.27 (R.E.) 839.31 (Actuals)	
2001-02	1004.45 (Projection) 1004.45 (B.E.)	1037.79 (R.E.) 860.07 (Pre-Actuals)	
2002-03	766.71 (Projection)	1135.93 (Projection) 1135.93 (B.E.)	
2003-04	974.30 (Projection)	1709.67 (Projection)	
2004-05	1240.33 (Projection)	1898.03 (Projection)	
2005-06	-	2105.65 (Projection)	
2006-07	-	3338.90 (Projection)	

23. Power Sector Reform

23.1 In the Medium Term Fiscal Plan, 2000-05 submitted to Government of India, it was stipulated that difference between the average cost of power (on the basis of liabilities) per KWH and the average revenue (on cash realisation basis) per KWH would be gradually reduced. Towards this end, the State Government with support of the Distribution Companies and GRIDCO would take appropriate steps in accordance with the tariff orders of Orissa Electricity Regulatory Commission so that by 31.03.2005, the difference between the cost and the revenue realised from electricity in the State becomes zero. As a starting point, this difference would be calculated as on 31.12.2001 and the process of gradual decline in the above difference shall be monitored in each year.

23.2 The Private Companies have not been able to rise upto the expectation in realisation of the electricity dues and there is a substantial gap between the cost of power supplied and the cost of power realised. While average cost of Unit sold has increased from 308.59 paise per KWH in 1996-97 to 355.26 paise per KWH in 2000-01 (provisional), the average revenue per Unit sold (collection) has been reduced from 208.55 paise per KWH in 1996-97 to 208.36 paise per KWH in 2000-01(provisional). The year-wise comparative position is given below in the table:-

AVERAGE COST VRS AVERAGE REVENUE (ON CASH REALISATION BASIS) P/ KWH

	1996-97 Audited	1997-98 Audited	1998-99 Act.	1999-00 Prov.	2000-01 Prov.
UNIT SOLD(Mkwh)	4876	5240	5431	5680	6080
Trans & Dist Loss (%)	49.47	49.24	48.62	46.00	47.00
TOTAL COST (Rs. in crore)	1504.68	1787.98	1882.84	1852.30	2159.99
Revenue from sale of power-billed (Rs. in Crores.)	1153.36	1399.87	1368.85	1492.90	1654.40
TOTAL REVENUE COLLECTION (Rs. in Crores.)	1016.87	1169.01	1108.34	1097.48	1266.83

Average cost per Unit sold (Paise)	308.59	341.22	346.68	326.11	355.26
Average Revenue from sale of power (accrual)	236.54	267.15	252.04	262.83	272.11
Average revenue per unit sold (collection)	208.55	223.09	204.08	193.22	208.36

23.3 The 2nd World Bank – DFID Technical Mission which visited Orissa from April, 23 to May 2, 2002 have stressed the preparation of a draft Revised Medium Term Fiscal frame work (2002-03 - 2006-07) for review by the Government India, incorporating the projected finances of the Power Sector and consistent with the Medium Term Target of containing the consolidate fiscal deficit to a sustainable (as in the MoU with Government of India), keeping in view the short -fall in shared taxes.

23.4 In this contest it may be submitted that World Bank – DFID are separately funding the Power Sector Reform. However, the real problem of huge T & D loses is yet to be effectively tackled. A lot is to be done with regard to improvement in the performance. As per the tentative action plan so far worked out it is seen that the shortfall / the deficit in the power sector would be Rs.369.30 crore for 2002-03, Rs.133.55 crore for 2003-04, and Rs.60.90 crore for 2004-05. It is not possible on the part of State Government to provide direct budgetary support to meet such a huge gap. While the action plan to bring about a sustainable level in the power sector should continue parallely, it should not be tagged to the deficit in the State Government account. State Government are making efforts to reduce the revenue deficit to a sustainable level. The Revenue deficit in 1999-2000 was Rs.2574.19 crore (7.09% of GSDP) and this has been reduced to Rs.1926.77 crore (5.30% of GSDP) in 2000-01. However, as per the pre-actuals 2001-02 this deficit has risen to Rs.2223.93 crore. If Power deficit is added the deficit in the State Government budget would reach an unsustainable level. However, State Government would take all appropriate steps within its various constraints to contain the rising deficit. While the distributing companies and GRIDCO should restructure their finances, State Government would provide budgetary assistance Rs.150.00 crore per annum so that amount payable by the State Government towards the energy charges are fully paid. This amount would be released to Orissa Hydro Power Corporation towards the sale price of the power sold to GRIDCO and this would be adjusted towards the energy bill payable to the distributing companies by the State Government.

24. OFF BUDGET BORROWING

24.1 On account of serious constraints of State's resources, State Government have resorted to off budget borrowing for implementation of some socially beneficial schemes. These include implementation of Urban Water Supply Scheme and augmentation of the existing Urban Water

Supply Scheme in important towns of the State. The State Government have given Government guarantee in favour of Orissa Water Supply and Sewerage Board to avail loan from HUDCO for the purpose. State Government provide 20% of the estimated cost as margin money in the State Plan from its own source and balance 80% is obtained by Orissa Water Supply and Sewerage Board (OWS&SB) as loan from HUDCO for implementation of the Scheme.

24.2 In the past, State Government had implemented Naraj Water Supply Scheme through B.D.A. by giving State Government guarantee in favour of BDA to obtain loan from HUDCO. Besides this, State Government have started construction of quarters for Government employees near Sainik School at Bhubaneswar through B.D.A. by obtaining loan from HUDCO. The estimated cost of this Housing Scheme is Rs.45.09 crores out of which B.D.A. has already obtained Rs.8.37 crores by the end of 2001-02 and the balance amount of Rs.36.72crores would be availed from 2002-03 to 2004-05. Similarly, the State Government have given guarantee in favour of Cuttack Development Authority (C.D.A.) to the tune of Rs.2.72 crores for construction of staff quarters for the employees of the Office of the Advocate General, Orissa, Cuttack.

24.3 Out of 7 Urban Water Supply Schemes, State Government had given guarantee for Rs.9654.26 lakh out of which loan for Rs.5878.87 lakh have already been drawn by the end of 31.3.2002. The balance amount of Rs.3775.39 lakh would be drawn during 2002-03 to 2004-05. In respect of off budget borrowing resorted to by the State Government through Orissa Water Supply & Sewerage Board, B.D.A., C.D.A. etc. , it is the State Government which is responsible and liable for repayment of the principal and interest. The payment of principal and interest is being provided in the State Government budget in the State Plan as grant-in-aid payable to Orissa Water Supply & Sewerage Board, B.D.A., C.D.A. etc. in order to enable them to pay the principal and interest on behalf of the State Government. Though the loan has been obtained for capital expenditure, the debt servicing liabilities (both principal and interest) is being booked as grant-in-aid which is covered under the revenue expenditure. The interest payment paid to HUDCO through these implementing agencies is not included in the interest payment provided in the budget. Similarly, the payment of principal to HUDCO through these implementing agencies is not included in the repayment of loan provided in the budget. Payment of principal and interest to HUDCO through implementing agencies forms a part of the total revenue expenditure.

24.4 Out of the total off budget borrowing upto 31.3.2002, the principal outstanding as on 1.4.2002 is Rs.67.75 crores. For completion of the incompletd Urban Water Supply Scheme at Cuttack, Kendrapara, Sambalpur, Jeypore, Rourkela, Angul and Titilagarh, a sum of Rs.3775.39 lakh would be obtained as loan from HUDCO by Orissa Water Supply & Sewerage Board.

Besides for completion of construction of Government quarters near Sainik School at Bhubaneswar and to take up construction of Government quarters for the staff of the Advocate General, Orissa, Cuttack etc. and for Water Supply Scheme a total sum of Rs.77.18 crores would be obtained as loan during the period from 2002-03 to 2006-07 as per the break up given below:-

(Rs. in lakh)		
Sl. No.	Purpose of obtaining loan	Amount of loan to be availed.
1.	For completion of Urban Water Supply Scheme by Orissa Water Supply & Sewerage Board.	3775.39
2.	Loan through B.D.A. for construction of Govt. qrs. near Sainik School, Bhubaneswar	3671.00
3	For construction of staff qrs. For employees of Advocate General, Orissa, Cuttack.	272.00
	Total	7718.39 or say 77.18 crores

24.5 The magnitude of the off budget borrowing, its repayment and payment of interest thereon would be as under:-

(Rs. in Crores)					
Years	Outstanding at the beginning of the year	Fresh borrowing during the year	Repayment to be made during the year	Balance outstanding at the end of the year	Interest payment to be made during the year
2002-03	67.75	23.15	13.09	77.81	10.37
2003-04	77.81	22.24	13.09	86.96	12.27
2004-05	86.96	19.08	13.09	92.95	13.37
2005-06	92.95	6.00	14.87	84.08	14.07
2006-07	84.08	6.00	16.58	73.50	12.82

25. OUTSTANDING STATE GOVT. GUARANTEE

25.1 In the past, State Government have liberally given guarantee in favour of various Public Sector Undertakings, Urban Local Bodies and Co-operatives. The outstanding guarantee as on 1.3.2002 is Rs.5309.45 crores. It is nearly 92.20 % of the revenue receipt of the State during 2001-02 (Rs.5759.55 crores) which includes State's own tax and non-tax revenue and share in Central taxes but this is however 127.37 % of the revenue receipt of the second preceding year (i.e. 1999-00 revenue receipt – 4169.01). This is quite unsustainable. State Government have already discharged contingent liabilities for Rs.91.72 crores as on 11.4.2002 arising out of revocation of State Government guarantee or issue of notice for revocation. Besides this, notices from various financial institutions have been received for invoking State Government guarantee amounting to about Rs.349.19 crores towards Principal and Rs.377.54 crores towards interest thereon.

25.2 From the year wise guarantee availed and repaid it may be seen that while the State Government have given fresh guarantee ranging from Rs.228.00 crore to 1457.00 crore, there is no set pattern in discharging Government guarantees. The year wise position of State Government guarantee given and net reduction or net addition may be seen from table given below:

(Rs. in crores)

Year	Progressive amount of maximum Guarantee sanctioned upto the end of year	Progressive Amount of Gross maximum Guarantee sanctioned during year	Progressive amount of Guaranteed loan outstanding at the end of year	Net addition(+)/ Net reduction(-) of outstanding Guaranteed loan at the end of year
(1)	(2)	(3)	(4)	(5)
1993-94	2082.56	-	1354.93	-
1994-95	2408.86	326.30	1348.71	(-)6.22
1995-96	3386.01	977.15	1873.62	(+)524.91
1996-97	3719.10	333.09	1942.54	(+)68.92
1997-98	4226.37	507.27	2584.86	(+)642.32
1998-99	6164.74	1938.37	3691.86	(+)1107.00
1999-00	6837.16	672.42	3828.55	(+)136.69
2000-01	7065.37	228.21	3786.58	(-)41.97
2001-02	8522.41	1457.04	5309.45	(+)1522.87

25.3 In order to arrest the menacing problem of rising State Government guarantee, State Government have already established a Guarantee Redemption Fund with an initial contribution of Rs.20.00 crores during the current financial year, 2002-03. Besides this, Government have also decided to restrict the issue of State Government guarantee linking it to State's revenue.

25.4 With all good intention, it may not be altogether possible to refuse the State Government guarantee. In case of drought, flood or other natural calamities, very often, the short-term loans given to farmers are to be converted to Medium term loans for which the State Government guarantee is necessary in favour of State Co-operative Bank. Besides this, guarantee is also necessary in case of other Co-operative Organisations for availing loan from NCDC and other organisations. For Co-operative Sectors, the guarantee per annum on the average may be in the order of Rs.250.00 crores.

25.5 Since Distributing Companies have not been able to ensure substantial realisation of energy charges from the consumers, there is a substantial gap between payables to the GRIDCO and other generating Companies and the actual cash realisation made from the consumers by the distributing companies. The problem, in the meantime, has assumed serious proportions, as a result, NTPC had threatened to stop power supply. After a protracted negotiation, Government have approved the tripartite agreement to be signed with NTPC, GRIDCO and RBI. Among

other things, it has been stipulated that in case, cash realisation is not sufficient to pay the dues of NTPC, a bridge loan would be obtained with State Government guarantee. As per the action plan furnished by GRIDCO and Distributing Companies, it has been tentatively estimated that State Government may give guarantee for **Rs.1125.00 crores** as per year-wise break up given below:-

(Rs. in crore)

Years	Guarantee amount
2002-03	475.00
2003-04	400.00
2004-05	250.00
Total	1125.00

25.5 As such, after taking into account the outstanding State Government guarantee as on 1.3.2002, the minimum level of fresh guarantee required to be given and likely level to be discharged, the position of outstanding guarantee has been estimated as indicated below:-

(Rs. in crore)

Years	Outstanding guarantee at the beginning of the year	Fresh guarantee likely to be given	Total	Estimated level of guarantee to be discharged.	Estimated level of guarantee outstanding at the end of the year
2002-03	5309.45	725.00	6034.45	700.00	5334.49
2003-04	5334.49	650.00	5984.49	625.00	5359.49
2004-05	5359.49	500.00	5859.49	475.00	5384.49
2005-06	5384.49	300.00	5684.49	500.00	5184.49
2006-07	5184.49	300.00	5484.49	500.00	4984.49

26. Based on the assumption and backgrounds explained above, the Revised Medium Term Fiscal Plan has been worked out which is placed at **Annexure - A**. The comparative position of the fiscal indicators projected earlier in the Medium Fiscal Term Plan 2000-05 and now projected in the Revised Medium Term Fiscal Plan, 2002-07 has been summarised in the Table given below.

Indicator of Fiscal target	1999-2000 Actuals	2000-01 (RE)	2000-01 Actuals	2001-02 Projection	2001-02 (R.E.)	2001-02 (Pre-Actuals)	2002-03 Earlier Projection	2002-03 (B.E.)	2002-03 Now Projected
1. Revenue deficit as % of GSDP	-6.53%	-3.81%	-5.19%	-3.97%	-5.28%	-5.56%	-2.72%	-3.99%	-4.89%
2. Fiscal Deficit as % of GSDP	-9.50%	-6.92%	-9.44%	-7.10%	-8.91%	-8.32%	-5.08%	-8.11%	-9.36%
3. Primary Deficit as % of GSDP	-6.36%	-1.58%	-4.18%	-0.77%	-1.37%	-2.85%	+1.50%	-1.28%	-2.74%
4. Interest payment as % of Rev. Receipt	21.0%	30.9%	33.1%	35.9%	37.2%	31.3%	30.6%	30.4%	31.7%
5. Explicit subsidy as % of GSDP	0.41%	0.22%	0.22%	0.13%	0.22%	--	0.09%	0.36%	0.36%
6. State's Own Tax as % of GSDP	4.32%	5.34%	5.05%	5.69%	6.50%	6.18%	5.83%	6.54%	6.54%
7. State's Own Non-Tax as % of GSDP	1.82%	1.56%	1.58%	1.70%	1.76%	1.62%	1.72%	1.89%	1.89%
8. State's Own total Revenue (Own Tax+ Own Non-Tax) as % of GSDP	6.14%	6.90%	6.68%	7.39%	8.26%	7.80%	7.55%	8.44%	8.44%
9. Total Debt stock at the end of the year as % of GSDP	45.92%	48.49%	48.56%	51.81%	61.20%	61.20%	52.02%	64.04%	62.15%
10. Revenue deficit as % of Revenue Receipt	-43.74%	-22.07%	-27.92%	-22.55%	-26.1%	-31.85%	-12.62%	-18.27%	-23.44%
11. Revenue deficit as % of Rev. Receipt as recommended by Eleventh Finance Commission	-33.43%	-28.43%	-28.43%	-23.43%	-23.43%	-23.43%	-18.43%	-18.43%	-18.43%

Indicator of Fiscal target	2003-04 (Earlier Projection)	2003-04 Now Projected	2004-05 Earlier Projection	2004-05 Now Projected	2005-06 Now Projected	2006-07 Now Projected
1. Revenue deficit as % of GSDP	-1.62%	-2.87%	-0.13%	-2.08%	+0.04%	+0.92%
2. Fiscal Deficit as % of GSDP	-3.62%	-6.71%	-2.19%	-5.92%	-3.80%	-2.92%
3. Primary Deficit as % of GSDP	+1.89%	-0.52%	+3.25%	+0.32%	+2.36%	+3.02
4. Interest payment as % of Rev. Receipt	30.9%	29.3%	29.2%	29.1%	26.7%	25.4%
5. Explicit subsidy as % of GSDP	0.07%	0.51%	0.05%	0.47%	0.42%	0.38%
6. State's Own Tax as % of GSDP	6.03%	6.54%	6.26%	6.54%	6.54%	6.54%
7. State's Own Non-Tax as % of GSDP	1.79%	1.89%	1.85%	1.89%	1.89%	1.89%
8. State's Own total Revenue (Own Tax+ Own Non-Tax) as % of GSDP	7.82%	8.44%	8.12%	8.43%	8.44%	8.44%
9. Total Debt stock at the end of the year as % of GSDP	52.06%	63.18%	51.07%	62.80%	60.92%	58.32%
10. Revenue deficit as % of Revenue Receipt	-9.05%	-13.58%	-0.72%	-9.67%	+0.18%	+3.93%
11. Revenue deficit as % of Rev. Receipt as recommended by Eleventh Finance Commission	-13.43%	-13.43%	-8.43%	-8.43%	--	--

* *GSDP is calculated on 1993-94 Prices (as per Economic Survey 2001-02, Government of India) for Revised MTFP*

27. The detailed calculations are enclosed as follows:

1. Annexure – A	Medium Term Fiscal Plan	Page 1 to 4
2. Annexure – B	Medium Term Fiscal Plan as % of GSDP	Page 5 to 8
3. Annexure – C	Details Of Receipt	Page 9
4. Annexure – D	Off Budget Borrowings	Page 10
4. Annexure – E	Gross Lending	Page 11
5. Annexure – F	Debt Servicing Liability	Page 12
6. Annexure – G	Debt Servicing Liability on Existing Loans	Page 13
7. Annexure – H	Receipt of Loans / Grants in 10 th Plan Period	Page 14 to 16
8. Annexure – I	Debt Servicing Liability on Fresh Loans	Page 17
9. Annexure – J	Details of Salary Calculation	Page 18 to 20