

CHAPTER I

THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (**Appendix 1.1-Part A**). The Finance Accounts of the Government of Goa are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State of Goa. The layout of the Finance Accounts is depicted in **Appendix 1.1-Part B**.

1.1.1 Summary of Receipts and Disbursements

Table-1 summarises the finances of the Government of Goa for the year 2005-06 covering revenue receipts and expenditure, capital receipts and expenditure and public accounts receipts/disbursements as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table-1: Summary of receipts and disbursements for the year 2005-06

(Rupees in crore)

2004-05	Receipts	2005-06	2004-05	Disbursements	2005-06		
Section-A: Revenue					Non Plan	Plan	Total
1820.02	Revenue receipts	2168.87	1943.20	Revenue expenditure	1776.04	414.68	2190.72
856.53	Tax revenue	1096.49	632.82	General Services	736.76	6.19	742.95
729.26	Non-tax revenue	761.16	667.72	Social Services	275.56	205.15	480.71
162.07	Share of Union Taxes/Duties	244.70	642.66	Economic Services	566.45	104.51	670.96
72.16	Grants from Government of India	66.52		Grant-in-aid and Contributions	197.27	98.83	296.10
Section-B: Capital							
-	Misc Capital Receipts	-	426.00	Capital Outlay	1.52	578.83	580.35
5.58	Recoveries of Loans and Advances	6.33	7.46	Loans and Advances Disbursed	3.73	3.32	7.05
701.63	Public Debt Receipts*	698.39	230.13	Repayment of Public Debt*	-	70.60	70.60
1.17	Contingency Fund	0.22	0.22	Contingency Fund	-	-	-
3156.76	Public Account Receipts	3285.19	2971.25	Public Account Disbursements	-	3134.22	3134.22
41.84	Opening Cash Balance	148.74	148.74	Closing Cash Balance	-	324.80	324.80
5727.00	Total	6307.74	5727.00	Total	1781.29	4526.45	6307.74

* Excluding Ways and Means Advances and Overdraft

The increase in cash balance was due to less expenditure under Repayment of Public Debt. The amount under repayment of public debt during the year was less as compared to 2004-05 as the latter included Rs.77.79 crore repaid under Debt Swap Scheme.

1.1.2 The Goa Fiscal Responsibility and Budget Management (FRBM) Act, 2006

The State Government has enacted “The Goa Fiscal Responsibility and Budget Management (FRBM) Act, 2006” in May 2006 to ensure fiscal stability and sustainability through progressive elimination of revenue deficit, planned reduction of fiscal deficit and prudent and sustainable debt management consistent with fiscal stability through limits on State Government’s borrowings including off-budget borrowings and achieving greater transparency in fiscal operation of the Government and conduct of fiscal policy in a medium term fiscal framework and for matters connected therewith or incidental thereto. To give effect to the fiscal management principles as laid down in the Act, the following fiscal targets have been prescribed for the State Government:

- Reduce the revenue deficit to nil by 31 March 2009 and adhere to it thereafter;
- reduce the ratio of fiscal deficit to Gross State Domestic Product beginning from the financial year 2006–2007 with medium term goal of not being more than three *per cent* to be attained by 31 March 2009 and adhere to it thereafter;
- ensure that by 31 March 2009, the total liabilities do not exceed 30 *per cent* of the GSDP and adhere to it thereafter; and
- cap the total outstanding guarantees within the specified limit under the Goa State Guarantees Act, 1993 (Goa Act No. 16 of 1993). Currently, the limit has been fixed at Rs. 800 crore.

The State Government has not yet framed the Fiscal Responsibility and Budget Management Rules. Neither the fiscal policy statements nor any assessments/estimates are available for the year 2005-06.

1.1.3 The Medium Term Fiscal Plan

As the FRBM Act 2006 was enacted in May 2006, the Medium Term Fiscal Plan is expected to be presented at the time of the presentation of Budget for the year 2007-08. Therefore no mid term review is undertaken during 2005-06.

1.2 Overview of Fiscal Situation of the State

1.2.1 Trends in Fiscal Aggregates

The fiscal position of the State Government during the current year as compared to the previous year is given in **Table 2**.

Table 2

(Rupees in crore)

2004-05	Sr. No	Major Aggregates	2005-06
1820	1.	Revenue Receipts (2+3+4)	2169
857	2.	Tax Revenue (Net)	1096
729	3.	Non-Tax Revenue	761
234	4.	Other Receipts	312
6	5.	Non-Debt Capital Receipts	6
6	6.	<i>Of which</i> Recovery of Loans	6
1826	7.	Total Receipts (1+5)	2175
1581	8.	Non-Plan Expenditure	1781
1578	9.	On Revenue Account	1776
323	10.	<i>Of which</i> Interest Payments	400
3	11.	On Capital Account	1
2	12.	On Loans disbursed	4
795	13.	Plan Expenditure	997
365	14.	On Revenue Account	415
430	15.	On Capital Account	579
5	16.	On Loans disbursed	3
2376	17.	Total Expenditure (13+8)	2778
123	18.	Revenue Deficit (9+14-1)	22
550	19.	Fiscal Deficit (17-1-5)	603
227	20.	Primary Deficit (19-10)	203

The reasons for decrease in revenue deficit are realisation of more tax revenue by switching over to Value Added Tax system and more receipts under Power Sector. The increase in fiscal deficit is due to incurring of more expenditure under Capital Account.

1.3 Audit Methodology

Audit observations on the Statements of Finance Accounts for the year 2005-06 bring out the trends in the major fiscal aggregates of receipts and expenditures. Major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to Gross State Domestic Product (GSDP) at current market prices. For tax revenues, non tax revenues, revenue expenditure etc., buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP. The key indicators adopted for the purpose are (i) resources by volume and sources, (ii) application of resources, (iii) assets and liabilities and (iv) management of deficits. Audit observations also take into account the cumulative impact of resource mobilization efforts, debt servicing and corrective fiscal measures. The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. In addition, selected indicators of financial performance of the Government are also listed in this section; some of the terms used in this context are explained in **Appendix 1.1 Part C**.

1.4 State Finances by key Indicators

1.4.1 Resources by Volumes and Sources

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Government of India (GOI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account. **Table-3** shows that the total receipts of the State Government for the year 2005-06 were Rs.6159 crore. Of these, the revenue receipts were Rs.2169 crore, constituting 35.22 *per cent* of the total receipts. The balance came from borrowings, receipts from Contingency Fund and Public Account.

Table-3: Resources of the Government of Goa

(Rupees in crore)

I Revenue Receipts		2168.87
II Capital Receipts		704.72
Recovery of Loans and Advances		6.33
Public Debt Receipts		698.39
Miscellaneous Capital Receipts		-
III Contingency Fund		0.22
IV Public Account Receipts		3285.19
a. Small Savings, Provident Fund <i>etc</i>	126.16	
b. Reserve Fund	29.54	
c. Deposits and Advances	86.34	
d. Suspense and Miscellaneous	1521.83	
e. Remittances	1521.32	
Total Receipts		6159.00

1.4.2 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax and non-tax revenues, central tax transfers and grants-in-aid from GOI. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the GSDP and its buoyancies are indicated in **Table-4**.

Table-4: Revenue Receipts - Basic Parameters

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Receipts (RR) <i>(Rupees in crore)</i>	1483	1873	1833	1623	1820	2169
Own Taxes <i>(per cent)</i>	515 (34.73)	569 (30.38)	602 (32.84)	710 (43.75)	857 (47.09)	1096 (50.53)
Non-Tax Revenue <i>(per cent)</i>	796 (53.67)	1136 (60.65)	1039 (56.68)	725 (44.67)	729 (40.05)	761 (35.09)
Central Tax Transfers <i>(per cent)</i>	105 (7.08)	108 (5.77)	115 (6.27)	136 (8.38)	162 (8.90)	245 (11.30)

Grants-in-aid (per cent)	67 (4.52)	59 (3.15)	77 (4.20)	52 (3.20)	72 (3.96)	67 (3.09)
Rate of growth of RR (per cent)	20.77	26.30	(-) 2.14	(-) 11.46	12.14	19.18
Rate of growth of own taxes	-	10.49	5.80	17.94	20.70	27.89
RR/GSDP (per cent)	19.11	20.99	18.43	17.47	17.81	19.30
Buoyancy of RR with reference to GSDP (ratio)	1.38	1.75	≠	≠	1.21	1.92
State's own taxes Buoyancy with reference to GSDP (ratio)	0.83	0.70	0.51	≠	2.07	2.79
Buoyancy of RR with reference to State's own taxes		2.50	≠	≠	0.59	0.69
GSDP Growth (per cent)	15.01	15.00	11.45	* (-) 6.61	10.00	10.00

General Trends: Revenue receipts of the State increased from Rs. 1483 crore in 2000-01 to Rs.2169 crore in 2005-06. There was an increase in revenue receipts by Rs.349 crore in the current year compared to the previous year. There were significant inter year variations in the growth rates. The rate of growth of Revenue Receipts was 19.18 per cent during 2005-06 against 12.14 per cent during 2004-05. This increase was mainly due to switching over to Value Added Tax.

Tax Revenue: State's own Tax Revenue increased from 34.73 per cent of Revenue Receipts in 2000-01 to 50.53 per cent in 2005-06. In absolute terms Own Tax Revenue increased from Rs.515 crore in 2000-01 to Rs.1096 crore in 2005-06.

Non-Tax Revenue: There was a gradual decrease in Non Tax Revenue. It decreased from 53.67 per cent of Revenue Receipts in 2000-01 to 35.09 per cent in 2005-06. In absolute terms the non-tax revenue increased from Rs.796 crore in 2000-01 to Rs.1136 crore in 2001-02, however, it decreased from Rs.1039 crore in 2002-03 to Rs.761 crore in 2005-06. The decrease in Non-tax revenue over the years was mainly due to stoppage of lottery business with effect from August 2002.

Central Tax Transfers: The Central Tax Transfers have increased from Rs.105 crore in 2000-01 to Rs.245 crore in 2005-06. The increase was due to higher realisation of Central Tax revenue by the Central Government.

Grants-in-aid: The position of flow of grants from the Centre to the States in respect of State Plan Scheme, Central Plan, Centrally Sponsored Scheme and Non-Plan Grant during 2000-01 to 2005-06 is as follows:

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Non Plan grants	14.82	11.94	7.08	5.19	1.48	6.84
State Plan Schemes	26.26	24.29	50.30	30.97	55.03	29.95
Central Plan Scheme	3.85	1.85	3.55	2.97	4.05	4.95
Centrally sponsored scheme	22.02	21.11	16.09	13.42	11.60	24.78
Special Plan scheme	-	0.10	-	-	-	-
Total	66.95	59.29	77.02	52.55	72.16	66.52

≠ Growth in revenue receipts during 2002-03 and 2003-04 was negative as also GSDP growth during 2003-04.

* GSDP figures for 2003-04 have been revised by the State Government as Rs.9290 crore.

- **Non Plan Grant:** There was a decrease in the flow of Non Plan Grants from Rs.14.82 crore in 2000-01 to Rs.1.48 crore in 2004-05 whereas during the year 2005-06 the state received Rs.6.84 crore towards Non Plan Grant.
- **State Plan Scheme:** There was an increase in receipt of grants pertaining to State Plan Scheme from Rs.26.26 crore in 2000-01 to Rs.55.03 crore in 2004-05. However it decreased to Rs.29.95 crore during 2005-06.
- **Centrally Sponsored Schemes:** The receipt of grants-in-aid decreased from Rs.22.02 crore in 2000-01 to Rs.11.60 crore in 2004-05 and increased to Rs.24.78 crore in 2005-06.

Revenue arrears

The arrears of revenue as on 31 March 2006 in respect of some principal heads of revenue amounted to Rs.425.28 crore as detailed below.

(Rupees in crore)

Head of Revenue	Amount of arrears as on 31 March 2006	Arrears more than three years old	Cases pending in court		Cases pending due to other reasons
			No.	Amount	
Commercial Tax	206.30	64.80	1871	28.20	178.10
Excise	0.38	0.10	--	--	0.38
Taxes on vehicles	6.06	3.14	--	--	6.06
Chief Engineer - Public works Department					
i) Rent of Building / Shops	0.44	0.18	1	0.02	0.42
ii) Water charges, meter rent and sewerage charges	26.17	10.69	1627	4.70	21.47
Chief Engineer - Water Resources Department					
(i) Water Charges	3.19	0.60	197	0.03	3.16
(ii) Rent on building/shops	2.47	0.93	18	0.06	2.41
(iii) Hire charges of machinery	0.34	0.22	--	--	0.34
Chief Electrical Engineer Energy charges	179.93	Not furnished	5950	53.43	126.50
Total	425.28	80.66	9664	86.44	338.84

The arrears of revenue increased by 107 per cent in five years from Rs.205 crore in 2000-01 to Rs.425.28 crore at the end of 2005-06. In 2005-06 arrears were 22.90 per cent of state's own resources. Of this, Rs.80.66 crore were outstanding for a period of more than three years. Of Rs.425.28 crore, Rs.86.44 crore were pending in Revenue Recovery courts. The increasing arrears of revenue showed a slackening of the revenue realizing efforts of the State Government.

1.4.3 Sources of Receipts

The source of receipts under different heads as well as GSDP during 2000-06 is indicated in **Table-5**.

Table-5: Source of Receipts – Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts				Total Receipts	Gross State Domestic Product
		Non-Debt Receipts	Debt Receipts	Contingency Fund Receipts	Accruals in Public Account		
2000-01	1483	11	347	165	2132	4138	7761
2001-02	1873	6	397	190	2464	4930	8925
2002-03	1833	7	497	14	2755	5106	9947
2003-04	1623	7	792	--	3239	5661	9290
2004-05	1820	6	702	1	3157	5686	10219
2005-06	2169	6	699	*	3285	6159	11241

* Rs.22 lakh

There was a declining trend of Revenue receipts in Total receipts from 38 per cent in 2001-02 to 29 per cent in 2003-04 which increased to 35 per cent in 2005-06. Similarly Public Debt Receipts increased from 8 per cent in 2000-01 to 14 per cent in 2003-04 which again declined to 12 per cent in 2004-05 and 11 per cent in 2005-06. The total receipts of the State Government for the year 2005-06 were Rs.6,159 crore. Of these, revenue receipts were Rs.2,169 crore constituting 35 per cent of the total receipts. Of the remaining 65 per cent which are capital receipts, 11 per cent of the receipts constitute borrowings of the Government. Public Account receipts constitute 54 per cent of the total receipts. Public Debt receipts increased from Rs.347 crore in 2000-01 to Rs.699 crore in 2005-06 indicating a growth of 101 per cent during 2000-01 to 2005-06. Whereas, the Public Account Receipts increased by 54 per cent during this period.

1.5 Application of resources

1.5.1 Growth of Expenditure

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, extend the network of these services through capital expenditure and investments and discharge their debt service obligations. The total expenditure of the State increased from Rs.1907 crore in 2000-01 to Rs.2778 crore in 2005-06. Total expenditure, its annual growth rate and ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table-6**.

Table-6: Total Expenditure – Basic Parameters

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Total expenditure (TE)* (Rupees in crore)	1907	2292	2218	2075	2376	2778
Rate of Growth (per cent)	21.16	20.19	- 3.23	- 6.45	14.51	16.92
TE/GSDP Ratio (per cent)	24.57	25.68	22.30	22.34	23.25	24.71
RR /TE Ratio (per cent)	77.77	81.72	82.64	78.22	76.60	78.08
Buoyancy of Total Expenditure with reference to:						
GSDP (ratio)	1.41	1.35	▼	▼	1.45	1.69
RR (ratio)	1.02	0.77	▼	▼	1.20	0.88

* Total expenditure includes revenue expenditure, capital expenditure and loans and advances.

▼ Growth of TE was negative during 2002-03 and 2003-04.

There was an increasing trend in the ratio of revenue receipts to total expenditure during 2000-03 whereas a declining trend was noticed during 2003-05. However during 2005-06 the ratio indicated an increasing trend. Ratio indicated that 78 per cent of state's total expenditure during 2005-06 was met from its current revenues and the balance financed mostly from borrowings.

Trends in Total Expenditure by Activities: In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services, grants-in-aid and loans and advances. Relative share of these components in total expenditure is indicated in **Table-7**.

Table-7: Components of Expenditure – Relative Share

(In per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
General Services	41.06	47.43	41.75	29.40	29.59	30.17
Of which Interest payments	10.78	11.09	12.17	13.17	12.61	14.39
Social Services	26.53	22.86	27.28	31.47	31.94	29.99
Economic Services	31.62	29.45	30.43	38.65	38.18	39.60
Grants-in-aid	8.50	6.81	10.19	11.28	9.22	10.66
Loans and Advances	0.79	0.26	0.54	0.48	0.29	0.25

There was sharp increase in percentage of expenditure on General Services in 2001-02 due to more expenditure on payment of lottery prizes and expenditure on welfare of Aged, Infirm and Destitutes. The expenditure sharply declined in 2002-04 due to stoppage of lottery business in the state. There was a gradual increase of expenditure under Economic Services from 29.45 per cent in 2001-02 to 39.60 per cent in 2005-06, whereas under Social Services the percentage of expenditure decreased to 29.99 during 2005-06 as against 31.94 per cent in 2004-05.

1.5.2 Incidence of Revenue expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payments, for the past obligations and as such does not result in any addition to the States infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in **Table-8**.

Table-8: Revenue Expenditure: Basic Parameters*(Rupees in crore)*

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Expenditure (RE)	1709	2101	2000	1764	1943	2191
Of which						
Non-Plan Revenue Expenditure (NPRE)	1568	1918	1782	1480	1578	1776
Plan Revenue Expenditure (PRE)	141	183	218	284	365	415
Rate of Growth (<i>per cent</i>)						
NPRE	-	22.32	- 7.09	- 16.95	6.62	12.55
PRE	-	29.08	19.78	30.28	28.52	13.70
NPRE/GSDP (<i>per cent</i>)	20.20	21.49	17.91	15.93	15.44	15.80
NPRE as <i>per cent</i> of TE	82.22	83.68	80.34	71.33	66.41	63.93
NPRE as <i>per cent</i> of RR	105.73	102.46	97.22	91.19	86.70	81.88
Buoyancy of Revenue Expenditure with						
GSDP (ratio)	-	1.53	∞	∞	1.01	1.28
Revenue Receipts (ratio)	-	0.87	2.31	1.03	0.84	0.67

∞ Growth in revenue expenditure during 2002-03 and 2003-04 was negative as also GSDP growth during 2003-04.

The revenue expenditure was on declining trend from 2001-02 to 2003-04 due to stoppage of lottery business. It showed an increasing trend under Plan from 2004-05 to 2005-06 due to more expenditure under Urban & Rural Water Supply Scheme, Advertising & Visual Publicity, General Education, Urban & Rural Health Programme. The ratio of Non-Plan revenue expenditure to revenue receipts declined from 105.73 *per cent* in 2000-01 to 81.88 *per cent* in 2005-06.

1.5.3 Committed Expenditure

Expenditure on Salaries

Table-9: Expenditure on Salaries*(Rupees in crore)*

Heads	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Expenditure on Salaries & Wages						
Of which						
Non-Plan Head	286.96	302.04	280.33	319.93	352.79	367.76
Plan Head	46.69	47.53	53.02	61.11	69.26	72.46
As <i>per cent</i> of GSDP	4.30	3.92	3.35	4.10	4.13	3.92
As <i>per cent</i> of RR	22.50	18.67	18.19	23.48	23.19	20.30

There was an increasing trend on expenditure on salaries during the period 2002-2006 due to implementation of voluntary retirement scheme. As per TFC, growth in salary payments should be limited to 5 *per cent* per year over the base year 2004-05. As against this the increase was 4.3 *per cent*.

Pension Payments

Table 10: Expenditure on Pensions

(Rupees in crore)

Heads	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Expenditure on Pensions	89.00	118.67	140.54	113.33	140.34	158.86
As per cent of GSDP	1.15	1.33	1.41	1.22	1.37	1.41
As per cent of RR	6.00	6.34	7.67	6.98	7.71	7.32

Pension payments increased by 78 per cent from Rs.89 crore in 2000-01 to 158.86 crore in 2005-06. As per Economic Survey 2002-03, it was proposed to peg the growth in pension to the level of 10 per cent per annum. However, during the years 2004-05 and 2005-06 the increase in pension payments was 24 per cent and 13 per cent respectively. The increase in pension payment is on account of implementation of voluntary retirement scheme by the state from 2001-02 onwards. As per TFC, growth in pension payments should be 10 per cent per year over the base year 2004-05. As against this the increase was 13 per cent.

Interest payments

Table-11: Interest payments

Year	Revenue Receipts	Interest Payments	Percentage of Interest payments with reference to	
			Revenue Receipts	Revenue Expenditure
(Rupees in crore)				
2000-01	1483	212	14	12
2001-02	1872	261	14	12
2002-03	1833	292	16	15
2003-04	1623	321	20	18
2004-05	1820	323	18	17
2005-06	2169	400	18	18

In absolute terms, interest payment increased by 89 per cent from Rs.212 crore in 2000-01 to Rs.400 crore in 2005-06 primarily due to continued reliance on borrowings for financing the fiscal deficit. The rate of interest on open market borrowings/outstanding at the end of 2005-06, varied from 14 per cent to 5.60 per cent. Further if the receipts on account of power are excluded as this Department is declared as quasi-commercial, the interest payment as percentage to Revenue Receipts would be 25 per cent during 2005-06. As per TFC, the ratio of interest payments to revenue receipts should be reduced to 18 per cent and this was achieved if receipts on account of power were also considered.

Subsidies

The State Government has been paying subsidies to various Corporations, etc. The trends in the subsidies given by the State Government are given in **Table 12.**

Table-12: Subsidies

Year	Amount (Rupees in crore)	Percentage increase (+)/ decrease (-) over previous year	Percentage of subsidy in total expenditure
2000-01	19.57	-	1.03
2001-02	27.11	38.53	1.18
2002-03	30.66	13.09	1.38
2003-04	29.21	- 4.73	1.41
2004-05	30.44	4.21	1.28
2005-06	43.70	43.56	1.57

The percentage of subsidy in total expenditure increased from 1.03 per cent in 2000-01 to 1.57 per cent in 2005-06. The percentage increase in disbursement of subsidy during 2005-06 over the previous year was 43.56. The increase in disbursement of subsidy was more under Industries and Agriculture and Allied Activities. In absolute terms the disbursement of subsidy increased by 123 per cent from 19.57 crore in 2000-01 to Rs.43.70 crore in 2005-06.

1.6 Expenditure by Allocative Priorities

1.6.1 Quality of Expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running efficiently and effectively the existing social and economic services would determine the quality of expenditure. Higher the ratio of these components to total expenditure and GSDP better is quality of expenditure. Table 13 gives these ratios during 2000-06.

Table 13 – Indicators of Quality of Expenditure

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Capital Expenditure	183	185	206	301	426	580
Revenue Expenditure	1709	2101	2000	1764	1943	2191
<i>Of which</i>						
Social and Economic Services with						
(i) Salary Component	- Not available -					319
(ii) Non-Salary & Wage component	▲931	▲1021	▲1089	▲1182	▲1310	1129
As per cent of Total Expenditure						
Capital Expenditure	9.60	8.07	9.29	14.51	17.93	20.88
Revenue Expenditure	89.62	91.67	90.17	85.01	81.78	78.87
As per cent of GSDP						
Capital Expenditure	2.36	2.07	2.07	3.24	4.17	5.16
Revenue Expenditure	22.02	23.54	20.11	18.99	19.01	19.49

▲ Includes both salary and non-salary component. Separate breakup is not available.

The ratio of capital expenditure to total expenditure increased from 9.60 per cent in 2000-01 to 20.88 per cent in 2005-06. Similarly, the ratio of capital expenditure to GSDP increased from 2.36 per cent in 2000-01 to 5.16 per cent in 2005-06.

1.6.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities etc. have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. **Table 14** summarises the expenditure incurred by the State Government in expanding and strengthening of social services in the State during 2000-06.

Table 14: Expenditure on Social Services

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Education, Sports, Art and Culture						
Revenue Expenditure	226.09	237.61	277.60	280.62	336.51	333.08
<i>Of which</i>						
(a) Salary Component	-	-	-	-	-	85.07
(b) Non-Salary & Wage component	-	-	-	-	-	248.01
Capital Expenditure	7.04	9.64	8.72	11.72	17.87	16.47
Health and Family Welfare						
Revenue Expenditure	82.36	85.38	92.08	101.98	112.39	124.06
<i>Of which</i>						
(a) Salary Component	-	-	-	-	-	81.61
(b) Non-Salary & Wage component	-	-	-	-	-	42.45
Capital Expenditure	3.98	3.48	4.56	6.93	7.10	15.17
Water Supply, Sanitation, Housing and Urban Development						
Revenue Expenditure	97.02	87.43	97.33	80.03	96.02	149.21
<i>Of which</i>						
(a) Salary Component	-	-	-	-	-	10.98
(b) Non-Salary & Wage component	-	-	-	-	-	138.23
Capital Expenditure	60.85	32.93	39.35	68.15	65.49	63.14
Other Social Services						
Revenue Expenditure	27.28	67.85	82.83	101.62	122.80	130.76
<i>Of which</i>						
(a) Salary Component	-	-	-	-	-	22.19
(b) Non-Salary & Wage component	-	-	-	-	-	108.57
Capital Expenditure	0.70	0.15	2.65	1.88	0.38	1.10
Total (Social Services)	505.32	524.47	605.12	652.93	758.56	832.99
Revenue Expenditure	432.75	478.27	549.84	564.25	667.72	737.11
<i>Of which</i>						
(a) Salary Component	-	-	-	-	-	199.85
(b) Non-Salary & Wage component	-	-	-	-	-	537.26
Capital Expenditure	72.57	46.20	55.28	88.68	90.84	95.88

- Not available

The overall percentage of increase in Revenue and Capital expenditure under Social Services during the period 2000-01 to 2005-06 was 70.33 and 32.12 respectively. The trends of expenditure in respect of the following components of Social Services were as follows:-

1) Education, Sports, Art and Culture: The revenue expenditure increased by 47.32 *per cent* and Capital expenditure by 134 *per cent* during the period from 2000-01 to 2005-06 whereas, during the year 2005-06 the Revenue Expenditure decreased by one *per cent* over the previous year and the capital expenditure by 7.83 *per cent*.

2) Health and Family Welfare: As per the recommendation of Twelfth Finance Commission, the projected expenditure under Medical Health and Family Welfare for the year 2005-06 was Rs.83.90 crore. However, it was Rs.124.06 crore during 2005-06. The revenue expenditure increased by 50.63 *per cent* during the period 2000-01 to 2005-06 and the Capital expenditure by 281 *per cent* during the same period, whereas, during the year 2005-06 the Revenue Expenditure increased by 10.33 *per cent* and Capital Expenditure by 113.66 *per cent* over the previous year.

3) Water Supply, Sanitation, Housing and Urban Development: Revenue Expenditure increased by 53.79 *per cent* and Capital Expenditure by 3.76 *per cent* during the period 2000-01 to 2005-06 whereas, during the year 2005-06 there was a decrease in Capital Expenditure by 3.58 *per cent* over the expenditure of the previous year.

1.6.3 Expenditure on Economic Services

The expenditure on Economic Services includes all such expenditures as to promote directly or indirectly, productive capacity within the State's economy. The expenditure on Economic Services (Rs.1099.98 crore) accounted for 38.60 *per cent* of the total expenditure (**Table 15**). Of this, Agriculture and Allied activities, Irrigation and Flood Control, Energy and Transport consumed nearly 90.14 *per cent* of the expenditure.

Table-15: Expenditure on Economic Sector

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Agriculture, Allied Activities						
Revenue Expenditure	34.82	36.85	36.44	44.41	47.26	66.37
<i>Of which</i>						
(a) Salary Component	-	-	-	-	-	28.97
(b) Non-Salary & Wage component	-	-	-	-	-	37.40
Capital Expenditure	-2.91	2.10	3.31	7.89	12.72	13.98
Irrigation and Flood Control						
Revenue Expenditure	20.19	15.04	15.55	15.33	17.43	22.34
<i>Of which</i>						
(a) Salary Component	-	-	-	-	-	10.53
(b) Non-Salary & Wage component	-	-	-	-	-	11.81
Capital Expenditure	50.35	46.34	28.54	38.74	56.77	158.69

Power & Energy						
Revenue Expenditure	372.84	405.47	370.24	421.48	419.89	429.55
<i>Of which</i>						
(a) <i>Salary Component</i>	-	-	-	-	-	46.71
(b) <i>Non-Salary & Wage component</i>	-	-	-	-	-	382.84
Capital Expenditure	20.24	23.68	50.06	51.34	88.14	102.28
Transport						
Revenue Expenditure	40.63	41.96	50.08	57.51	66.27	95.62
<i>Of which</i>						
(a) <i>Salary Component</i>	-	-	-	-	-	16.75
(b) <i>Non-Salary & Wage component</i>	-	-	-	-	-	78.87
Capital Expenditure	32.96	46.88	49.98	73.53	96.77	102.78
Other Economic Services						
Revenue Expenditure	29.61	43.06	66.38	78.95	91.81	96.78
<i>Of which</i>						
(a) <i>Salary Component</i>	-	-	-	-	-	16.08
(b) <i>Non-Salary & Wage component</i>	-	-	-	-	-	80.70
Capital Expenditure	4.44	12.53	4.09	13.46	11.10	11.59
Total(Economic Services)	603.17	637.91	674.67	802.64	908.16	1099.98
Revenue Expenditure	498.09	542.38	538.69	617.68	642.66	710.66
<i>Of which</i>						
(a) <i>Salary Component</i>	-	-	-	-	-	119.04
(b) <i>Non-Salary & Wage component</i>	-	-	-	-	-	591.62
Capital Expenditure	105.08	131.53	135.98	184.96	265.50	389.32

- Not available

The overall increase in Revenue Expenditure pertaining to the Economic services was 42.68 *per cent* during the period 2000-01 to 2005-06 and that in Capital Expenditure 270 *per cent*.

There was an increase of 40.43 *per cent* in Revenue Expenditure during the year on Agriculture and Allied Activities over the previous year 2004-05, whereas capital expenditure increased by 9.90 *per cent* over the previous year 2004-05.

Similarly in respect of Irrigation and Flood Control, the Revenue expenditure during 2005-06 increased by 28.17 *per cent* whereas the capital expenditure increased by 179.53 *per cent*. More expenditure was incurred under Medium and Minor Irrigation projects.

Similarly in respect of Transport Sector, the revenue expenditure increased by 44.28 *per cent* during the year 2005-06 over the previous year whereas capital expenditure increased by 6.21 *per cent* during the same period. In respect of Power Sector, the revenue expenditure increased by 2.30 *per cent* during the year 2005-06 over the previous year and capital expenditure by 16.04 *per cent* during the same period.

1.6.4 Financial Assistance to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the period 2000-06 is presented in **Table 16**.

Table-16: Financial Assistance

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	129.90	115.22	170.67	162.36	153.60	196.47
Municipal Corporations and Municipalities	7.25	14.55	21.29	17.72	16.96	35.96
Zilla Parishads and Other Panchayati Raj Institutions	3.84	10.50	24.44	24.87	32.75	39.70
Development Agencies	1.96	4.80	-	-	-	--
Other Institutions	13.51	11.17	9.48	9.54	15.02	23.99
Total	156.46	156.24	225.88	214.49	218.53	296.12
Assistance as per percentage of RE	9.15	7.43	11.29	12.16	11.25	13.52

There was an increase in disbursing financial assistance by 35 per cent during the year 2005-06 over the previous year due to delegation of more power to Urban Local Bodies, more grants to University and educational institutions for conducting sports activities.

1.6.5 Delay in furnishing utilisation certificates

Of the 3147 utilisation certificates (UCs) due in respect of grants and loans aggregating Rs 119.74 crore paid upto 2005-06, 2819 UCs for an aggregate amount of Rs 114.74 crore were in arrears. Details of department-wise break-up of outstanding UCs are given in **Appendix 1.2**.

1.6.6 Non-submission of accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of the Department are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. As of 31 October 2006, 11 departments of the Government had not furnished details for the year 2004-05 as shown in **Appendix 1.3**.

1.6.7 Abstract of performance of the autonomous bodies

The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature of five bodies in respect of whom the Separate Audit Reports are to be placed in the legislature is indicated in **Appendix 1.4**.

1.6.8 Misappropriations, losses, defalcations, etc.

State Government reported 16 cases of misappropriation, defalcation, etc., involving Government money amounting to Rs.95.77 lakh upto the period June 2006 on which final action was pending. The department-wise break up of pending cases is given in **Appendix 1.5**.

1.6.9 Write off of losses, etc.

During the year 2005-06, losses amounting to Rs.3.35 lakh in 165 cases were written off by competent authorities. The losses mainly pertained to missing items (Rs.1.05 lakh), expired medicines and linen (1.56 lakh).

The Department wise details of write off are given in **Appendix 1.6**.

1.7 Assets and Liabilities

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.7** gives an abstract of such liabilities and the assets as on 31 March 2006, compared with the corresponding position on 31 March 2005. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Appendix 1.8** depicts the time series data on State Government finances for the period 2000-2006.

1.7.1 Financial Results of Irrigation Works

Irrigation works have not been declared as Commercial Undertakings in the State of Goa, hence the financial results in respect of Irrigation works have not been worked out.

1.7.2 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2006 is given in **Table 17**.

Table 17: Department-wise Profile of Incomplete Projects

(Rupees in crore)

Department	Number of Incomplete Projects	Initial Budgeted Cost	Cost Over Runs	Revised Total Cost of Projects	Cumulative Actual Expenditure as on 31.3.2006
Public Works Department	52	154.64	-	-	114.80
Directorate of Fisheries	1	0.45	-	-	0.35
Directorate of Settlement records	1	3.94	-	-	3.18
Water Resources Department (i) Tillari Irrigation Project	1	161.18	536.99	*698.17	414.55
Total	55	320.21	536.99	698.17	532.88

* Indicates the share of the Government of Goa in revised total cost of the project (Rs. 952.44 crore) as per the last revision by the State Government in 2000-01.

The cost overrun in Tillari Irrigation Project was due to delay in execution of the Project.

1.7.3 Departmental Commercial Undertakings

Activities of *quasi*-commercial nature are performed by departmental undertakings of certain Government departments. These undertakings are required to prepare annually Proforma accounts in prescribed format showing the results of financial operations so that Government can assess the results of their working.

The department-wise position of arrears in preparation of *pro forma* accounts and the investment made by the Government are given in **Appendix 1.9**. The summarized financial statement of these undertakings is given in **Appendix 7.6**.

1.7.4 Investments and returns

As of 31 March 2006, Government had invested Rs.235.84 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 18**). The return on this investment ranged between 0.24 to 0.01 *per cent* in the last six years while the Government paid interest at an average rate of 7.89 to 9.47 *per cent* on its borrowings during 2000-2006.

Table-18: Return on Investment

Year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on government borrowing	Difference between interest rate and return
	<i>(Rupees in crore)</i>		<i>(per cent)</i>		
2000-01	133.51	0.25	0.19	9.07	8.88
2001-02	182.12	0.44	0.24	9.47	9.23
2002-03	189.81	0.19	0.10	9.25	9.15
2003-04	202.93	0.03	0.01	8.95	8.94
2004-05	220.93	0.27	0.12	7.89	7.77
2005-06	235.84	0.18	0.07	8.54	8.47

The State Government has invested Rs.18.02 crore in two statutory corporations for more than 5 years. However, Government has not received any returns on this investment. Similarly, Government has invested Rs.182.19 crore in 17 Government Companies and Dividend/interest received during the year 2005-06 was only Rs.0.15 crore. Of these, 12 Government companies with capital employed amounting to Rs.411.50 crore upto 2005-06 were incurring losses and their accumulated losses amounted to Rs.214.54 crore as per the latest accounts furnished by these companies.

1.7.5 Loans and advances by State Government

In addition to investments in Co-operative societies, Corporation and Companies, Government has also been providing loans and advances to many of these institutions/organizations. Total outstanding loans and advances as on 31 March 2006, was Rs.50.38 crore (**Table 19**). Interest received against these loans advanced was 4.20 *per cent* during 2005-06 as against 5.01 *per cent* in the previous year.

Table-19: Average Interest Received on Loans Advanced by the State Government

	<i>(Rupees in crore)</i>					
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Opening Balance	35.23	39.30	38.90	44.50	47.78	49.66
Amount advanced during the year	15.43	5.85	12.20	9.83	7.46	7.05
Amount repaid during the year	11.36	6.25	6.60	6.55	5.58	6.33
Closing Balance	39.20	38.90	44.50	47.78	49.66	50.38
Net addition	(+) 4.07	(-) 0.40	(+)5.60	(+)3.28	(+)1.88	(+)0.72
Interest Received	1.86	1.47	1.70	1.65	2.44	2.10
Interest received as <i>per cent</i> to outstanding Loans and advances	4.99	3.76	3.98	3.58	5.01	4.20
Weighted interest rate* (<i>in per cent</i>) paid on borrowings by State Government	9.07	9.47	9.25	8.95	7.89	8.54
Difference between weighted interest paid and received (<i>per cent</i>)	(-) 4.08	(-) 5.71	(-) 5.27	(-) 5.37	(-) 2.88	(-) 4.28

* Weighted interest rate is worked out as Interest Payment/ ((Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2) * 100.

Out of Loans and Advances of Rs.7.05 crore advanced during the year, 22 *per cent* were advanced to Social Sector, 25 *per cent* to Economic services and 53 *per cent* to Government servants. Out of Rs.50.38 crore outstanding loans, 43.95 *per cent* of loans pertained to Social Sector, 25.07 *per cent* pertained to Economic Sector and 30.56 *per cent* to Government Servants. Out of Rs.2.10 crore of interest received, 80 *per cent* of interest was received from Government Servants and 10 *per cent* each from Social and Economic Services.

1.7.6 Management of cash balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA) – ordinary and special – from Reserve Bank of India has been put in place. The operative limit for Normal Ways and Means Advances is reckoned on the three year average of revenue receipts and the operative limit for Special Ways and Means Advances is fixed by Reserve Bank of India from time to time depending on the holding of Government securities.

Ways and Means Advances and Overdrafts availed, the number of occasions it was availed and interest paid by the State is detailed in **Table 20**.

Table-20: Ways and Means Advances and Overdrafts of the State

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Ways and Means Advances						
Availed in the Year	243.25	309.87	619.21	536.74	498.60	Nil
Number of Occasions	- Not available -					
Outstanding WMAs, if any	9.35	28.25	53.41	53.61	-	
Interest Paid	0.55	0.78	2.18	1.34	1.13	
Number of Days	n.a.	n.a.	259	249	221	
Overdraft						
Availed in the year	25.44	128.10	137.80	112.92	37.30	Nil
Number of Occasions	n.a.	n.a.	8	21	7	
Number of Days	16	36	34	21	12	
Interest Paid	0.09	0.17	0.19	0.23	0.05	

1.8 Undischarged Liabilities

The Goa Fiscal Responsibility and Budget Management Act, 2006 prescribed that by 31 March 2009, the total fiscal liabilities should not exceed 30 per cent of GSDP.

1.8.1 Fiscal Liabilities – Public Debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund – Capital Accounts. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. Other liabilities, which are a part of public account, include deposits under small savings scheme, provident funds and other deposits.

Table-21 gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table-21: Fiscal Liabilities – Basic Parameters

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Fiscal Liabilities (Rs. in crore)	2531	2979	3335	3838	4350	5018
Rate of Growth (per cent)	18.05	17.70	11.95	15.08	13.34	15.36
Ratio of Fiscal Liabilities to						
GSDP (per cent)	32.60	33.38	33.53	41.31	42.57	44.64
Revenue Receipts (per cent)	170.70	159.10	181.90	236.48	239.01	231.35
Own Resources (per cent)	193.10	174.72	203.23	267.46	274.27	270.22
Buoyancy of Fiscal Liabilities to						
GSDP (ratio)	1.20	1.18	1.04	≠	1.33	1.54
Revenue Receipts (ratio)	0.87	0.67	≠	≠	1.10	0.80
Own Resources (ratio)	0.90	0.59	≠	≠	1.27	0.90

≠ Growth of Revenue Receipts and Own Resources during 2002-03 and 2003-04 was negative as also GSDP growth during 2003-04 was negative.

Overall fiscal liabilities of the State increased from Rs.2,531 crore in 2000-01 to Rs.5,018 crore in 2005-06. This included Rs.409.35 crore being loan given by GOI to the erstwhile Union Territory of Goa, Daman and Diu. The growth rate of fiscal liabilities was 15.36 *per cent* during 2005-06 over the previous year. The ratio of fiscal liabilities to GSDP also increased from 32.60 *per cent* in 2000-01 to 44.64 *per cent* in 2005-06. These liabilities stood at 2.35 times the revenue receipts and 2.70 times of the States own resources as at the end of 2005-06. The fiscal liabilities had grown faster than the State's GSDP. The buoyancy of these liabilities with respect to GSDP during the year was 1.54 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 1.54 *per cent*.

Fiscal Liabilities constituted Market Loans comprising of Rs.1026.93 crore, Loans and Advances from Central Government of Rs.2957.20 crore, Loans from Financial Institution to the extent of Rs.139.68 crore and Public Account liabilities of Rs.894.38 crore.

1.8.2 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended.

As per the Statement 6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of year since 2000-01 is given in **Table 22**.

Table-22: Guarantees given by the Government of Goa

(Rupees in crore)

Year	Maximum amount guaranteed	Outstanding amount of guarantees	Percentage of maximum amount guaranteed to total revenue receipt
2000-01	200.34	160.49	13.50
2001-02	338.21	140.92	18.06
2002-03	534.83	215.69	29.17
2003-04	612.20	513.76	37.72
2004-05	719.32	621.05	39.52
2005-06	709.32	631.33	32.70

There was an increasing trend in giving the guarantees upto the year 2004-05. The percentage of maximum amount guaranteed to Revenue Receipts stood at 39.52 *per cent* in 2004 -05. The same declined to 32.70 *per cent* in 2005-06.

The Goa Fiscal Responsibility and Budget Management Act, 2006 specified that the government shall cap the total outstanding guarantees within the specified limit under the Goa State Guarantees Act, 1993. The Goa Legislature fixed a limit of Rs.800 crore for the purpose in March 2005.

The State has set up the Guarantee Redemption Fund. The amount invested against this fund as on 31 March 2006 was Rs.27.20 crore.

1.8.3 Net Availability of Funds

Another important indicator of debt sustainability is the net availability of funds after the payment of the principal on account of earlier contracted liabilities and interest.

Table-23 below gives the position of the receipt and repayment of internal debt and other fiscal liabilities of the State over the last five years.

Table-23: Net Availability of Borrowed Funds

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Internal Debt						
Receipt	127	126	181	273	151	86
Repayment (Principal + Interest)	83	126	197	202	246	324
Net Fund Available	44	-	(-) 16	71	(-) 95	(-) 239
Net Fund Available (<i>per cent</i>)	35	-	-	26	-	-
Loans and Advances from GOI						
Receipt	210	241	269	519	551	613
Repayment (Principal + Interest)	136	145	226	409	191	89
Net Fund Available	74	96	43	110	360	524
Net Fund Available (<i>per cent</i>)	35	40	16	21	65	85
Other obligation						
Receipt	232	268	197	226	207	208
Repayment (Principal + Interest)	184	203	202	250	217	226
Net Fund Available	48	65	(-) 5	(-) 24	(-) 10	(-) 18
Net Fund Available (<i>per cent</i>)	21	24	-	-	-	-
Total liabilities						
Receipt	569	635	647	1018	909	907
Repayment (Principal + Interest)	403	474	625	861	654	639
Net Fund Available	166	161	22	157	255	268
Net Fund Available (<i>per cent</i>)	29	25	3	15	28	29

The State Government raised market loans of Rs.83.22 crore during 2005-06 with an average rate of interest of 7.71 *per cent*. As on 31 March 2006, 36 *per cent* of the existing market loans of the State Government carried the interest rate exceeding 10 *per cent*. The maturity profile of the State Government market loans indicate that nearly 36 *per cent* of the total market loans are repayable within the next five years while the remaining 64 *per cent* of the loans are required to be repaid after 5 to 10 years.

No loans and advances were repaid under Debt Consolidation and Relief Facility (DCRF).

1.8.4 Debt Sustainability

The debt sustainability is defined as the ability to maintain a constant debt-GDP ratio over a period of time. Given the rate spread (GSDP growth rate - interest rate) and quantum spread (Debt * rate spread) debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or sustainable. In simple terms, public debt is considered sustainable as long as the rate of growth of income exceeds the interest rate or cost of public borrowings subject to the condition that the primary balance is either positive or zero.

Table-24: Debt Sustainability–Interest Rate and GSDP Growth

	<i>(In per cent)</i>					
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Weighted Interest Rate	9.07	9.47	9.25	8.95	7.89	8.54
GSDP Growth	15.01	15.00	11.45	(-) 6.61	10.00	10.00
Interest spread	5.94	5.53	2.20	2.34	2.11	1.46
Quantum Spread (Rupees in crore)	150.34	164.57	73.43	88.76	89.91	73.33
Primary Deficit (Rupees in crore)	201	152	86	124	227	203

The above table would indicate that the position of debt-sustainability of the State has been deteriorating.

1.9 Management of deficits

The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health.

The revenue deficit of the State which indicates the excess of its revenue expenditure over revenue receipts, decreased from Rs. 226 crore in 2000-01 to Rs.22 crore in 2005-06. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, increased from Rs.413 crore in 2000-01 to Rs.603 crore in 2005-06. The State also had a primary deficit of Rs.201 crore in 2000-01 which increased to Rs.203 crore in 2005-06 as indicated in **Table-25**.

The ratio of revenue deficit to fiscal deficit was 3.65 *per cent* during 2005-06 indicating that nearly 3.65 *per cent* of the borrowed funds were used for current consumption. As proportion to GSDP, the revenue deficit had reached 0.20 *per cent* and fiscal deficit had reached 5.36 *per cent* in 2005-06.

Table-25: Fiscal Imbalances: Basic Parameters

Parameters	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue deficit (Rupees in crore)	226	228	167	141	123	22
Fiscal deficit (Rupees in crore)	413	413	378	445	550	603
Primary deficit (Rupees in crore)	201	152	86	124	227	203
RD/GSDP (per cent)	2.91	2.55	1.68	1.52	1.20	0.20
FD/GSDP (per cent)	5.32	4.63	3.80	4.79	5.38	5.36
PD/GSDP (per cent)	2.59	1.70	0.86	1.33	2.22	1.81
RD/FD (per cent)	54.72	55.21	44.18	31.69	22.36	3.65

As per the Goa FRBM Act 2006, the Government shall reduce the revenue deficit to nil by 31 March 2009 and adhere to it thereafter. The revenue deficit was reduced from Rs.226 crore in 2000-01 to Rs.22 crore in 2005-06. During the year the revenue deficit was decreased by Rs.101 crore over the previous year due to mobilization of tax revenue by switching over to VAT system and more revenue realization under Power sector. Revenue Deficit (RD) would

have been Rs.187 crore during 2005-06 had the receipts (Rs.595 crore) and expenditure (Rs.430 crore) of Power Department which is declared a quasi commercial activity were kept out of Government transactions. The percentage of Revenue Deficit to Revenue Receipts during the year 2005-06 was 1.01 as against 6.76 during 2004-05. The percentage of Fiscal Deficit to total receipts was 28 during the year 2005-06 as against 30 per cent during the year 2004-05. The Goa FRBM Act 2006 prescribed a road map of reducing the Fiscal Deficit (FD) by 0.5 per cent of GSDP in each of the financial year beginning from 1 April 2006. The ratio of FD to GSDP was reduced by 0.02 per cent during the year 2005-06 over the previous year. Considering the growth trend of FD to GSDP from 5.32 during 2000-01 to 5.36 in 2005-06, road map prescribed to achieve the target of 3 per cent of FD to GSDP appears ambitious.

1.10 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. **Table-26** below presents a summarized position of Government finances over 2000-2005, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their applications, highlights areas of concern and captures its important facts.

Table-26: Indicators of Fiscal Health (in per cent)

Fiscal Indicators	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
1	2	3	4	5	6	7
I Resource Mobilisation						
Revenue Receipt/GSDP	19.11	20.99	18.43	17.47	17.81	19.30
Revenue Buoyancy	1.38	1.75	♣	♣	1.21	1.92
Own Tax/GSDP	6.64	6.38	6.05	7.64	8.39	9.75
II Expenditure Management						
Total Expenditure/GSDP	24.57	25.68	22.30	22.34	23.25	24.71
Total Expenditure/Revenue Receipts	77.77	81.72	82.64	78.22	76.60	78.08
Revenue Expenditure/Total Expenditure	89.62	91.67	90.17	85.01	81.78	78.87
Salary & Wage expenditure on Social and Economic Services / Revenue Expenditure	- not available -					14.55
Non-Salary & Wage expenditure on Social and Economic Services / Revenue Expenditure	54.47	48.59	54.45	67.00	67.42	51.52
Capital Expenditure/Total Expenditure	9.67	8.09	9.34	14.58	17.98	20.93
Capital Expenditure on Social and Economic Services/Total Expenditure	9.31	7.75	8.62	13.19	15.00	17.28
Buoyancy of TE with RR	1.02	0.77	♣	♣	1.20	0.88
Buoyancy of RE with RR		0.87	2.31	1.03	0.84	0.67
III Management of Fiscal Imbalances						
Revenue deficit (Rs in crore)	226	228	167	141	123	22
Fiscal deficit (Rs in crore)	413	413	378	445	550	603
Primary Deficit (Rs in crore)	201	152	86	124	227	203
Revenue Deficit/Fiscal Deficit	54.72	55.21	44.18	31.69	22.36	3.65

IV Management of Fiscal Liabilities						
Fiscal Liabilities/GSDP	32.60	33.38	33.53	41.31	42.57	44.64
Fiscal Liabilities/RR	170.70	159.13	181.94	236.48	239.01	231.35
Buoyancy of FL with RR	0.87	0.67	*	♣	1.10	2.27
Buoyancy of FL with Own Receipt	0.90	0.59	♣	♣	1.27	0.90
Primary deficit vis-à-vis quantum spread	201/ 150.34	152/ 164.57	86/ 73.43	124/ 88.76	227/ 89.91	203/ 73.33
Net Funds Available [♥]	29	25	3	15	28	29
V Other Fiscal Health Indicators						
Return on Investment	0.19	0.24	0.10	0.01	0.12	0.17
Balance from Current Revenue (Rs in crore)	(-)128.44	(-) 88.24	(-) 18.48	109.65	191.33	353.15
Financial Assets/Liabilities	0.76	0.63	0.74	0.73	0.74	0.78

1.11 Conclusion

Management of state finances calls for a delicate balance between debt position on one hand and expenditure on services and creation of infrastructure on the other. The quality of expenditure, i.e. expenditure on social and economic services, is influenced by resource mobilization efforts and debt level.

The Goa FRBM Act 2006 envisages the fiscal liabilities level at 30 *per cent* of GSDP by March 2009. The fiscal liabilities have actually increased from 32.60 *per cent* of GSDP in 2000-01 to 44.64 *per cent* in 2005-06. Thus, the fiscal liabilities position of the Government of Goa has worsened during the five year period ended March 2006. The debt sustainability, i.e. the ability to maintain a constant debt/GSDP ratio, is also deteriorating due to inability of the state to contain the expenditure.

On the resource mobilization front, the buoyancy in revenue receipts and States own tax receipts with reference to GSDP stood at 1.92 and 2.47 respectively in 2005-06 indicating that for every one rupee increase in GSDP, there was more than proportionate increase in revenue receipts and state's own tax receipts. This helped contain the revenue deficit to 0.20 *per cent* of GSDP (the target of Goa FRBM Act is to bring it down to NIL by March 2009). However, due to 36.15 *per cent* increase in capital expenditure in 2005-06 over the previous year, the fiscal deficit stood at 5.36 *per cent* of GSDP (the target of Goa FRBM Act is to reduce it to 3 *per cent* by March 2009).

As the large debt position results in huge interest outgo impairing the ability of the Government to spend on socio-economic services and creation of infrastructure, it is imperative to contain the expenditure. It would, therefore, be desirable to strictly adhere to the targets set in Goa FRBM Act for the year 2006-07 onwards.

* Growth in Revenue Receipts as well as in State's Resources during 2002-03 and 2003-04 was negative as also GSDP growth during 2003-04 was negative.

♥ Differs due to inclusion of figures under "other liabilities".