GOVERNMENT OF SIKKIM
FINANCE, REVENUE AND EXPENDITURE DEPARTMENT
GANGTOK

Medium Terms Fiscal Plan for Sikkim
2014-2015 to 2016-2017

To be presented before the Sikkim Legislative Assembly as required under sub section (1) of section 3 of the Sikkim Fiscal Responsibility and Budget Management Act, 2010 (15 of 2010)

Medium Term Fiscal Plan for Sikkim: 2014-15

1. Introduction – Fiscal Policy Overview

The State of Sikkim has made committed attempt to achieve socio-economic development and an inclusive growth process during the 12th Plan period. Creating an enabling environment for different sections of the society, different tribal groups, women, and young people to participate in economic activities and contribute to the development of the State has remained as one of the major objectives of the Government. The State Government has adopted a prudent fiscal policy to keep the deficit and borrowing at a sustainable level. Achievement of social sector commitments constitutes an important element of resource allocation decisions in the context of rule based fiscal policy that restricts incurring deficit and borrowing to a sustainable level. The Gross State Domestic Product (GSDP) at constant prices recorded a growth rate of 7.62 per cent in 2012-13. The per capita income of the state, which was Rs.30727 in 2004-05, has increased substantially to Rs.168100 in 2012-13 at current prices[1]. The major socio-economic indicators for the State show commendable improvement. The poverty ratio has declined to 8.19 per cent as compared to all India average of 21.92 per cent in 2011-12. The literacy rate at 81.40 per cent in 2011-12 is significant achievement. The IMR has gone down to 24 per 1000 in 2011 as compared to the all India average of 44. The rebuilding and reconstruction activities required after the devastating earthquake of 2011 has been continuing funded by both the Central and the State Government.

The State Government continues to adhere to the fiscal targets stipulated in the Fiscal Responsibility and Budget Management Act (FRBM), 2010. The overall fiscal management in terms of budget decisions and implementation has remained within the boundary set in the fiscal rules. As part of the requirements of the FRBM ACT, the Government presents a Medium Terms Fiscal Policy (MTFP) to reflect on fiscal policy choices made by the Government in the ensuing budget year and the fiscal stance of the Government in two future years beyond the budget year in a transparent manner. The MTFP is presented a part of the budget document during the budget session. This is the fourth MTFP.

[1] State Income Unit, DESM&E, Government of Sikkim

The FRBM Act was enacted with the objective of managing the fiscal policy in a stable and sustainable manner so that the deficit is reduced and debt level is stabilized. A sustainable fiscal management improves the credibility of the Government and improves the predictability of resource availability for provision of agreed level of physical and social infrastructure. Adequate social and physical infrastructure helps providing an enabling environment for investments, which would create employment, and incomes for the people of the state. The feature of Sikkimese economy requires a stable fiscal environment. The State has a limited base to generate resources internally and the requirements for provision public services in a difficult hilly terrain are very costly. Thus, it is very important for the State to adopt a prudent fiscal management.

The fiscal adjustment path for Sikkim recommended by the Thirteenth Finance Commission (TFC) with targeted fiscal deficit to ensure sustainable level of debt ends at 2014-15. The MTFP however includes projections until 2016-17. The outward years beyond the budget, will come under the award period of the 14^{th} Finance Commission. The ensuing budget for the year 2014-15 and MTFP for next two outward years continue to adhere to the quantitative fiscal targets with regard to deficits and debt level as enunciated by the TFC at the 2014-15 level.

The 14^{th} Finance Commission is required to suggest measures to maintain a stable and sustainable fiscal environment consistent with equitable growth. While doing so the Commission should consider and recommend incentives and disincentives for States for observing the obligations laid down in the Fiscal Responsibility Budget Management Acts. The State is committed to follow the fiscal reform path and to bring in any suggested changes in the FRBM Act and MTFP suggested by the Fourteenth Finance Commission. The State Government explained to the 14^{th} FC regarding the inability of the State to provide adequately for maintenance expenditure and expand the capital expenditure to create infrastructure due to the strict adherence to quantitative targets of fiscal deficit. While designing a revised fiscal restructuring path, the Commission should consider the problems faced by the resource starved States.

The MTFP 2014-15 presents the fiscal policy stance of the Government and projected fiscal targets in the ensuing budget year and two outward years. It reviews the macroeconomic and fiscal performance of Sikkim for the period from 2004-05 to 2014-15. The assumptions with regard to the revenue augmentation and expenditure restructuring parameters for the preparation of the MTFP are arrived at on the basis of the data covering the period from 2004-05 to 2014-15 (BE) and taking into consideration the policy announcements relating to revenue augmentation measures and expenditure priorities in various sectors.

The rest of the report is organized as follows. The Section 2 provides an analysis of the recent macroeconomic trend of the State. The fiscal policy overview, tax, expenditure, and borrowing policies for the ensuing year and the priorities in the medium term are presented in Section 3. This section is based on the template provided in the Form F-1 of the Medium Term Fiscal Policy as per the Sikkim FRBM Act, Rule 3. In Section 4, Medium Term Fiscal Plan containing the projection of fiscal variables and assumptions underlying the projections has been given. This follows the Form F 2 of Sikkim FRBM Act, Rule 3. The concluding remarks are contained in section 5. The disclosures, following the Medium Term Fiscal Policy as per the Sikkim FRBM Act Rule 3 and Rule 4, are given in the Section called Disclosures.

2. Macroeconomic Outlook

Two major trends are visible in the growth path of the Sikkimese economy since 2004-05. From 2004-05 to 2008-09 the service sector was the dominant contributor as it accounted for more than half of the GSDP. Since 2009-10 the relative share of secondary sector has increased mostly driven by manufacturing, construction and power sectors. The inter-sectoral composition of GSDP since 2004-05 shows that the service sector, which accounted for half of the State GSDP till 2008-09, has declined to about 38 per cent in 2011-12. At the same time the relative share of the secondary sector has grown to about 54 per cent in 2011-12 (Table 1). The relative share of primary sector has been declining over the years and the share of mining and quarrying activities remained very small. The agriculture however, has shown improvement during 2011-12 and 2012-13.

Table 1
Composition of GSDP (Constant Prices)

(Per cent)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Primary, of Which	**18.71**	**17.74**	**16.76**	**16.18**	**14.56**	**8.74**	**8.44**	**10.56**	**10.09**
Agriculture	18.59	17.63	16.65	16.07	14.40	8.65	8.34	10.42	9.89
Mining & Quarrying	0.12	0.11	0.11	0.11	0.15	0.10	0.10	0.14	0.20
Secondary, of which	**28.72**	**29.25**	**29.54**	**30.18**	**34.94**	**55.03**	**59.12**	**59.06**	**59.57**
Manufacturing	3.86	3.60	3.66	3.90	3.65	28.44	37.15	37.98	35.37
Construction	19.23	19.86	19.44	18.69	15.52	9.91	9.36	10.79	13.85
Electricity & Water supply	5.62	5.78	6.44	7.59	15.76	16.69	12.61	10.28	10.35
Tertiary, of Which	**52.58**	**53.01**	**53.70**	**53.64**	**50.51**	**36.22**	**32.44**	**30.39**	**30.34**
Transport	2.69	2.63	2.59	2.48	2.26	1.61	1.48	1.51	1.66
Trade, Hotel and Restaurant	5.19	4.84	4.62	4.51	4.07	2.43	2.35	2.74	2.64
Banking & Insurance	2.58	2.95	3.59	4.04	3.64	2.60	2.94	2.87	3.00
Real Estate	9.99	9.38	9.19	9.94	9.49	5.60	5.36	5.16	4.99
Public Admn	14.60	15.14	15.52	14.79	14.15	11.72	9.85	8.87	9.16
Other Services	16.09	16.52	16.41	15.81	14.70	10.93	9.13	7.86	7.49
GSDP Growth Rate		**9.79**	**5.99**	**7.63**	**16.38**	**73.61**	**8.71**	**10.76**	**7.62**

Source: State Income Unit, DESM&E, Government of Sikkim .

The manufacturing and construction sectors remained as major contributors to the growth of the State economy. The impressive growth of power sector, which was very high until 2011-12, has declined in 2011-12 and 2012-13. The potential for higher growth in the power sector remains strong due to the installation hydro power units in the State. The commissioning of power projects, strengthening of small-scale industries and pharmaceutical industries helped the growth process. The MTFP projection, however, takes the growth path prescribed by the TFC for Sikkim. TFC has assumed a nominal growth rate of 11.25 per cent for Sikkim during the period 2012-13 to 2014-15. Although the State economy is assumed to provide base for the revenue, the pattern of growth in the State in recent years suggests that the sectors growing rapidly and contributing to growth process have not contributed to tax revenues to the same extent. The MTFP takes a balanced view regarding the growth and revenue generation, which would be practicable for the State Government.

3. Fiscal Profile of the State

3.1 Fiscal Policy Overview

The State Government continues to pursue the fiscal consolidation. Considerable improvement in the fiscal situation happened in recent years. The fiscal data shown in Table 2 indicates that the State has been maintaining surplus in the revenue account and the fiscal deficit has been reduced to the level prescribed by the TFC and adopted in the State FRBM Act. The rule based fiscal management adopted with the introduction of FRBM Act in 2010-11, limits the deficit and debt levels to an already agreed upon fiscal path. Since the adoption of the FBM Act, the State managed to adhere to the fiscal targets stipulated in the Act. The fiscal management in the State has resulted in containment of fiscal deficit and rise in revenue surplus. The surplus in the revenue account, which was at 8.4 per cent to GSDP in 2009-10, increased to 10.51 per cent in 2013-14, revised estimates. The budget estimates for 2014-15 assumes a revenue account surplus of 10.34 per cent to GSDP. The fiscal deficit was reduced considerably from 4.4 per cent relative to GSDP in 2010-11 to a very small level of 0.7 per cent 2012-13. However, this is projected to remain limited to 3 per cent in the budget estimates for the year 2014-15. The fiscal consolidation process has helped the State government considerably by creating fiscal space to allocate resources to the priority areas and increase capital expenditure. The MTFP projects to maintain the fiscal consolidation process in the two outward years and improve resource availability to social and economic sectors.

The fiscal restructuring path recommended by the 13th FC (TFC) for the State Governments ends in 2014-15, the ensuing budget year. The State has adopted the fiscal targets recommended by the TFC in its FRBM Act. The fiscal trend indicates that the State Government complied with the TFC recommendations and its own FRBM targets. The fiscal deficit target for the years 2013-14 and 2014-15 was 3 per cent and the debt-GSDP target was 58.8 and 55.9 respectively. From the Table 2, it is evident that these targets were met. The MTFP 2014-15 builds on the strong fiscal performance of the State Government and keeps the fiscal targets given by TFC for the 2014-15 as the benchmark for the two outward years of 2015-16 and 2016-17. The 14th FC will give its recommendation relating to the requirements for a stable and sustainable fiscal environment. The suggested changes in fiscal parameters will be incorporated in the FBM Act and the MTFP in the next year.

Table 2

Fiscal Profile of Sikkim: An Overview

(Percent to GSDP)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 (RE)	2014-15 (BE)
Revenues	**58.1**	**54.6**	**55.7**	**59.8**	**54.4**	**38.2**	**30.1**	**34.2**	**35.2**	**42.2**	**43.5**
Own Revenue	13.1	13.1	16.0	16.4	15.2	10.9	7.3	6.4	7.9	7.5	6.9
Own Tax Revenues	6.7	7.4	8.0	7.9	6.2	3.6	3.9	3.5	4.7	4.3	4.0
Own Non-Tax Revenues	6.4	5.7	7.9	8.5	9.1	7.3	3.4	2.9	3.2	3.2	2.8
Central Transfers	**45.0**	**41.5**	**39.7**	**43.4**	**39.2**	**27.3**	**22.8**	**27.8**	**27.3**	**34.7**	**36.7**
Tax Devolution	6.2	9.1	10.3	13.8	11.3	6.1	7.3	7.3	7.5	8.0	7.8
Grants	38.8	32.4	29.4	29.6	28.0	21.2	15.5	20.5	19.8	26.7	28.9
Revenue Expenditure	**48.4**	**44.7**	**45.1**	**45.8**	**42.8**	**29.8**	**28.2**	**28.9**	**26.8**	**31.7**	**33.2**
Interest Payment	5.7	5.1	5.3	4.7	4.8	2.5	2.6	2.3	2.1	2.0	1.9
Pension	1.8	2.1	2.3	2.0	1.8	2.1	2.2	2.1	2.4	2.7	2.7
Capital Expenditure	**20.4**	**17.3**	**15.1**	**16.6**	**18.9**	**11.2**	**6.4**	**7.9**	**9.1**	**13.5**	**13.3**
Capital Outlay	20.3	17.3	15.1	16.6	18.9	10.6	6.3	7.3	9.0	13.4	13.1
Net Lending	0.1	0.0	0.0	0.0	0.0	0.6	0.1	0.6	0.0	0.1	0.2
Revenue Deficit	**-9.7**	**-9.9**	**-10.6**	**-14.0**	**-11.7**	**-8.4**	**-2.0**	**-5.3**	**-8.4**	**-10.5**	**-10.3**
Fiscal Deficit	**10.7**	**7.5**	**4.5**	**2.6**	**7.2**	**2.8**	**4.4**	**2.6**	**0.7**	**3.0**	**3.0**
Primary Deficit	**5.0**	**2.3**	**-0.9**	**-2.1**	**2.5**	**0.2**	**1.8**	**0.4**	**-1.4**	**1.0**	**1.0**
Outstanding Debt	**61.9**	**60.3**	**61.2**	**62.3**	**59.9**	**37.4**	**34.0**	**30.4**	**29.5**	**29.7**	**28.1**

Source (Basic Data): Finance Accounts and State Budget 2014-15

Note: The GSDP figures used are of 2004-05 series given by CSO and projected to grow using the growth rate given by 13^{th} FC, for the years 2013-14 and 2014-15. .

Negative sign indicates revenue surplus

3.2 Revenue Mobilization

The transfers from the Central Government in terms share in Central taxes and plan and non-plan grants constitute the major share of total revenue receipts of the State. On an average the central transfers constitutes little more than there fourths of the total State revenues. The relative share of central transfers in total revenue receipts of the State has steadily increased from 72.05 per cent in 2008-09 to 77.57 per cent in 2012-13, the last year for which audited figures are available. The revised and budget figures for the years 2013-14 and 2014-15 project a higher level of Central transfers. Central transfers are projected to be 36.7 per cent and own tax and own non–tax revenue are expected to be 4.0 and 2.8 (net of lottery expenditure) percent of GSDP respectively as per the BE of 2014-15.

While the own revenue and GSDP ratio was declining since 2008-09, in 2012-13 the ratio improved significantly. The revised estimates for 2013-14 and the budget estimate show a decline to own revenue and GSDP ratio. Both the components of the own revenue, the own tax and own on-tax revenue show similar trend. The total revenue receipts of the State also has declined as percentage to the GSDP from 38.2 per cent in 2008-09 to 35.2 per cent in 2012-13 due to stagnating Central transfers relative to GSDP. However, the revised estimates for the year 2013-14 and budget estimates for the year 2014-15 project higher revenue receipts based on projected higher Central transfers. A disaggregated analysis of revenue performance of the state is undertaken to determine the revenue prospects while preparing the MTFP aligned with the provisions of FRBM act of Sikkim.

Table 3
Composition of Own Tax Revenue

(Per cent)

	2009-10	2010-11	2011-12	2012-13	2013-14 (RE)	2014-15 (BE)	Growth (04-05 to 14-15)
Own Tax Revenues	100	100	100	100	100	100	15.2
Sales Tax	54.1	51.1	42.3	52.1	52.3	52.2	18.5
State Excise Duties	25.6	25.3	32.8	25.5	24.3	24.3	16.9
Motor Vehicle Tax	3.5	3.8	5.6	3.8	3.7	3.8	19.6
Stamp Duty and Registration Fees	2.0	2.0	2.8	1.2	1.7	1.5	16.7
Other Taxes	14.4	17.6	16.5	17.3	18.0	18.1	43.3

Composition of own tax revenue given in Table 3 shows that the sales tax/VAT and State excise are two major sources of own tax revenue for the State. The relative share of the VAT was at about 52 per cent during 2012-13, the last year for which audited figures are available and it is set to remain at same level during 2013-14 (RE) and 2014-15 (BE). The relative share of State excise in total own revenue has remained at 25.5 per cent during the year 2012-13 and is expected to decline marginally to 24.3 per cent in 2014-15 BE. During the same time the relative share of motor vehicle tax and stamps and registration fees in total own tax revenue remain flat. The trend growth rates of individual tax components explain the evolving tax structure in the state. The sales tax shows higher as compared to other taxes during 2004-05 to 2014-15.

The buoyancy coefficients for the State taxes during the period 2004-05 to 2013-14 given in Table 4 reveal that the growth of taxes has fallen behind the growth of the GSDP. The buoyancy coefficient explains the percentage growth of tax revenue in response to one percentage growth in GSDP. This relationship assumes that the State GSDP is the proxy for tax base. The pattern of growth in the State suggests that the sectors growing rapidly and contributing to growth process have not contributed to tax revenues. This is because the estimation of GSDP capturing the value of the generation of electricity by the hydroelectric sector though contributes to the growth numbers; the tax base is not expanded. Similarly, the improved production by the pharmaceuticals, though adds to the growth, most of it goes out of the State in the form of consignments attracting no VAT. The growth process is expected to provide impetus to rise in trade and business activities and thus higher tax collection in the future years. The MTFP after calibrating the growth potential of the GSDP and other tax measures announced in BE 2014-15 makes suitable adjustment in tax buoyancies for projection of tax revenues in the medium term.

Table 4
Buoyancy of Taxes: 2004-05 to 2012-13

Own Tax Revenues	0.611
Sales Tax	0.738
State Excise Duties	0.705
Motor Vehicle Tax	0.789
Stamp Duty and Registration Fees	0.678
Other Taxes	1.570

Source (Basic Data): Finance Accounts and State Budget 2014-15

While the own non-tax revenue as percentage of GSDP decline in recent years, it remains an important source of revenue for the State. The own non-tax revenue constitutes little more than 40 per cent of the own revenue receipts. Income from State lottery, power sector, road transport, and interest receipts has been the main source of non-tax revenue (Table 5). The relative share of lottery income (net) in the own non-tax revenue and set to decline from 17.8 per cent in 2011-12 to 10.4 per cent in 2014-15 (BE). The Government initiatives like broad basing the lottery operations with the introduction of the on-line lotteries, and introduction of on-line casino operations with the passage of Sikkim Casino Games (Control & Tax) Act 2002 are expected to yield increasing revenue from lottery operations. The relative share of income from power sector has increased in recent years showing a peak of 64. 2 per cent in 2009-10 as the newly commissioned hydro-project units started giving the State share in the production of electricity. Although the relative share of power sector has gradually declined from 2009-10 high, it still remains large at 34.8 per cent in 2014-15 (BE). The hydro power projects being constructed in the State are expected to make significant contribution in the coming years also. The Government had rationalized the power tariff by raising it by 16 % in 2012-13, which helped in improving the income from this source. The share of road transport in own non-tax revenue has been growing over the years. The income from forestry and wild life, though declined in between, seems to have been recovering in the recent years.

Table 5
Composition of States' Own Non-tax Revenues

(Per Cent)

	2009-10	2010-11	2011-12	2012-13	2013-14 (RE)	2014-15 (BE)
Own Non-Tax Revenue	100	100	100	100	100	100
Interest Receipts	9.9	7.2	12.0	15.2	12.7	8.9
Dividends and Profits	0.1	0.8	0.0	0.5	0.3	0.4
Police	3.3	9.9	5.3	16.3	15.3	15.9
Public Works	0.6	1.6	2.2	1.2	1.4	1.6
Administrative Services	1.0	1.4	2.7	3.2	1.1	2.9
Net Lottery Income	9.2	16.4	17.8	13.7	12.2	10.4
Edu, Sports, Art & Cult.	0.4	0.6	0.6	0.5	0.5	0.4
Medical and Pub. Health	0.2	0.2	0.5	0.5	0.6	0.7
Water Sup. and Sanitation	0.6	1.2	1.2	0.9	1.2	1.1
Urban Development	0.7	0.3	0.7	0.3	0.1	0.1
Forestry and Wildlife	2.0	4.5	5.1	4.1	4.4	4.4
Plantations	0.4	1.1	1.1	1.3	1.3	1.4
Other Rural Dev. Prog.	0.6	0.5	0.5	0.5	0.5	0.4
Power	64.2	40.9	32.7	27.4	33.5	34.8
Road Transport	4.6	9.3	12.7	9.6	11.0	12.4
Tourism	0.4	1.3	0.8	0.7	0.7	0.8
Others	2.0	2.8	4.2	4.0	3.3	3.2

Source (Basic Data): Finance Accounts and State Budget 2014-15

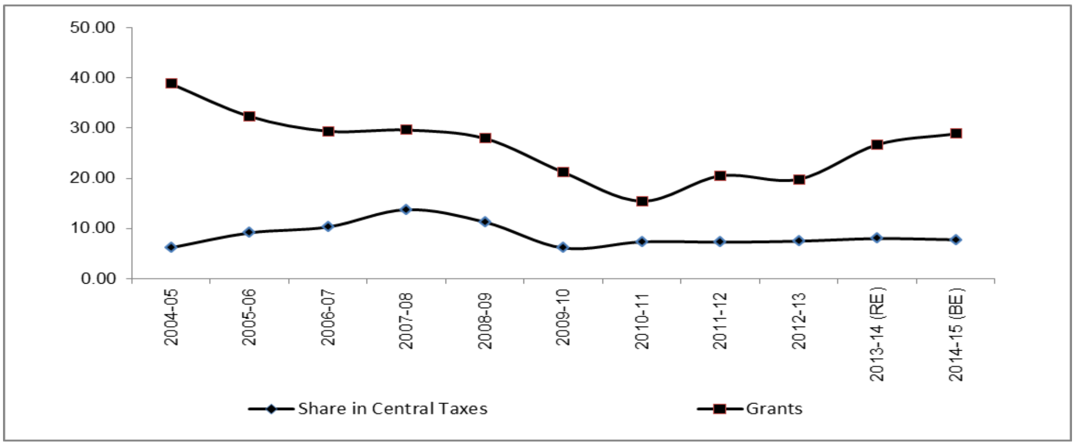
Share of Central taxes, which was at 27.3 per cent relative to GSDP, has increased to 34.7 per cent in 2013-14 RE and is projected to rise to 36.7 per cent in 2014-15 BE. The Central Government has taken very important decision regarding the fund-flow system for Centrally Sponsored Schemes (CSS), which has affected the projection of transfers. Starting from 2014-15, the CCS for which funds were directly transferred to the implementing agencies outside budget will be routed through State budgets. This will increase the flow grants to the State budgets considerably. The expected rise in Central transfers has increased the aggregate revenue receipts during the same period.

From the Figure 1 it is evident that the share in central taxes has remained flat in recent years with a marginal decline in 2014-15 BE as percent of GSDP. The existing recessionary situation and slow collection of Central revenue are reasons for this. Comparatively the Central grants contribute more to the State revenues. The grants as percentage to the GSDP has increased from 19.8 per cent in 2012-13 to 26.7 per cent in 2013-14 RE and is expected to rise to 28.9 per cent in 2014-15 BE. The expected change in the transfer of CSS funds is one major reason for that.

Second, the scope for Central grant to the State was widened due to the recommendations of the TFC relative to various state specific grants and performance incentive grant. Starting from 2011-12, the State has been receiving State specific grants recommended by the TFC such as development of tourism, innovation of suspension foot bridges under North Districts of Sikkim, water security and public health engineering, police training and infrastructure, residential facility for police, border area development, State Capacity Building Institute, and conservation of heritage and culture. These grants, to be continued till 2014-15, have contributed substantially to the overall revenues of the State and facilitated building infrastructure in the sectors for which grants are targeted. The State has also received performance incentive grant for three years from 2010-11 to 2012-13.

The conditions imposed by the 13th Finance Commission posed a problem for some grants to be utilized. While the State continues to get TFC grants for elementary education, incentive grants to improve quality of public expenditure, environment related grants including forest starting from 2010-11 to 2014-15, the grants for water sector management could not be utilized due to non-fulfillment of the conditions. The grants for maintenance of roads and bridges, however, started in the year 2011-12.

Figure 1
Central Transfers as Percentage of GSDP



3.3 Expenditure Profile

The Government of Sikkim gives special attention to expenditure needs of the social sector, particularly education and health. Several education and health schemes were initiated by the Government to improve the quality of social sector infrastructure. The expenditure pattern presented in Table 6 reflects these trends over the years. The revenue expenditure, which was at 29.8 per cent relative to GSDP in 2009-10, was compressed to 26.8 per cent in 2012-13 to realize the FRBM objectives. The revenue expenditure is set to rise to 31.7 per cent in 2013-14 RE and further 33.2 per cent in 2014-15 BE. The rise in revenue expenditure reflects the policy priority of the State Government towards social and economic sectors. The trend of revenue expenditure shows that while the general service remained flat relative to GSDP, the expenditure on economic and social services have increased during 2009-10 and 2013-14 (BE). The MTFP elaborates on the expenditure restructuring in the medium term where emphasis has been given to priority sector development spending.

Table 6
Expenditure Profile

(Per cent to GSDP)

	2009-10	2010-11	2011-12	2012-13	2013-14 (RE)	2014-15 (BE)
Revenue Expenditure	**29.8**	**28.2**	**28.9**	**26.8**	**31.7**	**33.2**
General Services	10.7	9.6	9.0	9.4	10.5	9.9
Interest Payment	2.5	2.6	2.3	2.1	2.0	1.9
Pension	2.1	2.2	2.1	2.4	2.7	2.7
Other General Services Excluding Salary	6.2	4.7	4.6	4.9	5.8	5.3
Social Services	**11.3**	**11.4**	**12.3**	**10.1**	**12.4**	**12.2**
Education	6.4	7.6	5.6	5.5	6.0	6.2
Medical and Public Health	1.8	1.5	1.4	1.3	1.4	2.1
Other Social Services	3.1	2.4	5.3	3.3	5.0	3.9
Economic Services	**7.8**	**7.0**	**7.3**	**7.0**	**8.3**	**10.5**
Compensation and Assignment to LBs	0.0	0.2	0.4	0.2	0.5	0.5
Capital Expenditure	**11.2**	**6.4**	**7.9**	**9.1**	**13.5**	**13.3**
Capital Outlay	10.6	6.3	7.3	9.0	13.4	13.1
Net Lending	0.6	0.1	0.6	0.0	0.1	0.2

Source (Basic Data): Finance Accounts and State Budget 2014-15

The improvement in fiscal situation in the State provided the opportunity to reinforce the core development strategy of building the social and physical infrastructure. The capital expenditure, which had slowed down in 2010-11 relative to the GSDP, seems to have revived since then and set to reach a high 13.5 and 13.3 per cent in 2013-14 (RE) and 2014-15 (BE) respectively. Based on the projected revenue receipts and expenditure, the capital expenditure limit was determined within the overall stipulation of the requirements for achieving sustainable level of debt and deficit as stipulated in the FRBM fiscal targets. The MTFP is prepared based on the rationale of restructuring the government spending by emphasizing the critical areas.

The composition of capital expenditure shows that sectors like water supply and sanitation, transport, energy and tourism have been the focus areas. The education and health sectors also have attracted relatively higher capital expenditure (Table 7). The ongoing reconstruction activities in areas ravaged by the earthquake increased the capital expenditure. Rise in allocation from the NEC, NLCPR and NABARD funded projects for road and other infrastructure projects raised the capital expenditure. The expansion of road and other infrastructure base also required higher level of land compensation. The TFC recommended grants for several projects in tourism sector, which fuelled the capital expenditure. The MTFP made provisions for many of the ongoing projects and the new projects announced in the budget.

Table 7
Composition of Capital Expenditure

(Per Cent)

	2009-10	2010-11	2011-12	2012-13	2013-14 (RE)	2014-15 (BE)
Capital Expenditure	**100**	**100**	**100**	**100**	**100**	**100**
General Services	**13.7**	**12.6**	**4.1**	**9.9**	**14.7**	**13.0**
Social Services	**34.0**	**36.8**	**45.0**	**34.6**	**33.9**	**32.2**
Education	4.2	8.7	10.2	7.4	5.5	4.4
Health	0.5	7.1	15.8	12.0	7.0	4.8
Water supply, Sanitation, Housing & Urban Development	27.9	20.5	18.5	15.0	19.9	21.8
Information, Publicity & Broadcasting (21)	0.2	0.2	0.2	0.1	0.0	0.1
Welfare of SC/STBC	0.2	0.1	0.2	0.1	0.5	0.6
Social Security	0.9	0.1	0.0	0.0	1.1	0.5
Economic Services	**52.3**	**50.7**	**50.9**	**55.5**	**51.4**	**54.8**
Agriculture	2.3	1.4	2.8	1.1	1.5	1.1
Rural Development	5.2	5.0	5.8	2.4	2.0	1.6
Special Areas Programmes	1.8	2.5	2.9	2.1	1.4	1.5
Irrigation	0.5	1.2	0.5	0.8	0.3	0.4
Energy	11.1	7.3	6.1	5.2	6.5	4.0
Industries and Minerals	0.8	0.4	0.3	0.5	0.4	0.2
Transport	22.8	21.8	23.1	37.5	27.0	22.4
Science & Technology	0.2	0.0	0.0	0.1	0.0	0.0
Tourism	7.6	11.0	9.3	5.9	12.3	23.6

Source (Basic Data): Finance Accounts and State Budget 2014-15

3.4 Outstanding Debt and Government Guarantee

One of the major objective of the fiscal management in the State as reflected in the FRBM Act is to maintain the outstanding debt at prudent and sustainable level. The State Government successfully contained the debt burden due to improvement in fiscal situation. The TFC in their revised fiscal roadmap have worked out the yearly outstanding debt burden for all the states aligning with the fiscal path. The outstanding debt burden according to the TFC fiscal framework for Sikkim is 55.90 relative to the GSDP. Outstanding debt of the State has declined from 37.4 per cent in 2009-10 to 29.5 per cent in 2012-13, the last year for which audited data is available (Table 2).The debt-GSDP ratio in the State has been reduced considerably, which is projected to be 28.1 per cent in 2014-15 BE. The decline in the average cost of debt of the state because of the debt restructuring formula of the Twelfth Finance Commission has helped to lowering the debt burden. Decline in the average cost of debt will result in reduction in the volume of interest payments and availability of .higher fiscal space for the state government. The interest payment has declined from 2.5 per cent in 2009-10 relative to GSDP to 2 per cent in 2014-15 (BE).

Table 8
Composition of Debt and Liabilities

(Per Cent)

	2009-10	2010-11	2011-12	2012-13	2013-14 (RE)
A. Public Debt	**78.15**	**74.63**	**72.56**	**71.71**	**74.24**
Internal Debt	65.86	63.94	66.41	66.31	69.28
Loans and Adv. from the Central Govt.	12.28	10.69	6.15	5.40	4.96
B. Other Liabilities	**21.85**	**25.37**	**27.44**	**28.29**	**25.76**
Small Savings, Provident Fund etc	17.96	21.00	22.67	22.63	20.33
Reserve Fund	1.04	0.85	0.72	0.48	0.88
Deposits	2.85	3.51	4.05	5.18	4.56
Total Public Debt & Other Liabilities	**100**	**100**	**100**	**100**	**100**

Source (Basic Data): Finance Accounts and State Budget 2013-14

The composition of stock of public debt given in Table 8 reveals that the share of Central Government loans to the State has been reduced considerably. As compared to a relative share of about 12 per cent in 2009-10, the Central loans accounts for about 5 per cent in 2013-14 RE. Following the recommendations of the 12th Finance Commission the Central Government loans to the States has been reduced significantly. The dependence of the State Government on the market borrowing has increased over the years. The share of market borrowing has increased from about 66 per cent in 2009-10 to little above 69 per cent in 2013-14 RE. The overall borrowing in a year, however, remains within the limit fixed by the planning Commission. This is determined after having consultation with the State Government on the aggregate plan size for the State. The rise in the relative share of the market borrowing reflects the strength of the fiscal situation of the State.

The structure of debt stock has an important bearing on interest payment as different debt instruments carry different rates of interest depending on the type of borrowing and maturity structure. Although, the share of high cost debt instruments like small savings, provident funds, etc. has shown a rising trend since 2009-10, the overall debt stock remains much below the TFC recommended level. As the total interest payment relative to the GSDP is declining, the pattern of borrowing by the State remains sustainable.

The Planning Commission of India has indicated six parameters to determine the quality of debt stock of any State.

1. The Debt Stock should be below 30 per cent of the GSDP.
2. Debt should be below 300 per cent of the Total Revenue Receipts (TRR).
3. The interest payment should be less than 18 per cent as a ratio of TRR.
4. The debt growth should not be more than 1.25 times the growth in revenues.
5. The revenue component of the fiscal deficit should not be more than 50 per cent.
6. The fiscal deficit should not be more than 25 per cent of the TRR.

The degree of debt overhang for Sikkim as examined taking into consideration these criteria is given in Table 9. The debt ratio remained above 30 per cent of GSDP till 2011-12 and has come down after that. The debt as a percentage of TRR remained much below 300 per cent and declining sharply in recent years and was as about 70 per cent in 2013-14 (RE). The interest payment as a percentage of TRR remained below 18 per cent as indicated in the Planning Commission parameters. The state government could generate a revenue surplus and the ratio of debt growth to revenue growth is below the permissible target of 1.25. The state's fiscal deficit remained below 25 per cent of the TRR.

Table 9
Indicators of Debt Management

(Per Cent)

	2009-10	2010-11	2011-12	2012-13	2013-14 (RE)
Debt Stock as per cent of GSDP*	37.4	34.0	30.4	29.5	29.7
Debt as a per cent of TRR	97.8	112.9	88.9	83.9	70.3
Interest payment as a per cent of TRR	6.6	8.7	6.6	6.0	4.7
Growth rate of debt	18.6	6.0	5.1	8.0	11.8
Growth rate of revenue	33.4	-8.3	33.5	14.5	33.4
Ratio debt growth-revenue growth	0.6	-0.7	0.2	0.6	0.4
FD as a per cent of TRR	7.2	14.7	7.7	2.0	7.1

Note: This represents the aggregate debt liabilities of the State

Guarantees given by the State Government

As per the Sikkim Government Guarantee Act, 2000, the ceiling on total outstanding government guarantee in a year is restricted to three times of the State's tax revenue receipts of the second preceding year. The outstanding sum guaranteed by the State government on 31st March 2014 was Rs.186.42 crore (Budget Documents – 2014-15), which is below the permissible limit.

3.5 Government Policy for the Ensuing Budget Year

The Government has emphasized on the continuing programmes in social and economic sectors in the budget for the year 2014-15. The continuing programmes and programmes introduced in the last year's budget will receive sufficient resources to realize their full potential. Education continues to be one of the topmost priorities of the Government. The incentives and quality improvement schemes implemented for improving the quality of education and access to school will receive full attention in this year's budget. The Chief Minister's Rural Housing Scheme, mid-day meal programme is implemented in all the Elementary Schools, expansion of higher education facilities; skill development schemes will get focus. The assistance to PRIs will be enhanced to strengthen the decentralization. The programmes to improve health infrastructure and medical reimbursement system to the BPL as well as to the Government employees will be emphasized.

The budget also provides required level of funds for construction of 575 bedded Multi-Specialty Hospital at Sichey. Improving road connectivity remains an important agenda for the Government. Increasing allocation for this sector in the budget reflects the Government commitment to provide a good road infrastructure to the people of the State. The programme under buildings and housing, eco-tourism, social justice programmes, programmes for empowerment of women, and forest and environment are focused in the budget 2014-15.

4. Medium Term Fiscal Plan: 2014-15 to 2016-17

4.1 Fiscal Indicators

Table 10 ***(follows Form F2 of the Act)***
Fiscal Indicators-Rolling Targets

		Previous Year (Y-2) Actuals	Current Year (Y-1) Revised Estimates	Ensuing Year (Y) Budget Estimates	Targets for Year (Y+1	Targets for Year Y+2)
		2012-13	2013-14 (RE)	2014-15 (BE)	2015-16	2016-17
1	Revenue deficit as percentage of GSDP	-8.36	-10.51	-10.34	-11.02	-11.76
2	Revenue deficit as percentage of Total Revenue Receipts (TRR)	-23.75	-24.90	-23.77	-23.97	-24.20
3	Fiscal deficit as percentage to GSDP	0.70	3.00	3.00	3.00	3.00
4	Total Outstanding Liabilities as percentage of GSDP	29.51	29.66	28.07	28.23	28.38

Notes:

1. GSDP is the Gross Domestic Product at current prices as per revised series of 2004-05 base
2. The negative sign in revenue deficit indicates surplus.

The fiscal outcomes in the forms indicators such as fiscal deficit, revenue deficit, and outstanding liabilities for previous year, current year, ensuing budget year and two outward years are presented in Table 10. The Table follows the template given by the Sikkim FRBM Act as Form F-1. The fiscal outcomes in the year 2012-13, for which audited figures are available and in the year 2013-14, for which revised estimates are available, the State Government was successful in achieving the fiscal targets enunciated in the FRBM Act. In the projections for the budget year, 2014-15, and for two outward years, which give a medium term perspective to the fiscal stance, fiscal consolidation process and achieving the fiscal targets specified by the FRBM Act and the targets of the fiscal path chalked out by the Thirteenth Finance Commission (TFC) have been emphasized.

It needs to be mentioned here that the fiscal path chalked out by the TFC ends in 2014-15, whereas the MTFP goes beyond this target year. The MTFP assumes that the fiscal management in the State will continue to be prudent and remain sustainable in the future years. Thus, the projections take the fiscal deficit target of 3 per cent relative to GSDP for the two outward years beyond the budget. The MTFP builds on the fiscal consolidation process of the State Government and the fiscal outlook for the budget year and the two outward years comply with the TFC fiscal path. The Fourteenth Finance Commission, which has already been constituted, will provide guidelines and principles for fiscal management for the State Government starting from the year 2015-16. The Government of Sikkim is committed to adhere to the fiscal path to be suggested by the Fourteenth Finance Commission.

Table 11
Medium Term Fiscal Plan: 2012-13 to 2014-15

(AS Percent to GSDP)

	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue Receipts	**35.19**	**42.21**	**43.51**	**45.97**	**48.59**
Own Tax Revenues	**4.66**	**4.32**	**4.04**	**4.09**	**4.16**
Income Tax	0.00	0.00	0.00	0.00	0.00
Sales Tax	2.43	2.26	2.11	2.15	2.19
State Excise Duties	1.19	1.05	0.98	0.96	0.93
Motor Vehicle Tax	0.18	0.16	0.15	0.15	0.15
Stamp Duty and Registration Fees	0.06	0.07	0.06	0.06	0.06
Other Taxes	0.81	0.78	0.73	0.77	0.82
Own Non-Tax Revenues	**3.23**	**3.16**	**2.82**	**2.92**	**3.01**
Central Transfers	**27.30**	**34.73**	**36.65**	**38.96**	**41.42**
Tax Share	7.47	8.00	7.76	8.02	8.29
Grants	19.82	26.73	28.90	30.94	33.13
Revenue Expenditure	**26.83**	**31.70**	**33.17**	**34.95**	**36.83**
General Services	**9.43**	**10.53**	**9.92**	**10.48**	**11.07**
Interest Payment	2.13	1.99	1.95	1.97	1.98
Pension	2.41	2.73	2.68	3.10	3.58
Other General Services	4.89	5.81	5.29	5.41	5.51
Social Services	**10.14**	**12.38**	**12.20**	**12.96**	**13.77**
Education	5.50	6.02	6.23	6.59	6.96
Medical and Public Health	1.34	1.40	2.10	2.20	2.32
Other Social Services	3.29	4.96	3.88	4.17	4.49
Economic Services	**7.02**	**8.26**	**10.52**	**10.98**	**11.47**
Compensation and Assignment to LBs	**0.25**	**0.53**	**0.53**	**0.52**	**0.52**
Capital Expenditure	**9.06**	**13.51**	**13.34**	**14.02**	**14.76**
Capital Outlay	9.01	13.42	13.12	13.81	14.57
Net Lending	0.05	0.09	0.22	0.21	0.19
Revenue Deficit	**-8.36**	**-10.51**	**-10.34**	**-11.02**	**-11.76**
Fiscal Deficit	**0.70**	**3.00**	**3.00**	**3.00**	**3.00**
Primary Deficit	**-1.43**	**1.01**	**1.05**	**1.03**	**1.02**
Outstanding Debt	**29.51**	**29.66**	**28.07**	**28.23**	**28.38**

Notes: 1. GSDP is the Gross Domestic Product at current prices as per revised series of 2004-05 base
2. The negative sign in revenue deficit indicates surplus.

The MTFP 2014-15 presents the outlook of the fiscal management of the State Government in the medium term. The detailed projection of fiscal variables presented in Table 11 shows that the revenue account surplus has been growing during the

MTFP period and the fiscal deficit has been stabilized at 3 per cent relative to the GSDP. The revenue surplus is projected to grow from 8.36 per cent relative to GSDP in 2012-13 to 11.76 in the terminal year of the MTFP. The widening of the fiscal space has enabled the State Government to expand the capital expenditure in the State in the medium term. The capital expenditure could be raised due to significant revenue surplus without adversely affecting the fiscal deficit. Investments in physical and social infrastructure have received larger attention in the State for which capital expenditure has grown steadily. The focus on investments in infrastructure will remain a key factor in fiscal policy of the Government with the State economy growing in future years.

4.2 Assumption Underlying the Fiscal Indicators

The FRBM Act of the State stipulates the fiscal targets based on the fiscal restructuring path of the TFC. According to the TFC roadmap for fiscal consolidation, Sikkim was expected to achieve 3.5 per cent fiscal deficit relative to GSDP in 2012-13 and 3 per cent in 2013-14 and 2014-15. Despite the natural calamities and disruption in business activities affecting revenues in the previous year, the State managed to adhere to the TFC fiscal targets as stipulated in the FRBM Act of Sikkim for the year 2012-13. While the budget projects to achieve a 3 per cent fiscal deficit relative to GSDP, the MTFP projects to continue with the same level of deficit in 2015-16 and 2016=17. The MTFP provides the perspective on the structure the expenditures, where resource allocation was indicated in the priority areas to help the development process in the State.

The MTFP uses the GSDP growth rate prescribed by the TFC for Sikkim on a year on year basis for the period from 2014-15 to 2016-17. (see Box 1). For the years 2015-16 and 2016-17, which are beyond the TFC award period, the MTFP uses the same growth rate as that of the year 2014-15.

The projection for own tax revenue was done by giving emphasis to each component of the State tax separately. The total own tax was derived after projecting the State taxes in a disaggregated manner. The State taxes were projected using a buoyancy based growth rate assuming that the growth in the economy would help improving the tax base. The buoyancy coefficients for the period 2004-05 to 2014-15 indicate that the growth rate of the State taxes is below the growth rate of the GSDP. The prescriptive buoyancies for individual taxes like sales tax, excise duty, motor vehicle tax, stamps and registration duties have been increased keeping in mind the scope for improvement in these taxes. For other taxes, the observed buoyancy for the period between 2004-05 and 2014-15 was taken as prescriptive buoyancies. The 2014-15 budget projected higher sales tax collection target of Rs.497 crores as against actual figures of Rs.435 croers in 2012-13. The higher tax collection target was based on the Government's attempt to streamline the tax administration and expansion of tax base. The Government has initiated major e-governance programmes in the tax departments to introduce online registration, e-filling of returns and electronic control and evaluation majors.

The MTFP proposes to keep the average of the observed annual growth rate for the period from 2004-05 to 2014-15 (BE) of non-tax revenues for the purpose of projection. In the case of central transfers also, the recommended State specific grants by the TFC are factored in during the projection year. The flow of funds for CSS starting from 2014-15 was considered while projecting the grants component. For the share in central taxes budgetary figure for the year 2014-15 is allowed to grow at a rate marginally lower than the observed rate of trend growth rate during 2004-05 to 2014-15 (BE).

Expenditure Restructuring under MTFP

Although the revenue expenditure has been stabilized since 2009-10 as percentage to GSDP, it has started showing a growing trend from 2012-13. Growing level of revenue expenditure does not pose problem for fiscal management as the revenue surplus has been rising. It depends upon the capacity for programme management and implementation of the projects in a timely manner.

The emphasis on priority sector spending in social and economic sectors has increased the revenue expenditure as percentage to GSDP in 2013-14 RE and 2014-15 BE. The MTFP proposes to continue with this resource allocation approach and provide higher level of funding to priority sectors. The MTFP, while restructuring the expenditure, keeps in consideration the fiscal targets to be achieved by the State in the medium term. As Sikkim remains a revenue surplus State, a balanced view was taken to focus on policy priority of the State Government without compressing the revenue expenditure to achieve the fiscal targets. In the medium term, efforts have been made to improve the revenue surplus through higher revenue generation and provide for the spending in the development sector. The encouraging trend that comes out of the expenditure structure is the rise in share of social and economic services in resource allocation.

The Government emphasized on the ongoing schemes to improve and schemes introduced in the last budget to build social and economic infrastructure in the budget 2014-15. There are several ongoing schemes, which were strengthened in this budget. The resource allocation in the MTFP has taken into consideration all the existing programmes. The existing and new schemes in various sectors like agriculture and rural development, health, education, tourism, and other infrastructure sectors underline the focus areas for the Government in the medium term. Based upon the announced policies of the State Government, the MTFP proposes to strengthen social and economic sector expenditure further by making adequate provisions. The social sector expenditure as percent of GSDP increases from 12.20 per cent in 2014-15 BE to 13.77 per cent in 2016-17. Similarly, the expenditure under economic services has increased from 10.52 to 11.47 per cent during this period. The general services also experienced a rise.

The revenue expenditure, because of the proposed restructuring and prioritized allocation of resources to different sector, rises from 33.17 per cent to GSDP in 2014-15 BE to 36.83 per cent in 2016-17 (Table 11). The rise in revenue expenditure during the projection period accommodates the flow funds from the Central Government for the CSS starting from 2014-15, which were off-budget earlier. The MTFP takes a balanced view between keeping the focus on social and economic sectors intact and continue on the path of fiscal consolidation. The rise in revenue expenditure does not reduce the revenue surplus, which is used for higher capital expenditure and stabilize the fiscal deficit.

The capital expenditure in the State has been revised after its fall in 2010-11 as percentage to the GSDP. The capital expenditure has increased from 9.1 per cent 2012-13 to 13.3 per cent in 2014-15 (BE) as percent to GSDP. As the fiscal deficit is stabilized at 3 per cent to GSDP and revenue account surplus has been growing in the medium term, the capital expenditure is allowed to grow during the MTFP period. The capital expenditure increased from 13.34 per cent to GSDP in 2014-15 (BE) to 14.76 per cent in 2016-17. The capital expenditure is raised during the MTFP period aligned with the fiscal targets. The MTFP keeps the requirements of infrastructural development in the State while projecting the capital expenditure.

Debt and Deficit under MTFP

The revenue surplus profile, which indicates a rising trend during the MTFP period, is given in Table 11. The rise in revenues that includes central transfers and controlled increase in revenue expenditure resulted in higher revenue surplus. The fiscal deficit has been estimated to remain at 3 per cent level starting with the 2014-15 (BE). The fiscal deficit target complies with the fiscal adjustment prescribed by the TFC at 3 per cent and the MTFP continues with this target for the year 2015-16 and 2016-17, which are beyond the award period of the TFC.

The emerged fiscal profile shows that the outstanding debt is also stabilized below 30 per cent relative to GSDP. This debt-GSDP ratio path remains lower than that of the debt path for Sikkim proposed by the TFC. The TFC has assumed a debt-GSDP ratio of 58.80 per cent in 2013-14, and 55.90 per cent in 2014-15 (see Report of TFC, Annex 9.1, pp 409). It needs to be emphasized here that the State Government is committed to strengthen the fiscal consolidation process and achieve the objectives of the FRBM Act.

Box 1
Proposed MTFP Targets

Macro Parameters

- Nominal Growth of GSDP as prescribed by the TFC, 11.25 per cent

Revenue Resources

- Sales tax assumes a buoyancy of 1.2 as against the observed buoyancy of 0.738
- The state excise duty assumes a buoyancy of 0.750.
- The stamp duty and registration fees assumes a buoyancy of 0.800
- Motor Vehicle tax assumes a buoyancy of 1.00
- Other taxes assumes a buoyancy of 1.570

Expenditure Projections

- Pension payments are projected on the basis of the historical growth rates for pension payments for the period from 2004-05 to 2014-15 (BE). The observed growth of pension during this period was 29 per cent.
- The interest payments have been estimated on the basis of the effective rate of interest calculated on the base year (2012-13); value of interest payment divided by the stock of debt of the previous year.
- The growth rates in the area of high priority development expenditure in social services and within that, in health and education, are assumed to continue during the MTFP period.
- Social services expenditures will grow at the rate of 18.17 per cent per annum.
- Education expenditure will grow at the rate of 17.61 per cent per annum
- Health expenditure will grow at the rate of 17 per cent per annum.
- Capital expenditure to GSDP ratio is expected to increase from 13.34 per cent in 2014-15 (BE) to 14.76 per cent in 2016-17 with a growth rate of 17 per cent.

Deficit and Debt targets

- The MTFP projects the revenue surplus to increase from 10.34 per cent in 2014-15 to 11.76 per cent in 2016-17 relative to the GSDP.
- The fiscal deficit is projected to remain at 3 per cent level relative to the GSDP
- The outstanding debt to GSDP ratio is stabilized at 28 per cent starting from the budget year.

5. Conclusion

The MTFP indicates a stable and growth oriented fiscal policy for Sikkim. The improvement in fiscal situation in recent year has facilitated the resource allocation decisions taken in the medium term fiscal policy. The rise in production of electricity and growth of the manufacturing sector influenced the economic growth of the State in recent years. The fiscal policy has to create an enabling environment for further growth and socio-economic progress. The resource allocation in the medium term focuses on enhancing the capital expenditure and social and economic sector spending. The economy needs better infrastructure and human development to make progress. The State Government has initiated several schemes in the social and economic sectors in recent years. Despite the problem of cost disability, the State is committed to improving the service delivery spanning over the social and economic sector.

The MTFP safeguards the fiscal consolidation process and provides adequate resources to existing schemes in priority areas. The TFC recommended fiscal restructuring path ends in 2014-15. The MTFP, however, continues with the fiscal target set for fiscal deficit at 3 per cent. As debt stock in the State relative to the GSDP remains low, the debt-GSDP target remains stabilized.

The MTFP assumed higher buoyancy for the State taxes and augmented the revenue receipt in the medium term. In the revenue side, the need for improving revenue receipts is reflected in the changes in tax policies and tax administration measures. The Central transfers to the State are expected to rise due to the Central Government's policy of routing the CSS fund through State budget starting from 2014-15. However, the expenditure will rise to the same extent. The expenditure side restructuring in the MTFP was based on the priorities expressed Government's policies, and new schemes announced in the budget.

The favourable fiscal situation made it possible to increase the capital expenditure during the MTFP period. The rise in the capital expenditure will be instrumental in strengthening the infrastructure base in the State. The State Government will be able to enhance the level of capital expenditure, as the growth prospective for the state looks bright in the coming years. The debt burden of the State is already below the limits suggested by the TFC. With the decline in debt servicing obligation for the state based on realistic assumption with regard to the average cost of debt and the level of fiscal deficit, the debt burden will further decline.

While continuing with the fiscal consolidation process as envisioned in the TFC roadmap, the Government of Sikkim is committed to adhere to the fiscal restructuring path suggested by the 14th FC. Maintaining the fiscal discipline and stability, adequate resource allocation to social and economic sector and strengthening infrastructure base remains the priority for the State Government in the medium term..

Disclosures

Form D-1
(*See* Rule 4)
Select Fiscal Indicators

Sl. No.	Item	Previous Year 2012-13 (Actuals)	Current Year 2013-14 (RE)
1	Gross Fiscal Deficit as Percentage to GSDP	0.7	3.0
2	Revenue Deficit as Percentage of GSDP	-8.4	-10.5
3	Revenue Deficit as Percentage of Gross Fiscal Deficit	-1191	-350
4	Revenue deficit as Percentage of TRR	-23.75	-24.90
5	Debt Stock as Percentage of GSDP	29.5	29.7
6	Total Liabilities as Percentage to GSDP	29.5	29.7
7	Capital Outlay as Percentage of Gross Fiscal Deficit	276.9	1284.2
8	Interest Payment as Percentage of TRR	6.05	4.71
9	Salary Expenditure as Percentage of TRR	28.28	23.61
10	Pension Exp. As Percentage of TRR	6.85	6.46
11	Non-development Expenditure as Percentage of Aggregate Disbursements	28.78	27.71
12	Non-tax Revenue as Percentage of TRR	9.18	7.50

The negative sign in revenue deficit indicates surplus.

Form D-2
(*See* Rule 4)
Components of State Government Liabilities

Rs. Crore

Category	Raised during the fiscal year		Repayment during the fiscal year		Outstanding Amount (End March)	
	Previous Year (Actuals)	Current year (RE)	Previous Year (Actuals)	Current year (RE)	Previous Year (Actuals)	Current year (RE)
Internal Debt	195.22	373.46	61.58	66.07	1828.92	2136.31
Loan from Centre	1.59	14.50	9.54	10.73	149.04	152.81
State Provident Funds	219.92	204.19	174.57	201.56	624.15	626.78
Reserve Funds/Deposits	287.34	239.60	253.10	227.95	156.00	167.65
Other Liabilities					2758.11	3083.55

Form D-3
(*See* Rule 4)
Guarantees Given by the Government (Rs. Crore)

Sl.No	Name of the Institution to which Guarantees is given	Maximum Guarantee given	Remarks.
1	Sikkim Industrial Development & Investment Corporation Ltd.	161.42	
2	Scheduled Castes Scheduled Tribes and Other Backward Classes Development Corporation Ltd. (SABCO)	25.00	
	Total	186.42	

Form D-4

(*See* Rule 4)

Number of Employees in Public Sector Undertakings & Aided Institutions and Expenditure of State Government

Sl.No	Sector Name	Total Employees as on 31.3.2014	Related Expenditure Rs. Crore	
			On Salary	On Pension
A(a)	Regular government Employees	30903		
(b)	Work Charged	1636		
(c)	Muster Roll	10801		
(d)	Others	10739		
	Total	54079*	15.04**	
B	Public Sector Undertakings & Aided Institutions			
1	State Bank of Sikkim	314	11.05	
2	Govt. Fruit Preservation Factory	87	1.02	
3	Sikkim Hatcheries Pvt. Ltd	10	0.06	
4	Sikkim Poultry Dev corp.	5	0.04	
5	Sikkim Handloom and Handicraft Dev. Corp.	9	0.41	
6	Denzong Agricultural Co operative Society.	40	0.47	0.009
7	Sikkim State Co- Operative Bank Ltd.	60	2.11	0.22
8	Sikkim Co- Operative Milk Producers' Ltd.	133	1.73	0.10
9	Sikkim Schedule Caste & Schedule Tribe and Other Backward Classes Dev. Co operation Ltd. (SABCO)	23	0.95	
10	State Trading Corporation of Sikkim.	63	2.42	0.12
11	Sikkim Industrial Dev and Investment Corporation Ltd.	43	1.81	
12	Sikkim Tourism Dev. Corporation Ltd.	87	1.10	0.05
13	Sikkim State Co-Operative Supply & Marketing Federation Ltd.	88	2.42	0.026
14	Sikkim Power Dev. Corporation .	66	0.92	
15	Sikkim Consumers' Co operative Society Ltd.	26	0.37	
16	Sikkim Livestock Processing & Development Corporation Ltd	2	0.03	

*Number of Government Employees figure relates to the period up to 31.10.2012 as per Pension Data.
**Salary is for the financial year 2013-14. (Source:- Report on Employees & Pensioner's Database.