



GOVERNMENT OF SIKKIM
FINANCE, REVENUE AND EXPENDITURE DEPARTMENT
GANGTOK

Half Yearly Review Report: 2016-17

**Review of the Trends in Receipt and Expenditure in
relation to Budget 2016-17**

**Presented before the Sikkim Legislative Assembly as required under Sub
section (2) of section 7 of the Sikkim Fiscal Responsibility and Budget
Management Act. 2010**

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LIST OF ABBREVIATIONS

13thFC:	Thirteenth Finance Commission
14thFC:	Fourteenth Finance Commission
CSO:	Central Statistical Organization
CSS:	Centrally Sponsored Schemes
FRBM:	Fiscal Responsibility and Budget Management
GSDP:	Gross State Domestic Product
GST:	Goods and Services Tax
MTFP:	Medium Term Fiscal Plan
NEC:	North Eastern Council
NLCPR:	Non Lapsable Central Pool of Resources
VAT:	Value Added Tax

STATUTORY PROVISIONS CALLING FOR REVIEW

As a measure to enforce compliance to The Sikkim Fiscal Responsibility and Budget Management (FRBM), Act 2010, Section 7(2) of the Act, envisages the requirement of six monthly reviews. The provision of the said Act is reproduced below:

Section 7(2)

The Minister-in-charge of the Department of Finance shall review every quarter, the trends in receipts and expenditure in relation to the budget, remedial measures to be taken to achieve the budget targets and every half year place before the Legislative Assembly the outcome of such reviews while placing a statement :-

- (a) any deviation in meeting the obligations cast on the Government under this Act,
- (b) whether such deviation is substantial and relates to the actual or the potential budgetary outcomes; and
- (c) the remedial measures the Government proposes to take.

Review document for the six month period April-September 2016 is presented herewith.

CHAPTER 1: FISCAL POLICY OVERVIEW

1.1 Introduction:

The Sikkim Fiscal Responsibility and Budget Management Act of 2010 (FRBM Act) provides for presenting a Medium Term Fiscal Plan (MTFP) along with the State Budget in the State Legislative Assembly. The objective of presenting an MTFP is to give the detailed fiscal stance of the Government as envisioned in the budget in a transparent manner.

The Medium Term Fiscal Plan statement presented in the Legislature along with the budget documents 2016-17 has clearly stipulated the fiscal management principles, policy choices and fiscal stand enshrined in the Act. To ensure the fiscal stability and sustainability while providing efficient public service is the key feature of a growth oriented fiscal policy. The fiscal management principles provided in the Act call for maintenance of certain fiscal parameters in form of fiscal indicators.

As a measure to enforce compliance to the Sikkim Fiscal Responsibility and Budget Management, Act 2010, the Minister in-charge of the Department of Finance shall review every quarter, the trends in receipt and expenditure and achievements of targets in relation to the budget and every half year place before the Legislative Assembly the outcome of such reviews.

The fiscal path chalked out by the Thirteenth Finance Commission (13th FC) ended in 2014-15 and from the fiscal year 2015-16 to financial year 2019-20 the recommendations as stipulated by the Fourteenth Finance Commission (14th FC) has taken effect. The FRBM Act of the State will take into account the recommendations made by the 14th FC starting the fiscal year 2015-16.

The 14th Finance Commission has suggested measures to maintain a stable and sustainable fiscal environment consistent with equitable growth. The 14th Finance Commission, while anchoring the fiscal deficit at an annual limit of 3.0 percent, provided flexibility to the State to be eligible for up to 0.5 percent, 0.25 percent separately, for any given year satisfying certain conditions. The State can avail these

two additional limits to the fiscal deficit by achieving a debt-GSDP ratio of 25 percent or less and an interest payment below or equal to 10 percent of the revenue receipts. The State can avail these two additional limits if there is no revenue deficit in the year in which borrowing limits are to be fixed and the immediate preceding year. The flexibility in terms of enhanced limit to the fiscal deficit with conditions which increases the borrowing limit of the State will be useful for expanding the infrastructure. Necessary amendments to the State FRBM Act to reflect the statutory flexible limits on fiscal deficit and debt levels have been completed.

The 14th Finance Commission, based on the comparable GSDP figures prepared by the Central Statistical Organisation specifically for the use of the Commission, assumed a growth of 28.05 percent for the year 2014-15 and 24.32 percent for the period of 2015-16 to 2019-20 for Sikkim at current prices. This growth rate was used in the projection of revenue receipts and expenditure of the State for the assessment of State finances during the award period of the Commission. The high growth rate assumed by the 14th Finance Commission implies a higher nominal amount of GSDP in the award period of the Commission and a higher level of projected nominal revenue receipts.

At the same time, the 14th Finance Commission, however, has recommended using the average growth rate of the GSDP of the past three years to arrive at the borrowing ceilings of the State. The State Government has used the same methodology to arrive at the GSDP figures for the Budget year 2016-17.

1.2 Fiscal Profile of Budget 2016-17

Based on the recommendations of the 14th Finance Commission, the GSDP for 2016-17 is calculated at 18.64 percent growth on GSDP of 2013-14 (as published by Central Statistical Organization (CSO)). The growth rate used is the average growth rate of GSDP between the financial years 2011-12 to 2013-14. The GSDP figure thus calculated and used for 2016-17 was Rs.17446.00 crore in nominal terms. The 14th FC, however, has used GSDP of Rs. 25652.00 crore to project revenue receipts and expenditure of the State for 2016-17.

The 14th Finance Commission in its assessment of Own Revenue Receipts for 2016-17 projected Own Tax Revenue-GSDP Ratio and Own Non-Tax Revenue-GSDP Ratio at 4.66 percent and 1.33 percent respectively. However, the Own Tax Revenue-GSDP Ratio and Own Non-Tax Revenue-GSDP Ratio in Budget Estimate for 2016-17 were projected at 3.21 percent and 1.80 percent respectively. The calculation has been based on the trend growth in the preceding years. This however, is a decrease from the estimates projected at 3.20 percent and 2.01 percent respectively in the last fiscal year.

The fiscal profile of the Budget for 2016-17 has been outlined at Table 1. From the Table, it is seen that the Revenue Receipts for the State is 24.29 percent relative to GSDP. This is a decrease from 27.86 percent estimated last fiscal year. The Central Transfers for 2016-17 was projected at 19.28 percent of GSDP. There has been a decrease in Tax Devolution from 11.05 percent to 10.42 percent of GSDP and a decrease in Other Central Transfers from 11.29 percent to 8.86 percent of GSDP from that of last fiscal year.

The Revenue Expenditure for 2016-17 has been projected at 23.00 percent of GSDP and the Capital Expenditure projected at 4.29 percent of GSDP. The outlay under Capital Expenditure has decreased compared to last fiscal year. The reason for decrease is due to decrease in Central transfers under State Plan. There is a marginal increase of 0.56% of GSDP under Revenue Expenditure.

The State Government over the years have adhered to the FRBM targets and remained on the path of fiscal consolidation. The fiscal data shown in Table 1 indicates that the State has been maintaining surplus in the revenue account and limited the fiscal deficit to the level prescribed by the State FRBM Act. The revenue surplus is projected at 1.30 percent relative to GSDP in 2016-17. The projection of 3.0 percent fiscal deficit relative to GSDP is according to the management principle enshrined in the Sikkim Fiscal Responsibility and Budget Management Act, 2010.

Table 1: Budget Profile

Sl. No.	Particulars	Budget Estimate 2016-17 As % to GSDP
1	Revenue Receipts (2+8+9)	24.29
2	Own Tax Revenue(3+4+5+6+7)	3.21
3	Sales Tax	1.80
4	State Excise Duty	0.72
5	Motor Vehicle Tax	0.12
6	Stamp Duty and Registration	0.04
7	Other Taxes	0.54
8	Own Non Tax Revenue	1.80
9	Central Transfer (10+11)	19.28
10	Tax Devolution	10.42
11	Grants	8.86
12	Revenue Expenditure	23.00
13	General Services (14+15+16)	7.41
14	Interest Payment	1.62
15	Pension	2.39
16	Other General Services	3.40
17	Social Services (18+19+20)	7.71
18	Education	4.49
19	Medical and Public Health	0.98
20	Other Social Services	2.63
21	Economic Services	7.59
22	Compensation and Assignment to LBs	0.29
23	Capital Expenditure	4.29
24	Capital Outlay	4.29
25	Net Lending	0.08
26	Revenue Deficit (12-1)	-1.30
27	Fiscal Deficit (12+23-1)	3.00
28	Primary Deficit (27-14)	1.38
29	Outstanding Debt	23.18

Source: Medium Term Fiscal Plan for Sikkim 2016-17 to 2018-19

CHAPTER 2: TRENDS IN REVENUE AND EXPENDITURE

2.1 Revenue Profile

The Overall achievement under Revenues of the State during the half yearly period is 36.50 percent, which comprises of Tax Revenue of 44.06 percent, Non Tax Revenue of 45.97 percent and Central Transfers (Tax Devolution including Grants-in-Aid) of 34.36 percent. The trend of Revenue and the achievements/ shortfall under each sector has been analyzed in the latter part of the Report. The Summary of Revenue covering the first six months of the fiscal year 2016-17 is presented in Table 2.

Table 2: Summary of Revenue Profile

(Rupees in lakh)

Sl. No.	Items	B.E 2016-17	April-Sept 2016-17	% to budget
1	Revenue (2+3+4)	488531.81	178334.77	36.50
2	Own Tax revenue	64605.21	28466.50	44.06
3	Own Non-Tax Revenue	36225.59	16651.85	45.97
4	Central Transfers	387701.01	133216.42	34.36

Source: Civil Accounts for Sept, 2016

2.1.1 Own Tax Revenue and Central Transfers.

The State's Own Tax Revenue constitutes 13.22 percent relative to the total Revenue for 2016-17 and 3.70 percent relative to GSDP. The revenue from Sales Tax (VAT) is the major source of Own Tax Revenue, which comprises of 55.87 percent of the total own Tax revenue. The realization of 44.06 percent of Own Tax Revenue in the first half year is obviously an indication of improvement though not to the level of expected target. More efforts need to be taken towards revenue mobilization especially with respect to growing economic activities in the State. The profile of Own Tax Revenue and Central Transfers covering the first six months of the current financial year is presented in Table 3.

The relative share of State Excise in total Own Tax Revenue constitutes 22.36 percent during the current fiscal year and is also a significant contributor. It has been performing consistently well every year and achievement of 52.56 percent in the first half of the current financial year is above the expected target.

The Taxes on Vehicles under Sub Sector-Commodities and Services shows an achievement of 48.34 percent this fiscal year, which is within the target expected. The achievement of revenue under “Stamp Duties and Registration Fee” is 77.59 percent. The achievement under other taxes, which comprises of 16.86 percent of the total tax revenue, is at 37.36 percent.

The achievement of targets envisaged in the Budget Estimate is expected to grow in the second half of the fiscal year as per trends in the past and it is expected that the fiscal deficit parameters will be maintained. However a constant monitoring of revenue targets each quarter to ensure that the targets are achieved needs to be put in place by the departments concerned.

The major share of the total revenue of the State Government comes from the Central Transfers which comprises of 79.36 percent relative to the total revenue of the State. This includes the share of the Central Taxes and the Grants given both under Plan, Non-Plan and CSS. Estimated amount of the Central transfer including the Grant in the current financial year is 22.22 percent relative to GSDP. Total receipt up to the review period is 34.36 percent which is far below the expected release by Government of India. The release under Grants is at 24.38 percent. Plausible reasons as in the past years may be due to non-compliance of the conditions stipulated by the grantor and also difficulty of State Government to provide the necessary State Share.

Table 3: Summary of Own Tax Revenue and Central Transfers

(Rupees in lakh)

Sl. No.	Items	B.E 2016-17	April-Sept 2016-17	% to budget
1	Own Tax Revenue (2+3+4+5+6)	64605.21	28466.50	44.06
2	Sales Tax	36100.00	15050.62	41.69
3	State Excise Duties	14445.00	7592.52	52.56
4	Motor vehicle Tax	2400.00	1160.06	48.34
5	Stamp Duty and registration Fees	764.46	593.15	77.59
6	Other Taxes	10895.75	4070.15	37.36
7	Central Transfers (8+9)	387701.01	133216.42	34.36
8	Tax Devolution	209497.77	89778.21	42.85
9	Grants	178203.24	43438.21	24.38

Source: Civil Accounts for Sept, 2016

2.1.2 Own Non-Tax Revenue

The profile of the Non-Tax Revenue in the first six months of the current financial year 2016-17 is presented in Table 4. The State's Own Non Tax Revenue constitutes 7.42 percent relative to the total Revenue Receipt for 2016-17 and 2.08 percent relative to GSDP.

The relative share of Non Tax Revenue under General Services is 38.68%, the major contributors of which are Interest Receipts, Police and Lotteries. The receipt under Interests Receipts has exceeded the estimate for the half year mainly due to cash balance investment and better mobilization of Government Funds. The half yearly targets under Lotteries has been achieved. The receipt under Dividends and Profits has exceeded its budget estimate for the year by Rs 47.38 lakh.

This Non Tax Revenue achievement under General Services is however offset by the slow trend of receipt under Police and Stationary & Printing. The major portion of receipt under Police comprises of the inflow of funds pertaining to the reimbursement of Salaries of Police supplied to Government Agencies as well as Reimbursement of Salaries from Police Check-post. The receipt under this at 12.46 percent maybe due to delay in reimbursements and needs to be pursued as this also leads to loss of financial resources. The receipts under Stationary & Printing at 38.77 percent is below the target. Overall, the Non Tax Revenue Receipt under General Services at 37.81 percent is below the target.

The relative share of Non Tax Revenue under Social Services is 2.57 percent. Most of the departments under this sector have achieved their half yearly targets. The Urban Development & Housing Department has exceeded its target by a big margin i.e. Rs 71.59 lakh against annual target of Rs 41.12 lakh. Similarly, the Department of Labour has also exceeded its half yearly targets by Rs 25.93 lakh against an annual target of Rs 20.0 lakh. Overall, the Non Tax Revenue Receipt under Social Services at 67.77 percent is beyond the half yearly targets and it is expected that the targets beyond the estimated amount would be achieved.

The relative share of Non Tax Revenue under Economic Services is 58.76 percent, the major contributors of which are Power, Forest and Wildlife, Road Transport, Plantation and Tourism. There has been significant achievement in sectors like Animal Husbandry, Food Storage and Ware Housing, Co-operation, Non-Ferrous Mining & Metallurgical Industries, however, the revenue size of these sectors is very small.

The income from the power sector is quite significant in terms of constitution of Non Tax Revenue pool, which is 38.76 percent in the current fiscal year. This is an increase from 35.71 percent estimated last fiscal year. The total realization up to the review period is 50.66 percent, an increase from 44.40 percent for the same period last fiscal year.

Achievement of revenue by the sectors like Other Rural Development Programme and Village and Small Industries are not as per expectation. Additional efforts may be required to achieve the target.

Overall achievement during the half yearly period is 36.50 percent relative to the estimated target of total revenue receipt which comprises tax revenue of 44.06 percent, non-tax revenue of 45.97 percent and Central Transfers of 34.36 percent. The achievement of targets is expected to grow in the second half of the year as has been the trend in the past.

The departments who have underperformed during the first six months will have to ensure that the estimated targets are achieved. The reasons may be multiple but the issues need to be addressed to maintain the fiscal balance. It is required to maintain the revenue account balance and build up a revenue surplus for use in capital formation and productive expenditure that are the pillars of the Fiscal Management Principles and the targets adopted by the Government in FRBM Act, 2010.

Table 4: Summary of Non-Tax Revenue

(Rupees in lakh)

Sl. No.	Particulars	B.E. 2016-17	April- Sept 2016-17	Percentage to B.E
A	GENERAL SERVICES			
0049	Interest Receipts	3720.75	3402.73	91.45
0050	Dividends and profits	100.00	147.38	147.38
0051	Public Service Commission	2.00	2.56	128.00
0055	Police	5241.80	653.11	12.46
0056	Jails	0.20	0.12	60.00
0058	Stationery and Printing	181.00	70.18	38.77
0059	Public Works	422.00	400.71	94.95
0070	Other Administrative Services	238.13	281.46	118.20
0071	Contributions and Recoveries towards Pension and Other Retirement Benefits	750.00	338.96	45.19
0075	Misc. General Services	3355.02	0.04	-
Total A	GENERAL SERVICES	14010.90	5297.25	37.81
B	SOCIAL SERVICES			
0202	Education, Sports, Art & Culture	112.06	98.94	88.29
0210	Medical and Public Health	250.00	166.55	66.62
0215	Water Supply and Sanitation	426.00	209.66	49.22
0216	Housing	57.00	29.95	52.54
0217	Urban Development	41.12	71.59	174.10
0220	Information and Publicity	17.00	5.50	32.35
0230	Labour and Employment	20.00	45.93	229.65
0235	Social Security & Welfare	1.00	1.83	183.00
0250	Other Social Services	6.00	0.04	6.67
Total B	SOCIAL SERVICES	930.18	630.35	67.77
C	ECONOMIC SERVICES			
0401	Crop Husbandry	91.00	34.67	38.10
0403	Animal Husbandry	96.60	55.74	57.70
0404	Dairy Development	0.01	-	-
0405	Fisheries	2.80	1.76	62.86
0406	Forestry and Wild Life	1206.00	594.17	49.27
0407	Plantation	518.00	290.68	56.12
0408	Food Storage and Ware Housing	7.00	6.40	91.43
0425	Co-operation	1.60	1.72	107.50
0515	Other Rural Development Programme	150.00	17.27	11.51

0702	Minor Irrigation	20.00	10.41	52.05
0801	Power	14040.00	7097.20	50.66
0851	Village and Small Industries	25.00	6.00	24.00
0852	Industries	56.00	27.08	48.36
0853	Non-Ferrous Mining & Metallurgical Industries	8.00	5.21	65.13
1055	Road Transport	4700.00	2054.13	43.70
1452	Tourism	380.00	272.56	71.73
1475	Other General Economic Services	12.50	7.01	56.08
Total C	ECONOMIC SERVICES	21284.51	10482.01	49.25
Total	NON TAX REVENUE	36225.59	16651.85	45.97

Source: Annual Financial Statement 2016-17 and Civil Accounts, Sept, 2016

2.2 Summary of Expenditure

The total expenditure of the State Government comprises of 31.54 percent relative to GSDP. The overall expenditure under the period of review this fiscal year is 37.15 percent with 39.07 percent expenditure under Revenue Sector and 26.49 percent expenditure under Capital Sector.

The slow trend of the expenditure in the first part of the financial year has remained a regular trend as it is reflective in the past years data as huge chunk of the expenditure is dependent on the grants provided by the Central Government. Substantial time is required for preparation of Action Plan for Operation (APOs). The compliance of procedural requirements which involves the preparation of the detailed estimates, designs and specification and obtaining the approval of the Government takes time. This obviously deters the timely execution of Government Plans. The delay in execution of the schemes in the first half of the financial year and resultant slow trend of the expenditure especially in Capital Sector is a logical sequence.

The Summary of Expenditure both under Revenue and Capital Account is shown in Table 5:

Table 5: Summary of Expenditure

Rs. in lakh

Sl. No.	Sectors	Budget Estimate 2016-17			Expenditure 2016-17 April-Sept	Percentage to B.E
		Plan	Non Plan	Total		
A	Revenue Account (1+2+3+4)	188449.79	277494.22	465944.01	182067.61	39.07
1	General Services	2624.77	149844.33	152469.10	65610.10	43.03
2	Social Services	78153.24	76867.08	155020.32	64651.11	41.70
3	Economic Services	107671.78	44918.70	152590.48	51611.06	33.82
4	Grants in Aid and Contribution	-	5864.11	5864.11	195.34	3.33
B	Capital Account (1+2+3)	84242.53	-	84242.53	22317.62	26.49
1	General Services	7260.47	-	7260.47	2866.42	39.48
2	Social Services	34203.90	-	34203.90	8121.84	23.75
3	Economic Services	42778.16	-	42778.16	11329.36	26.48
C	Grand Total	272692.32	277494.22	550186.54	204385.23	37.15

Source: Annual Financial Statement 2016-17 and Civil Accounts, Sept, 2016

2.2.1 Revenue Expenditure

The Summary of Revenue Expenditure has been tabulated in Table 6. The overall achievement of expenditure under Revenue Account is 39.07 percent during the first half of the fiscal year. The expenditure under Non-plan is within target but the expenditure under Plan is substantially low due to non-receipt of funds from the Central Government.

Table 6: Revenue Expenditure

Rs. in lakh

Sl. No.	Heads of Accounts	BUDGET ESTIMATE 2016-17			EXPENDITURE 2016-17	
		Plan	Non Plan	Total	Expenditure April-Sept.	Percentage to B.E
A	GENERAL SERVICES					
2011	Parliament/State/Union Territory Legislature	-	1666.43	1666.43	754.27	45.26
2012	President, Vice President/Governor,	-	635.45	635.45	258.33	40.65
2013	Council of Ministers	-	1258.80	1258.80	656.19	52.13
2014	Administration of Justice	-	3788.76	3788.76	1445.08	38.14

2015	Elections	-	797.19	797.19	456.66	57.28
2020	Collection of Taxes on Income & Expenditure	-	149.60	149.60	57.86	38.68
2029	Land Revenue	-	1118.02	1118.02	357.37	31.96
2030	Stamps & Registration	-	20.00	20.00	3.66	18.30
2039	State Excise	-	601.38	601.38	303.28	50.43
2040	Taxes on Sales, Trade etc.	-	562.44	562.44	287.37	51.09
2041	Taxes on Vehicles	-	286.36	286.36	176.34	61.58
2045	Other Taxes & Duties on Commodities & Services	-	8654.61	8654.61	79.55	0.92
2047	Other Fiscal Services	-	3500.00	3500.00	0.00	0.00
2048	Appropriation for reduction or avoidance of debt	-	1200.00	1200.00	1200.00	100.00
2049	Interest Payments	-	32517.94	32517.94	11467.80	35.27
2051	Public Services Commission	-	385.33	385.33	183.44	47.61
2052	Secretariat -General Services	-	3778.14	3778.14	2029.99	53.73
2053	District Administration	38.50	1897.68	1936.18	1221.99	63.11
2054	Treasury and Accounts Administration.	-	1666.86	1666.86	813.69	48.82
2055	Police	-	28339.03	28339.03	15162.32	53.50
2056	Jails	-	663.37	663.37	370.63	55.87
2058	Stationery and Printing	373.62	705.32	1078.94	501.04	46.44
2059	Public Works	312.39	2315.45	2627.84	1344.50	51.16
2062	Vigilance	-	1011.94	1011.94	509.12	50.31
2070	Other Administrative Services	1900.26	2315.32	4215.58	2847.59	67.55
2071	Pensions and Other Retirement Benefits	-	48111.66	48111.66	22808.78	47.41
2075	Miscell. General Services	-	1897.25	1897.25	313.25	16.51
A	GENERAL SERVICES	2624.77	149844.33	152469.10	65610.10	43.03
B	SOCIAL SERVICES					
2202	General Education	37513.01	52769.89	90282.87	41700.90	46.19
2203	Technical Education	106.43	-	106.43	42.19	39.64
2204	Sports and Youth Services	860.12	390.81	1250.93	591.15	47.26
2205	Art and Culture	524.72	419.52	944.24	400.20	42.38
2210	Medical and Public Health	8362.17	11404.50	19766.67	8665.17	43.84
2211	Family Welfare	2384.20	-	2384.20	986.37	41.37
2215	Water Supply & Sanitation	1714.71	2095.76	3810.47	2342.25	61.47
2216	Housing	2918.82	530.96	3449.78	474.32	13.75
2217	Urban Development	9457.01	867.97	10324.98	869.39	8.42
2220	Information and Publicity	530.40	452.63	983.03	507.04	51.58
2225	Welfare of S/C, S/T and Other Backward classes.	4393.62	474.32	4867.94	587.25	12.06
2230	Labour & Employment	481.52	357.52	839.04	324.53	38.68
2235	Social Security & Welfare	7580.72	936.45	8517.17	1956.14	22.97
2236	Nutrition	1080.99	142.10	1223.09	174.38	14.26
2245	Relief on Account of Natural Calamities	244.80	3277.68	3522.48	2732.45	77.57
2250	Other Social Services	-	2696.39	2696.39	2282.38	84.65
2251	Secretariat- Social Services	-	50.61	50.61	15.00	29.64

B	SOCIAL SERVICES	78153.24	76867.08	155020.32	64651.11	41.70
C	ECONOMIC SERVICES					
2401	Crop Husbandry	11511.76	3492.40	15004.16	2870.93	19.13
2402	Soil & Water Conservation	2724.50	789.68	3514.18	471.24	13.41
2403	Animal Husbandry	1069.74	2891.24	3960.98	1882.66	47.53
2404	Dairy Development	17.10	78.26	95.36	40.50	42.47
2405	Fisheries	127.50	444.42	571.92	270.50	47.30
2406	Forestry & Wild Life	3707.03	3720.43	7427.46	3999.62	53.85
2407	Plantations	20.00	646.60	666.60	293.07	43.96
2408	Food, Storage & Warehousing	160.53	1836.27	2016.80	497.70	24.68
2425	Co-operation	363.48	1030.14	1393.62	705.99	50.66
2435	Other Agricultural Programmes	2818.84	-	2818.84	162.58	5.77
2501	Special Programmes for Rural Development	2582.90	-	2582.90	1406.84	54.47
2505	Rural Employment	12210.00	-	12210.00	9402.61	77.01
2506	Land Reforms	3464.07	-	3464.07	1160.90	33.51
2515	Other Rural Development Programmes	6121.16	413.50	6780.94	1694.60	24.99
2575	Other Special Area Programmes	200.00	-	200.00	-	-
2702	Minor Irrigation	14582.27	294.65	14876.92	964.88	6.49
2711	Flood Control & Drainage	552.01	10.00	562.01	4.70	0.84
2801	Power	5182.56	17123.21	22305.77	15235.33	68.30
2810	Non-Conventional Sources of Energy	100.00	-	100.00	-	-
2851	Village and Small Industries	2955.56	955.75	3911.31	1075.58	27.50
2852	Industries	1790.91	15.01	1805.92	116.57	6.45
2853	Non-ferrous Mining & Metallurgical Industries	187.84	291.74	479.58	235.90	49.19
3054	Roads and Bridges	4705.81	5350.42	10056.23	4411.81	43.87
3055	Road Transport	620.30	4268.24	4888.54	3153.09	64.50
3425	Other Scientific Research	273.43	-	273.43	140.12	51.25
3435	Ecology and Environment	280.50	-	280.50	47.14	16.81
3451	Secretariat-Economic Services	26510.82	73.26	26584.08	214.32	0.81
3452	Tourism	992.79	686.11	1678.90	700.26	41.71
3454	Census Surveys & Statistics	1549.31	291.10	1840.41	324.49	17.63
3456	Civil Supplies	-	91.76	91.76	53.61	58.42
3475	Other General Economic Services	289.06	124.51	413.57	73.52	17.78
C	ECONOMIC SERVICES	107671.78	44918.70	152590.48	51611.06	33.82
D	GRANTS IN AID & CONTRIBUTION					
3604	Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	-	5864.11	5864.11	195.33	3.33
D	GRANTS IN AID & CONTRIBUTION	-	5864.11	5864.11	195.33	3.33
E	TOTAL OF REVENUE ACCOUNT (A+B+C+D)	188449.79	277494.22	465944.01	182067.61	39.07

Source: Annual Financial Statement 2016-17 and Civil Accounts, Sept, 2016

2.2.2 Capital Expenditure

The detailed Expenditure profile under Capital Sector is presented in Table 7 below. The overall expenditure in the Capital Sector is 26.49 percent during the first half of the fiscal year. Many sectors have not met the half yearly targets. The reasons may include delay in land acquisition and therefore delay in starting of the work, delay in utilization of previous installment, delay in submission of Utilization Certificate, non-receipt of State Share and non-receipts of Central Grants.

The Capital expenditure is usually met from Central Grants and borrowed sources and meant for creating material asset for sustainable development of the State. Timely implementation of the scheme with planned strategy is of paramount importance.

Table 7: Capital Expenditure

Rs. in lakh

Sl. No.	Heads of Accounts	BUDGET ESTIMATE 2016-17			EXPENDITURE 2016-17	
		Plan	Non Plan	Total	April-Sept.	Percentage to B.E
A	CAPITAL ACCOUNT OF GENERAL SERVICES					
4055	Capital Outlay of Police	700.00	-	700.00	26.49	3.78
4059	Capital Outlay on Public Works	6560.47	-	16560.47	2839.93	43.29
A	CAPITAL ACCOUNT OF GENERAL SERVICES	7260.47	-	7260.47	2866.42	39.48
B	CAPITAL ACCOUNT OF SOCIAL SERVICES					
4202	Capital Outlay on Education, Sports, Art and Culture	4919.17	-	4919.17	99.74	2.03
4210	Capital Outlay on Medical and Public Health	6175.40	-	6175.40	4849.65	78.53
4215	Capital Outlay on Water Supply and Sanitation	14562.16	-	14562.16	2491.95	17.11
4216	Capital Outlay on Housing	146.32	-	146.32	124.13	84.83
4217	Capital Outlay on Urban Development	5926.57	-	5926.57	480.30	8.10
4220	Capital Outlay on Information and Publicity	39.49	-	39.49	19.42	49.18
4225	Capital Outlay on Welfare of SC, ST & OBC	2434.79	-	2434.79	56.65	2.33

B	CAPITAL ACCOUNT OF SOCIAL SERVICES	34203.90	-	34203.90	8121.84	23.75
C	CAPITAL ACCOUNT OF ECONOMIC SERVICES					
4401	Capital Outlay on Crop Husbandry	430.06	-	430.06	71.28	16.57
4403	Capital Outlay on Animal Husbandry	1147.49	-	1147.49	27.72	2.42
4405	Capital Outlay on Fisheries	560.05	-	560.05	-	-
4406	Capital Outlay on Forestry and Wildlife	550.00	-	550.00	-	-
4425	Capital Outlay on Cooperation	100.00	-	100.00	-	-
4435	Capital Outlay on other Agricultural Programmes	85.45	-	85.45	-	-
4515	Capital Outlay on other Rural Development Programmes	1023.16	-	1023.16	765.38	74.81
4575	Capital Outlay on other Special Areas Programmes	3800.00	-	3800.00	481.20	12.66
4711	Capital Outlay on Flood Control Projects	1000.00	-	1000.00	20.23	2.02
4801	Capital Outlay on Power Projects	9892.69	-	9892.69	866.77	8.76
4860	Capital Outlay on Consumer Industries	95.08	-	95.08	-	-
5054	Capital Outlay on Roads and Bridges	20360.72	-	20360.72	7863.13	38.62
5055	Capital Outlay on Road Transport	217.46	-	217.46	135.71	62.41
5425	Capital Outlay on Other Scientific and Environmental Research	6.00	-	6.00	-	-
5452	Capital Outlay on Tourism	3510.00	-	3510.00	1097.94	31.28
C	CAPITAL ACCOUNT OF ECONOMIC SERVICES	42778.16	-	42778.16	11329.36	26.48
D	TOTAL OF CAPITAL ACCOUNT (A+B+C)	84242.53	-	84242.53	22317.62	26.49

Source: Annual Financial Statement 2016-17 and Civil Accounts, Sept, 2016

CHAPTER 3: FISCAL TARGETS, GUARANTEE & DEBT LEVELS

3.1 Fiscal Targets and Additional Borrowing

3.1.1 Fiscal Targets

The Government of Sikkim, as per the FRBM Act 2010, is required to achieve the following mandatory fiscal targets:

1. Maintain revenue account balance beginning from the year 2011-12;
2. Reduce the fiscal deficit to 3.5 percent of the estimated Gross State Domestic Product in each of the financial year starting from 2011-12 and reduce the fiscal deficit to not more than 3.0 percent of the estimated GSDP at the end of 31st March 2014 and adhere to it thereafter;
3. Cap the total outstanding guarantees within the specified limit under the Sikkim Ceiling on Government Guarantees Act, 2000 (21 of 2000);
4. Ensure that the outstanding debt-GSDP ratio follows a sustainable path emanating from the above targets of the deficit as specified by the Government beginning from the fiscal year 2011-12.

3.1.2 Additional Borrowing and Amendment to the FRBM Act, 2010

The 14th Finance Commission in its recommendation vide Sub-paragraph (i) to (iv) of the paragraph 14.64 has recommended fiscal deficit targets and additional annual borrowing limits for the States.

The Commission has anchored the fiscal deficit at an annual limit of 3.0 percent of GSDP. The State will be eligible for flexibility of 0.25 percent over and above this limit for any given year for which the borrowing limits are to be fixed if their debt-GSDP ratio is less than or equal to 25 percent in the preceding year. The State will be further eligible for an additional borrowing limit of 0.25 percent of GSDP in a given year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10 percent of the revenue receipts in the preceding year. The two options under these flexibility provisions can be availed by the State either separately, if any of the above criteria is fulfilled, or simultaneously if both the above stated

criteria are fulfilled. Thus, the State can have a maximum fiscal deficit –GSDP limit of 3.5 percent in any given year. The State will be able to avail these additional limits if there is no revenue deficit in the year in which borrowing limits are to be fixed and the immediate preceding year.

The flexibility in terms of enhanced limit to the fiscal deficit with conditions which increases the borrowing limit of the State will be useful to expanding the infrastructure. The Fiscal Responsibility and Budget Management Act, 2010 has been suitably amended to reflect the statutory flexibility limits on fiscal deficit.

The total Debt of the State for 2014-15 was Rs. 3481.44 crore and the Debt-GSDP ratio, therefore works out to 19.95 per cent of GSDP. Similarly, the total Debt of the State for 2015-16 was Rs. 4058.38 crore and the Debt-GSDP ratio works out to 23.26 percent of GSDP. The Debt –GSDP ratios for both 2013-14 and 2014-15 is less than 25 percent of Debt-GSDP ratio and thus the State qualifies for the first criteria for 0.25 percent additional borrowing.

The Interest Payments and Revenue Receipts of the State for 2014-15 is Rs. 239.54 crore and Rs. 4461.95 crore respectively. Interest payments-Revenue receipts ratio for 2014-15 is 5.37 percent. Similarly, Interest Payments and Revenue Receipts of the State for 2015-16 is Rs. 273.26 crore and Rs. 4853.67 crore respectively. Interest payments-Revenue Receipts ratio for 2015-16 is 5.63 percent. The Interest payments-Revenue Receipts ratio for both 2014-15 and 2015-16 are less than 10 percent and thus the State qualifies for the second criteria for 0.25 additional borrowing.

The 14th Finance Commission also specifies that the flexibility in availing the additional limit under either of the two options or both will be available to a State only if there is no Revenue Deficit in the year in which borrowing limits are to be fixed and the immediately preceding year. There is no Revenue Deficit in the year 2015-16 and 2016-17 and thus the State qualifies the requirement of 0.5 percent additional borrowing in 2016-17.

3.2 Guarantees Given by the State Government

One of the fiscal management principles envisaged in the Sikkim Fiscal Responsibility and Budget Management Act 2010 is to manage the guarantees at sustainable level. 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 sums guaranteed by the State Government as on the date of review is within the permissible limit prescribed by the Sikkim Government Guarantee Act, 2000.

3.3 Public Debt and Small Savings

As per the Sikkim Fiscal Responsibility and Budget Management Act, 2010, read with Sikkim Fiscal Responsibility and Budget Management (Amendment) Act, 2011 and Sikkim Fiscal Responsibility and Budget Management (Amendment) Act, 2016 the prudent and the sustainable debt management consistent with the fiscal stability and sustainability through limits on State Government's borrowings, including off budget borrowings is one of the fiscal management principles to be adopted by the State Government.

The 14th Finance Commission vide Clause 14.70 of its Report has also fixed ceiling on Debt-GSDP ratio for Sikkim for the period of its Award i.e. 2015-16 to 2019-20. The ceilings to be fixed for the period 2015-16 to 2019-20 are given in the Table 8 below:

Table 8: Ceilings for Debt-GSDP as prescribed by 14th Finance Commission

Year	Maximum debt stock as percentum of Gross State Domestic Product (GSDP)
2015-16	20.63
2016-17	20.09
2017-18	19.66
2018-19	19.32
2019-20	19.04

The details of Public Debt including Small Saving and Provident Fund for current fiscal year up to September 2016 is detailed at Table 9.

Table 9: Public Debt including Small Saving and Provident Fund

Rupees in lakh

Heads of Accounts	Particulars	Actual up to September 2016		
		Receipt	Payment	Balance
6003	Internal Debt of the State Government	22865.64	9004.43	13861.21
6004	Loans & Advances from Central Govt	504.01	429.13	74.88
7610	Loans and Advances	4.69	0.00	4.69
Total	Public Debt	23374.34	9433.56	13940.78
8009	State Provident Fund	13084.41	13969.93	-885.52
8011	Insurance and Pension fund	183.78	148.18	35.60
Total	Total Debt	36642.53	23551.67	13090.86

Source: Civil Accounts for September, 2016

3.4 Conclusion

The revenues of the State Government are on the lower side especially under the Central Transfers. The expenditure has also been on the lower side again due to lesser transfers from the Central Government. The less transfers would be offset by the lesser expenditure incurred and thus would not disturb the fiscal balances.

Against the targeted Fiscal Deficit of 3.0 percent of GSDP prescribed by the Finance Ministry, Government of India, in consonance with the fiscal Law adopted by the State Government and given the trend of Revenues and Expenditures and also the trend of Public Debt in the first half year, the State Government shall be well within the fiscal parameter during the year.