



**GOVERNMENT OF SIKKIM**  
**FINANCE, REVENUE AND EXPENDITURE DEPARTMENT**  
**GANGTOK**

## **Half Yearly Review Report: 2017-18**

**Review of the Trends in Receipt and Expenditure in  
relation to Budget 2017-18**

**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 2017 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 2017-18 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 (13<sup>th</sup> 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 (14<sup>th</sup> FC) has taken effect. The FRBM Act of the State will take into account the recommendations made by the 14<sup>th</sup> FC starting the fiscal year 2015-16.

The 14<sup>th</sup> Finance Commission has suggested measures to maintain a stable and sustainable fiscal environment consistent with equitable growth. The 14<sup>th</sup> 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 made/carried out.

The 14<sup>th</sup> 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 14<sup>th</sup> 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 14<sup>th</sup> 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 2017-18.

## **1.2 Fiscal Profile of Budget 2017-18**

Based on the recommendations of the 14<sup>th</sup> 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 2017-18 was ₹20310.25 crore in nominal terms. The 14<sup>th</sup> FC, however, has used GSDP of ₹31891.00 crore to project revenue receipts and expenditure of the State for 2017-18.

The 14<sup>th</sup> Finance Commission in its assessment of Own Revenue Receipts for 2017-18 projected Own Tax Revenue-GSDP Ratio and Own Non-Tax Revenue-GSDP Ratio at 5.11 percent and 1.24 percent respectively. However, the Own Tax Revenue-GSDP Ratio and Own Non-Tax Revenue-GSDP Ratio in Budget Estimate for 2017-18 were projected at 3.30 percent and 2.10 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 3.42 percent and 2.15 percent respectively in the last fiscal year.

The fiscal profile of the Budget for 2017-18 has been outlined at Table 1. From the Table, it is seen that the Revenue Receipts for the State is 26.22 percent relative to GSDP. This is a increase from 24.29 percent estimated last fiscal year. The Central Transfers for 2017-18 was projected at 20.83 percent of GSDP. There has been a increase in Tax Devolution from 10.42 percent to 12.20 percent of GSDP and a decrease in Other Central Transfers from 8.86 percent to 8.63 percent of GSDP from that of last fiscal year.

The Revenue Expenditure for 2017-18 has been projected at 22.72 percent of GSDP and the Capital Expenditure projected at 6.30 percent of GSDP. The outlay under Capital Expenditure has increased compared to last fiscal year. The reason for increase is due to increase in Central transfers under State Plan.

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 3.51 percent relative to GSDP in 2017-18. The projection of 2.79 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**

<b>Sl. No.</b>	<b>Particulars</b>	<b>Budget Estimate 2017-18 As % to GSDP</b>
1	<b>Revenue Receipts (2+8+9)</b>	<b>26.22</b>
2	<b>Own Tax Revenue(3+4+5+6+7)</b>	<b>3.29</b>
3	Sales Tax	1.91
4	State Excise Duty	0.76
5	Motor Vehicle Tax	0.14
6	Stamp Duty and Registration	0.04
7	Other Taxes	0.44
8	<b>Own Non Tax Revenue</b>	<b>2.10</b>
9	<b>Central Transfer (10+11)</b>	<b>20.83</b>
10	Tax Devolution	12.20
11	Grants	8.63
12	<b>Revenue Expenditure</b>	<b>22.72</b>
13	<b>General Services (14+15+16)</b>	<b>8.13</b>
14	Interest Payment	1.82
15	Pension	2.67
16	Other General Services	3.63
17	<b>Social Services (18+19+20)</b>	<b>7.60</b>
18	Education	4.59
19	Medical and Public Health	1.15
20	Other Social Services	2.04
21	<b>Economic Services</b>	<b>6.66</b>
22	<b>Compensation and Assignment to LBs</b>	<b>0.33</b>
23	<b>Capital Expenditure</b>	<b>6.30</b>
24	Capital Outlay	6.22
25	Net Lending	0.08
26	<b>Revenue Deficit (12-1)</b>	<b>-3.51</b>
27	<b>Fiscal Deficit (12+23-1))</b>	<b>2.79</b>
28	<b>Primary Deficit (27-14)</b>	<b>0.97</b>
29	<b>Outstanding Debt</b>	<b>24.95</b>

*Source: Medium Term Fiscal Plan for Sikkim 2017-18 to 2019-20*



## 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 46.26 percent, which comprises of Tax Revenue of 41.33 percent, Non Tax Revenue of 74.84 percent and Central Transfers (Tax Devolution including Grants-in-Aid) of 44.16 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 2017-18 is presented in Table 2.

**Table 2: Summary of Revenue Profile**

(₹ in lakh)

Sl. No.	Items	B.E 2017-18	April-Sept 2017-18	% to budget
1	Revenue (2+3+4)	532631.41	246412.29	46.26
2	Own Tax revenue	66951.31	27670.52	41.33
3	Own Non-Tax Revenue	42645.71	31914.15	74.84
4	Central Transfers	423034.39	186827.62	44.16

*Source: Civil Accounts for Sept, 2017*

#### 2.1.1 Own Tax Revenue and Central Transfers.

The State's Own Tax Revenue constitutes 12.56 percent relative to the total Revenue for 2017-18 and 3.29 percent relative to GSDP. The revenue from Sales Tax (VAT) is the major source of Own Tax Revenue, which comprises of 57.99 percent of the total own Tax revenue. The realization of 41.33 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 23.15 percent during the current fiscal year and is also a significant contributor. It has been performing consistently well every year and achievement of 45.85 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 51.37 percent this fiscal year, which is within the target expected. The achievement of revenue under “Stamp Duties and Registration Fee” is 78.77 percent. The achievement under other taxes, which comprises of 13.43 percent of the total tax revenue, is at 45.96 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 79.42 percent relative to the total revenue of the State. This includes the share of the Central Taxes and the Grants. Estimated amount of the Central transfer including the Grant in the current financial year is 20.82 percent relative to GSDP. Total receipt up to the review period is 44.16 percent which is below the expected release by Government of India. The release under Grants is at 36.65 percent.

**Table 3: Summary of Own Tax Revenue and Central Transfers**

(₹ in lakh)

Sl. No.	Items	B.E 2017-18	April-Sept 2017-18	% to budget
<b>1</b>	<b>Own Tax Revenue (2+3+4+5+6)</b>	<b>66951.31</b>	<b>27670.52</b>	<b>41.33</b>
2	Sales Tax	38826.00	14351.14	<b>36.96</b>
3	State Excise Duties	15500.00	7106.28	<b>45.85</b>
4	Motor vehicle Tax	2850.00	1464.07	<b>51.37</b>
5	Stamp Duty and registration Fees	782.46	616.31	<b>78.77</b>
6	Other Taxes	8992.85	4132.72	<b>45.96</b>
<b>7</b>	<b>Central Transfers (8+9)</b>	<b>423034.39</b>	<b>186827.62</b>	<b>44.16</b>
8	Tax Devolution	247778.01	122592.44	<b>49.48</b>
9	Grants	175256.38	64235.18	<b>36.65</b>

Source: Civil Accounts for Sept, 2017

### **2.1.2 Own Non-Tax Revenue**

The profile of the Non-Tax Revenue in the first six months of the current financial year 2017-18 is presented in Table 4. The State's Own Non Tax Revenue constitutes 8.00 percent relative to the total Revenue Receipt for 2017-18 and 2.10 percent relative to GSDP.

The relative share of Non Tax Revenue under General Services is 40.61%, the major component of receipts are Interest Receipts and Police which stands at 80.30% and 70.73% respectively. 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 receipt under Dividends and Profits has exceeded its budget estimate for the year by ₹44.84 lakh.

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 relative share of Non Tax Revenue under Social Services is 2.41 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. ₹ 98.97 lakh against annual target of ₹48.22 lakh. Similarly, the Department of Labour has also exceeded its half yearly targets by ₹ 11.29 lakh against an annual target of ₹ 30.0 lakh. Overall, the Non Tax Revenue Receipt under Social Services at 61.51 percent.

The relative share of Non Tax Revenue under Economic Services is 56.96 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 37.54 percent in the current fiscal year. The total realization up to the review period is 103.45 percent, an increase from 50.66 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 46.26 percent relative to the estimated target of total revenue receipt which comprises tax revenue of 41.33 percent, non-tax revenue of 74.84 percent and Central Transfers of 44.16 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 which 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**

(₹ in lakh)

Sl. No.	Particulars	B.E. 2017-18	April- Sept 2017-18	Percentage to B.E
<b>A</b>	<b>GENERAL SERVICES</b>			
<b>0049</b>	Interest Receipts	5040.75	4047.92	<b>80.30</b>
<b>0050</b>	Dividends and profits	100.00	144.84	<b>144.84</b>
<b>0051</b>	Public Service Commission	2.00	19.26	<b>963.00</b>
<b>0055</b>	Police	5274.02	3730.25	<b>70.73</b>
<b>0056</b>	Jails	0.20		
<b>0058</b>	Stationery and Printing	185.00	102.73	<b>55.53</b>
<b>0059</b>	Public Works	437.00	442.71	<b>101.31</b>
<b>0070</b>	Other Administrative Services	482.94	283.75	<b>58.75</b>
<b>0071</b>	Contributions and Recoveries towards Pension and Other Retirement Benefits	800.00	-20.40	<b>-2.55</b>
<b>0075</b>	Misc. General Services	5000.02	2906.95	<b>58.14</b>
<b>Total A</b>	<b>GENERAL SERVICES</b>	<b>17321.93</b>	<b>11658.01</b>	<b>67.30</b>
<b>B</b>	<b>SOCIAL SERVICES</b>			
<b>0202</b>	Education, Sports, Art & Culture	115.06	81.06	<b>70.45</b>
<b>0210</b>	Medical and Public Health	250.00	119.48	<b>47.79</b>
<b>0215</b>	Water Supply and Sanitation	500.00	239.41	<b>47.88</b>
<b>0216</b>	Housing	60.00	33.34	<b>55.57</b>
<b>0217</b>	Urban Development	48.22	98.97	<b>205.25</b>
<b>0220</b>	Information and Publicity	17.00	11.66	<b>68.59</b>
<b>0230</b>	Labour and Employment	30.00	41.29	<b>137.63</b>
<b>0235</b>	Social Security & Welfare	3.14	7.92	<b>252.23</b>
<b>0250</b>	Other Social Services	6.00	0.08	<b>1.33</b>
<b>Total B</b>	<b>SOCIAL SERVICES</b>	<b>1029.42</b>	<b>633.21</b>	<b>61.51</b>
<b>C</b>	<b>ECONOMIC SERVICES</b>			
<b>0401</b>	Crop Husbandry	91.00	11.36	<b>12.48</b>
<b>0403</b>	Animal Husbandry	99.50	162.18	<b>162.99</b>
<b>0404</b>	Dairy Development	0.01	—	—
<b>0405</b>	Fisheries	3.05	1.67	<b>54.75</b>
<b>0406</b>	Forestry and Wild Life	1350.00	598.15	<b>44.31</b>
<b>0407</b>	Plantation	518.00	129.00	<b>24.90</b>
<b>0408</b>	Food Storage and Ware Housing	10.50	7.86	<b>74.86</b>
<b>0425</b>	Co-operation	2.50	5.57	<b>222.80</b>
<b>0515</b>	Other Rural Development Programme	150.00	60.47	<b>40.31</b>
<b>0702</b>	Minor Irrigation	6.30	0.30	<b>4.76</b>
<b>0801</b>	Power	16010.00	16562.66	<b>103.45</b>

<b>0851</b>	Village and Small Industries	25.00	12.19	<b>48.76</b>
<b>0852</b>	Industries	55.50	47.90	<b>86.31</b>
<b>0853</b>	Non-Ferrous Mining & Metallurgical Industries	8.00	8.72	<b>109.00</b>
<b>1055</b>	Road Transport	5500.00	1738.22	<b>31.60</b>
<b>1452</b>	Tourism	450.00	269.45	<b>59.88</b>
<b>1475</b>	Other General Economic Services	15.00	7.23	<b>48.20</b>
<b>Total C</b>	<b>ECONOMIC SERVICES</b>	<b>24294.36</b>	<b>19622.93</b>	<b>80.77</b>
<b>Total</b>	<b>NON TAX REVENUE</b>	<b>42645.71</b>	<b>31914.15</b>	<b>74.84</b>

*Source: Annual Financial Statement 2017-18 and Civil Accounts, Sept, 2017*

## 2.2 Summary of Expenditure

The total expenditure of the State Government comprises of 28.82 percent relative to GSDP. The overall expenditure under the period of review this fiscal year is 43.88 percent with 45.46 percent expenditure under Revenue Sector and 38.02 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. However expenditure trend during the current fiscal year 2017-18 has slightly improved as compared to last fiscal year 2016-17,

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

**Table 5: Summary of Expenditure**

₹ in lakh

Sl. No.	Sectors	Budget Estimate 2017-18		Expenditure 2017-18 April-Sept	Percentage to B.E
		B.E 2017-18	Total		
<b>A</b>	<b>Revenue Account (1+2+3+4)</b>	<b>461347.57</b>	<b>461347.57</b>	<b>209730.12</b>	<b>45.46</b>
1	General Services	165067.36	165067.36	71936.32	43.58
2	Social Services	154427.92	154427.92	82719.42	53.57
3	Economic Services	135203.56	135203.56	53547.12	39.60
4	Grants in Aid and Contribution	6648.73	6648.73	1527.26	22.97
<b>B</b>	<b>Capital Account (1+2+3)</b>	<b>124010.02</b>	<b>124010.02</b>	<b>47143.66</b>	<b>38.02</b>
1	General Services	11,497.27	11497.27	2888.45	25.12
2	Social Services	47,840.22	47840.22	20122.66	42.06
3	Economic Services	64,672.53	64672.53	24132.55	37.31
<b>C</b>	<b>Grand Total</b>	<b>585357.59</b>	<b>585357.59</b>	<b>256873.78</b>	<b>43.88</b>

Source: Annual Financial Statement 2017-18 and Civil Accounts, Sept, 2017

### 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 45.46 percent during the first half of the fiscal year.

**Table 6: Revenue Expenditure**

₹ in lakh

Sl. No.	Heads of Accounts	BUDGET ESTIMATE 2017-18		EXPENDITURE 2017-18	
		B.E 2017-18	Total	Expenditure April-Sept.2017	Percentage to B.E
<b>A</b>	<b><u>GENERAL SERVICES</u></b>				
<b>2011</b>	Parliament/State/Union Territory Legislature	1455.53	1455.53	768.12	52.77
<b>2012</b>	President, Vice President/Governor,	653.74	653.74	324.83	49.69
<b>2013</b>	Council of Ministers	1480.62	1480.62	702.88	47.47
<b>2014</b>	Administration of Justice	4583.94	4583.94	1683.21	36.72

2015	Elections	1135.91	1135.91	575.94	50.70
2020	Collection of Taxes on Income & Expenditure	237.93	237.93	92.58	38.91
2029	Land Revenue	1010.99	1010.99	522.49	51.68
2030	Stamps & Registration	20.00	20.00	3.84	19.20
2039	State Excise	591.96	591.96	351.23	59.33
2040	Taxes on Sales, Trade etc.	568.57	568.57	259.45	45.63
2041	Taxes on Vehicles	516.41	516.41	245.79	47.60
2045	Other Taxes & Duties on Commodities & Services	6668.48	6668.48	81.39	1.22
2047	Other Fiscal Services	35.00	35.00	0.00	0.00
2048	Appropriation for reduction or avoidance of debt	1200.00	1200.00	1200.00	100.00
2049	Interest Payments	36966.08	36966.08	14664.07	39.67
2051	Public Services Commission	366.13	366.13	250.28	68.36
2052	Secretariat -General Services	3916.81	3916.81	2368.33	60.47
2053	District Administration	2335.34	2335.34	1103.27	47.24
2054	Treasury and Accounts Administration.	1815.10	1815.10	866.35	47.73
2055	Police	29840.08	29840.08	15526.12	52.03
2056	Jails	691.21	691.21	353.58	51.15
2058	Stationery and Printing	891.57	891.57	541.17	60.70
2059	Public Works	2686.82	2686.82	1262.17	46.98
2062	Vigilance	1184.94	1184.94	526.67	44.45
2070	Other Administrative Services	5343.34	5343.34	1882.96	35.24
2071	Pensions and Other Retirement Benefits	54300.67	54300.67	25451.53	46.87
2075	Miscell. General Services	4570.19	4570.19	328.07	7.18
<b>A</b>	<b>GENERAL SERVICES</b>	<b>165067.36</b>	<b>165067.36</b>	<b>71936.32</b>	<b>43.58</b>
<b>B</b>	<b><u>SOCIAL SERVICES</u></b>				
2202	General Education	93268.34	93268.34	43756.37	46.91
2203	Technical Education	148.75	148.75	71.59	48.13
2204	Sports and Youth Services	1128.00	1128.00	611.83	54.24
2205	Art and Culture	1056.43	1056.43	434.38	41.12
2210	Medical and Public Health	21373.79	21373.79	9189.16	42.99
2211	Family Welfare	1959.40	1959.40	944.16	48.19
2215	Water Supply & Sanitation	4424.55	4424.55	2107.38	47.63
2216	Housing	2158.16	2158.16	2208.91	102.35
2217	Urban Development	4033.42	4033.42	12588.66	312.11
2220	Information and Publicity	1209.18	1209.18	532.97	44.08
2225	Welfare of S/C, S/T and Other Backward classes.	4862.23	4862.23	1629.35	33.51
2230	Labour & Employment	705.74	705.74	341.83	48.44
2235	Social Security & Welfare	9724.92	9724.92	2396.98	24.65
2236	Nutrition	1052.02	1052.02	105.73	10.05
2245	Relief on Account of Natural Calamities	3719.10	3719.10	4585.88	123.31
2250	Other Social Services	3529.92	3529.92	1184.22	33.55
2251	Secretariat- Social Services	73.97	73.97	30.02	40.58
<b>B</b>	<b>SOCIAL SERVICES</b>	<b>154427.92</b>	<b>154427.92</b>	<b>82719.42</b>	<b>53.57</b>

Source: Annual Financial Statement 2017-18 and Civil Accounts, Sept, 2017



<b>C</b>	<b><u>ECONOMIC SERVICES</u></b>				
<b>2401</b>	Crop Husbandry	20868.67	20868.67	3344.32	16.03
<b>2402</b>	Soil & Water Conservation	1631.13	1631.13	455.94	27.95
<b>2403</b>	Animal Husbandry	4094.46	4094.46	1931.05	47.16
<b>2404</b>	Dairy Development	98.78	98.78	38.85	39.33
<b>2405</b>	Fisheries	884.36	884.36	261.61	29.58
<b>2406</b>	Forestry & Wild Life	10111.12	10111.12	4093.81	40.49
<b>2407</b>	Plantations	696.60	696.60	347.55	49.89
<b>2408</b>	Food, Storage & Warehousing	1649.50	1649.50	627.26	38.03
<b>2425</b>	Co-operation	1581.83	1581.83	691.22	43.70
<b>2435</b>	Other Agricultural Programmes	3,341.27	3341.27	16.52	0.49
<b>2501</b>	Special Programmes for Rural Development	2,380.51	2380.51	1358.81	57.08
<b>2505</b>	Rural Employment	15,175.00	15175.00	8224.51	54.20
<b>2506</b>	Land Reforms	496.17	496.17	0.00	0.00
<b>2515</b>	Other Rural Development Programmes	3997.57	3997.57	1948.09	48.73
<b>2575</b>	Other Special Area Programmes	150.22	150.22	-	-
<b>2702</b>	Minor Irrigation	15790.98	15790.98	795.25	5.04
<b>2711</b>	Flood Control & Drainage	30.00	30.00	9.95	33.17
<b>2801</b>	Power	22654.72	22654.72	14605.08	64.47
<b>2810</b>	Non-Conventional Sources of Energy	115.00	115.00	0.00	0.00
<b>2851</b>	Village and Small Industries	3668.76	3668.76	1097.39	29.91
<b>2852</b>	Industries	1960.95	1960.95	133.93	6.83
<b>2853</b>	Non-ferrous Mining & Metallurgical Industries	505.12	505.12	240.09	47.53
<b>3054</b>	Roads and Bridges	10628.39	10628.39	5437.26	51.16
<b>3055</b>	Road Transport	5689.89	5689.89	3421.94	60.14
<b>3425</b>	Other Scientific Research	300.80	300.80	155.49	51.69
<b>3435</b>	Ecology and Environment	180.54	180.54	2706.65	1499.20
<b>3451</b>	Secretariat-Economic Services	3104.99	3104.99	228.63	7.36
<b>3452</b>	Tourism	2116.51	2116.51	858.32	40.55
<b>3454</b>	Census Surveys & Statistics	694.85	694.85	315.72	45.44
<b>3456</b>	Civil Supplies	112.29	112.29	55.84	49.73
<b>3475</b>	Other General Economic Services	492.58	492.58	146.04	29.65
<b>C</b>	<b><u>ECONOMIC SERVICES</u></b>	<b>135203.56</b>	<b>135203.56</b>	<b>53547.12</b>	<b>39.60</b>
<b>D</b>	<b><u>GRANTS IN AID &amp; CONTRIBUTION</u></b>				
<b>3604</b>	Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	6648.73	6648.73	1527.26	22.97
<b>D</b>	<b><u>GRANTS IN AID &amp; CONTRIBUTION</u></b>	6648.73	6648.73	1527.26	22.97
<b>E</b>	<b><u>TOTAL OF REVENUE ACCOUNT (A+B+C+D)</u></b>	<b>461347.57</b>	<b>461347.57</b>	<b>209730.12</b>	<b>45.46</b>

Source: Annual Financial Statement 2017-18 and Civil Accounts, Sept, 2017

### 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 38.02 percent of the outlay for 2017-18. 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 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**

₹ in lakh

Sl. No.	Heads of Accounts	BUDGET ESTIMATE 2017-18		EXPENDITURE 2017-18	
		B.E 2017-18	Total	April- Sept.	Percentage to B.E
<b>A</b>	<b>CAPITAL ACCOUNT OF GENERAL SERVICES</b>				
4055	Capital Outlay of Police	914.73	914.73	48.52	5.30
4059	Capital Outlay on Public Works	10582.54	10582.54	2839.93	26.84
<b>A</b>	<b>CAPITAL ACCOUNT OF GENERAL SERVICES</b>	<b>11497.27</b>	<b>11497.27</b>	<b>2888.45</b>	<b>25.12</b>
<b>B</b>	<b>CAPITAL ACCOUNT OF SOCIAL SERVICES</b>				
4202	Capital Outlay on Education, Sports, Art and Culture	6294.86	6294.86	1898.49	30.16
4210	Capital Outlay on Medical and Public Health	12881.04	12881.04	11250.56	87.34
4215	Capital Outlay on Water Supply and Sanitation	15649.05	15649.05	2944.91	18.82
4216	Capital Outlay on Housing	109.57	109.57	50	45.63
4217	Capital Outlay on Urban Development	9596.82	9596.82	3609.01	37.61
4220	Capital Outlay on Information and Publicity	0.00	0.00	0	0.00
4225	Capital Outlay on Welfare of SC, ST & OBC	3308.88	3308.88	369.69	11.17

₹ in lakh

<b>B</b>	<b>CAPITAL ACCOUNT OF SOCIAL SERVICES</b>	<b>47840.22</b>	<b>47840.22</b>	<b>20122.66</b>	<b>42.06</b>
<b>C</b>	<b>CAPITAL ACCOUNT OF ECONOMIC SERVICES</b>				
<b>4401</b>	Capital Outlay on Crop Husbandry	512.12	512.12	-	-
<b>4403</b>	Capital Outlay on Animal Husbandry	220.41	220.41	59.29	26.90
<b>4405</b>	Capital Outlay on Fisheries	254.74	254.74	-	-
<b>4406</b>	Capital Outlay on Forestry and Wildlife	200.00	200.00	-	-
<b>4425</b>	Capital Outlay on Cooperation	14.00	14.00	-	-
<b>4435</b>	Capital Outlay on other Agricultural Programmes	0.01	0.01	-	-
<b>4515</b>	Capital Outlay on other Rural Development Programmes	520.56	520.56	400.00	76.84
<b>4575</b>	Capital Outlay on other Special Areas Programmes	3852.00	3852.00	76.18	1.98
<b>4711</b>	Capital Outlay on Flood Control Projects	441.08	441.08	153.01	34.69
<b>4801</b>	Capital Outlay on Power Projects	11924.61	11924.61	986.79	8.28
<b>4860</b>	Capital Outlay on Consumer Industries	137.00	137.00	-	-
<b>5054</b>	Capital Outlay on Roads and Bridges	36606.29	36606.29	21359.34	58.35
<b>5055</b>	Capital Outlay on Road Transport	300.00	300.00	0.00	0.00
<b>5425</b>	Capital Outlay on Other Scientific and Environmental Research	0.00	0.00	-	-
<b>5452</b>	Capital Outlay on Tourism	9689.71	9689.71	1097.94	11.33
<b>C</b>	<b>CAPITAL ACCOUNT OF ECONOMIC SERVICES</b>	<b>64672.53</b>	<b>64672.53</b>	<b>24132.55</b>	<b>37.31</b>
<b>D</b>	<b>TOTAL OF CAPITAL ACCOUNT (A+B+C)</b>	<b>124010.02</b>	<b>124010.02</b>	<b>47143.66</b>	<b>38.02</b>

Source: Annual Financial Statement 2017-18 and Civil Accounts, Sept, 2017

## **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 14<sup>th</sup> 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 2015-16 was ₹ 3961.12 crore and the Debt-GSDP ratio, therefore works out to 23.81 per cent of GSDP. Similarly, the total Debt of the State for 2016-17 was ₹ 4508.09 crore and the Debt-GSDP ratio works out to 24.52 percent of GSDP. The Debt –GSDP ratios for both 2015-16 and 2016-17 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 2015-16 is ₹ 262.07 crore and ₹ 3784.28 crore respectively. Interest payments-Revenue receipts ratio for 2015-16 is 6.92 percent. Similarly, Interest Payments and Revenue Receipts of the State for 2016-17 is ₹ 325.17 crore and ₹ 5195.47 crore respectively. Interest payments-Revenue Receipts ratio for 2016-17 is 6.25 percent. The Interest payments-Revenue Receipts ratio for both 2015-16 and 2016-17 are less than 10 percent and thus the State qualifies for the second criteria for 0.25 additional borrowing.

The 14<sup>th</sup> 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 2016-17 and 2017-18 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 14<sup>th</sup> 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 14<sup>th</sup> Finance Commission**

Year	Maximum debt stock as per centum 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 upto September 2017 is detailed at Table 9.

**Table 9: Public Debt including Small Saving and Provident Fund**

₹ in lakh

Heads of Accounts	Particulars	Receipt	Payment	Balance
6003	Internal Debt of the State Government	41990.95	14050.89	27940.06
6004	Loans & Advances from Central Govt	102.47	506.58	-404.11
7610	Loans and Advances	4.39	0.00	4.39
<b>Total</b>	<b>Public Debt</b>	<b>42097.81</b>	<b>14557.47</b>	<b>27540.34</b>
8009	State Provident Fund	13138.47	13758.68	-620.21
8011	Insurance and Pension fund	316.24	145.18	171.06
<b>Total</b>	<b>Total debt</b>	<b>55552.52</b>	<b>28461.33</b>	<b>27091.19</b>

*Source: Civil Accounts for September, 2017*

### 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.