GOVERNMENT OF SIKKIM

FINANCE DEPARTMENT

GANGTOK

MEDIUM TERM FISCAL PLAN FOR SIKKIM 2024-25 to 2026-27

As 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 (Act No. 15 of 2010)

August 2024

Contents

Medium Term Fiscal Plan for Sikkim: 2024-25 to 2026-27

Medium Term Fiscal Plan in the Budget for 2024-25

The Indian economy, is estimated to have grown 8.2% in real terms in 2023-24 after recording growth rates of 9.7% and 7.0% respectively, in the previous two financial years. The Indian economy has consolidated post-Covid recovery process and has shown remarkable resilience in the face of geopolitical challenges. According to the Economic Survey 2023-24 of the Union government, the factors like focus on public spending on infrastructure, digitalisation of service delivery, targeted relief to different sectors of the economy and sections of the population, and structural reforms the recovery process and improved medium-term growth potential. While the global economy achieved greater stability in 2023, the inflationary pressures, moderation in global trade due to rising geopolitical tensions, and slower growth in advanced economies remained as challenges.

The improvement in the national economy has positively impacted the public finance in the states. Enhanced flow of resources from the Union government coupled with better resource mobilization has helped the states to come back to fiscal consolidation path. The state finances of Sikkim have witnessed improvement in the post-pandemic period. The state government has amended its FRBM Act following the fiscal consolidation path provided by the FC-XV. The Medium Term Fiscal Policy (MTFP) for the year 2024-25 provides the fiscal stance of the state budget and a medium term fiscal plan.

The annual average growth of Gross State domestic product (GSDP) of Sikkim at constant prices based on the revised data provided by the CSO, during 2015-16 to 2022-23 remained healthy at 7.82 percent leaving the pandemic affected year of 2020-21in which the GSDP grew by 0.33 percent. The economy has been on the path of recovery since then and it grew at a rate of 5.99 percent in 2021-22 and 6.83 percent in 2022-23. The improvement in GSDP growth is expected to facilitate higher internal revenue generation.

The State of Sikkim has remained a progressive one with high socio-economic indicators. 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 5 per 1000 in 2020 as compared to the all-India average of 28. The fiscal policy played a significant role in providing improved level of public services. With the recovery from pandemic affected low-growth, the per capita income of the state has improved and in 2022-23 it stands at Rs. 3,22,806.00 at constant prices.

The Government of Sikkim adopted Fiscal Responsibility and Budget Management Act (FRBM Act) in 2010. Post FRBM fiscal management experienced considerable improvement in fiscal outcomes in terms of reduced fiscal deficit and stabilization of debt burden. The state continued to generate revenue surplus. Fiscal rules helped the state government to establish fiscal targets as bench marks to manage state finances. The State government is committed to calibrate the fiscal policy within the available resources and observing restraint on spending to achieve fiscal consolidation.

The FRBM Act stipulates presenting a Medium Term Fiscal Plan (MTFP) along with the 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 MTFP 2024-25 presents medium term fiscal objectives and strategic priorities in resource allocation.
- It gives projected fiscal targets in ensuing budget year, 2024-25, and two outward years.
- It reviews the macroeconomic and fiscal performance of Sikkim for the recent years.
- The assumptions with regard to the revenue augmentation and expenditure restructuring parameters are provided in the MTFP. The projections are arrived at taking into consideration the trends of the variables and the recent policy changes relating to revenue augmentation measures and expenditure priorities in various sectors.

- The MTFP is prepared following the format provided in the rules associated with the Act.

The State government conducts review of its compliance to the FRBM Act regularly by a reputed independent Institution, which is placed in the legislature. This follows the specific provision contained in the Act as per the recommendations of the 13^{th} FC. This provision has established an institutional process where achievement of the fiscal targets and fiscal management principles has been examined by an independent agency to improve transparency and accountability in fiscal management.

Medium Term Fiscal Plan (MTFP)
Form F -1
{See Rules 3 (3)}

A. Fiscal Policy Overview

Fiscal Profile of the State

Public finances in Sikkim remained stable despite the distortions brought in by the Covid-19 pandemic. Fiscal Responsibility and Budget Management (FRBM) Act adopted by the State government in 2010 continues to anchor the fiscal management process. With improvement in national growth process, the state economy experienced considerable progress after the Covid-19 affected year of 2020-21. While central transfers including tax devolution and grants assumes significance in the aggregate revenue receipts, State government made efforts to improve own revenue receipts and streamlined the spending pattern to adhere to the fiscal consolidation process.

The record of the state government in generating revenue surplus and maintaining the fiscal deficit below the stipulated limit was interrupted due to the pandemic. Post-pandemic, the state finances adjusted to the changed fiscal architecture in line with national priorities of higher capital investment. The State government availed the flexibility provided by FC-XIV to increase the fiscal deficit by 0.5 percent, meeting conditions related to interest payment and fiscal prudence in previous years. The State also availed additional borrowing facilities provided by the Union government, over and above the stipulated borrowing limits. Fiscal policy overview in recent years, responding to emerging economic situation, has been described in the following paragraphs.

- From a high level of fiscal deficit experienced in 2020-21, the State managed to bring it back to below the FRBM Act level in 2021-22. The fiscal deficit and the debt stock show an elevated level in recent years due to availing of additional borrowing facilities provided by the Union government.

- Government of India provided assistance under “Scheme for Special Assistance to States for Capital Expenditure”. Sikkim, like other NE States was allowed to avail Rs. 200.00 crore under this facility. The State was allowed to avail borrowing facility of Rs. 300.00 crore under special assistance scheme for capital expenditure in 2021-22, which was interest free with liability of repayment arising after 50 years. In the fiscal year 2022-23, additional borrowing under this facility has increased to Rs. 551.36 crore. Under the redesigned “Scheme for Special assistance to States for Capital Investment 2023-24”, financial assistance in the form of 50-year interest free loan of Rs. 798.00 crore was provided to Sikkim. In the budget for the fiscal year 2024-25, the State is estimated to get Rs. 526.00 crore under this facility. The additional borrowing facility was over and above the normal fiscal deficit allowed under the FRBM Act.
- Government of Sikkim amended the State FRBM Act as per the recommendations of the FC-XV. According to the amendments the fiscal deficit was pegged at 4 percent of GSDP for the year 2021-22, 3.5 percent for 2022-23, and maintain at 3 Percent in 2023-24 and thereafter. An annual additional borrowing space of 0.5% of GSDP was allowed for the period 2021-22 to 2024-25 based on certain performance criteria in the power sector. The additional borrowing by the State was placed beyond the FRBM Act limit relating to the fiscal deficit.
- The State was allowed extra borrowing ceiling (hereinafter referred as 'Pension funding adjustment') equivalent to the employer's and employee's share of contribution of its employees pertaining to the financial year 2024-25 actually deposited with the designated authority i.e. 'National Securities Depository limited (NSDL) trustee bank as per the guidelines of National Pension System (NPS), over and above, the normal net borrowing ceiling of 3Yo of GSDP for the year 2024-25.
- The State government brought in amendments to the Act relating to the debt GSDP ratio reflecting the additional borrowing following the recommendations of the FC-XV. The debt GSDP ratio was set to fall from 28.1 percent in 2022-23 to 27.9 percent in 2025-26

The Medium Term Fiscal Policy (MTFP) for the year 2024-25 is prepared taking into consideration the amended FRBM Act limits, own revenue efforts, spending plan reflecting priority areas, thrust on capital investment, and additional borrowing facility over and above the normal fiscal deficit. The MTFP projects to maintain the fiscal consolidation process in the two outward years and improve resource availability to social and economic sectors.

Macroeconomic outlook

The trend of economic growth and contribution of various sectors to the State economy have significance in calibrating fiscal plan for the year, primarily for assessing the possible revenue implications. As the fiscal variables are presented as percentage to GSDP in the FRBM Act targets and the borrowing limit is fixed as percentage to GSDP, the GSDP numbers assumes significance in preparation of MTFP. The State FRBM Act in section 3 {4 (iii)} calls upon the Government to provide a statement on economic trend and future prospects for growth and development affecting fiscal position of the Government.

The State economy made a strong recovery after the Covid-19 pandemic, macroeconomic outlook for Sikkim looks favorable. GSDP of Sikkim exhibited strong recovery in 2021-22 as it grew at about 6 percent at constant prices and 13.75 percent in current prices (Table 1). The growth rates further increased to 6.83 percent in constant prices and 13.84 percent in current prices in 2022-23. The annual average growth rate during 2017-18 to 2022-23, leaving Covid-19 affected year of 2020-21, was 7.53 percent at constant prices and 14.63 percent at current prices (based on latest data given by the Central Statistical Organization (CSO)).

The State of Sikkim has remained a high per capita income state in the country due to higher investments in secondary sector. Per capita income (Per capita GSDP) of Sikkim has improved from Rs. 3, 97,107.00 in 2017-18 to Rs. 6,23,268.00 in 2022-23 at current prices. The per capita income of the State shows an annual average growth rate of 13.51 percent during this period (2017-18 to 2022-23, leaving 2020-21). The growth of per capita income in 2020-21 went down to 4.08 percent. The revival of growth process in the State after the Covid-19 pandemic is expected to facilitate overall development process and help in achieving improved socio-economic indicators.

Table 1

Growth Performance of the State Economy

GSVA at Constant (2011-12) Prices (Rs. in Lakh)						
Item	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**
Gross State Value Added (GSVA)	**1632631**	**1767550**	**1857006**	**1871729**	**1977202**	**2112310**
Taxes on Products	140920	101404	98652	94954	110070	117592
Less Subsidies on Products	6215	6457	6454	10983	14468	15456
Gross State Domestic Product	**1767336**	**1862497**	**1949204**	**1955700**	**2072805**	**2214446**
Growth Rate (GSDP)	14.78	5.38	4.66	0.33	5.99	6.83
GSVA at Current Prices (Rs. in Lakh)						
Gross State Value Added at basic prices	**2399135**	**2695452**	**2995383**	**3160016**	**3582516**	**4078415**
Taxes on Products	207080	154638	159127	160310	199438	227045
Less Subsidies on Products	9133	9847	10410	18543	26214	29843
Gross State Domestic Product	**2597082**	**2840243**	**3144100**	**3301783**	**3755740**	**4275617**
Growth Rate	25.54	9.36	10.70	5.02	13.75	13.84

Source: CSO, GoI

Contribution of various sectors in the Gross State Value Added (GSVA) of Sikkim shows that the secondary sector including manufacturing, construction and electricity contributes the largest share. Investments in hydroelectricity and pharmaceuticals sectors have strengthened the secondary sector over the years. Average relative share of secondary sector during 2017-18 to 2022-23 was 59 percent as against 28 percent of services sector (Table 2). The relative share of primary sector remained at 7 percent during this period.

The composition of GSVA shows that while the relative share of industry sector remained stable with a marginal decline, services sector experienced improvement during 2017-18 to 2022-23. The share of industry sector declined from 6.24 percent in 2017-18 to 59.09 percent in 2022-23, services sector gained from 24.68 percent to 29.73 percent during the same period. The share of primary sector during this period declined from 7.46 percent to 6.58 percent. The growth performance of all three sectors given in Figure 1 shows that both industry and services sector evinced improved growth rate in 2021-22 and 2022-23.

Table 2

Composition of GSVA (Constant Prices)

(Percent)

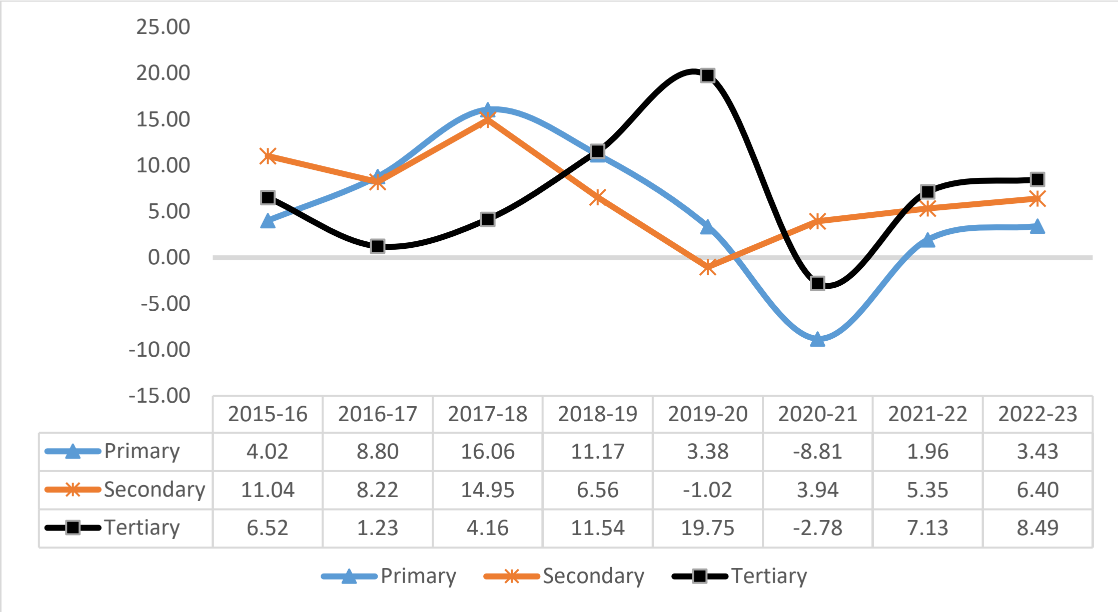
Item	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Primary	**7.46**	**7.87**	**7.77**	**7.06**	**6.79**	**6.58**
Agriculture, forestry and fishing	7.38	7.81	7.72	7.03	6.76	6.54
Mining and quarrying	0.07	0.06	0.05	0.03	0.03	0.03
Secondary	**60.24**	**60.92**	**57.61**	**59.69**	**59.32**	**59.09**
Manufacturing	44.30	44.08	40.27	37.96	35.59	33.80
Construction	3.94	3.87	4.19	3.69	4.11	4.24
Electricity, gas, water supply & other utility services	12.00	12.97	13.16	18.03	19.63	21.05
Tertiary	**24.68**	**26.12**	**29.89**	**28.96**	**29.27**	**29.73**
Transport, storage, communication & services related to broadcasting	2.82	2.78	2.89	2.71	2.71	2.66
Trade, repair, hotels and restaurants	3.97	4.35	4.74	5.28	5.78	6.14
Financial services	1.36	1.38	1.66	1.78	1.56	1.55
Real estate, ownership of dwelling & professional services	3.78	3.72	3.78	3.68	3.77	3.72
Public administration	5.20	6.43	7.51	6.96	6.74	6.83
Other services	7.21	7.09	8.97	8.41	8.51	8.60

Source: CSO, GoI

FC-XV in their full report for the award period 2021-26, took the prevailing economic situation in India into consideration while suggesting State wise growth rates of GSDP. For Sikkim, the Commission assumed a negative growth of 0.5 percent in 2020- 21 and a higher growth rate of 14.5 percent for the year 2021-22 at current prices. Starting from 2022-23, the FC-XV prescribed growth rates ranging from 11.5 to 12.5 percent. The growth of State economy in 2022-23 at 13.84 at current prices exceeded the Finance Commission targets.

Figure 1

Sector growth Rates (percent)



	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Primary	4.02	8.80	16.06	11.17	3.38	-8.81	1.96	3.43
Secondary	11.04	8.22	14.95	6.56	-1.02	3.94	5.35	6.40
Tertiary	6.52	1.23	4.16	11.54	19.75	-2.78	7.13	8.49

B. Fiscal Policy for the Year 2024-25

1. Fiscal Profile of the State

The budget for the year 2024-25 aimed at enhancing capital investment, adequately providing for priority areas in social sector, and enabling higher growth in the State. The budget reflects the strong growth process in the country and the State and shows the commitment of the government to sustain the growth momentum. The budget for the year 2023-24 intends to augment revenue growth, streamline revenue expenditure in priority sectors, and direct the capital expenditure towards boosting economic growth. The flexibility provided by the Union government to borrow over and above the stipulated limit helped the government improve upon the resource allocation to priority areas and infrastructure building.

The fiscal consolidation process remains crucial for the State government. The elevated level of fiscal deficit and debt stock in the budget 2024-25 was due to availing of additional borrowing facility. The normal fiscal indicators remain within the FRBM targets. The amended FRBM Act provides a fiscal consolidation path land commits to reducing from 4.5 percent of GSDP in 2020-21 3 percent in 2025-26. The Commission recommended greater flexibility to the States for additional unconditional borrowing meeting the criteria for power sector reforms. The Union government continues to provide additional borrowing facility for capital investment and pension fund contribution. These additional borrowing facilities are over and above the stipulated FRBM Act targets. The budget for 2024-25 balances the need for remaining in the fiscal consolidation process and make resource allocations in priority areas.

The fiscal profile of the State given in table 3 shows that aggregate revenue receipts as percent to GSDP has improved to 20.45 percent in 2024-25 BE as compared to 18.95 percent achieved in 2022-23. The projected rise in revenue to GSDP ratio was due to improvement in both own revenue and central transfers. Rise in own tax revenue relative to GSDP from 3.50 percent in 2022-23 to 4.12 in 2024-25 BE shows higher revenue effort. Central transfers that include tax devolution and grants show improvement from 13.99 percent in 2022-23 to 14.57 percent in the budget estimates of 2024-25. In nominal terms aggregate revenue is set to increase from Rs. 8,10,379.88 crore in 2022-23 to Rs. 10,74,912.98 crore in the budget estimates of 2024-25.

Table 3

Fiscal Profile of Sikkim: An Overview

Percent

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 (RE)	2024-25 (BE_
Revenues	**22.10**	**14.91**	**17.14**	**19.25**	**18.95**	**20.19**	**20.45**
Own Tax Revenues	3.35	2.99	2.95	3.41	3.50	3.68	4.12
Own Non-Tax	2.46	2.14	2.02	1.85	2.28	2.09	1.76
Central Transfers	**16.29**	**9.79**	**12.16**	**13.99**	**13.17**	**14.41**	**14.57**
Tax Devolution	10.41	7.09	10.05	10.51	9.04	9.06	9.21
Grants	5.88	5.17	5.68	4.80	4.13	5.35	5.36
Revenue Expenditure	**19.51**	**19.05**	**19.46**	**18.13**	**17.85**	**18.23**	**19.50**
Interest Payment	1.62	1.57	1.68	1.52	1.68	1.74	1.75
Pension	2.75	2.81	2.78	2.47	2.69	2.75	2.88
Capital Expenditure	**4.99**	**2.27**	**4.62**	**3.58**	**5.56**	**7.28**	**6.35**
Revenue Deficit	**-2.59**	**4.14**	**2.32**	**-1.12**	**-1.11**	**-1.95**	**-0.95**
Fiscal Deficit	**2.40**	**6.41**	**6.95**	**2.46**	**4.45**	**5.33**	**5.40**
Primary Deficit	**0.78**	**4.84**	**5.27**	**0.94**	**2.77**	**3.59**	**3.66**
Outstanding Debt	**23.65**	**22.80**	**27.68**	**29.54**	**29.70**	**32.16**	**34.36**

Note: Negative sign in revenue deficit indicates surplus

Restraining the growth of revenue expenditure has been a key budget management practice in the State. However, improvement in revenue receipts has enabled the government to push the resource allocation in social economic sectors up. Revenue expenditure as percentage to GSDP has increased from 17.85 percent in 2022-23 to 19.50 percent in 2024-25 BE. While interest payment and pension payments show an increase in BE 2024-25, spending on priority sectors have also increased. The revenue account remained in surplus despite rise in revenue expenditure. The State government availed the flexibility provided by the Union government and utilized the additional borrowing facility to improve the capital expenditure, which has increased from 5.56 percent to GSDP in 2022-23 to 6.35 percent in BE 2024-25.

Fiscal deficit is budgeted at 5.40 percent of GSDP in BE 2024-25, which includes utilization of additional borrowing facility available for capital investment, power sector, and pension fund. Removing the additional borrowing, the fiscal deficit works out to be 2.70 percent to GSDP (Table 4). This level of fiscal deficit remains within the FRBM Act limits. As the additional borrowing for capital investment, at about 1.95 percent to GSDP, is interest free, it does not increase the revenue expenditure in subsequent years. The outstanding liabilities include the additional borrowing incurred by the Government.

Table 4

Fiscal Deficit of the State Government

	2022-23	**2023-24 (BE)**	**2023-24 (RE)**	**2024-25**
Fiscal Deficit (Rs. Lakh)	**190331.49**	**214737.25**	**252306.18**	**283964.51**
As % of GSDP	**4.45**	**4.54**	**5.33**	**5.40**
As per FRBM/ FCD	2.60	2.64	2.06	2.70
Special Central Assistance to States for Capital Expenditure	1.29	0.95	2.37	1.95
Pension Funding Adjustment	0.56	0.59	0.54	0.45
Power Sector Reforms	0.00	0.36	0.36	0.30

2. Tax Policy

Own tax revenue of the State has increased from Rs. 970.40 crore in 2019-20 to Rs. 2163.54 crore in BE 2024-25 (Table 5). Out of this nearly Rs. 1515.00 crore are projected to be generated from sales tax (VAT) and State Goods and Services Tax (SGST) taken together. These two taxes constitute 70 percent of total own tax receipts of the State in BE 2024-25 (Table 6). State excise duty and Motor Vehicle tax are two other important taxes, which constitute about 20.8 and 3.4 percent of own tax revenue respectively.

Table 5

Own Tax Receipts of the State

Rs. Crore

	2019-20	2020-21	2021-22	2022-23	2023-24 (RE)	2024-25 (BE)
Own Tax Revenues	**970.40**	**966.70**	**1254.43**	**1497.26**	**1743.26**	**2163.54**
Sales Tax	197.63	195.25	227.18	248.77	280.00	250.00
SGST	454.89	463.04	655.55	804.23	964.10	1265.00
State Excise Duties	207.15	210.27	249.21	298.46	315.00	450.00
Motor Vehicle Tax	41.08	28.96	39.09	49.69	56.00	73.00
Stamp Duty and Registration Fees	13.30	13.13	23.35	26.52	27.00	27.97
Other Taxes	56.36	56.05	60.05	69.58	101.16	97.57
Sales tax + SGST	652.52	658.29	882.73	1053.01	1244.10	1515.00

Table 6

Own Tax Receipts Composition

Rs. Crore

	2019-20	2020-21	2021-22	2022-23	2023-24 (RE)	2024-25 (BE)
Sales Tax	20.4	20.2	18.1	16.6	16.1	11.6
SGST	46.9	47.9	52.3	53.7	55.3	58.5
State Excise Duties	21.3	21.8	19.9	19.9	18.1	20.8
Motor Vehicle Tax	4.2	3.0	3.1	3.3	3.2	3.4
Stamp Duty and Registration Fees	1.4	1.4	1.9	1.8	1.5	1.3
Other Taxes	5.8	5.8	4.8	4.6	5.8	4.5
Sales tax + SGST	67.2	68.1	70.4	70.3	71.4	70.0

Own tax effort of the State has improved in the recent years. Relative share of own tax revenue in aggregate revenue receipts of the State is set to rise from 18.48 percent in 2022-23 to about 20.13 percent in BE 2024-25. The internal revenue generation got a boost in 2024-25 budget as the own tax revenue is budgeted to rise at a healthy rate of 24.1 percent over the revised estimates of 2023-24. The higher growth of own tax revenue in 2024-25 was mostly due to higher growth of SGST, State excise and motor vehicle tax. Sales and SGST taken together show a growth rate of 21.8 percent over the previous year. The own tax revenue shows an annual buoyancy of 2.18, suggesting a higher growth as compared to the growth of GSDP. The sales tax and SGST taken together show a buoyancy coefficient of 1.97.

Goods and Services Tax is the major broad-based tax administered by both the State and the Central Authorities, higher growth in SGST reflect the efforts undertaken by the State government. While the contours of GST taxation policy is determined by the GST Council, the State's policy for GST has been to improve compliance by expanding the tax base, preventing frauds, enhanced enforcement measures and tracking the non-filers. The tax administration was reinforced with technological improvement, which helped better collection. VAT is collected from Petroleum products and alcohol for human consumption. Factors like increased prices of the petroleum products, resumption of demand and removal of the anomalies between intrastate and interstate transactions have been taken into consideration in the tax receipts from this source in BE 2024-25.

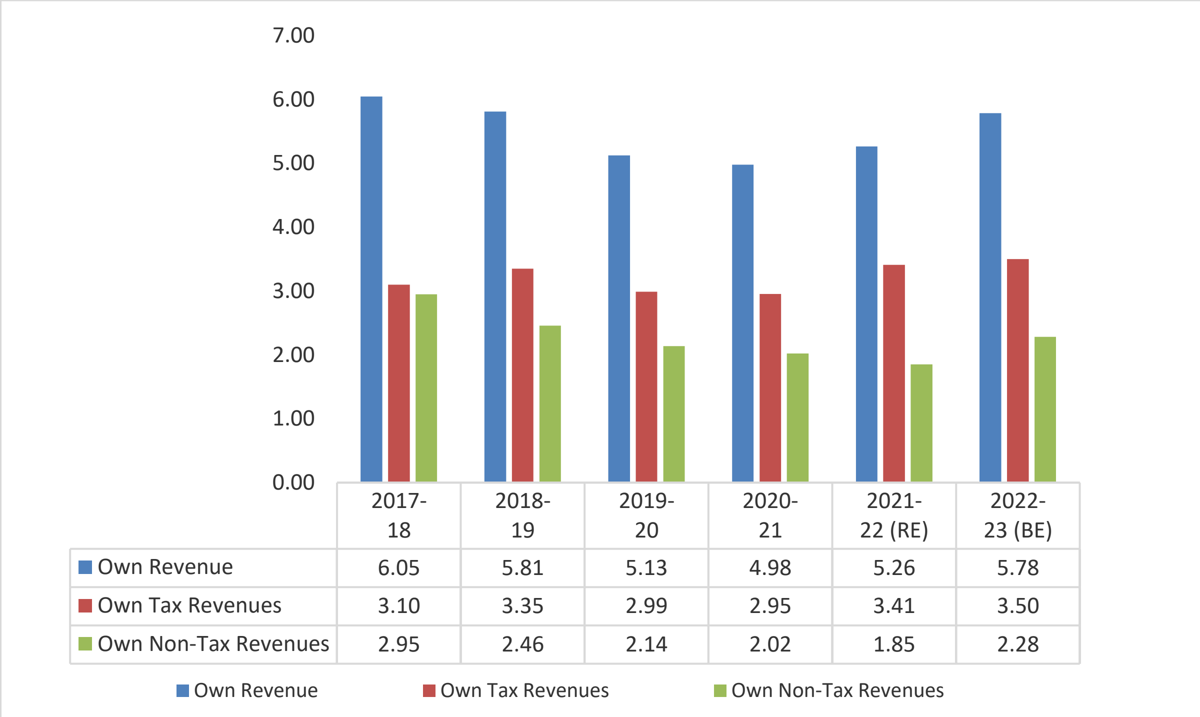
State excise duty has remained an important source of revenue for the State. While major rate revision has not been undertaken, streamlining tax administration and technological improvement has resulted in higher collection from this source. The Motor Vehicle Tax collection in BE 2024-25 has registered a growth of 42.86 percent due to recovery of the economy. The 'Stamp Duties and Registration Fees', collected in case of sale and/or transfer of property, also shows a positive growth rate.

3. Own Non-tax Revenue

The relative share of own non-tax revenue in aggregate revenue receipt of the State has not shown improvement in the budget estimates of 2024-25. It has declined from 12.05 percent in 2022-23 to 8.62 percent in BE 2024-25. As percentage to GSDP it has declined from 2.28 percent to 1.76 percent. The major sources for income from this source like interest receipts from past investments, lottery income from online gaming and casinos, income from power sector and transport has not improved in the Post Covid-19 period.

Figure 2

Own Revenue as Percent to GSDP



	2017-18	2018-19	2019-20	2020-21	2021-22 (RE)	2022-23 (BE)
Own Revenue	6.05	5.81	5.13	4.98	5.26	5.78
Own Tax Revenues	3.10	3.35	2.99	2.95	3.41	3.50
Own Non-Tax Revenues	2.95	2.46	2.14	2.02	1.85	2.28

4. Expenditure Profile

One of important policies relating to spending pattern of the State has been restraining the growth of revenue expenditure to give space to capital investment. The policy of controlling growth of revenue expenditure over the years has helped generating revenue surplus consistently and expand the capital expenditure. With improvement of growth process, rise in revenue receipts, and availability of additional borrowing avenues beyond FRBM limits, the State government managed to increase allocations on both revenue and capital expenditures. It is important note here that the Government also has to meet large committed spending demands. The revenue expenditure, which was 19.05 percent to GSDP in 2019-20, declined to 17.85 percent in 2022-23. In the budget estimates for the year 2024-25, the revenue expenditure has increased to 19.50 percent to GSDP. The priority sectors in social and economic services continue to be focus areas in terms of resource allocation. The State managed to generate revenue surplus consistently since 2021-22.

Table 7

Expenditure Profile of Sikkim

(Per cent to GSDP)

	2019-20	2020-21	2021-22	2022-23	2023-24 (BE)	2024-25 (BE)
Revenue Expenditure	**19.05**	**19.46**	**18.13**	**17.85**	**18.23**	**19.50**
General Services	7.45	7.38	6.96	6.98	6.98	7.74
Interest Payment	1.57	1.68	1.52	1.68	1.74	1.75
Pension	2.81	2.78	2.47	2.69	2.75	2.88
Other	3.08	2.93	2.96	2.61	2.49	3.12
Social Services	**6.94**	**7.43**	**6.72**	**6.58**	**6.59**	**6.64**
Education	3.93	3.65	3.33	3.01	2.78	2.96
Medical and Public Health	1.11	1.33	1.45	1.34	1.27	1.28
Others	1.90	2.45	1.94	2.23	2.54	2.41
Economic Services	**4.40**	**4.36**	**4.16**	**4.06**	**4.41**	**4.84**
Assignment to LBs	0.26	0.29	0.30	0.23	0.25	0.28
Capital Expenditure	**2.27**	**4.62**	**3.58**	**5.56**	**7.28**	**6.35**

Source (Basic Data): Finance Accounts and State Budget 2024-25

The State government continues to give importance to capital investment to improve upon the infrastructure in the hilly State. Capital expenditure as percentage to GSDP increased from 2.27 percent in 2019-20 to 5.56 percent in 2022-23 and budgeted to rise to 6.35 percent to GSDP in 2024-25 budget estimates. The continuance of additional borrowing facility extended by the Union government for capital investment helped the State government to increase the capital expenditure. In the budget estimates for 2024-25, the State government has projected to avail special assistance for capital investment to the tune of Rs. 526.00 crore, which constitutes about 2 percent of GSDP. The State government also depends upon other central programs to reinforce capital spending. Building social and physical infrastructure and improvement of human development indicators constitute core development strategy. The MTFP is prepared based on the rationale of restructuring the government spending by emphasizing the critical areas.

5. Government Borrowing and Outstanding Liabilities

Borrowing limit for the State government is determined by the Department of Expenditure Ministry of Finance, GoI for each financial year on the basis of projected GSDP and taking into consideration the recommendation of Finance Commission. For determining the net borrowing ceiling (NBC) of the States for the year 2024-25, the projected GSDP of the States has been estimated as per the methodology prescribed by the FC-XV. For the State of Sikkim, the projected GSDP for the year 2024-25 is Rs. 52,555.00 crore. Accordingly, NBC @3 percent of projected GSDP for the year 2024-25 for the State is Rs. 1,577.00 crore.

Additional borrowing ceiling of 0.50 percent of GSDP over and above the borrowing ceiling of 3 percent of GSDP is allowed to the State based on certain performance criteria in the power sector as per the recommendation of FC-XV. The budget estimates for 2024-25 for this additional power sector borrowing is Rs. 156.00 crore constituting about 0.30 percent of the GSDP. The State government was allowed to avail the flexibility of additional borrowing of 1 percent of GSDP as special assistance for capital investment. This borrowing is 50 year interest free loan. The additional borrowing works out to be Rs. 526.00 crore for the year 2024-25. Sikkim was also allowed to borrow an extra amount of Rs. 500.00 crore to meet the requirements of infrastructure building affected by flood. Taken together these two types of additional borrowing constitute about 1.95 percent of GSDP.

The State of Sikkim was also allowed extra borrowing ceiling (referred to as “Pension Funding Adjustment") equivalent to employer’s and employees’ share of contribution of its employees pertaining to the financial year 2024-25 actually deposited with National Pension system (NPS). The additional borrowing of Rs. 237.26 crore is allowed over and above the normal net borrowing ceiling of 3 percent of the GSDP for the year 2023-24. The other features of borrowing of the State government includes adjustment due to off budget borrowing since 2022-23.

One of the major objectives of the FRBM Act is to maintain debt burden of the State at sustainable level. Sikkim was successful to remain within the limit stipulated by the FC-XII in their fiscal roadmap containing the yearly outstanding debt burden for all the States aligning with the fiscal path. FC-XIV in their fiscal roadmap for the States recommended anchoring the fiscal deficit at 3 percent of the GSDP and provided flexibility to increase this limit by a total of 0.5 percentage points, 0.25 percent separately depending upon conditions prescribed. One of the major conditions was to limit the debt-GSDP limit to 25 percent in the previous year. Thus, for all effective purposes the new benchmark of debt-GSDP ratio has been 25 percent. The State government managed to remain within this limit during the award period of the 14th FC.

FC-XV indicated an annual debt-GSDP ratio in their recommendations for fiscal restructuring path. The State government amended the FRBM Act in 2021-22 by indicating annual debt-GSDP ratio following the recommendations. While Sikkim FRBM Act limit for the year 2024-25 was 28 percent of GSDP, the outstanding debt-GSDP ratio reached at 34-36 percent (Table 3). The outstanding debt-GSDP ratio has exceeded the limit due to availing additional borrowing facilities extended by the Government of India for the year 2024-25.

6. Government Guarantees

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantees are extended. Statutory Corporations, Government Companies, Joint-Stock Companies, Co-operative Institutions, Local Bodies, Firms, and Individuals can raise loans to discharge their liabilities with explicit State government guarantees. The issue of off-budget borrowing through the sovereign guarantee given by the States has come into prominence after the report of the FC-XV came into being and concerns raised in the context of large off budget borrowing incurred by several States. According to the directive of the union government, from 2021-22 the guarantees given by the State government for borrowing by State entities will now form part of the State borrowing limit. The guarantees given by the State government are based on Constitutional provisions and are reported in the budget.

Government of Sikkim constituted Guarantee Redemption Fund in the year 2005 for meeting payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and borrowings by the State Undertakings or other bodies, in case the same are revoked.

Sikkim Ceiling on Government Guarantees Act, 2000 controls the process of giving guarantees. As per the total outstanding Government Guarantees as on the first of April of any year shall not exceed thrice the State’s tax revenue receipts of the second preceding year as in the books of the Accountant General of Sikkim. The FRBM Act stipulates that total outstanding guarantees of the government should follow the Government Guarantees Act, 2000. The total outstanding guarantees in 2024-25 were

Rs. 4321.02, which was within the limits prescribed as per the interpretation of the Guarantees Act provided by the State government for this study.

C. Strategic Priorities for the Year 2024-25

Table 8

Strategic Priorities for the Year 2024-25

Rs. in Thousand

Department to which the Demand/Appropriation Relates		Budget Estimate 2024-25					
		Revenue	% to Total	Capital	% to Total	Total	% to Total
Agriculture	Voted	3023758	2.84	-	-	3023758	2.09
Animal Husbandry and Veterinary Services	Voted	1054172	0.99	29846	0.08	1084018	0.75
Building and Housing	Voted	578371	0.54	3940092	10.28	4518463	3.12
Co-operation	Voted	371936	0.35	12054	0.03	383990	0.26
Culture	Voted	384189	0.36	448215	1.17	832404	0.57
Ecclesiastical	Voted	361103	0.34	2035	0.01	363138	0.25
Education	Voted	15893339	14.91	2596673	6.77	18490012	12.76
Election	Voted	182787	0.17	-	-	182787	0.13
Excise	Voted	160070	0.15	26306	0.07	186376	0.13
Finance	*Charged*	9433427	8.85	4135921	10.79	13569348	9.36
	Voted	19205900	18.02	67233	0.18	19273133	13.30
Food and Civil Supplies	Voted	502807	0.47	24053	0.06	526860	0.36
Forest and Environment	Voted	3149057	2.95	149768	0.39	3298825	2.28
Governor	*Charged*	126890	0.12	-	-	126890	0.09
Health and Family Welfare	Voted	7200744	6.76	1109041	2.89	8309785	5.73
Home	Voted	1104121	1.04	215262	0.56	1319383	0.91
Horticulture	Voted	1290940	1.21	23300	0.06	1314240	0.91
Commerce and Industries	Voted	918727	0.86	20188	0.05	938915	0.65
Information and Public Relation	Voted	183044	0.17	7906	0.02	190950	0.13
Information Technology	Voted	248979	0.23	110741	0.29	359720	0.25
Water Resources	Voted	390379	0.37	982893	2.56	1373272	0.95
Judiciary	*Charged*	337595	0.32	20004	0.05	357599	0.25
	Voted	549292	0.52	25193	0.07	574485	0.40

Labour	Voted	125619	0.12	4447	0.01	130066	0.09
Land Revenue and Disaster Management	Voted	7063905	6.63	5105326	13.32	12169231	8.40
Law	Voted	44878	0.04	4629	0.01	49507	0.03
Legislature	*Charged*	9132	0.01	-	-	9132	0.01
	Voted	309041	0.29	-	-	309041	0.21
Mines and Geology	Voted	84546	0.08	8762	0.02	93308	0.06
Motor Vehicles	Voted	227554	0.21	6828	0.02	234382	0.16
Parliamentary Affairs	*Charged*	50772	0.05	900	0.00	51672	0.04
	Voted	118436	0.11	4220	0.01	122656	0.08
Department of Personnel	Voted	203685	0.19	11162	0.03	214847	0.15
Planning and Development	Voted	1202923	1.13	475964	1.24	1678887	1.16
Police	Voted	6305062	5.92	90215	0.24	6395277	4.41
Power	Voted	4574447	4.29	1628855	4.25	6203302	4.28
Printing and Stationery	Voted	174714	0.16	40500	0.11	215214	0.15
Public Health Engineering	Voted	590281	0.55	983332	2.56	1573613	1.09
Public Service Commission	*Charged*	82098	0.08	6724	0.02	88822	0.06
Roads and Bridges	Voted	2997009	2.81	2728478	7.12	5725487	3.95
Rural Development	Voted	5281025	4.96	6456541	16.84	11737566	8.10
Science and Technology	Voted	124278	0.12	4741	0.01	129019	0.09
Transport Department	Voted	930411	0.87	60302	0.16	990713	0.68
Social Welfare	Voted	995162	0.93	3321611	8.66	4316773	2.98
Sports and Youth Affairs	Voted	300371	0.28	327257	0.85	627628	0.43
Tourism and Civil Aviation	Voted	676605	0.63	852866	2.22	1529471	1.06
Urban Development	Voted	1245289	1.17	1764638	4.60	3009927	2.08
Vigilance	Voted	111837	0.10	2412	0.01	114249	0.08
Panchayati Raj Institutions	Voted	1768387	1.66	4070	0.01	1772457	1.22
Municipal Affairs	Voted	367628	0.34	-	-	367628	0.25
Skill Development	Voted	563179	0.53	94469	0.25	657648	0.45
Women and Child	Voted	3062930	2.87	394461	1.03	3457391	2.39
Fisheries	Voted	324833	0.30	8593	0.02	333426	0.23

Source: Demand for Grants 2024-25

Budget allocation under revenue and capital expenditure for various department has been given in Table 8. A large chunk of total expenditure, about 23 percent, has been allocated to the Department of Finance to be utilized for repayment of liabilities, interest payment and pension payment. Leaving out this committed expenditure, allocation to education has remained the largest spending item for the year 2024-25. The other priority areas for the Government in the year 2024-25 are health, urban development, power, agriculture, building and houses under works department, forest and environment, land revenue, disaster management, roads and bridges, police, rural development, social welfare, local bodies, and women and child welfare. While the government has allocated sufficient funds to committed spending heads, human development through education and health and infrastructure creation has taken lead in spending decisions.

D. Rationale for Policies and Evaluation

The government has presented a growth-oriented budget for the year 2024-25 to sustain the encouraging trends as the recovery process from a very disruptive period of pandemic induced fiscal crisis was almost over. While the State managed to generate more revenue benefiting from own revenue efforts, the additional resources through various additional borrowing facilities improved capital investment. The revenue receipts of the State as percentage of GSDP is projected to increase to 20.45 percent in 2024-25 as compared to 18.95 percent in 2022-23. At the same time the central transfers are slated to rise 14.57 percent from 13.17 percent during the same period. With a larger revenue envelope, the State government was able to improve capital outlay and allocation to priority areas.

Committed spending on interest payment, pension outgo, and salaries continue to put pressure on resource allocation, the State was able to sustain social sector spending and expanded spending on economic services. The revenue expenditure as percentage to GSDP has increased from 17.85 percent in 2022-23 to 19.50 percent in BE 2024-25. This has exceeded the RE 2022-23. Spending under revenue expenditure heads is planned keeping the priorities in social and economic services. The continuing and new programs introduced in the last year's budget received adequate resources to realize their full potential. The Government has made sufficient provisions for sectors like housing and sanitation, transport, rural roads, urban infrastructure, health facilities and infrastructure, education, organic farming, eco-tourism, sustainable forest management and so on.

The capital expenditure has increased considerably in 2024-25 due to special assistance provided by the Union government as part of the Capex led growth process. The additional resources through borrowing played crucial role in the budget allocation process towards capital investment. The special assistance through additional borrowings are interest free loans for 50 years for which they do not put pressure on revenue expenditure. The capital investment is expected to result in higher growth process and enable the government to reduce the debt burden in future years.

Medium Term Fiscal Plan (MTFP)

Form F -2
{See Rules 3 (1)}

A. Fiscal Indicators – Rolling Targets

Table 9

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)
		2022-23	2023-24 (RE)	2024-25 (BE)	2025-26	2026-27
1	Revenue deficit as percentage of GSDP	-1.11	-1.95	-0.95	-1.00	-1.00
2	Fiscal deficit as percentage to GSDP	4.45	5.33	5.40	4.70	4.50
3	Primary deficit as percentage of GSDP	2.77	3.59	3.66	2.83	2.56
4	Total Debt Stock as Percentage of GSDP	29.70	32.16	34.36	35.66	36.62

Notes: *1. GSDP is the Gross Domestic Product at current prices given by CSO at 2011-12 base*
2. The negative sign for revenue deficit indicates surplus.

The fiscal outcomes in the form of indicators like fiscal deficit, revenue deficit, and outstanding liabilities for previous year, current year, ensuing budget year and two outward years are presented in Table 9. The Table follows the template given by the Sikkim FRBM Act rules as Form F-2.

- The fiscal outcomes of the 2022-23, the last year for which audited figures are available, show that the State government remained within the FRBM Act targets relating to deficits. The government generated surplus in the revenue account and limited the fiscal deficit below 3 percent of GSDP. Availing of the special assistance to enhance capital outlay raised the debt-GSDP ratio.

- In the revised estimates for the year 2023-24, fiscal deficit exceeded the amended FRBM Act of the State, which provided for a fiscal deficit of 3.5 percent with an additional 0.5 percent of borrowing for power sector included. Availing the special assistance of Rs. 798.00 crore for capital expenditure provided by the Union government for this year 2023-24 and other borrowing facilities like pension fund and power sector raised the fiscal deficit. If the additional borrowings are removed then fiscal deficit comes down to 2.06 percent of GSDP. The revised estimates for 2022-23 shows revenue surplus of 1.95 percent of GSDP.

- The budget projection of fiscal deficit for the year 2024-25 includes normal deficit target of 2.70 percent to GSDP, additional borrowing for capital investment to the tune of 1.95 percent, pension fund borrowing of 0.45, and power sector borrowing of 0.30. Taken together the aggregate fiscal deficit works out to be 5.40 percent of GSDP. The budget projection is the first year of the MTFP.

- The MTFP projection for 2025-26 and 2026-27, the two outward years, conforms to the amended FRBM Act following the recommendations of 15th FC. The aggregate fiscal deficit declines to 4.70 percent to GSDP in 2025-26 and further declines to 4.50 percent in the last year of the projection period. The fiscal deficit includes projected level of additional borrowings allowed to the State. The outstanding debt continues to grow due to additional borrowing. The breakdown of fiscal deficit taking into consideration the projected level of additional borrowing is given in Table 10.

Table 10

Breakdown of Fiscal Deficit in the MTFP Projection

	2024-25 (BE)	**2025-26**	**2026-27**
Fiscal Deficit (Rs. Lakh)	**283965**	**268346**	**291389**
As % of GSDP	5.40	4.60	4.50
As per FRBM/ FCD	2.70	2.8	2.7
Special Central Assistance to States for Capital Expenditure	1.95	1.0	1.0
Pension Funding Adjustment	0.45	0.5	0.5
Power Sector Reforms	0.30	0.3	0.3

The detailed projection of fiscal variables presented in Table 11 shows that the revenue account surplus has increased in two outward years of the MTFP as compared to the budget year. The fiscal deficit has been projected to decline to 4.50 percent in the last year of the MTFP. The fiscal deficit includes additional borrowing allowed to the State for capital investment, pension fund, and power sector borrowing. The normal fiscal deficit remained below the stipulated target (Table 10).

The revenue expenditure increases from 19.50 percent in the budget estimates to 20.88 percent in the last year of the projection. The rise in revenue expenditure is based on availability of resources and the need to generate surplus in the revenue account. Resource allocation focusses on funding the priority areas of the Government. The spending pattern for the priority areas of the State has remained favorable in the medium term. The resource allocation to social and economic services shown as percentage to GSDP was allowed to rise during the MTFP period. The expenditure under general service remains stable during the MTFP period allowing realignment of resources to priority sectors.

It is expected that with improvement in growth scenario in the country, there will be improvement in central transfers including the GST components. The rolling nature of the MTFP allows to make revisions in the future. The capital expenditure, which is at 6.35 percent in 2024-25 BE, has moderated to 5.50 percent during last year of the MTFP. This level of capital expenditure for Sikkim is reasonably high. With the rise of State GSDP, the additional borrowing facility will improve, which will take the capital expenditure up.

The MTFP based on availability of resources from various sources and expenditure need of the government strives at fulfilling the sector objectives and achieve better results from the utilization of public resources. GSDP is assumed to grow at 11 percent, aligning with the growth process of the State economy. Improvement in national economy will have its impact on the growth of GSDP. The MTFP projects improvement of own revenue and improvement in central transfers. Given the growth scenario in the country, the projection is carried out keeping the fiscal reality witnessed in baseline period with possible improvements.

Table 11

Medium Term Fiscal Plan: 2024-25 to 2026-27

(Per cent to GSDP)

	2024-25 (BE)	2025-26	2026-27
Revenue Receipts	**20.19**	**20.45**	**21.14**
Own Tax Revenues	**3.68**	**4.12**	**4.20**
Sales Tax +SGST	2.88	2.98	3.07
State Excise Duties	0.86	0.86	0.86
Motor Vehicle Tax	0.14	0.14	0.14
Stamp Duty and Registration Fees	0.05	0.05	0.05
Other Taxes	0.19	0.18	0.17
Own Non-Tax Revenues	**1.76**	**1.76**	**1.76**
Central Transfers	**14.57**	**15.18**	**15.83**
Tax Share	8.12	8.34	8.58
Grants	5.36	5.36	5.36
Revenue Expenditure	**19.50**	**20.14**	**20.88**
General Services	**7.74**	**7.74**	**7.74**
Interest Payment	1.75	1.87	1.93
Pension	2.88	3.06	3.26
Other General Services	3.12	2.81	2.55
Social Services	6.64	6.70	6.76
Education	2.96	2.91	2.87
Medical and Public Health	1.28	1.34	1.40
Other Social Services	2.41	2.45	2.49
Economic Services	**4.84**	**5.41**	**6.08**
Compensation and Assignment to LBs	**0.28**	**0.29**	**0.30**
Capital Expenditure	**6.35**	**5.60**	**5.50**
Capital Outlay	6.35	5.60	5.50
Net Lending	0.00	0.00	0.00
Revenue Deficit	**-0.95**	**-1.00**	**-1.00**
Fiscal Deficit	**5.40**	**4.60**	**4.50**
Primary Deficit	**3.66**	**2.73**	**2.57**
Outstanding Debt	**34.36**	**35.56**	**36.53**

Notes: *1. GSDP is the projected Gross Domestic Product at current prices*
2. The negative sign in revenue deficit indicates surplus.

The outstanding debt as percentage to GSDP remains high for the State. The outstanding debt-GSDP ratio of 34.36 percent of GSDP in the budget year of 2024-25 exceeds the limit of 28 percent prescribed by FC-XV. This was due to additional borrowing as alluded above. The MTFP projections also takes into account the additional borrowing facilities allowed to he State for which the debt-GSDP increased in the MTFP period. However, much more needs to be done at both at national and State level in a coordinated manner to reduce it further.

B. Assumption Underlying the Fiscal Indicators

The State FRBM Act stipulates that assumptions underlying fiscal projections should be elaborated in the MTFP, which enhances the transparency. The assumptions made to project the fiscal variables reflect the fiscal policy choices of the Government operating with limited resource availability. The MTFP 2024-25 is based on realistic assumptions relating to the likely behavior of fiscal variables. The projections take into account the new schemes launched and additional borrowing facilities available to the government.

The MTFP conforms to the provisions made in the FRBM Act of the State and the recommendations made by the Central Finance Commission regarding fiscal consolidation. Given the uncertainties in growth process, the trends in resource transfers under tax devolution, grants, and GST related transfers have been projected with caution. The fund flows to the programs are protected and provisions have been made to focus on the priority sectors to help the development process. The assumptions underlying the projection of fiscal variables are contained in Box 1.

GSDP

MTFP uses the growth rate of 11 percent for projecting GSDP, which is aligned with emerging growth pattern after the recovery from COvid-19 pandemic in 2020-21.

Revenue Receipts

The own tax revenue of the State in medium term is the sum of components projected separately to arrive at aggregate figure. The total own revenue of the State was derived after projecting the State taxes and non-tax revenue 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. Some adjustments were made to the buoyancy coefficients derived for the period 2011-12 to 2023-24 for making projection in the medium term, which implies higher revenue generation effort. The prescriptive buoyancies for individual taxes like sales tax, excise duty, motor vehicle tax, and other taxes were derived giving due consideration to the growth prospects. The prescriptive buoyancy resulted in growth rate of 13.31 percent for own taxes.

The own non-tax revenue is projected in the MTFP period by assigning the observed trend growth rate for the period from 2011-12 to 2023.24. In the case of central transfers, the recommendations of the FC-XV are factored in during the projection period. For the share in central taxes budgetary figure for the year 2023-24 is allowed to grow at the observed rate. The grants were projected using the observed growth rate after the restructuring of the central grants were undertaken.

Expenditure Restructuring under MTFP

The growth of revenue expenditure was allowed to rise given the resource viability to the state. Funding to the priority sectors were protected during the MTFP period. Higher availability of resources in future years will be helpful in further enhancing the expenditure. As the revenue expenditure has been growing in nominal terms, the growth was required to be controlled given the availability of resources. It is expected that effective program management and implementation of the projects in a timely manner will help achieving the value for money.

The growth of revenue expenditure was 18.79 percent in 2024-25 budget over the previous year. During the last two years of the MTFP period, the revenue expenditure increases by 14.65 and 15.06 percent respectively that gives an average growth rate of 16.17 percent during the MTFP period. This has become necessary to safeguard resource allocation to priority areas. The amount of money available to priority sectors will continue to rise. The MTFP proposes to continue with this resource allocation approach and provide higher level of funding to priority sectors. The social sector expenditure increases from Rs. 3490.35 crore in BE 2024-25 to Rs. 4378.29 crore in 2026-27.

The capital expenditure has moderated from 6.35 percent in 2024-25 to 5.50 percent in last year of MTFP. Given the importance accorded to the capital expenditure by the government, care has been taken keep it at a reasonably high level. The special assistance window for capital expenditure will further increase the capital outlay. The

MTFP keeps the requirements of infrastructural development in the State while projecting the capital expenditure.

Debt and Deficit under MTFP

The fiscal deficit was projected to be 5.40 percent for the budget year, which declines to 4.6 percent and 4.5 percent in last two years of MTFP respectively. This is based on the targets given in the FRBM Act of the state and takes into account additional borrowing facilities available. During the MTFP period, given the growth of revenue and expenditure, the revenue accounts remain at surplus. The emerged fiscal profile shows that the outstanding debt increases from 34.36 percent in 2024-25 to 36.53 percent in 2026-27. This level of debt remains higher than debt level stipulated in the amended FRBM Act. Further efforts to generate additional revenue mobilization and some coordinated effort from both central and state governments will reduce the borrowing requirement and debt burden.

Box 1

Proposed MTFP Targets

Macro Parameters

- Nominal Growth rate of GSDP was assumed to be 11 percent, aligning emerging economic scenario in the state after the recovery process from Covid-19 pandemic.

Revenue Resources

- Buoyancy coefficient for sales tax + GST remains same as the observed coefficient of 1.328.
- The state excise duty assumes a buoyancy of 1.00 as against the observed coefficient of 0.754.
- The stamp duty and registration fees assumes a buoyancy of 1.014 same as the observed buoyancy.
- Motor Vehicle tax assumes a buoyancy of 1.00 as against an observed buoyancy of 0.819.
- Other taxes assume a buoyancy of 0.50, as against the observed buoyancy of -0.008.

Expenditure Projections

- Pension payments are projected taking into account the requirements in 2024-25 as per the Government policy. The projection for two outward years, takes a growth rate of 18 percent.
- The interest payments have been estimated on the basis of the effective rate of interest calculated by dividing the value of interest payment during 2024-25 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 12 per cent per annum in last two years of MTFP.
- Education expenditure will grow at the rate of 10 per cent per annum in last two years of MTFP.
- Health expenditure will grow at the rate of 16.30 per cent per annum.
- Capital expenditure to GSDP ratio is projected to decline from 6.35 percent in the budget year to 5.50 percent in last year of the MTFP.

Deficit and Debt targets

- The MTFP projects the revenue surplus during the MTFP period.
- The fiscal deficit is projected to decline from 5.40 percent to 4.50 percent in the last year of the MTFP.
- The outstanding debt to GSDP ratio increases from 34.36 to 36.52 percent in the last year of MTFP.

Disclosures

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

Sl. No.	Item	Previous Year 2022-23 (Actuals)	Previous Year 2023-24 (RE)	Current Year 2024-25 (BE)
1	Gross Fiscal Deficit as Percentage to GSDP	4.45	5.33	5.40
2	Revenue Deficit as Percentage of GSDP	-1.11	-1.95	-0.95
3	Revenue Deficit as Percentage of Gross Fiscal Deficit	-24.86	-36.62	-17.58
4	Revenue deficit as Percentage of TRR	-5.84	-9.67	-4.65
5	Debt Stock as Percentage of GSDP	29.70	32.16	34.36
6	Total Liabilities as Percentage to GSDP	40.09	41.29	42.59
7	Capital Outlay as Percentage of Gross Fiscal Deficit	133.70	148.38	132.16
8	Interest Payment as Percentage of TRR	8.86	10.19	11.33
9	Salary Expenditure as Percentage of TRR	38.52	40.21	45.09
10	Pension Expenditure As Percentage of TRR	14.20	16.07	18.66
11	Non-development Expenditure as Percentage of Aggregate Disbursements	74.99	69.74	73.20
12	Non-tax Revenue as Percentage of TRR	12.05	10.37	8.62

Note: Negative sign indicates Surplus

Form D-2
(*See* Rule 4)

Components of State Government Liabilities

Category	Opening Balance		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)	Previous Year (Actuals)	Current year (RE)
Internal Debt	8068.38	9271.03	1483.87	2066.36	156.31	284.98	9395.94	11052.42
Loan from Centre	585.74	381.27	553.03	1123.60	11.43	11.43	1127.34	1493.43
State Provident Funds	1416.31	1572.38	461.21	467.69	424.17	465.45	1453.36	1574.63
Reserve Funds	415.51	212.73	249.35	229.22	307.73	315.01	357.13	126.94
Deposits	376.99	362.50	371.78	511.77	385.64	459.75	363.13	414.52

Source: Finance Accounts Vol-I 2022-23 & State Budget 2024-25

Form D-3

(*See* Rule 4)

Guarantees given by the Government

Sl. No.	**Name of the Institution to which Guarantees is given**	**Maximum Guarantee given (in cr)**	**Outstanding Amount (in cr)**
1	State Finance Corporation	1281.00	1006.04
2	SABCCO	26.00	16.69
3	Sikkim Housing & Development Board	361.00	282.77
4	State Trading Corporation of Sikkim	300.00	192.40
5	SPICL (Teesta Urja Stage IVI & Rangit IV)	2700.47	2570.82
6	Sikkim Urja Ltd	375.00	375.00
	Total	**5043.47**	**4443.72**

Source: Finance Accounts Vol-I 2022-23

Form D-4

(*See* Rule 4)

Number of Employees in Government

Sl. No	**Sector Name**	**Total Employees as on 31.3.2024**	**Related Expenditure Rs. Crore**	
			On Salary	On Pension
(a)	Regular government Employees	35657	3462.98	-
(b)	Work Charged	491	DNA	-
(c)	Muster Roll	7010		-
(d)	Others	35682		-
(e)	Pensioners	15401	-	1512.51
	Total	**94241**	**3462.98**	**1512.51**

Source: Employees and Pension Database for No. of Employees and pensioners & Budget documents 2024-25

**DNA: Data Not Available in a consolidated format*