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FINANCE, REVENUE & EXPENDITURE DEPARTMENT  
GOVERNMENT OF SIKKIM  
GANGTOK

No.28/Fin/Adm.

Dated:23/03/2011

NOTIFICATION

In exercise of the powers conferred by section 8 of the Sikkim Fiscal Responsibility and Budget management Act, 2010 (No 15 of 2010) the State Government hereby makes the following rules, namely:-

1. Short title and commencement :-

- 1) These rules may be called the Sikkim Fiscal responsibility and Budget Management Rules, 2011.
- 2) They shall come into force at once.

2. Definitions- In these rules, unless the context otherwise requires :-

- (1) a) “ Act” means the Sikkim Fiscal Responsibility and Budget Management Act,2010;
- b) “Form” means a form appended to these rules;
- c) “Section” means a section of the act;

(2) Words and expression used herein but not defined and defined in the Act shall have the meanings respectively assigned to them in the Act.

3. Medium Term Fiscal Plan.-

(1) The Medium Term Fiscal Plan , as required under sub-section (5) of section 3, of the Act shall be in Form F-2 indicating three years rolling targets in respect of the following fiscal indicators, namely:-

- a) Revenue deficit as a percentage of Gross State Domestic Product.
- b) Fiscal deficit as a percentage of Gross State Domestic Product.
- c) Total outstanding debt as a percentage of Gross State Domestic Product.
- d) Primary deficit/surplus as a percentage of Gross State Domestic Product.

(2) The Medium Term Fiscal Plan shall also explain the assumptions underlying the above mentioned targets for fiscal indicators and an assessment of sustainability relating to the items indicated in sub-section (2) of section 3 of the Act.

(3) The Medium Term Fiscal Plan shall contain the medium term fiscal objectives of the Government, the evaluation of performance of the prescribed fiscal indicators etc. as indicated in sub-section (4) of section 3 of the Act, in the Form F-1.

4. Disclosures:-

- (1) The State Government shall, at the time of presenting the budget, make disclosures as required under section 6 of the Act together with the following statements, namely-
- a) a statement of select indicators of fiscal situation in Form D-1;
  - b) A statement on components of State Government Liabilities in Form D-2;
  - c) A statement on guarantees given by the Government in Form D-3;
  - d) A statement giving details of number of employees in Government , public sector and aided institutions and related salaries and pensions in Form D-4.

5. Measures to enforce compliance.-

In case the outcome of the quarterly reviews of trends in receipts and expenditure, at the end of the second quarter of any financial year shows that-

- (i) The total non-debt receipts are less than 40 percent of Budget Estimates for that year; or
- (ii) The fiscal deficit is higher than 45 percent of the Budget Estimates for that year;
- (iii) The revenue deficit is higher than 45 percent of the Budget Estimates for that year; then Department of Finance shall present a statement in the Legislature during the session immediately following the end of the second quarter detailing the corrective measures taken and the prospects for the fiscal deficit of that financial year.

Form F-1  
( see Rule 3)  
Medium Term Fiscal Plan

- 1. Fiscal Policy Overview- [ This section will present an overview of the fiscal policy currently in vogue]
- 2. Fiscal policy for the ensuing year.- this section shall have, inter alia, following components.-

(i) Tax Policy

This will include major changes proposed to be introduced in direct and indirect taxes in the ensuing financial year. It shall contain an assessment of exemption in various taxes and how far it relates to principles regarding tax exemptions.

(2) Expenditure Policy

Under expenditure policy, major priorities in the allocation of expenditure shall be elaborated. It may also contain an assessment of principles regarding the benefits and target group of beneficiaries. It should describe the steps taken towards expenditure restructuring relating to both size and sectoral allocations aimed at removing inefficiencies arising from misallocations, design and implementation of schemes, delivery of services.

(3) Government Borrowings , Lending and Investments

In this sub-paragraph, the policy relating to government internal borrowings, lending and recovery of loans and advances etc. Shall be indicated.

(4) Other liabilities- This sub-paragraph shall include information relating to guarantees and off budget borrowings of Government having potential budgetary implication. It would also include details relating to one-time settlement of such liabilities, measures to limit the guarantees etc.

(5) Levy of User charges

Any change proposed in the levy of user charges of public services shall be spelt out.

3. Strategic priorities for the ensuing year.-

(1) Resource mobilization for the ensuing financial year through tax, non-tax and other receipts shall be spelt out.

(2) The broad principles underlying the expenditure management during the ensuing year shall be spelt out.

4. Rationale for Policy changes.-

(1) The rationale for policy changes consistent with the Medium Fiscal Plan, in respect of taxes proposed in the ensuing shall be spelt out.

(2) The rationale for major policy changes in respect of budgeted expenditure including expenditure on subsidies and pensions shall be indicated.

(3) Rationale for changes, if any, proposed in the management of the public debt shall be indicated.

(4) The need for changes, if any, proposed in respect of the charges for public utilities shall be spelt out.

5. Policy Evaluation.-

The paragraph shall contain an evaluation of the changes proposed in the fiscal policy for the ensuing year with reference to fiscal deficit reduction and objectives set out in the Medium Term Fiscal Plan.

**Form F-2  
( see Rule 3)**

	Previous Year(Y-2) Actuals	Current Year (Y-1) Revised Estimates	Ensuing Year (Y) Budget Estimates	Targets for Next Two Years	
				Y+1	Y+2
Revenue Deficit as Percentage of GSDP					
Fiscal Deficit as Percentage of GSDP					
Primary Deficit as Percentage of GSDP					
Total Debt Stock as Percentage of GSDP					

1. Fiscal Indicators- Rolling Targets
2. Assumption underlying the Fiscal Indicators
  - (1) Revenue receipts
    - ( a ) Tax- revenue-Sectoral and GSDP growth rate;
    - (b) Non-tax-revenue-Policy;
    - (c) Share of own tax revenue to total tax revenue;
    - (d) Share of own non-tax, revenue to total non-tax revenue.
  - (2) Capital receipts –Debt stock, repayment, fresh loans and policy stance.
    - (a) Loans and advances from the Centre;
    - (b) Special securities issues to the NSSF;
    - (c) Recovery of loans and advance;
    - (d) Borrowings from financial institutions;
    - (e) Other receipts(net)-small savings, provident funds,etc;
    - (f) Outstanding Liabilities-Internal Debt and Other Liabilities.
  - (3) Total expenditure –Policy Stances
    - (a) Revenue account
      - i) Interest payments
      - ii) Major subsidies
      - iii) Salaries
      - iv) Pensions
    - (b) Capital account
      - i) Loans and advances
      - ii) Capital Outlay
  - (4) Gross State Domestic Product Growth

3. Assessment of sustainability relating to.-

- (1) The balance between receipts and expenditure in general and revenue receipts and revenue expenditure in particular. The Medium Term Fiscal Policy Statement may specify the tax-GSDP ratio, own tax-GSDP ratio and State's share in Central tax-GSDP ratio for the current year and subsequent two years with an assessment of the changes required for achieving. It may discuss the non-tax revenues and the polices concerning the same. Expenditure on revenue account, both plan and non-plan may be also discussed with particular emphasis on the measures proposed to meet the overall objectives. It may discuss policies to contain expenditure on salaries, pension, subsidies and interest payments. An assessment of the capital receipts shall be made, including the borrowings and other liabilities, as per policies spelt out. The statement shall also give projections for GSDP and discuss it on the basis of assumptions underlying the indicators in achieving the sustainability objective.
- (2) The use of capital receipts including borrowings for generating productive assets. The Medium Term Fiscal Policy Statement may specify the proposed use of receipts for generating productive assets in different categories. It may also spell out the proposed changes among these categories and discuss them in terms of the overall policy of the government.

By order and in the name of Governor.

( R. ONGMU ),IAS  
PRINCIPAL SECRETARY  
FINANCE, REVENUE & EXPD.T.DEPARTMENT

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

SL.NO	ITEM	PREVIOUS YEAR (ACTUAL)	CURRENT YEAR (RE)
1	Gross Fiscal Deficit as Percentage to GSDP		
2	Revenue Deficit as Percentage of GSDP		
3	Revenue Deficit as Percentage of GSDP		
4	Revenue Deficit as Percentage of TRR		
5	Debt Stock as Percentage of GSDP		
6	Total Liabilities as Percentage of Gross Fiscal Deficit		
7	Capital Outlay as Percentage of Gross Fiscal Deficit		
8	Interest Payment as Percentage of TRR		
9	Salary Expenditure as Percentage of TRR		
10	Pension Exp. As Percentage of TRR		
11	Non-development Expenditure as Percentage of Aggregate Disbursements		
12	Non-tax-revenue as Percentage of TRR		

**Form D-2**  
**( see Rule 4)**

**Components of State Government Liabilities**

Category	Raised during the fiscal year		Repayment during the fiscal year		Outstanding Amount (End March)	
	Previous Year (Actuals)	Current Year (Revised Estimate)	Previous Year (Actuals)	Current Year (Revised Estimate)	Previous Year (Actuals)	Current Year (Revised Estimate)
Internal debt						
Loan from Centre						
State Provident Fund						

Insurance and Pension Funds						
Reserve Funds/ Deposits						
Other Liabilities						

**Form D-3**  
**( See Rule 4)**  
**Guarantees given by the Government**

Sl.No	Name of Institution to which Guarantee is give	Maximum Guarantee given	Remarks

**Form D-4**  
**( see Rule 4)**  
**Number of Employees in State Government, Public Sector Undertakings & Aided Institutions**

Sl.No	Sector Name	Total Employees as on 31.03	Related Expenditure during ( Rs. In Lakhs)	
			On Salary	On pension