



GOVERNMENT OF SIKKIM
FINANCE, REVENUE AND EXPENDITURE DEPARTMENT
GANGTOK

Half Yearly Review Report: 2018-19

**Review of the Trends in Receipt and Expenditure in
relation to Budget 2018-19**

**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 2018 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 2018-19 has clearly stipulated the fiscal management principles, policy choices and fiscal stand enshrined in the Act. To ensure the fiscal stability and sustainability while providing efficient public service is the key feature of a growth oriented fiscal policy. The fiscal management principles provided in the Act call for maintenance of certain fiscal parameters in form of fiscal indicators.

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

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

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

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

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

At the same time, the 14th Finance Commission, however, has recommended using the average growth rate of the GSDP of the past three years to arrive at the borrowing ceilings of the State. The State Government has used the same methodology to arrive at the GSDP figures for the Budget year 2018-19.

1.2 Fiscal Profile of Budget 2017-18

Based on the recommendations of the 14th Finance Commission, the GSDP for 2016-17 is calculated at 18.64 percent growth on GSDP of 2013-14 (as published by Central Statistical Organization (CSO)). The growth rate used is the average growth rate of GSDP between the financial years 2011-12 to 2013-14. The GSDP figure thus calculated and used for 2018-19 was ₹23141.00 crore in nominal terms. The 14th FC, however, has used GSDP of ₹39646.00 crore to project revenue receipts and expenditure of the State for 2018-19.

The 14th Finance Commission in its assessment of Own Revenue Receipts for 2018-19 projected Own Tax Revenue-GSDP Ratio and Own Non-Tax Revenue-GSDP Ratio at 5.61 percent and 1.16 percent respectively. However, the Own Tax Revenue-GSDP Ratio and Own Non-Tax Revenue-GSDP Ratio in Budget Estimate for 2018-19 were projected at 3.33 percent and 2.08 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 3.34 percent and 2.24 percent respectively in the last fiscal year.

The fiscal profile of the Budget for 2018-19 has been outlined at Table 1. From the Table, it is seen that the Revenue Receipts for the State is 25.85 percent relative to GSDP. This is a decrease from 26.22 percent estimated last fiscal year. The Central Transfers for 2018-19 was projected at 20.44 percent of GSDP. There has been an increase in Tax Devolution from 12.20 percent to 12.50 percent of GSDP and a decrease in Other Central Transfers from 8.63 percent to 7.94 percent of GSDP from that of last fiscal year.

The Revenue Expenditure for 2018-19 has been projected at 23.15 percent of GSDP and the Capital Expenditure projected at 5.70 percent of GSDP. The outlay under Capital Expenditure has decreased compared to last fiscal year. The reason for decrease is due to decrease in Central transfers under State Plan.

The State Government over the years has 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 2.70 percent relative to GSDP in 2018-19. The projection of 3.00 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 2018-19

Sl. No.	Particulars	Budget Estimate 2018-19 As % to GSDP
1	Revenue Receipts (2+8+9)	25.85
2	Own Tax Revenue(3+4+5+6+7)	3.33
3	Sales Tax + SGST	1.76
4	State Excise Duty	0.69
5	Motor Vehicle Tax	0.13
6	Stamp Duty and Registration	0.06
7	Other Taxes	0.69
8	Own Non Tax Revenue	2.08
9	Central Transfer (10+11)	20.44
10	Tax Devolution + CGST + IGST	12.50
11	Grants	7.94
12	Revenue Expenditure	23.15
13	General Services (14+15+16)	9.38
14	Interest Payment	2.00
15	Pension	2.77
16	Other General Services	4.60
17	Social Services (18+19+20)	7.16
18	Education	4.19
19	Medical and Public Health	1.06
20	Other Social Services	1.90
21	Economic Services	6.30
22	Compensation and Assignment to LBs	0.32
23	Capital Expenditure	5.70
24	Capital Outlay	5.64
25	Net Lending	0.06
26	Revenue Deficit (12-1)	-2.70
27	Fiscal Deficit (12+23-1)	3.00
28	Primary Deficit (27-14)	1.00
29	Outstanding Debt	26.36

Source: Medium Term Fiscal Plan for Sikkim 2018-19 to 2020-21

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 48.00 percent, which comprises of Tax Revenue of 52.74 percent, Non Tax Revenue of 64.27 percent and Central Transfers (Tax Devolution including Grants-in-Aid) of 45.57 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 2018-19 is presented in Table 2.

Table 2 : Summary of Revenue Profile

(₹. in lakh)

Sl. No.	Items	B.E 2018-19	April-Sept 2018	% to budget
1	Revenue (2+3+4)	598093.20	287096.25	48.00
2	Own Tax revenue	77031.42	40629.9	52.74
3	Non Tax Revenue	48192.12	30973.24	64.27
4	Central Transfers	472869.66	215493.11	45.57

Source: Civil Accounts for Sept. 2018

2.1.1 Own Tax Revenue and Central Transfers.

The State's Own Tax Revenue constitutes 12.88 percent relative to the total Revenue for 2018-19 and 3.33 percent relative to GSDP. The revenue from Sales Tax (VAT) is the major source of Own Tax Revenue, which comprises of 52.84 percent of the total own Tax revenue. The realization of 52.74 percent of Own Tax Revenue in the first half year is obviously an indication of improvement. 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 20.58 percent during the current fiscal year and is also a significant contributor. It has been performing consistently well every year and achievement of 51.95 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 54.50 percent this fiscal year, which is within the target expected. The achievement of revenue under “Stamp Duties and Registration Fee” is 76.82 percent. The achievement under other taxes, which comprises of 20.82 percent of the total tax revenue, is at 22.69 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 79.06 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 20.43 percent relative to GSDP. Total receipt up to the review period is 45.57 percent which is below the expected release by Government of India. The release under Grants is at 53.25 percent.

Table 3 : Summary of Own Tax Revenue and Central Transfers

(`in lakh)

Sl. No.	Items	B.E 2018-19	April-Sept 2018	% to budget
1	Own Tax revenue (2+3+4+5+6)	77031.42	40629.90	52.74
2	Sales Tax + SGST	40705.42	26039.24	63.97
3	State Excise Duties	15853.00	8235.80	51.95
4	Motor vehicle Tax	3104.00	1691.83	54.5
5	Stamp Duty and registration Fees	1334.00	1024.84	76.82
6	Other Taxes	16035.00	3638.19	22.69
7	Central Transfers (8+9)	472869.66	215493.11	45.57
8	Tax Devolution +CGST+IGST	289234.00	117704.78	40.70
9	Grants	183635.66	97788.33	53.25

Source: Civil Accounts for Sept.2018

2.1.2 Own Non-Tax Revenue

The profile of the Non-Tax Revenue in the first six months of the current financial year 2018-19 is presented in Table 4. The State's Own Non Tax Revenue constitutes 8.06 percent relative to the total Revenue Receipt for 2018-19 and 2.08 percent relative to GSDP.

The relative share of Non Tax Revenue under General Services is 38.99%, the major component of receipts are Interest Receipts and Police which stands at 109.85% and 70.69% 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 ₹330.81 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 3.17 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. ₹ 103.61 lakh against annual target of ₹41.75 lakh. Similarly, the Department of Labour has also exceeded its half yearly targets by ₹ 19.30 lakh against an annual target of ₹ 30.0 lakh. Overall, the Non Tax Revenue Receipt under Social Services at 47.56 percent.

The relative share of Non Tax Revenue under Economic Services is 57.84 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 29.45 percent in the current fiscal year. The total realization up to the review period is 64.45 percent.

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

Overall achievement during the half yearly period is 48.00 percent relative to the estimated target of total revenue receipt which comprises tax revenue of 52.74 percent, non-tax revenue of 64.27 percent and Central Transfers of 45.57 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 2018-19	April-Sept 2018-19	Percentage to B.E
A	GENERAL SERVICES			
0049	Interest Receipts	5040.75	5537.37	109.85
0050	Dividends and profits	100.00	430.81	430.81
0051	Public Service Commission	7.00	24.75	353.57
0055	Police	5711.28	4037.23	70.69
0056	Jails	0.00	-	-
0058	Stationery and Printing	195.00	55.25	28.33
0059	Public Works	459.00	418.40	91.15
0070	Other Administrative Services	779.19	277.54	35.62
0071	Contributions and Recoveries towards Pension and Other Retirement Benefits	1000.00	853.99	85.40
0075	Misc. General Services	5500.02	2815.36	51.19
Total A	GENERAL SERVICES	18792.24	14450.70	76.90
B	SOCIAL SERVICES			
0202	Education, Sports, Art & Culture	116.96	84.24	72.02
0210	Medical and Public Health	250.00	165.53	66.21
0215	Water Supply and Sanitation	1000.10	226.58	22.66
0216	Housing	60.00	34.05	56.75
0217	Urban Development	41.75	145.36	348.17
0220	Information and Publicity	17.50	9.32	53.26
0230	Labour and Employment	30.00	49.30	164.33
0235	Social Security & Welfare	3.82	11.31	296.07
0250	Other Social Services	6.00	0.07	1.17
Total B	SOCIAL SERVICES	1526.13	725.76	47.56
C	ECONOMIC SERVICE			
0401	Crop Husbandry	63.00	23.35	37.06
0403	Animal Husbandry	99.50	95.46	95.94
0404	Dairy Development	0.00	-	-
0405	Fisheries	3.50	2.72	77.71
0406	Forestry and Wild Life	1350.45	662.11	49.03
0407	Plantation	700.00	241.00	34.43
0408	Food Storage and Ware Housing	10.50	7.23	68.86
0425	Co-operation	2.50	6.09	243.60
0515	Other Rural Development Programme	150.00	48.12	32.08
0702	Minor Irrigation	6.30	1.64	26.03
0801	Power	19010.00	12251.50	64.45

0851	Village and Small Industries	25.00	14.51	58.04
0852	Industries	65.50	6.97	10.64
0853	Non-Ferrous Mining & Metallurgical Industries	8.00	11.20	140.00
1055	Road Transport	5900.00	2069.54	35.08
1452	Tourism	463.50	351.20	75.77
1475	Other General Economic Services	16.00	4.14	25.88
Total C	ECONOMIC SERVICES	27873.75	15796.78	56.67
Total	NON TAX REVENUE(A+B+C)	48192.12	30973.24	64.27

Source: Annual Financial Statement 2018-19 and Civil Accounts Sept.2018

2.2 Summary of Expenditure

The total expenditure of the State Government comprises of 28.79 percent relative to GSDP. The overall expenditure under the period of review this fiscal year is 40.48 percent with 40.09 percent expenditure under Revenue Sector and 42.10 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 2018-19 has slightly less as compared to last fiscal year 2017-18.

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 2018-19		Expenditure 2018-19 April-Sept	Percentage to B.E
		BE 2018-19	Total		
A	Revenue Account (1+2+3+4)	535770.80	535770.80	214767.08	40.09
1	General Services	217078.78	217078.78	80474.86	37.07
2	Social Services	165538.79	165538.79	81929.05	49.49
3	Economic Services	145821.21	145821.21	48974.01	33.58
4	Grants in Aid and Contribution	7332.02	7332.02	3389.16	46.22
B	Capital Account (1+2+3)	130395.54	130395.54	54892.80	42.10
1	General Services	11558.53	11558.53	3194.59	27.64
2	Social Services	37338.27	37338.27	10909.74	29.22
3	Economic Services	81498.74	81498.74	40788.47	50.05
C	Grand Total	666166.34	666166.34	269659.88	40.48

Source: Annual Financial Statement 2018-19 and Civil Accounts Sept.2018

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 40.09 percent during the first half of the fiscal year.

Table 6: Revenue Expenditure

(.in lakh)

Sl. No.	Heads of Accounts	BUDGET ESTIMATE 2018-19	EXPENDITURE 2018-19	
		Total	Expenditure April-Sept.	Percentage to B.E
A	<u>GENERAL SERVICES</u>			
2011	Parliament/State/Union Territory Legislature	1703.37	1045.80	61.40
2012	President, Vice President/Governor,	776.99	452.72	58.27
2013	Council of Ministers	1371.11	690.26	50.34
2014	Administration of Justice	4866.33	2194.37	45.09
2015	Elections	824.39	456.13	55.33
2020	Collection of Taxes on Income & Expenditure	179.28	114.58	63.91

2029	Land Revenue	715.51	442.62	61.86
2030	Stamps & Registration	20.00	5.67	28.35
2039	State Excise	806.08	354.51	43.98
2041	Taxes on Vehicles	441.16	285.93	64.81
2043	Collection charges under state goods & services Tax	653.46	336.93	51.56
2045	Other Taxes & Duties on Commodities & Services	2666.51	106.02	3.98
2048	Appropriation for reduction or avoidance of debt	1200.00	1200.00	100.00
2049	Interest Payments	46354.03	15957.74	34.43
2051	Public Services Commission	510.68	283.62	55.54
2052	Secretariat -General Services	19856.59	2634.74	13.27
2053	District Administration	2445.36	1383.68	56.58
2054	Treasury and Accounts Administration.	1644.28	1018.13	61.92
2055	Police	37581.35	17418.99	46.35
2056	Jails	726.06	461.23	63.53
2058	Stationery and Printing	1137.29	564.17	49.61
2059	Public Works	3796.06	1528.21	40.26
2062	Vigilance	1229.94	632.66	51.44
2070	Other Administrative Services	5273.53	2071.99	39.29
2071	Pensions and Other Retirement Benefits	64146.07	28495.12	44.42
2075	Miscell. General Services	16153.35	339.04	2.10
A	GENERAL SERVICES	217078.78	80474.86	37.07
B	<u>SOCIAL SERVICES</u>			
2202	General Education	96940.56	42394.87	43.73
2203	Technical Education	805.01	196.68	24.43
2204	Sports and Youth Services	1477.58	701.04	47.45
2205	Art and Culture	1310.47	451.13	34.43
2210	Medical and Public Health	24554.92	14382.78	58.57
2211	Family Welfare	1816.75	930.75	51.23
2215	Water Supply & Sanitation	6654.19	3426.11	51.49
2216	Housing	2080.64	378.93	18.21
2217	Urban Development	4013.68	3015.51	75.13
2220	Information and Publicity	1255.34	737.90	58.78
2225	Welfare of S/C, S/T and Other Backward classes.	5600.90	2893.87	51.67
2230	Labour & Employment	817.07	374.08	45.78
2235	Social Security & Welfare	10294.55	4075.09	39.58
2236	Nutrition	1175.38	189.25	16.10
2245	Relief on Account of Natural Calamities	4023.24	7337.01	182.37
2250	Other Social Services	2619.55	419.91	16.03
2251	Secretariat- Social Services	98.96	24.14	24.39
B	SOCIAL SERVICES	165538.79	81929.05	49.49
C	<u>ECONOMIC SERVICES</u>			
2401	Crop Husbandry	22445.65	3908.82	17.41

2402	Soil & Water Conservation	1957.09	557.99	28.51
2403	Animal Husbandry	5940.13	2315.97	38.99
2404	Dairy Development	75.50	45.90	60.79
2405	Fisheries	601.97	292.83	48.65
2406	Forestry & Wild Life	12449.51	5647.41	45.36
2407	Plantations	880.77	439.62	49.91
2408	Food, Storage & Warehousing	1895.43	638.96	33.71
2425	Co-operation	1685.76	722.81	42.88
2435	Other Agricultural Programmes	2740.52	508.72	18.56
2501	Special Programmes for Rural Development	3005.51	1820.25	60.56
2505	Rural Employment	16025.00	2916.02	18.20
2506	Land Reforms	564.08	0.00	0.00
2515	Other Rural Development Programmes	9598.89	2179.60	22.71
2575	Other Special Area Programmes	110.00	-	-
2702	Minor Irrigation	12063.64	847.26	7.02
2711	Flood Control & Drainage	10.00	0.00	0.00
2801	Power	20688.10	11952.50	57.77
2810	Non-Conventional Sources of Energy	168.38	0.00	0.00
2851	Village and Small Industries	5212.51	1182.20	22.68
2852	Industries	660.64	237.16	35.90
2853	Non-ferrous Mining & Metallurgical Industries	633.96	315.01	49.69
3054	Roads and Bridges	13651.02	6518.11	47.75
3055	Road Transport	6314.07	3406.07	53.94
3425	Other Scientific Research	436.03	177.12	40.62
3435	Ecology and Environment	759.63	156.78	20.64
3451	Secretariat-Economic Services	790.60	209.40	26.49
3452	Tourism	2830.82	1340.68	47.36
3454	Census Surveys & Statistics	857.15	382.29	44.60
3456	Civil Supplies	204.37	155.27	75.97
3475	Other General Economic Services	564.48	99.26	17.58
C	ECONOMIC SERVICES	145821.21	48974.01	33.58
D	GRANTS IN AID & CONTRIBUTION			
3604	Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	7332.02	3389.16	46.22
D	GRANTS IN AID & CONTRIBUTION	7332.02	3389.16	46.22
E	TOTAL OF REVENUE ACCOUNT (A+B+C+D)	535770.80	214767.08	40.09

Source: Annual Financial Statement 2018-19 and Civil Accounts Sept.2018

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 42.10 percent of the outlay for 2018-19. 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 2018-19		EXPENDITURE 2018-19	
		BE 2018-19	Total	April-Sept.	Percentage to B.E
A	CAPITAL ACCOUNT OF GENERAL SERVICES				
4055	Capital Outlay of Police	418.67	418.67	18.67	4.46
4058	Capital outlay on Stationery & Printing	300.00	300.00	275.31	91.77
4059	Capital Outlay on Public Works	10839.86	10839.86	2900.61	26.76
A	CAPITAL ACCOUNT OF GENERAL SERVICES	11558.53	11558.53	3194.59	27.64
B	CAPITAL ACCOUNT OF SOCIAL SERVICES				
4202	Capital Outlay on Education, Sports, Art and Culture	7420.64	7420.64	2601.23	35.05
4210	Capital Outlay on Medical and Public Health	4607.14	4607.14	3605.85	78.27
4215	Capital Outlay on Water Supply and Sanitation	13996.21	13996.21	2088.99	14.93
4216	Capital Outlay on Housing	200.00	200.00	1200	600.00

4217	Capital Outlay on Urban Development	8243.77	8243.77	1333.9	16.18
4225	Capital Outlay on Welfare of SC, ST & OBC	2185.50	2185.50	0	0.00
4235	Capital Outlay on Social Security & Welfare	685.01	685.01	79.77	11.65
B	CAPITAL ACCOUNT OF SOCIAL SERVICES	37338.27	37338.27	10909.74	29.22
C	CAPITAL ACCOUNT OF ECONOMIC SERVICES		0.00		
4401	Capital Outlay on Crop Husbandry	370.30	0.00	-	-
4403	Capital Outlay on Animal Husbandry	243.41	243.41	0.99	0.41
4405	Capital Outlay on Fisheries	84.29	84.29	-	-
4406	Capital Outlay on Forestry and Wildlife	580.17	580.17	25.70	4.43
4408	Capital Outlay on Food storage & warehousing	1241.00	1241.00	3.02	0.24
4515	Capital Outlay on other Rural Development Programmes	800.00	800.00	114.18	14.27
4575	Capital Outlay on other Special Areas Programmes	4675.00	4675.00	456.64	9.77
4711	Capital Outlay on Flood Control Projects	1253.45	1253.45	-	-
4801	Capital Outlay on Power Projects	7476.88	7476.88	1850.86	24.75
4860	Capital Outlay on Consumer Industries	72.20	72.20	-	-
5054	Capital Outlay on Roads and Bridges	57389.13	57389.13	36620.64	63.81
5055	Capital Outlay on Road Transport	200.00	200.00	90.16	45.08
5452	Capital Outlay on Tourism	6867.91	6867.91	1626.28	23.68
5475	Capital Outlay on other general economic services	245.00	245.00	0.00	0.00
C	CAPITAL ACCOUNT OF ECONOMIC SERVICES	81498.74	81498.74	40788.47	50.05
D	TOTAL OF CAPITAL ACCOUNT (A+B+C)	130395.54	130395.54	54892.80	42.10

Source: Annual Financial Statement 2018-19 and Civil Accounts Sept.2018

CHAPTER 3: FISCAL TARGETS, GUARANTEE & DEBT LEVELS

3.1 Fiscal Targets and Additional Borrowing

3.1.1 Fiscal Targets

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

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

3.1.2 Additional Borrowing and Amendment to the FRBM Act, 2010

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

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

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

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

The total Debt of the State for 2016-17 was ₹ 4671.18 crore and the Debt-GSDP ratio, therefore works out to 24.78 per cent of GSDP. Similarly, the total Debt of the State for 2017-18 was ₹ 5405.18 crore and the Debt-GSDP ratio works out to 25.79 percent of GSDP. The Debt –GSDP ratio for 2017-18 is slightly more than 25 percent of Debt-GSDP ratio and thus the State does not qualifies for the first criteria for 0.25 percent additional borrowing.

The Interest Payments and Revenue Receipts of the State for 2016-17 is ₹ 324.39 crore and ₹ 4610.29 crore respectively. Interest payments-Revenue receipts ratio for 2016-17 is 7.03 percent. Similarly, Interest Payments and Revenue Receipts of the State for 2017-18 is ₹ 362.66 crore and ₹ 6110.39 crore respectively. Interest payments-Revenue Receipts ratio for 2017-18 is 5.94 percent. The Interest payments-Revenue Receipts ratio for both 2016-17 and 2017-18 are less than 10 percent and thus the State qualifies for the second criteria for 0.25 additional borrowing.

The 14th Finance Commission also specifies that the flexibility in availing the additional limit under either of the two options or both will be available to a State only if there is no Revenue Deficit in the year in which borrowing limits are to be fixed and the immediately preceding year. There is no Revenue Deficit in the year 2016-17 and 2017-18 and thus the State qualifies the requirement of 0.5 percent additional borrowing in 2017-18.

3.2 Guarantees Given by the State Government

One of the fiscal management principles envisaged in the Sikkim Fiscal Responsibility and Budget Management Act 2010 is to manage the guarantees at sustainable level. As per the Sikkim Government Guarantee Act 2000, the ceiling on total outstanding Government guarantee in a year is restricted to three times of the State's Tax Revenue receipts of the second preceding year. The outstanding sums guaranteed by the State Government as on the date of review is within the permissible limit prescribed by the Sikkim Government Guarantee Act, 2000.

3.3 Public Debt and Small Savings

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

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

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

Year	Maximum debt stock as 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 2018 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	50364.71	2869.89	47494.82
6004	Loans & Advances from Central Govt	245.96	442.33	-196.37
7610	Loans and Advances	7.29	44.60	-37.31
Total	Public Debt	50617.96	3356.82	47261.14
8009	State Provident Fund	13680.16	14011.20	-331.04
8011	Insurance and Pension fund	197.89	151.38	46.51
Total	Total debt	64496.01	17519.40	46976.61

Source: Civil Accounts for Sept.2018

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.