



GOVERNMENT OF SIKKIM
FINANCE DEPARTMENT
GANGTOK

Half Yearly Review Report: 2020-21
Review of Trends in Receipt and Expenditure in
relation to Budget 2020-21

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

March 2021

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 2020 is presented herewith.

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LIST OF ABBREVIATIONS

MTFP	Medium Term Fiscal Plan
13 th FC	Thirteenth Finance Commission
14 th FC	Fourteenth Finance Commission
15 th FC	Fifteenth Finance Commission
FRBM	Fiscal Responsibility and Budget Management Act
GDP	Gross Domestic Product
GSDP	Gross State Domestic Product
GST	Goods and Services Tax
INR	Indian National Rupees
RBI	Reserve Bank of India
CSO	Central Statistical Organization
CSS	Centrally Sponsored Schemes
GST	Goods and Services Tax
NEC	North Eastern Council
NLCPR	Non Lapsable Central Pool of Resources
VAT	Value Added Tax

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 2021-22 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 indicator.

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 15th FC starting the fiscal year 2020-21.

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 GSDP growth rate for 2020-21 projected the growth rate based on achieved growth rate in the base year which is derived using the average growth rate of the GSDP of the past three year.

1.2 COVID-19 Pandemic

The onset of COVID-19 pandemic since March 2020 has caused the most unprecedented surprise in post-war history both for the Nation and Global economy. The State as well as nationwide lockdown that it triggered has dealt both demand and supply shocks to the economy, with wide ramifications on revenue collections and economic growth.

The State of Sikkim banned foreign tourists entering Sikkim from 5th March 2020 and for domestic tourists from 17th March 2020. There was a complete lockdown in Sikkim w.e.f. 25th March 2020 to 31st May 2020. There was relaxed lockdowns further till end of September and Sikkim finally began allowing resumption of tourist and related services from 10th October 2020.

The Covid-19 pandemic have made it imperative to re-prioritise expenditure due to lesser revenue inflow from the Centre putting extra burden on the State exchequer. Real GDP growth has slowed down significantly in the backdrop of the slowdown in private consumption, lower tax collections, fund allocation challenges at the State and Central Government levels, and a sharp slowdown in credit growth. To overcome the slowdown, various reforms were announced by the Central Government viz. reduction in corporate tax rates, a scheme to provide a one-time partial credit guarantee to public sector banks (PSBs) for purchase of pooled assets of financially sound non-banking financial companies (NBFCs), recapitalization of public sector banks, relaxation of external commercial borrowing guidelines for affordable housing, setting up of a Realty Fund for stalled housing projects, merger of 10 public sector banks into four entities and revised Priority Sector Lending (PSL) norms for exports.

In need to mitigate adverse impact of economic downturn, the State Government has also announced number of austerity measures like ban on appointments, purchase of vehicles & computer & peripherals and foreign travel; ban on repairs and maintenance including furnishing with overall curtailment in expenditure by 20%; restriction on implementation of new capital works under State funds and reduction in State share by 20%, etc. It is most likely that it would take quite some time for the consequent stress in the economy to be relieved and for growth to revive.

1.3 Fiscal Profile of Budget 2020-21

Based on the recommendations of the 14th Finance Commission, the GSDP for 2020-21 is calculated at 14.09 percent growth on GSDP of 2019-20 (as published by Central Statistical Organization (CSO)). The growth rate used is the average growth rate of GSDP between the

financial years 2017-18 to 2019-20. The GSDP figure thus calculated and used for 2020-21 was ₹ 34865.54 crore in nominal terms.

Table 1.1: Budget Profile 2020-21

Sl. No.	Particulars	Budget Estimate 2020-21 (₹ in Cr)	Budget Estimate 2020-21 (As % to GSDP)
1	Revenue Receipts	7973.24	22.87
2	Own Tax Revenue	1241.91	3.56
3	Sales Tax+SGST	870.00	2.50
4	Stamp Duty and Registration	16.44	0.05
5	State Excise Duty	248.13	0.71
6	Motor Vehicle Tax	39.16	0.11
7	Other Taxes	68.18	0.20
8	Own Non Tax Revenue	710.66	2.04
9	Central Transfer	6020.68	17.27
10	Tax Devolution	2121.70	6.09
11	CGST	920.92	2.64
12	Grants	2978.06	8.54
13	Revenue Expenditure	7343.60	21.06
14	General Services	2710.40	7.77
15	Interest Payment	574.04	1.65
16	Pension	959.85	2.75
17	Other General Services	1176.51	3.37
18	Social Services	2761.03	7.92
19	Education	1363.72	3.91
20	Medical and Public Health	503.43	1.44
21	Other Social Services	893.89	2.56
22	Economic Services	1760.41	5.05
23	Assignment to LBs	111.75	0.32
24	Capital Expenditure	1673.55	4.80
25	Capital Outlay	1663.99	4.77
26	Net Lending	9.55	0.03
27	Revenue Deficit	-629.65	-1.81
28	Fiscal Deficit	1045.98	3.00
29	Primary Deficit	484.63	1.39
30	Outstanding Debt	8592.04	24.64

Source: State Budget 2020-21 & Medium Term Fiscal Plan for Sikkim 2020-21 to 2022-23

The fiscal profile of the Budget for 2020-21 has been outlined at Table 1.1. From the Table, it is seen that the Revenue Receipts for the State is 22.87 percent relative to GSDP. This is a decrease from 26.01 percent estimated last fiscal year. The Central Transfers for 2020-21 was projected at 17.27 percent of GSDP. There has been a decrease in both Tax Devolution from

7.60 percent to 6.09 percent of GSDP and in Other Central Transfers from 8.80 percent to 8.54 percent of GSDP respectively from that of last fiscal year.

The Own Tax Revenue-GSDP Ratio and Own Non-Tax Revenue-GSDP Ratio in Budget Estimate for 2020-21 was projected at 3.56 percent and 2.04 percent respectively which is lesser than that at 4.29 percent and 2.48 percent for 2019-20 respectively. The shortfall was mainly due to lesser estimated collections under Other Taxes and lesser receipt on Interest on Investment of Cash respectively.

The Revenue Expenditure for 2019-20 was projected at 21.06 percent of GSDP which is a decrease from 25.07 percent of GSDP projected last fiscal. The Capital Expenditure, however, is an increase from 3.94 percent of GSDP projected last year to 4.81 percent of GSDP.

The State Government over the years have adhered to the FRBM targets and remained on the path of fiscal consolidation. The fiscal data shown in Table 1.1 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 was projected at 1.81 percent relative to GSDP in 2020-21. 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.

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 29.85 percent, which comprises of Tax Revenue of 23.56 percent, Non Tax Revenue of 39.60 percent and Central Transfers (Tax Devolution including Grants-in-Aid) of 23.56 percent. The Summary of Revenue covering the first six months of the fiscal year 2020-21 is presented in Table 2.1.

The trend of not achieving the half yearly targets of Revenue is quite normal but for the fiscal year 2020-21, the target is much lesser than expected due to the pandemic that brought the entire economy to standstill in the early part of the fiscal year and which continued to the later part of the year.

Table 2.1: Summary of Revenue Profile

Sl. No.	Items	2020-21 (BE) (₹ in cr)	Receipt April - Sept 2020 (₹ in cr)	% to budget
A	REVENUE RECEIPTS	7973.26	2380.14	29.85
1	OWN TAX REVENUE	1241.92	292.64	23.56
2	CENTRAL TRANSFERS	6020.68	1806.05	30.00
3	NON-TAX REVENUE RECEIPTS	710.66	281.45	39.60

Source: Annual Financial Statement 2020-21 and Civil Accounts Sept.2020

2.1.1 Own Tax Revenue and Central Transfer

The State's Own Tax Revenue constitutes 15.58 percent relative to the total Revenue for 2020-21 and 3.56 percent relative to GSDP. The revenue from SGST, State Excise Duties and Sales Tax are the major sources of Own Tax Revenue, which comprises of 90.03 percent of the total own Tax revenue. The realization of 23.56 percent of Own Tax Revenue in the first half year could be the impact of the pandemic. To compensate for the shortfall, more efforts need to be taken towards revenue mobilization especially after the economic activities in the State improves post the pandemic. The profile of Own Tax Revenue and Central Transfers covering the first six months of the current financial year is presented in Table 2.2.

The achievement of revenue under Stamp Duties and Registration Fee and Other Taxes was 21.71 and 20.66 percent of estimated revenue respectively. The reasons for the shortfall has been highlighted due to the lesser activities due to the pandemic. The achievement under Motor Vehicles Taxes has been mere 17.44 of the estimated revenue. The Motor Vehicles Department had come with circulars extending time period for payment of Motor vehicles taxes during the period of lockdown upto 31st March 2021. The shortfall in revenue though is seen as a short term and the same is expected to be up by the end of the fiscal year.

The overall achievement of targets envisaged in the Budget Estimate for the Own Tax Revenues is expected to grow in the second half of the fiscal year as per trends in the past except for the Taxes under SGST and Excise duties wherein the same may have been lost out due to lesser consumption due to the pandemic. The only means to compensate the loss would be by reducing expenditure due to austerity measures put in place by the State Government. 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.

Table 2.2: Summary of Own Tax Revenue and Central Transfers

Head of A/cs	Items	2020-21 (BE) (₹ in cr)	April - Sept 2020 (₹ in cr)	% to budget
A	TAX REVENUE RECEIPTS & CENTRAL TRANSFERS	7262.59	2098.69	28.90
B	OWN TAX REVENUE	1241.92	292.64	23.56
0006	SGST	650.00	152.38	23.44
0009	Goods and Service Taxes Compensation Cess	0.01	0.00	0.00
0028	Other Taxes on Income and Expenditure	15.00	6.67	44.47
0029	Land revenue	8.60	6.11	71.00
0030	Stamp Duty and registration Fees	16.44	3.57	21.71
0039	State Excise Duties	248.13	60.91	24.55
0040	Sales Tax	220.00	46.97	21.35
0041	Motor vehicle Tax	39.16	6.83	17.44
0045	Other Taxes	44.58	9.21	20.66
C	CENTRAL TRANSFERS	6020.68	1806.05	30.00
0005	Central GST (CGST)	920.92	365.86	39.73
0008	Integrated GST (IGST)	0.00	0.00	0.00
0020	Corporation Tax	935.90	319.16	34.10
0021	Taxes on Income other than Corporation Tax	870.22	323.65	37.19
0032	Taxes on Wealth	-0.03	0.01	-33.33
0037	Customs	189.91	71.03	37.40
0038	Union Excise Duties	124.08	53.22	42.89
0044	Service Tax	1.62	0.72	44.44
1601	Grants in Aid and Contributions	2978.06	672.39	22.58

Source: Annual Financial Statement 2020-21 and Civil Accounts Sept. 2020

The major chunk of the total revenue of the State Government comes from the Central Transfers which comprises of 75.51 percent relative to the total revenue of the State and 17.21 percent of GSDP. This includes the share of the Central Taxes and the Grants from the Centre. The Central transfers including the Grants in the current financial year review period is 30.00 percent which is below the expected release by Government of India.

The release of Share of Central Taxes is ₹ 1133.65 cr against estimate of ₹ 3042.62 cr, which is a release of 37.26 percent for the half yearly period. Against ₹ 1133.65 cr received under Share of Taxes, an amount of ₹ 111.73 pertains to last fiscal year. This would mean an actual receipt of 33.59 percent for the half yearly review period. The short release of Share of Taxes could to an extent effect the overall fiscal position of the State.

The release of funds under Grants-in-Aid and Contributions is at 22.58 percent. The release under this would be tied to the particular scheme and would not disturb the overall fiscal balances.

2.1.2 Own Non-Tax Revenue

The profile of the Non-Tax Revenue in the first six months of the current financial year 2020-21 is presented in Table 2.3. The State's Own Non Tax Revenue constitutes 8.91 percent relative to the total Revenue Receipt for 2020-21 and 2.04 percent relative to GSDP.

The relative share of Non Tax Revenue under Interest Receipts, Dividends and Profit is 7.44 percent. The major component of under this is from Interest Receipts from Investment of Cash Balances which stands at 98.11 percent. The receipt under Interest Receipts as well as Dividends and Profits has exceeded the estimate for the half year by ₹14.78 cr and ₹ 0.45 cr; though the allocation under Dividends and Profits was mere ₹ 1.00 cr only. The reasons for the gain under the Interest Receipts is mainly due to adequate cash balances available during the lock down period.

The relative share of Non Tax Revenue under General Services is 23.87 percent. The major component under this is from Police sector which stands at 46.40 percent and mainly comprises of the inflow of funds pertaining to the reimbursement of Salaries of Police supplied to Indian Reserve Battalion and other Government Agencies. These reimbursements, however, do not contribute to the actual cash inflow. The receipt under General Services for the half year review period is mere 22.35 percent. The reason for the shortfall could also be due to lesser activities during the lockdown period.

The relative share of Non Tax Revenue under Social Services is 2.58 percent. The receipt under Education, Sports & Culture has exceeded its target by ₹ 1.39 cr; though the allocation under this was mere ₹ 1.61 cr only. The Other sector, however, have not achieved their half yearly targets. Overall, the Non Tax Revenue Receipt under Social Services is at 47.46 percent.

The relative share of Non Tax Revenue under Economic Services is 66.11 percent and the major contributors are Power, Road Transport, and Forest and Wildlife. In spite of the lockdown, sectors like Animal Husbandry, Fisheries, Food Storage & Ware Housing seems to have achieved the half yearly targets. However, the revenue size of these sectors are very small. The achievement under the Tourism sector is mere 4.97 percent and this is expected as there

was complete ban of tourists both domestic and foreign coming to Sikkim during major part of the review period.

The revenue from the Power sector is quite significant in terms of constitution of Non Tax Revenue pool, which is 52.40 percent and 19.07 percent in terms of constitution of both Own Tax and Non-Tax revenue in the current fiscal year. The total realization up to the review period is 39.07 percent which seems to be a positive factor in spite of the lockdown due to the pandemic. The target for the year is expected to be met by the end of the fiscal year.

The revenue from the Road Transport during the half yearly review period, which constitutes 8.72 percent of the Non tax revenue is 22.43 percent. The reason is also stated to be due to lesser activity during the period of lockdown due to pandemic.

Table 2.3: Summary of Non-Tax Revenue

Heads of Accounts	Items	2020-21 (BE) (₹ in cr)	April - Sept 2020 (₹ in cr)	% to budget
	NON-TAX REVENUE RECEIPTS	710.66	281.45	39.60
A	INTEREST RECEIPTS, DIVIDENDS AND PROFITS	52.88	68.11	128.80
0049	Interest Receipts	51.88	66.66	128.49
0050	Dividends and profits	1.00	1.45	144.75
B	GENERAL SERVICES	169.63	37.92	22.35
0051	Public Service Commission	0.21	0.04	17.87
0055	Police	78.71	8.25	10.48
0056	Jails	0.00	0.00	0.00
0058	Stationery and Printing	3.52	0.23	6.56
0059	Public Works	15.38	5.97	38.81
0070	Other Administrative Services	21.84	10.23	46.82
0071	Contributions and Recoveries towards Pension and Other Retirement Benefits	18.00	0.62	3.44
0075	Misc. General Services	31.96	12.59	39.38
C	SOCIAL SERVICES	18.33	8.70	47.46
0202	Education, Sports, Art & Culture	1.61	3.00	186.51
0210	Medical and Public Health	6.04	1.55	25.76
0215	Water Supply and Sanitation	5.61	2.45	43.65
0216	Housing	0.69	0.31	44.69
0217	Urban Development	2.75	1.10	39.95
0220	Information and Publicity	0.25	0.01	3.08
0230	Labour and Employment	0.79	0.27	34.66
0235	Social Security & Welfare	0.53	0.00	0.83
0250	Other Social Services	0.07	0.00	0.17
D	ECONOMIC SERVICES	469.83	166.73	35.49
0401	Crop Husbandry	0.73	0.15	21.04
0403	Animal Husbandry	1.12	0.59	52.44
0404	Dairy Development	0.00	0.00	0.00
0405	Fisheries	0.05	0.02	49.76

Heads of Accounts	Items	2020-21 (BE) (₹ in cr)	April - Sept 2020 (₹ in cr)	% to budget
0406	Forestry and Wild Life	18.70	5.76	30.81
0407	Plantation	2.50	0.00	0.00
0408	Food Storage and Ware Housing	0.12	0.07	57.83
0425	Co-operation	0.09	0.01	16.20
0515	Other Rural Development Programme	1.73	0.16	9.23
0702	Minor Irrigation	0.07	-0.01	-18.92
0801	Power	372.38	145.48	39.07
0851	Village and Small Industries	0.25	0.04	14.85
0852	Industries	1.31	0.07	5.59
0853	Non-Ferrous Mining & Metallurgical Industries	0.08	0.03	30.41
1055	Road Transport	62.00	13.91	22.43
1452	Tourism	8.50	0.42	4.97
1475	Other General Economic Services	0.20	0.02	10.86
GRAND TOTAL		710.66	281.45	39.60

Source: Annual Financial Statement 2020-21 and Civil Accounts Sept.2020

Achievement of revenue by the sectors like Plantation, Other Rural Development Programme, Minor Irrigation, Village and Small Industries and Other General Economic Services are not as per expectation.

Overall achievement of Revenue Receipts during the half yearly period is 29.85 percent relative to the estimated target of Revenue Receipt which comprises Own Tax Revenue of 23.56 percent, Own Non-Tax Revenue of 39.60 percent and Central Transfers of 30.00 percent. A quantitative analysis may need to be made to see the amount of revenue realized for the previous fiscal year. The achievement of targets is expected to grow in the second half of the year as has been the trend in the past.

Most sectors have underperformed during the first half of this fiscal year. The primary reason is mainly due to slow or nil economic activity during the period due to COVID-19 pandemic. There may also be many multiple reasons for the shortfall but the issues need to be addressed to achieve the target and to maintain the fiscal balance. The sectors which have underperformed may have to ensure that the estimated targets at the end of this fiscal year are near achieved. 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.

2.2 Summary of Expenditure

The total expenditure of the State Government comprises of 25.86 percent relative to GSDP as detailed out at Table 1.1. The overall expenditure under the period of review this fiscal year is 32.74 percent with 37.36 percent expenditure under Revenue Sector and 11.96 percent expenditure under Capital Sector as compared to their respective budget estimates.

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.

This fiscal year, the lesser trend in expenditure was more aggravated by the COVID-19 pandemic and the number of austerity measures put in place by the State Government keeping in view the shortfall of revenue. The Summary of Expenditure both under Revenue and Capital Account is depicted in Table 2.4.

Table 2.4: Summary of Expenditure

Sl. No.	Items	2020-21 (BE) (₹ in cr)	Expdt April - Sept 2020 (₹ in cr)	% to budget
A	REVENUE ACCOUNT	7473.32	2792.22	37.36
1	GENERAL SERVICES	2711.90	1078.61	39.77
2	SOCIAL SERVICES	2842.03	1087.65	38.27
3	ECONOMIC SERVICES	1807.63	599.97	33.19
4	GRANTS IN AID & CONTRIBUTION	111.75	26.00	23.27
B	CAPITAL ACCOUNT	1663.99	198.96	11.96
1	GENERAL SERVICES	62.23	2.75	4.42
2	SOCIAL SERVICES	441.12	52.84	11.98
3	ECONOMIC SERVICES	1160.65	143.37	12.35
C	GRAND TOTAL	9137.31	2991.19	32.74

Source: Annual Financial Statement 2020-21 and Civil Accounts Sept.2020

2.2.1 Revenue Expenditure

The Summary of Revenue Expenditure has been depicted in Table 2.5. The overall achievement of expenditure under Revenue Account is 37.36 percent during the first half of the fiscal year.

The estimated expenditure on Salaries, Interest Payments and Pensions for the half yearly period of fiscal year 2020-21 is ₹ 2245.96 cr. These accounts for major component of the total revenue expenditure. The expenditure amounting to ₹ 2792.22 cr could, therefore, be mainly on account of Salaries, Interests Payments and Pensions as well Wages payments as there were not much activities in the State during major part of the year due to the pandemic. The expenditure was also curtailed due to austerity measures put in place to that extent. The Overall

Expenditure, therefore, under Revenue Account has been thus as expected upto the review period and thus should not put on extra burden to the State exchequer.

Table 2.5: Revenue Expenditure

Heads of Accounts	Items	2020-21 (BE) (₹ in cr)	April - Sept 2020 (₹ in cr)	% to budget
	REVENUE ACCOUNT	7473.32	2792.22	37.36
A	GENERAL SERVICES	2711.90	1078.61	39.77
2011	Parliament/State/Union Territory Legislature	24.16	10.46	43.29
2012	President, Vice President/Governor	9.70	4.18	43.03
2013	Council of Ministers	15.95	4.09	25.65
2014	Administration of Justice	63.20	22.79	36.06
2015	Elections	14.13	3.67	25.95
2020	Collection of Taxes on Income & Expenditure	2.39	0.98	41.22
2029	Land Revenue	12.25	6.74	54.97
2030	Stamps & Registration	0.22	0.00	0.00
2039	State Excise	8.41	3.72	44.21
2041	Taxes on Vehicles	7.96	3.75	47.15
2043	Collection charges under state goods & services Tax	9.20	4.31	46.87
2045	Other Taxes & Duties on Commodities & Services	38.80	1.17	3.02
2047	Other Fiscal Services	0.06	0.00	0.00
2048	Appropriation for reduction or avoidance of debt	12.00	12.00	100.00
2049	Interest Payments	562.04	213.98	38.07
2051	Public Services Commission	6.05	2.33	38.57
2052	Secretariat -General Services	117.37	28.85	24.58
2053	District Administration	35.37	16.64	47.04
2054	Treasury and Accounts Administration.	31.60	11.73	37.11
2055	Police	469.29	236.84	50.47
2056	Jails	10.19	4.75	46.57
2058	Stationery and Printing	13.64	5.53	40.56
2059	Public Works	46.13	17.52	37.97
2062	Vigilance	13.22	6.45	48.80
2070	Other Administrative Services	60.86	15.76	25.90
2071	Pensions and Other Retirement Benefits	959.85	437.12	45.54
2075	Miscell. General Services	167.87	3.26	1.94
B	SOCIAL SERVICES	2842.03	1087.65	38.27
2202	General Education	1347.89	596.76	44.27
2203	Technical Education	15.82	7.59	47.95
2204	Sports and Youth Services	23.56	10.08	42.81
2205	Art and Culture	34.58	6.13	17.73
2210	Medical and Public Health	477.43	177.61	37.20
2211	Family Welfare	25.99	12.07	46.44
2215	Water Supply & Sanitation	71.92	28.05	39.00
2216	Housing	87.78	30.19	34.39
2217	Urban Development	265.85	61.22	23.03
2220	Information and Publicity	17.21	4.31	25.06

Heads of Accounts	Items	2020-21 (BE) (₹ in cr)	April - Sept 2020 (₹ in cr)	% to budget
2225	Welfare of S/C, S/T and Other Backward classes	95.17	6.44	6.77
2230	Labour & Employment	11.42	5.17	45.30
2235	Social Security & Welfare	176.07	64.73	36.76
2236	Nutrition	25.35	2.07	8.16
2245	Relief on Account of Natural Calamities	143.69	70.57	49.11
2250	Other Social Services	21.43	4.19	19.55
2251	Secretariat- Social Services	0.87	0.46	53.01
C	ECONOMIC SERVICES	1807.63	599.97	33.19
2401	Crop Husbandry	262.64	67.96	25.87
2402	Soil & Water Conservation	34.07	14.86	43.62
2403	Animal Husbandry	64.28	28.30	44.02
2404	Dairy Development	13.06	0.00	0.00
2405	Fisheries	14.51	4.13	28.47
2406	Forestry & Wild Life	192.03	42.80	22.29
2407	Plantations	6.52	3.25	49.88
2408	Food, Storage & Warehousing	20.68	8.20	39.65
2425	Co-operation	18.92	8.51	44.97
2435	Other Agricultural Programmes	32.13	0.05	0.16
2501	Special Programmes for Rural Development	85.85	44.31	51.61
2505	Rural Employment	74.13	9.03	12.19
2515	Other Rural Development Programmes	93.66	31.14	33.25
2575	Other Special Area Programmes	2.20	0.00	0.00
2702	Minor Irrigation	82.99	11.51	13.86
2711	Flood Control & Drainage	10.08	0.00	0.00
2801	Power	283.80	154.31	54.37
2810	Non-Conventional Sources of Energy	1.94	0.00	0.00
2851	Village and Small Industries	54.52	13.04	23.91
2852	Industries	9.41	2.60	27.66
2853	Non-ferrous Mining & Metallurgical Industries	6.37	2.95	46.26
3054	Roads and Bridges	294.77	100.46	34.08
3055	Road Transport	69.68	27.23	39.09
3425	Other Scientific Research	6.56	2.27	34.51
3435	Ecology and Environment	8.88	0.88	9.87
3451	Secretariat-Economic Services	6.97	2.31	33.10
3452	Tourism	31.09	13.10	42.14
3454	Census Surveys & Statistics	14.81	4.86	32.81
3456	Civil Supplies	2.14	0.81	37.84
3475	Other General Economic Services	8.93	1.11	12.40
D	GRANTS IN AID & CONTRIBUTION	111.75	26.00	23.27
3604	Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	111.75	26.00	23.27

Source: Annual Financial Statement 2020-21 and Civil Accounts Sept.2020

2.2.2 Capital Expenditure

The detailed Expenditure profile under Capital Sector is presented in Table 2.6 below. The overall expenditure in the Capital Sector is 11.96 percent of the outlay for 2020-21. The total outlay of expenditure for 2020-21 amounts to 4.80 percent of GSDP.

Many sectors have not met the half yearly targets. The reasons are primarily due to slowdown in economic activity due to COVID-19 pandemic and number of Austerity measures put in place by the State Government. However, the sectors like Housing and Medical & Public Health have exceeded the desired targets. The expenditure on Housing has been on account of expenditure for Garib Aawas Yojana and the expenditure on Medical & Public Health has been on expenses for purchase of equipment to combat the pandemic and on other Health programmes.

The Capital expenditure is usually met from Central Grants and borrowed sources and meant for capital formation for sustainable development of the State. Timely implementation of the scheme with planned strategy is of paramount importance. It is expected that by the end of the fiscal year some amount of expenditure on Capital account would be made so as to continue with the economic growth path.

Table 2.6: Capital Expenditure

Heads of Accounts	Items	2020-21 (BE) (₹ in cr)	April - Sept 2020 (₹ in cr)	% to budget
	CAPITAL ACCOUNT	1663.99	198.96	11.96
A	GENERAL SERVICES	62.23	2.75	4.42
4055	Capital Outlay of Police	1.50	0.00	0.00
4058	Capital outlay on Stationery & Printing	2.00	0.00	0.00
4059	Capital Outlay on Public Works	58.73	2.75	4.68
B	SOCIAL SERVICES	441.12	52.84	11.98
4202	Capital Outlay on Education, Sports, Art and Culture	68.94	0.00	0.00
4210	Capital Outlay on Medical and Public Health	48.01	26.35	54.88
4215	Capital Outlay on Water Supply and Sanitation	219.71	11.78	5.36
4216	Capital Outlay on Housing	15.00	10.00	66.67
4217	Capital Outlay on Urban Development	60.08	4.71	7.84
4225	Capital Outlay on Welfare of SC, ST & OBC	14.45	0.00	0.00
4235	Capital Outlay on Social Security & Welfare	14.92	0.00	0.00
C	ECONOMIC SERVICES	1160.65	143.37	12.35
4401	Capital Outlay on Crop Husbandry	2.70	0.00	0.00
4403	Capital Outlay on Animal Husbandry	3.38	0.00	0.00
4405	Capital Outlay on Fisheries	1.28	0.00	0.00

Heads of Accounts	Items	2020-21 (BE) (₹ in cr)	April - Sept 2020 (₹ in cr)	% to budget
4406	Capital Outlay on Forestry and Wildlife	4.40	0.00	0.00
4408	Capital Outlay on Food storage & warehousing	16.68	2.55	15.27
4425	Capital Outlay on Cooperation	2.50	0.00	0.00
4515	Capital Outlay on other Rural Development Programmes	14.33	0.00	0.00
4575	Capital Outlay on other Special Areas Programmes	43.80	15.95	36.42
4711	Capital Outlay on Flood Control Projects	0.98	0.00	0.00
4801	Capital Outlay on Power Projects	83.10	5.30	6.38
4860	Capital Outlay on Consumer Industries	0.47	0.00	0.00
5054	Capital Outlay on Roads and Bridges	904.85	95.56	10.56
5055	Capital Outlay on Road Transport	5.00	0.00	0.00
5452	Capital Outlay on Tourism	74.75	24.00	32.11
5475	Capital Outlay on other general economic services	2.45	0.00	0.00

Source: Annual Financial Statement 2020-21 and Civil Accounts Sept.2020

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 fiscal deficit and debt level targets prescribed by 14th Finance Commission followed by the State Government in the absence of any recommendations by the 15th Finance Commission for 2020-21.

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 limit of 3.5 percent of GSDP 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. Even though, Sikkim was eligible for additional borrowings of 0.5 percent of GSDP, however,

the same was not allowed by Government of India stating that the 14th Commission recommendations were not applicable with set-up of 15th Finance Commission.

The Centre Government vide their letter no 40(1) PF-S 2020-21 dated 17th May 2020 allowed the States to additional borrowing limit of up to 2 percent of Gross State Domestic Product (GSDP) to the States for the year 2020-21 in the wake of the COVID-19 pandemic.

One percent of the amount was made available subject to the implementation of four specific State-level reforms, with each reform carrying a weightage of 0.25 percent of GSDP. The reforms are as follows:

1. Implementation of One Nation One Ration Card System
2. Ease of doing business reform
3. Urban Local body/ utility reforms
4. Power Sector reforms

The remaining additional borrowing limit of one percent was meant to be released in a set of two instalments of 0.50 percent each. The first immediately to all the States as untied and the second instalment after undertaking at least 3 out of the above four mentioned reforms.

Sikkim was granted additional untied borrowing of 1 percent of GSDP in two instalments; 0.5 percent of GSDP during June 2020 and another 0.5 percent of GSDP during October 2020. The fiscal deficit thus increased by 4.0 percent of GSDP for 2020-21.

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, Sikkim Fiscal Responsibility and Budget Management (Amendment) Act, 2016 and Sikkim Fiscal Responsibility and Budget Management (Amendment) Act, 2020 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 details of Public Debt including Small Saving and Provident Fund for current fiscal year upto September 2020 is detailed at Table 3.1.

Table 3.1: Public debt including Small Saving and Provident Fund

Head of Accounts	Particulars	Receipt (₹ in cr)	Payment (₹ in cr)	Balance (₹ in cr)
A	PUBLIC DEBT	653.42	29.93	623.49
6003	Internal Debt of the State Government	652.07	25.15	626.93
6004	Loans and Advance from the Central Government	1.35	4.78	-3.44
B	LOANS AND ADVANCES	0.99	5.29	-4.30
6210	Loans for Medical and Public Health	0.00	0.00	0.00
6425	Loans for Co-Operation	0.80	0.00	0.80
7475	Loans for other General Economic Services	0.00	5.29	-5.29
7610	Loans to the Government Servants etc.	0.19	0.00	0.19

Source: Annual Financial Statement 2020-21 and Civil Accounts Sept.2020

3.4 Conclusion

The revenues of the State Government are on the lower side especially under the Central Transfer. 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 4.0 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.