



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

## **Half Yearly Review Report: 2015-16**

**Review of the Trends in Receipt and Expenditure in  
relation to Budget 2015-16**

**To be 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 2015 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 2015-16 has clearly stipulated the fiscal management principles, policy choices and fiscal stand enshrined in the Act. To ensure the fiscal stability and sustainability while providing efficient public service is the key feature of a growth oriented fiscal policy. The fiscal management principles provided in the Act call for maintenance of certain fiscal parameters in form of fiscal indicators.

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

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

The 14<sup>th</sup> Finance Commission has suggested measures to maintain a stable and sustainable fiscal environment consistent with equitable growth. The 14<sup>th</sup> Finance Commission, while anchoring the fiscal deficit at an annual limit of 3 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 than it and an interest payment below or equal to 10 percent of the revenue receipts. The State will be able to avail the additional limit 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. Necessary amendments to the State FRBM Act to reflect the statutory flexible limits on fiscal deficit and debt levels have been taken up.

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

At the same time, the 14<sup>th</sup> Finance Commission, however, has recommended using the average growth rate of the GSDP of the past three years to arrive at the borrowing ceilings of the State. The State Budget and MTFP have used the same methodology to arrive at the GSDP figures for the Budget year 2015-16.

## **1.2 Fiscal Profile of Budget 2015-16**

Based on the recommendations of the 14<sup>th</sup> Finance Commission, the GSDP for 2015-16 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 2015-16 was Rs.17421 crore in nominal terms. The 14<sup>th</sup> FC, however, has used GSDP of Rs. 20634 crore to project revenue receipts and expenditure of the State for 2015-16.

The 14<sup>th</sup> Finance Commission in its assessment of Own Revenue Receipts for 2015-16 projected Own Tax Revenue-GSDP Ratio and Own Non-Tax Revenue-GSDP Ratio at 4.24 percent and 1.42 percent respectively. However, the Own Tax Revenue-GSDP Ratio and Own Non-Tax Revenue-GSDP Ratio in Budget Estimate for 2015-16 were projected at 3.20 percent and 2.01 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 4.10 percent and 2.80 percent respectively in the last fiscal year. One of the reasons for fall is due to non increase in revenue in commensurate to the increase in GSDP.

The Overall Revenue of the State Government comprises of 27.6 percent relative to the GSDP. This is a sharp decrease from 44.0 percent relative to GSDP in 2014-15 (RE). The Central Transfers for 2015-16 was projected at 22.34 percent of GSDP. While, there has been a nominal increase in Tax Devolution from 7.80 percent to 11.05 percent of GSDP, there has, at the same time been a huge decrease in Other Central Transfers from 29.10 percent to 11.29 percent of GSDP. The increase in Tax Devolution is due to enhancement of share of the States in the central divisible pool from the 32 percent to 42 percent in vertical tax devolution. The decrease in Other Central Transfers is due to restructuring of Central Assistance under State Plan. The Central Government has discontinued the grants being given under Normal Central Assistance (NCA), Special Plan Assistance (SPA), Special Central Assistance (SCA) and the Additional Central Assistance (ACA).

The fiscal profile of the Budget for 2015-16 has been outlined at Table 1. From the Table, it is seen that the Revenue Receipts for the State is 27.55 percent relative to GSDP. This is decrease from 43.8 percent estimated last fiscal year. The main reason as stated earlier is due to decrease in Central Transfers.

The Revenue Expenditure for 2015-16 has been projected at 22.44 percent of GSDP and the Capital Expenditure projected at 6.10 percent of GSDP. The outlays under both Revenue and Capital Expenditure have 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 have adhered to the FRBM targets and remained on the path of fiscal consolidation. The fiscal data shown in Table 1 indicates that the State has been maintaining surplus in the revenue account and limited the fiscal deficit to the level prescribed by the State FRBM Act. The revenue surplus is projected at 3.12 percent relative to GSDP in 2015-16. The projection of 3.0 percent fiscal deficit relative to GSDP is according to the management principle enshrined in the Sikkim Fiscal Responsibility and Budget Management Act, 2010.

**Table 1: Budget Profile**

<b>Sl. No.</b>	<b>Particulars</b>	<b>Budget Estimate 2015-16 As % to GSDP</b>
1	<b>Revenue Receipts (2+8+9)</b>	<b>27.55</b>
2	<b>Own Tax Revenue(3+4+5+6+7)</b>	<b>3.20</b>
3	Sales Tax	1.72
4	State Excise Duty	0.77
5	Motor Vehicle Tax	0.12
6	Stamp Duty and Registration	0.04
7	Other Taxes	0.55
8	<b>Own Non Tax Revenue</b>	<b>2.01</b>
9	<b>Central Transfer (10+11)</b>	<b>22.34</b>
10	Tax Devolution	11.05
11	Grants	11.29
12	<b>Revenue Expenditure</b>	<b>24.44</b>
13	<b>General Services (14+15+16)</b>	<b>7.62</b>
14	Interest Payment	1.57
15	Pension	2.40
16	Other General Services	3.65
17	<b>Social Services (18+19+20)</b>	<b>8.14</b>
18	Education	4.65
19	Medical and Public Health	1.13
20	Other Social Services	2.36
21	<b>Economic Services</b>	<b>8.50</b>
22	<b>Compensation and Assignment to LBs</b>	<b>0.18</b>
23	<b>Capital Expenditure</b>	<b>6.10</b>
24	Capital Outlay	<b>6.00</b>
25	Net Lending	0.10
26	<b>Revenue Deficit (12-1)</b>	<b>-3.11</b>
27	<b>Fiscal Deficit (12+23-1)</b>	<b>3.00</b>
28	<b>Primary Deficit (27-14)</b>	<b>1.43</b>
29	<b>Outstanding Debt</b>	<b>23.00</b>

*Source: Medium Term Fiscal Plan for Sikkim 2015-16 to 2017-18*



## 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 33.34 percent, which comprises of Tax Revenue of 41.02 percent, Non Tax Revenue of 46.87 percent and Central Transfers (Tax Devolution including Grants-in-Aid) of 31.02 percent. The trend of Revenue and the achievements/ shortfall under each sector is being analyzed in the second and third part. The Summary of Revenue covering the first six months of the fiscal year 2015-16 is presented in Table 2.

**Table 2: Summary of Revenue Profile**

(Rupees in lakh)

Sl. No.	Items	B.E 2015-16	April-Sept 2015-16	% to budget
1	Revenue (2+3+4)	480191.04	160104.56	33.34
2	Own Tax revenue	56037.92	22985.49	41.02
3	Own Non-Tax Revenue	35036.11	16421.43	46.87
4	Central Transfers	389117.01	120697.64	31.02

*Source: Civil Accounts for Sept, 2015*

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

The State's Own Tax Revenue constitutes 11.67 percent relative to the total Revenue for 2015-16 and 3.02 percent relative to GSDP. The revenue from Sales Tax (VAT) is the major source of Own Tax Revenue, which comprises of 53.53 percent of the total own Tax revenue. The realization of 41.81 percent in the first half year is obviously an indication for improvement though not to the level of expected target. More efforts need to be taken towards revenue mobilization especially with respect to growing economic activities in the State especially under the Pharmaceutical Industrial growth. 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 24.10 percent during the current fiscal year and is also a significant contributor. Achievement of 44.10 percent in the first half of the financial year is not up to the expected level. The shortcoming needs to be addressed.

The Taxes on Vehicles under Sub Sector-Commodities and Services is one which has been consistently performing very well every year and the achievement of 46.71 percent this fiscal year is within the target expected. The achievement of revenue under “Stamp Duties and Registration Fee” is 57.32 percent. The achievement under other taxes, which comprises of 17.25 percent of the total tax revenue, however, is quite dismal at 31.72 percent.

Given the present trend of realization of revenues in the first six months, the targets envisaged in the Budget Estimate may not be achieved which shall tend to upset the financial management principle for maintaining the Fiscal Deficit parameter. It is expected that there is a constant monitoring of revenue targets each quarter to ensure that the targets are achieved. A fully fledged division could be established to monitor, support and also provide new innovations and technologies that would help boost revenue collection.

The major share of the total revenue of the State Government comes from the Central Transfers which comprises of 81.03 percent relative to the total revenue of the State. This includes the share of the Central Taxes and the Grants given both under Plan, Non-Plan and CSS. Estimated amount of the Central transfer including the Grant in the current financial year is 22.34 percent relative to GSDP. Total receipt up to the review period is 31.02 percent which is far below the expected release by GOI. The release under Grants is dismal at 19.51 percent. Plausible reasons as in the past years may be due to failure in compliance of the conditions stipulated by the grantor and also failure of State Government to provide the necessary State share. The problem needs to be addressed to achieve the budgetary targets.

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

(Rupees in lakh)

Sl. No.	Items	B.E 2015-16	April-Sept 2015-16	% to budget
<b>1</b>	<b>Own Tax Revenue (2+3+4+5+6)</b>	<b>56037.92</b>	<b>22985.49</b>	<b>41.02</b>
2	Sales Tax	30000.00	12542.6	<b>41.81</b>
3	State Excise Duties	13500.00	5954.03	<b>44.10</b>
4	Motor vehicle Tax	2107.40	984.3	<b>46.71</b>

5	Stamp Duty and registration Fees	764.46	438.22	<b>57.32</b>
6	Other Taxes	9666.06	3066.34	<b>31.72</b>
<b>7</b>	<b>Central Transfers (8+9)</b>	<b>389117.01</b>	<b>120697.64</b>	<b>31.02</b>
8	Tax Devolution	192469.00	82326.08	<b>42.77</b>
9	Grants	196648.01	38371.56	<b>19.51</b>

*Source: Civil Accounts for Sept, 2015*

### 2.1.2 Own Non-Tax Revenue

The profile of the Non-Tax Revenue in the first six months of the current financial year 2015-16 is presented in Table 4. The State's Own Non Tax Revenue constitutes 7.30 percent relative to the total Revenue Receipt for 2015-16 and 2.01 percent relative to GSDP.

The relative share of Non Tax Revenue under General Services is 43.31%, the major contributors of which are Interest Receipts, Police and Lotteries. The receipt under Interests Receipts has exceeded the estimate for the full year mainly due to cash balance investment and better mobilization of Government Funds. The receipt under Lotteries is also satisfactory and has achieved its half yearly targets. The receipt under Dividends and Profits has far exceeded its budget estimate for the year, and is mainly due to the backlog dividends (from December 2009 to December 2012) received from Sikkim Distilleries Ltd.

This achievement Non Tax Revenue under General Services is however offset by the slow trend of receipt under Police and Public Works. 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 and well as Reimbursement of Salaries from Police Check-post. The receipt under this at 8.26 percent is dismal and is due to delay in reimbursements of Home Guards, Civil Defense and Check-posts. The reimbursements from the Central Agencies need to be pursued as this also leads to loss of financial resources. The receipt under Public Works at 15.72 percent is way below the target, mainly due to delay in submission of license fee deduction schedule by various Offices and Departments and also less hiring of Machinery due to onset on monsoon season. Overall, the Non Tax Revenue Receipt under General Services at 52.15 percent is quite satisfactory.

The relative share of Non Tax Revenue under Social Services is 2.58 percent. Almost all the departments under this sector have more or less achieved its half yearly targets. The Urban Development & Housing Department has exceeded its target by a big margin mainly due to arrear receipt under Entertainment Tax and also from Site Salami due to more regularization of building proposals. The Department of Labour has also exceeded its half yearly targets by huge margin due to enhancement of registration fee under Sikkim Shops and Commercial Establishment Act, 1983 and also due to better revenue mobilization from new Inspectors appointed. Overall, the Non Tax Revenue Receipt under Social Services at 58.51 percent is beyond the half yearly targets and it is expected that the targets beyond the estimated amount would be achieved.

The relative share of Non Tax Revenue under Economic Services is 54.11 percent, the major contributors of which are Power, Forest and Wildlife, Road Transport and Tourism. There has been significant achievement in sectors like Crop Husbandry, Animal Husbandry, Food Storage and Ware Housing, Co-operation, Non-Ferrous Mining & Metallurgical Industries is mainly due to better revenue generation efforts put in by the Department. However, the revenue size of these sectors is very small to make any remarkable effect.

The income from the power sector is quite significant in terms of constitution of Non Tax Revenue pool, which is 35.71 percent in the current fiscal year. This is an increase from 34.80 percent estimated last fiscal year. However, the total realization up to the review period is 44.40 percent; a significant increase from 39.37 percent for the same period last fiscal year. Though the achievement is not up to the expected level, it calls for prudent mechanism to address the shortcomings to avoid the adverse impact on the financial resources of the State.

Achievement of revenue by the sectors like Minor Irrigation, Forest & Wildlife, Rural Development Programme, Village and Small Industries and Road Transport are not positive indicators and tend to offset the fiscal balance in the resource pool. The slow trend of revenue under Road Transport is mainly due to lesser transportation of freight due to monsoon season. The concerned departments need to put the extra effort to rein the short comings to avoid the revenue imbalances.

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.

Therefore, all the departments who have underperformed during the first six months will have to see that the estimated targets are achieved. Special efforts have to be made by the Departments of Police, Energy and Power, Commerce and Industries, Irrigation and Flood Control, Forest, Transport, Roads and Buildings to achieve their targets which constitute a major share of Own State Non-Tax Revenues.

**Table 4: Summary of Non-Tax Revenue**

(Rupees in lakh)

Sl. No.	Particulars	B.E. 2015-16	April- Sept 2015-16	Percentage to B.E
<b>A</b>	<b>GENERAL SERVICES</b>			
<b>0049</b>	Interest Receipts	3120.75	3644.97	<b>116.80</b>
<b>0050</b>	Dividends and profits	100.00	969.62	<b>969.62</b>
<b>0051</b>	Public Service Commission	2.00	6.81	<b>340.60</b>
<b>0055</b>	Police	5534.75	457.16	<b>8.26</b>
<b>0056</b>	Jails	0.20	-	-
<b>0058</b>	Stationery and Printing	202.72	92.06	<b>45.41</b>
<b>0059</b>	Public Works	682.58	107.33	<b>15.72</b>
<b>0070</b>	Other Administrative Services	1039.87	346.61	<b>33.33</b>
<b>0071</b>	Contributions and Recoveries towards Pension and Other Retirement Benefits	750.00	286.04	<b>38.14</b>
<b>0075</b>	Misc. General Services	3740.02	2002.34	<b>53.54</b>
<b>Total A</b>	<b>GENERAL SERVICES</b>	<b>15172.89</b>	<b>7912.94</b>	<b>52.15</b>
<b>B</b>	<b>SOCIAL SERVICES</b>			
<b>0202</b>	Education, Sports, Art & Culture	116.80	46.41	<b>39.73</b>
<b>0210</b>	Medical and Public Health	250.00	140.22	<b>56.09</b>
<b>0215</b>	Water Supply and Sanitation	399.20	192.53	<b>48.23</b>
<b>0216</b>	Housing	55.00	29.77	<b>54.13</b>
<b>0217</b>	Urban Development	41.12	74.35	<b>180.82</b>
<b>0220</b>	Information and Publicity	16.73	9.08	<b>54.29</b>
<b>0230</b>	Labour and Employment	20.00	31.95	<b>159.73</b>
<b>0235</b>	Social Security & Welfare	-	5.06	-
<b>0250</b>	Other Social Services	6.00	0.09	<b>1.43</b>
<b>Total B</b>	<b>SOCIAL SERVICES</b>	<b>904.85</b>	<b>529.47</b>	<b>58.51</b>
<b>C</b>	<b>ECONOMIC SERVICES</b>			

<b>0401</b>	Crop Husbandry	91.00	63.05	<b>69.29</b>
<b>0403</b>	Animal Husbandry	96.60	60.89	<b>63.03</b>
<b>0404</b>	Dairy Development	0.01	-	<b>-</b>
<b>0405</b>	Fisheries	5.00	2.07	<b>41.35</b>
<b>0406</b>	Forestry and Wild Life	1206.00	630.50	<b>52.28</b>
<b>0407</b>	Plantation	518.00	85.52	<b>16.51</b>
<b>0408</b>	Food Storage and Ware Housing	7.00	6.29	<b>89.80</b>
<b>0425</b>	Co-operation	0.16	0.69	<b>431.25</b>
<b>0515</b>	Other Rural Development Programme	150.00	37.40	<b>24.94</b>
<b>0702</b>	Minor Irrigation	22.00	6.87	<b>31.25</b>
<b>0801</b>	Power	12510.00	5554.23	<b>44.40</b>
<b>0851</b>	Village and Small Industries	25.00	2.81	<b>11.24</b>
<b>0852</b>	Industries	58.00	22.80	<b>39.31</b>
<b>0853</b>	Non-Ferrous Mining & Metallurgical Industries	8.00	7.32	<b>91.50</b>
<b>1055</b>	Road Transport	3935.00	1304.52	<b>33.15</b>
<b>1452</b>	Tourism	313.60	189.16	<b>60.32</b>
<b>1475</b>	Other General Economic Services	13.00	4.88	<b>37.53</b>
<b>Total C</b>	<b>ECONOMIC SERVICES</b>	<b>18958.37</b>	<b>7979.01</b>	<b>42.09</b>
<b>Total</b>	<b>NON TAX REVENUE</b>	<b>35036.11</b>	<b>16421.42</b>	<b>46.87</b>

*Source: Annual Financial Statement 2015-16 and Civil Accounts, Sept, 2015*

## 2.2 Summary of Expenditure

The total expenditure of the State Government comprises of 30.55 percent relative to GSDP. The overall expenditure under the period of review this fiscal year is 33.98 percent with 37.17 percent expenditure under Revenue sector and 21.00 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 are quite time consuming process. This obviously deters the timely execution of the Government Plan in time. 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.

The reason for the slow pace of expenditure during the first six months is also due to the fact that the first three months of the Budget was under Vote of Account. The actual budget for 2015-16 was passed by the State Legislative Assembly in June 2015 and the expenditure has progressed thereafter. The Summary of Expenditure both under Revenue and Capital Account is shown in Table 5 below:

**Table 5: Summary of Expenditure**

Rs. in lakh

Sl. No.	Sectors	Budget Estimate 2015-16			Expenditure 2015-16 April-Sept	Percentage to B.E
		Plan	Non Plan	Total		
<b>A</b>	<b>Revenue Account (1+2+3+4)</b>	<b>175565.78</b>	<b>250285.00</b>	<b>425850.78</b>	<b>158269.49</b>	<b>37.17</b>
1	General Services	2988.49	129781.42	132769.91	59060.61	44.48
2	Social Services	70006.41	71806.22	141812.63	58953.97	41.57
3	Economic Services	102570.88	45499.48	148070.36	37824.83	25.55
4	Grants in Aid and Contribution	-	3197.88	3197.88	2430.07	75.99
<b>B</b>	<b>Capital Account (1+2+3)</b>	<b>104553.01</b>	<b>-</b>	<b>104553.01</b>	<b>21951.82</b>	<b>21.00</b>
1	General Services	12828.04	-	12828.04	1376.16	10.73
2	Social Services	38214.77	-	38214.77	9282.65	24.29
3	Economic Services	53510.20	-	53510.20	11293.01	21.10
<b>C</b>	<b>Grand Total</b>	<b>280118.79</b>	<b>250285.00</b>	<b>530403.79</b>	<b>180221.31</b>	<b>33.98</b>

Source: Annual Financial Statement 2015-16 and Civil Accounts, Sept, 2015

### 2.2.1 Revenue Expenditure

The Summary of Revenue Expenditure has been tabulated in Table 6 below. The overall achievement of expenditure under Revenue Account is 37.17 percent during the first half of the fiscal year. The expenditure under Non-plan is within target but the expenditure under Plan is substantially low due to non-receipt of funds from the Central Government.

**Table 6: Revenue Expenditure**

Rs. in lakh

Sl. No.	Heads of Accounts	BUDGET ESTIMATE 2015-16			EXPENDITURE 2015-16	
		Plan	Non Plan	Total	Expenditure April-Sept.	Percentage to B.E
<b>A</b>	<b>GENERAL SERVICES</b>					
<b>2011</b>	Parliament/State/Union Territory Legislature	-	1635.51	1635.51	759.78	46.46

2012	President, Vice President/Governor,	-	611.27	611.27	253.43	41.46
2013	Council of Ministers	-	1406.61	1406.61	520.31	36.99
2014	Administration of Justice	-	3578.01	3578.01	1289.18	36.03
2015	Elections	-	617.01	617.01	345.18	55.94
2020	Collection of Taxes on Income & Expenditure	-	133.24	133.24	61.63	46.25
2029	Land Revenue	-	1239.24	1239.24	687.20	55.45
2030	Stamps & Registration	-	20.00	20.00	3.48	17.40
2039	State Excise	-	574.95	574.95	311.13	54.11
2040	Taxes on Sales, Trade etc.	-	482.11	482.11	255.66	53.03
2041	Taxes on Vehicles	-	246.73	246.73	131.37	53.24
2045	Other Taxes & Duties on Commodities & Services	-	7444.85	7444.85	71.49	0.96
2048	Appropriation for reduction or avoidance of debt	-	1200.00	1200.00	1200.00	100.00
2049	Interest Payments	-	27326.65	27326.65	9960.99	36.45
2051	Public Services Commission	-	319.45	319.45	175.57	54.96
2052	Secretariat -General Services	-	3777.35	3777.35	1865.00	49.37
2053	District Administration	56.00	1578.84	1634.84	747.24	45.71
2054	Treasury and Accounts Administration.	108.40	1526.25	1634.65	800.62	48.98
2055	Police	430.84	26289.89	26720.73	13807.61	51.67
2056	Jails	-	629.74	629.74	301.90	47.94
2058	Stationery and Printing	182.00	580.49	762.49	438.06	57.45
2059	Public Works	453.00	2086.75	2539.75	1080.65	42.55
2062	Vigilance	-	941.60	941.60	385.13	40.90
2070	Other Administrative Services	1758.25	2174.77	3933.02	1381.32	35.12
2071	Pensions and Other Retirement Benefits	-	41804.03	41804.03	21065.18	50.39
2075	Miscell. General Services	-	1556.08	1556.08	1161.51	74.64
<b>A</b>	<b>GENERAL SERVICES</b>	<b>2988.49</b>	<b>129781.42</b>	<b>132769.91</b>	<b>59060.61</b>	<b>44.48</b>
<b>B</b>	<b>SOCIAL SERVICES</b>					
2202	General Education	30126.29	50795.15	80921.44	38866.03	48.03
2203	Technical Education	55.00	-	55.00	37.57	68.31
2204	Sports and Youth Services	679.70	365.26	1044.96	423.86	40.56
2205	Art and Culture	529.50	401.86	931.36	364.50	39.14
2210	Medical and Public Health	9010.83	10759.96	19770.79	8209.10	41.52
2211	Family Welfare	2315.24	0.00	2315.24	945.10	40.82
2215	Water Supply & Sanitation	2166.26	1917.26	4083.52	1825.98	44.72
2216	Housing	5720.00	530.91	6250.91	855.52	13.69
2217	Urban Development	2759.30	822.50	3581.80	711.89	19.88
2220	Information and Publicity	152.00	424.64	576.64	316.23	54.84
2225	Welfare of S/C, S/T and Other Backward classes.	4717.35	474.23	5191.58	533.82	10.28
2230	Labour & Employment	415.90	277.76	693.66	286.86	41.35
2235	Social Security & Welfare	9988.86	915.68	10904.54	2552.55	23.41
2236	Nutrition	1370.18	133.44	1503.62	322.90	21.47
2245	Relief on Account of Natural Calamities	-	3215.31	3215.31	2429.25	75.55
2250	Other Social Services	-	717.77	717.77	251.29	35.01



2251	Secretariat- Social Services	-	54.49	54.49	21.53	39.51
<b>B</b>	<b>SOCIAL SERVICES</b>	<b>70006.41</b>	<b>71806.22</b>	<b>141812.63</b>	<b>58953.97</b>	<b>41.57</b>
<b>C</b>	<b>ECONOMIC SERVICES</b>					
2401	Crop Husbandry	11295.79	4358.94	15654.73	4846.18	30.96
2402	Soil & Water Conservation	395.73	796.74	1192.47	441.14	36.99
2403	Animal Husbandry	1543.54	2692.72	4236.26	1721.00	40.63
2404	Dairy Development	1000.00	43.25	1043.25	41.31	3.96
2405	Fisheries	35.90	477.21	513.11	250.23	48.77
2406	Forestry & Wild Life	6286.35	3729.48	10015.83	2874.66	28.70
2407	Plantations	70.00	646.60	716.60	41.00	5.72
2408	Food, Storage & Warehousing	369.52	1858.13	2227.65	953.81	42.82
2425	Co-operation	194.50	996.99	1191.49	696.88	58.49
2435	Other Agricultural Programmes	2198.01	-	2198.01	75.17	3.42
2501	Special Programmes for Rural Development	3593.92	-	3593.92	1728.30	48.09
2505	Rural Employment	10478.00	-	10478.00	5314.91	50.72
2506	Land Reforms	202.12	-	202.12	80.65	39.90
2515	Other Rural Development Programmes	3185.66	329.15	3514.81	791.95	22.53
2575	Other Special Area Programmes	200.00	-	200.00	-	-
2702	Minor Irrigation	9088.25	285.59	9373.84	1196.99	12.77
2711	Flood Control & Drainage	1000.00	10.00	1010.00	6.84	0.68
2801	Power	4897.55	17339.65	22237.20	7455.96	33.53
2810	Non-Conventional Sources of Energy	150.00	-	150.00	75.00	50.00
2851	Village and Small Industries	1650.28	922.50	2572.78	956.08	37.16
2852	Industries	726.48	55.00	781.48	108.94	13.94
2853	Non-ferrous Mining & Metallurgical Industries	128.60	246.24	374.84	197.03	52.56
3054	Roads and Bridges	3310.33	5493.77	8804.10	3912.13	44.44
3055	Road Transport	445.20	4131.94	4577.14	2455.40	53.64
3425	Other Scientific Research	203.75	-	203.75	138.39	67.92
3435	Ecology and Environment	359.49	-	359.49	35.54	9.89
3451	Secretariat-Economic Services	35932.65	73.26	36005.91	197.47	0.55
3452	Tourism	1547.84	696.00	2243.84	639.64	28.51
3454	Census Surveys & Statistics	1637.94	119.58	1757.52	296.48	16.87
3456	Civil Supplies	-	73.90	73.90	39.19	53.04
3475	Other General Economic Services	443.48	122.84	566.32	256.56	45.30
<b>C</b>	<b>ECONOMIC SERVICES</b>	<b>102570.88</b>	<b>45499.48</b>	<b>148070.36</b>	<b>37824.83</b>	<b>25.55</b>
<b>D</b>	<b>GRANTS IN AID &amp; CONTRIBUTION</b>					
3604	Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	-	3197.88	3197.88	2430.07	75.99
<b>D</b>	<b>GRANTS IN AID &amp; CONTRIBUTION</b>	-	3197.88	3197.88	2430.07	75.99
<b>E</b>	<b>TOTAL OF REVENUE ACCOUNT (A+B+C+D)</b>	<b>175565.78</b>	<b>250285.00</b>	<b>425850.78</b>	<b>158269.49</b>	<b>37.17</b>

Source: Annual Financial Statement 2015-16 and Civil Accounts, Sept, 2015

## 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 at 21.00 percent during the first half of the fiscal year is quite dismal. Almost all the sectors have not met the half yearly targets. The reason 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, non-receipt of State share and non-receipts of Central, NLCPR and NEC grants. The slow trend of expenditure during the first six months is also due to the fact that the first three months of the Budget was under Vote of Account.

The Capital expenditure is usually met from the 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.

These reasons for non-spending needs to be analyzed carefully, as this not only constraints building up of infrastructure and growth of State economy in a large scale, but at the same time disturbs the fiscal targets to be achieved.

**Table 7: Capital Expenditure**

Rs. in lakh						
Sl. No.	Heads of Accounts	BUDGET ESTIMATE 2015-16			EXPENDITURE 2015-16	
		Plan	Non Plan	Total	April-Sept.	Percentage to B.E
<b>A</b>	<b>CAPITAL ACCOUNT OF GENERAL SERVICES</b>					
4055	Capital Outlay of Police	142.82	-	142.82	-	-
4059	Capital Outlay on Public Works	12685.22	-	12685.22	1376.16	10.85
<b>A</b>	<b>CAPITAL ACCOUNT OF GENERAL SERVICES</b>	<b>12828.04</b>	<b>-</b>	<b>12828.04</b>	<b>1376.16</b>	<b>10.73</b>
<b>B</b>	<b>CAPITAL ACCOUNT OF SOCIAL SERVICES</b>					
4202	Capital Outlay on Education, Sports, Art and Culture	5530.45	-	5530.45	319.45	5.78
4210	Capital Outlay on Medical and Public Health	12097.06	-	12097.06	5369.25	44.38
4216	Capital Outlay on Housing	9401.46	-	9401.46	1469.07	15.63
4220	Capital Outlay on Information and Publicity	7114.77	-	7114.77	2057.85	28.92
4225	Capital Outlay on Welfare of SC, ST & OBC	1608.81	-	1608.81	67.03	4.17

<b>4235</b>	Capital Outlay on Social Security & Welfare	2462.22	-	2462.22	-	-
<b>B</b>	<b>CAPITAL ACCOUNT OF SOCIAL SERVICES</b>	<b>38214.77</b>	<b>-</b>	<b>38214.77</b>	<b>9282.65</b>	<b>24.29</b>
<b>C</b>	<b>CAPITAL ACCOUNT OF ECONOMIC SERVICES</b>					
<b>4401</b>	Capital Outlay on Crop Husbandry	180.00	-	180.00	-	-
<b>4403</b>	Capital Outlay on Animal Husbandry	396.96	-	396.96	76.28	19.22
<b>4405</b>	Capital Outlay on Fisheries	34.23	-	34.23	6.33	18.49
<b>4406</b>	Capital Outlay on Forestry and Wildlife	642.26	-	642.26	49.76	7.75
<b>4435</b>	Capital Outlay on other Agricultural Programmes	202.47	-	202.47	37.00	18.27
<b>4515</b>	Capital Outlay on other Rural Development Programmes	237.16	-	237.16	-	-
<b>4575</b>	Capital Outlay on other Special Areas Programmes	2510.83	-	2510.83	342.31	13.63
<b>4711</b>	Capital Outlay on Flood Control Projects	1157.22	-	1157.22	-	-
<b>4859</b>	Capital Outlay on Telecommunication and Electronic Industries	8952.59	-	8952.59	361.72	4.04
<b>5053</b>	Capital Outlay on Civil Aviation	1.95	-	1.95	-	-
<b>5425</b>	Capital Outlay on Other Scientific and Environmental Research	26115.93	-	26115.93	5692.36	21.80
<b>5452</b>	Capital Outlay on Tourism	13078.60	-	13078.60	4727.25	36.14
<b>C</b>	<b>CAPITAL ACCOUNT OF ECONOMIC SERVICES</b>	<b>53510.20</b>	<b>-</b>	<b>53510.20</b>	<b>11293.01</b>	<b>21.10</b>
<b>D</b>	<b>TOTAL OF CAPITAL ACCOUNT (A+B+C)</b>	<b>104553.01</b>	<b>-</b>	<b>104553.01</b>	<b>21951.82</b>	<b>21.00</b>

*Source: Annual Financial Statement 2015-16 and Civil Accounts, Sept, 2015*

## **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, 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 three percent of the estimated GSDP at the end of 31st March 2014 and adhere to it thereafter;
3. Cap the total outstanding guarantees within the specified limit under the Sikkim Ceiling on Government Guarantees Act, 2000 (21 of 2000);
4. Ensure that the outstanding debt-GSDP ratio follows a sustainable path emanating from the above targets of the deficit as specified by the Government beginning from the fiscal year 2011-12.

#### **3.1.2 Additional Borrowing and Amendment to the FRBM Act, 2010**

The 14<sup>th</sup> Finance Commission in its recommendation vide Sub-paragraph (i) to (iv) of the paragraph 14.64 has recommended fiscal deficit targets and additional annual borrowing limits for the States. The Commission, while anchoring the fiscal deficit at an annual limit of 3 percent, has 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 than it and an interest payment below or equal to 10 percent of the revenue receipts. The State will be able to avail the additional limit 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 necessary amendment to the Fiscal Responsibility and Budget Management Act, 2010 to reflect the statutory flexible limits on fiscal deficit is required and necessary action for the same has been initiated.

The State Government is well placed to undertake the amendment to avail the enhanced flexible limits on fiscal deficit as highlighted as under:

The total Debt of the State for 2013-14 is Rs. 3068.51 crore. The Debt-GSDP ratio, therefore works out to 24.80 per cent of GSDP. Similarly, the total Debt of the State for 2014-15 is Rs. 3481.44 crore. The Debt-GSDP ratio works out to 23.98 per cent of GSDP. The Debt –GSDP ratios both for 2013-14 and 2014-15 is less than 25 percent of Debt-GSDP ratio and thus qualifies the first criteria for 0.25 additional borrowing.

The Interest Payments and Revenue Receipts of the State for 2013-14 is Rs. 221.16 crore and Rs. 3793.23 crore respectively. Interest payments-Revenue receipts ratio for 2013-14 is 5.83 percent. Similarly, Interest Payments and Revenue Receipts of the State for 2014-15 is Rs. 251.55 crore and Rs. 4461.95 crore respectively. Interest payments-Revenue receipts ratio for 2014-15 is 5.64 percent. The Interest payments-Revenue receipts ratio for both 2013-14 and 2014-15 are less than 10 percent and thus qualifies the second criteria for 0.25 additional borrowing.

The 14<sup>th</sup> Finance Commission also specifies that the flexibility in availing the additional limit under either of the two options or both will be available to a State only if there is no revenue deficit in the year in which borrowing limits are to be fixed and the immediately preceding year. There is no Revenue Deficit in the year 2014-15 and 2015-16 and thus the State qualifies the requirement of 0.5 percent additional borrowing in 2015-16.

### **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 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, the prudent and the sustainable debt management consistent with the fiscal stability and sustainability through limits on State Government's borrowings, including off budget borrowings is one of the fiscal management principles to be adopted by the State Government.

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

**Table 8: Ceilings for Debt-GSDP as prescribed by 14<sup>th</sup> Finance Commission**

Year	Maximum debt stock as percentum 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

Necessary Amendments would have to be made in the Sikkim Fiscal Responsibility and Budget Management Act, 2010 for which the necessary action has been initiated.

The details of Public Debt including Small Saving and Provident Fund for current fiscal year upto September 2015 is detailed at Table 9.

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

Heads of Accounts	Particulars	Rupees in lakh		
		Actual upto September 2015		
		Receipt	Payment	Balance
6003	Internal Debt of the State Government	850.00	6907.03	(6057.03)
6004	Loans & Advances from Central Govt	98.69	489.05	(390.36)

7610	Loans and Advances	5.26	3.70	1.56
<b>Total</b>	<b>Public Debt</b>	<b>953.95</b>	<b>7399.78</b>	<b>(6445.83)</b>
8009	State Provident Fund	12481.18	15347.77	(2866.59)
8011	Insurance and Pension fund	168.17	157.90	10.27
<b>Total</b>	<b>Total Debt</b>	<b>13603.30</b>	<b>22905.45</b>	<b>(9302.15)</b>

*Source: Civil Accounts for September, 2015*

### 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 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.