GOVERNMENT OF SIKKIM
FINANCE, REVENUE AND EXPENDITURE DEPARTMENT
GANGTOK

Medium Terms Fiscal Plan for Sikkim: 2015-16 to 2017-18

To be presented before the Sikkim Legislative Assembly as required under sub section (1) of section 3 of the Sikkim Fiscal Responsibility and Budget Management Act. 2010 (15 of 2010)

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1. Introduction – Fiscal Policy Overview

The Sikkim Fiscal Responsibility and Budget Management Act of 2010 (FRBM Act) provides for presenting a medium term fiscal plan (MTFP) along with the budget in the State legislative assembly. The objective of presenting an MTFP is to give the detailed fiscal stance of the Government as envisioned in the budget in a transparent manner. The MTFP 2015-16, as required by the FRBM Act presents the medium term fiscal objectives, strategic priorities in resource allocation, and fiscal policies in conformity with the fiscal management principles enunciated in the Act. It gives the projected fiscal targets in the ensuing budget year, 2015-16, and two outward years. It reviews the macroeconomic and fiscal performance of Sikkim for the period from 2004-05 to 2014-15. The MTFP, while drawing out the fiscal plan, provides the assumptions with regard to the revenue augmentation and expenditure restructuring parameters arrived at based on the data covering the period from 2004-05 to 2015-16 (BE) and taking into consideration the policy announcements relating to revenue augmentation measures and expenditure priorities in various sectors.

The FRBM Act was enacted in the State with the objective of providing fiscal stability and conducting the fiscal policy in a sustainable manner to reduce the deficit and stabilize the debt burden. Long run fiscal sustainability improves the credibility of the Government and improves the predictability of resource availability for provision of physical and social infrastructure. Adequate social and physical infrastructure helps providing an enabling environment for investments, which would create employment, and incomes for the people of the state. The State has a limited base to generate resources internally and the requirements for provision public services in a difficult hilly terrain are very costly. Thus, it is very important for the State to adopt a prudent fiscal management.

The fiscal targets stipulated in the FRBM Act continue to provide an effective benchmark for fiscal management in the State. The Government, over the years, managed to adhere to the fiscal targets, while adopting a development oriented fiscal policy. The overall fiscal management in terms of budget decisions and implementation has remained within the boundary set in the fiscal rules. The State Government has been providing information reflecting the policy choices made in the ensuing budget year and in two future years beyond the budget year in a transparent manner in its MTFP. The fiscal adjustment path for Sikkim recommended by the Thirteenth Finance Commission (TFC) with targeted fiscal deficit to ensure sustainable level of debt ended at 2014-15. The FRBM Act of the State will take into account the recommendations made by the 14th Finance Commission starting the fiscal year 2015-16.

The 14th Finance Commission was required to suggest 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 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 immediately 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. This requires suitable amendment to the State FRBM Act to reflect the statutory flexible limits on fiscal deficit. The Government of Sikkim is well placed to undertake the amendment to avail the enhanced flexible limits on fiscal deficit. However, the Government will take a suitable decision after calibrating the need for higher investment and proper project evaluation.

The prudent fiscal management over the years helped the State Government achieving socio-economic development and an inclusive growth process. Creating an enabling environment for different sections of the society, different tribal groups, women, and young people to participate in economic activities and contribute to the development of the State has remained as one of the major objectives of the Government. Achievement of social sector commitments constitutes an important element of resource allocation decisions in the context of rule based fiscal policy that restricts incurring deficit and borrowing to a sustainable level. The Gross State

Domestic Product (GSDP) at constant prices recorded a healthy growth rate of 7.88 percent in 2013-14. The per capita income of the state, which was Rs.30727 in 2004-05, has increased substantially to Rs.196144 in 2013-14 at current prices. The major socio-economic indicators for the State show commendable improvement. The poverty ratio has declined to 8.19 per cent as compared to all India average of 21.92 per cent in 2011-12. The literacy rate at 81.40 per cent in 2011-12 is significant achievement. The IMR has gone down to 24 per 1000 in 2011 as compared to the all India average of 44.

The rest of the report is organized as follows. The Section 2 provides an analysis of the recent macroeconomic trend of the State. The fiscal policy overview, tax, expenditure, and borrowing policies for the ensuing year and the priorities in the medium term are presented in Section 3. This section is based on the template provided in the Form F-1 of the Medium Term Fiscal Policy as per the Sikkim FRBM Act, Rule 3. In Section 4, Medium Term Fiscal Plan containing the projection of fiscal variables and assumptions underlying the projections has been given. This follows the Form F 2 of Sikkim FRBM Act, Rule 3. The concluding remarks are contained in section 5. The disclosures, following the Medium Term Fiscal Policy as per the Sikkim FRBM Act Rule 3 and Rule 4, are given in the Section called Disclosures.

2. Macroeconomic Outlook

The State GSDP, during 2012-13 and 2013-14, grew consistently at a reasonable of 7.6 and 7.9 per cent respectively. While the service sector dominated the State income during 2005-06 to 2008-09, the share of Industry sector started increasing since 2009-10 and in 2013-14 the service sector constituted about 60.6 per cent of the total GSDP. The relative share of industry sector has increased mostly driven by manufacturing, construction and power sectors. The inter-sectoral composition of GSDP since 2004-05 shows that the service sector, which accounted for half of the State GSDP till 2008-09, has declined to about 30 per cent in 2013-14. The relative share of agriculture sector, which comprises of agriculture, forestry and fishing, has been declining over the years. The share of agriculture sector has come down from about 14 per cent in 2008-09 to 9.5 per cent in 2013-14.

Table 1
Composition of GSDP (Constant Prices)

(Per cent)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Agriculture	**17.6**	**16.6**	**16.1**	**14.4**	**8.6**	**8.3**	**10.4**	**9.9**	**9.5**
Industry	**29.4**	**29.7**	**30.3**	**35.1**	**55.1**	**59.2**	**59.2**	**59.8**	**60.6**
Mining	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.2
Manufacturing	3.6	3.7	3.9	3.7	28.4	37.1	38.0	35.4	33.7
Construction	19.9	19.4	18.7	15.5	9.9	9.4	10.8	13.8	16.3
Electricity & Water supply	5.8	6.4	7.6	15.8	16.7	12.6	10.3	10.3	10.3
Services	**53.0**	**53.7**	**53.6**	**50.5**	**36.2**	**32.4**	**30.4**	**30.3**	**29.9**
Transport	4.2	4.4	4.6	4.5	2.9	2.8	2.9	3.1	3.1
Trade, Hotel and Restaurant	4.8	4.6	4.5	4.1	2.4	2.3	2.7	2.6	2.6
Banking	3.0	3.6	4.0	3.6	2.6	2.9	2.9	3.0	3.1
Real Estate	9.4	9.2	9.9	9.5	5.6	5.4	5.2	5.0	4.8
Public Admn	15.1	15.5	14.8	14.1	11.7	9.8	8.9	9.2	8.7
Other Services	16.5	16.4	15.8	14.7	10.9	9.1	7.9	7.5	7.6
GSDP Growth	**9.8**	**6.0**	**7.6**	**16.4**	**73.6**	**8.7**	**10.8**	**7.6**	**7.9**

Source: CSO, Government of India .

The manufacturing and construction sectors remained as major contributors to the growth of the State economy. The year 2009-10 marks a clear shift in the growth path of the GSDP as the growth rate in this year jumped to a high of 73.6 per cent (89.9 per cent in current prices). This was due to high growth of power sector, which was continuing from 2008-09, and manufacturing sector. The impressive growth of power sector was basically driven by generation of hydroelectricity in newly commissioned power projects. The manufacturing sector showed very high growth due to higher production in pharmaceutical industries and strengthening of small-scale industries. The manufacturing sector constitutes about one third of the State GSDP in 2013-14. The initial burst in the growth of power and manufacturing sectors has stabilized in recent years. However, this established a strong base for the GSDP in Sikkim.

The 14th 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 per cent for the year 2014-15 and 24.32 per cent 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. The Finance Commission, however, recommended using the average growth rate of the GSDP of the past three years to arrive at the borrowing ceilings of the State. The MTFP uses the same methodology to arrive at the GSDP figures for the Budget year and the two outward years.

Although, the manufacturing, power and construction sectors emerged as major driving force for the Sikkimese economy, its impact on State finances, particularly on revenue generation has not been very productive. The State economy is usually assumed to provide base for the revenue. However, the pattern of growth in the State in recent years suggests that the sectors growing rapidly and contributing to growth process have not contributed to tax revenue to the same extent. This was not due to any weakness in the tax policy or tax administration of the State. The generation of hydroelectricity, though adds to the GSDP numbers, remain outside the State tax system. Similarly, the pharmaceutical industries send their products out of the State through consignment transfer, which is not captured in the VAT. Thus, it may not be possible for the State Government to achieve the revenue receipt projected by the 14th Finance Commission in their assessment for the period from 2015-16 to 2019-20.

3. Fiscal Profile of the State

3.1 The Changing Fiscal Architecture and Its Impact on Sikkim

The budget for the year 2015-16 is prepared under changed fiscal architecture in the country, which is still evolving. The State, having a small resource base, finds itself in a difficult situation in the changed fiscal federal regime. The 14th Finance Commission (FFC) increased tax devolution to the State from 32 per cent to 42 per cent to provide higher flexibility in the use of enhanced level of untied fund. As the FFC relied on tax devolution to cover the assessed revenue expenditure needs of the States, it took an aggregate view of the revenue expenditure needs of States without Plan and Non-Plan distinction. Thus revenue deficit grant was given to some States after assessing their post-devolution revenue deficits derived from their projected fiscal capacities and needs. The FFC departed from past practice by not awarding specific-purpose grants. These grants, according to the Commission, were small to make any impact and crate confusion where large Plan schemes already exist, and were left to the Centre and the states acting cooperatively for those needs. The only grants awarded by the Commission were disaster relief grants and grants for local bodies. The Commission was required by their terms of reference to recommend grants for these two purposes. The commission steered clear of both the Plan/Non-Plan distinction and that between special-category and other states.

Consequent upon the enhancement of share of the states in the central divisible pool from the current 32 percent to 42 percent which is the biggest ever increase in vertical tax devolution, Central Assistance to State Plan has been restructured. The Central Government has discontinued the normal central assistance (NCA), special plan assistance (SPA), special central assistance (SCA), and the additional central assistance (ACA). The Central Government also delinked eight centrally sponsored schemes (CSS) from funding and brought about substantial changes in the funding pattern of some other schemes. The picture regarding the funding pattern of a large number of CSS is still not clear. The State Government, despite increase in tax devolution, faces fiscal stress due to decline in plan transfer.

The higher growth rate assumed by the FFC resulted in higher assessed revenue of the State during the award period of the Commission. The own tax revenue projected for 2015-16 by the Commission is Rs 876.00 crore (calculation is based on GSDP of Rs 20634 crore), which rises to Rs.3039 crores in the year 2019-20. Higher tax projection by the Commission reduced the pre-devolution revenue deficit gap for the State during the award period. The FFC projected revenue receipts seems to be unachievable.

The FFC transfer to the State also depends on the resource mobilization by the Central Government. While the FFC recommended Rs2129 crores as share in Central Taxes to Sikkim, the Union budget for 2015-16 provided Rs.1925 crores only. The actual flow will further decline going by the quarterly devolution figures. The FFC also discontinued the practice of special category status of many State, particularly the North Eastern States, which further puts pressure on the resource position of Sikkim. The State also finds it difficult to provide funds to the infrastructure projects started earlier based on the fund flow mechanism existing under the the then Planning Commission and the Finance Commission.

3.2 Fiscal Policy Overview

The State Government over the years adhered to the FRBM Act targets remained on the path of fiscal consolidation. The fiscal data shown in Table 2 indicates that the State has been maintaining surplus in the revenue account and limit the fiscal to the level prescribed by the State FRBM Act. The rule based fiscal management adopted with the introduction of FRBM Act in 2010-11, limits the deficit and debt levels to an already agreed upon fiscal path. Since the adoption of the FBM Act, the State managed to adhere to the fiscal targets stipulated in the Act. The surplus in the revenue account, which was at 8.4 per cent to GSDP in 2009-10, increased to 10.40 per cent in 2014-15, revised estimates. The budget estimates for 2015-16 assumes a revenue account surplus of 3.1 per cent to GSDP. The fiscal deficit was reduced considerably from 4.4 per cent relative to GSDP in 2010-11 to 3.64 per cent 2014-15 revised estimates. However, this is projected to remain limited to 3 per cent in the budget estimates for the year 2015-16. The fiscal consolidation process has helped the State government considerably by creating fiscal space to allocate resources to the priority areas and increase capital expenditure. The MTFP projects to maintain the fiscal consolidation process in the two outward years and improve resource availability to social and economic sectors.

The fiscal restructuring path recommended by the 13th FC (TFC) for the State Governments ended in 2014-15. The State has adopted the fiscal targets recommended by the TFC in its FRBM Act. The fiscal trend indicates that the State Government complied with the TFC recommendations and its own FRBM targets. The fiscal deficit target for the years 2013-14 and 2014-15 was 3 per cent and the debt-GSDP target was 58.8 and 55.9 respectively. From the Table 2, it is evident that these targets were met. The MTFP 2015-16 builds on the strong fiscal performance of the State Government and keeps the fiscal targets suggested by the 14th Finance Commission (FFC).

Table 2

Fiscal Profile of Sikkim: An Overview

(Percent to GSDP)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (RE)	2015-16 (BE)
Revenues	**54.6**	**55.7**	**59.8**	**54.4**	**38.2**	**30.1**	**34.2**	**35.2**	**41.7**	**44.0**	**27.6**
Own Revenue	13.1	16.0	16.4	15.2	10.9	7.3	6.4	7.9	9.5	7.0	5.2
Own Tax Revenues	7.4	8.0	7.9	6.2	3.6	3.9	3.5	4.7	5.6	4.2	3.2
Own Non-Tax Revenues	5.7	7.9	8.5	9.1	7.3	3.4	2.9	3.2	3.9	2.8	2.0
Central Transfers	**41.5**	**39.7**	**43.4**	**39.2**	**27.3**	**22.8**	**27.8**	**27.3**	**32.2**	**37.0**	**22.3**
Tax Devolution	9.1	10.3	13.8	11.3	6.1	7.3	7.3	7.5	8.2	7.4	11.0
Grants	32.4	29.4	29.6	28.0	21.2	15.5	20.5	19.8	24.0	29.6	11.3
Revenue Expenditure	**44.7**	**45.1**	**45.8**	**42.8**	**29.8**	**28.2**	**28.9**	**26.8**	**32.4**	**33.6**	**24.4**
Interest Payment	5.1	5.3	4.7	4.8	2.5	2.6	2.3	2.1	2.4	2.0	1.6
Pension	2.1	2.3	2.0	1.8	2.1	2.2	2.1	2.4	2.8	2.7	2.4
Capital Expenditure	**17.3**	**15.1**	**16.6**	**18.9**	**11.2**	**6.4**	**7.9**	**9.1**	**9.9**	**14.0**	**6.1**
Capital Outlay	17.3	15.1	16.6	18.9	10.6	6.3	7.3	9.0	9.8	13.8	6.0
Net Lending	0.0	0.0	0.0	0.0	0.6	0.1	0.6	0.0	0.1	0.2	0.1
Revenue Deficit	**-9.9**	**-10.6**	**-14.0**	**-11.7**	**-8.4**	**-2.0**	**-5.3**	**-8.4**	**-9.3**	**-10.4**	**-3.1**
Fiscal Deficit	**7.5**	**4.5**	**2.6**	**7.2**	**2.8**	**4.4**	**2.6**	**0.7**	**0.57**	**3.64**	**3.00**
Primary Deficit	**2.3**	**-0.9**	**-2.1**	**2.5**	**0.2**	**1.8**	**0.4**	**-1.4**	**-1.80**	**1.60**	**1.36**
Outstanding Debt	**60.3**	**61.2**	**62.3**	**59.9**	**37.4**	**34.0**	**30.4**	**29.5**	**32.8**	**28.3**	**23.0**

Source (Basic Data): Finance Accounts and State Budget 2015-16
Note: The GSDP figures used are of 2004-05 series given by CSO and projected to grow using the methodology suggested by the FFC.
Negative sign indicates revenue surplus

3.3 Revenue Mobilization

The transfers from the Central Government in terms of share in central taxes and plan and non-plan grants constitute the major share of total revenue receipts of the State. On an average the central transfers constitutes little more than there fourths of the total State revenues. The relative share of central transfers in total revenue receipts of the State has steadily increased from 72.05 per cent in 2008-09 to 77.23 per cent in 2013-14, the last year for which audited figures are available. The budget figures for the year 2015-16 project a lower level of Central transfers relative to GSDP due to decline in plan transfers. Central transfer is projected to be 22.3 per cent and own tax and own non–tax revenue are expected to be 3.2 and 2 per cent of GSDP respectively as per the BE of 2015-16.

While the own revenue and GSDP ratio was declining since 2008-09, in 2013-14 the ratio improved significantly. The revised estimates for 2013-14 and the budget estimate show a decline to own revenue and GSDP ratio. Both the components of the own revenue, the own tax and own on-tax revenue show similar trend. The total revenue receipts of the State also has declined as percentage to the GSDP from 38.2 per cent in 2008-09 to 35.2 per cent in 2012-13 due to stagnating Central transfers relative to GSDP. However, the revised estimates for the year 2014-15 showed a rise, the budget estimates for the year 2015-16 project lower revenue receipts due to decline in grants and assuming a higher growth rate for the GSDP based on the FC methodology. A disaggregated analysis of revenue performance of the state is undertaken to determine the revenue prospects while preparing the MTFP aligned with the provisions of FRBM act of Sikkim.

Table 3
Composition of Own Tax Revenue

(Per cent)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (RE)	2015-16 (BE)	Growth (04-05 to 14-15)
Own Tax Revenues	100	100	100	100	100	100	100	15.7
Sales Tax	54.1	51.1	42.3	52.1	54.5	53.1	53.5	18.9
State Excise Duties	25.6	25.3	32.8	25.5	23.0	24.1	24.1	16.8
Motor Vehicle Tax	3.5	3.8	5.6	3.8	3.5	3.7	3.8	19.0
Stamp Duty and Registration Fees	2.0	2.0	2.8	1.2	1.2	1.5	1.4	14.7
Other Taxes	14.4	17.6	16.5	17.3	17.7	17.6	17.2	39.5

Composition of own tax revenue given in Table 3 shows that the sales tax/VAT and State excise are two major sources of own tax revenue for the State. The relative share of the VAT was at about 54.5 per cent during 2013-14, the last year for which audited figures are available and it is set to marginally decline during 2014-15 (RE) and 2015-16 (BE). The relative share of State excise in total own revenue has remained at 25.5 per cent during the year 2012-13 and is expected to decline marginally to 24.1 per cent in 2015-16 BE. During the same time the relative share of motor vehicle tax and stamps and registration fees in total own tax revenue remain flat.

The trend growth rates of individual tax components explain the evolving tax structure in the state. The sales tax shows a growth rate of 18.9 per cent during 2004-05 to 2015-16.

The buoyancy coefficients for the State taxes during the period 2004-05 to 2014-15 given in Table 4 reveal that the growth of taxes has fallen behind the growth of the GSDP. The buoyancy coefficient explains the percentage growth of tax revenue in response to one percentage growth in GSDP. This relationship assumes that the State GSDP is the proxy for tax base. The pattern of growth in the State suggests that the sectors growing rapidly and contributing to growth process have not contributed to tax revenues. This is because the estimation of GSDP capturing the value of the generation of electricity by the hydroelectric sector though contributes to the growth numbers; the tax base is not expanded. Similarly, the improved production by the pharmaceuticals, though adds to the growth, most of it goes out of the State in the form of consignments attracting no VAT. The growth process is expected to provide impetus to rise in trade and business activities and thus higher tax collection in the future years. The MTFP after calibrating the growth potential of the GSDP and other tax measures announced in BE 2014-15 makes suitable adjustment in tax buoyancies for projection of tax revenues in the medium term.

Table 4
Buoyancy of Taxes: 2004-05 to 2014-15

Own Tax Revenues	0.644
Sales Tax	0.780
State Excise Duties	0.732
Motor Vehicle Tax	0.812
Stamp Duty and Registration Fees	0.669
Other Taxes	1.610

Source (Basic Data): Finance Accounts and State Budget 2015-16

While the own non-tax revenue as percentage of GSDP decline in recent years, it remains an important source of revenue for the State. The own non-tax revenue constitutes little more than 40 per cent of the own revenue receipts. Income from State lottery, power sector, road transport, and interest receipts has been the main source of non-tax revenue (Table 5). The relative share of lottery income (net) in the own non-tax revenue and set to decline from 17.8 per cent in 2011-12 to 10.7 per cent in 2015-

16 (BE). The Government initiatives like broad basing the lottery operations with the introduction of the on-line lotteries, and introduction of on-line casino operations with the passage of Sikkim Casino Games (Control & Tax) Act 2002 are expected to yield increasing revenue from lottery operations. The relative share of income from power sector has increased in recent years showing a peak of 64. 2 per cent in 2009-10 as the newly commissioned hydro-project units started giving the State share in the production of electricity. Although the relative share of power sector has gradually declined from 2009-10 high, it still remains large at 35.7 per cent in 2015-16 (BE). The hydro power projects being constructed in the State are expected to make significant contribution in the coming years also. The Government had rationalized the power tariff by raising it by 16 % in 2012-13, which helped in improving the income from this source. The share of road transport in own non-tax revenue has been growing over the years. The income from forestry and wild life, though declined in between, seems to have been recovering in the recent years.

Table 5
Composition of State's Own Non-tax Revenues

(Per Cent)

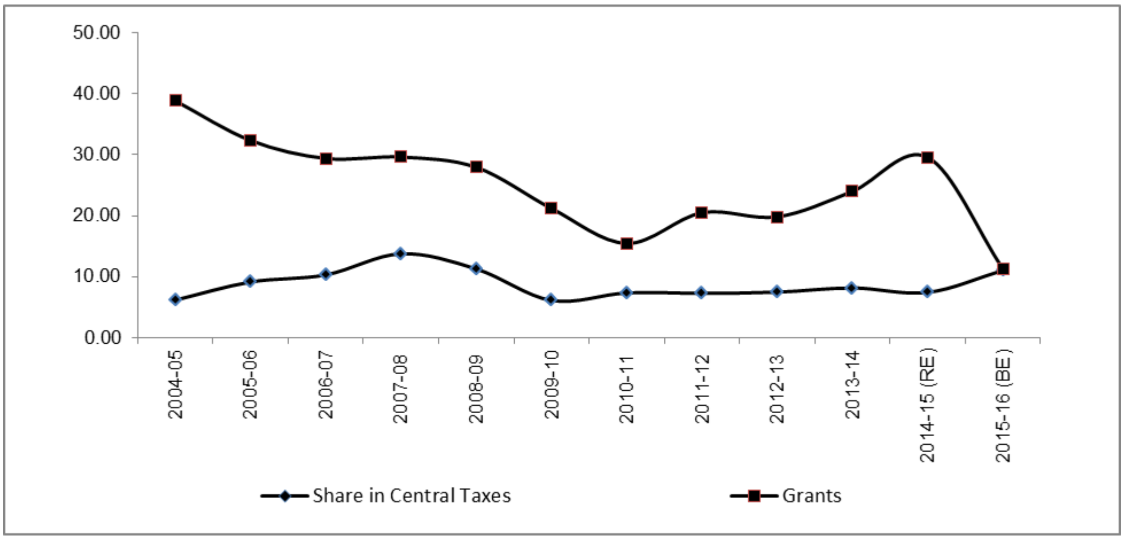
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (RE)	2015-16 (BE)
Own Non-Tax Revenue	100	100	100	100	100	100	100
Interest Receipts	9.9	7.2	12.0	15.2	18.5	10.8	8.9
Dividends and Profits	0.1	0.8	0.0	0.5	0.2	0.1	0.3
Police	3.3	9.9	5.3	16.3	11.4	15.8	15.8
Public Works	0.6	1.6	2.2	1.2	3.1	2.9	3.0
Administrative Services	1.0	1.4	2.7	3.2	3.1	2.9	3.0
Net Lottery Income	9.2	16.4	17.8	13.7	15.5	10.3	10.7
Edu, Sports, Art & Cult.	0.4	0.6	0.6	0.5	0.4	0.4	0.3
Medical and Pub. Health	0.2	0.2	0.5	0.5	0.6	0.7	0.7
Water Sup. and Sanitation	0.6	1.2	1.2	0.9	0.9	1.1	1.1
Urban Development	0.7	0.3	0.7	0.3	0.3	0.1	0.1
Forestry and Wildlife	2.0	4.5	5.1	4.1	3.9	3.2	3.4
Plantations	0.4	1.1	1.1	1.3	1.0	1.3	1.5
Other Rural Dev. Prog.	0.6	0.5	0.5	0.5	0.6	0.4	0.4
Power	64.2	40.9	32.7	27.4	27.4	34.6	35.7
Road Transport	4.6	9.3	12.7	9.6	9.4	12.3	11.2
Tourism	0.4	1.3	0.8	0.7	0.7	0.8	0.9
Others	2.0	2.8	4.2	4.0	4.9	3.5	3.9

Source (Basic Data): Finance Accounts and State Budget 2014-15

Share of Central taxes, which was at 8.16 per cent relative to GSDP in 2013-14, has increased to 11.05 per cent in 2015-16 BE. This was due to higher devolution recommended by the FFC. From the Figure 1 it is evident that the share in central taxes has increased in the budget year. The Central Government has taken very important decision regarding the fund-flow system for Centrally Sponsored Schemes (CSS), which has affected the projection of transfers. Starting from 2014-15, the CCS for which funds were directly transferred to the implementing agencies outside budget will be routed through State budgets.

Although, the Central grants contribute more to the State revenues, its share has declined in 2015-16 due to the decline plan grants by the Central Government. . The grants as percentage to the GSDP have declined from 24.02 per cent in 2013-14 to 11.29 per cent in 2015-16. While the scope for Central grant to the State was widened due to the recommendations of the TFC relative to various state specific grants and performance incentive grant, the FFC has discontinued all these grants,

Figure 1
Central Transfers as Percentage of GSDP



3.4 Expenditure Profile

The Government of Sikkim gives special attention to expenditure needs of the social sector, particularly education and health. Several education and health schemes were initiated by the Government to improve the quality of social sector infrastructure. The expenditure pattern presented in Table 6 reflects these trends over the years. The revenue expenditure, which was at 29.8 per cent relative to GSDP in 2009-10, was compressed to 26.8 per cent in 2012-13 to realize the FRBM objectives. The revenue expenditure is set to decline further to 24.4 per cent in 2015-16 BE. The expenditure compression was due to lower availability of resources in the budget year. The Government has reduced spending in many priority areas. The trend of revenue expenditure shows that resource allocation to general service, social service, and economic service has reduced relative to GSDP in 2015-16.

Table 6
Expenditure Profile

(Per cent to GSDP)

	2009-10	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15 (RE)**	**2015-16 (BE)**
Revenue Expenditure	**29.8**	**28.2**	**28.9**	**26.8**	**32.4**	**33.6**	**24.4**
General Services	**10.7**	**9.6**	**9.0**	**9.4**	**11.1**	**10.4**	**7.6**
Interest Payment	2.5	2.6	2.3	2.1	2.4	2.0	1.6
Pension	2.1	2.2	2.1	2.4	2.8	2.7	2.4
Other General Services Excluding Salary	6.2	4.7	4.6	4.9	5.9	5.7	3.6
Social Services	**11.3**	**11.4**	**12.3**	**10.1**	**13.7**	**12.2**	**8.1**
Education	6.4	7.6	5.6	5.5	6.7	5.1	4.4
Medical and Public Health	1.8	1.5	1.4	1.3	1.5	2.1	1.1
Other Social Services	3.1	2.4	5.3	3.3	5.4	5.0	2.6
Economic Services	**7.8**	**7.0**	**7.3**	**7.0**	**7.3**	**10.5**	**8.5**
Compensation and Assignment to LBs	0.0	0.2	0.4	0.2	0.4	0.5	0.2
Capital Expenditure	**11.2**	**6.4**	**7.9**	**9.1**	**9.9**	**14.0**	**6.1**
Capital Outlay	10.6	6.3	7.3	9.0	9.8	13.8	6.0
Net Lending	0.6	0.1	0.6	0.0	0.1	0.2	0.1

Source (Basic Data): Finance Accounts and State Budget 2014-15

The improvement in fiscal situation in earlier years in the State provided the opportunity to reinforce the core development strategy of building the social and physical infrastructure. The capital expenditure, which had slowed down in 2010-11 relative to the GSDP, seems to have revived since then and reached a high of 14 per cent in 2014-14 RE. The capital expenditure as percent to GSDP declined to 6.1 per cent in 2015-16. Based on the projected revenue receipts and expenditure, the capital expenditure limit was determined within the overall stipulation of the requirements for achieving sustainable level of debt and deficit as stipulated in the FRBM fiscal targets. The MTFP is prepared based on the rationale of restructuring the government spending by emphasizing the critical areas.

The composition of capital expenditure shows that sectors like water supply and sanitation, transport, energy and tourism have been the focus areas. The education and health sectors also have attracted relatively higher capital expenditure (Table 7). The ongoing reconstruction activities in areas ravaged by the earthquake increased the capital expenditure. Rise in allocation from the NEC, NLCPR and NABARD funded projects for road and other infrastructure projects raised the capital expenditure. The expansion of road and other infrastructure base also required higher level of land compensation. The TFC recommended grants for several projects in tourism sector, which fuelled the capital expenditure. The MTFP made provisions for many of the ongoing projects and the new projects announced in the budget.

Table 7
Composition of Capital Expenditure

(Per Cent)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (RE)	2015-16 (BE)
Capital Expenditure	**100**	**100**	**100**	**100**	**100**	**100**	**100**
General Services	**13.7**	**12.6**	**4.1**	**9.9**	**18.6**	**12.4**	**12.3**
Social Services	**34.0**	**36.8**	**45.0**	**34.6**	**29.2**	**32.7**	**36.6**
Education	4.2	8.7	10.2	7.4	5.5	4.2	5.3
Health	0.5	7.1	15.8	12.0	10.2	4.9	11.6
Water supply, Sanitation, Housing & Urban Development	27.9	20.5	18.5	15.0	12.2	22.4	15.8
Information, Publicity & Broadcasting (21)	0.2	0.2	0.2	0.1	0.0	0.0	0.0
Welfare of SC/STBC	0.2	0.1	0.2	0.1	0.2	0.5	1.5
Social Security	0.9	0.1	0.0	0.0	1.1	0.5	2.4
Economic Services	**52.3**	**50.7**	**50.9**	**55.5**	**52.2**	**54.9**	**51.2**
Agriculture	2.3	1.4	2.8	1.1	1.4	1.2	1.4
Rural Development	5.2	5.0	5.8	2.4	2.1	1.6	22.7
Special Areas Programmes	1.8	2.5	2.9	2.1	1.3	1.4	2.4
Irrigation	0.5	1.2	0.5	0.8	0.4	0.3	1.1
Energy	11.1	7.3	6.1	5.2	7.3	4.1	8.6
Industries and Minerals	0.8	0.4	0.3	0.5	0.5	0.5	0.0
Transport	22.8	21.8	23.1	37.5	32.4	22.0	25.0
Science & Technology	0.2	0.0	0.0	0.1	0.0	0.0	0.0
Tourism	7.6	11.0	9.3	5.9	6.9	23.8	12.5

Source (Basic Data): Finance Accounts and State Budget 2015-16

3.5 Outstanding Debt and Government Guarantee

One of the major objective of the fiscal management in the State as reflected in the FRBM Act is to maintain the outstanding debt at prudent and sustainable level. The State Government successfully contained the debt burden due to improvement in fiscal situation. The TFC in their revised fiscal roadmap have worked out the yearly outstanding debt burden for all the states aligning with the fiscal path. The outstanding debt burden according to the TFC fiscal framework for Sikkim is 55.90 relative to the GSDP. Outstanding debt of the State has declined from 37.4 per cent in 2009-10 to 32.8 per cent in 2013-14, the last year for which audited data is available (Table 2).The debt-GSDP ratio in the State has been reduced considerably, which is projected to be 23 per cent in 2015-16 BE. The decline in the average cost of debt of the state because of the debt restructuring formula of the Twelfth Finance Commission has helped to lowering the debt burden. Decline in the average cost of debt will result in reduction in the volume of interest payments and availability of .higher fiscal space for the state government. The interest payment has declined from 2.5 per cent in 2009-10 relative to GSDP to 1.6 per cent in 2015-16 (BE).

Table 8
Composition of Debt and Liabilities

(Per Cent)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (RE)
A. Public Debt	**78.15**	**74.63**	**72.56**	**71.71**	**71.22**	**73.28**
Internal Debt	65.86	63.94	66.41	66.31	67.08	69.51
Loans and Adv. from the Central Govt.	12.28	10.69	6.15	5.40	4.14	3.77
B. Other Liabilities	**21.85**	**25.37**	**27.44**	**28.29**	**28.78**	**26.72**
Small Savings, Provident Fund etc	17.96	21.00	22.67	22.63	22.34	20.02
Reserve Fund	1.04	0.85	0.72	0.48	1.67	2.51
Deposits	2.85	3.51	4.05	5.18	4.76	4.20
Total Public Debt & Other Liabilities	**100**	**100**	**100**	**100.00**	**100.00**	**100.00**

Source (Basic Data): Finance Accounts and State Budget 2013-14

The composition of stock of public debt given in Table 8 reveals that the share of Central Government loans to the State has been reduced considerably. As compared to a relative share of about 12 per cent in 2009-10, the Central loans accounts for about 4 per cent in 2014-15 RE. Following the recommendations of the 12th Finance Commission the Central Government loans to the States has been reduced significantly. The dependence of the State Government on the market borrowing has increased over the years. The share of market borrowing has increased from about 66 per cent in 2009-10 to little above 69 per cent in 2014-15 RE. The overall borrowing in a year, however, remains within the limit fixed by the Central Government. This is determined after having consultation with the State Government on the aggregate plan size for the State. The rise in the relative share of the market borrowing reflects the strength of the fiscal situation of the State.

The structure of debt stock has an important bearing on interest payment as different debt instruments carry different rates of interest depending on the type of borrowing and maturity structure. Although, the share of high cost debt instruments like small savings, provident funds, etc. has shown a rising trend since 2009-10, the overall debt stock remains much below the TFC recommended level. As the total interest payment relative to the GSDP is declining, the pattern of borrowing by the State remains sustainable.

Guarantees given by the State Government

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 sum guaranteed by the State government on 31st March 2015 was Rs.109.50 crore (Budget Documents – 2015-16), which is below the permissible limit.

3.6 Government Policy for the Ensuing Budget Year

Despite the decline in grants, which affected the aggregate resource position of the State, the Government has emphasized on the continuing programmes in social and economic sectors in the budget for the year 2015-16. The continuing programmes and programmes introduced in the last year's budget will receive sufficient resources to realize their full potential. The social sector continues to be one of the topmost priorities of the Government. The budget also provides required level of funds for infrastructure, health sector, connectivity, transport and other productive sectors. The programme under buildings and housing, eco-tourism, social justice programmes, programmes for empowerment of women, and forest and environment are focused in the budget 2015-16.

4. Medium Term Fiscal Plan: 2014-15 to 2016-17

4.1 Fiscal Indicators

Table 9 ***(follows Form F2 of the Act)***
Fiscal Indicators-Rolling Targets

		Previous Year (Y-2) Actuals	Current Year (Y-1) Revised Estimates	Ensuing Year (Y) Budget Estimates	Targets for Year (Y+1	Targets for Year Y+2)
		2013-14	2014-15 (RE)	2015-16 (BE)	2016-17	2017-18
1	Revenue deficit as percentage of GSDP	-9.29	-10.41	-3.12	-3.51	-3.92
2	Revenue deficit as percentage of Total Revenue Receipts (TRR)	-22.31	-23.63	-11.32	-12.73	-14.18
3	Fiscal deficit as percentage to GSDP	0.57	3.64	3.00	3.00	3.00
4	Total Outstanding Liabilities as percentage of GSDP	32.84	28.27	23.00	22.39	21.88

Notes:

1. GSDP is the Gross Domestic Product at current prices as per revised series of 2004-05 base
2. The negative sign in revenue deficit indicates surplus.

The fiscal outcomes in the forms indicators such as fiscal deficit, revenue deficit, and outstanding liabilities for previous year, current year, ensuing budget year and two outward years are presented in Table 9. The Table follows the template given by the Sikkim FRBM Act as Form F-1. The fiscal outcomes in the year 2013-14, for which audited figures are available and in the year 2014-15, for which revised estimates are available, the State Government was successful in achieving the fiscal targets enunciated in the FRBM Act. In the projections for the budget year, 2015-16, and for two outward years, which give a medium term perspective to the fiscal stance, fiscal consolidation process and achieving the fiscal targets specified by the FRBM This is in line with the recommendations of the 14th Finance Commission..

It needs to be mentioned here that the fiscal path chalked out by the TFC ended in 2014-15 and the award period of the 14th Finance Commission has started from the year 2015-16. This MTFP, in addition to the budget year 2015-16, projects the fiscal outcomes for the year 2016-17 and 2017-18. The MTFP corroborates the recommendations of the 14th Finance Commission regarding the anchoring the fiscal deficit to 3 per cent of GSDP. The MTFO assumes that the fiscal management in the State will continue to be prudent and remain sustainable in the future years. Thus, the projections take the fiscal deficit target of 3 per cent relative to GSDP for the two outward years beyond the budget. The MTFP builds on the fiscal consolidation process of the State Government and the fiscal outlook for the budget year and the two outward years comply with the FRBM Act.

Table 10
Medium Term Fiscal Plan: 2012-13 to 2014-15

(Per cent to GSDP)

	2015-16 (BE)	2016-17	2017-18
Revenue Receipts	**27.56**	**27.60**	**27.65**
Own Tax Revenues	**3.22**	**3.29**	**3.38**
Income Tax	0.00	0.00	0.00
Sales Tax	1.72	1.78	1.83
State Excise Duties	0.77	0.74	0.72
Motor Vehicle Tax	0.12	0.12	0.12
Stamp Duty and Registration Fees	0.04	0.04	0.04
Other Taxes	0.55	0.61	0.67
Own Non-Tax Revenues	**2.01**	**1.95**	**1.89**
Central Transfers	**22.34**	**22.36**	**22.39**
Tax Share	11.05	11.31	11.59
Grants	11.29	11.04	10.80
Revenue Expenditure	**24.44**	**24.08**	**23.73**
General Services	**7.62**	**7.55**	**7.48**
Interest Payment	1.64	1.38	1.34
Pension	2.40	2.59	2.80
Other General Services	3.58	3.58	3.34
Social Services	**8.14**	**8.11**	**8.08**
Education	4.65	4.61	4.58
Medical and Public Health	1.13	1.12	1.10
Other Social Services	2.60	2.38	2.39
Economic Services	**8.50**	**8.25**	**8.01**
Compensation and Assignment to LBs	**0.18**	**0.17**	**0.16**
Capital Expenditure	**6.12**	**6.51**	**6.92**
Capital Outlay	6.00	6.41	6.83
Net Lending	0.12	0.11	0.09
Revenue Deficit	**-3.12**	**-3.51**	**-3.92**
Fiscal Deficit	**3.00**	**3.00**	**3.00**
Primary Deficit	**1.36**	**1.62**	**1.66**
Outstanding Debt	**23.00**	**22.39**	**21.88**

Notes: 1. GSDP is the Gross Domestic Product at current prices as per revised series of 2004-05 base
2. The negative sign in revenue deficit indicates surplus.

The MTFP 2015-16 presents the outlook of the fiscal management of the State Government in the medium term. The detailed projection of fiscal variables presented in Table 10 shows that the revenue account surplus has been maintained during the MTFP period and the fiscal deficit has been stabilized at 3 per cent relative to the GSDP. The revenue surplus is projected to grow from 3.12 per cent relative to GSDP in 2015-16 to 3.92 in the terminal year of the MTFP. The widening of the fiscal space has enabled the State Government to expand the capital expenditure in the State in the medium term. The capital expenditure could be raised due to the revenue surplus without adversely affecting the fiscal deficit. Investments in physical and social infrastructure have received larger attention in the State for which capital expenditure has grown steadily. The focus on investments in infrastructure will remain a key factor in fiscal policy of the Government with the State economy growing in future years.

4.2 Assumption Underlying the Fiscal Indicators

The MTFP 2015-16 is prepared taking into consideration the provisions made in the FRBM Act of the State and confirms to the recommendations made by the FFC regarding fiscal consolidation. Despite the decline in Central grants to the State during 2015-16, the State adhered to the FRBM Act fiscal targets. While the budget projects to achieve a 3 per cent fiscal deficit relative to GSDP, the MTFP projects to continue with the same level of deficit in 2016-17 and 2017-18. This has affected some of the expenditure programme. The MTFP provides the perspective on the structure the expenditures, where resource allocation was indicated in the priority areas to help the development process in the State.

The MTFP uses the GSDP growth rate following the methodology prescribed by the FFC (see Box 1). This methodology was used by the Ministry of Finance, GoI, to determine the borrowing ceiling for Sikkim. For the years 2016-17 and 2017-18, the MTFP uses the same growth rate as that of the year 2015-16.

The projection for own tax revenue was done by giving emphasis to each component of the State tax separately. The total own tax was derived after projecting the State taxes in a disaggregated manner. The State taxes were projected using a buoyancy based growth rate assuming that the growth in the economy would help improving the tax base. The buoyancy coefficients for the period 2004-05 to 2014-15 indicate that the growth rate of the State taxes is below the growth rate of the GSDP. The prescriptive buoyancies for individual taxes like sales tax, excise duty, motor vehicle tax, stamps and registration duties have been increased keeping in mind the scope for improvement in these taxes. The ongoing initiatives of the Government to adopt major e-governance programmes in the tax departments by introducing online registration, e-filling of returns and electronic control and evaluation is expected to improve the tax collection. For other taxes, the observed buoyancy for the period between 2004-05 and 2014-15 was taken as prescriptive buoyancies.

The own non-tax revenue is projected in the MTFP by assigning a higher growth rate as compared to the average of the observed annual growth rate for the period from 2004-05 to 2014-15. In the case of central transfers, the recommendations of the FFC are factored in during the projection year. For the share in central taxes budgetary figure for the year 2015-16 is allowed to grow at the observed rate of trend growth rate during 2004-05 to 2014-15 and the grants were projected at lower rate than the observed growth rate.

Expenditure Restructuring under MTFP

As the State Government has been facing resource problem despite the rise in tax devolution, there was a need for stabilizing the revenue expenditure at the 2015-16 BE level. The higher availability resources in future years will be helpful in enhancing the expenditure. Growing level of revenue expenditure does not pose problem for fiscal management as the revenue surplus has been rising. It depends upon the capacity for programme management and implementation of the projects in a timely manner.

The MTFP keeps the revenue expenditure at about 24 per cent of the GSDP, though the terminal year shows a marginal decline. As the GSDP has been projected to grow at very high rate of 18.6 per cent following the FFC methodology, the amount of money available to priority sectors will not decline. The emphasis on priority sector spending in social and economic sectors will continue, though their ratio with GSDP shows a decline in 2016-17 and 2017-18. The MTFP proposes to continue with this resource allocation approach and provide higher level of funding to priority sectors. The social sector expenditure increases from Rs.1418 croers in 2015-16 BE to Rs1979 croers in 2017-18. The MTFP, while restructuring the expenditure, keeps in consideration the fiscal targets to be achieved by the State in the medium term. As Sikkim remains a revenue surplus State, a balanced view was taken to focus on policy priority of the State Government without compressing the revenue expenditure to achieve the fiscal targets. In the medium term, efforts have been made to improve the revenue surplus through higher revenue generation and provide for the spending in the development sector. The encouraging trend that comes out of the expenditure structure is the rise in share of social and economic services in resource allocation.

The capital expenditure in the State has been projected to rise from 6.12 per cent in 2015-16 BE to 6.92 per cent in 2017-18. In nominal terms it rises by Rs.629 crores. As the fiscal deficit is stabilized at 3 per cent to GSDP and revenue account surplus has been growing in the medium term, the capital expenditure is allowed to grow during the MTFP period. The capital expenditure is raised during the MTFP period aligned with the fiscal targets. The MTFP keeps the requirements of infrastructural development in the State while projecting the capital expenditure.

Debt and Deficit under MTFP

The revenue surplus profile, which indicates a rising trend during the MTFP period, is given in Table 10. The rise in revenues that includes central transfers and limiting the revenue expenditure resulted in higher revenue surplus. The fiscal deficit has been estimated to remain at 3 per cent level starting with the 2015-16 (BE). The fiscal deficit target complies with the fiscal adjustment prescribed by FRBM Act. The emerged fiscal profile shows that the outstanding debt is also stabilized below25 per cent relative to GSDP. This debt-GSDP ratio path remains lower than that of the debt level suggested by the FFC to avail the enhanced fiscal deficit limit.

Box 1
Proposed MTFP Targets

<u>Macro Parameters</u>

- Nominal Growth of GSDP following the methodology prescribed by the FFC, which comes out to be 18.6 per cent.

<u>Revenue Resources</u>

- Sales tax assumes a buoyancy of 1.2 as against the observed buoyancy of 0.780
- The state excise duty assumes a buoyancy of 0.750.
- The stamp duty and registration fees assumes a buoyancy of 0.800
- Motor Vehicle tax assumes a buoyancy of 1.00
- Other taxes assumes a buoyancy of 1.610

<u>Expenditure Projections</u>

- Pension payments are projected on the basis of the historical growth rates for pension payments for the period from 2004-05 to 2014-15. The observed growth of pension during this period was 28 per cent.

- The interest payments have been estimated on the basis of the effective rate of interest calculated by dividing the value of interest payment during 2015-16 by the stock of debt of the previous yeard.
- The growth rates in the area of high priority development expenditure in social services and within that, in health and education, are assumed to continue during the MTFP period.
- Social services expenditures will grow at the rate of 18.14 per cent per annum.
- Education expenditure will grow at the rate of 17.80 per cent per annum
- Health expenditure will grow at the rate of 17 per cent per annum.
- Capital expenditure to GSDP ratio is expected to increase from 6.12 per cent in 2015-16 (BE) to 6.92 per cent in 2017-18 with a growth rate of 26 per cent.

Deficit and Debt targets

- The MTFP projects the revenue surplus to increase from 3.12 per cent in 2015-16 to 3.92 per cent in 2017-18 relative to the GSDP.
- The fiscal deficit is projected to remain at 3 per cent level relative to the GSDP
- The outstanding debt to GSDP ratio declines from 23 per cent in 2015 -16 to 21.88 in the terminal year of the MTFP.

5. Conclusion

The budget for the year 2015-16 and the medium term fiscal plan were prepared in a time when the fiscal architecture involving the fiscal federal arrangements are changing. The Sikkim, dependent upon the Central Government for a major portion of its budgetary resources, faces fiscal stress. The rise in growth rate of the GSDP and its increased size has been taken into consideration by the 14th Finance Commission to assess the revenue profile during the award period. The assessed revenue by the FFC was much beyond the capacity of the State Government to realize by 2019-20. This has added increased responsibility on the State Government to generate higher revenue and continue with the traditional policy of emphasizing social and infrastructure sectors.

MTFP indicates a stable and growth oriented fiscal policy for Sikkim. The rise in production of electricity and growth of the manufacturing sector influenced the economic growth of the State in recent years. The fiscal policy has to create an enabling environment for further growth and socio-economic progress. The resource allocation in the medium term focuses on enhancing the capital expenditure and social and economic sector spending. The economy needs better infrastructure and human development to make progress. The State Government has initiated several schemes in the social and economic sectors in recent years. Despite the problem of cost disability, the State is committed to improving the service delivery spanning over the social and economic sector.

The MTFP safeguards the fiscal consolidation process and provides adequate resources to existing schemes in priority areas. The FFC recommended anchoring fiscal deficit to 3 per cent of the GSDP. The MTFP continues with the fiscal target set for fiscal deficit at 3 per cent. As debt stock in the State relative to the GSDP remains low, the debt-GSDP target remains stabilized.

The MTFP assumed higher buoyancy for the State taxes and augmented the revenue receipt in the medium term. In the revenue side, the need for improving revenue receipts is reflected in the changes in tax policies and tax administration measures. There is some uncertainty regarding the Central transfers as the modalities for transfer under many CSS schemes has not been finalized. While the tax devolution has increased due to the recommendation of the 14^{th} Finance Commission, the grants have declined. The expenditure side restructuring in the MTFP was based on the realties regarding the resource availability and priorities expressed Government's policies, and new schemes announced in the budget.

The MTFP raises the capital expenditure relative to the GSDP beyond the 2015-16 budget year. The rise in the capital expenditure will be instrumental in strengthening the infrastructure base in the State. The State Government will be able to enhance the level of capital expenditure, as the growth prospective for the state looks bright in the coming years. The debt burden of the State is already below the limits suggested by the FFC. With the decline in debt servicing obligation for the state based on realistic assumption with regard to the average cost of debt and the level of fiscal deficit, the debt burden will further decline.

While continuing with the fiscal consolidation process as envisioned in the FFC roadmap, the Government of Sikkim is committed to adhere to its own FRBM Act and provide an enabling environment for the development of the State. Maintaining the fiscal discipline and stability, adequate resource allocation to social and economic sector and strengthening infrastructure base remains the priority for the State Government in the medium term.

Disclosures

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

Sl. No.	Item	Previous Year 2013-14 (Actuals)	Current Year 2014-15 (RE)
1	Gross Fiscal Deficit as Percentage to GSDP	0.57	3.64
2	Revenue Deficit as Percentage of GSDP	-9.3	-10.4
3	Revenue Deficit as Percentage of Gross Fiscal Deficit	-1640	-286
4	Revenue deficit as Percentage of TRR	-22.31	-23.63
5	Debt Stock as Percentage of GSDP	32.8	28.3
6	Total Liabilities as Percentage to GSDP	38.89	33.54
7	Capital Outlay as Percentage of Gross Fiscal Deficit	1284.2	1722.4
8	Interest Payment as Percentage of TRR	5.68	4.64
9	Salary Expenditure as Percentage of TRR	44.65	37.95
10	Pension Exp. As Percentage of TRR	6.69	6.10
11	Non-development Expenditure as Percentage of Aggregate Disbursements	30.60	25.49
12	Non-tax Revenue as Percentage of TRR	9.29	6.45

The negative sign in revenue deficit indicates surplus.

Form D-2
(*See* Rule 4)
Components of State Government Liabilities

Rs. Crore

Category	Raised during the fiscal year		Repayment during the fiscal year		Outstanding Amount (End March)	
	Previous Year (Actuals)	Current year (RE)	Previous Year (Actuals)	Current year (RE)	Previous Year (Actuals)	Current year (RE)
Internal Debt	294.01	441.96	64.47	78.63	2058.46	2421.78
Loan from Centre	2.31	14.50	24.27	10.36	127.08	131.21
State Provident Funds	242.54	253.06	181.04	241.17	685.64	697.53
Reserve Funds/Deposits	318.04	302.59	276.71	266.38	197.34	233.55
Other Liabilities						

Form D-3
(*See* Rule 4)
Guarantees Given by the Government (Rs. Crore)

Sl.No	Name of the Institution to which Guarantees is given	Maximum Guarantee given	Remarks.
1	Sikkim Industrial Development & Investment Corporation Ltd.	84.50	
2	Scheduled Castes Scheduled Tribes and Other Backward Classes Development Corporation Ltd. (SABCO)	25.00	
	Total	109.50	

Form D-4

(*See* Rule 4)

Number of Employees in Public Sector Undertakings & Aided Institutions and Expenditure of State Government

Sl.No	Sector Name	Total Employees as on 31.3.2014	Related Expenditure Rs. Crore	
			On Salary	On Pension
A(a)	Regular government Employees	29171	1791.23	
(b)	Work Charged	1607	102.54	
(c)	Muster Roll	12644		
(d)	Others	14362		
(e)	Pensioners	9834		200.00
	Total	67617*	1893.77	200
B	Public Sector Undertakings & Aided Institutions			
1	State Bank of Sikkim	374	1.26	
2	Govt. Fruit Preservation Factory	83	1.35	
3	Sikkim Hatcheries Pvt. Ltd	6	0.03	
4	Sikkim Poultry Dev corp.	4	0.03	
5	Sikkim Handloom and Handicraft Dev. Corp.	9	0.05	
6	Denzong Agricultural Co operative Society.	47	0.08	
7	Sikkim State Co- Operative Bank Ltd.	78	2.27	
8	Sikkim Co- Operative Milk Producers' Ltd.	144	2.58	
9	Sikkim Schedule Caste & Schedule Tribe and Other Backward Classes Dev. Co operation Ltd. (SABCO)	22	1.08	
10	State Trading Corporation of Sikkim.	95	2.82	
11	Sikkim Industrial Dev and Investment Corporation Ltd.	44	2.55	
12	Sikkim Tourism Dev. Corporation Ltd.	52	1.34	
13	Sikkim State Co-Operative Supply & Marketing Federation Ltd.	41	2.54	
14	Sikkim Power Dev. Corporation .	73	1.18	
15	Sikkim Consumers' Co operative Society Ltd.	23	0.27	
16	Sikkim Livestock Processing & Development Corporation Ltd	2	0.3	
17	Sikkim Khadi and Village Industries Board	59	2.55	
18	Sikkim Housing and Development Board	35	1.61	
	Total	1191	23.89	
	Grand Total	68808*	1917.66	200

Source: Employees and Pension Data for No. of Employees and pensioners
Budget Division, FRED for salary

- Includes pensioners