



**GOVERNMENT OF SIKKIM
FINANCE DEPARTMENT
GANGTOK**

Half Yearly Review Report: 2019-20

**Review of the Trends in Receipt and Expenditure in
relation to Budget 2019-20**

**Presented before the Sikkim Legislative Assembly as required under
Sub section (2) of section 7 of the Sikkim Fiscal Responsibility and Budget
Management Act. 2010**

March 2020

TABLE OF CONTENTS

LIST OF TABLES	i
LIST OF ABBREVIATIONS	i
STATUTORY PROVISIONS CALLING FOR REVIEW	1
CHAPTER 1: FISCAL POLICY OVERVIEW	2
1.1 Introduction:	2
1.2 Fiscal Profile of Budget 2019-20	3
CHAPTER 2: TRENDS IN REVENUE AND EXPENDITURE	6
2.1 Revenue Profile	6
2.1.1 Own Tax Revenue and Central Transfers.	6
2.1.2 Own Non-Tax Revenue	8
2.2 Summary of Expenditure	11
2.2.1 Revenue Expenditure	12
2.2.2 Capital Expenditure.....	14
CHAPTER 3: FISCAL TARGETS, GUARANTEE & DEBT LEVELS	15
3.1 Fiscal Targets and Additional Borrowing	15
3.1.1 Fiscal Targets	15
3.1.2 Additional Borrowing and Amendment to the FRBM Act, 2010	16
3.2 Guarantees Given by the State Government	17
3.3 Public Debt and Small Savings	17
3.4 Conclusion.....	18

LIST OF TABLES

Table 1: Budget Profile	5
Table 2: Summary of Revenue Profile.....	6
Table 3: Summary of Own Tax Revenue and Central Transfers	7
Table 4: Summary of Non-Tax Revenue	9
Table 5: Summary of Expenditure	11
Table 6: Revenue Expenditure.....	12
Table 7: Capital Expenditure	14
Table 8: Ceilings for Debt-GSDP as prescribed by 14 th Finance Commission	18
Table 9: Public Debt including Small Saving and Provident Fund	18

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 2019 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 2019-20 has clearly stipulated the fiscal management principles, policy choices and fiscal stand enshrined in the Act. To ensure the fiscal stability and sustainability while providing efficient public service is the key feature of a growth oriented fiscal policy. The fiscal management principles provided in the Act call for maintenance of certain fiscal parameters in form of fiscal indicators.

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

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

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

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

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

At the same time, the 14th Finance Commission, however, has recommended using the average growth rate of the GSDP of the past three years to arrive at the borrowing ceilings of the State. The State Government has used the same methodology to arrive at the GSDP figures for the Budget year 2019-20.

1.2 Fiscal Profile of Budget 2019-20

Based on the recommendations of the 14th Finance Commission, the GSDP for 2016-17 is calculated at 18.64 percent growth on GSDP of 2013-14 (as published by Central Statistical Organization (CSO)). The growth rate used is the average growth rate of GSDP between the financial years 2011-12 to 2013-14. The GSDP figure thus calculated and used for 2019-20 was ₹28441.00 crore in nominal terms. The 14th FC, however, has used GSDP of ₹49288.00 crore to project revenue receipts and expenditure of the State for 2019-20.

The 14th Finance Commission in its assessment of Own Revenue Receipts for 2019-20 projected Own Tax Revenue-GSDP Ratio and Own Non-Tax Revenue-GSDP Ratio at 6.17 percent and 1.10 percent respectively. However, the Own Tax Revenue-GSDP Ratio and Own Non-Tax Revenue-GSDP Ratio in Budget Estimate for 2019-20 were projected at 4.29 percent and 2.48 percent respectively. The calculation has been based on the trend growth in the preceding years. This however, is an increase from the estimates projected at 3.33 percent and 2.08 percent respectively in the last fiscal year.

The fiscal profile of the Budget for 2019-20 has been outlined at Table 1. From the Table, it is seen that the Revenue Receipts for the State is 26.01 percent relative to GSDP. This is an increase from 25.85 percent estimated last fiscal year. The Central Transfers for 2019-20 was projected at 19.24 percent of GSDP. There has been a decrease in Tax Devolution from 12.50 percent to 7.60 percent of GSDP and an increase in Other Central Transfers from 7.94 percent to 8.80 percent of GSDP from that of last fiscal year.

The Revenue Expenditure for 2019-20 has been projected at 25.07 percent of GSDP and the Capital Expenditure projected at 3.94 percent of GSDP. The outlay under Capital Expenditure has decreased compared to last fiscal year.

The State Government over the years has adhered to the FRBM targets and remained on the path of fiscal consolidation. The fiscal data shown in Table 1 indicates that the State has been maintaining surplus in the revenue account and limited the fiscal deficit to the level prescribed by the State FRBM Act. The revenue surplus is projected at 0.94 percent relative to GSDP in 2019-20. The projection of 3.00 percent fiscal deficit relative to GSDP is according to the management principle enshrined in the Sikkim Fiscal Responsibility and Budget Management Act, 2010.

Table 1: Budget Profile 2019-20

Sl. No.	Particulars	Budget Estimate 2019-20 As % to GSDP
1	Revenue Receipts	26.01
2	Own Tax Revenue	4.29
3	Sales Tax+SGST	2.16
4	Stamp Duty and Registration	0.06
5	State Excise Duty	0.83
6	Motor Vehicle Tax	0.17
7	Other Taxes	1.07
8	Own Non Tax Revenue	2.48
9	Central Transfer	19.24
10	Tax Devolution	7.60
11	CGST	2.84
12	Grants	8.80
13	Revenue Expenditure	25.07
14	General Services	9.94
15	Interest Payment	1.89
16	Pension	4.17
17	Other General Services	3.88
18	Social Services	8.88
19	Education	4.60
20	Medical and Public Health	1.26
21	Other Social Services	3.02
22	Economic Services	5.90
23	Assignment to LBs	0.35
24	Capital Expenditure	3.94
25	Capital Outlay	3.90
26	Net Lending	0.04
27	Revenue Deficit	-0.94
28	Fiscal Deficit	3.00
29	Primary Deficit	1.11
30	Outstanding Debt	25.01

Source: Medium Term Fiscal Plan for Sikkim 2019-20 to 2021-22

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 26.14percent, which comprises of Tax Revenue of 39.19 percent, Non Tax Revenue of 44.51percent and Central Transfers (Tax Devolution including Grants-in-Aid) of 20.87 percent. The trend of Revenue and the achievements/ shortfall under each sector has been analyzed in the latter part of the Report. The Summary of Revenue covering the first six months of the fiscal year 2019-20 is presented in Table 2.

Table 2 : Summary of Revenue Profile

(` in lakh)

Sl. No.	Items	2019-20 (BE)	2019 (April-Sept)	% to budget
1	REVENUE RECEIPTS	739743.63	193394.10	26.14
2	OWN TAX REVENUE	122021.70	47819.29	39.19
3	NON-TAX REVENUE	70453.94	31358.03	44.51
4	CENTRAL TRANSFERS	547267.99	114216.78	20.87

Source: Civil Accounts for Sept.2019

2.1.1 Own Tax Revenue and Central Transfers.

The State's Own Tax Revenue constitutes 16.49 percent relative to the total Revenue for 2019-20and 4.29percentrelative to GSDP. The revenue from SGST, State Excise Duties and Sales Tax are the major sources of Own Tax Revenue, which comprises of 69.82 percent of the total own Tax revenue. The realization of 39.19percent of Own Tax Revenue in the first half year is obviously not an indication of improvement. More efforts need to be taken towards revenue mobilization especially with respect to growing economic activities in the State. The profile of Own Tax Revenue and Central Transfers covering the first six months of the current financial year is presented in Table 3.

The Taxes on Vehicles under Sub Sector-Commodities and Services shows an achievement of 37.84 percent of estimated revenue in this fiscal year, which is not within the target expected. The achievement of revenue under "Stamp Duties and

Registration Fee” is 40.68percent of estimated revenue. The achievement under other taxes is at 37.76 percent of estimated revenue, which comprises of 3.63 percent relative to the total tax revenue.

The achievement of targets envisaged in the Budget Estimate is expected to grow in the second half of the fiscal year as per trends in the past and it is expected that the fiscal deficit parameters will be maintained. However a constant monitoring of revenue targets each quarter to ensure that the targets are achieved needs to be put in place by the departments concerned.

The major share of the total revenue of the State Government comes from the Central Transfers which comprises of 73.98 percent relative to the total revenue of the State. This includes the share of the Central Taxes and the Grants. Estimated amount of the Central transfer including the Grant in the current financial year is 19.24percent relative to GSDP. Total receipt up to the review period is 20.87 percent which is below the expected release by Government of India. The release under Grants is at 14.52 percent.

Table 3: Summary of Own Tax Revenue and Central Transfers

(` in lakh)

Sl. No.	Items	2019-20 (BE)	2019 (April-Sept)	% to budget
1	OWN TAX REVENUE	122021.70	47819.29	39.19
2	SGST	41500.05	24196.30	58.30
3	Goods and Service Taxes Compensation Cess	23500.00	0.00	0.00
4	Other Taxes on Income and Expenditure	1500.01	756.87	50.46
5	Land revenue	860.00	74.52	8.67
6	Stamp Duty and registration Fees	1614.00	656.61	40.68
7	State Excise Duties	23700.00	10096.44	42.60
8	Sales Tax	20000.02	8504.90	42.52
9	Motor vehicle Tax	4915.50	1860.11	37.84
10	Other Taxes	4432.12	1673.53	37.76
11	CENTRAL TRANSFERS	547267.99	114216.78	20.87
12	Central GST (CGST)	80865.00	33160.73	41.01
13	Integrated GST(IGST)	0.00	0.00	0.00
14	Corporation Tax	101177.00	38029.00	37.59
15	Taxes on Income other than Corporation Tax	77344.01	27582.04	35.66
16	Taxes on Wealth	-3.00	0.00	0.00
17	Customs	21376.00	8825.00	41.28
18	Union Excise Duties	16193.00	6620.00	40.88
19	Grants in Aid and Contributions	250315.98	36348.66	14.52

2.1.2 Own Non-Tax Revenue

The profile of the Non-Tax Revenue in the first six months of the current financial year 2019-20 is presented in Table 4. The State's Own Non Tax Revenue constitutes 9.52 percent relative to the total Revenue Receipt for 2019-20 and 2.48 percent relative to GSDP.

The relative share of Non Tax Revenue under Interest Receipts, Dividends and Profit is 12.38 % and General Services is 25.88% respectively, the major component of under Interest Receipts, Dividends and Profit is Interest Receipts which stands at 69.79% and Police under General Services stands at 45.93%. The receipt under Interest Receipts, Dividends and Profit has exceeded the estimate for the half year. The receipt under Dividends and Profits has exceeded its budget estimate for the year by ₹59.82lakh.

The major portion of receipt under Police comprises of the inflow of funds pertaining to the reimbursement of Salaries of Police supplied to Government Agencies as well as Reimbursement of Salaries from Police Check-post.

The relative share of Non Tax Revenue under Social Services is 2.74 percent. Most of the departments under this sector have not achieved their half yearly targets. The Urban Development Department has exceeded its target by ₹5.57 lakh against annual target of ₹199.75 lakh. Similarly, the Department of Labour has also exceeded its half yearly targets of ₹ 37.50 Lakhs by ₹7.31 lakh. Overall, the Non Tax Revenue Receipt under Social Services is at 42.91 percent.

The relative share of Non Tax Revenue under Economic Services is 59.00 percent, the major contributors are Power, Road Transport, and Forest and Wildlife. There has been significant achievement in sectors like Crop Husbandry, Animal Husbandry, Fisheries, Food Storage and Ware Housing, Co-operation, Non-Ferrous Mining & Metallurgical Industries and Tourism. The Co-operation and Non-Ferrous Mining & Metallurgical Industries has exceeded its annual target by ₹ 1.79 lakh and ₹2.58 Lakhs

respectively. However, the revenue size of these sectors is very small. Similarly, the Tourism Department has exceeded its annual target by ₹286.37 Lakhs respectively.

The income from the power sector is quite significant in terms of constitution of Non Tax Revenue pool, which is 45.43 percent in the current fiscal year. The total realization up to the review period is 34.22 percent.

Achievement of revenue by the sectors like Plantation, Other Rural Development Programme, Minor Irrigation, Village and Small Industries and Other General Economic Services are not as per expectation. Additional efforts may be required to achieve the target.

Overall achievement of Revenue Receipts during the half yearly period is 24.14 percent relative to the estimated target of Revenue Receipt which comprises Own Tax Revenue of 39.19 percent, Own Non-Tax Revenue of 30.98 percent and Central Transfers of 20.87percent. The achievement of targets is expected to grow in the second half of the year as has been the trend in the past.

Many departments have underperformed during the first half of this fiscal year. The reasons may be multiple but the issues need to be addressed to achieve the target and to maintain the fiscal balance. The departments which have underperformed will have to ensure that the estimated targets are achieved at the end of this fiscal year. It is required to maintain the revenue account balance and build up a revenue surplus for use in capital formation and productive expenditure that are the pillars of the Fiscal Management Principles and the targets adopted by the Government in FRBM Act, 2010.

Table 4: Summary of Non-Tax Revenue

(. in lakh)

Heads of Accounts	Items	2019-20 (BE)	2018 (April-Sept)	% to budget
A	INTEREST RECEIPTS, DIVIDENDS AND PROFITS	8724.83	6178.83	70.82
0049	Interest Receipts	8624.83	6019.01	69.79
0050	Dividends and profits	100.00	159.82	159.82

B	GENERAL SERVICES	18230.07	9529.19	52.27
0051	Public Service Commission	20.00	3.10	15.48
0055	Police	8811.72	4046.98	45.93
0056	Jails	0.20	0.39	193.08
Heads of Accounts	Items	2019-20 (BE)	2018 (April-Sept)	% to budget
0058	Stationery and Printing	310.00	127.09	41.00
0059	Public Works	1465.00	1046.18	71.41
0070	Other Administrative Services	2323.13	959.73	41.31
0071	Contributions and Recoveries towards Pension and Other Retirement Benefits	1800.00	580.26	32.24
0075	Misc. General Services	3500.02	2765.46	79.01
C	SOCIAL SERVICES	1928.25	827.44	42.91
0202	Education, Sports, Art & Culture	131.80	203.56	154.44
0210	Medical and Public Health	575.00	137.27	23.87
0215	Water Supply and Sanitation	800.10	193.88	24.23
0216	Housing	66.00	33.00	50.01
0217	Urban Development	199.75	205.32	102.79
0220	Information and Publicity	24.00	6.71	27.98
0230	Labour and Employment	75.00	44.81	59.75
0235	Social Security & Welfare	50.00	2.27	4.54
0250	Other Social Services	6.60	0.62	9.37
D	ECONOMIC SERVICES	41570.79	14822.57	35.66
0401	Crop Husbandry	69.10	50.12	72.53
0403	Animal Husbandry	106.00	72.18	68.10
0404	Dairy Development	0.01	0.00	0.00
0405	Fisheries	4.30	2.23	51.95
0406	Forestry and Wild Life	1750.00	720.65	41.18
0407	Plantation	250.00	10.38	4.15
0408	Food Storage and Ware Housing	11.55	7.81	67.60
0425	Co-operation	3.00	4.79	159.68
0515	Other Rural Development Programme	165.00	17.71	10.73
0702	Minor Irrigation	6.93	0.00	0.02
0801	Power	32010.00	10954.91	34.22
0851	Village and Small Industries	27.50	7.57	27.52
0852	Industries	86.00	8.14	9.46
0853	Non-Ferrous Mining & Metallurgical Industries	8.00	10.58	132.22
1055	Road Transport	6500.00	2128.97	32.75
1452	Tourism	533.40	819.77	153.69
1475	Other General Economic Services	40.00	6.77	16.92
GRAND TOTAL		70453.94	31358.03	44.51

Source: Annual Financial Statement 2019-20 and Civil Accounts Sept.2019

2.2 Summary of Expenditure

The total expenditure of the State Government comprises of 29.01 percent relative to GSDP (Table 1). The overall expenditure under the period of review this fiscal year is 38.42 percent with 42.81 percent expenditure under Revenue Sector and 10.26 percent expenditure under Capital Sector as compared to their respective budget estimates.

The slow trend of the expenditure in the first part of the financial year has remained a regular trend as it is reflective in the past years data as huge chunk of the expenditure is dependent on the grants provided by the Central Government. Substantial time is required for preparation of Action Plan for Operation (APOs). The compliance of procedural requirements which involves the preparation of the detailed estimates, designs and specification and obtaining the approval of the Government takes time. This obviously deters the timely execution of Government Plans. The delay in execution of the schemes in the first half of the financial year and resultant slow trend of the expenditure especially in Capital Sector is a logical sequence. However expenditure trend during the current fiscal year (2019-20) has slightly increased under Revenue Account but highly decreased under Capital Account as compared to last fiscal year (2018-19).

The Summary of Expenditure both under Revenue and Capital Account is shown in Table 5:

Table 5: Summary of Expenditure

(` in lakh)

Sl. No.	Items	2019-20 (BE)	2019 (April-Sept)	% to budget
A	REVENUE ACCOUNT	712908.50	305175.54	42.81
1	GENERAL SERVICES	282589.81	115473.97	40.86
2	SOCIAL SERVICES	252676.25	122264.59	48.39
3	ECONOMIC SERVICES	167790.34	64768.48	38.60
4	GRANTS IN AID & CONTRIBUTION	9852.10	2668.50	27.09
B	CAPITAL ACCOUNT	110970.3	11385.88	10.26
1	GENERAL SERVICES	5703.59	1006.83	17.65
2	SOCIAL SERVICES	31895.82	3708.21	11.63

3	ECONOMIC SERVICES	73370.85	6670.84	9.09
C	GRAND TOTAL	823878.76	316561.43	38.42

Source: Annual Financial Statement 2019-20 and Civil Accounts Sept.2019

2.2.1 Revenue Expenditure

The Summary of Revenue Expenditure has been depicted in Table 6. The overall achievement of expenditure under Revenue Account is 42.81 percent during the first half of the fiscal year.

Table 6: Revenue Expenditure

(.in

lakh)

Heads of Accounts	Items	2019-20 (BE)	2019 (April-Sept)	% to budget
	REVENUE ACCOUNT	712908.50	305175.54	42.81
A	GENERAL SERVICES	282589.81	115473.97	40.86
2011	Parliament/State/Union Territory Legislature	2401.71	1196.33	49.81
2012	President, Vice President/Governor,	1015.89	561.87	55.31
2013	Council of Ministers	1598.67	541.47	33.87
2014	Administration of Justice	6349.52	2861.84	45.07
2015	Elections	2797.14	1515.94	54.20
2020	Collection of Taxes on Income & Expenditure	243.70	125.98	51.69
2029	Land Revenue	1089.82	785.11	72.04
2030	Stamps & Registration	20.00	3.21	16.07
2039	State Excise	942.09	534.26	56.71
2041	Taxes on Vehicles	670.01	445.48	66.49
2043	Collection charges under state goods & services Tax	798.74	489.54	61.29
2045	Other Taxes & Duties on Commodities & Services	3870.36	164.51	4.25
2047	Other Fiscal Services	6.00	0.00	0.00
2048	Appropriation for reduction or avoidance of debt	1200.00	1200.00	100.00
2049	Interest Payments	53717.91	21090.23	39.26
2051	Public Services Commission	618.56	340.04	54.97
2052	Secretariat -General Services	8983.05	4730.80	52.66
2053	District Administration	3332.06	2086.69	62.62
2054	Treasury and Accounts Administration.	2304.92	1488.66	64.59
2055	Police	50571.27	27331.44	54.05
2056	Jails	733.36	628.76	85.74
2058	Stationery and Printing	1303.30	769.80	59.07
2059	Public Works	6688.29	3520.64	52.64

2062	Vigilance	1474.22	876.17	59.43
2070	Other Administrative Services	5113.53	2033.85	39.77
2071	Pensions and Other Retirement Benefits	118582.91	39752.25	33.52
2075	Miscell. General Services	6162.78	399.10	6.48
Heads of Accounts	Items	2019-20 (BE)	2019 (April-Sept)	% to budget
B	SOCIAL SERVICES	252676.25	122264.59	48.39
2202	General Education	130903.39	69884.57	53.39
2203	Technical Education	1313.30	159.90	12.18
2204	Sports and Youth Services	1817.12	1202.77	66.19
2205	Art and Culture	1795.98	709.55	39.51
2210	Medical and Public Health	35878.64	18143.69	50.57
2211	Family Welfare	2527.61	1389.34	54.97
2215	Water Supply & Sanitation	8193.28	3795.96	46.33
2216	Housing	2327.18	224.66	9.65
2217	Urban Development	35413.75	14948.53	42.21
2220	Information and Publicity	1032.96	605.65	58.63
2225	Welfare of S/C, S/T and Other Backward classes	10268.44	964.55	9.39
2230	Labour & Employment	1110.57	630.48	56.77
2235	Social Security & Welfare	12806.52	5284.29	41.26
2236	Nutrition	1863.57	436.88	23.44
2245	Relief on Account of Natural Calamities	4472.38	3439.91	76.91
2250	Other Social Services	879.65	407.10	46.28
2251	Secretariat- Social Services	71.91	36.76	51.12
C	ECONOMIC SERVICES	167790.34	64768.48	38.60
2401	Crop Husbandry	34350.33	6518.20	18.98
2402	Soil & Water Conservation	3361.28	1148.75	34.18
2403	Animal Husbandry	6074.32	3572.81	58.82
2404	Dairy Development	30.00	3.26	10.86
2405	Fisheries	1429.40	420.28	29.40
2406	Forestry & Wild Life	12382.77	5621.15	45.39
2407	Plantations	651.50	237.64	36.48
2408	Food, Storage & Warehousing	1984.72	1018.44	51.31
2425	Co-operation	1788.43	1028.01	57.48
2435	Other Agricultural Programmes	3694.09	4.13	0.11
2501	Special Programmes for Rural Development	6004.81	3145.42	52.38
2505	Rural Employment	5790.85	766.56	13.24
2515	Other Rural Development Programmes	12714.36	3185.78	25.06
2575	Other Special Area Programmes	210.00	0.00	0.00
2702	Minor Irrigation	4958.60	1509.12	30.43
2711	Flood Control & Drainage	7.50	2.00	26.64
2801	Power	27157.45	14386.71	52.98
2810	Non-Conventional Sources of Energy	168.38	0.00	0.00
2851	Village and Small Industries	2976.36	1644.37	55.25
2852	Industries	454.10	222.67	49.03

2853	Non-ferrous Mining & Metallurgical Industries	703.50	400.35	56.91
3054	Roads and Bridges	24086.59	12126.96	50.35
3055	Road Transport	8777.14	4802.10	54.71
3425	Other Scientific Research	583.58	265.91	45.57
Heads of Accounts	Items	2019-20 (BE)	2019 (April-Sept)	% to budget
3435	Ecology and Environment	1294.80	104.56	8.08
3451	Secretariat-Economic Services	816.39	341.05	41.78
3452	Tourism	3730.90	1430.53	38.34
3454	Census Surveys & Statistics	938.35	593.51	63.25
3456	Civil Supplies	235.91	130.41	55.28
3475	Other General Economic Services	433.93	137.80	31.76
D	GRANTS IN AID & CONTRIBUTION	9852.10	2668.50	27.09
3604	Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	9852.10	2668.50	27.09

Source: Annual Financial Statement 2019-20 and Civil Accounts Sept.2019

2.2.2 Capital Expenditure

The detailed Expenditure profile under Capital Sector is presented in Table 7 below. The overall expenditure in the Capital Sector is 10.26 percent of the outlay for 2019-20. Many sectors have not met the half yearly targets. The reasons may include delay in land acquisition and therefore delay in starting of the work, delay in utilization of previous installment, delay in submission of Utilization Certificate and non-receipts of Central Grants. However, the sectors like Housing and Road Transport have exceeded the desired targets.

The Capital expenditure is usually met from Central Grants and borrowed sources and meant for capital formation for sustainable development of the State. Timely implementation of the scheme with planned strategy is of paramount importance.

Table 7: Capital Expenditure

(` in lakh)

Heads of Accounts	Items	2019-20 (BE)	2018 (April-Sept)	% to budget
	CAPITAL ACCOUNT	110970.26	11385.88	10.26
A	GENERAL SERVICES	5703.59	1006.83	17.65
4059	Capital Outlay on Public Works	5703.59	1006.83	17.65
B	SOCIAL SERVICES	31895.82	3708.21	11.63

4202	Capital Outlay on Education, Sports, Art and Culture	5112.09	819.38	16.03
4210	Capital Outlay on Medical and Public Health	3437.59	100.00	2.91
4215	Capital Outlay on Water Supply and Sanitation	15585.47	0.00	0.00
4216	Capital Outlay on Housing	1764.00	1764.00	100.00
4217	Capital Outlay on Urban Development	3495.69	899.67	25.74
Heads of Accounts	Items	2019-20 (BE)	2018 (April-Sept)	% to budget
4225	Capital Outlay on Welfare of SC, ST & OBC	1726.13	125.16	7.25
4235	Capital Outlay on Social Security & Welfare	774.85	0.00	0.00
C	ECONOMIC SERVICES	73370.85	6670.84	9.09
4401	Capital Outlay on Crop Husbandry	158.13	0.00	0.00
4403	Capital Outlay on Animal Husbandry	236.00	0.00	0.00
4405	Capital Outlay on Fisheries	150.54	0.00	0.00
4406	Capital Outlay on Forestry and Wildlife	218.33	0.00	0.00
4408	Capital Outlay on Food storage & warehousing	1171.00	0.00	0.00
4515	Capital Outlay on other Rural Development Programmes	220.56	0.00	0.00
4575	Capital Outlay on other Special Areas Programmes	4240.00	9.08	0.21
4711	Capital Outlay on Flood Control Projects	23.01	0.00	0.00
4801	Capital Outlay on Power Projects	4235.22	1122.26	26.50
4860	Capital Outlay on Consumer Industries	13.00	0.00	0.00
5054	Capital Outlay on Roads and Bridges	59865.44	5152.17	8.61
5055	Capital Outlay on Road Transport	100.00	99.70	99.70
5452	Capital Outlay on Tourism	2494.62	287.64	11.53
5475	Capital Outlay on other general economic services	245.00	0.00	0.00

Source: Annual Financial Statement 2019-20 and Civil Accounts Sept.2019

CHAPTER 3: FISCAL TARGETS, GUARANTEE & DEBT LEVELS

3.1 Fiscal Targets and Additional Borrowing

3.1.1 Fiscal Targets

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

1. Maintain revenue account balance beginning from the year 2011-12;
2. Reduce the fiscal deficit to 3.5 percent of the estimated Gross State Domestic Product in each of the financial year starting from 2011-12 and reduce the fiscal deficit to not more than 3.0 percent of the estimated GSDP at the end of 31st March 2014 and adhere to it thereafter;

3. Cap the total outstanding guarantees within the specified limit under the Sikkim Ceiling on Government Guarantees Act, 2000 (21 of 2000);
4. Ensure that the outstanding debt-GSDP ratio follows a sustainable path emanating from the above targets of the deficit as specified by the Government beginning from the fiscal year 2011-12.

3.1.2 Additional Borrowing and Amendment to the FRBM Act, 2010

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

The Commission has anchored the fiscal deficit at an annual limit of 3.0 percent of GSDP. The State will be eligible for flexibility of 0.25 percent over and above this limit for any given year for which the borrowing limits are to be fixed if their debt-GSDP ratio is less than or equal to 25 percent in the preceding year. The State will be further eligible for an additional borrowing limit of 0.25 percent of GSDP in a given year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10 percent of the revenue receipts in the preceding year. The two options under these flexibility provisions can be availed by the State either separately, if any of the above criteria is fulfilled, or simultaneously if both the above stated criteria are fulfilled. Thus, the State can have a maximum fiscal deficit –GSDP limit of 3.5 percent in any given year. The State will be able to avail these additional limits if there is no revenue deficit in the year in which borrowing limits are to be fixed and the immediate preceding year.

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

The total Debt of the State for 2017-18 was ₹5451.04 crore and the Debt-GSDP ratio, therefore works out to 24.50 per cent of GSDP. The Debt –GSDP ratio for 2017-18 is

less than 25 percent of Debt-GSDP ratio and thus the State qualifies for the first criteria for 0.25 percent additional borrowing.

The Interest Payments and Revenue Receipts of the State for 2017-18 is ₹362.17 crore and ₹5212.79 crore respectively. Interest payments-Revenue receipts ratio for 2017-18 is 6.95 percent. The Interest payments-Revenue Receipts ratio for both 2017-18 is less than 10 percent and thus the State qualifies for the second criteria for 0.25 additional borrowing.

The 14th Finance Commission also specifies that the flexibility in availing the additional limit under either of the two options or both will be available to a State only if there is no Revenue Deficit in the year in which borrowing limits are to be fixed and the immediately preceding year. There is no Revenue Deficit in the year 2018-19 and 2019-20 and thus the State qualifies the requirement of 0.5 percent additional borrowing in 2019-20

3.2 Guarantees Given by the State Government

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

3.3 Public Debt and Small Savings

As per the Sikkim Fiscal Responsibility and Budget Management Act, 2010, read with Sikkim Fiscal Responsibility and Budget Management (Amendment) Act, 2011 and Sikkim Fiscal Responsibility and Budget Management (Amendment) Act, 2016 the prudent and the sustainable debt management consistent with the fiscal stability and sustainability through limits on State Government's borrowings, including off

budget borrowings is one of the fiscal management principles to be adopted by the State Government.

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

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

Year	Maximum debt stock as per centum of Gross State Domestic Product (GSDP)
2015-16	20.63
2016-17	20.09
2017-18	19.66
2018-19	19.32
2019-20	19.04

The details of Public Debt including Small Saving and Provident Fund for current fiscal year upto September 2019 is detailed at Table 9.

Table 9: Public debt including Small Saving and Provident Fund

Heads of Accounts	Particulars	Receipt	Payment	Balance
A	PUBLIC DEBT	45337.15	3486.68	41850.47
6003	Internal Debt of the State Government	45213.40	2967.89	42245.51
6004	Loans and Advance from the Central Government	123.75	518.79	-395.04
B	LOANS AND ADVANCES	14.31	1138.38	-1124.07
7475	Loans for other General Economic Services	0.00	1078.18	-1078.18
7610	Loans to the Government Servants etc.	14.31	60.20	-45.89
C	PUBLIC ACCOUNT	18101.51	14053.78	4047.73
8009	State Provident Fund	17883.66	13878.34	4005.32
8011	Insurance and Pension Fund	217.85	175.44	42.41

Source: Annual Financial Statement 2019-20 and Civil Accounts Sept.2019

3.4 Conclusion

The revenues of the State Government are on the lower side especially under the Central Transfers. The expenditure has also been on the lower side again due to lesser transfers from the Central Government. The less transfers would be offset by the lesser expenditure incurred and thus would not disturb the fiscal balances.

Against the targeted Fiscal Deficit of 3.0 percent of GSDP prescribed by the Finance Ministry, Government of India, in consonance with the fiscal Law adopted by the

State Government and given the trend of Revenues and Expenditures and also the trend of Public Debt in the first half year, the State Government shall be well within the fiscal parameter during the year.