



GOVERNMENT OF MIZORAM

MEDIUM TERM FISCAL POLICY STATEMENT

*(As required under Section 6(6) of
The Mizoram Fiscal Responsibility and Budget Management Act, 2006)*

**GOVERNMENT OF MIZORAM
2016-2017**

(As laid before the Mizoram Legislative Assembly on 17th March, 2016)

FORM – I
(See Rule 3)
MEDIUM TERM FISCAL POLICY STATEMENT
A. FISCAL INDICATORS – ROLLING TARGETS

Sl. No	Item	2014-15 (Pre-Actuals)	2015-16 (Budget Estimates)	2015-16 (Revised Estimates)	2016-17 (Budget Estimates)	Targets for next Two Years	
						2017-18 (Proj)	2018-19 (Proj)
1	Revenue Deficit(-) / Surplus(+) as a percentage of GSDP	(-) 1.13	7.63	6.28	8.26	4.52	14.93
2	Fiscal Deficit as a percentage of GSDP	(-) 8.32	(-) 0.77	(-) 1.1	(-) 0.15	1.64	3.32
3	Total outstanding Liabilities as a percentage of GSDP	52.41	44.07	49.12	46.93	45.60	44.31
4	Total outstanding Liabilities as a percentage of Total Revenue Receipt(TRR)	118.86	87.24	92.59	95.02	84.32	79.04
5	Interest Payments as a percentage of Total Revenue Receipt(TRR)	5.55	6.27	5.97	7.17	6.55	6.32

Notes:

GSDP is the Gross State Domestic Product at factor cost at current prices.

The Twelfth Finance Commission (2005-2010) had mandated the enactment of the Fiscal Responsibility and Budget Management Act for the State Governments. In line with these fiscal reforms, Mizoram Fiscal Responsibility and Budget Management (MFRBM) Act, 2006 was legislated and enacted to be the guidepost for the fiscal management of the State and The Mizoram FRBM Rules was put in place in 2007. The enforcement of this act and rules put a tight fiscal belt in the fiscal management of the State.

2. The Thirteenth Finance Commission was constituted by the President on November 13, 2007 to give recommendations on specified aspects of Centre State fiscal relations during 2010-15. The Thirteenth Finance Commission made various recommendations relating to the sharing of net proceeds of Union taxes between Centre and States, grants-in-aid of revenue of States under Article 275, financing of relief expenditure and roadmap for fiscal consolidation. In short, the recommendations of the successive Finance Commissions determined the fiscal relationship between the Centre and the State Governments. To push the FRBM Act further, the Thirteenth Finance Commission (2010-2015) introduced many important fiscal reforms features which, *inter alia*, include reduction of *Revenue Deficit to zero and Fiscal deficit to 3 percent of GSDP by 2014-15*.

3. The Fourteenth Finance Commission (FC-XIV) was constituted by the President under Article 280 of the Constitution on 2 January 2013 to make recommendations for the period 2015- 20. Dr. Y. V. Reddy was appointed the Chairman of the Commission.

4. The Commission reviewed the state of the finances, deficit and debt levels of the Union and the States, keeping in view, in particular, the fiscal consolidation roadmap recommended by the Thirteenth Finance Commission, and suggest measures for maintaining a stable and sustainable fiscal environment consistent with equitable growth including suggestions to amend the Fiscal Responsibility and Budget Management Acts currently in force and while doing so, the Commission considered the effect of the receipts and expenditure in the form of grants for creation of capital assets on the deficits; and the Commission also considered and recommend incentives and disincentives for States for observing the obligations laid down in the Fiscal Responsibility and Budget Management Acts.

5. The salient features of the fiscal reforms as introduced by FC-XIV may be highlighted as under:

- (a) *Share of taxes to the states raised from 32% to 42%*
- (b) *Revenue Deficit Grant awarded to 11 states*
- (c) *No distinction between Plan fund and Non Plan fund*
- (d) *No Special category states*
- (e) *No recommendation regarding State's Specific Needs*
- (e) *No recommendation for establishment of new districts*
- (f) *No recommendation for maintenance of Road & Bridges and Buildings, maintenance/protection of Forest, Police Modernization (to be met from state's fiscal space)*
- (g) *No Specific recommendation was made under Social Sector such as, Elementary Education, Health, Drinking water and sanitation (a separate institutional arrangement be introduced)*
- (h) *No recommendation for Lok Ayukta.*
- (i) *No Performance/Basic Grants for Local Bodies like Village Councils and Autonomous District Councils*
- (j) *New Institution is recommended to identify and recommend resources for inter-state infrastructure scheme in the North-Eastern States.*
- (k) *New institutional arrangement is also recommended involving other fiscal transfer.*

6. The FC-XIV also introduces the following fiscal rules

(i). Fiscal deficit of all States will be anchored to an annual limit of 3 per cent of GSDP. The States will be eligible for flexibility of 0.25 per cent over and above this 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 per cent in the preceding year.

(ii). States will be further eligible for an additional borrowing limit of 0.25 per cent 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 per cent of the revenue receipts in the preceding year.

(iii). The two options under these flexibility provisions can be availed of by a State either separately, if any of the above criteria

is fulfilled, or simultaneously if both the above stated criteria are fulfilled. Thus, a State can have a maximum fiscal deficit-GSDP limit of 3.5 per cent in any given year of the Fourteenth Finance Commission.

(iv). 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. If a State is not able to fully utilise its sanctioned borrowing limit of 3 per cent of GSDP in any particular year during the first four years of our award period (2015-16 to 2018-19), it will have the option of availing this un-utilised borrowing amount (calculated in rupees) only in the following year but within the award period of Fourteenth Finance Commission.

7. In the light of the broad fiscal framework designed by FC-XIV, the Government of Mizoram will also take on reforms on the fiscal front for long term fiscal stability. The Government clearly understands that being an economic agency, the long term fiscal framework rests on finding enough resources to meet the investment requirements. In keeping with the recommendations of FC-XIV on fiscal reforms, the Government's focus on fiscal management will continue to be guided by the following principles:

- (a) Continue the process of fiscal reforms and consolidation; generate revenue surplus and reduce fiscal deficit.*
- (b) To improve Own Tax Revenues, Own Non-Tax Revenues and Own Tax-GSDP ratio.*
- (c) Improve the quality of expenditure*
- (d) increase allocation of fund in socio-economic sectors*
- (e) Increase capital investment in infrastructure sector*
- (f) Minimization of subsidy only to the needy and deserving section of the society especially for TPDS/Food Security Act*
- (g) Introduction of austerity measures so as to cut down unnecessary spending of public money.*

8. The fiscal risks that the Government will have to face over the medium term may be delineated as below:

- a) *The surging revenue expenditure in general will pose a threat to the Government's ability to maintain a revenue surplus and building up of revenue surplus for financing the capital investment will be at stake. To match the incremental revenue expenditure, the Government has to find additional resources.*
- b) *Limitations in the growth of the economy due to cyclical factors nationally and globally.*
- c) *Limitations to increase in the tax base, upward revision of rates etc.*
- d) *Expenditures to be incurred, recurring as well as non-recurring, in connection with the tentative opening of Mizoram Medical College in the near future.*
- e) *The impending implementation of the Seventh pay Commission which has recommended substantial increase in the pay of Government employees. If implemented by the State Government, it would exert a severe strain on the finances of the State Government.*

9. Towards improving *Own Tax Revenues, Own Non-Tax Revenues and Own Tax-GSDP ratio*, the Government has taken up measures such as-

(a) Restructuring of Tax Departments by carrying out the restructuring package drawn up so that the tax administration is improved to bring about improvement in tax collection efficiency. The process of VAT auditing has been institutionalized by introducing VAT Audit Manual and by intensive capacity building of the tax officials.

(b) Streamlining the tax collection system and computerization of records and collection system. Waive of penalty for a certain period of time for late payment, especially Road tax, so as to increase collection.

(c) Extensive capacity building of the officials involved and by introducing the Management Information System as well as online payment in the tax collection system of various taxes.

(d) The Government of Mizoram had been implementing the MLTP Act, 1995 for more than a decade though without much success story while foregoing all the revenue which could have been accrued to the State Government. A better and more effective 'the Mizoram Liquor (Control & Prohibition) Act, 2014 was passed by the Mizoram Legislative Assembly on 10th July, 2014 which came into effect on 15th January, 2015. Under the MLPC Rules, 2014 three Bonded Warehouse Licenses were issued and twenty two Vendor Licenses were issued. During the current financial year Up to 31.8.2015, the revenue so far collected by the Excise & Narcotics Department is ₹ 17.49 crore against their annual target of ₹ 3.83 crore. The increase in revenue collection is obviously due to sale of liquor under the MLPC Act, 2014.

(e) Increase the selling price of foodgrains under TPDS with minimal impact to the general public and eventually replacing the TPDS with the Food Security Act.

(f) Increase the water user charge so as to compensate for the unrecovered expenditure incurred for operation and maintenance of the existing water pumps and its distribution (supply) systems.

(g) To evolve more efficient collection system of Power Tariff as the same had been raised by the JERC for Manipur and Mizoram.

(h) The Mizoram Entry Tax Draft Bill 2015 has recently been passed by the Mizoram Legislative Assembly and the said Act is supposed to be enforced in the State in due course.

(i) Oil & Gas Exploration in Mizoram is being undertaken within three exploration Blocks and the Exploration Companies have deposited ₹ 20,68,25,517/- as Petroleum Exploration Licensing Fees during 2003 to 2015 and an amount of ₹ 179,99,090/- was recovered as Petroleum Exploration Licensing Fees for the year 2015-16.

(j) In order to minimize expenditure incurred by the loss making Public Sector Enterprises (PSEs), the cabinet meeting on 18th February 2015 has approved the closure of three PSEs, namely, ZENICS, ZOHANCO and MAMCO. It has also approved downsizing and restructuring of ZIDCO and MIFCO. The three PSEs- ZENICS,

ZOHANCO and MAMCO were officially closed down by the State Government on 31st December 2015.

10. The above measures taken together will bring about the desired goal of increasing the tax-GSDP ratio and substantial improvement in State's own tax collection over the medium term.

11. The Government has expenditure commitments in the form of development expenditure on certain specified schemes like the NLUP, the Sixth Pay Revision of employees etc. With the above expenditure commitments in view, the Government is left with limited fiscal maneuverability. But within the limited scope, the Government will look at the outcome oriented expenditure so that the benefits of public spending reach the targeted population. With the closing of the award period of the Thirteenth Finance Commission in 2014-15 and with a high expectation on the recommendations of the Fourteenth Finance Commission a higher inflow of resources is anticipated and with slowly improving fiscal management, the Government will be able to increase the expenditure on critical investments with the increased devolution of resources.

12. Other medium term measures on expenditure management will include computerization of treasuries, institutionalizing Performance Budgeting, Medium Term Expenditure Framework (MTEF) in selected Departments and Project Appraisal, Monitoring and Evaluation system. All these measures will be continued over the medium term. When fully put in place, these measures will bring along qualitative improvements in the public spending and the various processes involved in budgeting and tracking of the Government's expenditure.

13. Another issue of prime concern is the future borrowings of the Government. The Government's borrowing need to follow a conscious policy of containing the net borrowings, so that the outstanding debt stock relative to GSDP and Revenue Receipts are slowly brought down. Focus has also been laid on containing fiscal deficit and the debt stock of the Government. The FRBM Act, 2006 also provides that fiscal deficit will be contained to a level of 3 per cent of GSDP in 2008-09 which was extended to 2010-11 by the amendment in 2009. FC-XIII further extends the time frame to 2014-15. The Government will, therefore continue to work with multilateral institutions to mobilize external resources as well as private capitals for investments so that

the possible shortage of funds due to limited borrowings could be supplemented by alternative resources.

14. The Government will also consciously move to reduction of interest payment burden by moving towards reduction of weight-average interest rates as well as reducing high cost loans over the medium term. The Structural Adjustment Loan from the Asian Development Bank was of great help in reducing the stock of high cost debt of 9 per cent and above. This has, in the long run had a positive effect of reducing the expenditure on account of interest payments. The Government will also slowly shift its borrowings in favour of low-cost RIDF loan of NABARD for creating infrastructure in the rural and agriculture sectors.

15. The Government will continue to invest in the Consolidated Sinking Fund and Guarantee Redemption Fund which will help build up Reserve Funds of the State in the Public Account for paying off its future direct and contingent liabilities in the long run.

16. Considering all the pros and cons, strength and weakness of the fiscal consolidation process of the State and the assumptions in the fiscal policy framework over the medium term, the budget 2016-17 was prepared. As per the provisions in the FRBM Rules, the assumptions underlying the projection of fiscal indicators are explained below.

A. ASSUMPTIONS UNDERLYING THE PROJECTIONS OF FISCAL INDICATORS

1. Revenue Receipts

Tax Revenue

17. The introduction of Value Added Tax (VAT) on 01.04.2005 has brought about substantial improvements in tax collection and the growth of tax relative to GSDP continuously increases. Computerization of Tax administration has tremendously improved the tax collection efficiency. The Taxation Department has undertaken the development of exclusive citizen-centric web-based VAT and CST, MIS, a scheme under National e-Governance Project (NeGAP), Government of India. The new system caters to the State's specific tax administration needs. In keeping with the Department's efforts

towards a streamlined and efficient e-governance system, it is the first time that an electronic tax portal has been put into operation within the State. By offering online services such as e-payment, e-waybills and e-returns, the collection of tax revenues has increased manifold. The Transport Department is also taking up initiative for online payment of Road tax and Passengers & Goods taxes. Road tax has also been increased from 4% to 6% of the price of the vehicles. All these initiatives are expected to increase the revenue collected by the State Government.

18. Tax rates on various petroleum products were reduced in 2009 by the State Government. However, by recognizing the necessity and compulsive nature of generating own resources, the State Government has reviewed the existing scenario of various rates of taxes imposed on Petroleum Products by hiking the existing rate to some extent. In respect of LPG (Liquefied Petroleum Gas), it was raised to the level of the previous rate i.e placed at 4 per cent from 2 per cent, from 18 per cent to 20 per cent in respect of Motor Spirit (Petrol), from 10 per cent to 12 per cent in respect of High Speed Diesel. A proposal for revision of VAT rate from 20 % to 30 % on Tobacco Products including Cigarettes, Cigars, Cigarillos and Vaihlo has been approved by the Council of Ministers in its sitting on 17th August 2015. As a result of upward revision of VAT rate on these items, the State Government would mobilize additional revenue to the tune of ₹ 134.83 lakh annually. The Tax revenue so far accrued to the State Government may be summarized as- ₹ 130.08 crore in 2010-11(Actual), ₹ 178.67 crore in 2011-12 (Actual), ₹ 223.15 crore in 2012-13(Actual), ₹ 229.78 crore in 2013-14 (actual,) ₹ 266.53 crore in 2014-15 (Pre-Actual).

19. The State Own Tax Revenue (SOTR) for 2015-16 (BE) was ₹ 326.55 crore. The projections of the State Own Tax Revenue for 2016-17 and 2017-18 are estimated at ₹ 346.14 crore and ₹ 366.91 crore respectively.

Non-Tax Revenue

20. It has been the concern of the State Government to generate its own resources on account of which it has reviewed many existing rate of Non-Tax revenue. In respect of Non-Tax revenue, many Users charged viz...user charge of piped water, tariff rate of electricity; land revenues etc... are being increased. The JERC has increased the tariff

rate of electricity to be effective from April 2014. Various user charges at Government Hospitals and Government Guest Houses have also been revised upward during 2014. Moreover, the Mizoram Liquor Prohibition & Control Act, 2014 was legislated under which excise duty to the tune of ₹ 30-40 crore is estimated to accrue to the State revenue annually. It is estimated that a huge amount of Non-Tax revenue in addition to the original estimate is expected to be generated from these measures during 2014-15 and 2015-16. Therefore, the State Own Non-Tax Revenue (SONTR) was estimated at ₹ 241.42 crore during 2014-15 (RE) and the budget estimate of SONTR for 2015-16 was ₹ 252.81 crore. Following the projection rate of Thirteenth Finance Commission in GSDP i.e. growth rate of GSDP at 10.34 per cent and assuming the trend growth rate of SONTR at 10 per cent of the previous year, the forecasted SONTR for 2016-17 and 2017-18 are estimated at ₹ 267.98 crore and ₹ 284.06 crore respectively.

21. The overall Non-Tax revenue so far accrued to the State Government may be summarized as- ₹ 146.71 crore in 2010-11(Actual), ₹168.03 crore in 2011-12(Actual), ₹ 212.80 crore in 2012-13(Actual), ₹ 194.26 crore in 2013-14 (Actual), ₹ 241.42 crore in 2014-15 (Revised Estimate).

State's share of Central Taxes

22. It is one of the main determinants of the State fiscal position. During the last financial year, Central Government has shown grace upon the State Government by allocating State's share of Central Taxes at ₹ 1030.85 crore in the Annual Plan 2014-15. The Thirteenth Finance Commission had recommended ₹ 3901.30 crore as the share in Taxes to be released during 2010-15. The actual release of Share in Central Taxes & Duties are - ₹ 590.78 crore in 2010-11, ₹ 827.78 crore in 2011-12, ₹ 785.96 crore in 2012-13, ₹ 858.08 crore in 2013-14 with a progressive release of ₹ 2923.09 crore till 2013-14 with the remaining balance of ₹ 978.21 crore. During the fiscal 2014-15, the estimated Share in Taxes to be release was ₹ 910.66 crore. The Share in Taxes is, on rough calculation, estimated to be increased every year by 10 per cent over and above the previous year. However, the Fourteenth Finance Commission has recommended that the share in taxes to be devolved to the State Governments be increased from 32 per cent to 42 per cent; so that the share in taxes to be accrued to Govt. of Mizoram will be ₹ 2413.72 crore in 2015-16, ₹ 3081 crore in

2016-17, ₹ 3559 crore in 2017-18, ₹ 4118 crore in 2018-19 and ₹ 4769 crore in 2019-20. The actual release to the State Government, however, may be different from the above figures depending upon actual realization of tax revenues by the Central Government.

Grants from Central Government

23. Non-Plan Grants mainly consists of Revenue Deficit Grant, Central Share of Calamity Relief Fund, Grants for Local Bodies and Others. The allocation is usually done on the basis of the recommendations of Thirteenth Finance Commission. The budget estimate for 2014-15 under Non-Plan revenue Deficit Grant (NPRD) is ₹ 804.00 crore, Central Share of Calamity Relief Fund being ₹ 10.36 crore; Grant for Local Bodies being ₹ 93.30 crore and Other Non-Plan Grants at ₹ 126.43 crore. The NPRD Grant so far released by the Central Government are- ₹ 715.00 crore in 2010-11, ₹ 684.00 crore in 2011-12, ₹ 908.00 crore in 2012-13 and ₹ 882.00 crore in 2013-14.

24. Plan Grants mainly consists of Normal Central Assistance, Special Plan Assistance, Additional Central Assistance etc... In respect of Plan Grants, it is usually forecasted that Normal Central Assistance would be increased by 15 percent, Additional Central Assistance by 10 percent and other Plan Grants are usually kept at the level of the previous year. The NCA allocation for the fiscal 2014-15 was estimated at ₹ 896.58 crore. The NCA so far released by the Central government are- ₹ 679.49 crore in 2010-11, ₹ 682.75 crore in 2011-12, ₹ 761.92 crore in 2012-13 and ₹ 800.41 crore in 2013-14.

25. However, the Fourteenth Finance Commission did not make any distinction between the Plan and Non Plan funds thereby combining the Plan and Non-Plan Revenue Deficit Grants into simply Post Devolution Revenue Deficit Grant. The Revenue Deficit Grant that may accrue to the Govt. of Mizoram during the period of the Fourteenth Finance Commission period are- ₹ 2139 crore in 2015-16, ₹ 2294 crore in 2016-17, ₹ 2446 crore in 2017-18, ₹ 2588 crore in 2018-19 and ₹ 2716 crore in 2019-20.

26. The Calamity Relief fund (State Disaster Response Fund) that would be accrued to Mizoram are- ₹ 15 crore in 2015-16, ₹ 16 crore in 2016-17, ₹ 17 crore in 2018-19, ₹ 18 crore in 2018-19 and ₹ 18 crore in 2019-20.

2. Capital Receipts

Borrowing

27. The borrowings ceilings of State Government is guided by the recommendation of the Finance Commission. The Ministry of Finance fix the upper ceiling of net borrowing that can be avail by the State Government in line of the recommendation of the Finance Commission. The FRBM Act, 2006 was therefore amended from time to time so as to incorporate the new recommendations introduced by the successive Finance Commissions. These are guidelines so as to lead the State Government along a fiscal correction path. Therefore, the State Government should be very careful and cautious in handling borrowings. Firstly, the borrowings should not be in excess of the requirement of deficit financing. Secondly, portfolio selection should be guided by the borrowing instruments and the overall cost of borrowings such that the weight-average interest rate on new borrowings could be minimized. Keeping in mind these criteria, the estimated net borrowings in 2014-15 was ₹ 426.00 crore .The Ministry of Finance, Govt. Of India has intimated that the same amount shall be the borrowing limit of Mizoram for the year 2015-16 and this will be the projected amount for the forecast year 2016-17.

Loans and Advances from the Central Government.

28. The Twelfth Finance Commission recommended the discontinuation of the system of on-lending by the Centre to the States with the exception of Loans given by the Ministry of Finance. This exceptional Loan includes Block Loan against the loan component of Externally Aided Projects. Moreover, the Thirteenth Finance Commission also recommended the same arrangement to be continued. Loan received from the Central Government is mainly in the form of 10% loan component of Externally Aided Project (EAP) and a small amount of loan in certain schemes under CSS. Thus, the borrowings under Loans & Advances from the Central Government will be the loan components of EAP's which is estimated at ₹ 21.05 crore in 2014-15(BE), ₹ 20.67 crore in 2015-16 and this will be the projected amount for the forecast years of 2016-17 and 2017-18.

Recoveries of Loans and Advances

29. The continued disbursements of the Government of Loans and Advances to its employees in the past, which can be ascribed to an investment had earned interests and therefore resulted in recovery of Loans and Advances. Since recovery of Loans follows a specific pattern, the estimated amount was ₹ 40.00 crore in 2014-15 and in 2015-16; and this will be the projected amount for the forecast years of 2016-17 and 2017-18.

Public Account Borrowings

30. To meet the resource gap on the Consolidated Fund and for making the requirement of resources to finance the Annual Plan, Net receipts under Provident Fund and Insurance & Pension Fund in the Public Account are always utilized. It is termed as Borrowings from Public Account (Net). Borrowing has to be maintained at Optimum level so that the net borrowings under Public Account are not too much and serve only gap filling in the deficit financing. With that in view, the net borrowing from the Public Account for 2014-15 was estimated at ₹ 81.00 crore and at ₹ 275.20 crore in 2015-16; this will be the projected amount for the forecast years of 2016-17 and 2017-18.

3. Total Expenditure

Revenue Account

31. The increased percentage of Revenue Accounts mainly depends on two factors – increased percentage of salary and its connected items and increased percentage of contingent expenditure. Owing to the implementation of Sixth Pay Commission Recommendation and inflation, it can be speculated that the anticipated expenditure on account of salary and its connected items would be increased instantly and tremendously. As such, it is calculated that the total Revenue Account to be increased by 10 per cent annually over and above the previous year. Hence, the total revenue expenditure for 2015-16 is estimated at ₹ 7575.56 crore against the Revised Estimates 2014-15 of ₹ 8638.22 crore. By keeping the annual increment of 10 per cent in respect of Interest Payments, Salaries and Pensions, and 5% for other items of expenditure, the anticipated total revenue expenditure for

2016-17 and 2017-18 are put at ₹ 8013.66 crore and ₹ 8476.99 crore respectively.

Capital Account

32. As per recommendation of Thirteenth Finance Commission, the State Government is advised to raise its Capital expenditure in order to enhance investment on infrastructure and other developmental activities by generating its own Revenue Surplus. At the same time, the ceiling of State borrowings is limited to the extent of its outstanding liabilities which tightened the fiscal maneuverability of State Government. Therefore, the expenditure on Capital Account is being anticipated on the basis of two factors – first, the total amount of devolution of Non-Plan Grants as recommended by FC-XIII, second, the Revenue Surplus that the State Government is expected to generate on its own. Under the Fourteenth Finance Commission recommendation, however, one cannot differentiate between the Plan and Non-Plan devolutions and hence the amount that needed to be set aside for capital formation or expenditures which are of capital in nature may be determined by the left over from the committed revenue expenditures.

B. ASSESSMENT OF SUSTAINABILITY RELATING TO

(a) The balance between revenue receipts and revenue expenditure

33. The difference between Revenue Receipts and Revenue Expenditure is termed as Revenue Deficit or Revenue Surplus depending upon the nature of the difference. Fortunately, Government of Mizoram has been maintaining Revenue Surplus since 2003-04 till 2009-10 which is mainly owing to increments of Non-Plan Grants coming from Central Government. The revenue deficit, which was ₹ 400.86 crore in 2010-11 improved to a revenue surplus of ₹ 127.58 crore in 2011-12 and ₹ 27.83 crore in 2012-13. However, the condition deteriorated again to a revenue deficit to the tune of ₹ (-) 152.14 crore in 2013-14 (Actual), which constituted -1.48 per cent of the GSDP. As per budget estimates, there should be a revenue surplus of ₹ 114.86 crore in 2014-15 and ₹ 1084.16 crore in 2015-16.

34. However, the State Government is committed to take extra efforts to generate its own resources. Introduction of e-payment for various government revenues is expected to increase the collection efficiency of such revenues and hence the revenues collected itself. The impact of rising salary is being minimized by taking the following steps: In most of the non-regulatory departments new appointments are being made on Contract basis only. Enhancements of Dearness Allowance have been either postponed or effective date changed on the basis of the prevailing resource position.

(b) The use of capital receipts including borrowings for generating productive assets

35. The State Government has been utilizing borrowings for meeting its expenditure requirements on capital account for generating productive assets i.e. for capital formation. This is essential especially for revenue deficient state like that of ours. This in essence is not harmful as long as it leads to capital formation; what has become harmful is the unhealthy practice of meeting revenue expenditures from capital receipts.

(c) Estimated yearly pension liabilities worked out on actuarial basis for the next ten years.

36. New Defined Contributory Pension Scheme was launched for the Govt. employees recruited on or after 1.9.2010 with the introduction of Voluntary Retirement Scheme for unqualified Teachers under School Education Department. An amount of \$ 3 million (₹ 14.16 crore) has been set aside under Asian Development Bank (ADB) assisted MPRMP for the implementation of the said Voluntary Retirement Scheme and undertaking exhaustive estimation of pension liabilities including developing a complete database. After development of complete database on pension, estimation of expenditure on pension payment shall be carried out on actuarial basis. However, the present estimation is carried out on the basis of trend growth rate.

37. Even though New Defined Contributory Pension Scheme has been launched, there are many employees who are left out under this Scheme since the Scheme covers the employees who are recruited on or after 1.9.2010 only. Moreover, due to implementation of Sixth Pay Commission Recommendation, there was a big jump in estimate on

pension expenditure in 2009-10, 2010-11 and 2011-12. In order to estimate expenditure to be incurred on Pension payment, the trend growth rate (TGR) is fixed at 10 per cent. The projections of pension payments are as follows-

2015-16	-	₹ 560.00 crore
2016-17	-	₹ 593.60 crore
2017-18	-	₹ 629.22 crore
2018-19	-	₹ 692.14 crore
2019-20	-	₹ 761.35 crore
2020-21	-	₹ 837.48 crore
2021-22	-	₹ 921.23 crore
2022-23	-	₹ 1013.35 crore
2023-24	-	₹ 1114.69 crore
2024-25	-	₹ 1226.16 crore

38. Data on receipts and expenditure in the State's finance over the medium term framework covering the period 2014-15 to 2016-17 is shown in the table appended herewith.

TABLE

(Rs. in crore)

Sl. No.	Item of Receipt / Expenditure	2014-15 (Pre Actuals)	2015-16 (Budget Estimates)	2015-16 (Revised Estimates)	2016-17 (Budget Estimates)	Targets for next Two Years	
						2017-18	2018-19
						(Proj)	(Proj)
1	Revenue Receipts	5511.11	7175.45	7529.91	7670.51	8904.94	9784.70
	(a) Tax-Revenue	266.53	326.56	310.68	331.19	351.06	372.13
	(b) Non-Tax Revenue	241.96	252.81	269.83	279.06	295.80	313.55
	(c) State's share of Central Taxes	910.67	2413.72	2370.88	2627.17	3559.00	4118.00
	(d) Grants from Central Government	4091.95	4182.36	4578.52	4433.09	4699.08	4981.02
	(i) Non-Plan Grants	1095.49	2167.54	2167.84	2330.68	2470.52	2618.75
	(ii) Plan Grants	2996.46	2014.82	2410.68	2102.41	2228.55	2362.27
2	Capital Receipts -	2170.80	747.09	979.62	805.95	854.31	905.57
	(a) Borrowings on account of Internal Debt of the State Government (of which W&MA)	1378.19	369.22	601.75	331.27	351.15	372.21
		(1066.87)	(30.00)	(262.53)	(3.00)	(3.00)	(3.00)
	(b) Loans and advances from the Centre	4.89	20.67	20.67	29.34	31.10	32.97
	(c) Recovery of loans and advances	31.63	40.00	40.00	32.84	34.81	36.90
	(d) Borrowings from Public Account (Net)	756.09	317.20	317.20	412.50	437.25	463.49
3	Total Expenditure	7771.62	7576.56	8246.08	8038.39	8520.69	9031.94
	(a) Revenue Account	5652.44	6091.29	6643.71	6388.57	6771.88	7178.20
	(i) Interest Payments	305.83	450.01	450.16	549.99	582.99	617.97
	(ii) Salaries	2082.05	2382.57	2438.20	2635.53	2793.66	2961.28
	(iii) Pensions	545.26	560.00	560.00	770.00	816.20	865.17
	(iv) Others	2719.30	2698.71	3195.35	2433.05	2579.03	2733.77
	(b) Capital Account	2119.18	1485.27	1602.37	1649.82	1748.81	1853.74
	(i) Public Debt-Repayment of borrowings (of which W&MA)	1189.24	251.49	515.32	310.06	328.66	348.38
		(1066.87)	(0.03)	(262.53)	(3.00)	(3.00)	(3.00)
	(ii) Loans and advances	2.43	40.00	40.00	30.55	32.38	34.33
	(iii) Capital Outlay	927.51	1193.78	1047.05	1309.21	1387.76	1471.03
	(iv) Appropriation to Contingency Fund	-	-	-	-	-	-
4	GSDP	12499.00	14204.00	14204.00	15535.00	16467.00	17455.00
5	Outstanding liabilities of the State Government	6550.39	6260.20	6977.13	7290.17	7508.88	7734.14