



**GOVERNMENT OF MIZORAM**

# **FISCAL POLICY STRATEGY STATEMENT**

*(As required under Section 5(1) of*

*The Mizoram Fiscal Responsibility and Budget Management Act, 2006)*

**GOVERNMENT OF MIZORAM**

**2011-2012**

**(14<sup>th</sup> July, 2011)**

**FORM -II (a)**

**(See Rule 4)**

**FISCAL POLICY STRATEGY STATEMENT**

**A. FISCAL POLICY OVERVIEW**

1. It is well known that the fiscal position of the State mainly depends on the economy of the Central Government. In other words, the State economy is following the trajectory of the country's development. Therefore, in order to analyze the fiscal policy of State Government, it is imperative to have an overview of the fiscal policy of the Government of India which may be undertaken in line with various recommendations and provisions laid down by the Twelfth as well as Thirteenth Finance Commission. It may also, however, be expressed that the State's fiscal reforms programme needs to be aligned to the structure reforms designed by the successive Finance Commissions.

2. The Twelfth Finance Commission recommended enactment of Fiscal Responsibility and Budget Management (FRBM) Act for the reformations and consolidations of the State fiscal management as well as Central Government which had, however, been put into place by many States and Central Government during its award period (2005-2010). The implementation of this recommendation brought about a turnaround in the fiscal management of the implementing States and Central Government which can be seen from the result achieved by many States in respect of their Revenue Surplus and Fiscal Deficit. The Thirteenth Finance Commission also recommended continuing enactment of FRBM in its award period too.

3. Further, the Twelfth Finance Commission recommended debt relief (referred as Debt Consolidation and Relief Facility-(DCRF)) to all States which had two separate components of relief in the form of debt consolidation and debt write-off. The debt consolidation component provided for consolidation of central loans to states amounting to certain extent contracted till 31 March, 2004 and outstanding on 31 March, 2005 along with rescheduling for a fresh term of 20 years, to be repaid in 20 installments. The DCRF further envisaged that if a State was able to bring down its revenue deficit to zero by the targeted year 2008-09, the entire repayments due from the State during the FC-XII award period would be written off. There were some pre-conditions for

the States to avail debt relief and debt write-off such as enactment of fiscal responsibility legislation, bringing down fiscal deficit at the stipulated level etc...

4. In order to avail debt relief and debt write-off, the Government of Mizoram enacted Fiscal Responsibility and Budget Management Act, 2006 and has been trying to bring down its fiscal deficit at the desired level. As such, it has availed consolidation of all block loans and writing off its debt. As a result of the consolidation of Block Loan, the State has been benefited by lowering of interest on those loans so that the amount of interest accrued during 2008-09, 2009-10, 2010-11 were - **₹ 9.30 crore, ₹ 8.33 crore, ₹ 9.30 crore** respectively. The States was also benefited to some extent on account of debt write off of yearly principal repayments of **₹ 12.93 crore** commencing from 2006-09.

5. The recommendation of Twelfth Finance Commission did not cover all central loans given to State Governments such as Centrally Sponsored Scheme/central plan scheme given through ministries other than Ministry of Finance, under DCRF, primarily on account of the absence of requisite data. Therefore, the Thirteenth Finance Commission took an action on these remaining loans by recommending these outstanding loans at the end of 2009-10, to be written off. Further, it recommended that further lending from Centre to states, under any Centrally Sponsor Scheme, should be completely avoided. However, it further recommended that a window for borrowing from the Central Government should be available for the fiscally weak States that are unable to raise loans from the market. This recommendation is very useful and advantageous for a fiscally weak state like us.

6. As per Annexure 9.5 in Volume II of Thirteenth Finance Commission Report, the total Central Loans administered by Ministries other than Ministry of Finance at the end of 2007-08 for the State of Mizoram stood at **₹ 75.00 crore**. As mentioned in the last paragraph, the State Government has a chance to write off this Loan on the condition of complying and implementing the pre-conditions set by the Thirteenth Finance Commission. As such, the State has enacted its own FRBM Act in the year 2006 as amended from time to time to suit the requirement of the Commission as prescribed in its recommendation. This debt write-off will help the State Government in improvement of its fiscal position.

7. In view of the increasing pressure on the State Government to fulfill and materialize various recommendations and provisions laid down by the Thirteenth Finance Commission, the State Government needs to generate its own resources since the devolution of resources from the Central Government is not sufficient to meet even the basic

requirements. Hence, the existing scenario of the Tax and Non-Tax policy may be highlighted to present the overview of the State fiscal policy.

8. With the implementation of Value Added Tax (VAT) in the State from 1<sup>st</sup> April, 2005, the collection of State's own tax revenues received an impetus so that it has improved from **1.61 per cent** of GSDP during 2004-05 to **2.02 per cent** of GSDP during 2005-06. As such, the collection of State's own tax revenues has been improving till date and **₹ 173.17 crore** is estimated for the current financial year 2011-12 which is **2.4 per cent** of the GSDP of **₹ 7216.75 crore**. However, the improvement in Own Tax Revenue is expected to fare better from where we stand today when the Goods & Service Tax is implemented practically in near future as per recommendation of Thirteenth Finance Commission. Moreover, devolution of Central Taxes & Duties during 2009-10 stood at **₹ 394.53 crore**, it improved to **₹ 563.06 crore** in the 2010-11 (BE) and became **₹ 590.78 crore** in the 2010-11 (RE). It is presumed that the Share in Taxes is always increased every year by not less than 15 per cent over and above the previous year. With this expectation, it was placed at **₹ 709.73 crore** for the current financial year 2011-12 (BE). It is one of the main determinants of the State Fiscal Position.

9. On account of the increased devolution of resources from the Centre, the amount of fund coming under the Grant in aid is also increasing. As per the Finance Accounts 2009-10, the Grants-in-Aid from Central Government stood at **₹ 2334.89 crore** followed by **₹ 2823.80 crore** during 2010-11 (RE) and **₹ 2627.82 crore** in the Budget Estimates of 2011-12. The trend of inflowing of Grant-in-Aid is being highlighted as it is also one of the main determinants of the State Fiscal position.

10. The total revenue receipt during 2010-11 as shown in the Revised Estimates was **₹ 3716.32 crore** against the total revenue receipts during 2009-10 (actual) of **₹ 2963.50 crore**. The increased percentage is **25.4 per cent**. The total receipt of 2010-11(RE) comprises of Plan Grants - **₹ 1929.60 crore**, Non-Plan Grants - **₹ 894.21 crore**, State Own Non-Tax Revenue - **₹ 177.59 crore**, State Own Tax Revenue - **₹ 124.15 crore** and Devolution of Central Taxes & Duties - **₹ 590.78 crore**. The percentage of increments is, somehow, laudable in spite of room for improvement is still persisting in the State finances especially in respect of State own resources. Actually, higher achievement than the previous year could be possible just because of the increased devolution of various Grants from Central Government.

11. Non-Tax Revenues come from two sources-State's Own Non-Tax Revenues and Non-Tax Revenues from the Central Government as Grants-in-aid to the State Government. Budget Estimates for receipts on account of Non-Tax Revenues for 2009-10 was ₹ **2499.52 crore**, and the actual receipts was ₹ **2461.39 crore** which was **98.47 per cent** of the Budget Estimate. The target for State's Own Non-Tax Revenue was ₹ **181.14 crore** out of which ₹ **126.50 crore** only was realized. The collection of the year was also less than the collection during the previous year by ₹ **31.66 crore**. The declined in collection was mainly due to poor performance of Power Sector. The estimated receipt under power as per BE was ₹ **127.90 crore**, but the collection was a meager sum of ₹ **67.86 crore** only. State Lotteries also could not achieve the target by about ₹ **5.00 crore**. Anyway, this unexpected results for this particular year was overtaken and surpassed by the achievement of the successive financial year as can be seen below.

12. The trend in collection of Non-Tax Revenue showed a slight improvement during 2010-11 by pegging the Budget estimates at ₹ **2572.54 crore** against the Budget Estimates of 2009-10 ₹ **2499.52 crore** which is around **3 per cent** increase. During 2011-12, the Budget Estimates put the Non-Tax Revenue at ₹ **3001.39 crore** which is again an increase of **16.67 per cent** against the Budget Estimates of 2010-11. The rise of percentage is mainly attributable to more devolution of various Grants coming from Central Government which is possible due to resilience of economic condition of the country from its recession during last three years.

13. In addition to the receipts trend of the Budget, the expenditure side of the Budget also contributes in the overall fiscal position of the State. The expenditure from the Consolidated Fund of the State can be classified as Plan and Non-Plan expenditure owing to the nature of expenditure. Moreover, it can also be differentiated as Revenue and Capital Expenditure depending upon the way how it was spent. These two classifications are not distinct and different but closely inter-related in such away that expenditures are, sometimes, termed as Plan Revenue, Non-Plan Revenue, Plan Capital and Non-Plan Capital Expenditure.

14. Revenue expenditure is always recurring in nature and is used for meeting the requirements on Salary, Pension Payments, Interest Payments etc.... whereas Capital expenditure is incurred for creating durable assets and development work. The unhealthy sign appeared in the expenditure side during this policy overview period is the burgeoning increase of Revenue Expenditure especially Non-Plan Revenue Expenditure. Since this untoward development could narrow down the expansion chance of Plan expenditure which,

correspondingly, restricts the State Government from enhancing the size of Plan expenditure. It is the need of the day for the State Government to check and maintain the increasing Revenue expenditure at comfortable level.

15. The total expenditure during 2009-10 was pegged at ₹ **3665.77 crore** which went up to ₹ **4911.58 crore** in the 2010-11 (RE). However, the Budget Estimates of 2011-12 put the same at ₹ **4216.09 crore** which is, of course, a healthy sign of improvement over the previous year. Out of the Budget Estimates of ₹ **4215.59 crore**, the Revenue and Capital Expenditure are estimated at ₹ **3426.26 crore** and ₹ **789.83 crore**.

16. As envisaged in the Fiscal Responsibility and Budget Management Act, 2006, the State Government is required to reduce Revenue deficit to zero within the stipulated time frame. As such, the State Government has been maintaining Revenue surplus in the Budget since 2003-04. The Finance Accounts 2009-10 showed that the actual figures of Revenue surplus for the year 2009-10 stood at ₹ **260.81 crore**. Subsequently, the Revenue Surplus was estimated at ₹ **341.63 crore** in the Budget Estimates and then, it was placed at ₹ **16.63 crore** in the Revised Estimates. The unexpected downsizing of the size of Revenue Surplus can be attributable to implementation of The Mizoram (Revision of Pay) Rules, 2010 to the regular employees of State Government, provision of huge amount of fund for the purchase of subsidized food grains and electricity without any recovery. However, it was estimated at ₹ **322.04 crore** for the current financial year 2011-12.

17. The fiscal deficit, which has been under the close supervision of FRBM Act, has also been, sometimes, above the projected path of fiscal correction. Inferring to the recommendation of Thirteenth Finance Commission and Mizoram FRBM Act, 2006, the fiscal deficit to be maintained as a percentage to our yearly Gross State Domestic Product (GSDP) is as follows - **7.5 per cent** in 2010-11, **6.4 per cent** in 2011-12, **5.2 per cent** in 2012-13, **4.1 per cent** in 2013-14, and **3 per cent** in 2014-15. As such, the fiscal deficit in 2010-11(RE) was ₹ **732.85 crore**, which was **11.63 per cent** to own GSDP (₹ **6297.10 crore**). In 2011-12 (BE), the fiscal deficit is estimated at ₹ **422.57 crore**, which is **5.86 per cent** to own GSDP (₹ **7216.75 crore**). The slight deflection from the fiscal correction path is mainly attributed to the irrecoverable huge amount of expenditure incurred on account of implementation of Pay Revision, provision of fund for the purchase of subsidized food grains and electricity. In order to attune the existing fiscal position with reference to FRBM Act, State Government has been consciously

introducing new Tax and Non-Tax policies from the current financial year.

18. It may be noteworthy to mention that the achievement of State Government in respect of Own Tax Revenue, Own Non-Tax Revenue are better than the projections of Thirteenth Finance Commission as incorporated in its Report Annexure 7.7 page 395 of Volume II. In view of the persisting performance of the State, it can be observed that the State Government is consciously adopting many measures which will help the State finance in building up the Revenue Surplus which, in turn, shall be utilized for creation of more fiscal space to provide larger room for capital investment.

**B. FISCAL POLICY FOR 2011-12:**

19. The fiscal policy of the State Government as well as Central Government needs to be framed in line with the recommendations and provisions prescribed by the Thirteenth Finance Commission. The salient features contained in the fiscal reforms introduced by the Thirteenth Finance Commission may be highlighted for the better understanding of the State fiscal policy since it has become a guidepost while framing and composing the programme and policy of State Government.

- (a) *Revenue deficit of the Centre and the States needs to be reduced and eliminated, followed by achievement of revenue surplus by 2014-15.*
- (b) *Fiscal deficit should be reduced with respect to GSDP progressively and Government of Mizoram should limit its fiscal deficit to 3 per cent of GSDP by 2014-15.*
- (c) *State Government should amend/enact FRBM Acts to build in the fiscal reform path worked out. State specific grants recommended for a state to be released upon compliance of FRBM.*
- (d) *Debt stock/ outstanding liabilities of the Central and State Governments should be brought down to 68 per cent of GSDP by the end of the award period (2014-15). In other words, State Government needs to ensure total outstanding debt, excluding Public Account and Risk weighted Outstanding Guarantees in a year shall not exceed twice of the estimated receipt in the*

*Consolidated Fund of the State at the close of the financial year*

20. In the light of the broad fiscal framework designed by XIII-FC, the Government of Mizoram is required to simultaneously take the path to faster growth and fiscal reforms for long term fiscal stability. The only option available to us for these reforms is to achieve the objective of not only balancing the revenue account but also generating surplus for capital investment. In the words of the Commission which says thus “a state should have adequate room for capital expenditure by using its revenue surplus and a deficit not exceeding 3 per cent of GSDP. Any state that has a revenue surplus along with a higher fiscal deficit should compress its capital expenditure, or alternatively, increase its surplus on the revenue account”. Following these recommendations the fiscal policy of the State Government for 2011-12 shall be:

- (a) Continue the process of fiscal reforms and consolidation; generate revenue surplus and reduce fiscal deficit.*
- (b) Improve Own Tax Revenues and improve Own Tax-GSDP ratio*
- (c) Ensure commercial viability of Departmental undertakings in critical sectors such as power and transport, and also in public sector units.*
- (d) Improve the quality of expenditure*
- (e) increase allocation of fund in socio-economic sectors*
- (f) Increase capital investment in infrastructure sector*
- (g) Containing outstanding liabilities excluding Public Account and risk weighed Guarantee Fund in a year not to exceed twice of the estimated receipt in the Consolidated Fund of the State at the close of financial year.*

21. In addition to the above recommendation, Thirteenth Finance Commission also introduced debt relief by way of waiving of all Central Loans excluding block loans and NSSF loans. It has also recommended resetting Interest rate of all NSSF Loans availed up to 2006-07 and outstanding as on 2009-10 to 9 per cent from the previous rate of 9.5 per cent. However, in order to avail this debt relief, the State Government needs to fulfill certain pre-conditions laid down by the Thirteenth Finance Commission. The combined effect of these debt relief measures is **₹ 79.51 crore** which will apparently help the State Fiscal in building up of fiscal space for more creation of durable assets.

22. The fiscal federalism of Indian national entities, in other words, implies and compels the sub-national entities to depend and determine its fiscal position on the levels of devolution of resources from the national entities. On account of which, the fiscal policy of Government of Mizoram is certainly depending upon the amount of fund and Grants-in-aid coming from Central Government. However, the Thirteenth Finance Commission recommended more devolution of resources in comparison with the recommended amount of Twelfth Finance Commission. Since the commencement of the award period of Thirteenth Finance Commission started from 2010-11, the State economy will be apparently affected in a positive way even in the current financial year also. This can be seen from the actual achievement in terms of the figures of Grants-in-Aid and assistance coming from the Centre. The 13<sup>th</sup> Finance Commission recommended a total devolution of **₹ 8805.30 crore** for the state of Mizoram for the period of 5 years whereas the total recommended amount of the 12<sup>th</sup> Finance Commission was **₹ 4660.91 crore**. Thus, at the aggregate level, the total devolution is about to increase by **₹ 4414.39 crore** which is an increase of **88.92 per cent** over the 12<sup>th</sup> Finance Commission.

23. The Thirteenth Finance Commission, as per its own assessment, put the projected figures of State Own Tax Revenue and State Own Non-Tax Revenue for the current financial year 2011-12 at **₹ 149.81 crore** and **₹ 87.56 crore** respectively thereby making the total Own Tax Revenue Receipts at **₹ 237.37 crore**. However, the Budget Estimates of 2011-12 as per the Annual Financial Statements put the figures in excess of the TFC normative assessment that the Budget Estimates of Own Tax Revenue was placed at **₹ 173.17 crore** and Own Non-Tax revenue was pegged at **₹ 237.57 crore**. The increased percentage of the Budget Estimates of Own Tax Revenue and Own Non-Tax Revenue are **15.60 per cent** and **171.32 per cent** over and above the assessment of FC-XIII. Moreover, the same achievement was observed even in the last financial year 2010-11 too. This action simply reflects the sincerity and dedication of State Government towards generating its own resources and reducing its fiscal deficit by increasing Revenue Receipts side so that the State fiscal policy is confined well within the boundary of Thirteenth Finance Commission.

24. In contrast to the achievements and projections of Receipts side of the Budget during 2011-12, the estimate of Non-plan revenue expenditure during the same year showed unexpected increase in comparison with the normative assessment of Thirteenth finance commission. As per the assessment of Thirteenth Finance Commission,

the Non-plan revenue expenditure on Salary during 2001-12 was put at ₹ **827.82 crore** whereas the Budget Estimates placed the same at ₹ **1212.99 crore**. Even on Pensionary charges and Interest payments, the Budget Estimates for 2011-12 exceeded the assessment of Thirteenth Finance Commission. The main reason of higher estimate of expenditure on Salary, Interest Payments and Pensionary charges could be attributable to the implementation of The Mizoram (Revision of Pay) Rules, 2010 to the regular employees of State Government and provision of huge amount of fund from the consolidated fund of the State for the purchase of food grains and electricity. The after shock of this one time outgo of the expenditure could not be absorbed by the fiscal position of the state within a short period of time. However, the State Government is consciously taking efforts to tide over these fiscal constraints by improving the Own Tax Revenue and Own Non-Tax revenue along with simultaneously rationalizing non-productive expenditure.

25. The challenge which the State Government is about to confront for the current and next few financial year is either revamping or closing the sick Public Sector Undertakings (PSUs). Presently, the state Government has five PSUs i.e ZIDCO, ZENICS, ZOHANDCO, MAMCO and MIFCO. The available data showed that the total accumulated lost of the 4 PSUs up to 2007-08 amounted to ₹ **34.21 crore** (data for MAMCO is not available) while the Government has invested ₹ **34.29 crore** to these four PSUs for the same period as paid up capital, which, of course excluded grant-in-aid given to them from time to time. The Thirteenth Finance Commission also advised the State Government to complete a roadmap for closure of non-working PSUs (Para 7.95 & 7.97 of its Report); a task force and a steering committee should also be put in place to oversee sale or closure of such non-working PSUs (Para 7.98 of its Report). However, the State Government, after deliberation, has decided to revamp and restructure these PSUs through the implementation of the Mizoram Public Resource Management Program (MPRMP) with effect from 2009. For this purpose, allocation has already been made to the extent of \$ **1 million** so that the Finance Department had engaged a PSE Restructuring Specialist who will submit his reports and specific recommendations for restructuring of Government owned Enterprises viz...ZIDCO, ZENICS, ZOHANDCO, MAMCO and MIFCO. The progress of action taken is still going on and the fruitful result is expected to be harvested in a few years to come.

26. Another issue of challenge for the State Government during the current financial year is successfully tiding over the fiscal shock caused by the implementation of Pay Revision to its regular employees followed by upward revision of minimum wages of various categories of

Muster Roll employees. However, it is obvious, for the fiscally weak and resource deficit State, that a medium as well long term policy is required to fully absorb the after-shock of this kind of huge amount of expenditure which will have long term affect on the state fiscal position. Fortunately, we have entered the award period of Thirteenth Finance Commission which recommended more devolution of resources from the Centre to the States in comparison with the amount allocated by the Twelfth Finance Commission. With this gracious consideration, it is hoped and expected that the State Government shall be bailed out from its fiscal constraint over the medium term.

27. Another issue confronting State Government during 2011-12 is fiscal shocks on account of food subsidy and subsidized purchase of electricity. Unfortunately, the State Government could not risk drastic reduction of supply of food grains and electricity due to shortage of local production. Thus, the only possible way out to escape from the present problem is to raise the selling price of food grains and increasing the existing tariff on electricity. As such, the State Government is intending to take action in line with this possible way out from the current financial year, however, without compromising the objective of food security as well as the availability of current supply.

28. However, by taking advantage of the gracious action showered by the Thirteenth Finance Commission, Non-Plan Grants coming from Central Government is estimated at **₹ 925.92 crore** during 2011-12 against the Budget Estimates of **₹ 806.74 crore** during 2010-11. Similarly, Plan Grants is estimated at **₹ 1701.90 crore** during 2011-12 against the Budget Estimates of **₹ 1599.44 crore**. These increased resources will certainly benefit the State Government in offsetting the financial crisis which has been presently persisting in the State finances. Then, the total revenue receipts is estimated at **₹ 3748.30 crore** and the capital receipts at **₹ 493.39 crore** thereby making us to get **₹ 4241.69 crore** as the total receipts of the Consolidated Fund of the State.

29. The Revenue expenditures and Capital expenditures (Outlay) for 2011-12 are estimated at **₹ 3426.26 crore** and **₹ 789.83 crore** respectively. In other words, Non-Plan expenditure excluding Stock recoveries for 2011-12 is estimated at **₹ 2410.28 crore**, Plan expenditure is pegged at **₹ 1700.00 crore** as per approval of Planning Commission and expenditure on CSS, NLCPR, NEA etc... is estimated at **₹ 105.82 crore**. The total estimated expenditure during 2011-12 stood at **₹ 4216.09 crore** excluding stock recoveries.

30. Hence, with keeping in mind various expenditure commitments indicated above, the state Government is trying to keep the revenue Surplus at ₹ 322.04 crore and the fiscal deficit at ₹ 172.87 crore which is 2.4 per cent of the projected GSDP for current year ₹ 7216.75 crore.

31. By recognizing the fact that only a single economic entity cannot function alone and survive independently, the State Government has availed various Loans from Central Government and Asian Development Bank through which the Government of Mizoram is implementing the Mizoram Public Resource Management Program (MPRMP) with effect from 2009. The program mainly aims to bring about the changes in fiscal operation of the State in a balanced and sustainable fiscal situation and to enhance the revenue earning capacity of the State. The Programme Components includes Tax and Non-Tax Reforms, Debt Management, Public Expenditure Reforms, Public Sector Undertakings (PSEs) Reforms and Sector Improvements in Health and Education Sector.

32. With keeping in mind various commitments and provisions stated above, the achievement of the objectives of Mizoram FRBM Act, 2006 and thereby availing the benefits of fiscal reform facility provided by FC-XIII will be the guiding principle of the State Government for the current financial year and in the years to come. This will helps the State Finances in tiding over its fiscal constraints and imbalances.

33. The major fiscal policy initiatives that the Government will pursue during 2011-12 are given in brief below:

***Tax Policy:***

34. It has been the constant effort of the State Government to confine its fiscal policy within the recommendations and provisions laid down by the Thirteenth Finance Commission. The salient features of the fiscal reforms introduced by the Thirteenth Finance Commission are –

- (1) *Revenue deficit should be reduced to zero by the 2008-09*
- (2) *Fiscal deficit should be progressively reduced to 3 per cent of GSDP by 2014-15*
- (3) *Outstanding debt, excluding Public Account and Risk-weighted Guarantees in a year shall not exceed twice of the*

*estimated receipts in the consolidated fund of the state at the close of the financial year.*

- (4) *State Government should amend their Fiscal and Responsibility Management Act (FRBM) to achieve the targets set above.*

35. Since Mizoram is a resource-deficit State, the main determinant and factor of its fiscal position is resources transferred from Central Government which is, however, insufficient for meeting even the basic requirement of the State. Therefore, the only option available before the State Government in order to comply and fulfill the abovementioned provisions is either reducing expenditure side or generating its own resources. It is apparent that the latter option seems the obvious choice since the expenditure side can not be simply reduced owing to the existence of inflation in the market. Hence, it will be the endeavour of the Government to consciously improve Own Tax and Own Non-Tax Revenues and the Tax-GSDP ratio at the optimum level.

36. The trends of Own Tax-GSDP ratio since 2007-08 are as follows- **2.27 per cent** in 2007-08, **2.48 per cent** in 2008-09, **1.96 per cent** in 2009-10, **1.97 per cent** in 2010-11(RE) and **2.4 per cent** in 2011-12(RE). At the same time, Own Non-Tax Revenue to GSDP ratio also follows the same trajectory as that of the above. Hence, it is imperative that the Government is determined to maintain the increasing trend of the tax-GSDP and non tax-GSDP ratio by increasing the tax collection efficiency and better tax compliance. In addition to this action, the State Government is also required to introduce new Tax and Non-Tax measures for augmentation of its own resources.

37. As such, the State Government has taken lots of action to augment own resources. Some of them may be highlighted as below:

- (a) *In order to improve and increase Tax collection efficiency, Taxation Department has been restructured and strengthened through the implementation of Mizoram Public Resource Management Programme (MPRMP). Besides, computerization of records on tax collection has also been under active implementation process under the same programme. This initiative is expected to bring about a turnaround in positive sense for the improvement of Tax collection in the State.*
- (b) *The State Government, from current financial year, has increased rate of sales tax imposed on various Petroleum products. Sales tax levied on Liquefied Petroleum Gas (LPG) is increased from 2 per cent to 4 per cent, from 18 per cent to*

*20 per cent in respect of Motor Spirit (Petrol), from 10 per cent to 15 per cent in respect of High Speed Diesel. It is hoped that this drive would collect a substantial amount of revenue to the State Exchequer.*

- (c) The State Government is also trying to implement – (i) upward revision of various taxes under Land Revenue & Settlement Department (ii) introduction of Objective Valuation Methodology for Property taxes and (iii) introduction of lumpsum payment system for taxes under Transport Department. These initiatives are actively undertaken through implementation of MPRMP.*
- (d) The State Government has also taken lots of initiative in other areas too for the improvement of tax collection efficiency and tax payment compliance.*

38. It is, now, highly expected that the above measures collectively will bring about unprecedented improvement for the increments of tax-GSDP ratio and substantial improvement in State's own tax collection in a years to come.

### ***Expenditure Policy:***

39. Even though Thirteenth Finance Commission recommended more devolution of resources in comparison with the recommendation of Twelfth Finance Commission and the award period has been commenced from last fiscal, the State Government still finds it difficult today to tide over its financial constraints which happened due to implementation of Pay Revision for its regular employees, provision of huge amount of fund for the purchase of subsidized food grains and electricity. Hence, it is a must for the State Government to consciously draw up its expenditure policy and to formulate the possible and practical solution for settlement of this fiscal imbalance.

40. The Government of Mizoram, on its commitments to bring about necessary fiscal reforms in a balanced, sustainable fiscal situation and for creating the revenue earning capacity of the State, implements the Mizoram Public Resource Management Program. Under this Programme, the State Government avails a Program Loan, also called Structural Adjustment Loan from Asian Development Bank (ADB). The total Loan availed was **\$ 100 million (₹ 470.00 crores)**. The Government of India converted the Loan into **90 per cent** Grant and **10 per cent** Loan. The Loan was to be released in three tranches (installments) based on the performance of the targeted areas. Under this Program Loan, many initiatives are being actively undertaken and

pursued by the State Government. Some of them may be highlighted as below:

- (a) *Initiatives for Public Expenditure Reforms are included under this Programme. One important initiative is introduction of Medium Term Expenditure Frameworks (MTEF) and Medium Term Fiscal Frameworks which will have an effective impact in the budgetary exercise in a more systematic manner. The Finance Department (Fiscal Management Unit) had engaged two Consultants with specialization in MTEF in Education and Health sectors as a pilot project, and the consultants had actively started their works.*
- (b) *Another important project under public expenditure reforms is Computerizations of Treasuries and other selected Departments like Taxation, Public Health Engineering, Land Revenue & Settlement, Accounts & Treasuries, Health & Family Welfare and Education Department. As a pilot project of the program, the Finance department has started Computerization of Aizawl South Treasury which is expected to complete within April, 2011. Computerization of the remaining Treasuries and Departments will follow after completion of the pilot program.*
- (c) *Observation on the Public Sector Units (PSUs) in Mizoram revealed that most of them are sick units and they are continually making huge loss. Actually, they are liabilities for the Government, needing either closure or downsizing or revitalization. The Thirteenth Finance Commission also advised the states to complete a roadmap for closure of non-working PSUs by March 2011 (Para 7.95 & 7.97 of its Report); a task force and a steering committee should also be put in place to oversee sale or closure of such non-working PSUs (Para 7.98 of its Report. By recognizing this fact, the State Government has decided to revamp and restructure these PSUs by taking advantage of this Program. As such, PSUs Restructuring specialist has been engaged by Finance Department, who will submit his reports and specific recommendations for restructuring of the Government owned Enterprises viz... ZIDCO, ZOHANDCO, MAMCO, MIFCO and ZENICS. It is hoped that this action will help the Government in rebuilding PSUs to be the profit making body.*
- (d) *In order to contain and reduce non-productive expenditure, the State Government has also introduced Special Voluntary Retirement Scheme for Teachers called the 'Golden*

*Handshake to Teachers' for reduction of expenditure on Salary and its related items. It is expected that this initiative will bring about fruitful results in the near future.*

41. The main objectives of the Government's expenditure will continue to focus on increased spending for capital investments for laying development infrastructure. Utmost efforts will continue to betaken to contain revenue expenditure and increasingly utilize resources for meeting capital expenditure.

***Borrowings and Other Liabilities, Lending and Investments:***

42. As envisaged in the Thirteenth Finance Commission (FC-XIII) recommendation for fiscal reforms, the State Government is required to ensure its total outstanding debt, excluding Public Account and Risk weighed Outstanding Guarantees in a year shall not exceed twice of the estimated receipt in the Consolidated Fund of the State at the close of the financial year. Since it is prerequisite to fulfill the recommendation of FC-XIII in order to avail debt relief, the State Government is required to draw and follow conscious and stringent policy on borrowings to contain the net borrowings at a sustainable level relative to GSDP and Revenue Receipts.

43. Further, as per the recommendation of Thirteenth Finance Commission, the revised roadmap for fiscal consolidation targeted reduction of the debt stock as a percentage to the GSDP is as given below:-

**87.5 per cent** of GSDP in 2009-10,

**87.3 per cent** of GSDP in 2010-11,

**85.7 per cent** of GSDP in 2011-12,

**82.9 per cent** of GSDP in 2012-13,

**79.2 per cent** of GSDP in 2013-14, and

**74.8 per cent** of GSDP in 2014-15.

The outstanding debt of the State which was as high as ₹ **3259.82 crore** in 2008-09 was reduced to ₹ **3163.95 crore** during 2009-10. It can be ascertained for the moment that we need to avoid high cost long term loans, which of course included provident fund. However, during 2011-12, the outstanding liabilities including Public Account is estimated at ₹ **3580.72 crore** which is **49.62 per cent** of the projected

GSDP of ₹ **7216.75 crore** for the current financial year. Hence, the present position of the State finances in respect of outstanding liabilities can be rated satisfactory. Nevertheless, it will be the sincere commitment of the State Government to maintain the outstanding liabilities not to exceed the level of Thirteenth Finance Commission recommendation.

44. For the current financial year, the net State Government Budgetary Borrowings was fixed at ₹ **435.00 crore**. Out of these, Net Market Borrowings was fixed at ₹ **350.18 crore**, net accretion to State Provident Fund at ₹ **80.00 crore**, Gross small savings at ₹ **10.74 crore** and Gross negotiated loans at ₹ **71.72 crore**. At the same time, the Repayments was placed at ₹ **100.66 crore**. The State Government will try to manage its Budgetary Borrowing within the permitted limit as indicated above. The focus of the Government will shift to reduction of weight average interest rates on the borrowings which shall have the effect of reducing the expenditure on the account of interest payments over the medium term as well as long term. Thus, the Government, from now onwards, will favour low-cost RIDF loan of NABARD for creation of infrastructure in the rural and agricultural sector.

45. The State finances also, sometimes, requires investing its accumulation of fund deposited under Public Account by implementing on-lending system to PSUs/Societies/Agencies etc... However, till today, the progress of Government investments on those entities has become in negative direction resulting into loss of lots of fund. However, the State Government will slowly take a fresh initiative for restructuring of PSUs by taking advantage of the Asian Development Bank assisted Mizoram Public Resource Management Program (NPRMP) and with the expertise of the PSE Restructuring Experts and with the financial support of the ADB, the Government will explore the various policy options over the medium term to revamp and restructure these PSUs.

### ***Consolidated Sinking Fund***

46. The Consolidated Sinking Fund is a sizeable amount of fund built up by the State Government on account of accumulation of Reserve fund of the State's Public Account. The Government continues to invest funds in the sinking fund to generate funds for meeting its future repayment obligations of loans contracted in the past since the Revised Scheme was put into place during 2006-07. The amount of ₹ **16.50 crore** was invested in 2010-11, which is the prescribed 0.5 *per cent* of the total outstanding liabilities of the State Government as on 31<sup>st</sup> March, 2010. The continued investment of the Government results in

accumulation of Sinking Fund and the principal amount already invested up to 31.3.2011 comes to ₹ **90.75 crore**. In 2011-12, it is proposed to invest ₹ **21.75 crore** towards augmenting the corpus of the Fund.

### ***Contingent and Other Liabilities***

47. By recognizing the prime importance of efficient management of contingent liabilities, the State Government has set up a Guarantee Redemption Fund (GRF) in May, 2009 with initial corpus of ₹ **50.00 lakh**. Since the policy of availing Loans and Borrowings is bounded and restricted by the recommendations and provisions laid down by the Thirteenth Finance Commission, the Government of Mizoram has also been following a conscious policy of restricting the size of contingent liabilities not to fall out of the recommendations. A ceiling was laid down that fresh guarantees in a year should not exceed **3 per cent** of GSDP. The initial corpus fund has been augmented last year by investing an additional amount of ₹ **50.00 lakh** in 2010-11. However, the additional amount of ₹ **100.00 lakh** is tentatively proposed to be invested during the current financial year. The rating exercise, which has been prepared and pursued by CRISIL Ltd... will help the Government in collecting guarantee fees.

### ***Levy of User Charges***

48. The prevailing dependency syndrome and the practice of mass subsidy in the services rendered by the Government has become the issue which is dearly costing the resource-deficient Government. Since the resources transferred from Central Government is, sometimes, inadequate to meet even the basic needs of the State Government, it is mandatory to augment its own resources. As such, the Government will slowly move towards levying of optimum level of user charges and differential subsidy which will, however, be carried out without compromising the objective of ensuring social and economic security to the people living Below Poverty Line. Some of the new initiatives recently undertaken by the State Government may be highlighted as below:

- (a) *The State Government has introduced collection of Revenue Stamp from its regular employees starting from this financial year.*
- (b) *The Government has also increased various user charges on supply of drinking water wherein the rates are to be fixed on the basis of the amount of supplied water and the nature of how the water is supplied. Various user charges within*

*Transport Department are also proposed to be hiked from this financial year. Action in this regard has already been initiated and it is hoped that the proposal would be materialized in due course.*

- (c) The State Government is also implementing the compulsory registration of various documents relating to Land Revenue & Settlement Department such as Land Settlement Certificates (LSCs), Periodic Patta etc...However, the final notification to this effect has not been put into place for the moment. But, it is hoped that the action taken would be in place in near future.*
- (d) Even though the State Government has already legislated registration of Casual Labourers, Helpers etc..., compulsory registration has not been enforced till date on account of which the Government losses a substantial amount of revenue every year. From the current financial year, the State Government is trying to implement the compulsory registration of Casual Labourers like Carpenters, Helpers etc....*
- (e) Besides the above initiatives, the State Government has also taken lots of initiatives in other areas of Tax Reforms like improvement of Project cess from PWD Department, increased of bamboo tariff from Environment & Forest Department etc....*

49. Even in the years to come, augmentation of resources especially in respect of Non-Tax resources would remain accorded priority in the State policy and programme.

### **C. STRATEGIC PRIORITIES FOR THE ENSUING YEAR**

50. The priority of the State Government will continue to follow its commitment to adhere to the provisions and stipulations in the FRBM Act successfully without compromising the allocation of required amount of fund for capital expenditure. The provisions and recommendation for fiscal reforms laid down by the Thirteenth Finance Commission will be the guidepost of the State Government while framing and composing the programme and scheme of the State. Thus, the State Government will try to achieve all the target set by the Thirteenth Finance Commission even before the stipulated time by tapping all the resources available vis-à-vis rationalizing non-productive expenditure. Besides, the increasing devolution of resources from Central Government during the award period of Thirteenth

Finance Commission is expected to enable the State Government to crush the bottlenecks of its financial management.

#### **D. POLICY EVALUATION**

51. During the last few years especially after the introduction of Mizoram Fiscal Responsibility and Budget Management Act, 2006 which is amended from time to time, the policy and programme of the State Government has been framed and designed in line with various recommendations set forth by Thirteenth Finance Commission for the fiscal reforms of the State Government. However, some ups and downs of the State fiscal management may be highlighted hereunder. As per the actual figures of 2009-10 given by Finance Accounts, the Revenue Surplus during 2009-10 was placed at **₹ 260.80 crore**. However, the estimated revenue receipt in the Revised Estimates of 2010-11 fell down to **₹ 16.63 crore** from the Budget Estimates of **₹ 341.63 crore**. The unexpected achievement is mainly attributed to the implementation of Pay Revision, provision of huge subsidy for the purchase of food grains and electricity. On account of the same reason, the estimated fiscal deficit for 2010-11 (BE) which was initially placed at **₹ 41.83 crore** also went up to **₹ 732.85 crore** in the 2010-11 (RE). In the actual figures of 2009-10, the fiscal deficit was pegged at **₹ 311.62 crore**. Whatever the reasons it may be, this unexpected increase of fiscal deficit and unexpected decrease of revenue deficit cannot be simply ignored and taken for granted especially from the fiscal reforms point of view. Fortunately, the State Government views the matter seriously so that the issue has been taken up many times before Public Expenditure Review Committee as well as half yearly Finance Minister Review Committee. It is high time that even the public are also given awareness regarding the necessity and compulsive nature of generating own resources so that the masses would have been imparted the importance of complying tax payment. One of the eminent Finance experts in the country may be quoted as saying, *'the Central Government should not be expected to compensate lack of efforts'*.

52. However, as it has been stated above, the State Government is taking an utmost effort to generate its own resources vis-à-vis rationalizing the non-productive expenditure which is expected to correspondingly bring about an improvement in creating more fiscal space for enhancing capital expenditure.

#### **E. RATIONALE FOR POLICY CHANGES**

53. By recognizing the necessity and compulsive nature of augmenting own resources, the State Government is introducing

various Tax and Non-Tax reforms from the current financial year. Besides, efforts have also been paid by the Government to revise the selling price of food grains in such away that the Government will be able to handle food trading through the principle of no-loss no-gain which shall, however, be carried out without compromising the objective of food security. Moreover, the State Government will continue to be strongly guided by the principles of fiscal management with numerical targets outlined in the FRBM Act as amended from time to time. The State Government will also continue to focus towards Public Resource Management, Capacity Building and Tax & Non-Tax Reforms so as to achieve the objectives of containing surging expenditure and meeting its developmental commitments.

54. With keeping in mind the fiscal policy and management during the last few years, the Government of Mizoram has redrawn a Fiscal Correction Path in the light of 2009-10 (Actual), 2010-11 (BE), 2010-11 (RE) and 2011-12 (BE) including projections for the next two years in a format as outlined by the Ministry of Finance, Government of India in its guidelines for implementation of Debt Consolidation and Relief Facility recommended by the Twelfth Finance Commission. The Fiscal Correction Path is given in **Form-II (b)**. Selected fiscal indicators are also appended herewith in **Forms D-1, D-2, D-3, D-4 and D-5**.

## FORM II (b)

## Annexure - II

State : Mizoram

Outcome indicators of the State's Own Fiscal Correction Path

(Rupees in Crore)

| Items     |   | 2007-08<br>(Actual) | 2008-09<br>(Actual) | 2009-10<br>(Actual) | 2010-11<br>(BE) | 2010-11<br>(RE) | 2011-12<br>(BE) | 2012-13<br>(Proj) |
|-----------|---|---------------------|---------------------|---------------------|-----------------|-----------------|-----------------|-------------------|
| <b>A</b>  | <b>STATE REVENUE ACCOUNT :</b>          |                     |                     |                     |                 |                 |                 |                   |
| 1         | Own Tax Revenue                         | 77.51               | 94.62               | 107.58              | 118.26          | 124.15          | 173.17          | 190.49            |
| 2         | Own Non-Tax Revenue                     | 130.30              | 158.67              | 126.50              | 166.37          | 177.59          | 237.58          | 261.34            |
| <b>3</b>  | <b>Own Tax+Non Tax Revenue (1+2)</b>    | <b>207.81</b>       | <b>253.29</b>       | <b>234.08</b>       | <b>284.63</b>   | <b>301.74</b>   | <b>410.75</b>   | <b>451.83</b>     |
| 4         | Share in Central Taxes & Duties         | 363.36              | 383.39              | 394.53              | 563.06          | 590.78          | 709.73          | 780.70            |
| 5         | Plan Grants                             | 789.99              | 1281.83             | 1609.56             | 1599.44         | 1929.60         | 1701.90         | 1872.09           |
| 6         | Non-Plan Grants                         | 678.58              | 734.62              | 725.33              | 806.74          | 894.20          | 925.92          | 1018.51           |
| <b>7</b>  | <b>Total Central Transfer (4 to 6)</b>  | <b>1831.93</b>      | <b>2399.84</b>      | <b>2729.42</b>      | <b>2969.24</b>  | <b>3414.58</b>  | <b>3337.55</b>  | <b>3671.31</b>    |
| <b>8</b>  | <b>Total Revenue Receipts (3+7)</b>     | <b>2039.74</b>      | <b>2653.13</b>      | <b>2963.50</b>      | <b>3253.87</b>  | <b>3716.32</b>  | <b>3748.30</b>  | <b>4123.13</b>    |
| 9         | Plan Expenditure                        | 648.99              | 740.58              | 897.35              | 968.31          | 1496.12         | 1206.18         | 1326.80           |
| 10        | Non-Plan Expenditure                    | 1259.40             | 1573.22             | 1805.35             | 1943.92         | 2203.58         | 2220.08         | 2442.09           |
|           | <i>of which</i>                         |                     |                     |                     |                 |                 |                 |                   |
| 11        | Salary Expenditure                      | 588.26              | 739.06              | 881.80              | 1126.40         | 1216.90         | 1212.99         | 1334.29           |
| 12        | Pension                                 | 97.14               | 126.05              | 164.26              | 148.41          | 192.93          | 219.01          | 240.91            |
| 13        | Interest Payments                       | 208.01              | 225.61              | 254.35              | 246.01          | 258.77          | 271.24          | 298.36            |
| 14        | Subsidies - General                     | -                   | -                   | -                   | -               | -               | -               | -                 |
| 15        | Subsidies - Power                       | -                   | -                   | -                   | -               | -               | -               | -                 |
| <b>16</b> | <b>Total Revenue Expenditure (9+10)</b> | <b>1908.39</b>      | <b>2313.80</b>      | <b>2702.70</b>      | <b>2912.23</b>  | <b>3699.70</b>  | <b>3426.26</b>  | <b>3768.89</b>    |
| 17        | Sal+Interest+Pensions (11+12+13)        | 893.41              | 1090.72             | 1300.41             | 1520.82         | 1668.60         | 1703.24         | 1873.56           |
| 18        | as % of Revenue Receipts (17/8)         | 43.80               | 41.11               | 43.88               | 46.74           | 44.90           | 45.44           | 49.98             |
| <b>19</b> | <b>Revenue Surplus/Deficit (8 -16)</b>  | <b>131.35</b>       | <b>339.33</b>       | <b>260.80</b>       | <b>341.64</b>   | <b>16.62</b>    | <b>322.04</b>   | <b>354.24</b>     |

(Rupees in Crore)

| Items    |  | 2007-08<br>(Actual) | 2008-09<br>(Actual) | 2009-10<br>(Actual) | 2010-11<br>(BE) | 2010-11<br>(RE) | 2011-12<br>(BE) | 2012-13<br>(Proj) |
|----------|--|---------------------|---------------------|---------------------|-----------------|-----------------|-----------------|-------------------|
| <b>B</b> | <b>CONSOLIDATED DEBT :</b>   |                     |                     |                     |                 |                 |                 |                   |
| 1        | Outstanding debt and liability   | 3062.46             | 3259.82             | 3163.95             | 3201.35         | 3410.21         | 3580.72         | 3759.76           |
| 2        | Total Outstanding guarantee  | 131.97              | 114.25              | 102.99              | 110.00          | 110.00          | 110.00          | 110.00            |
|          | [of which guarantees on account of budgeted borrowing and SPV borrowing]   |                     |                     |                     |                 |                 |                 |                   |
| <b>C</b> | <b>CAPITAL ACCOUNT :</b>   |                     |                     |                     |                 |                 |                 |                   |
| 1        | Capital Outlay   | 544.24              | 441.04              | 572.80              | 388.48          | 750.34          | 496.95          | 546.65            |
| 2        | Disbursement of Loans and Advances   | 6.12                | 17.41               | 24.94               | 25.00           | 32.15           | 34.71           | 38.18             |
| 3        | Recovery of Loans and Advances   | 27.52               | 24.86               | 25.32               | 30.01           | 33.01           | 36.76           | 40.44             |
| 4        | Other Capital Receipts   | -                   | -                   | -                   | -               | -               | -               | -                 |
| 5        | Transfer to Contingency Fund   | -                   | -                   | -                   | -               | -               | -               | -                 |
| <b>D</b> | <b>GROSS FISCAL DEFICIT :</b>  | -391.49             | -94.26              | -311.62             | -41.83          | -732.86         | -172.86         | -190.15           |
|          | [(A <sub>8</sub> +C <sub>3</sub> +C <sub>4</sub> )-(A <sub>16</sub> +C <sub>1</sub> +C <sub>2</sub> +C <sub>5</sub> )] |                     |                     |                     |                 |                 |                 |                   |
| <b>E</b> | <b>GSDP (Rs. crs.) at current prices</b>   | 3411.66             | 3809.16             | 5497.93             | 6297.10         | 6297.10         | 7216.75         | 7938.43           |
|          | Actual/Assumed Growth Rate (%)   | 14.29               | 11.65               | 44.33               | 14.54           | 0.00            | 14.60           | 10.00             |
| <b>F</b> | <b>INDICATORS AS % OF GSDP</b>   |                     |                     |                     |                 |                 |                 |                   |
| 1        | Own Tax Revenue (A1/E)   | 2.27                | 2.48                | 1.96                | 1.88            | 1.97            | 2.40            | 2.40              |
| 2        | Own Non-Tax Revenue (A2/E)   | 3.82                | 4.17                | 2.30                | 2.64            | 2.82            | 3.29            | 3.29              |
| 3        | Total Central Transfer (A7/E)  | 53.70               | 63.00               | 49.64               | 47.15           | 54.22           | 46.25           | 46.25             |
| 4        | Total Revenue Expenditure (A16/E)  | 55.94               | 60.74               | 49.16               | 46.25           | 58.75           | 47.48           | 47.48             |
| 5        | Revenue Surplus/Deficit (A19/E)  | 3.85                | 8.91                | 4.74                | 5.43            | 0.26            | 4.46            | 4.46              |
| 6        | Gross Fiscal Deficit *   | 9.91                | 2.15                | 5.67                | 0.66            | 11.64           | 2.40            | 2.40              |
| 7        | Outstanding Debt and Liabilities (B1/E)  | 89.76               | 85.58               | 57.55               | 50.84           | 54.16           | 49.62           | 47.36             |

\* The State's GSDP series has been taken for measuring the GFD relative to GSDP.

FORM D - 1  
(See Rule 9)

**SELECT FISCAL INDICATORS**

| Items |  | 2009-2010<br>(Actual) | 2010-2011<br>(RE) |
|-------|--|-----------------------|-------------------|
| 1     | Gross Fiscal Deficit as Percentage of GSDP                             | 5.67                  | 11.64             |
| 2     | Revenue Deficit (-)/Surplus (+) as Percentage of GSDP                  | 4.74                  | 0.26              |
| 3     | Revenue Deficit (-)/Surplus (+) as Percentage of TRR                   | 8.80                  | 0.48              |
| 4     | Total Liabilities - GSDP Ratio (%)                                     | 57.55                 | 54.16             |
| 5     | Total Liabilities - Total Revenue Receipts (%)                         | 106.76                | 91.76             |
| 6     | Total Liabilities - State's Own Revenue Receipts (%)                   | 1351.65               | 1130.18           |
| 7     | State's Own Revenue Receipts - Revenue Expenditure (%)                 | 8.66                  | 8.16              |
| 8     | Capital Outlay as Percentage of Gross Fiscal Deficit                   | 183.81                | 102.39            |
| 9     | Interest Payment as Percentage of Revenue Receipts                     | 8.58                  | 6.96              |
| 10    | Salary Expenditure as Percentage of Total Revenue Receipts             | 29.76                 | 32.74             |
| 11    | Pension Expenditures as Percentage of Total Revenue Receipts           | 5.54                  | 5.19              |
| 12    | Non-Developmental Expenditure as Percentage of Aggregate Disbursement  | 25.85                 | 24.92             |
| 13    | Gross Transfer from the Centre as Percentage of Aggregate Disbursement | 74.46                 | 69.52             |
| 14    | Non-Tax Revenue as Percentage of Total Revenue Receipts                | 4.27                  | 4.78              |

FORM D - 2  
(See Rule 9)

**A. COMPONENTS OF STATE GOVERNMENT LIABILITIES**

| Category                                     | Raised during the Fiscal Year |               | Repayment/Redemption during the Fiscal Year |               | Outstanding Amount (End-March) |                |
|--|-------------------------------|---------------|---|---------------|--------------------------------|----------------|
|  | 2009-10 (Actuals)             | 2010-11 (RE)  | 2009-10 (Actuals)                           | 2010-11 (RE)  | 2009-10 (Actuals)              | 2010-11 (RE)   |
| <b>Market Borrowings</b>                     | -                             | 290.00        | 125.13                                      | 166.26        | 838.43                         | 962.17         |
| (a) Market Loans                             | -                             | 290.00        | 120.57                                      | 161.70        | 808.81                         | 937.11         |
| (b) Power Bonds                              | -                             | -             | 4.56  | 4.56          | 29.62                          | 25.06          |
| <b>Loans from Centre</b>                     | 32.17                         | 3.87          | 18.86                                       | 26.94         | 559.75                         | 536.68         |
| (a) Block Loans                              | 33.33                         | 3.87          | 15.68                                       | 23.75         | 317.56                         | 297.68         |
| (b) Other Loans                              | -1.16                         | -             | 3.18  | 3.19          | 242.19                         | 239.00         |
| <b>Special Securities issued to the NSSF</b> | 11.94                         | 26.46         | 3.75  | 6.72          | 146.50                         | 166.24         |
| <b>Institutions/Banks</b>                    | 45.04                         | 54.65         | 80.85                                       | 66.12         | 325.49                         | 314.02         |
| (a) LIC                                      | 20.00                         | 10.00         | 21.93                                       | 24.16         | 235.46                         | 221.30         |
| (b) NABARD                                   | 10.94                         | 40.00         | 10.38                                       | 12.34         | 60.54                          | 88.20          |
| (c) NCDC                                     | -                             | -             | 1.89  | 0.51          | 3.35                           | 2.84           |
| (d) Other Institutions                       | 14.10                         | 4.65          | 46.65                                       | 29.11         | 26.14                          | 1.68           |
| <b>WMA/OD from RBI</b>                       | 136.74                        | 163.36        | 136.74                                      | 163.36        | 27.21                          | 27.21          |
| <b>Provident Funds, etc.</b>                 | 396.79                        | 437.44        | 353.21                                      | 300.12        | 1266.57                        | 1403.89        |
| (a) Government Provident Fund                | 394.43                        | 433.94        | 349.34                                      | 297.62        | 1203.84                        | 1340.16        |
| (b) Insurance & Pension Fund                 | 2.36                          | 3.50          | 3.87  | 2.50          | 62.73                          | 63.73          |
| Other Liabilities                            | -                             | -             | -   | -             | -                              | -              |
| <b>TOTAL</b>                                 | <b>622.68</b>                 | <b>975.78</b> | <b>718.54</b>                               | <b>729.52</b> | <b>3163.95</b>                 | <b>3410.21</b> |

**B. WEIGHTED AVERAGE INTEREST RATES ON STATE GOVERNMENT**

(Percent)

| Category                                     | Raised during the Fiscal Year |              | Outstanding Amount (End-March) |              |
|--|-------------------------------|--------------|--------------------------------|--------------|
|  | 2009-10 (Actuals)             | 2010-11 (RE) | 2009-10 (Actuals)              | 2010-11 (RE) |
| Market Borrowings                            |                               |              |                                |              |
| (a) Market Loans                             | 8.43                          | 8.21         | 8.04                           | 8.04         |
| (b) Compensatory and other Bonds             | -                             | -            | 8.50                           | 8.50         |
| Loans from Centre                            | 9.00                          | 9.00         | 8.42                           | 8.42         |
| Special Securities issued to the NSSF        | 9.50                          | 9.00         | 9.82                           | 9.82         |
| Borrowings from Financial Institutions/Banks |                               |              |                                |              |
| (a) LIC                                      | 9.00                          | 9.00         | 7.70                           | 7.70         |
| (b) NABARD                                   | 6.50                          | 6.50         | 6.50                           | 6.50         |
| (c) REC                                      | 12.00                         | 12.00        | 10.28                          | 10.28        |
| (d) PFC                                      | -                             | -            | -                              | -            |
| (e) NCDC                                     | -                             | -            | -                              | -            |
| WMA/OD from RBI                              | -                             | -            | -                              | -            |
| Provident Funds, etc.                        | 8.00                          | 8.00         | 8.00                           | 8.00         |
| Other Liabilities                            | -                             | -            | -                              | -            |
| <b>TOTAL</b>                                 | <b>9.26</b>                   | <b>9.26</b>  | <b>8.14</b>                    | <b>8.14</b>  |

FORM D-3  
(See Rule 9)

**CONSOLIDATED SINKING FUND (CSF)**

(Amount in Rs. crore)

| Outstanding Balance in CSF at the beginning of the previous year<br>1 <sup>st</sup> April, 09 | Additions during the previous year | Withdrawals from CSF during the previous year | Outstanding balance in CSF at the end of the previous year/<br>beginning of the previous year<br>31 <sup>st</sup> March, 2010 | Col (4)/<br>Outstanding stock of SLR Borrowings (%) | Additions during the current year | Withdrawals from CSF during the current year | Outstanding balance in CSF at the end of current year/beginning of ensuing year<br>Tentative<br>31 <sup>st</sup> March, 2011 | Col. (S)<br>Outstanding stock of SLR Borrowings (%) |
|---|------------------------------------|---|---|---|-----------------------------------|--|--|---|
| 1   | 2                                  | 3   | 4   | 5   | 6                                 | 7  | 8  | 9   |
| 58.52   | 16.00                              | -   | 74.25   | -   | 17.00                             | -  | 91.25  |   |

FORM D-4  
(See Rule 9)

**GUARANTEES GIVEN BY THE GOVERNMENT**

| Category | Maximun Amount Guarantee during the year 2010-2011 (Rs. In crore) | Outstanding at the begining of the year (Rs. in crore) | Additions during the year (Rs. in crore) | Reductions during the year (Rs. in crore) | Invoked during the year (Rs. Crore) |                | Outstanding at the end of the year 2009-2010 (Rs. Crore) | Guarantee Commission or Fee (Rs. Crore) |          | Remarks |
|----------|---|--|--|---|-------------------------------------|----------------|--|---|----------|---------|
|          |   |  |  |   | Discharge                           | Not Discharged |  | Receivable                              | Received |         |
| 1        | 2   | 3  | 4  | 5   | 6                                   | 7              | 8  | 9                                       | 10       | 11      |
| Ordinary | 66.93   | 116.46   | 11.00                                    | 24.71                                     | -                                   | -              | 102.75   | -                                       | -        |         |

FORM D-5  
(See Rule 9)

**OUTSTANDING RISK - WEIGHTED GUARANTEES**

| Default Probability      | Risk Weights<br>(Percent) | Amount outstanding as in the<br>Previous year and the<br>Current Year | Risk Weighted outstanding<br>guarantee in the previous<br>year and the Current Year |
|--------------------------|---------------------------|---|---|
| Direct Liabilities       | 100                       | -   | -   |
| High Risk                | 65                        | -   | -   |
| Medium Risk              | 55                        | -   | -   |
| Low Risk                 | 25                        | -   | -   |
| Very Low Risk            | 5                         | -   | -   |
| <b>Total Outstanding</b> | -                         | -   | -   |

Note : An assessment of Risk-weight in the State Governments guarantees is not yet completed, default probability in the guaranteed loans could not be assigned.