



GOVERNMENT OF MIZORAM

**STATEMENT UNDER
THE MIZORAM FISCAL RESPONSIBILITY
AND BUDGET MANAGMENT ACT, 2006**

Containing

- 1) FISCAL POLICY STRATEGY STATEMENT*
- 2) MEDIUM TERM FISCAL POLICY STATEMENT*
- 3) MACRO ECONOMIC FRAMEWORK STATEMENT*

[As laid before the 8th Mizoram Legislative Assembly on the 13th February, 2023]

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FORM-II (a)

(See Rule 4)

1) FISCAL POLICY STRATEGY STATEMENT

A. FISCAL POLICY OVERVIEW & FISCAL POLICY FOR FY 2023-24

1. Fiscal Policy deals with the tax policies and expenditure decisions of the government and positively or negatively influences the economy of a state. When a government receives more than it spends, it has a surplus while, on the other hand, if a government spends more than it receives it runs a deficit and it needs to borrow from various sources to meet its expenditure requirements. The Outcome Indicators of the State's Own Fiscal Correction Path is given in Form-II (b). Selected fiscal indicators, component of State Government's liabilities and weighted average rates on State Government liabilities, consolidated sinking fund and outstanding risk – weighted guarantees as per Forms D-1, D-2, D-3, D-4 and D-5 are **appended**.
2. The Fiscal Policy Strategy Statement is laid before the House of the State Legislature along with the annual budget, as required under sub-sections 1 (b) and (4) of section 5 of the Mizoram Fiscal Reform and Budget Management Act, 2006. Fiscal Policy Strategy Statement, according to the Act, shall contain–
 - (a) *the fiscal policies of the State Government for the ensuing financial year relating to revenue receipts, expenditure, borrowing and other liabilities including guarantees, lending and investments, user charges on public goods/utilities and description of other activities, such as guarantees and activities of public sector undertakings which have potential budgetary implications;*
 - (b) *the strategic priorities of the State Government in the fiscal area for the ensuing financial year;*
 - (c) *key fiscal measures and the rationale for any major deviation in fiscal measures pertaining to revenue receipts, subsidy, expenditure, administered pricing, borrowings, and other liabilities including guarantees;*
 - (d) *evaluation of the current policies of the State Government vis-à-vis the fiscal management principles set out in section 4 and the fiscal objectives set out in the Medium Term Fiscal Plan.*
3. To ensure fiscal discipline, the State enacted the Mizoram Fiscal Responsibility and Budget Management (FRBM) Act, 2006 as per the recommendation of the Twelfth Finance Commission of India under which the Mizoram Fiscal Responsibility and Budget Management Rules, 2007 was framed and put into force from 1st July 2007. The state-level FRBM legislations henceforth has provided a platform for the implementation of prudent revenue and expenditure policies and the State Government has since followed a fiscal correction path with the objective of pruning annual revenue deficits to a minimum.

4. To ensure prudence in fiscal management and fiscal stability, the Mizoram FRBM Act, 2006 has been amended from time to time as highlighted below -

- a) *The Second Amendment Act, 2010 (Act No.13 of 2010) dated 19th October, 2010:*

Sub-section (2) of Section 6 of the Principal Act was substituted as:- “reduce fiscal deficit to 3 % of the estimated GSDP by 2014-15.”

Sub-section (4) of Section 6 of the Principal Act is substituted as:- “reduce fiscal deficit annually so as to reach the goal set with the following rates of annual reduction –

6.40 % in 2011-12, 5.20 % in 2012-13, 4.10 % in 2013-14 and 3 % in 2014-15.”

- b) *The Third Amendment Act, 2011 (Act No. 4 of 2011) dated 29th March, 2011:*

Sub-Section (5) of Section 6 of the Principal Act is substituted as:- “reduce total outstanding debt at a %age of GSDP so as to reach the annual target of 87.30 % in 2010-11, 85.70 % in 2011-12, 82.90 % in 2012-13, 79.20 % in 2013-14 and 74.80 % in 2014-15.”

- c) *The Fourth Amendment Act, 2011 (Act No. 17 of 2011) dated 4th August, 2011:*

Sub-Section (4) of Section 6 of the Principal Act is substituted as:- “reduce fiscal deficit annually at a percentage of GSDP so as to reach the goal set out in clause (2) with the following rates of annual reduction – 7.5% in 2010-11, 6.4% in 2011-12, 5.2% in 2012-13, 4.1% in 2013-14 and 3.0% in 2014-15.”

- d) *The Fifth and last Amendment Act, 2020 (Act No.12 of 2020) dated 30th September, 2020:*

Sub-Section (2) of Section 6 of the Principal Act is substituted as:- “reduce fiscal deficit to 3% of the estimated GSDP by 2024-25.”

Sub-Section (4) of Section 6 of the Principal Act is substituted as:- “reduce fiscal deficit annually at a percentage of GSDP so as to reach the goal set out in Sub-sec 2 with the following rates of annual reduction – 8.34% in 2019-20, 6.4% in 2020-21, 5.2% in 2021-22, 4.1% in 2022-23, 3.5% in 2023-24 and 3% in 2024-25.”

5. The Gross Fiscal Deficit during 2021-22 was ₹372.53 crore and ₹2101.84 crore in 2022-23 (RE) which are 1.44% and 6.95% of the corresponding GSDP respectively. Gross Fiscal Deficit estimated for 2023-24 is ₹1247.21 crore which is 3.47 % of GSDP. Fiscal deficit indicates the total borrowing requirements of the Government from all sources. From the view point of the economy, fiscal deficit is the most significant indicator since it shows the gap between Government receipts and

Government expenditure. It reflects the true extent of borrowings by the Government in a fiscal year.

6. The fiscal policy for 2023-2024 will be in line with the broad fiscal rules set by the Fifteenth Finance Commissions as follows.
 - a. *To continue the process of fiscal reforms and consolidation; abolition of revenue deficit and maintain fiscal deficits within 5.2% of GSDP in 2021-22 thereafter gradually reduce to 3% by 2023-24.*
 - b. *To improve Own Tax Revenues and Own Tax-GSDP ratio.*
 - c. *To improve commercial viability of departmental undertakings in critical sectors such as power and transport, and also in public sector units.*
 - d. *To improve the quality of expenditure.*
 - e. *To increase allocation of fund in socio-economic sectors.*
 - f. *To increase capital investment in infrastructure sector.*
 - g. *To contain outstanding liabilities excluding Public Account and risk weighted 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.*

12. The Fifteenth Commission has generally taken three fiscal parameters to drive the fiscal consolidation path of the States in India namely revenue deficit, fiscal deficit, and outstanding liabilities as a measure of GSDP.

13. The indicative Deficit and Debt path for State Governments as set by the Fifteenth Finance Commission is as follows :-

(% of GSDP)

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Revenue deficit	-0.1	-0.5	-0.8	-1.2	-1.7	-2.5
Fiscal deficit	4.5	4.0	3.5	3.0	3.0	3.0
Total liabilities	33.1	323.6	33.3	33.1	32.8	32.5

14. The Government's Fiscal Policy Strategy for 2023-24 is guided by the principles of increasing capital investments, reduction in excess expenditure, and augmentation of State's Own Revenue etc.

Tax Policy

15. Mizoram Resource Mobilization Committee (MRMC) was constituted on 21st January 2022 with an aim to put in place a mechanism for better and efficient collection of tax and non-tax revenues, widening of tax base, recovery of loans availed from the

State Government etc. The Committee has had 10 sittings and 3 consultation meetings since its inception. The Committee is expected to contribute substantially in curbing excessive expenditure and in generating revenue for the State.

16. The State's Own Tax Revenue (SOTR) so far accrued to the State Government may be summarized as follows:- ₹730.98 crore in 2019-20 (Actuals), ₹647.56 crore in 2020-21 (Actuals), ₹853.93 crore in 2021-22 (Actuals) and ₹971.80 crore in 2022-23 (RE). A total of ₹1084.30 crore is estimated to be collected under State's Own Tax Revenue in 2023-24.

Expenditure Policy

17. The expenditure policy of the State Government should, first of all, be guided by the provisions and recommendations as laid down by the Fourteenth and Fifteenth Finance Commission. In the meantime, the state is still faced with certain fiscal hiccups in spite of the fairly substantial increase in the volume of resources transferred through devolution of tax share. This problem is aggravated by incessant provision of mass subsidy on purchase of food-grains and power, salaries of employees under a few CSS Schemes which are paid from the State's revenue, debt repayment and pandemic induced unforeseen expenditure. Hence, it is essential for the State Government to purposely draw up its expenditure policy and to formulate the ground solution for settlement of this fiscal dilemma.
18. A Manpower Assessment Committee has been formed to make an assessment of the number of posts required to be retained/created, to make recommendation for filling up of various posts on the basis of functional requirements, engagement of outside agencies for cost-effective performance etc. Mizoram Resource Mobilization Committee (MRMC) will also look into ways of reduction of excessive and unnecessary expenses of the Government.
19. The State Government is striving 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 has tightened the fiscal maneuverability of the State Government. Therefore, the expenditure on Capital Account is being anticipated on the basis of two factors – first, the total amount of devolution as recommended by the Finance Commission, second, the Revenue Surplus that the State Government is expected to generate on its own. The amount of devolution that needs to be set aside for capital formation or expenditures which are of capital in nature are generally determined by the left-over from the committed revenue expenditures. The Total Capital Expenditure of the State was ₹2746.76 crore in 2020-21 (Actuals), ₹4804.90 crore in 2021-22 (Actuals), ₹4086.53 crore in 2022-23 (RE). An amount of ₹3141.19 crore is estimated to be used under Capital Expenditure during 2023-24. Capital Outlay for 2023-24 is estimated at ₹1696.68 crore against ₹2735.71 crore in 2022-23 (RE).

20. Given the importance of public expenditure on development heads from the point of view of social and economic development, it is crucial for the state to take appropriate expenditure rationalization measures thereby laying emphasis on provision of core public and merit goods. In the meantime, sufficient provisions for services that promote productivity directly or indirectly within the state by improving human resources need to be considered. The Government has slowly lifted Austerity Measures on ban on direct recruitment and regularization of contract employees which were imposed in the wake of covid induced financial difficulties. Some of the Austerity Measures imposed are still adopted as cost-cutting measures while some are examined on a case by case basis in the midst of the State's poor finances.

Borrowings and other liabilities, lending and investments

21. 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 States like ours. This, in essence, is not harmful as long as it leads to capital formation but what has become harmful is the unhealthy practice of meeting revenue expenditures from capital receipts which is currently practiced because of financial difficulties brought about by the Covid waves.
22. Considering the economic backdrop due to covid pandemic and mounting debts, and in order to avoid a sudden drop in the resource availability of the States, the Commission has recommended the Normal Borrowing Ceiling (NBC) of Mizoram for the year 2022-23 at 3.5% of projected GSDP. As recommended by the Commission, Ministry of Finance, Department of Expenditure has allowed NBC for ₹1423.00 crore for 2022-23. Thereafter, it has recommended to go in a downward curve of 3% in the succeeding years till 2025-26. The recommended normal borrowing limit for 2021-22 was 4% of GSDP.
23. NBC covers all sources of borrowings, including Open Market Borrowings, Negotiated Loans from financial institutions, National Small Saving Fund loans, Central Government loans including EAP loans, other liabilities arising out of public account transfers under small savings, Provident Funds, Reserve Funds, Deposits etc. However, the fifty-year interest-free loan under *Special Assistance to States for Capital Investment* shall be over and above the normal borrowing ceiling allowed to the States.
24. The financing pattern of the state is witnessing a compositional shift with market borrowings emerging as the dominant source while the role of flows from national small savings funds has shown a gradual decline.
25. The overall fiscal liabilities of the state have increased at an average annual rate of 9.13 % during 2010-15 reaching ₹6407.30 crore in 2015-16. Within a span of six years, the overall liabilities have risen to ₹11623.22 crore in 2021-22 (RE) which is an increase of 17.63% from 2020-21 (Actuals). The fiscal deficit of the state is (-) ₹1869.31 crore in 2020-21 and (-) ₹1757.03 crore in 2021-22 (RE). The increase in the fiscal

liabilities and minimal decrease in fiscal deficit during 2021-22 is mainly due to the surging increase in Public Accounts liabilities and reduced income of the state. However, the fiscal deficit is estimated to stand at (-) ₹1210.44 crore during 2022-23, which will be 3.07% of GSDP falls within the limit set by the MFRBM Act.

26. With an aim to minimize the debt accumulation, the Government has to take utmost care in utilization of the borrowed funds while leaving sufficient room for Capital Investments.

Consolidated Sinking Fund

27. In line with the recommendations of the Tenth Finance Commission, the Reserve Bank of India enabled creation of Consolidated Sinking Fund (CSF) in 1999 to provide the state with a cushion for repayment of open market loans. The states were to contribute one to three per cent of their outstanding open market loans as at the end of the previous year. Subsequently the ambit of the CSF was expanded in 2006-07 to include amortization of all liabilities with the stipulated contribution of minimum 0.5 % of the outstanding liabilities of the state as at the end of the previous financial year.
28. Investment of the Government in Consolidated Sinking Fund (CSF), which is a Reserve Fund set aside by the Reserve Bank of India (RBI) to repay debts, acted as a buffer during the covid crisis. State Governments maintain a Consolidated Sinking Fund (CSF) with the Reserve Bank as a buffer for repayment of their liabilities. In the light of the Covid-19 pandemic and the consequent stress on State Government finances, the RBI has reviewed the Scheme and has decided to relax the rules governing withdrawal from the CSF, while at the same time ensuring that depletion of the fund balance is done prudently, and has allowed to withdraw a part of the principal in CSF to meet redemption obligations. In 2020-21, an amount of ₹266.65 crore was withdrawn, out of which ₹100.00 crore was utilised for repayment of outstanding liabilities on public accounts and ₹ 166.65 crore was used for meeting redemptions of OMB in FY 2020-21. Further, in the wake of covid crisis even as obligatory expenses increased rapidly, withdrawal of ₹150 was also made from the CSF in 2022-23, which was used for repayment of liabilities arose due to Overdraft state. Outstanding balance of the Government in CSF as on 2022-23 is ₹362.46 crore. The State Government is intending to strengthen the Consolidated Sinking Fund (CFS) by gradually increasing the quantum of investment in the fund so that the corpus fund would be in the average range of 5 per cent of the State's liabilities.
29. The Twelfth Finance Commission recommended that all states should set up sinking funds/guaranteed redemption fund for amortization of all loan including loans from banks, liabilities on account of NSSF, etc through earmarked guarantee fees. In line with the recommendations of the Twelfth Finance Commission and to ensure good fiscal governance, the Government set up a Guarantee Redemption Fund (GRF) in May, 2009 with an initial corpus fund of ₹0.50 crore. The State Government is required to contribute an amount equivalent to at least 1/5th of the outstanding guarantees during the year. This fund is maintained outside the consolidated fund

of the state in the public account and is not to be used for any other purpose, except for redemption of loans. The total principal amount invested up to December 2022 is ₹50.50 crore and the outstanding balance along with the interest accrued for the principal investment by end of 2022-23 would be ₹65.59 crore.

30. The Government of Mizoram has also been following a conscious policy of restricting the size of the contingent liabilities and has been keenly pursuing a policy for streamlining the process of handling contingent liabilities in the State's finance. A ceiling was also laid down that fresh guarantees in a year should not exceed 3 per cent of GSDP. The Mizoram Ceiling on Government Guarantees Rules, 2013, put in place from April 2013 is helping the Government in collecting guarantee commission fees at a minimum of 0.75 percent of the guaranteed loan.
31. Since Guarantees are contingent liability that may have to be invoked if an event covered by the guarantee occurs, it often results in increase of contingent liabilities. It is imperative that a conscious policy of restricting the size of the contingent liabilities be put into place while pursuing a policy for streamlining the process of handling contingent liabilities in the state's finances. Therefore, any proposal for availing of loan has to be examined with much diligence taking into account the credit-worthiness, the amount and risks involved, the terms of borrowing along with justification and public purpose to be served and the possible commitments and costs of such liabilities, etc.

B. STRATEGIC PRIORITIES FOR THE ENSUING YEAR:

32. The government will be focusing on generating employment opportunities as well as skill development among the youth. It will also strongly concentrate on tapping more revenue potential without causing undue burden to the general public and thereby increasing capital investment in a sustainable manner. It will continue to adhere to the stipulations in the FRBM Act successfully without sacrificing the requirements of expenditure for capital investments.
33. The government will continue to commit on smooth implementation of Integrated Financial Management System (IFMIS) Project went live on 1st September, 2021. The objective of IFMIS Project is to develop and introduce reliable integrated system for management of treasuries in Mizoram by providing real-time data of core business processes, authentic system of checks and balances and thereby resulting in reformed financial management system in Mizoram. Although the project is still in a transitional stage, many DDOs have already submitted their bills through IFMIS.
34. The State has major ongoing Externally Aided Projects (EAP) and projects that are in the pipeline. Projects under EAP are funded by foreign agencies with prior consent of Department of Economic Affairs, Ministry of Finance and recommendation from concerned Ministries. EAPs are major sources of funds for high impact developmental projects in enhancing the government spending towards Roads, Urban Development,

Infrastructure and other areas of economic development. The State contributes a counterpart funding of 20% from the estimated project cost and has a 10% share in the loan amount. Ongoing projects under EAP are *Mizoram Health Systems Strengthening Project (MHSSP)*, *Fostering Climate Resilient Upland Farming Systems in the Northeast (FOCUS Mizoram)*, *Technical Assistance for Capacity Enhancement for Sustainable Agriculture and Irrigation* and *PRF for Sustainable Urban Transport Project in Aizawl City*.

35. Special Assistance to States for Capital Investment (SASCI) earlier known as Scheme for Special Assistance to States for Capital Expenditure (SASCE) was extended by the Centre to cushion the shortfall in tax revenue arising from Covid-19 pandemic. The Centre, in its budget for 2023-24, has decided to continue the 50-year interest free loan to state governments for one more year to spur investment in infrastructure and to incentivize them for complementary policy actions with an enhanced outlay of ₹1.3 lakh crore. In 2020-21, the total allocation was ₹200.00 crore while in 2021-22, an amount of ₹300.00 crore was allocated under the Scheme. Allocation was made to the tune of ₹497.50 in 2022-23 which was segregated into four parts viz. ₹400.00 crore under SASCI Part-I, ₹25.00 crore under Part-II, ₹22.50 crore under Part IV and ₹50.00 crore under Part V of the Scheme. The assistance comes in the form of 50-year interest free loan for capital investment projects. The fund is earmarked for development projects across the State.
36. The State will continue to avail loans from NABARD under Rural Infrastructure Development Fund (RIDF) for development of agriculture and related sector, social sector and rural connectivity. Many school buildings and healthcare infrastructure have been constructed and upgraded through RIDF loans. Varied rural development projects such as construction of feeders for power supply to agriculture lands, solar water pumping, agriculture link roads, minor irrigation projects etc. are taken up under RIDF loans. Construction of food grain warehouses and warehouses for storage of vegetables and fruits are also constructed under NABARD Warehouse Infrastructure Fund. Normative allocation for NABARD XXVIII i.e. for FY 2022-23 is ₹230.00 crore, allocation for 2023-24 is also expected to be more or less around the present figure. At present, these loans carry an interest rate of 5% p.a.
37. The Government will also prioritize implementation of the Mizoram Responsible Tourism Policy in all its upcoming tourism projects. The policy envisages to follow a sustainable development strategy, coordination, strengthening institutional framework and skill development and will also focus on making tourism a tool for development of villages and local communities, eradicating poverty and providing livelihood for the local population while upholding the principles of economic, social and environmental responsibilities.

FORM II (b)
Annexure-II State : Mizoram

Outcome indicators of the State's Own Fiscal Correction Path

(₹ in crore)

	Items	2020-21 (Actuals)	2021-22 (Actuals)	2022-23 (BE)	2022-23 (RE)	2023-24 (BE)	2024-25 (Proj.)
A	STATE REVENUE ACCOUNT :						
1	Own Tax Revenue	647.56	853.93	801.30	971.80	1084.30	1171.04
2	Own Non-Tax Revenue	561.76	622.11	836.43	855.10	897.00	932.89
3	Own Tax + Non Tax Revenue (1+2)	1209.32	1476.04	1637.73	1826.90	1981.29	2103.93
4	Share in Central Taxes & Duties	3010.55	4222.87	4083.24	4745.25	5107.25	5515.83
5	Grants-in-Aid from Central Government	3520.80	3460.83	5705.24	5871.65	4398.08	4837.89
6	Total Central Transfer (4+5)	6531.35	7683.70	9788.48	10616.90	9505.33	10353.72
7	Total Revenue Receipts (3+6)	7740.67	9159.74	11426.21	12443.80	11486.63	12457.65
8	CSS Expenditure	964.88	1084.95	2298.17	2761.61	2147.90	2319.73
9	State Expenditure	7549.91	7472.54	7708.34	9079.14	8920.86	9634.52
	<i>of which</i>						
	a) Salary Expenditure	3270.92	3939.29	3537.48	4445.93	4453.24	4809.50
	b) Pension	1482.55	1331.09	1725.69	1725.69	1875.69	2025.75
	c) Interest Payment	400.98	450.64	462.14	571.19	662.23	715.21
10	Subsidies - General	0.22	0.84				
11	Subsidies - Power		82.96	109.00	109.00	157.90	
12	Total Revenue Expenditure (8+9)	8514.79	8557.49	10006.51	11840.75	11068.76	11954.25
13	Sal+Interest+Pensions [9(a)+9(b)+9(c)]	5154.45	5721.02	5725.31	6742.81	6991.16	7550.45
14	as % of Revenue Receipts (13/7)	66.59	62.46	50.11	54.19	60.86	60.61
15	Revenue Surplus/Deficit (7-12)	-774.12	602.25	1419.70	603.05	417.87	503.40
B	CONSOLIDATED DEBT :						
1	Outstanding debt and liability	9881.09	10570.93	12553.08	12479.25	13584.80	14671.58
2	Total Outstanding guarantee	86.29	73.73	106.72	106.72	90.00	90.00
	<i>[of which guarantees on account of budgeted borrowing and SPV borrowing]</i>						
C	CAPITAL ACCOUNT :						
1	Capital Outlay	1125.97	1004.38	2663.14	2735.70	1696.68	1832.41
2	Disbursement of Loans and Advances	2.90	2.57	0.60	2.79	2.00	2.00
3	Recovery of Loans and Advances	33.68	32.17	33.60	33.60	33.60	33.60
4	Other Capital Receipts						
5	Transfer to Contingency Fund						
D	GROSS FISCAL DEFICIT :	-1869.31	-372.53	-1210.44	-2101.84	-1247.21	-1297.41
	$[(A_7+C_3+C_4)-(A_{12}+C_1+C_2+C_5)]$						
E	GSDP (Rs. crs.) at current prices	29076.42	25795.86	39458.50	30223.60	35904.04	43208.33
	Actual/Assumed Growth Rate (%)	9.71	-11.28	52.96	17.16	-9.01	20.34
F	INDICATORS AS % OF GSDP						
1	Own Tax Revenue (A1/E)	2.23	3.31	2.03	3.22	3.02	2.71
2	Own Non-Tax Revenue (A2/E)	1.93	2.41	2.12	2.83	2.50	2.16
3	Total Central Transfer (A8/E)	22.46	29.79	24.81	35.13	26.47	23.96
4	Total Revenue Expenditure (A14/E)	29.28	33.17	25.36	39.18	30.83	27.67
5	Revenue Surplus/Deficit (A17/E)	-2.66	2.33	3.60	2.00	1.16	1.17
6	Gross Fiscal Deficit (D/E)	-6.43	-1.44	-3.07	-6.95	-3.47	-3.00
7	Outstanding Debt and Liabilities (B1/E)	33.98	40.98	31.81	41.29	37.84	33.96

FORM D - 1
(See Rule 9)

SELECT FISCAL INDICATORS

	Items	2021-22 (Actuals)	2022-23 (RE)
1	Gross Fiscal Deficit as Percentage of GSDP	-1.44	-6.95
2	Revenue Deficit (-)/Surplus (+) as Percentage of GSDP	2.33	2.00
3	Revenue Deficit (-)/Surplus (+) as Percentage of TRR	6.57	4.85
4	Total Liabilities - GSDP Ratio (%)	40.98	41.29
5	Total Liabilities - Total Revenue Receipts (%)	115.41	100.28
6	Total Liabilities - State's Own Revenue Receipts (%)	716.17	683.08
7	State's Own Revenue Receipts - Revenue Expenditure (%)	17.25	15.43
8	Capital Outlay as Percentage of Gross Fiscal Deficit	-269.61	-130.16
9	Interest Payment as Percentage of Revenue Receipts	4.92	4.59
10	Salary Expenditure as Percentage of Total Revenue Receipts	43.01	35.73
11	Pension Expenditures as Percentage of Total Revenue Receipts	14.53	13.87
12	Non-Developmental Expenditure as Percentage of Aggregate Disbursement	23.19	25.39
13	Gross Transfer from the Centre as Percentage of Aggregate Disbursement	57.50	66.66
14	Non-Tax Revenue as Percentage of Total Revenue Receipts	6.79	6.87

FORM D - 2
(See Rule 9)

A. COMPONENTS OF STATE GOVERNMENT LIABILITIES

(₹ in crore)

Category	Raised during the Fiscal Year		Repayment/Redemption during the Fiscal Year		Outstanding Amount (End March)	
	2021-22 (Actuals)	2022-23 (RE)	2021-22 (Actuals)	2022-23 (RE)	2021-22 (Actuals)	2022-23 (RE)
Market Borrowings	747.33	1,315.00	300.00	185.75	4,098.77	5,228.02
(a) Market Loans	747.33	1,315.00	300.00	185.75	4,096.49	5,225.74
(b) Power Bonds					2.28	2.28
Loans from Centre	309.82	616.84	23.02	25.38	771.16	1,362.62
(a) Block Loans	9.83	19.34	23.02	25.38	392.22	386.18
(b) Special Assistance (SASCE)	299.99	597.50			299.99	897.49
(c) Other Loans					78.95	78.95
Special Securities issued to the NSSF			17.01	14.30	136.85	122.55
Borrowings from Financial Institutions/Banks	150.88	229.00	105.67	122.59	767.00	873.41
(a) LIC	-	-	17.62	12.71	-141.19	-153.90
(b) GIC	-	-	-	-	0.07	0.07
(c) NABARD	150.00	220.00	77.63	98.51	642.47	763.96
(d) NCDC	0.88	5.00	6.29	6.24	10.17	8.93
(e) Other Institutions		4.00	4.13	5.13	173.51	172.38
1) REC		2.00	3.79	4.41	166.84	164.43
2) HUDCO	-	-	-	-	-	-
3) PFC		2.00	0.34	0.72	6.67	7.95
(f) Others			-		81.97	81.97
WMA/OD from RBI	3,352.25	1,000.00	3,352.25	1,000.00	-	-
Provident Funds, etc.	689.20	978.00	396.82	917.00	2,695.72	2,756.72
(a) General Provident Fund	673.80	960.00	384.43	900.00	2,605.31	2,665.31
(b) Insurance & Pen. Fund	15.40	18.00	12.39	17.00	90.41	91.41
Other Liabilities	1,430.20	1,676.22	1,795.07	1,623.72	2,101.43	2,153.93
TOTAL	6,679.68	5,815.06	5,989.84	3,888.74	10,570.93	12,497.25

B. WEIGHTED AVERAGE INTEREST RATES ON STATE GOVERNMENT LIABILITIES

(Percentage)

Category	Raised during the Fiscal Year		Outstanding Amount (End-March)	
	2021-22 (Actuals)	2022-23 (RE)	2021-22 (Actuals)	2022-23 (RE)
Market Borrowings				
(a) Market Loans	7.10	7.79	7.67	7.69
(b) Compensatory and other Bonds	-	-	-	-
Loans from Centre	9.00	9.80	9.00	9.00
Special Securities issued to the NSSF	-	-	9.50	9.50
Borrowings from Financial Instt./Banks	-	-	-	-
(a) LIC	-	-	-	-
(b) NABARD	2.75	4.12	3.93	3.97
(c) REC	-	-	-	-
(d) PFC	-	-	-	-
(e) NCDC	11.35	11.35	11.35	11.35
WMA/OD from RBI	-	-	-	-
Provident Funds, etc.	8.00	8.00	8.00	8.00
Other Liabilities	-	-	-	-
TOTAL	7.69	8.18	10.15	9.83

FORM D-3
(See Rule 9)

CONSOLIDATED SINKING FUND (CSF)

(₹ in crore)

Outstanding Balance in CSF at the beginning of the previous year 1st April, 2021	Additions during the previous year	Withdrawals from CSF during the previous year	Outstanding balance in CSF at the end of the previous year/ beginning of the previous year 31st March, 2022	Col (4)/ Outstanding stock of SLR Borrowings (%)	Additions during the current year 2022-23	Withdrawals from CSF during the current year	Outstanding balance in CSF at the end of current year/beginning of ensuing year Tentative 31st March, 2023	Col. (S) Outstanding stock of SLR Borrowings (%)
1	2	3	4	5	6	7	8	9
367.00	45.15		440.00		52.46	150.00	362.46	

FORM D-4
(See Rule 9)

GUARANTEES GIVEN BY THE GOVERNMENT

Category	Maximum Amount Guaranteed (Rs. In crore)	Outstanding at the beginning of the year 2021-22 (₹ in crore)	Additions during the year 2021-22 (₹ in crore)	Reductions during the year 2021-22 (₹ in crore)	Invoked during the year 2021-22 (₹ in crore)		Outstanding at the end of the year 2021-22 (₹ in crore)	Guarantee Commission or Fee (Rs. Crore)		Re-marks
					Dis-charged	Not Dis-charged		Receiv-able	Re-ceived	
1	2	3	4	5	6	7	8	9	10	
Cooperative	34.28	16.63	2.50	1.81			17.33			
Govt. Companies	59.67	22.68	-	-			22.68			
Other Statutory Corporation	37.42	15.24	-	-	4.92	0.90	10.32			
Other Institutions	47.50	31.74	-	8.33			23.40			
TOTAL	178.87	86.29	2.50	10.14	4.92	0.90	73.73	-	-	

FORM D-5
(See Rule 9)

OUTSTANDING RISK - WEIGHTED GUARANTEES

Default Probability	Risk Weights (Percent)	Amount outstanding as in the Previous year and the Current Year	Risk Weighted outstanding guarantee in the previous year and the Current Year
Direct Liabilities	100		
High Risk	65		
Medium Risk	55		
Low Risk	25		
Very Low Risk	5		

FORM – I
(See Rule 3)

2) MEDIUM TERM FISCAL POLICY STATEMENT

1. The Medium Term Fiscal Policy Statement is presented every year before the House of the Mizoram State Legislative Assembly, as required under sub-sections 1 (a) and (2) of section 5 of the Mizoram Fiscal Reform and Budget Management Act, 2006. It sets out the three-year rolling targets for specific fiscal indicators in relation to GDP at market prices which are:-
 - a) *Revenue Deficit as a percentage of Gross State Domestic Product (GSDP);*
 - b) *Fiscal Deficit as a percentage of Gross State Domestic Product (GSDP);*
 - c) *Total Outstanding Liabilities as a percentage of GSDP and also of Total Revenue Receipts;*
 - d) *Interest Payment as a percentage of Total Revenue Receipts;*
 - e) *any additional target(s) the Government may like to prescribe.*
2. The Statement includes the underlying assumptions, an assessment of sustainability relating to balance between revenue receipts and revenue expenditure, and the use of capital receipts including borrowings for generating productive assets.

A. FISCAL INDICATORS - ROLLING TARGETS

Table 1: Fiscal Indicators (as a percentage of GSDP)

Sl. No.	Item	2021-22 (Actuals)	2022-23 (Budget Estimate)	2022-23 (Revised Estimate)	2023-24 (Budget Estimate)	Target for next Two Years	
						2024-25 (Proj.)	2025-26 (Proj.)
1	Revenue Deficit(-)/ Surplus(+) as a % of GSDP	2.33	3.60	2.00	1.16	1.17	0.91
2	Fiscal Deficit as a % of GSDP	-1.44	-3.07	-6.95	-3.47	-3.00	-3.00
3	Total Outstanding Liabilities as a % of GSDP	40.98	31.81	41.29	37.84	33.96	30.44
4	Total Outstanding Liabilities as a % Total Revenue Receipt(TRR)	115.41	109.86	100.28	118.27	117.77	114.05
5	Interest Payments as a % of Total Revenue Receipt(TRR)	4.92	4.04	4.59	5.77	5.74	5.77

Note : GSDP is the Gross State Domestic Product estimated by Economics & Statistics Department, Government of Mizoram of 2011 series: 2020-21 (prov), 2021-22 (adv.), 2022-23 (projected), 2023-24 (projected), 2024-25 (projected)

3. The State Government heavily depends on the Central Government on the terms of devolution of resources from the Central Government as recommended by the Finance Commissions for the determination of its fiscal policy. This being the case, any change in revenue income at the Centre directly affects the State's financial condition. In this background, fiscal targets of the State Government are set and are indicated at **table 1** above.

Fiscal Outlook for RE 2022-23

4. The Gross Fiscal Deficit in 2022-23 was projected at 3.07% of GSDP in the Budget Estimates 2022-23. However, the Fiscal Deficit to GSDP ratio has substantially been increased to 6.95% in the Revised Estimates of FY 2022-23. The deviation is mainly due to sharp decrease of the GSDP which was estimated at ₹39458.50 crore in BE 2022-23 against RE of ₹30233.60 crore. Although the State Government has put all efforts, the GSDP has fallen drastically in the wake of the ongoing pandemic. As highlighted in *Table 1* above, mounting borrowings as a measure to ease the State's financial stress resulted in increased liabilities in RE 2022-23 as the State has availed huge interest-free loan under Special Assistance to States for Capital Investment.

Fiscal Outlook for BE 2023-24

5. Fiscal deficit for BE 2023-24 is estimated to be 3.47% of GSDP against the 6.95% of GSDP in RE 2022-23. In absolute terms, the Fiscal Deficit in BE 2023-24 is expected to be at ₹1247.21 crore as against ₹2101.84 crore in RE 2022-23. The decline in fiscal deficit from RE 2022-23 reflects Government's commitment towards the fiscal health of the economy. The Revenue Surplus is estimated at ₹417.87 crore (1.16% of GSDP) in BE 2023-24 against ₹603.05 crore (2% of GSDP) in RE 2022-23.
6. Towards improving **Own Tax Revenues, Own Non-Tax Revenues and Own Tax-GSDP ratio**, the Government has taken up measures such as-
- Constitution of Resource Mobilization Committee to augment potential revenue generation from all sources.*
 - Restructuring of Taxation Department by carrying out the reorganization package so that tax administration is improved to bring about improvement in tax collection.*
 - Streamlining of tax collection system and computerization of records and collection system.*
 - Capacity building of the officials involved and introduction of Management Information System as well as online payment for various taxes.*
 - Increasing the selling price of food grains under TPDS with minimal impact to the general public and eventually replacing the TPDS with the Food Security Act.*
 - Increasing 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 and to increase the efficiency of metering and revenue collection.

- g. Evolving more efficient collection system of Power Tariff as the same had been raised by the JERC for Manipur and Mizoram.*

7. The Government has certain expenditure commitments in the form of development expenditure on specified schemes but the Government will keep close watch on outcome oriented expenditure so that the benefits of public spending reach the targeted populace.
8. Other medium term measures on expenditure management will include computerization of treasuries, institutionalization of Performance Budgeting, Medium Term Expenditure Framework (MTEF) in selected departments and Project Appraisal, Monitoring and Evaluation system. 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.
9. 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 to make sure the outstanding debt stock vis-à-vis GSDP and Revenue Receipts is slowly brought down. Focus has also been laid on containing the fiscal deficit and the debt stock of the Government. 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 offunds due to limited borrowings could be supplemented by alternative resources.
10. The Government will also consciously move to reduction of interest payment burden by moving towards reduction of weighted average interest ratesas well as reducing high cost loans over the medium term. The Government is slowly shifting its borrowings in favour of low-cost RIDF loan of NABARD for rural infrastructure and other development oriented activities.
11. 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. The Consolidated Sinking Fund is a buffer for repayment of the State's liabilities.
12. Budget 2023-24 is prepared taking into consideration 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.

B. ASSUMPTIONS UNDERLYING THE PROJECTIONS OF FISCAL INDICATORS

1. Revenue Receipts

Tax Revenue

13. The State has continued to display a moderate level of growth in collection of Own Tax Revenues. The Goods & Services Tax (GST), launched on 1st July, 2017 across the country, subsumed various taxes levied by State, including sales tax, entertainment tax and entry tax, except the revenue from excise on alcohol and sale of alcohol and petroleum products. As the Goods and Services Tax (GST) gains traction across the country, the collections have been improving since 2018-19. Moreover, GST collection at the Centre is also briskly picking up after a long period of Covid-19 induced shortfall. The GST accounts for a major revenue resource for the State.
14. Computerization of Tax administration has tremendously improved the tax collection efficiency. The Taxation Department has undertaken the development of exclusive citizen-centric web-based system which is able to cater to the State's specific needs in tax administration. By offering online services such as e-payment and e-returns, the collection of tax revenue has increased manifold. Transport Department is also taking up online payment of Road tax and Passengers & Goods taxes.
15. The State's Own Tax Revenue (SOTR) so far accrued to the State Government may be summarized as follows – ₹647.56 crore in 2020-21 (Actuals), ₹853.93 crore in 2021-22 (Actuals), and ₹971.80 crore in 2022-23 (RE). A total of ₹1084.30 crore is estimated to be collected under State's Own Tax Revenue in 2023-24. However, the share of the State's Own Taxes to the overall tax receipt continues to be nominal, accounting for just over 9.44 % for BE 2023-24.

Non-Tax Revenue

16. 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, tariff rate of electricity and water, retail price of food grain in respect of non-NFSA card holders, and other charges, land revenue, etc are to be revised. Various user charges at Government Hospitals and Government Guest Houses, helicopter fare and Passenger Service Fee at Lengpui Airport have also been revised.
17. The State's Own Non-Tax Revenue (SONTR) ₹561.76 crore in 2020-21 (Actuals) ₹622.11 crore in 2021-22 (Actuals), and ₹855.10 crore in 2022-23 (RE). It is estimated that a total of ₹897.00 crore is likely to accrue under State's Own Non-Tax Revenue during 2023-24.

State's Share of Central Taxes

18. The Fifteenth Finance Commission has recommended that the share in taxes to be devolved to the State Governments be slightly reduced from 42% to 41%; the share of central taxes for the State was ₹3010.55 crore in 2020-21 (Actuals), ₹4222.87 crore in 2021-22 (Actuals), ₹4745.25 crore in 2022-23 (RE). The expected amount for BE 2023-24 is ₹5107.25 crore. The actual release to the State Government is subject to actual realization of tax revenues by the Central Government.

Grants from Central Government

19. The Post Devolution Revenue Deficit Grant (PDRDG) has been decreased by a considerable amount during the Fifteenth Finance Commission as compared to the Fourteenth Finance Commission period. The Revenue Deficit Grants that accrued to the Govt. of Mizoram were- ₹1,422.00 crore in 2020-21 (Actuals), ₹1,790.00 crore in 2021-22 (Actuals), ₹ 1615.00 crore in 2022-23 (RE). The expected amount for BE 2023-24 is ₹1474.00 which is 8.73% lower than the previous year's estimate. Recommended Revenue Deficit Grants diminish towards the end of the Finance Commission award period with only ₹ 586.00 crore recommended for 2025-26.
20. The Fifteenth Finance Commission has adopted a new methodology for state-wise allocations of funds, which replaces the expenditure driven methodology. The new methodology is a combination of capacity (as reflected through expenditure), risk exposure (area and population) and hazard and vulnerability (risk index). The Commission has recommended the State Disaster Risk Management Fund (SDRMF), which consist of two components viz. State Disaster Response Fund (SDRF) and State Disaster Mitigation Fund (SDMF) with the allocation in the proportion of 80% and 20% respectively. SDRMF fund that have accrued to Mizoram are ₹47.00 crore in 2020-21 (Actuals), ₹37.60 crore in 2021-22 (Actuals), ₹49.00 crore in 2022-23 (RE) and ₹52.00 crore in 2023-24.
21. It is estimated that ₹72.00 crore will be received towards Rural Local Body Grants and ₹37.00 crore under Urban Local Body Grant. The recommended amount for Rural Body Grant is 2.90 % more than the previous year's figure while there is an increase of 2.94% in respect of Urban Body Grant.

2. Capital Receipts

Borrowings

22. The borrowing ceiling of State Government is guided by the recommendation of the Finance Commission. The Ministry of Finance fixes the upper ceiling of net borrowing that can be availed by a State Government in line with 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 Finance Commission. These are guidelines to lead the State Government along the fiscal correction path. The State Government has to be cautious in handling borrowings so

that the borrowings should not be in excess of the requirement of deficit financing and the 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. The borrowing limit for States during 2023-24 is set at 3.5% of GSDP.

Loans and Advances from the Central Government

23. 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. The successive Finance Commissions has recommended the same arrangement to be continued. The EAP Loans received from bilateral and multilateral agencies are in the sharing pattern 80:20 where the State has to meet 20 % of the State matching share, and the 80% of the loan portion is shared in 90:10 pattern between the Centre and State. Thus, the borrowings under Loans & Advances from the Central Government will be the loan components of EAP etc. which was ₹247.62 crore in 2020-21 (Actuals), ₹309.82 crore in 2021-22 (Actuals), ₹616.84 crore in 2022-23 (RE) and kept at ₹210.72 crore in 2023-24 (BE). The figure escalation since 2020-21 is attributed to interest-free loan availed by the State under Scheme for Assistance to States for Capital Investment.

Recoveries of Loans and Advances

24. The continued disbursements of Loans and Advances by the Government to its employees in the past, loans taken by Co-operative Societies etc. which can be ascribed to an investment, had earned interests and therefore resulted in recovery of Loans and Advances. As recovery of loans follows a specific pattern, the estimated amount was ₹33.68 crore in 2020-21 (Actuals), ₹32.17 crore in 2021-22 (Actuals), ₹33.60 crore in 2022-23 (RE), and ₹33.60 crore in BE 2023-24. Because of austerity measures imposed by the State Government, no loans were disbursed to government employees from 2021.

Public Account Borrowings

25. 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 as only gap-filler in the deficit financing. The net borrowing from Public Account was ₹215.89 crore in 2020-21 (Actuals), ₹292.38 crore in 2021-22 (Actuals), ₹ 61.00 crore in 2022-23 (RE). The net borrowing from Public Account is estimated to be (-) ₹ 900.00 crore in 2023-24 (BE), and thus not contribute to fill the gap in resource.

Revenue Expenditure

26. The increased percentage of Revenue Expenditure mainly depends on two factors – increased percentage of salary and its connected items, rise in obligatory expenses and increased percentage of contingent expenditure. Owing to the implementation of Seventh Pay Revision and inflation, the expenditure on account of salary and its connected items has increased instantly and tremendously. Further obligatory expenditure on power purchase, rice purchase and salaries of employees under a few CSS Schemes which are paid from the State's revenue add to the Revenue Expenditure of the State. As such, the estimate for 2023-24 is ₹11068.76 crore whereas the total revenue expenditure for 2020-21 (Actuals) was ₹8514.79 crore, ₹8557.49 crore in 2021-22 (Actuals) and ₹11840.75 crore in 2022-23 (RE).

Capital Expenditure

27. The State Government is striving 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 has tightened the fiscal maneuverability of the State Government. Therefore, the expenditure on Capital Account is being anticipated on the basis of two factors – first, the total amount of devolution as recommended by the Finance Commission, second, the Revenue Surplus that the State Government is expected to generate on its own. The amount of devolution that needs to be set aside for capital formation or expenditures which are of capital in nature are generally determined by the left- over from the committed revenue expenditures.
28. Capital Expenditure is an expense made towards creation or improvement of long-term assets such as infrastructure, lands and buildings, roads and bridges, investment in reserve funds etc. The Total Capital Expenditure of the State was ₹2746.76 crore in 2020-21 (Actuals), ₹4804.90 crore in 2021-22 (Actuals) and ₹4086.52 crore in 2022-23 (RE). An amount of ₹3141.19 crore is estimated to be used under Capital Expenditure during 2023-24.

C. ASSESSMENT OF SUSTAINABILITY RELATING TO

a) The balance between revenue receipts and revenue expenditure

29. The difference between Revenue Receipts and Revenue Expenditure is termed as Revenue Deficit or Revenue Surplus depending upon the nature of the difference. As per Actuals Figure for 2020-21, there was Revenue Deficit of ₹774.12 crore at 2.66% of GSDP. The deficit is a result of pandemic induced lockdowns and constrained economic activities throughout the country. The State Government has taken stringent measures to cope with this deficit and has successfully get back to Revenue Surplus of ₹602.25 crore in 2021-22 (Actuals) which was 2.33% of GSDP. As per Revised Estimates for 2022-23, it is estimated that there would be a surplus of

₹603.05 crore at 2% of GSDP. Revenue Surplus of ₹417.87 crore is expected during 2023-24 which would be 1.16% of GSDP.

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

30. 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 States like ours. This, in essence, is not harmful as long as it leads to capital formation but 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.

31. Even though the central Government enhanced contribution of the Government share for the New Pension Scheme, the State Government retains the same rate of the matching contribution; thereby the annual growth estimated remains unchanged. Even though New Defined Contributory Pension Scheme has been launched, there are many employees who are left out under the scheme since the scheme covers only the employees recruited on or after 1.9.2010, and there cannot be immediate reduction in Pension payment expenditure. Pension payment in 2020-21 (Actuals) was ₹1482.55 crore, ₹1331.09 crore in 2021-22 (Actuals) and ₹1725.69 crore in 2022-23 (RE). The projections of pension payments including the matching shares of New Pension Scheme subscribers are as follows –

2023-24	-	₹1875.69 crore
2024-25	-	₹2025.75 crore
2022-23	-	₹2187.81 crore

32. Data on receipts and expenditure in the State's finance covering the period **2021-22 to 2023-24** is shown in **Table 2** below.

Table 2: Receipts and Expenditure in State's Finance

Sl. No.	Item of Receipt / Expenditure	2021-22 (Actuals)	2022-23 (B.E.)	2022-23 (R.E.)	2023-24 (B.E.)	Targets for next two years	
						2024-25	2025-26
						(Proj)	(Proj)
1	Revenue Receipts	9159.74	11426.21	12443.80	11486.63	12457.65	13378.31
	(a) Tax-Revenue	853.93	801.30	971.80	1084.30	1171.04	1264.73
	(b) Non-Tax Revenue	622.12	836.43	855.10	897.00	932.89	1007.52
	(c) State's share of Central Taxes	4222.87	4083.24	4745.25	5107.25	5515.83	5929.52
	(d) Grants from Central Government	3460.82	5705.24	5871.65	4398.08	4837.89	5176.54
2	Capital Receipts -	4884.83	2642.94	3255.44	2723.32	2943.90	3168.97
	(a) Borrowings on account of Internal Debt of the State Government	4250.46	2429.00	2544.00	2479.00	2623.32	2833.19
	(of which W&MA)	(3352.25)	(1000)	(1000)	(1000)	(1000)	(1000)
	(b) Loans and advances from the Centre	309.82	119.34	616.84	210.72	227.58	245.78
	(c) Recovery of loans and advances	32.17	33.60	33.60	33.60	33.00	30.00
	(d) Borrowings from Public Account (Net)	292.38	61.00	61.00	-900.00	60.00	60.00
3	Total Expenditure	13362.39	14008.15	15927.27	14209.95	15346.57	16596.25
	(a) Revenue Account	8557.49	10006.51	11840.75	11068.76	11954.25	12922.54
	(i) Interest Payments	450.64	462.14	571.19	662.23	715.21	772.43
	(ii) Salaries	4077.19	3615.66	4637.71	4642.74	5014.16	5415.29
	(iii) Pensions	1331.09	1725.69	1725.69	1875.69	2025.75	2187.81
	(iv) Others	2698.57	4203.02	4906.16	3888.10	4199.13	4547.02
	(b) Capital Account	4804.90	4001.64	4086.52	3141.19	3392.32	3673.71
	(i) Public Debt-Repayment of borrowings (of which W&MA)	3797.95 (3352.25)	1337.90 (1000.00)	1348.03 (1000.00)	1442.51 (1000.00)	1557.91 (1000.00)	1682.54
	(ii) Loans and advances	2.57	0.60	2.79	2.00	2.00	3.00
	(iii) Capital Outlay	1004.38	2663.14	2735.70	1696.68	1832.41	1988.16
	(iv) Appropriation to Contingency Fund	-	-			-	
	4	GSDP*	25795.86	39458.50	30223.60	35904.04	43208.33
5	Outstanding liabilities of the State Government	10570.93	12553.08	12479.25	13584.80	14671.58	15258.44

3) MACRO ECONOMIC FRAMEWORK STATEMENT

1. The Macro Economic Framework Statement is presented every year before the House of the Mizoram State Legislative Assembly, as required under Section 6 (6) of the Mizoram Fiscal Reform and Budget Management Act, 2006. The Statement contains an overview of the Economy with information on key macro-economic indicators, analysis of trends in overall GDP growth and its sectoral composition, trends in revenue collections and expenditure of the Government as well as trends in important fiscal deficit and debt indicators, and growth prospects etc.
2. The global economy was on the path of recovery after the waning of the Covid-19 pandemic until the Russia-Ukraine conflict broke out in February, 2022. The conflict further disrupted the global supply chains and led to spike in prices of critical commodities such as crude oil, natural gas, etc. The spike in global commodity prices triggered inflationary pressures in many Emerging Market Economies. The IMF in its World Economic Outlook Report in January 2023 projected global GDP to weaken from 3.4% in 2022 to 2.9% in 2023. India's economy is also projected to witness reduction from 6.8% in 2022 to 6.1% in 2023, but still retains its position as the fastest-growing major economy in the world.

State Gross Domestic Product

3. Gross State Domestic Product (GSDP) is the most important indicator for measuring the economic growth of a State. Gross State Domestic Product (GSDP) is a measure in monetary terms, the sum total volume of all finished goods and services produced during a given period of time, usually a year, within the geographical boundaries of the State, accounted without duplication. These estimates of economy, over a period of time, reveal the extent and direction of the changes in the levels of economic development. The State Domestic Product is classified under three broad sectors such as Primary sector, Secondary sector and Tertiary sector.
4. The impact of continuous lockdowns during the covid pandemic resulted in reduced economic activity under various sub-sectors such as Live Stock, Trade, Hotel & Restaurant, Transport, Fishing & Aquaculture, Taxes on product etc. As performance of these sub-sectors during covid lockdowns is used for calculation of advanced estimate and projected estimate of Mizoram GSDP, projected GSDP of Mizoram for 2022-23 (RE) drastically fell to ₹30223.60 crore from ₹39458.50 crore in 2022-23(BE). As a result, the Fiscal Deficit as a percentage of GSDP has immediately escalated to 6.95%. The State, however, has been following recovery track, and the GSDP for 2023-24 is estimated to be ₹35,904.04 crore at current price, presenting a growth rate of 18.79% with baseline date considered to be more consistent. In the meantime, the contribution of service sector for the growth of GSDP is extremely high over primary and industrial sectors. Thus, the biggest challenge is to maintain stability and achieving a more balanced contribution in our GSDP between the three sectors, viz., primary sector, service sector and industrial sector. Further, the State has to explore all possibilities to get more revenues of its own and take all precautionary measures to avoid unnecessary spending in order to maintain economic sustainability.

5. The Gross Domestic Product of the State at current price prepared by Directorate of Economics & Statistics, Planning & Programme Implementation Department is summarized as –

₹24,898.60 crore 2019-20 (final), ₹22,342.48 crore in 2020-21 (prov.), ₹25,795.86 crore in 2021-22 (adv.), ₹30,223.60 crore in 2022-23 (proj).

Prices

6. The consumer price index (CPI) reflects the increased cost of living, or inflation. The CPI is calculated by measuring the costs of essential goods and services, including vehicles, medical care, professional services, shelter, clothing, transportation, and electronics. Inflation is then determined by the average increased cost of the total basket of goods over a period of time. A high rate of inflation may erode the value of the currency more quickly than the average consumer's income can compensate. CPI for urban and rural areas reflects the true picture of the price behavior of various goods and services consumed by the entire urban and rural population in the country. CPI for urban and rural areas was released from 2011 by Central Statistical Organization (CSO) with 2010=100 as base year.
7. The combined index value of CPI for urban and rural has increased from 166.1 in 2021 to 174.1 with an increase of 4.82% at all India level. The CPI of the State has also shown an overall increase of 8.61 % from 165.0 in 2021 to 179.2 in 2022.
8. As on December 2022, the annual inflation rate on point-to-point basis in Mizoram is 8.41%(P) against the All-India inflation rate of 4.19%. The All-India annual inflation rate decreased compared to the same month of the previous year, i.e., 5.59%. In contrast to this, the inflation rate of Mizoram has increased more than twice the previous year's rate of 4.76%(P).

I. OVERVIEW OF THE STATE GOVERNMENT FINANCES

9. The State being largely dependent on Central transfers, the state of economy at the Centre reflects directly on the State's economy. During the recent years, even before the onset of the Covid pandemic, there was a huge short release in tax share amounting to ₹2086.58 crore from FY 2019-20 up to FY 2021-22. Apart from this, Special Grant of ₹546.00 crore which was recommended by the Fourteenth Finance Commission to compensate for the projected decline in tax devolution and revenue gap grant to be received by the State in 2019-20 has not been realized till today. This has exacerbated the State's already poor finances.
10. The total Revenue Receipt of the State 2022-23(RE) comprising of Tax and Non-Tax Revenue is expected to be ₹12443.80 crore out of which ₹1826.90 crore is to be raised by the State which accounts for only 14.68% of the revenue collection for 2022-23(RE). However, The State has continued to display a moderate level of growth in collection of its own revenues.
11. The State's Own Tax Revenue (SOTR) was ₹971.80 crore in 2022-23 (RE) while a total of ₹1084.30 is estimated to be collected under State's Own Tax Revenue in 2023-24. The State's Own Non-Tax Revenue (SONTR) ₹855.10 crore in 2022-23 (RE) and it is

estimated that a total of ₹897.00 crore is likely to accrue under State's Own Non-Tax Revenue during 2023-24.

12. The Fifteenth Finance Commission has recommended that the share in taxes to be devolved to the State Governments be slightly reduced from 42% to 41%; the share of central taxes for the State was ₹4222.87 crore in 2021- 22 (Actuals) and ₹4745.25 crore in 2022-23 (RE). The expected amount for BE 2023-24 is ₹5107.25 crore. The actual release to the State Government is subject to actual realization of tax revenues by the Central Government.
13. The Post Devolution Revenue Deficit Grant (PDRDG) has been decreased by a considerable amount during the Fifteenth Finance Commission as compared to the Fourteenth Finance Commission period. The Revenue Deficit Grants received in 2021-22 (Actuals) was ₹1790.00 crore, ₹1615.00 crore in 2022-23 (RE) and ₹ 1474.00 crore in 2023-24 (BE). The recommended Revenue Deficit Grants diminish towards the end of the Finance Commission award period with only ₹ 586.00 crore recommended for 2025-26.
14. Allocation State Disaster Risk Management Fund to Mizoram increased from ₹49.00 crore in 2022-23(RE) to ₹52.00 crore in 2023-24 (BE). The XV Finance Commission recommended that 20 % of the fund can be utilized for mitigation purposes and the remaining 80 % as response funds.
15. It is estimated that ₹109.00 crore will be received towards Local Body Grants with an estimated amount of ₹72.00 crore under Rural Local Body Grant and ₹37.00 crore under Urban Local Body Grant.

II. PROSPECTS OF THE ECONOMY

16. The total expenditure of the State comprising of Revenue Expenditure and Capital Expenditure for 2022-23(RE) is ₹15927.27 crore with total revenue expenditure is ₹11840.75 crore and capital expenditure of ₹4086.52. The increased percentage of Revenue Expenditure during the recent years mainly depends on two factors – increased percentage of salary and its connected items, rise in obligatory expenses and increased percentage of contingent expenditure. Owing to the implementation of Seventh Pay Revision and inflation, the expenditure on account of salary and its connected items has increased instantly and tremendously. Further obligatory expenditure on power purchase, rice purchase and salaries of employees under a few CSS Schemes which are paid from the State's revenue add to the Revenue Expenditure of the State. Capital Expenditure, on the other hand, is an expense made towards creation or improvement of long-term assets such as infrastructure, lands and buildings, roads and bridges, investment in reserve funds etc. The total revenue expenditure of ₹11068.76 crore is kept under BE 2023-24 and total Capital Expenditure estimated during 2023-24 is ₹3141.19 crore.
17. The extent of the overall fiscal imbalances in the finances of the State is determined by three fiscal parameters – revenue, fiscal and primary deficits. The deficit in the Government Accounts represents the difference between its receipt and expenditure. Fiscal health is largely determined by the nature and magnitude of the deficit. Measures taken by the Government for deficit financing and utilization of resources raised are crucial for maintaining fiscal balance of the State.

18. The State Government has several Externally Aided Projects (EAP) wherein some are already approved and some in the pipeline. These projects are funded by foreign donor agencies such as JICA, ADB, IFAD, NDB (BRICS), World Bank, etc. EAPs are major sources of funds for high impact developmental project and act as positive Fiscal policy based reform for the state due to its impact in enhancing the government spending towards Roads, Urban Development, Infrastructure and other economic development. Projects under EAP like “*Mizoram Health Systems Strengthening Project*” have reached its final stage in which an agreement was signed on 17th June, 2021 with World Bank (IBRD-IDA) with a total project cost of USD 40 million and USD 32 million has been committed for funding by the Agency and a project “*Mizoram State Super Specialty Cancer Hospital*” with a project cost of ₹700.00 crore is also about to finalise and loan agreement will be signed in due course. Apart from these, the funding agencies have also extended their assistance in the form of Project Readiness Financing and Technical Assistance in which an agreement of PRF for “*Sustainable Urban Transport Project in Aizawl City*” has been signed with the State Govt. and ADB; also, PRF for “*Comprehensive Tourism and Sport Development Plan for Mizoram*” has been posed to ADB by DEA on 14th November, 2022. A technical cooperation project under JICA has also been ongoing for the project “*Capacity Enhancement for Sustainable Agriculture and Irrigation Development in Mizoram*” and some others in the pipelines.
19. The Centre has extended the 50-year interest free loan scheme to state governments for undertaking capital investment for another financial year, with an enhanced allocation of ₹1.3 lakh crore from ₹1.0 lakh crore in FY 2022-23, taking into account positive feedback from States. The scheme was announced as a part of the Aatmanirbhar Bharat package in 2020. The Scheme was aimed at boosting capital expenditure by the State Governments who were facing difficult financial environment in the year 2020-21 due to a shortfall in tax revenue arising from the COVID-19 pandemic. The State has allocated ₹200.00 crore for BE 2023-24. However, the expected loan amount could be even higher depending on the allocation and new guidelines which is yet to be issued by the Central Government.
20. The State has allocated a total of ₹270.00 crore for availing low-interest loan under NABARD. The projects under NABARD are exclusively focused on rural infrastructure development as well as construction of warehouses. Post pandemic, NABARD has extended its loan for improvement of healthcare facilities in rural areas.
21. The Government has also constituted a *Manpower Assessment Committee* to make assessment on manpower requirements of the Government, identify such posts that are withering or that are required to be retained/created, make recommendation for filling up of posts etc.
22. *Resource Mobilization Committee* has been formed to look for more effective system and to put in place a mechanism for better and efficient collection of tax and non tax revenues, widening of tax base without causing additional unbearable burden to the general public.
- 23.** A Macro Economic Framework Statement highlighting the macroeconomic view of the State and fiscal indicators may be seen at Annexure to this Statement.

FORM-III
(See Rule 7)

MACRO ECONOMIC FRAMEWORK STATEMENT

Annexure

Sl. No.	Economic / Fiscal Indicators	Absolute value (₹ in crore)		Percentage Changes	
		April - March		April - March	
		2021-22 (Actuals)	2022-23 (RE)	2021-22 (Actuals)	2022-23 (RE)
A	Real Sector				
1	GDSP at factor cost				
	(a) at current prices	25,795.86	30,223.60	-11.28	-10.56
	(b) at 2011-12 prices				
2	Agriculture Production	6,889.05	7,461.01	-6.67	-11.26
3	Industrial Production	6,987.12	7,745.46	-5.60	-9.06
4	Tertiary Sector Production	11,182.29	14,273.91	-18.27	-12.73
B	Government Finances				
1	Revenue Receipts (2+3)	9,159.74	12,443.80	18.33	20.83
2	Tax Revenue (2.1+2.2)	5,076.80	5,717.05	38.78	26.80
2.1	Own Tax Revenue	853.93	971.80	31.87	23.55
2.2	State's Share in Central Taxes	4,222.87	4,745.25	40.27	27.49
3	Non-Tax Revenue (3.1+3.2)	4,082.94	6,726.75	0.01	16.17
3.1	State's Own Non-Tax revenue	622.12	855.10	10.74	-0.90
3.2	Central Transfers	3,460.82	5,871.65	-1.70	19.16
4	Capital Receipts	4,592.45	3,194.44	73.63	-41.08
4.1	Recovery of loans	32.17	33.60	-4.48	1.69
4.2	Other Receipts	-			
4.3	Public Debt	4,560.28	3,160.84	74.64	-41.34
5	Total Receipts (1+4)	13,752.19	15,638.24	32.42	-0.52
6	CSS Expenditure	1,465.71	3,798.16	-1.63	30.24
6.1	Revenue Account	1,084.95	2,761.61	12.44	22.54
6.2	Capital Account	380.76	1,036.55	-27.49	56.43
7	State Expenditure	11,896.68	12,129.12	21.75	-9.99
7.1	Revenue Account	7,472.54	9,079.14	-1.02	10.27
	of which:-				
	(a) Interest payments	450.64	571.19	12.38	28.33
	(b) Subsidies	83.80	109.00	37,990.91	-38.01
	(c) Salaries	3,939.29	4,445.93	20.43	20.16
	(d) Pension Payments	1,331.09	1,725.69	-10.22	27.36
7.2	Capital Account	4,424.14	3,049.98	99.14	-41.81
8	Total Expenditure (6+7)	13,362.39	15,927.28	18.65	-2.83
8.1	Revenue Expenditure (6.1+7.1)	8,557.49	11,840.75	0.50	12.91
8.2	Capital Expenditure (6.2+7.2)	4,804.90	4,086.53	74.93	-30.79
	of which:-				
	(a) Loans & Advances	2.57	2.79	-11.38	0.72
	(b) Capital Outlay	1,004.38	2,735.70	-10.80	71.10
9	Revenue Deficit (-)/Surplus (+) (1-8.1)	602.25	603.05	-177.80	-420.07
10	Fiscal Deficit {(1+4.1+4.2)-(8.1+8.2a+8.2b)}	-372.53	-2,101.84	-80.07	19.63
11	Primary Deficit (10-7.1a)	78.11	-1,530.65	-105.32	16.67
12	Memo:				
	Average amount of WMA from RBI*	32.55	23.22		
	Average amount of OD from RBI#	15.97	36.63		
	Number of days of OD	4	9		
	Number of occasions of OD	2	1		

* Indicates daily average of W&MA availed during the year

Indicates daily average of W&MA availed during the year