सत्यमेव जयते

GOVERNMENT OF MIZORAM

MEDIUM TERM FISCAL POLICY STATEMENT

(As required under Section 5(1) of

The Mizoram Fiscal Responsibility and Budget Management Act, 2006)

GOVERNMENT OF MIZORAM

2011-2012

(14th July, 2011)

FORM – I

(See Rule 3)

MEDIUM TERM FISCAL POLICY STATEMENT

A. FISCAL INDICATORS – ROLLING TARGETS

Sl. No	Item	2009-`10 (Actuals)	2010-`11 (Budget Estimates)	2010-`11 (Revised Estimates)	2011-`12 (Budget Estimates)	Targets for next Two Years	
						2012-`13 (Proj)	2013-`14 (Proj)
1	Revenue Deficit(-) / Surplus(+) as a percentage of GSDP	4.74	5.42	0.26	4.46	4.46	4.46
2	Fiscal Deficit as a percentage of GSDP	5.67	0.66	11.64	2.40	2.40	2.40
3	Total outstanding Liabilities as a percentage of GSDP	57.54	50.84	54.16	49.62	47.36	45.21
4	Total outstanding Liabilities as a percentage of Total Revenue Receipt(TRR)	117.46	98.39	91.76	95.53	91.19	87.04
5	Interest Payments as a percentage of Total Revenue Receipt(TRR)	9.44	7.56	6.96	7.24	7.24	7.24

Notes:

1. *GSDP is the Gross State Domestic Product at factor cost at current prices.*
2. *For the purpose of estimating the percentage of the above indicators, latest series of GSDP at current prices recently brought out by Economics & Statisics Dept… is taken into account.*

1. The period of intense fiscal reforms and consolidation under the Twelfth Finance Commission (FC-XII) regime has been replaced by the mandate of the Thirteenth Finance Commission which recommended the roadmaps to further consolidate the processes of fiscal balance. We are entering into a new fiscal regime, as we are to experience a new dawn with a passing away of the Eleventh Five Year Plan (2007-08 to 2011-12) by the end of this year. This period also witnessed enactment of Fiscal Responsibility Legislation by the State Government linking with the ' Debt Consolidation and Relief Facility (DCRF)'. In order to avail this debt relief facility, the State Government are required to eliminate its revenue deficit and generate revenue surplus over the medium term. Further, State Government is also required to reduce the fiscal deficit progressively and reach the target of 3 per cent of GSDP by the end of 2008-2009 to entitle the said debt relief. As such, many States enacted their own acts and make use of the FRBM targets as their guide in formulating their fiscal management programme.

2. In Mizoram, the core contents of fiscal management targets were incorporated by enacting the Mizoram Fiscal Responsibility and Budget Management Act, 2006. The Mizoram FRBM Rules was put into place in 2007. The enforcement of this acts and rules put a tight fiscal belt in the fiscal management of the State. Being a resource deficit State, the capability and ability of the State Government in achieving the target set by the FRBM Act depends to a large extent on the various Grants and Assistance coming from Central Government and reducing the Non-Plan Revenue Expenditure on the other side. Medium Term Fiscal Policy of the State was drawn up in line with these two assumptions and aimed at achieving the target as per the stipulated time frame.

3. Before enactment of FRBM Act, the fiscal position of the State was in such a bad shape that fiscal deficit was very high with a very low revenue surplus thereby partially paralyzing the State Government from enhancing the Capital Outlay for creation of durable assets and for planning long term economic development. However, the enactment of Mizoram FRBM Act, 2006 which drew up a Fiscal Correction Path duly incorporated in the Fiscal Policy Strategy Statement, 2006-07 revived the fiscal position of the State to usher new era of improved fiscal position and systematic utilization procedure of expenditure.

4. The year 2010-11 witnessed the commencement of the award period of 13^{th} Finance Commission at the time of the economic condition of the Country is showing a sign of recovery from the period of experiencing global economic slowdown. Broadly speaking, the 13^{th} Finance Commission recommended a total devolution of **₹ 8805.30 crore** for Mizoram for the 5 year period whereas the total recommended amount of the 12^{th} Finance Commission was **₹ 4660.91 crore.** Thus at the aggregate level, the total devolution is about to increased by **₹ 4414.39 crore** which is an increase of **88.92 per cent** over the 12^{th} Finance Commission.

5. In the Budget Estimates 2010-11, the Revenue Account was estimated to be in a surplus of ₹ **341.63 crore** and the Fiscal deficit was also estimated at ₹ **41.83 crore.** However, the Revised Estimates of 2010-11 put Revenue surplus and Fiscal deficit at ₹ **14.15 crore** and ₹ **735.32 crore** respectively. Poor achievement of the fiscal indicators may be mainly attributable to heavy outflow of fund due to provision of subsidy for the purchase of food grains, irrecoverable expenditure for the purchase of electricity and implementation of Mizoram (Revision of Pay) Rules, 2010 to regular employees of State Government. Since these heavy outflows of the State Exchequer are accounted under Non-Plan Expenditure without any refill, the after shock cannot be fully absorbed by a resource deficit State like us on account of which the unexpected result as mentioned above appears in the Revised Estimates.

6. As provided by the Rules, State Government is required to present the Medium Term Fiscal Policy Statement in the Legislative Assembly along with other Budget documents. In order to draw up a fiscal policy that will guide the fiscal performance of the Government over the Medium term, the salient features of the fiscal reforms introduced by the 13th Finance Commission needs to be highlighted once again since the State's fiscal reforms programme needs to be aligned to the structure reforms designed by the successive Finance Commission. They are:

(a) *Revenue Deficit of the Centre and the States needs to be progressively reduced and eliminated, followed by emergence of a revenue surplus by 2014-15.*

(b) *Reduce aggregate debt stock of the Central and State Governments to 68 per cent of GSDP by end of the award period (2014-15). The Central Government's debt will come down to 45 per cent of GSDP and combined debt of the State Government at 25 per cent.*

(c) *Fiscal deficit should be reduced relative to GSDP progressively and Government of Mizoram should limit its fiscal deficit to 3 per cent of GSDP by 2014-15.*

(d) *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.*

7. Beside the above provisions and conditions set for the fiscal roadmap of the State, Thirteenth Finance Commission has recommended the following debt relief to the State Governments:

(a) *Interest rate on all NSSF loans to the States contracted till 2006-07 and outstanding at the end of 2009-10 shall be reset at 9 per cent of interest. In future, NSSF Scheme shall be formed into a market aligned scheme.*

(b) *Loans from Government of India to the State Governments and administered by the Ministries/Departments other than Ministry of Finance, outstanding at the end of 2009-10 shall be written off. Any future lending from the Centre to the States under any CSS shall be discontinued.*

8. In keeping with the recommendations of Thirteenth Finance Commission on fiscal reforms, the State Government's focus on fiscal management will concentrate on the following:

(a) *To improve Own Tax Revenues, Own Non-Tax Revenues and Own Tax-GSDP ratio.*

(b) *To increase capital investment in infrastructure sector.*

(c) *To improve the quality of expenditure.*

(d) *To increase allocation of fund in socio-economic sectors.*

(e) *To continue the process of fiscal reforms and consolidation in the forms of generating revenue surplus and reduce fiscal deficit.*

9. In view of the fiscal framework designed by the Thirteenth Finance Commission mentioned above, it may be appropriate to identify the fiscal areas in which the State Government needs to review its existing policies and pay serious attention to redraw its present system of financial management over the medium term or long term.

(a) *Diversion of Plan fund to meet Non-Plan liabilities becomes the areas of concern for State Government since this diversion prevents the State Government from enhancing capital investment in infrastructure sector and increasing allocation of fund for development of socio-economic sector. Thirteenth Finance Commission also highlighted this issue at para 7.79 in its Report Volume I.*

(b) *The increasing revenue expenditure needs to be addressed quickly and effectively since it will pose a threat to the State Government's capability to maintain revenue surplus and to build up the accumulated revenue surplus for financing the capital investment. In order to meet the yearly increments of* *revenue expenditure, the Government has to generate its own resources.*

(c) *The huge expenditure due to implementation of Mizoram (Revision of Pay) Rules, 2010 recommendation to State Government's employees with its cascading effects on the pension payments will have to be absorbed in the expenditure. It will pose a serious threat to the fiscal position of the State over medium and long term framework.*

(d) *Observation on the Public Sector Units (PSUs) in Mizoram revealed that most of them are sick units and they are continually making huge lost. 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.*

(e) *The present trend of sumptuous expenditure on account of purchase of electricity and food grains needs to review immediately either in the form of generating additional requirement within our state or increasing the existing tariff rate of electricity and hiking the selling price of food grains. Due to this, State Government losses a huge amount of fund under Non-Plan Expenditure which will pose a threat to the fiscal position of the State finance in near future.*

(f) *Limitations to increase in the tax base, upward revision of rates etc.*

10. In view of the increasing pressure on the State Government in connection with fulfillment of various provisions and conditions imposed upon the State Fiscal management by the successive Finance Commission, the State Government is compelled to draw up new tax reform policy over the medium term as well as long term. Hence, it will be the commitment of the State Government to consciously improve the Tax-GSDP ratio. In 2008-09, the Tax-GSDP ratio stood at **2.06**, in 2009-10, the Tax-GSDP was **1.95** and it was **1.87** in 2010-11. However, it is estimated to secure **2.41** during 2011-12. One of the reasons of deterioration of the Tax-GSDP ratio is due to the publishing of new series of GSDP which projects higher GSDP than before. Nevertheless, the State Government is taking utmost efforts in order to stay safe inside the Fiscal

Correction Path. Some of the efforts which are recently introduced may be highlighted as under:

(a) *The State Government has increased the rate of Sales Tax levied on Petroleum products. Sales Tax imposed on LPG (Liquefied Petroleum Gas) 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* ***12 per cent*** *in respect of High Speed Diesel (Diesel). It is expected that this drive would collect a substantial amount of revenue to the State Exchequer.*

(b) *The State Government has introduced collection of Revenue Stamp from its regular employees. This initiative is also expected to earn a substantial amount of revenue.*

(c) *Taxation Department has been restructured in order to streamline and strengthen the tax collection system and computerization of records on tax collection through the implementation of Mizoram Public Resource Management Program using Structural Adjustment Loan from Asian Development Bank.*

(d) *State Government has also taken lots of initiatives in other areas like improvement of Non-Tax revenue, reduction of spending on Non-Plan revenue expenditure etc. for the improvement of the total outlay of the Fiscal Position.*

11. The State Government has also taken many measures on expenditure management for medium term such as computerization of Treasury Offices, rationalization of contingent expenditure on various offices, institutionalizing Performance Budgeting, Medium Term Expenditure framework (MTEF) in selected Department and, Project Appraisal, Monitoring and Evaluation system. All these measures will be implemented over the medium term as well as long term. When fully put in place, these measures will have meaningful impacts on the quality outcome of the public spending and the Government expenditure.

12. Focus also needs to be laid on the future borrowings of the Government. Presently, the State Government is consciously following a borrowing policy as laid down in the FRBM Act, 2006 which requires the State Government to limit its borrowings to the extent of deficit gap in the fiscal deficit to be filled. As per the prescription of FRBM Act, 2006, the fiscal deficit should be reduced to the limit of 3 percent of GSDP by 2014-15. Hence, the State Government will continue to work with multilateral institutions to mobilize any available external as well as internal resources so that the possible shortage of fund due to limited borrowings could be supplemented by the alternative resources.

13. As a part of conscious efforts to reduce the burden of interest payments undertaken by the State, the State Government arranged buy back of high interest bearing Loans from the Reserve Bank of India (RBI) and Rural Electrification Corporation (REC) through implementation of Mizoram Public Resource Management Programme under Structural Adjustment Loan availed from Asian Development Bank, which would cut down the substantial amount of the existing liabilities. Out of the total amount of **$ 19 million (₹ 89.52 crore)** which has been set aside for this project, **₹ 88.74 crore** and **₹ 61.96 crore** had been utilized for buyback of market loans from Reserve Bank of India (RBI) and Rural Electrification Corporations (REC) respectively. Moreover, under Finance Department, Fiscal Management Unit was established to facilitate and monitor various fiscal reforms programmes. This course of action undertaken is expected to reduce the stock of high cost debt of 9 per cent over the medium term. Moreover, borrowings from low-cost RIDF loan of NABARD for development of rural infrastructure sector and agricultural sector is advocated by the State Government over the high interest bearing loan.

14. Sinking Fund is a fund established by the Government for the purpose of reducing debt by repaying or purchasing outstanding loans and securities held against the entity. In the modern context, Consolidated Sinking Fund is being used as redemption of debt raised from Open Market Borrowing and any other available sources. The Fund is managed by Reserve Bank of India and the corpus is invested in Government of India securities. The State Government will continue to invest in the Consolidated Sinking Fund and Guarantee Redemption Fund which will help build up Reserve Fund of the State in the Public Account for paying off its future direct and contingent liabilities over the medium term and in the long run. As on 31st March, 2010, the total amount of investment on Sinking Fund as per Finance Account stood at **₹ 74.25 crore**. Since **₹ 16.50 crore** was invested during 2010-11, the tentative amount to be collected in the Sinking Fund as on 31.03.2011 is **₹ 90.75 crore.** For the current financial year, an amount of **₹ 21.75 crore** is provisionally earmarked to be allocated under the Head of Account: J-Reserve Funds, 8882 – Sinking Fund. Guarantee Redemption Fund was also set up in 2009 with initial corpus of **₹ 50.00 lakh.** An additional investment of **₹ 100.00 lakh** is proposed to be carried out for the same fund during the current financial year.

15. Budget 2011-12 has been prepared with a view to consolidate and reform the Fiscal Management of the State over the medium term. As provided by the Mizoram FRBM Rules, the assumptions underlying the projection of fiscal indicators are explained as under:

B. ASSUMPTIONS UNDERLYING THE PROJECTIONS OF FISCAL INDICATORS

1. Revenue Receipts

Tax Revenue

16. The introduction of Value Added Tax (VAT) in 01.04.2005 has brought about substantial improvements in tax collection and the growth of tax relative to GSDP continuously increases. Unfortunately, due to unprecedented inflation of oil price in 2008, the State Government reduced sales tax on petroleum products. It reduced the tax from ***20 per cent*** to ***18 per cent*** in respect of Motor Spirit (Petrol), from ***12 per cent*** to ***10 per cent*** in respect of High Speed Diesel, and from ***4 per cent*** to ***2 per cent*** in respect of LPG. It further reduced tax on electrical goods, floor tiles and carpet from ***12.5 per cent*** to ***4 per cent***. Due to these measures, the State Government could generate **₹ 85.94 crore** only against the estimated amount of **₹ 96.93 crore** during 2009-10. However, by recognizing the necessity and compulsive nature of generating own resources, the State Government has reviewed the existing scenario of various rates of taxes imposed on Petroleum Products by hiking the existing rate to some extent. In respect of LPG (Liquefied Petroleum Gas), it was raised to the level of the previous rate i.e placed at ***4 per cent*** from ***2 per cent***, from ***18 per cent*** to ***20 per cent*** in respect of Motor Spirit (Petrol), from ***10 per cent*** to ***12 per cent*** in respect of High Speed Diesel. It is estimated that an amount of **₹ 17.90 Crore** in addition to the original estimate is expected to be generated from this measure during 2011-12 so that total revenue receipts is estimated at **₹ 173.17 Crore** which is **2.4 per cent** of the projected GSDP. Assuming the **10.2 percent** annual growth rate, the projections for 2012-13 and 2013-14 are estimated at **₹ 190.49 crore** and **₹ 209.53 crore** respectively.

Non-Tax Revenue

17. 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 policy. In respect of Non-Tax revenue, many Users charged viz…user charge of piped water, tariff rate of electricity, land revenues etc… are going to be increased from this financial year. The proposal for this upward revision of various Non-Tax measures has been announced in the Legislative Assembly in the early part of this year 2011-12. It is estimated that an amount of **₹ 46.04 Crore** in addition to the original estimate is estimated to be generated from this measure during 2011-12. Therefore, the State Own Non-Tax Revenue (SONTR) was estimated at **₹ 237.57 Crore** during 2011-12 which is **3.29 percent** of the GSDP (**₹ 7216.75 Crore** in 2011-12 as per the latest series at factor cost at current prices).

Following the projection rate of FC-XIII in GSDP, the forecasted SONTR for 2012-13 and 2013-14 are estimated at ₹ **261.33 Crore** and ₹ **287.46 Crore** respectively.

State's share of Central Taxes

18. It is one of the main determinants of the State fiscal position. During the current financial year, Central Government has shown graces upon the State Government by allocating State's share of Central Taxes at ₹ **709.73 Crore** in the Annual Plan 2011-12 against the FC-XIII recommendation of ₹ **643.00 Crore.** At the same time, Thirteenth Finance Commission also recommended the State's share of Central Taxes at ₹ **759.00 Crore** for 2012-13 which is less than the normative increase of Share in Taxes. The Share in Taxes is, on rough calculation, estimated to be increased every year by **10 per cent** over and above the previous year. Moreover, by taking advantage of the increasing volume of resources devolved from Central Government in respect of Central Taxes to the State and with keeping in mind the above anticipated percentage, State's share of Central Taxes for 2012-13 and 2013-14 are estimated at ₹ **780.70 Crore** and ₹ **858.77 Crore**

Grants from Central Government

19. Non-Plan Grants mainly consists of Revenue Deficit Grant, Central Share of Calamity Relief Fund, Grants for Local Bodies and Others…The allocation is usually done on the basis of the recommendations of XIII-Finance Commission. The allocation for 2011-12 is estimated at ₹ **925.12 Crore** against the recommendation of FC-XIII of ₹ **845.25 Crore** which is 9.44 per cent increase over the recommendation. However, the estimated allocation is higher by 2.89 per cent only against the allocation for 2010-11 of ₹ **806.74 Crore.** Hence, following the projection rate of FC-XIII in GSDP, the projection for 2012-13 and 2013-14 are placed at ₹ **1018.34 Crore** and ₹ **2881.24 Crore** respectively.

20. Plan Grants mainly consists of Normal Central Assistance, Special Plan Assistance, Additional Central Assistance etc… In respect of Plan Grants, it is usually forecasted that Normal Central Assistance would be increased by 15 percent, Additional Central Assistance by 10 percent and other Plan Grants are usually kept at the level of he previous year. With keeping in mind this forecast, Plan Grants for 2011-12 is estimated at ₹ **1867.30 Crore**. Unfortunately, the Planning Commission allocated the Normal Central Assistance for the year 2012-13 below this normative assessment which reduced the total Plan Grants and thereby estimated at ₹ **1596.00 Crore.** However, better increments in various Plan Grants are expected in the years to come. Then, the projection for 2012-13 and 2013-14 are estimated at ₹ **1600.97 Crore** and ₹ **1761.07 Crore** respectively.

2. Capital Receipts

Borrowings

21. The borrowings ceilings of State Government is guided by the rules and regulations prescribed by the Central Government besides the existing conditions contained in FRBM Act, 2006.Therfore, the State Government should be very careful and cautious in handling borrowings to finance its deficit. Firstly, the borrowings should not be in excess of the requirement of deficit financing. Secondly, portfolio selection should be guided by the borrowing instruments and the overall cost of borrowings such that the weight-average interest rate on new borrowings could be minimized. Keeping in mind these criteria, the estimated net borrowings in 2011-12 is ₹ **433.59 Crore** and the net borrowings for 2012-13 and 2013-14 are forecasted by estimating the same amount ₹ **433.59 Crore** for these consecutive two years.

Loans and Advances from the Central Government.

22. 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 against the loan component of Externally Aided Projects. Moreover, the Thirteenth Finance Commission also recommended the same arrangement to be continued. Thus, the borrowings under Loans & Advances from the Central Government will be the loan components of EAP's which is estimated at ₹ **23.03 Crore** in 2011-12 which will also be the projected amount for the forecast years 2012-13 and 2013-14.

Recoveries of Loans and Advances

23. The investments of the Government in Loans and Advances in the past resulted in recovery of Loans and Advances. Since recovery of Loans could not follow a specific pattern, the estimated amount of ₹ **33.01 Crore** in 2011-12 will be the projected amount for the forecast years of 2012-13 and 2013-14.

Public Account Borrowings

24. To meet the resource gap on the Consolidated Fund and for making the requirement of resources to finance the Annual Plan, Net receipts under Provident Fund and Insurance & Pension Fund in the Public Account are always utilized. It is termed as Borrowings from Public Account (Net). Borrowing has to be maintained at Optimum level so that the net borrowings under Public Account are not too much and serve only

gap filling in the deficit financing. With that in view, the net borrowing from the Public Account for 2011-12 is estimated at ₹ **80.00 Crore** and this will be the projected amount for the forecast years of 2012-13 and 2013-14.

3. Total Expenditure

Revenue Account

25. The increased percentage of Revenue Accounts mainly depends on two factors – increased percentage of salary and its connected items and increased percentage of contingent expenditure. Owing to the implementation of Sixth Pay Commission Recommendation and inflation happens in the market, it can be speculated apparently that the anticipated expenditure on account of salary and its connected items would be increased instantly and tremendously. As such, it is calculated that the total Revenue Account to be increased by **10 per cent** annually over and above the previous year. Hence, the total revenue expenditure for 2011-12 is estimated at ₹ **3425.76 Crore** against the Budget Estimates 2010-11 of ₹ **2912.23 Crore.** By keeping the annual increment of **10 per cent,** the anticipated total revenue expenditure for 2012-13 and 2013-14 are put at ₹ **3768.33 Crore** and ₹ **4145.16 Crore** respectively.

Capital Account

26. As per recommendation of Thirteenth Finance Commission, the State Government is advised to raise its Capital expenditure in order to enhance investment on infrastructure and other developmental activities by generating its own Revenue Surplus. At the same time, the ceiling of State borrowings is limited to the extent of its outstanding liabilities which tightened the fiscal maneuverability of State Government. Therefore, the expenditure on Capital Account is being anticipated on the basis of two factors – first, the total amount of devolution of Non-Plan Grants as recommended by FC-XIII, second, the Revenue Surplus that the State Government is expected to generate in its own. Since the FC-XIII recommendation of devolution of resources on Non-Plan Account is higher in comparison with that of FC-XII, the Capital Expenditure for 2011-12 is estimated at ₹ **941.58 Crore** and is projected for 2012-13 and 2013-14 at ₹ **1174.10 Crore and** ₹ **1150.37 Crore** respectively.

C. ASSESSMENT OF SUSUTAINABILITY RELATING TO

(a) The balance between revenue receipts and revenue expenditure

27. The balance between Revenue Receipts and Revenue Expenditure is termed as Revenue Deficit or Revenue Surplus depending upon the nature of the difference. Fortunately, Government of Mizoram has been

maintaining Revenue Surplus since 2003-04 till date which is mainly owing to increments of Non-Plan Grants coming from Central Government. However, the State Government has committed to take extra efforts to generate its own resources. The State Government has approved a proposal to increase the existing rates of Sales Taxes on various Petroleum Products and Land Revenue & Settlement related taxes. Besides, the Thirteenth Finance Commission also recommended higher devolution of resources on Non-Plan Account. Unfortunately, the chance to improve the Revenue Surplus is negated by the surging increase of revenue expenditure due to implementation of Sixth Pay Commission Recommendation to State Government employees. By considering the fortunate and unfortunate exogenous affects on the Revenue Account, it is anticipated that the State Government is going to maintain Revenue Surplus at comfortable level in the years to come. Hence, Revenue Surplus during 2011-12 is estimated at **₹ 240.94 Crore.** For 2012-13 and 2013-14, the Revenue Surplus is projected at **₹ 80.00 Crore and ₹ 80.00 Crore** respectively. This trend is expected to continue over the medium term so that the Government builds up revenue surplus for financing capital investment.

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

28. The unhealthy practice that usually occurs in the fiscal account of Government of Mizoram before 2003-04 was meeting the revenue expenditure from its capital receipts. This practice had been done due to existence of Revenue deficit in the Revenue Account. However, by noticing the negative impact of this unhealthy incidence, the State Government took utmost efforts to generate Revenue Surplus from the financial year 2003-2004. Thereafter, the Government continued to maintain Revenue Surplus in the Budget till date. This indicates that the surplus so generated could be made use of meeting capital expenditure for creation of capital assets. Further, the State Government had never utilized capital receipts (borrowed funds) for meting its current revenue expenditure since the attainment of revenue surplus from 2003-04. This helps the Government to increase the capital expenditure.

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

29. New Defined Contributory Pension Scheme was launched last year for the Govt. employees recruited on or after 2010-11 with the introduction of Voluntary Retirement Scheme under the supervision of School Education Department as Program Implementation Unit (PIU). An amount of **$ 3 million (₹ 14.16 crore)** has been set aside under Asian Development Bank (ADB) assisted MPRMP for the implementation of the

said Voluntary Retirement Scheme and undertaking exhaustive estimation of pension liabilities including developing a complete database. After development of complete database on pension, estimation of expenditure on pension payment shall be carried out on actuarial basis. However, the present estimation is carried out on the basis of trend growth rate.

30. Even though New Defined Contributory Pension Scheme has been launched last year, there are many employees who are left out under this Scheme since the Scheme covers the employees which are recruited on or after 2010-11 only. Moreover, due to implementation of Sixth Pay Commission Recommendation, there was a big jump estimate on pension expenditure in 2009-10, 2010-11 and 2011-12. In order to contain al these development on Pension, the trend growth rate (TGR) for estimation of pension payment is fixed at **15.61 per cent.** For the current financial year, Pension payments is estimated at **₹ 219.01 crore** against the Budget estimate of **₹ 205.40 crore** during 2010-11 and the projections made in Medium Term Fiscal Policy Statement 2010-11 which stood at **₹ 171.58 crore**. With TGR of **15.61 per cent,** projections for pension payment for the next ten years are shown below:

2012-13	-	₹ 253.19 crore
2013-14	-	₹ 292.71 crore
2014-15	-	₹ 338.40 crore
2015-16	-	₹ 391.22 crore
2016-17	-	₹ 452.28 crore
2017-18	-	₹ 522.88 crore
2018-19	-	₹ 698.86 crore
2019-20	-	₹ 807.95 crore
2020-21	-	₹ 934.07 crore
2021-22	-	₹ 1079.87 crore

31. Data on receipts and expenditure in the State's finance over the medium term framework covering the period 2009-10 to 2013-14 is shown in the table appended herewith.

TABLE

(Rs. in crore)

Sl. No.	Item of Receipt / Expenditure	2009-10 (Actuals)	2010-11 (Budget Estimates)	2010-11 (Revised Estimates)	2011-12 (Budget Estimates)	Targets for next Two Years	
						2012-13 (Proj)	2013-14 (Proj)
1	**Revenue Receipts**	**2963.50**	**3253.87**	**3716.32**	**3748.30**	**4123.13**	**4535.44**
	(a) Tax-Revenue	*107.58*	*118.26*	*124.15*	*173.17*	190.49	209.54
	(b) Non-Tax Revenue	*126.50*	*166.37*	*177.59*	*237.58*	261.34	287.47
	(c) State's share of Central Taxes	*394.53*	*563.06*	*590.78*	*709.73*	*780.70*	*858.77*
	(d) Grants from Central Government	*2334.89*	*2406.18*	*2823.80*	*2627.82*	*2890.60*	*3179.66*
	(i) Non-Plan Grants	725.33	806.74	894.20	925.92	1018.51	1120.36
	(ii) Plan Grants	1609.56	1599.44	1929.60	1701.90	1872.09	2059.30
2	**Capital Receipts -**	**294.79**	**319.60**	**710.30**	**573.39**	**573.39**	**573.39**
	(a) Borrowings on account of Internal Debt of the State Government (of which W&MA)	*193.72*	*201.99*	*534.50*	*433.60*	433.60	*433.60*
	(b) Loans and advances from the Centre	*32.17*	*27.60*	*3.87*	*23.03*	*23.03*	*23.03*
	(c) Recovery of loans and advances	*25.32*	*30.01*	*33.01*	*36.76*	*36.76*	*36.76*
	(d) Borrowings from Public Account (Net)	*43.58*	*60.00*	*138.92*	*80.00*	*80.00*	*80.00*
3	**Total Expenditure**	**3665.77**	**3577.91**	**4911.59**	**4216.09**	**4637.70**	**5101.47**
	(a) Revenue Account	*2702.70*	*2912.23*	*3699.70*	*3426.26*	*3768.89*	*4145.77*
	(i) Interest Payments	254.35	246.01	258.77	271.24	298.36	328.20
	(ii) Salaries	881.80	1126.40	1216.90	1447.72	1592.49	1751.74
	(iii) Pensions*	164.26	205.40	249.92	272.89	300.18	330.20
	(iv) Others	1402.29	1334.42	1974.11	1434.41	1577.85	1735.64
	(b) Capital Account	*963.07*	*665.68*	*1211.89*	*789.83*	*868.81*	*955.69*
	(i) Public Debt-Repayment of borrowings (of which W&MA)	365.33 (-) (136.74)	252.20 (-) -	429.40 (136.74) (163.36)	258.17 (-) (0.02)	283.99 (-)	312.39 (-)
	(ii) Loans and advances	24.94	25.00	32.15	34.71	34.71	34.71
	(iii) Capital Outlay	572.80	388.48	750.34	496.95	546.65	601.31
	(iv) Appropriation to Contingency Fund						
4	**GSDP**	**5497.93**	**6297.10**	**6297.10**	**7216.75**	**7938.43**	**8732.27**
5	**Outstanding liabilities of the State Government**	**3163.95**	**3201.35**	**3410.21**	**3580.72**	**3759.76**	**3947.75**

* A higher expenditure of Pension in 2009-10 and 2010-11 is due to inclusion of pension payment for VRS of School teachers under Plan Account under Structural Adjustment Loan.