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GOVERNMENT OF MIZORAM

FISCAL POLICY STRATEGY STATEMENT

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

GOVERNMENT OF MIZORAM
2014-2015

(As laid before the Mizoram Legislative Assembly on 11th November, 2014)

FORM-II (a)
(See Rule 4)

FISCAL POLICY STRATEGY STATEMENT

A. FISCAL POLICY OVERVIEW:

Government of Mizoram devises its fiscal policy and guiding principle in line with the Thirteenth Finance Commission's recommendation as well as Planning Commission's instructions. The Twelfth Finance Commission recommended the enactment of the Fiscal Responsibility and Budget Management Act (FRBM Act) for the Union and the State Governments as a part of an effort to reform and to consolidate the respective financial conditions laid down by it in the Twelfth Finance Commission. The Thirteenth Finance Commission reinforces this recommendation by offering incentives on compliance. Even Mizoram Government has also been implementing and updating its own FRBM Act so as to achieve and align with the Thirteenth Finance Commission's recommendation for the State. The Thirteenth Finance Commission recommended that Govt. of Mizoram will have to maintain Revenue Surplus from the fiscal 2011-12, gradually reduce its fiscal deficit to 5.2 per cent in 2012-13, 4.1 per cent in 2013-14 and ultimately to 3 per cent of its GSDP by 2014-15 and limit outstanding liabilities at 82.9 per cent of GSDP in 2012-13, 79.2 per cent in 2013-14 and eventually at 74.8 per cent of corresponding GSDP by 2014-15.

2. The Revenue Account, which had been in surplus since 2003-04, continues to be in surplus throughout the Twelfth Finance Commission (TFC) period. This is a good sign of improving fiscal performance. Otherwise, a revenue deficit indicates utilisation of borrowed funds for meeting current revenue expenditure which is not sustainable in the long run. The building up of revenue surplus is very much essential for increasing capital expenditure, which could be supplemented with borrowed funds. Thus, attainment of revenue surplus throughout the TFC Award period has been a good sign of fiscal performance.

3. The fiscal deficit, which has been under the close watch of the FRBM Act, has all along been above the projected path of reduction. As per the FRBM Act, the fiscal deficit has to be brought down to 3 per cent of GSDP by 2014-15. The fiscal correction path that was drawn up by the

Government of Mizoram in 2006-07 and revised and redrawn annually indicated that the Government could not follow its own correction path due to various reasons. The fiscal deficit, which has been measured as a percentage of the GSDP series adopted by the FC-XIII, stood at 8.25 per cent in 2010-11, the same stood at 3.04 per cent in 2011-12, at 7.21 per cent in 2012-13 and at 18.15 per cent in 2013-14. The reasons for not conforming with the projected fiscal correction paths may include expenditure on account of food subsidies, purchase of power and selling the same at a subsidized rate to the general public and many other items of revenue expenditure.

4. The period has seen positive signs of improvement in State's Own revenues. The State's own tax revenue which was a mere ` 107.58 crore in 2009-10 had followed a secular growth trend and thereby increased to ` 130.08 crore in 2010-11, ` 178.67 crore in 2011-12, ` 223.15 crore in 2012-13 and is projected at ` 222.25 crore in 2013-14. With the implementation of VAT in the State from 1st April, 2005 and subsequent increases in rate of taxes on certain items like POL, etc the collection of State's own tax revenues has received further impetus and greatly improved during the FC-XIII period.

5. The fiscal pressure due to implementation of the Sixth Pay has been carried over to the Thirteenth Finance Commission period. Compounding to this belated fiscal shocks, other factors has come into play like the mass upgradation of schools, establishment of IR Battalions, subsidization of foodgrains, expenditures on Power purchase and so on. These factors impacted upon the fiscal performances of the State Government and hence the deviations from the projected path.

6. It is noteworthy that the State's collection of own revenues has been buoyant during the period. One reason could be attributable to improvement in collection efficiency in tax and non-tax revenues.

7. A review of the fiscal performance during the FC-XIII period shows a variety of exogenous and endogenous factors coming into play in the fiscal scene. The exogenous factor includes the global economic meltdown, resulting in the lowering of tax proceeds from the Centre to the States and the corresponding necessity of filling up the fiscal gap with market borrowings. The endogenous factors include the requirement of incurring huge subsidies towards purchase of rice. With the reduction of the PDS Quota of the State by the Government of India, the Government had been compelled to purchase rice out of the additional

quota of economic cost bearing differential cost of rice between economic cost and issue price. The total expenditure of the Government on account of this was estimated at ` 246.31 crore in the Revised Estimates for 2012-13. The expenditure on 2011-12 was ` 206.77 crore.

B. FISCAL POLICY FOR 2014-15.

8. The fiscal policy for the current financial year shall be, first of all, in line with the Thirteenth Finance Commission recommendation. Hence, the salient features of the fiscal reforms introduced by Thirteenth Finance Commission may be highlighted once again as given below-

(a) Revenue deficit of the Centre and the States needs to be reduced and eliminated, followed by achievement of revenue surplus by 2014-15.

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

(c) State Government should amend/enact FRBM Acts to build in the fiscal reform path worked out. State specific grants recommended for a state to be released upon compliance of FRBM.

(d) Debt stock/outstanding liabilities of the Central and State Governments should be brought down to 68 per cent of GSDP by the end of the award period (2014-15). In other words, State Government needs to ensure total outstanding debt, excluding Public Account and Risk weighted Outstanding Guarantees in a year shall not exceed twice of the estimated receipt in the Consolidated Fund of the State at the close of the financial year

9. The current fiscal position of the State in respect of various fiscal indicators may be briefly looked into from the point of view of the fiscal reform features indicated above.

10. Regarding elimination of revenue deficit, the noteworthy achievement of the State is the continued maintenance of revenue surplus since 2003-04 in the State Budget till 2009-10. As per Revised Estimate the Revenue Deficit during 2013-14 is estimated at ` (-)616.06 crore. The amount of Revenue Surplus has to be increased at

the highest possible level so as to set aside maximum fund for taking up of developmental works and for creation of productive assets. As of now, the main bottlenecks on the way to enhancement of revenue surplus is the burgeoning Non-Plan Revenue Expenditure which has existed in the State finances due to implementation of The Mizoram (Revision of Pay) Rules, 2010 and the provision of mass subsidy on the purchase of power and food grains. However, utmost endeavors are being undertaken by the State Government to weed out this persisting financial necessary evil in a systematic and fruitful manner.

11. The Thirteenth Finance Commission required Government of Mizoram to reduce its fiscal deficit to 3 per cent of GSDP by 2014-15. In spite of the borrowing being fixed in line with the recommendation of Thirteenth Finance Commission, the bulging Revenue Expenditure always neutralized the efforts rendered for reduction of fiscal deficit volume. The Thirteenth Finance Commission recommended that Government of Mizoram should maintain fiscal deficit as a percentage of GSDP in the following pattern: 7.5 per cent in 2010-11, 6.4 per cent in 2011-12, 5.2 per cent in 2012-13, 4.1 per cent in 2013-14 and 3 per cent in 2014-15. The actual position of Fiscal Deficits of the State for the period from 2010-11 to 2013-14 is shown below:

2010-11 = ` (-) 499.60 crore (8.25% of GSDP)
2011-12 = ` (-) 212.60 crore (3.04% of GSDP)
2012-13 = ` (-) 580.49 crore (RE) (7.21% of GSDP)
2013-14 = ` (-) 1612.42 crore (RE) (18.15% of GSDP) (Provisional)

12. The Gross Fiscal Deficit during 2013-14 is estimated at `(-)1612.42 crore which is 18.15 per cent of the GSDP. Hence in order to achieve the stipulated 3 per cent fiscal deficit during 2014-15 a concerted effort has to be rendered by the State Government by way of increasing State's Own Tax and Non-Tax Revenues.

13. The fiscal policy of the State should be framed in line with the broad fiscal framework designed by FC-XIII. The FC-XIII said that, "*a state should have adequate room for capital expenditure by using its revenue surplus and a fiscal deficit not exceeding 3 per cent of GSDP. Any State that has a revenue surplus along with higher fiscal deficit should compress its capital expenditure, or alternatively, increase its surplus on the revenue account*". Following these recommendations, the fiscal policy of the State Government for 2014-15 shall be:

(a) *To continue the process of fiscal reforms and consolidation; generate revenue surplus and reduce fiscal deficit.*

(b) *To improve Own Tax Revenues and improve Own Tax-GSDP ratio*

(c) *To ensure 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 weighed Guarantee Fund in a year not to exceed twice of the estimated receipt in the Consolidated Fund of the State at the close of financial year.*

14. In the Indian fiscal federalism, the levels of devolution of resources from the Centre determine the fiscal position of the State governments. Being a resource deficit State, the Government of Mizoram also is depending to a large extent on the levels of devolution of resources from the Finance Commissions on Non-Plan Account and the Planning Commission on Plan Account.

15. One of the critical issues in the management of State finance is the after-shock of implementation of Pay Revision to State Government employees. Since the Thirteenth Finance Commission did not take care of Pay Revision for the State Government employees, the State Government alone is struggling to tide over this aftershock. It may therefore be difficult for the State Government alone to sustain the existing position in view of the increasing requirement for revenue and non-plan expenditure over the medium term. The State finances may need help from the Centre to weed out this fiscal problem within the short term.

16. Another area of concern which heavily impacted on the State finances is incessant provision of mass subsidy on purchase of food grains and power. The initial Budget Estimates for Power purchase in the Budget often required to be revised in the mid-year owing to unprecedented retrospective revision of power tariff by Central Electricity Regulatory Commission (CERC). Due to these revisions, the State Government received supplementary bills from various Power utilities

like NEEPCO, NHPC, PGCIL, TSECL, BHEL and NTPC which was, actually, not anticipated at the time of budget allocation made at the beginning of the year. Besides these retrospective bills, the normal requirement of the Department as a result of tariff revision has also been increased to a huge amount and thereby resulting in Budget escalation in the Revised Estimates. This difference induces a drain out of the State Exchequer without refill from any sources. This persisting predicament in the State finances need appropriate address in a fitting manner so as to evolve better form of power trading in the principle of no-loss no-gain and to prevent leakage of State Exchequer.

17. The fiscal shocks on account of food subsidy still continue. Since the Government could not risk drastic reduction of supply of rice from the Food Corporation of India due to the shortage of local food supply in the State, this will need to be carried on for a few more years. Thus, even with the losses that the Government will have to bear in food trading, we are under compulsion to continue the food subsidy till such time the Government could make alternative arrangements. The alternative arrangement already mooted and to be put in place in place of TPDS is the Food Security Act. The burden of food subsidy may be overcome by correct identification of eligible households under the Food Security Act; otherwise the challenge of the State government for subsidization of foodgrains will remain the same as before.

18. Another issue confronting the Government in 2014-15 will include the task of successfully taking off on the electoral promises of the Ministry in its flagship programme of 'New Land Use Policy (NLUP) which requires a separate and distinct identity as our State's Plan Scheme over the medium term. New Land Use Policy (NLUP) will continue to be the highest priority during 2014-15. The programme aims at achieving integrated and inclusive development for economic empowerment of the poorer section and, at the same time, preserve its fragile eco system by gradually replacing jhumming through a variety of land-water centric schemes. During the current fiscal ` 317.32 crore is specifically earmarked for NLUP. Thus, the Government's fiscal policy will revolve round the need to successfully crush the developmental bottlenecks and lay the stone for socio-economic development of the rural masses. This will call for strategic planning that consists of working out an optimum mix of resource mobilization and increased expenditure.

19. The major fiscal policy initiatives that the Government will pursue in 2010-11 are laid down in brief below:

(1) Tax Policy:

20. It will be the endeavor of the Government to continuously improve the Tax-GSDP ratio and increase the contribution of State's tax. The State Government will continue to take measures to sustain the growth of tax revenues.

21. The Government is determined to maintain the increasing trend of the tax-GSDP ratio by increasing the tax collection efficiency and better tax compliance. Towards this end, the Government will pursue the following measures in 2014-15:

a) *The collection of Tax through e-payment system has also been introduced as a part of computerization of records on tax collection. This initiative has brought about a turnaround in the tax collection efficiency since last two financial years. Moreover vigorous re-assessment of Entertainment Tax especially for Cable TV Operators has been carried out by the Department which is expected to increase the tax collection on Entertainment by ` 2.00 crore annually.*

b) *The potential in collection of land revenues will be given due consideration with focus on restructuring of the Department, streamlining the tax collection system and improving the land record management and assessment and collection of arrears. This will be coupled with exhaustive process of capacity building of the officials involved in administration of land revenue and computerization of the records. This is expected to bring about higher collection of land revenue as well as realization of the arrears accumulating over the years.*

c) *Improvement of collection of Taxes on account of motor vehicles and passengers & goods tax has also been taken up in the form of introduction of e-payment of Road Tax and by capacity building of the officials involved and introducing waivering of late fee for a certain period of time to the defaulter. These measures are expected to bring about overall improvement in the tax collection. Besides the above measures, lifetime payment of Road tax at one go and recent introduction of High Security Plate for vehicles would increase the revenue earn from State's own resources.*

d) *The Total Prohibition of Liquors enforced in the State since 1995 had caused tremendous loss to the State's revenue. The State's Legislative Assembly had passed a new Act in 2014 called "The Mizoram Liquor (Prohibition and Control) Act, 2014 which shall* *replace the Mizoram Liquor Total Prohibition Act of 1995. The rules under the new Act is being under process and shall become effective shortly. Under the new Act and Rules, the State Government expected to earn an additional revenue to the tune of ` 30.00 – ` 40.00 crore annually in the form of excise duties.*

22. The above measures taken together will bring about the desired goal of increasing the tax-GSDP ratio and substantial improvement in State's own tax collection for years to come.

(2) Expenditure Policy:

23. The Expenditure Policy of the State Government should, first of all, be guided by the provisions and recommendations laid down by the Thirteenth Finance Commission. In the meantime the State still faces certain fiscal hiccups in spite of the fairly substantial increase in the volume of resources transferred as compared to the resources transferred by the previous Commission. The main bottleneck in the management of State finances is implementation of 6th Pay Revision to State Government's employees. As Thirteenth Finance Commission remains silent on this issue, the State Government alone is struggling to overcome this financial predicament without any additional resources from anywhere.

24. This problem is aggravated by incessant provision of mass subsidy on purchase of food grains and power. Hence, it is essential for the State Government to deliberately draw up its expenditure policy and to formulate the ground solution for settlement of this fiscal quandary.

25. Under the Targeted Public Distribution System (TPDS), the State Government had been allocated foodgrains by the FCI which is insufficient to meet the actual requirements. Hence the State Government has to purchase a huge amount of foodgrains from the market at a higher rate and sold to the beneficieries at a subsidized rate. Since a separate budgetary allocation had not been drawn up to meet this subsidization, it has put a great pressure on the State Exchequer. The unrecovered expenditure on food trading alone has been costing the State Government around ` 156.00 crore every year. The State Government shall, however, continue this subsidization practice for the welfare of the targeted groups with measures to minimize the losses. One measure is the upward revision of the selling price to the beneficiaries and another is the revision of the list of the beneficiaries. The ongoing

end-to-end computerization of TPDS initiated since 2013 is a positive move to tackle the irregularities in food trading.

26. In the power trading also, the State Government has to spend a huge sum of money for purchase of power which has been sold to the general public at a subsidized rate. The usual monthly expenditure on purchase of Power supply is around ` 15.26 crore which cannot be made good by the user charge collected for the same. Recently, the Joint Electricity Regulatory Commission (JERC) for Mizoram and Manipur, has increased the power tariff. Hence, the State Government's spending on Power purchase shall be compensated by the increase in tariff rate by the JERC. The State Government needs to improve the collection efficiency of the user charges by plugging all possible loopholes. An initiative has been taken by P&E Department to introduce online payment of bills which will increase the revenue collection of the Department.

27. In order to contain and reduce non-productive expenditure, the State Government has also introduced Special Voluntary Retirement Scheme for Teachers for improvement of the standard of education and reduction of expenditure on Salary and its related items. Besides, it has also launched New Defined Contributory Pension Scheme as a part of economy measures to redefine and filter public expenditure.

28. The prime concern of the Government's expenditure will continue to be the focus on increased spending for capital investments for laying development infrastructure. Efforts will be on to contain revenue expenditure and increasingly utilize resources for meeting capital expenditure.

(3) Borrowings and Other Liabilities, Lendings and Investments:

29. The Government has been following a conscious policy on borrowings in containing the net borrowings so that the outstanding debt stock is maintained at a sustainable level relative to GSDP and Revenue Receipts. The FRBM Act, 2006 as amended in 2009 also provides that fiscal deficit will be contained to a level of 3 per cent of GSDP in 2010-11. The Thirteenth Finance Commission further postponed attainment of 3 per cent by 2014-15. However, the Government has been making efforts to contain the borrowings. With that in view, the Government has been containing the net borrowings at the targeted level of fiscal deficit so that the Government will not borrow in excess of the requirement for financing the fiscal deficit. Generation of revenue surplus also helps in

checking the use of borrowed funds for meeting current revenue expenditure. With containment of the borrowings, the Government will pursue a policy of reducing revenue expenditure relative to the total expenditure so that enough resources could be made available for capital investment.

30. With the FC-XIII's requirement of reducing debt stock relative to GSDP at 74.80 per cent by 2014-15, the Government needs to exert utmost care in deficit financing. This will also help in slowly reducing the interest burden. The Government shall also focus its attention towards reduction of weighted average interest rates on the borrowings. This will, in the long run have the effect of reducing the expenditure on account of interest payments. Accordingly, the Government will shift its borrowings in favour of low-cost RIDF loan of NABARD for creating infrastructure in the rural and agriculture sectors.

31. The Government's investments in the PSUs, Co-operative Banks and Societies etc. in equities in the past without any scope for receipt of dividend and the continued budgetary support of these entities is one issue of concern in the State finance.

32. The solution to the Government's debt problem lies in the method of application of borrowed funds i.e., whether they are being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy which may result in increase in Government revenue in future, making debt payments manageable.

(4) Consolidated Sinking Fund:

33. The Government builds up a sizeable amount in the Consolidated Sinking Fund accumulating as Reserve Fund of the State's Public Account. With the Revised Scheme coming in force from 2006-07, the Government continues to invest funds in the Sinking Fund to generate funds for meeting its future repayment obligations of loans contracted in the past. The principal already invested in the Fund as on 31.03.2014 was ` 156.30 crore. The principal amount to be invested during 2014-15 as per budgetary allocation is ` 22.92 crore; so that the accumulated principal investment would become ` 179.22 crore by the end of this fiscal year. The State Government is intending to strengthen the Consolidated Sinking Fund (CFS) by gradually increasing the quantum of investment in the fund during the coming 5 (five) years so that the

corpus fund would be in the average range of 5 per cent of the State's liabilities.

(5) Contingent and Other Liabilities:

34. Realising the importance of efficient management of contingent liabilities, the Government has set up a Guarantee Redemption Fund (GRF) in May, 2009 with an initial corpus fund of ` 50.00 lakh. Another ` 50.00 lakh was invested in 2010-11, ` 100.00 lakh in 2011-12, ` 150.00 lakh in 2012-13, ` 200.00 lakh in 2013-14. The Government will augment the corpus fund by investing an additional amount of ` 200.00 lakh in 2014-15 so that the closing balance at the end of 2014-15 would be ` 750.00 lakh. 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 was put in place since April 2013, this will help the Government in collecting guarantee fees at a minimum of 0.75 percent of the guaranteed loan as a guarantee commission.

(6) *Levy of User Charges:*

35 Being a small State in terms of population and areas, collection of User charges on various governments' services are always marginal and used to fall below expectation and estimation. It would be in the best interest of the State Government if the cost of Operation & Maintenance can be realized from the services provided to the general public.

36. The practice of mass subsidy in the services extended by the Government is one issue that is costing the Government dearly. These issues need to be carefully considered keeping the positive impacts vis-à-vis the negative impacts and dependency of the general public in the Government on the one hand and inefficiency of public spending on the other. The Government will slowly move towards levying of optimum level of user charges and differential subsidy so that providing of services to the people vis-à-vis levying of user charges for generating funds for maintenance of assets has become slowly sustainable in the long run.

C. STRATEGIC PRIORITIES FOR THE ENSUING YEAR:

37. The priority of the Government will be 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. The FC-XIII had postponed the time of achieving 3 per cent fiscal deficit of GSDP by 2014-15; with the heralding of FC-XIV from the ensuing year, more devolution from the Central Government may greatly improve the fiscal situation of the State Government. The availability of resources under FC-XIV will enable the Government to bring about improved fiscal performance and increased investment in critical developmental needs of the people.

D. POLICY EVALUATION:

38. The recommendations of the FC-XIII for fiscal deficit for the State is 6.4 per cent, 5.2 per cent, 4.1 per cent and 3.0 per cent of the corresponding GSDP in 2011-12, 2012-13, 2013-14 and 2014-15 respectively. The fiscal deficit in 2010-11 stood at 16.83 per cent of the GSDP. The performance of the State Government got improved in 2011-12 at 6.84 per cent of the GSDP which was commensurate with the fiscal correction path recommended for the year. Again in 2012-13 the fiscal deficit was 7.21 per cent of the GSDP whereas the recommended percentage was 5.2 per cent. There was, however, a setback of performance in 2013-14 and as per Revised Estimate the fiscal deficit was as high as 18.15 per cent. But this figure would be changed when the final figures are received in the State Finance Accounts for the year 2013-14. The poor performance may be attributable to shortage or incomplete fund released from the Central Government and released of fund far below the FC-XIII recommendation. The Government of Mizoram has been experiencing Revenue Surplus since 2003-04; which however could not be kept up in 2010-11 and 2013-14. As per Revised Estimate the Revenue Deficit during 2013-14 was estimated at ` (-)616.06 crore which constituted -6.93 per cent of the GSDP. The fiscal shocks in reduced devolution of central taxes, expenditure on corpus fund of the Contingency Fund of the State and other revenue expenditure, with no corresponding resources resulted in fiscal imbalance in 2013-14. However, the Government's attempts towards elimination of the revenue deficit and corresponding generation of revenue surplus brought about increase of resources for capital expenditure as the level of borrowings for financing capital expenditure are put to a check by the requirement of

containing the fiscal deficit. As a result, the Government's expenditure has been guided by the need to generate revenue receipts on the one hand and corresponding containment of revenue expenditure on the other. However, with the limitations in containing the revenue expenditure, the Government's policy of finding alternative sources for funding development investments have slowly paid dividends in working with multilateral agencies bringing in external financial resources accompanied by transfer of knowledge and expertise. At the overall, the fiscal management principles in the post-FRBM are strongly guided by the provisions of the Act and the targets set out therein and have slowly brought about improvements in expenditure management. The commencement of FC-XIV period with higher devolution of resources is expected to bring about improvements in the fiscal position.

E. RATIONALE FOR POLICY CHANGES:

39. There are no specific policy changes as such. However, the commencement of the FC-XIII award period necessitated slight changes in the policy and time frame of reduction of debt stock and the fiscal reforms initiatives introduced by it, the Government will slowly pursue the policy initiatives to achieve the stipulations contained in the recommendations. Needless to say that the Government will continue to be strongly guided by the principles of fiscal management with numerical targets outlined in the FRBM Act as may be amended. The need to improve the State's own revenues is the pressing need of the present time so that the State Government may be able to cope up with the requirement of surging expenditure and for meeting its developmental commitments. Towards this end, the Government will continue to focus towards Public Resource Management, Capacity Building and Tax & Non-Tax Reforms so as to achieve the desired objectives. Correspondingly, the revenue expenditure need to be curtailed so as to make revenues available for generation of capital assets.

40. In the light of the changes in the fiscal policy and management during the last few years, the Government of Mizoram has redrawn a Fiscal Correction Path in the light of the 2012-13(actual), 2013-14(BE), 2013-14(RE) and 2014-15(BE) including projections for the next two years in a format as outlined by the Ministry of Finance, Government of India in its guidelines for implementation of Debt Consolidation and Relief Facility recommended by the Twelfth Finance Commission. The Fiscal Correction Path is given in Form-II (b). Selected fiscal indicators are also appended herewith in Forms D-1, D-2, D-3, D-4 and D-5.

FORM II (b) **Annexure - II**

State : Mizoram

Outcome indicators of the State's Own Fiscal Correction Path

(Rupees in Crore)

	Items	*2011-12 (Actuals)*	*2012-13 (Actuals)*	*2013-14 (BE)*	*2013-14 (RE)*	*2014-15 (BE)*	*2015-16 (Proj.)*
A	**STATE REVENUE ACCOUNT :**						
1	Own Tax Revenue	178.67	223.15	222.25	234.82	270.39	297.43
2	Own Non-Tax Revenue	168.03	212.80	266.00	251.78	278.48	306.33
3	***Own Tax+Non Tax Revenue (1+2)***	***346.70***	***435.95***	***488.25***	***486.60***	***548.87***	***603.76***
4	Share in Central Taxes & Duties	827.78	785.96	935.66	858.08	1030.85	1030.85
5	Plan Grants	1980.83	2257.67	2451.08	3003.52	3185.24	3503.76
6	Non-Plan Grants	856.50	1057.16	1164.43	1180.76	1114.51	1225.96
7	***Total Central Transfer (4 to 6)***	***3665.11***	***4100.79***	***4551.17***	***5042.36***	***5330.60***	***5760.57***
8	***Total Revenue Receipts (3+7)***	***4011.81***	***4536.74***	***5039.42***	***5528.96***	***5879.47***	***6364.33***
9	Plan Expenditure	1373.14	1760.07	1873.79	3065.59	2425.77	2668.35
10	Non-Plan Expenditure	2350.71	2748.84	2783.82	3079.43	3338.64	3672.50
	of which						
11	Salary Expenditure	1150.09	1377.36	1617.13	1632.11	1896.80	2086.48
12	Pension	298.36	370.52	240.17	240.17	375.87	413.46
13	Interest Payments	273.79	288.15	248.49	282.47	289.77	318.75
14	Subsidies - General		-				
15	Subsidies - Power		-				
16	***Total Revenue Expenditure (9+10)***	***3723.85***	***4508.91***	***4657.61***	***6145.02***	***5764.41***	***6340.85***
17	Sal+Interest+Pensions (11+12+13)	1722.24	2036.03	2105.79	2154.75	2562.44	2818.69
18	as % of Revenue Receipts (17/8)	42.93	44.88	41.79	38.97	43.58	44.29
19	***Revenue Surplus/Deficit (8 -16)***	**287.96**	**27.83**	**381.81**	**-616.06**	**115.06**	**23.48**

(Rupees in Crore)

	Items	*2011-12 (Actuals)*	*2012-13 (Actuals)*	*2013-14 (BE)*	*2013-14 (RE)*	*2014-15 (BE)*	*2015-16 (Proj.)*
B	**CONSOLIDATED DEBT :**						
1	Outstanding debt and liability	4548.45	5114.20	4582.85	5334.81	5651.27	5945.27
2	Total Outstanding guarantee	126.30	111.97	130.00	80.27	95.27	97.00
	[of which guarantees on account of budgeted borrowing and SPV borrowing]						
C	**CAPITAL ACCOUNT :**						
1	Capital Outlay	494.84	607.55	451.80	967.95	714.28	785.71
2	Disbursement of Loans and Advances	33.52	30.25	31.20	55.95	27.45	27.45
3	Recovery of Loans and Advances	27.80	29.48	27.55	27.54	40.00	40.00
4	Other Capital Receipts		-				
5	Transfer to Contingency Fund		-				
D	**GROSS FISCAL DEFICIT :**	-212.60	-580.49	-73.64	-1612.42	-586.67	-749.68
	$[(A_8+C_3+C_4)-(A_{16}+C_1+C_2+C_5)]$						
E	**GSDP (Rs. crs.) at current prices**	6991.40	8053.00	9200.71	8886.00	9805.00	10818.00
	Actual/Assumed Growth Rate (%)	15.41	15.18	14.25	-3.42	6.57	21.74
F	**INDICATORS AS % OF GSDP**						
1	Own Tax Revenue (A1/E)	2.56	2.77	2.42	2.64	2.76	2.75
2	Own Non-Tax Revenue (A2/E)	2.40	2.64	2.89	2.83	2.84	2.83
3	Total Central Transfer (A7/E)	52.42	50.92	49.47	56.74	54.37	53.25
4	Total Revenue Expenditure (A16/E)	53.26	55.99	50.62	69.15	58.79	58.61
5	Revenue Surplus/Deficit (A19/E)	4.12	0.35	4.15	-6.93	1.17	0.22
6	Gross Fiscal Deficit *	3.04	7.21	0.80	18.15	5.98	6.93
7	Outstanding Debt and Liabilities (B1/E)	65.06	63.51	49.81	60.04	57.64	54.96

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

FORM D - 1

(See Rule 9)

SELECT FISCAL INDICATORS

	Items	2012-13 (Actuals)	2013-14 (RE)
1	Gross Fiscal Deficit as Percentage of GSDP	7.21	18.15
2	Revenue Deficit (-)/Surplus (+) as Percentage of GSDP	0.35	6.93
3	Revenue Deficit (-)/Surplus (+) as Percentage of TRR	0.61	11.14
4	Total Liabilities - GSDP Ratio (%)	63.51	60.04
5	Total Liabilities - Total Revenue Receipts (%)	112.73	96.48
6	Total Liabilities - State's Own Revenue Receipts (%)	1173.12	1096.34
7	State's Own Revenue Receipts - Revenue Expenditure (%)	9.67	7.92
8	Capital Outlay as Percentage of Gross Fiscal Deficit	104.66	60.03
9	Interest Payment as Percentage of Revenue Receipts	6.35	5.11
10	Salary Expenditure as Percentage of Total Revenue Receipts	30.36	29.52
11	Pension Expenditures as Percentage of Total Revenue Receipts	8.17	5.28
12	Non-Developmental Expenditure as Percentage of Aggregate Disbursement	26.33	20.84
13	Gross Transfer from the Centre as Percentage of Aggregate Disbursement	61.02	53.80
14	Non-Tax Revenue as Percentage of Total Revenue Receipts	4.69	4.55

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)	
	2012-13 (Actuals)	2013-14 (RE)	2012-13 (Actuals)	2013-14 (RE)	2012-13 (Actuals)	2013-14 (RE)
1	3	4	5	6	7	8
Market Borrowings	**185.75**	**299.12**	**122.53**	**35.02**	**1153.97**	**1418.07**
(a) Market Loans	*185.75*	*299.12*	*117.97*	*30.46*	*1138.03*	*1406.69*
(b) Power Bonds	-	-	*4.56*	*4.56*	*15.94*	*11.38*
Loans from Centre	**0.10**	**15.34**	**18.71**	**18.98**	**547.82**	**544.18**
(a) Block Loans	*0.10*	*15.34*	*18.71*	*18.98*	*523.35*	*519.71*
(b) Other Loans	-	-	-	-	*24.47*	*24.47*
Special Securities issued to the NSSF	**25.05**	**10.00**	**6.64**	**7.12**	**190.74**	**193.62**
Borrowings from Financial Institutions/Banks	**42.80**	**61.00**	**40.91**	**47.16**	**256.98**	**270.82**
(a) LIC	-	-	*23.66*	*23.55*	*71.97*	*48.42*
(b) NABARD	*42.46*	*60.00*	*16.06*	*22.40*	*167.08*	*204.68*
(c) NCDC	*0.34*	*1.00*	*0.11*	*0.12*	*4.04*	*4.92*
(d) Other Institutions	-	-	*1.08*	*1.09*	*13.89*	*12.80*
WMA/OD from RBI	**166.58**	**374.93**	**97.26**	**500.00**	**115.77**	**-9.30**
Provident Funds, etc.	**506.78**	**325.00**	**310.45**	**264.00**	**1854.53**	**1915.53**
(a) General Provident Fund	*499.66*	*320.00*	*305.87*	*260.00*	*1787.10*	*1847.10*
(b) Insurance & Pension Fund	*7.12*	*5.00*	*4.58*	*4.00*	*67.43*	*68.43*
Other Liabilities	**983.10**	**703.90**	**747.91**	**696.40**	**994.39**	**1001.89**
TOTAL	**1910.16**	**1789.29**	**1344.41**	**1568.68**	**5114.20**	**5334.81**

B. WEIGHTED AVERAGE INTEREST RATES ON STATE GOVERNMENT LIABILITIES

(Percent)

Category	Raised during the Fiscal Year		Outstanding Amount (End-March)	
	2012-13 (Actuals)	2013-14 (RE)	2012-13 (Actuals)	2013-14 (RE)
Market Borrowings				
(a) Market Loans	8.89	8.69	8.89	8.69
(b) Compensatory and other Bonds	-	-	8.50	8.50
Loans from Centre	9.00	9.00	9.00	9.00
Special Securities issued to the NSSF	9.00	9.00	9.00	9.00
Borrowings from Financial Institutions/Banks				
(a) LIC	-	-	7.70	7.70
(b) NABARD	7.00	7.50	7.00	7.50
(c) REC	-	-	10.28	10.28
(d) PFC	-	-	-	-
(e) NCDC	12.95	12.95	12.95	12.95
WMA/OD from RBI	-	-	-	-
Provident Funds, etc.	8.80	8.80	8.80	8.80
Other Liabilities	-	-	-	-
TOTAL	**9.27**	**9.32**	**9.12**	**9.16**

FORM D-3
(See Rule 9)

CONSOLIDATED SINKING FUND (CSF)

(Amount in Rs. crore)

Outstanding Balance in CSF at the begining of the previous year 1st April, 2012	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, 2013	Col (4)/ Outstan-ding stock of SLR Borrowings (%)	Additions during the current year 2013-14	Withdrawals from CSF during the current year	Outstanding balance in CSF at the end of current year/beginning of ensuing year Tentative 31st March, 2014	Col. (S) Outstanding stock of SLR Borrowings (%)
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*
117.50	17.90	-	135.40	9.65	20.90	-	156.30	9.80

FORM D-4
(See Rule 9)

GUARANTEES GIVEN BY THE GOVERNMENT

Category	Maximum Amount Guaranteed (Rs. In crore)	Outstanding at the begining of the year 2013-14 (Rs. in crore)	Additions during the year 2013-14 (Rs. in crore)	Reductions during the year 2013-14 (Rs. in crore)	Invoked during the year 2013-14 (Rs. Crore)		Outstanding at the end of the year 2013-14 (Rs. Crore)	Guarantee Commission or Fee (Rs. Crore)		Remarks
					Discharged	Not Discharged		Receivable	Received	
1	2	3	4	5	*6*	*7*	*8*	*9*	*10*	*11*
Cooperative	149.28	28.87	-	2.34	-	-	26.53			
Govt. Companies	59.93	59.93	-	40.77	-	-	19.16			
Other Statutory Corporation	59.13	25.86	-	6.33	-	-	19.53			
Other Institutions	5.60	0.26	5.09	-	-	-	15.05		3.75	
TOTAL	**273.94**	**114.92**	**5.09**	**49.44**	**-**	**-**	**80.27**			

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 Liabilitities	100		
High Risk	65		
Medium Risk	55		
Low Risk	25		
Very Low Risk	5		
Total Outstanding			

Note : An assessment of Risk-weighted Government guarantees is not yet completed. Hence default probability in the guaranteed loans could not be assigned.