



GOVERNMENT OF MIZORAM

MEDIUM TERM FISCAL POLICY STATEMENT

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

**GOVERNMENT OF MIZORAM
2018-2019**

(As laid before the Mizoram Legislative Assembly on 15th March, 2018)

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

Sl. No	Item	2016-17 (Actuals)	2017-18 (Budget Estimates)	2017-18 (Revised Estimates)	2018-19 (Budget Estimates)	Targets for next Two Years	
						2019-20 (Proj)	2020-21 (Proj)
1	Revenue Deficit(-) / Surplus(+) as a percentage of GSDP	8.03	10.18	5.86	7.50	11.80	12.74
2	Fiscal Deficit as a percentage of GSDP	1.73	(-) 0.79	(-)3.20	(-)1.14	2.46	2.66
3	Total outstanding Liabilities as a percentage of GSDP	46.22	40.87	31.19	34.19	35.22	38.03
4	Total outstanding Liabilities as a percentage of Total Revenue Receipt(TRR)	90.90	87.82	80.39	88.52	77.55	83.95
5	Interest Payments as a percentage of Total Revenue Receipt(TRR)	4.61	4.63	4.27	4.37	4.02	4.34

Notes:

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

In light of the recommendations of the Twelfth Finance Commission, The Mizoram Fiscal Management and Budget Management Act, 2006 was framed by the State Government with an objective of attaining a stable and sustainable fiscal environment consistent with equitable growth. The Mizoram FRBM Act has since been amended from time to time which sets a rolling target for reduction of the fiscal deficit of the State. The Second Amendment Act, 2010 (Act No.13 of 2010) dated 19th October, 2010, sub-Section (2) of Section (2) of the Principal Act envisages to reduce fiscal deficit to three per cent of the estimated Gross State Domestic Product with the following rates of annual reduction:- 7.5 per cent in the base year 2010-11, 6.40 per cent in 2011-12, 5.20 per cent in 2012-13, 4.10 per cent in 2013-14 and 3 per cent in 2014-15.

2. The fiscal targets and annual borrowing limits during the award period of the Fourteenth Finance Commission are as follows:

- a) *Fiscal Deficits of the States will be anchored to an annual limit of 3 per cent of the GSDP. The States will be eligible for flexibility of 0.25 per cent over and above this for any given year for which the borrowing limits are to be fixed if their debt-GSDP ratio is less than or equal to 25 per cent in the preceding year.*
- b) *States will be further eligible for an additional borrowing limit of 0.25 per cent of GSDP in a given year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10 per cent of the Revenue Receipts in the preceding year.*

3. In an event that the State is not able to fully utilize the fiscal space of 3 per cent of the GSDP during a particular year during the first four years of the award period (2015-16 to 2018-19), it will have the option of availing this un-utilized borrowing amount only in the following year within the award period of the FC-XIV.

4. The State has aspired to contain the Fiscal Deficit within the limits prescribed by the Fourteenth Finance Commission and as stipulated by the FRBM Act. During the year 2016-17, the State has registered a revenue surplus of Rs. 1167.96 crore, conforming to its

fiscal correction path. However the Fiscal Liabilities could not be limited to 25 per cent of the GSDP as envisaged by the FC-XIV. Due to the strenuous effort of the State, the Fiscal Deficit of the State was ultimately to 1.73 per cent of the GSDP in 2016-17.

5. The Thirteenth Finance Commission recommended that the States with zero revenue deficit or revenue surplus in 2007-08 should maintain those levels while other States should eliminate the revenue deficit by 2014-15. It is noteworthy that the State has continued to maintain revenue surplus since 2003-04 though there had been a slight hiccup during 2010-11, 2013-14 and 2014-15 which was mainly attributed to the depreciation in the amount of Taxes devolved to the State. This was further augmented by the bulging revenue expenditure thereby resulting in the State having a Revenue Deficit for these years. However, the State has steered towards the fiscal correction path from 2015-16 onwards with a revenue surplus of Rs. 1105.54 crore in 2015-16. Revenue surplus was consecutively maintained by the State in the successive year with a total revenue surplus of Rs. 1167.96 crore which is Rs. 62.42 crore over and above the previous year. The revenue surplus as a percent of the GSDP is 8.27 per cent and 8.03 per cent for 2015-16 and 2016-17 respectively as compared to (-) 1.13 per cent in the 2014-15.

6. The FC-XII defined debt sustainability in terms of debt-GDP ratio and also in terms of interest payments relative to revenue receipts. It recommended that States should target interest payments as a proportion of revenue receipts at 15 per cent for 2009-10. The Thirteenth Finance Commission subsequently laid down a fiscal consolidation path wherein the combined debt of the Union and State Government was set at 68 percent of the GDP which is envisaged to be achieved by 2014-15. The Commission assessed the burden of public debt of States during the 2015-20 award period on the basis of fiscal accounts and also by adopting the extended definition of public debt in order to ensure comparability of debt stress among States. The Commission assessed the impact of debt levels on resource availability in debt-stressed States with the objective of not only balancing the revenue receipts and revenue expenditure of all the States and the Union,

but also generating surpluses for capital investment. Recognizing that the fiscal environment should be conducive for equitable growth, the Fourteenth Finance Commission has drawn up a fiscal road map which recommended that the Debt of the States should decline to 21.6 percent of the GDP in 2019-20. It was also recommended that a statutory ceiling on the sanction of new capital works be provided to ensure that the economy benefits from the investment.

7. The total outstanding liabilities of the State to the GSDP witnessed a gradual decline attributable to the effort of the State to maintain a sustainable Debt level. The Debt to GSDP level of the State declined from 94.15 per cent in 2006-07 to 46.22 per cent in 2016-17. This gradual decline has been attributed to the impressive growth of the economy during this period. This is also augmented by the increase in the devolution of Central Taxes and Duties from 32 percent during the Thirteenth Finance Commission award period to 42 percent during the Fourteenth Finance Commission award period.

8. For a small State in terms of population, laden with limited resources and hilly terrains, the revenue generation potential of the State is hugely limited. Though, a large forest cover provides huge ecological benefits, there is also an opportunity cost in terms of area not available for other economic activities and this also serves as an important indicator of fiscal disability. Out of the total tax revenues, Devolution of Taxes & Duties from the Centre accounts for 84.25 per cent during 2016-17. Therefore, the State's own tax revenues comprises for only 15.75 per cent which stood at ₹ 441.81 crore during 2016-17. Though there has been a gradual increase in the collection of tax revenues over the years, the total tax revenue of the State has minimal impact on the total revenue receipts. With the economy of the State driven mainly by tertiary sector, the contribution of secondary or industry sector is not substantial. Hence, collection of tax revenues for the State cannot be treated at par with other States. However, it has been perceived that the tax revenues generated will increase once matching invoices and e-Way bills under the new tax regime comes into full swing.

Fiscal Outlook for 2017-18 (RE)

9. The targets underlined in the Budget Estimates for 2017-18 has been re-calibrated owing to several exigencies. There has been an increase in the own tax revenues of the State from ₹ 397.71 crore to ₹ 483.90 crore for 2017-18 (RE) with an increase of ₹ 86.19 crore. This increase is attributed to the State Goods and Services Tax (SGST) which was not taken into account while preparation of the Budget Estimates. A total of ₹ 82.70 crore is expected to be generated during the current fiscal from SGST alone. Collection of non-tax revenues has also shown a slight increase of ₹ 20.44 crore which is mainly driven by increased collection of revenues in respect of Public Service Commission, Stationery & Printing, Social Security & Welfare and Co-operation. The total non-tax revenue has thus increased from ₹ 296.93 crore to ₹ 317.38 crore in 2017-18 Revised Estimates. The total State's own revenue receipt is anticipated to increase by ₹ 106.63 crore to a total of ₹ 801.27 crore which accounts for 8.95 per cent of the total revenue collection.

10. The State's share of central taxes has shown a slight decline which may be attributed to the decrease in revenue collection on account of GST. Since, GST return for the month is filed on the 20th day of the succeeding month it results in delayed receipt of taxes. Thus the revenue which was collected during the month of March will not be realized in time to be devolved to the States resulting in the corresponding decrease in the Devolution of central taxes. However, the increase in allocation of Grants from the Central Government has increased from ₹ 4371.41 crore to ₹ 5051.69 crore for 2017-18 (RE).

11. There has been no considerable change in the capital receipt for the Revised Estimates during the year. There is a slight increase of ₹ 27.55 crore for net borrowings of the State under Internal Debt of the State Government. This is due to increase in the amount of loan availed from Market Borrowings which is in the tune of ₹ 22.40 crore and availing of loans from REC amounting to ₹ 3.55 crore which was not projected in the Budget Estimates.

12. The total Expenditure as outlined by the 2017-18 Revised Estimates is projected to be ₹ 9999.85 crore as against the Budget Estimate of ₹ 8622.83 crore. This implies that there is an increase of ₹ 1377.02 crore which is 15.97 per cent over and above the Budget Estimates. Expenditure on account of revenue has shown a marked increase of ₹ 1212.67 crore over the Budget Estimate. Though there has been a slight increase in expenditure on account of General Services, the marked increase is attributed to Social and Economic Services which amounts to ₹ 1155.19 crore. Expenditure incurred on account of Agriculture, Rural Development, Industries, Power and Water & sanitation has effectuated this increase and contributes more than 60 per cent of the total increase. Since these sectors are vital for the growth of the economy, additional spending in this regard is justified.

13. The hefty increase in subsidies inclusive of subsidies under State and CSS from ₹ 2.82 crore to ₹ 12.70 crore in the Revised Estimates is a cause of concern. Though escalation in respect of subsidies is not pronounced with regard to the overall increase in expenditure, effort has to be made to bring a balance between procurement and disbursement while streamlining the beneficiaries receiving these subsidies.

14. With the increase in the total Revenue Expenditure, the expenditure incurred on account of Capital Expenditure corresponding increased as well. This increase of ₹ 164.34 crore for capital expenditure is on account of expenditure on capital outlay. Capital outlay on Power, Health & Family Welfare, Water Supply & Sanitation & Urban Development and Food Storage & Warehousing are the major contributors in this regard.

15. The Revenue Deficit/Surplus as per Revised Estimate for 2017-18 works out to be Rs. 1355.72 crore compared to ₹ 1787.10 crore in the Budget Estimate for the same year. This decrease accounts for 24.14 per cent of the BE for 2017-18 is attributed to the surging expenditure on both revenue and capital account. Though there is a marked increase in the revenue expenditure, expenditure incurred on operation and maintenance under Social and Economic Sectors such as Hospitals and Schools including

salaries are as important as Capital Expenditures since they provide vital human resource development for promoting the economic growth of the State in the medium to long term. There is no evidence that points towards the fact that capital expenditure should assume priority over revenue expenditure.

Outlook for 2018-19

16. The Fiscal Deficit of the State is projected to slightly increase from 0.76 per cent of the GSPD in 2017-18 to 1.14 per cent in 2018-19. This is however contained within the limits prescribed by the Fifteenth Finance Commission. The Government continuously strives to follow the fiscal correction path laid down by the Finance Commission. In line with the recommendations of the Finance Commission, the Budget Estimates for 2018-19 has been prepared to attain a Revenue Surplus of ₹ 1729.81 crore.

17. The total Revenue Receipt of the State for 2018-19 is aimed at ₹ 8909.43 crore which is an increase of ₹ 736.12 crore from 2017-18 Budget Estimates. This implies an increase of 9.0 per cent over and above the BE for 2017-18. As compared to the GSDP, this is assumed to be 38.62 per cent as against 46.54 per cent during the previous year. This accentuates the impressive growth of the State's economy.

18. The State's own tax revenues has been projected to increase from ₹ 397.71 crore 2017-18 (BE) to ₹ 483.34 crore as per 2018-19 (BE), with a growth rate of 21.53 per cent. This increase in own tax collection of the State is anticipated on account of tax to be received from Goods and Services Tax, augmented by the increase in collection of the existing taxes. Goods and Services Tax has been anticipated to contribute ₹ 50.00 crore in the next fiscal.

19. Non-Tax Revenues has also been anticipated to increase from ₹ 296.93 crore to ₹ 323.85 crore as per the Budget Estimate for 2018-19. This anticipated annual growth rate is 9.07 per cent from the previous year. For States having low population like Mizoram, revenue generated through levy of user charges is minimal therefore revenue collected in this regard is nominal.

20. The total expenditure of the State for 2018-19 is anticipated to be ₹ 9492.37 crore as compared to the BE of 2017-18 which is ₹ 8622.83 crore showing an increase of 10.08 per cent. Revenue expenditure is expected to increase by ₹ 793.41 crore to a total of ₹ 7179.62 crore. This indicates an increase of 12.42 per cent over and above the previous year. Capital Expenditure is anticipated to slightly increase from ₹ 2236.62 crore during 2017-18(BE) to ₹ 2312.75 crore. This increase has been effectuated after evaluation of the unspent balances and in consideration of the extent and aspects of the expenditure incurred under different sectors.

21. The anticipated increase in Social and Economic Sectors for 2018-19 (BE) is in the tune of ₹ 282.34 crore over and above the previous year's Budget Estimates totaling ₹ 4808.39 crore. This accounts for 66.95 per cent of the total expenditure to be incurred under revenue accounts. The expenditure towards General Education accounts for more than 25 per cent of the total allocation with sufficient allocation under Health & Family Welfare, Agriculture & Allied Activities, Rural Development and Energy Sectors.

Outlook for 2019-20 and 2020-21

22. Assumptions regarding the projections for 2019-20 and 2020-21 are based on the achievements and intended targets of the State. The contribution and achievements of different sectors play a major role in determining the anticipated targets.

23. This projection is framed with the underlying principle of containing the fiscal deficit of the State within the limits prescribed by the FRBM and Finance Commission which is projected at 2.13 and 2.30 for 2019-20 and 2020-21 respectively. The overall liabilities of the Government is expected to have a normative increase during this period. However, with the robust growth of the State's economy, the liabilities have also been projected to be contained within a sustainable level.

24. The Government is anticipated to reap the dividends of the tax reform of the Central Government augmented by expanding in the tax base and institution of transparency measure in levy and

collection of taxes which will be induced by e-payments of taxes. It is anticipated that the momentum gained by the tax reform will prompt increase in the Devolution of Central Taxes. Further, Grants-In-Aids for taking up various development works are also envisaged to increase during these periods. A progressively increase in collection of non-tax revenues is also envisaged. The State's own tax and non-tax revenues is projected to have an annual increase of 8.0 per cent respectively as per projection. However, the revenues generated by the State in comparison to the overall revenues continues to be a matter of concern.

25. The total expenditure of the Government is anticipated to increase at an average of 8 per cent annually. This will leave sufficient space for meeting the bulging Revenue Expenditure. Though the State is committed to following the path of fiscal rectitude, it will continue to strive towards creation of capital assets for the benefit of the public while providing a healthy and stable environment to promote overall economic growth of the State. Infrastructure development with emphasis on road connectivity and Power generation, which is key to promote overall development of the economy will be given due regard.

B. ASSUMPTIONS UNDERLYING THE FISCAL INDICATORS

I. REVENUE RECEIPTS

Tax Revenue

26. The State has continued to display a moderate level of growth in collection of Own Tax Revenues. The underlying factor that contributes to the low level of tax collection is to a great extent attributed to non-existence of large scale industries in the State. The geographical isolation, rugged terrains and limited resources is hugely detrimental for setting up large scale industries. Furthermore, the contribution of industry sector to the economy is fairly moderate making it difficult to have a broad tax base. The impediments caused by transition from the erstwhile VAT to the new tax regime in the form of GST is slowly dissipating. Therefore, it is hopeful that GST will gain traction in the coming years, thereby

resulting in an increase in the State's own tax collection. The share of the State's own taxes to the overall tax receipt continues to be nominal, accounting for just over 13 per cent of the total tax receipt.

Non-Tax Revenue

27. The non-tax revenues consists of revenues generated through interest receipts, power tariff, water tariff and other revenues collected on account of user charges. With a population of just over 10 lakhs (as per 2011 census) which is sparsely distributed throughout the State, collection of user charges poses a huge problem. Despite the difficulties, the State Government has taken active measures for increasing the revenue collection from non-tax sources. Restructuring of PSUs have been taken up with an objective to enhance collection of revenues while non-performing PSUs have been terminated. With the commissioning of the Tuirial HEP, collection of non-tax revenue is likely to increase.

State's Share of Central Taxes

28. The Share of Taxes & Duties constitutes a major portion of the overall tax revenues of the State. As per the recommendations of the Fourteenth Finance Commission, the percentage of devolution of taxes has been increased from 32 to 43 per cent to serve the twin objectives of increasing the flow of unconditional transfers to the States and yet leave appropriate fiscal space for the Union to carry out specific purpose transfers to the States. This has greatly eased the burden of the State in meeting its overall expenditures. The share of the State to the total devolution of taxes is 0.46 which amounts to ₹ 3625.32 crore for the Budget Estimates 2018-19. This shows an increase of 16.67 per cent over and above the Budget Estimates for 2017-18.

Grants from the Central Government

29. Grants from the Central Government includes Post Devolution Revenue Deficit Grant (PDRD), Grant toward State Disaster Response Fund (SDRF), Grants to Urban Local Bodies (ULB), Block Grants comprising of EAP, NLCPR, BADP, NSAP, PMKSY, Central Road Fund, RKVY, NEC, Grants for Centrally Sponsored Schemes

and other grants. The total amount of fund received as Grants amounts to ₹ 4476.92 crore as per Budget Estimates for 2018-19. This accounts for 50.25 per cent of the total revenue receipt for 2018-19. Most of the Grants-In-Aids from the Centre are tied funds and can only be utilized for specific purposes.

II. CAPITAL RECEIPTS

30. Public Debt of the State is broadly classified into three main categories viz. Internal Debt of the State Government, Loans & Advances from the Central Government and Recoveries of Loans & Advances. Internal Debt of the State Government comprises of Market Borrowings, Loans from other financial institutions, Ways & Means Advances and Special Securities. For a stretch of time, the State could not limit its Fiscal Deficit to the level required by the Finance Commission. This was hugely attributed to the poor health of the State finances. The State had to borrow substantial amount of money to meet its ever increasing expenditures which results in soaring of the fiscal deficit percentage and debt stock of the State. Augmented by the increase in the percentage of devolution of taxes and the enactment of the FRBM, the fiscal health has largely improved. As per recommendation of the 13th Finance Commission, providing Central loans to the State's was discontinued, Market Borrowings has thus emerged as the main source of borrowings. A total of ₹ 550.00 crore out of the total Capital receipt is to be secured from Open Market Borrowings during 2018-19.

31. In the recent past, 100 per cent of net of Small Savings used to be provided as loans to the State, which is a costlier loan. Almost all the States had urged the Centre to reduce the quota for availing loan from this source. Characteristic by the high level of interest, availing loans from NSSF has since been discontinued. This has been substituted by availing Rural Infrastructure Development Loans (RIDF) under NABARD. Since, the rate of interest under RIDF loans is quite affordable, loans availed from NABARD has increased substantially.

32. With the increased investments on account of loans and advances to employees, capital receipt under recoveries of loans and advances has gradually increased. It is estimated that ₹ 35.47 crore will be recovered during 2018-19 (BE).

III. TOTAL EXPENDITURE

Revenue Expenditure

33. The difference between revenue receipt and revenue expenditure is termed as revenue deficit/surplus. The Fourteenth Finance Commission and predecessors have recommended that the revenue deficit of the State should be reduced to zero while trying to maintain a revenue surplus thereafter. The Budget Estimates for 2018-19 is prepared in such a manner that the State may achieve a revenue surplus of ₹ 1729.81 crore. It is also projected that the State will maintain revenue surplus in the succeeding years.

34. Committed expenditures such as salary and wages of employees, pension payments and interest payment make up a significant portion of revenue expenditure with the ever increasing expenditure in this regard. Salaries alone comprises of 35.88 per cent of the total revenue expenditure for 2018-19, as can be seen from the table. The rapid growth in the size of pension payments has become a subject of serious deliberation not just for the State but all over the world as well. A total of ₹ 900.00 crore has been set aside to meet the expenditure on account of pension payments. Even with the introduction of New Pension Scheme (NPS) from September 2010, the burden of pension to be paid to the employees under the Old Pension Scheme still poses a matter of concern for the Government.

35. Interest payments on account of past, present and future borrowings is met from revenue account. The liabilities in terms of interest payments for 2018-19 BE is estimated at ₹ 389.58 crore and accounts for 4.10 per cent of the total expenditure which is an increase from 3.82 per cent over the previous year (RE).

36. One of the important expenditure items under revenue head is subsidies (direct and indirect) given by the State Government. Subsidies include subsidies for food grains, water tariff, electricity tariff, etc. Expenditure on account of subsidies is used to fill the gap between the income and expenditure incurred for procurement of goods/services.

Capital Expenditure

37. Capital Expenditure is broadly classified into two heads viz. Capital Outlay and Loans and Advances. Expenditure incurred on capital accounts under General Services, Social Services and Economic Services are contained under Capital Outlay. Increase in Capital Outlay expenditure is beneficial for the overall development of the State and toward bridging of the Urban – Rural divide. The net Capital Outlay for the year 2018-19 is projected at ₹ 1983.37 crore which is an increase of 3.96 per cent over the previous year. The Government also provides loans and advances to its employees and different societies to meet their resource gaps. Though the total lending to employees and societies constitutes a small part of the Capital Expenditure, it has a positive impact on resource mobilization level and critical gap funding.

IV. GSDP

38. The State has maintained a decent level of GSDP growth during the last five years. Annual average growth for the last five years during 2012-13 to 2016-17 is 15.10 per cent at current prices. The GSDP of the State is further projected to increase by 20.70 per cent during 2017-18 (BE). The GSDP projection of the State as highlighted by the Central Statistics Office is to be further raised to ₹ 23067.00 crore by the end of 2017-18. The fiscal deficit of the State has also been estimated in line with the projected GSDP for the 2018-19.

V. OUTSTANDING LIABILITIES OF THE STATE GOVERNMENT

39. The outstanding liabilities of the State has reached a critical level during the last decade. The Debt Consolidation and Relief Facility (DCRF), created as per recommendations of the FC-XII, brought a measure of relief to the States by reducing interest payments due to write-off and rescheduling of Central loans. The debt waiver under this scheme was linked to States undertaking fiscal correction through their respective FRBM legislations during the Twelfth Finance Commission award period. Debt write-off and rescheduling of loans of the State was eventually consented to after enactment of the FRBM Act in 2006 thereby leading to reduction of the overall liabilities of the State. With the enactment of the FRBM Act, the State started following the fiscal roadmap drawn up by the FC-XII thereby slowly leading to an improvement of the fiscal health of the State.

40. The outstanding liabilities of the State has progressively increased from a total of ₹ 6725.02 crore in 2016-17 to ₹ 7195.03 crore in 2017-18 (RE) with an annual average increase of 8.21 per cent. The total liabilities is anticipated to further increase to a total of ₹ 7887.04 crore for 2018-19. Though the liabilities has intensified, the looming risk is alleviated by the robust growth of the economy during the last few years. The debt to GSDP of the State is projected to decline from 46.22 per cent during 2016-17 to 31.19 per cent for the year 2018-19.

C. ASSESSMENT OF SUSTAINABILITY RELATING TO

I. The balance between receipts and expenditure in the general and revenue receipt and revenue expenditure in particular

41. An assessment of the tax and non tax revenue generation of the State has suggested that the State's own resources are hugely insufficient to meet the expenditures of the State. The State therefore needs to rely on the devolution of central taxes and duties to incur the ever growing infrastructure demand and for upkeep of its existing assets. Even with the major portion of the revenue being

disbursed from the Centre, the expenditure requirements could not be met from revenue receipt alone. Thus, the State has to resort to borrowings to finance its capital requirements. The State has maintained a strict vigil over the finances which thereby resulted in attaining revenue surplus for the most part of the decade. 2017-18 (RE) has reflected a revenue surplus to the tune of ₹ 1351.13 crore accounting for 5.86 per cent of the GSDP. This is projected to be maintained in 2018-19 with an anticipated revenue surplus ₹ 1729.81 crore. The own tax revenues as a percentage of GSDP accounts for a mere 2.1 per cent while the overall tax and non tax receipt of the State accounts for 3.50 per cent of GSDP for 2018-19 (BE). On the other hand, expenditure on salaries, pensions and interest payments are likely to increase which plays a factor in the burgeoning of the overall liabilities of the State. Active steps have been taken by the Government to minimize the expenditure incurred on subsidies while giving due consideration to the welfare of the people.

II. The use of receipts including borrowings for generation of productive assets.

42. Public expenditure has assumed significant importance wherein the primary responsibility of building the capital and infrastructure base rests with the Government. Concerns regarding equity and poverty alleviation are another important dimension of public expenditure in terms of distribution of resources. In an attempt to minimize expenditure incurred on under-performing Public Sector Enterprises (PSU), the Government has closed down three PSU's namely ZENICS, MAMCO and ZOHANDCO. Furthermore, the inadequate returns on huge capital outlays over the years have to be re-assessed so as to shift the focus of the Government from size to efficiency to facilitate adequate returns and to restore macroeconomic stability. Since, the revenue potential of the State is not adequate to meet the growing expenditure requirements, borrowings to finance capital expenditure needs to be continued. It is imperative that the impact and probable returns from the investment is carefully analyzed so as to ensure high level of growths while maintaining prudent fiscal policies.

III. The estimated yearly pension liabilities worked out on actuarial basis for the next ten years.

43. Even though New Defined Contributory Pension Scheme has been launched, there are many employees who are left out under this Scheme since the Scheme covers the employees who are recruited on or after 1.9.2010 only. The projections of pension payments are as follows-

2018-19	-	₹ 900.00 crore
2019-20	-	₹ 990.00 crore
2020-21	-	₹ 1089.00 crore
2021-22	-	₹ 1197.90 crore
2022-23	-	₹ 1317.69 crore
2023-24	-	₹ 1449.46 crore
2024-25	-	₹ 1594.40 crore
2025-26	-	₹ 1753.85 crore
2026-27	-	₹ 1929.23 crore
2027-28	-	₹ 2122.15 crore

44. Data on receipts and expenditure in the State's finances over the medium term framework covering the period 2016-17 to 2018-19 and projection for the next two years is shown in the table appended herewith.

TABLE

(Rs. in crore)

Sl. No.	Item of Receipt / Expenditure	2016-17 (Actuals)	2017-18 (Budget Estimates)	2017-18 (Revised Estimates)	2018-19 (Budget Estimates)	Targets for next Two Years	
						2019-20	2020-21
						(Proj)	(Proj)
1	Revenue Receipts	7398.30	8173.31	8950.01	8909.43	10475.84	11313.91
	(a) Tax-Revenue	441.81	397.71	483.90	483.34	522.01	563.77
	(b) Non-Tax Revenue	365.21	296.93	317.38	323.85	349.76	377.74
	(c) State's share of Central Taxes	2800.63	3107.26	3097.04	3625.32	4769.00	5150.52
	(d) Grants from Central Government	3790.65	4371.41	5051.69	4476.92	4835.07	5221.88
	(i) Non-Plan Grants	2356.38	2496.80	2496.80	2643.51	2854.99	3083.39
	(ii) Plan Grants	1434.27	1874.61	2554.89	1833.41	1980.08	2138.49
2	Capital Receipts -	840.72	731.79	752.90	834.22	900.96	973.03
	(a) Borrowings on account of Internal Debt of the State Government (of which W&MA)	748.68	561.27 (0.03)	588.82 (0.03)	706.00 (0.03)	762.48	823.48
	(b) Loans and advances from the Centre	6.84	35.68	29.24	21.75	23.49	25.37
	(c) Recovery of loans and advances	22.45	32.84	32.84	35.47	38.31	41.37
	(d) Borrowings from Public Account (Net)	62.75	102.00	102.00	71.00	76.68	82.81
3	Total Expenditure	7481.72	8622.83	9999.85	9492.37	10251.76	11071.89
	(a) Revenue Account	6230.34	6386.21	7598.88	7179.62	7753.99	8374.31
	(i) Interest Payments	340.80	549.39	382.26	389.58	420.75	454.41
	(ii) Salaries	1878.90	2550.54	2532.99	2576.37	2782.48	3005.08
	(iii) Pensions	761.40	846.66	846.93	900.00	972.00	1049.76
	(iv) Others	3249.24	2439.62	3836.70	3313.67	3578.76	3865.06
	(b) Capital Account	1251.38	2236.62	2400.97	2312.75	2497.77	2697.58
	(i) Public Debt-Repayment of borrowings (of which W&MA)	312.92	277.74 (0.03)	277.74 (0.03)	283.98 (0.03)	306.70	331.23
	(ii) Loans and advances	27.05	51.00	52.72	45.40	49.03	52.95
	(iii) Capital Outlay	911.41	1907.88	2070.51	1983.37	2142.04	2313.40
	(iv) Appropriation to Contingency Fund	-	-	-	-	-	-
4	GSDP	14549.00	17561.60	23067.00	23067.00	23067.00	23067.00
5	Outstanding liabilities of the State Government	6725.02	7177.99	7195.03	7887.04	8123.65	8773.54