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GOVERNMENT OF MIZORAM

FISCAL POLICY STRATEGY STATEMENT

(As required under Section 5(1)(b) of The Mizoram Fiscal Responsibility and Budget Management Act, 2006)

GOVERNMENT OF MIZORAM
2022 - 2023

(As laid before the 8th Mizoram Legislative Assembly on 24th February, 2022)

FORM-II (a)
(See Rule 4)
FISCAL POLICY STRATEGY STATEMENT

A. FISCAL POLICY OVERVIEW

1. The Fiscal Policy Strategy Statement is laid before the House of the State Legislature along with the annual budget, as required under sub-sections 1 (b) and (4) of section 5 of the Mizoram Fiscal Reform and Budget Management Act, 2006. Fiscal Policy Strategy Statement, according to the Act, shall contain–

(a) the fiscal policies of the State Government for the ensuing financial year relating to revenue receipts, expenditure, borrowing and other liabilities including guarantees, lending and investments, user charges on public goods/utilities and description of other activities, such as guarantees and activities of public sector undertakings which have potential budgetary implications;

(b) the strategic priorities of the State Government in the fiscal area for the ensuing financial year;

(c) key fiscal measures and the rationale for any major deviation in fiscal measures pertaining to revenue receipts, subsidy, expenditure, administered pricing, borrowings, and other liabilities including guarantees;

(d) evaluation of the current policies of the State Government vis-à-vis the fiscal management principles set out in section 4 and the fiscal objectives set out in the Medium Term Fiscal Plan.

2. The State Budget for FY 2021-22 was prepared at a time when the second wave of Covid-19 was advancing in India creating uncertainties in future prospects. Likewise, the State Budget for FY 2022-23 is also being prepared when the third wave of Omicron variant is at its peak in Mizoram and the rest of the Country. The State is at present struggling to meet even its obligatory expenditure requirements causing immense fiscal strain to the State. Decline and short release in tax devolution from the Centre over the past years have weakened the State finances considerably.

3. The framework of Fiscal Policy of the State has been mostly determined by the recommendations of the Finance Commission. In pursuance of the recommendations of the Twelfth Finance Commission, the State enacted the Mizoram

Fiscal Responsibility and Budget Management (FRBM) Act, 2006 and framed the Mizoram Fiscal Responsibility and Budget Management (FRBM) Rules, 2007 which came into force on 1st July, 2007. In order to achieve the Fiscal Management Targets as provided under the Act, a Fiscal Correction Path was prepared with an objective of bringing down the annual revenue deficits to zero by 2008-2009, thereafter generating surplus and to cut down fiscal deficit to 3 % of the estimated Gross State Domestic Product (GSDP) by 2008-2009 which was later extended to 2014-2015. The Fifteenth Finance Commission has worked out the debt path for States with Fiscal Deficit targets at 3.5% for 2022-23 and 3% for the remaining award period i.e. up to 2025-26. Also, the provision for transfer of funds in terms of Post Devolution Revenue Deficit Grants tend to go in a downward curve as the Fifteenth Finance Commission determined that the States should take prudent fiscal exercise in terms of generating more revenues and limiting its revenue expenditures.

4. The recommendation of the Thirteenth Finance Commission to reduce the fiscal deficit of the state to 3 % of GSDP by 2014-15 could not be realized, as per initial estimates, however, as per actual figures, the state government has been able to contain its fiscal deficit within the limit recommended by the Commission until the onset of Covid-19 pandemic that has resulted in a wider fiscal deficit and higher public debt-to-GSDP (Gross State Domestic Product) ratio.

5. The Gross Domestic Product of the State has shown a gradual increase from ₹21878.97 crore in 2018-19 (final) to ₹25,148.57 crore in 2019-20 (prov.), ₹29,076.42 crore in 2020-21 (adv.), ₹33,793.15 crore in 2021-22 (proj) and ₹39,458.50 crore in 2022-23 (proj.). As the base year taken is before Covid outbreak the trend is still in ascending path.

B. FISCAL POLICY FOR FY 2022-2023

6. The 'Revised Roadmap for Fiscal Consolidation' gives direction and provides impetus for fiscal consolidation by setting down specific paths for the state to follow with regard to fiscal consolidation. In line with the recommendations of the Thirteenth Finance Commission, the Mizoram FRBM Act, 2006 has been amended from time to time as highlighted below -

a) *The Second Amendment Act, 2010 (Act No.13 of 2010) dated 19th October, 2010: Sub-section (2) of Section 6 of the Principal Act envisaged to reduce fiscal deficit to 3 % of the estimated GSDP by 2014-15. Sub-section (4) of Section 6 of the Principal Act also envisaged to reduce fiscal deficit annually so as to reach the goal set with the following rates of annual reduction -*

7.50 % in the base year 2010-11, 6.40 % in 2011-12, 5.20 % in 2012-13, 4.10 % in 2013-14 and 3 % in 2014-15.

b) *The Third Amendment Act, 2011 (Act No 4 of 2011) dated 29th March 2011 : Sub-Section (5) of Section 6 of the Principal Act envisaged to reduce total outstanding debt at a %age of GSDP so as to reach the annual target of 87.30 % in 2010-11, 85.70 % in 2011-12, 82.90 % in 2012-13, 79.20 % in 2013-14 and 74.80 % in 2014-15.*

7. The Central Government plays a predominant role in fiscal management of the Union and the States. Since high debt burden of the states automatically results in the enlargement of the Union Government's debt, the Union Government has been making constant effort towards fiscal consolidation for maintaining a stable and sustainable fiscal environment. Salient features of the fiscal rules introduced by the Fourteenth Finance Commission are given below:-

i. *Fiscal deficit of all States will be anchored to an annual limit of 3 % of GSDP. The States will be eligible for flexibility of 0.25 % 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 % in the preceding year.*

ii. *States will be further eligible for an additional borrowing limit of 0.25 % 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 % of the revenue receipts in the preceding year.*

8. However, the global pandemic due to Covid-19 outbreak has hit the economy of the Centre as well as the State as realization of Tax revenues has been decreased drastically. This has compelled the Centre to extend the borrowings limit of the States. The Government of Mizoram also could not avoid availing more loans beyond its normal limits set by the Centre. Accordingly, a further amendment of Mizoram FRBM Act has been made with the following conditions :-

a) *"reduce its fiscal deficit to 3% of the estimated Gross State Domestic Product by 2024-25"*
b) *"reduce fiscal deficit annually at a %age of Gross Domestic Product so as to reach the goal set out in Sub-sec 2 with the following rates of annual reduction – 8.34% in 2019-20, 6.4% in 2020-21, 5.2% in 2021-22, 4.1% in 2022-23, 3.5% in 2023-24 and, 3% in 2024-25.*

9. The current fiscal position of the State in respect of various fiscal indicators may be highlighted against the fiscal reform features indicated above.

10. The Finance Commission expected the Centre and the States to maintain revenue surplus so as to enable themselves to create fiscal space for allocating funds towards Capital Expenditures which is generally meant for developmental works. The main bottlenecks on the way to enhancement of revenue surplus are the burgeoning Revenue Expenditure due to implementation of 7th Pay Revision, the provision of mass subsidy on purchase of power and food grains, salaries of employees under a few CSS Schemes which are paid from the State's revenue and unforeseen Covid related expenditure.

11. The Gross Fiscal Deficit during 2020-21 was (-)₹1869.31 crore and ₹1757.93 crore in 2021-22 (RE) which are 6.43 % and 5.2 % of the corresponding GSDP respectively. Gross Fiscal Deficit for estimated for 2022-23 is ₹1210.44 crore which is 3.07 % of GSDP. Fiscal deficit indicates the total borrowing requirements of the Government from all sources. From the view point of the economy, fiscal deficit is the most significant since it shows the gap between Government receipts and Government expenditure. It reflects the true extent of borrowings by the Government in a fiscal year.

12. The fiscal policy for 2022-2023 will be in line with the broad fiscal rules set by the Fifteenth Finance Commissions as follows.

a. To continue the process of fiscal reforms and consolidation; abolition of revenue deficit and maintain fiscal deficits within 5.2% of GSDP in 2021-22 thereafter gradually reduce to 3% by 2023-24.
b. To improve Own Tax Revenues and Own Tax-GSDP ratio
c. To improve commercial viability of departmental undertakings in critical sectors such as power and transport, and also in public sector units
d. To improve the quality of expenditure
e. To increase allocation of fund in socio-economic sectors
f. To increase capital investment in infrastructure sector
g. To contain outstanding liabilities excluding Public Account and risk weighted Guarantee Fund in a year not to exceed twice of the estimated receipt in the Consolidated Fund of the State at the close of financial year.

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

14. Considering the economic backdrop due to pandemic, and in order to avoid a sudden drop in the resource availability of the States, the Commission has recommended that the normal borrowing limit of State Governments for the year 2022-

23 at 3.5 % of GSDP. Thereafter, it has recommended to go in a downward curve of 3% in the succeeding years till 2025-26. The recommended normal borrowing limit for 2021-22 was 4% of GSDP.

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

(% of GSDP)

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

16. The Government's Fiscal Policy Strategy for 2022-23 is guided by the principles of increasing capital investments, reduction in excess expenditure, and augmentation of State's Own Revenue etc.

(1) Tax Policy:

17. The State Government has constituted a *Resource Mobilization Committee* to explore all potential avenues for generation of revenue income. It will also look into possible expansion of tax base and augmenting tax collection.

18. The Centre on 4thNovember, 2021 slashed excise duty on petrol and diesel by Rs 5 and Rs 10, respectively, giving a reprieve to consumers across the country from all-time high fuel price. Following the Centre's decision, the State Government amended the Mizoram Value Added Tax Act, 2005 with effect from 4th November, 2021 and reduced the tax rate of diesel by 9.27% and petrol by 8.64% which considerably decreased the State's Own Tax Revenue income.

19. The State's Own Tax Revenue (SOTR) so far accrued to the State Government may be summarized as follows – ₹726.70 crore in 2018-19 (Actuals), ₹730.98 crore in 2019-20 (Actuals), ₹647.56 crore in 2020-21 (Actuals) and ₹786.59 crore in 2021-22 (RE). A total of ₹801.30 crore is estimated to be collected under State's Own Tax Revenue in 2022-23.

(2) Expenditure Policy

20. The expenditure policy of the state government should, first of all, be guided by the provisions and recommendations as laid down by the Fourteenth and Fifteenth Finance Commission. In the meantime, the state is still faced with certain fiscal hiccups in spite of the fairly substantial increase in the volume of resources transferred as compared to the amount transferred by the previous Commission. This problem is aggravated by incessant provision of mass subsidy on purchase of food-grains and power, salaries of employees under a few CSS Schemes which are paid from the State's revenue and pandemic induced unforeseen expenditure. Hence, it is essential for the state government to purposely draw up its expenditure policy and to formulate the ground solution for settlement of this fiscal dilemma.

21. A *Manpower Assessment Committee* has been formed to make an assessment of the number of posts required to be retained/created, to make recommendation for filling up of various posts on the basis of functional requirements, engagement of outside agencies for cost-effective performance etc.

22. The State Government is striving to raise its Capital expenditure in order to enhance investment on infrastructure and other developmental activities by generating its own Revenue Surplus. At the same time, the ceiling of State borrowings is limited to the extent of its outstanding liabilities which has tightened the fiscal maneuverability of the State Government. Therefore, the expenditure on Capital Account is being anticipated on the basis of two factors – first, the total amount of devolution as recommended by the Finance Commission, second, the Revenue Surplus that the State Government is expected to generate on its own. The amount of devolution that needs to be set aside for capital formation orexpenditures which are of capital in nature are generally determined by the left- over from the committed revenue expenditures. The Total Capital Expenditure of the State was ₹1,868.47 crore in 2018-19 (Actuals), ₹1,372.67 crore in 2019-20 (Actuals), ₹2746.76 crore in 2020-21 (Actuals), ₹5904.41 crore in 2021-22 (RE). An amount of ₹4001.64 crore is estimated to be used under Capital Expenditure during 2022-23 which is 107.07% higher than estimated for 2021-22. There is also an increase of 66.56% in Capital Outlay with ₹2663.14 crore estimated for 2022-23 against ₹1598.88 crore in 2021-22 (RE).

23. Given the importance of public expenditure on development heads from the point of view of social and economic development, it is crucial for the state to take appropriate expenditure rationalization measures thereby laying emphasis on provision of core public and merit goods. In the mean time, sufficient provisions for services that promote productivity directly or indirectly within the state by improving human resources need to be considered. The Government has also not lifted Austerity Measures imposed in the wake of covid induced financial difficulties which include

reduction in budgetary allocation such as Office Expenses, Domestic Travel Expenses, Medical Treatment, Supplies & Materials, Major and Minor Works etc. Apart from this, other economy measures on foreign travel, reduction in procurement of office equipments, ban on direct recruitment and regularization of contract employees unless extremely necessary etc. are still adopted as cost-cutting measures in the midst of the State's poor finances.

(3) Borrowings and other liabilities, lending and investments

24. The State Government has been utilizing borrowings for meeting its expenditure requirements on capital account for generating productive assets i.e. for capital formation. This is essential especially for revenue-deficient States like ours. This, in essence, is not harmful as long as it leads to capital formation but whathas become harmful is the unhealthy practice of meeting revenue expendituresfrom capital receipts which is currently practiced because of financial difficulties brought about by the Covid waves.

25. In pursuance of the recommendation of the Twelfth Finance Commission, the state has adopted a rule-based framework for fiscal correction and consolidation through enactment of the Mizoram FRBM Act, 2006. The enactment of the FRBM Act has provided impetus to the process of attaining fiscal sustainability and reduction in key deficit indicators, viz. revenue deficit and gross fiscal deficit.

26. The financing pattern of the state is witnessing a compositional shift with market borrowings emerging as the dominant source while the role of flows from national small savings funds has shown a gradual decline.

27. The overall fiscal liabilities of the state have increased at an average annual rate of 9.13 % during 2010-15 reaching ₹6407.30 crore in 2015-16. Within a span of six years, the overall liabilities have risen to ₹11623.22 crore in 2021-22 (RE) which is an increase of 17.63% from 2020-21 (Actuals). The fiscal deficit of the state is (-)₹ 1869.31 crore in 2020-21 and (-)₹1757.03 crore in 2021-22 (RE). The increase in the fiscal liabilities and minimal decrease in fiscal deficit during 2021-22 is mainly due to the surging increase in Public Accounts liabilities and reduced income of the state. However, the fiscal deficit is estimated to stand at (-)₹1210.44 crore during 2022-23, which will be 3.07 % of GSDP.

28. The State's huge fiscal liabilities may be mainly attributed to the continual short release of tax share, non-provision of Special Grant as recommended by the Fifteenth Finance Commission and reduction Revenue Gap Grants. The actual receipt in

share of taxes in FY 2019-20 was ₹3017.80 crore with a shortfall of ₹867.39 crore from the budget estimated amount of ₹3885.19 crore. In FY 2020-21, the actual receipt was ₹2874.28 crore with a shortfall of ₹1093.73 crore from the recommended figure of the Union Budget as well as the State Budget which was ₹3967.96 crore. There was also a short release in the first seven months of the FY 2021-22 with an actual release of ₹1538.45 crore from the expected amount of ₹1663.90 crore with a shortfall of ₹125.46 crore. The BE for FY 2021-22 is ₹3327.82 crore. The Fifteenth Finance Commission in its interim report for 2020-21 drastically reduced the Post Devolution Revenue Deficit Grant from the amount Mizoram received in 2019-20 i.e. ₹2714.76 crore to ₹1422.00 crore. The Commission apprehended that such drastic reduction would cause serious problem to the State and, thereby in Para 4.9 of its report, recommended ₹546.00 crore as a Special Grant to the State of Mizoram which was done after careful assessment. Special Grants of ₹546.00 crore recommended for our State by the Fifteenth Finance Commission has also not been realized till date. The total shortfall of ₹2632.58 crore during a period of these financial years has exacerbated the State's financial instability and thereby swelling up the State's liabilities.

29. The net borrowing ceiling is 3.5% of the GSDP as per ceiling fixed by the Fifteenth Finance Commission. It is imperative that the fiscal space be cautiously utilized so that the overall liability of the State is maintained within a sustainable level. With an aim to minimize the debt accumulation, the Government has to take utmost care in utilization of the borrowed funds while leaving sufficient room for Capital Investments.

(4) Consolidated Sinking Fund

30. In line with the recommendations of the Tenth Finance Commission, the Reserve Bank of India enabled creation of Consolidated Sinking Fund (CSF) in 1999 to provide the state with a cushion for repayment of open market loans. The states were to contribute one to three per cent of their outstanding open market loans as at the end of the previous year. Subsequently the ambit of the CSF was expanded in 2006-07 to include amortization of all liabilities with the stipulated contribution of minimum 0.5 % of the outstanding liabilities of the state as at the end of the previous financial year. The Government builds up a sizeable amount in the Consolidated Sinking Fund accumulating as Reserve Fund of the state's Public Account.

31. The principal already invested in the Fund as on 31.03.2021 was ₹346.03 crore. The State Government withdrew an amount ₹266.00 crore in 2020-21 as allowed by the Reserve Bank of India following consequent stress on state's finances as a result of the covid pandemic. The State Government is intending to strengthen the Consolidated Sinking Fund (CFS) by gradually increasing the quantum of investment in

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

32. The State Government is committed to strengthening of the Consolidated Sinking Fund (CSF) by gradually increasing the quantum of investment in the same. The State invested an additional ₹45.15 crore during the current year 2021-22 and the net accumulated investment at present is ₹351.14 crore

(5) Contingent and Other Liabilities

33. The Twelfth Finance Commission recommended that all states should set up sinking funds/guaranteed redemption fund for amortization of all loan including loans from banks, liabilities on account of NSSF, etc through earmarked guarantee fees. In line with the recommendations of the Twelfth Finance Commission and to ensure good fiscal governance, the Government set up a Guarantee Redemption Fund (GRF) in May, 2009 with an initial corpus fund of ₹0.50 crore. The state government is required to contribute an amount equivalent to at least $1/5^{th}$ of the outstanding guarantees during the year. This fund is maintained outside the consolidated fund of the state in the public account and is not to be used for any other purpose, except for redemption of loans. The total amount invested up to 2021-22 is ₹46.50 crore.

34. The Government of Mizoram has also been following a conscious policy of restricting the size of the contingent liabilities and has been keenly pursuing a policy for streamlining the process of handling contingent liabilities in the State's finance. A ceiling was also laid down that fresh guarantees in a year should not exceed 3 per cent of GSDP. The Mizoram Ceiling on Government Guarantees Rules, 2013, put in place from April 2013 is helping the Government in collecting guarantee commission fees at a minimum of 0.75 percent of the guaranteed loan.

35. Since Guarantees are contingent liability that may have to be invoked if an event covered by the guarantee occurs, it often results in increase of contingent liabilities. It is imperative that a conscious policy of restricting the size of the contingent liabilities be put into place while pursuing a policy for streamlining the process of handling contingent liabilities in the state's finances. Therefore, any proposal for availing of loan has to be examined with much diligence taking into account the credit-worthiness, the amount and risks involved, the terms of borrowing along with justification and public purpose to be served and the possible commitments and costs of such liabilities, etc.

(6) Levy of User Charges

36. Being a small State in terms of population and areas, collection of user-charges on various services rendered by the government is always marginal and used to fall below expectation and estimation. Though several reforms have been introduced to enhance the user charges, the level of impact on the overall collection of revenue is still insignificant.

37. The Mizoram Water Supplies (Control) (Amendment) Rules, 2011 put in to effect from 21st November, 2014 have, to a great extent, resulted in increased revenue collection. However, the water tariff rate has not been revised for several years and it is long overdue to have upward revision considering the increase in expenditure for water supply. Revenue generated through other means such as levy of allotment fees, annual lease fees, etc. has minuscule impact on the overall collection of user charges though these fees also need upward revision. Power tariff remains to be the main driving force with regular revision of rates by the JERC. Initiatives have to be taken by the Government to cut down subsidies provided to the public so as to maintain a balance between expenditure and the amount of user charges realized by the Government for providing these facilities.

C. STRATEGIC PRIORITIES FOR THE ENSUING YEAR:

38. 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.

39. To have more effective cash management and bring more efficiency in the public expenditure management, Single Nodal Agency (SNA) is being implemented as per instructions received from Ministry of Finance. The objective is to enhance monitoring of availability and utilization of funds released to the States under Centrally Sponsored Schemes (CSS). Under this system, the administrative Ministry/ Department of the CSS will release the central share for each CSS to the State Government's account held in the Reserve Bank of India (RBI) for further release to the SNA account. Every State Government is required to designate a Single Nodal Agency (SNA) for implementing each CSS. The SNA will open a Single Nodal Account for each CSS at State level in the Scheduled Commercial Bank authorised to conduct government business by the State Government. Implementing Agencies (IAs) down the ladder should use the SNAs account with clearly defined drawing limit set for that account.

40. Government of India notified General Financial Rules, 2017 which was adopted by Government of Mizoram. Under Rule 149 of GFR 2017, provisions are laid down for public procurement from Government e-Marketplace. Central Government Departments, Public Sector Undertakings, Autonomous Bodies, Railways, Defence and State Governments are availing this facility. Advantages of procurement from GeM are:

Transparency: In the procurement process in GeM, firms and rates are selected by means of automated GeM portal system to avoid possible human biases and prejudices. It is open and contactless method of public procurement.

Efficiency: The long and cumbersome process of inviting tenders and DPAB/SPAB is not required. The automated GeM system quickly enables selection of the lowest price. Litigations from bidders under present system will also be avoided. It is also paperless and cashless procurement system.

Economy: Since various sellers/suppliers from all over the country registered in GeM portal, GeM portal offers rich listing of products for individual categories of goods and services and price is very competitive. On an average, procurement through GeM can bring about savings of 20% to 25%.

41. The Government of Mizoram has notified a new Procurement Rules – The Mizoram Public Procurement Rules, 2020 and had been published in the Mizoram Gazette in 12/02/2020. This will enhance the transparency, efficiency and economy of various departments while spending public money.

42. End-to-End Computerization of TDPS Operations Schemes has been taken up under Food Civil Supplies & Consumer Affairs Department. All family ration cards have now been digitized and the process of updating and issuing of ration cards are done online with a reliable database. Steps are being actively taken to complete supply chain automation and automation of Fair Price Shops. In this regard, the Department has rolled-out installation of e-Point of Sale (e-PoS) machines in the Fair Price Shops.

43. The Integrated Financial Management Information System (IFMIS) has been partially implemented and the project went live on 1st September 2021. However, the project being only in its nascent stage covers only CSS schemes at present and the State is working on to cover accounting operations within the State as well. The main objective of the IFMIS Project is to develop and introduce a reliable integrated system for management of treasuries in Mizoram which will act as a core function for an effective monitoring system from Finance Department. IFMIS is expected to realize the following outcomes:

- ❖ A reformed financial management system in Mizoram for the core business processes like – Payroll, Bill Preparation and Submission, Bill Processing, Pension Management, Payment Authorization, Receipts Management, Accounts Compilation, Cash Management, Debt Management, Budget Management, Deposits, and so on.
- ❖ Availability of real-time data of the core business processes under the State's finance and accounts.
- ❖ Reliable and authentic system of checks and balances
- ❖ Integration of GSTN portal and PFMS etc. with the IFMIS
- ❖ Enhancement of transparency and accountability

D. RATIONALE FOR MAJOR DEVIATION FROM FISCAL MEASURES

44. The Revised Estimated figure for 2021-22 is a reflection of Covid impact on the State's finances. The Gross Fiscal Deficit in 2020-21 is 6.43% (as a percentage of GSDP) and is estimated at2.14% in 2021-22 (BE). The deviation of Fiscal Deficit from BE 2021-22 is still large with RE 2021-22 figure pegged at 5.2% but with improved tax collection at the Centre and with business expected to slowly ease up, Fiscal Deficit for 2022-23 is estimated at 3.07%. Although the State Government has put all efforts in reducing its excess expenditure, it is still not in a position to maintain revenue surplus in the wake of the ongoing pandemic. Hence, Revenue Deficit of 0.56% is estimated in RE 2021-22 while a surplus of 1.53% is expected as per BE 2021-22. Mounting borrowings as a measure to ease the State's financial stress resulted in increased liabilities in RE 2021-22. This is mainly because the State has availed huge Ways & Means Advances as well as interest-free loan under Special Assistance to States for Capital Expenditure.

45. The State's Budget has been prepared to generate revenue surplus as per recommendation of the Commission. 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. Expenditure toward capital accounts and maintenance expenditure on social and economic services need to be sanctioned since they are vital for sustainable development of the state with a potential of generating revenues in the medium to long run. However, expenditure on general services has to be curtailed extensively to create more space for development expenditures.

46. The excessive focus on containing fiscal deficits and reduction of Debt to GSDP ratio has to some extent resulted in constraining capital expenditures. A realistic

fiscal consolidation roadmap to reduce the fiscal deficit of the state all the while leaving sufficient headroom for capital works has to be realized.

47. Even as Omicron Covid variant ushers in the third Covid wave globally, the Centre has seen marked increase in its direct tax collection as well as GST collection. The future may be unpredictable with the pandemic still at large, but with the rapid speed in vaccination roll-outs and greater sense of responsibility among the public, we can always proceed with resilience approach for our economy to pick up from where it left off.

48. The Outcome Indicators of the State's Own Fiscal Correction Path is given in Form-II (b). Selected fiscal indicators, component of state government's liabilities and weighted average rates on state government liabilities, consolidated sinking fund and outstanding risk – weighted guarantees as per Forms D-1, D-2, D-3, D-4 and D-5 are ***appended***.

FORM II (b)

Annexure-II State : Mizoram

Outcome indicators of the State's Own Fiscal Correction Path

(₹ in Crore)

	Items	*2019-20 (Actuals)*	*2020-21 (Actuals)*	*2021-22 (BE)*	*2021-22 (RE)*	*2022-23 (BE)*	*2023-24 (Proj.)*
A	**STATE REVENUE ACCOUNT :**						
1	Own Tax Revenue	730.98	647.56	719.56	786.59	801.30	865.40
2	Own Non-Tax Revenue	522.35	561.76	852.26	862.84	836.43	903.34
3	***Own Tax + Non Tax Revenue (1+2)***	***1253.33***	***1209.32***	***1571.82***	***1649.43***	***1637.73***	***1768.75***
4	Share in Central Taxes & Duties	3017.80	3010.55	3327.82	3721.95	4083.24	4409.90
5	Grants-in-Aid	5387.13	3520.80	4896.16	4927.36	5705.24	6161.66
6	***Total Central Transfer (4+5)***	***8404.93***	***6531.35***	***8223.98***	***8649.31***	***9788.48***	***10571.56***
7	***Total Revenue Receipts (3+6)***	***9658.26***	***7740.67***	***9795.80***	***10298.74***	***11426.21***	***12340.31***
8	CSS Expenditure	1621.27	964.88	2016.13	2253.72	2298.17	2436.06
9	State Expenditure	7832.69	7549.91	7200.25	8233.43	7708.34	8170.84
	of which						
	a) Salary Expenditure	3412.37	3270.92	3745.17	3699.92	3537.48	3749.73
	b) Pension	1399.55	1482.55	1124.45	1354.97	1725.69	1829.23
	c) Interest Payment	343.12	400.98	383.94	445.09	462.14	489.87
10	Subsidies - General	2.00	0.22		0.84		
11	Subsidies - Power			175.00	175.00	109.00	
12	***Total Revenue Expenditure (8+9)***	***9453.96***	***8514.79***	***9216.38***	***10487.15***	***10006.51***	***10606.90***
13	Sal+Interest+Pensions [9(a)+9(b)+9(c)]	5155.04	5154.45	5253.56	5499.98	5725.31	6068.83
14	as % of Revenue Receipts (13/7)	53.37	66.59	53.63	53.40	50.11	49.18
15	***Revenue Surplus/Deficit (7-12)***	**204.30**	**-774.12**	**579.42**	**-188.41**	**1419.70**	**1733.41**
B	**CONSOLIDATED DEBT :**						
1	Outstanding debt and liability	8671.79	9881.09	10491.20	11623.22	12553.08	13557.32
2	Total Outstanding guarantee	81.04	86.29	106.72	106.72	106.72	106.72
	[of which guarantees on account of budgeted borrowing and SPV borrowing]						
C	**CAPITAL ACCOUNT :**						
1	Capital Outlay	1372.67	1125.97	1417.45	1598.88	2663.14	2822.93
2	Disbursement of Loans and Advances	81.95	2.90	0.60	2.77	0.60	0.60
3	Recovery of Loans and Advances	26.70	33.68	27.56	33.04	33.60	36.29
4	Other Capital Receipts						
5	Transfer to Contingency Fund						
D	**GROSS FISCAL DEFICIT :**	**-1223.63**	**-1869.31**	**-811.06**	**-1757.02**	**-1210.44**	**-1053.84**
	$[(A_7+C_3+C_4)-(A_{12}+C_1+C_2+C_5)]$						
E	**GSDP (Rs. crs.) at current prices**	**26502.56**	**29076.42**	**37974.55**	**33793.15**	**39458.50**	**46267.86**
	Actual/Assumed Growth Rate (%)	19.66	9.71	43.29	16.22	16.76	17.26
F	**INDICATORS AS % OF GSDP**						
1	Own Tax Revenue (A_1/E)	**2.76**	**2.23**	**1.89**	**2.33**	**2.03**	**1.87**
2	Own Non-Tax Revenue (A_2/E)	**1.97**	**1.93**	**2.24**	**2.55**	**2.12**	**1.95**
3	Total Central Transfer (A_8/E)	**31.71**	**22.46**	**21.66**	**25.59**	**24.81**	**22.85**
4	Total Revenue Expenditure (A_{14}/E)	**35.67**	**29.28**	**24.27**	**31.03**	**25.36**	**22.92**
5	Revenue Surplus/Deficit (A_{17}/E)	**0.77**	**-2.66**	**1.53**	**-0.56**	**3.60**	**3.75**
6	Gross Fiscal Deficit (D/E)	**-4.62**	**-6.43**	**-2.14**	**-5.20**	**-3.07**	**-2.28**
7	Outstanding Debt and Liabilities (B_1/E)	**32.72**	**33.98**	**27.63**	**34.40**	**31.81**	**29.30**

FORM D - 1

(See Rule 9)

SELECT FISCAL INDICATORS

	Items	2020-21 (Actuals)	2021-22 (RE)
1	Gross Fiscal Deficit as Percentage of GSDP	-6.43	-5.20
2	Revenue Deficit (-)/Surplus (+) as Percentage of GSDP	-2.66	-0.56
3	Revenue Deficit (-)/Surplus (+) as Percentage of TRR	-10.00	-1.83
4	Total Liabilities - GSDP Ratio (%)	33.98	34.40
5	Total Liabilities - Total Revenue Receipts (%)	127.65	112.86
6	Total Liabilities - State's Own Revenue Receipts (%)	817.08	704.68
7	State's Own Revenue Receipts - Revenue Expenditure (%)	14.20	15.73
8	Capital Outlay as Percentage of Gross Fiscal Deficit	-60.23	-91.00
9	Interest Payment as Percentage of Revenue Receipts	5.18	4.32
10	Salary Expenditure as Percentage of Total Revenue Receipts	42.26	35.93
11	Pension Expenditures as Percentage of Total Revenue Receipts	19.15	13.16
12	Non-Developmental Expenditure as Percentage of Aggregate Disbursement	19.48	38.46
13	Gross Transfer from the Centre as Percentage of Aggregate Disbursement	58.00	76.80
14	Non-Tax Revenue as Percentage of Total Revenue Receipts	7.26	8.38

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)	
	2020-21 (Actuals)	2021-22 (RE)	2020-21 (Actuals)	2021-22 (RE)	2020-21 (Actuals)	2021-22 (RE)
1	2	3	4	5	6	7
Market Borrowings	**945.21**	**1,000.00**	**266.65**	**300.00**	**3,651.44**	**4,351.44**
(a) Market Loans	*945.21*	*1,000.00*	*266.65*	*300.00*	*3,649.16*	*4,349.16*
(b) Power Bonds					*2.28*	*2.28*
Loans from Centre	**247.62**	**330.51**	**22.36**	**25.00**	**484.36**	**789.87**
(a) Block Loans	*247.62*	*30.52*	*22.36*	*25.00*	*484.36*	*489.88*
(b) Other Loans		*299.99*				*299.99*
Special Securities issued to the NSSF			**16.71**	**8.96**	**153.86**	*144.90*
Borrowings from Financial Institutions/Banks	**198.34**	**195.00**	**92.03**	**105.92**	**721.79**	**849.87**
(a) LIC	-	-	*21.60*	*17.62*	*-123.58*	*-102.20*
(b) GIC	-	-	-	-	*0.07*	*0.07*
(c) NABARD	*195.66*	*170.00*	*60.67*	*77.63*	*570.10*	*662.47*
(d) NCDC	*0.67*	*10.00*	*6.24*	*6.29*	*15.58*	*19.29*
(e) Other Institutions	***2.01***	***15.00***	***3.52***	***4.38***	***177.65***	***188.27***
1) REC	*1.73*	*5.00*	3.30	*3.79*	170.64	*171.85*
2) HUDCO	-	-	-		-	-
3) PFC	*0.28*	*10.00*	*0.22*	*0.59*	*7.01*	*16.42*
(f) Others			-		*81.97*	*81.97*
WMA/OD from RBI	**1,220.14**	**3,862.87**	**1,220.14**	**3,862.87**	**-**	**-**
Provident Funds, etc.	**717.60**	**978.00**	**501.71**	**917.00**	**2,403.34**	**2,464.34**
(a) General Provident Fund	*701.92*	*960.00*	*487.71*	*900.00*	*2,315.94*	*2,375.94*
(b) Insurance & Pen. Fund	*15.68*	*18.00*	*14.00*	*17.00*	*87.40*	*88.40*
Other Liabilities	**1,634.87**	**1,627.04**	**1,641.35**	**1,070.54**	**2,466.30**	*3,022.80*
TOTAL	**4,963.78**	**7,993.42**	**3,760.95**	**6,290.29**	**9,881.09**	**11,623.22**

B. WEIGHTED AVERAGE INTEREST RATES ON STATE GOVERNMENT LIABILITIES

(%)

Category	Raised during the Fiscal Year		Outstanding Amount (End-March)	
	2020-21 (Actuals)	2021-22 (RE)	2020-21 (Actuals)	2021-22 (RE)
Market Borrowings				
(a) Market Loans	6.82	7.07	7.86	7.76
(b) Compensatory and other Bonds	-	-	-	-
Loans from Centre	9.00	9.80	9.00	9.00
Special Securities issued to the NSSF	-	-	8.50	8.50
Borrowings from Financial Instt./Banks	-	-	-	-
(a) LIC	-	-	7.86	7.86
(b) NABARD	2.81	2.75	4.20	4.02
(c) REC	10.08	-	10.08	10.08
(d) PFC	10.65	-	10.65	10.65
(e) NCDC	11.35	11.35	11.35	11.35
WMA/OD from RBI	-	-	-	-
Provident Funds, etc.	8.00	8.00	8.00	8.00
Other Liabilities	-	-	-	-
TOTAL	**8.39**	**7.79**	**8.61**	**8.58**

FORM D-3

(See Rule 9)

CONSOLIDATED SINKING FUND (CSF)

(₹ in crore)

Outstan-ding Balance in CSF at the begining of the previous year 1st April, 2020	**Additions during the previous year**	**Withdrawals from CSF during the previous year**	**Outstan-ding balance in CSF at the end of the previous year/ beginning of the previous year 31st March, 2021**	**Col (4)/ Outstan-ding stock of SLR Borrow-ings (%)**	**Additions during the current year 2021-22**	**Withdrawals from CSF during the current year**	**Outstan-ding balance in CSF at the end of current year/ beginning of ensuing year Tentative 31st March, 2022**	**Col. (S) Outstan-ding stock of SLR Borrow-ings (%)**
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*
535.63	37.00	266.64	305.99		45.15	-	351.14	

FORM D-4
(See Rule 9)

GUARANTEES GIVEN BY THE GOVERNMENT

Category	Maxi-mum Amount Guaran-teed (Rs. in crore)	Outstanding at the begining of the year 2020-21 (Rs. in crore)	Additions during the year 2020-21 (Rs. in crore)	Reductions during the year 2019-20 (Rs. in crore)	Invoked during the year 2020-21 (Rs. Crore)		Outstan-ding at the end of the year 2020-21 (Rs. in Crore)	Guaran-tee Commission or Fee (Rs. Crore)		Remarks
					Dis-charged	Not Dis-charged		Receiv-able	Received	
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*
Cooperative	34.28	13.30	4.76	1.43			16.63			
Govt. Companies	59.67	22.68	-	-			22.68			
Other Statutory Corporation	59.13	16.39	-	1.14			15.24			
Other Institutions	47.00	35.42	-	3.69			31.74			
TOTAL	**200.08**	**87.79**	**4.76**	**6.26**	**-**	**-**	**86.29**	**-**	**-**	

FORM D-5

(See Rule 9)

OUTSTANDING RISK - WEIGHTED GUARANTEES

Default Probability	Risk Weights (%)	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		