



The Mizoram Gazette

EXTRA ORDINARY

Published by Authority

Regn. No. NE-313(MZ)

Rs. 2/- per issue

VOL - XXXVI Aizawl, Tuesday 19.6.2007 Jyaistha 29, S.E. 1929, Issue No. 170

NOTIFICATION

As required under section 1(2) of the Mizoram Fiscal Responsibility and Budget Management Rules, 2007, the Governor of Mizoram is pleased to appoint the 1st July, 2007 as the date from which the Rules will come into force.

Sd/- Lalmalsawma
Financial Commissioner, Govt. of Mizoram.

No. G.16035/31(B)/2006-FEA, the 11th June, 2007. In exercise of the powers conferred by Section 10 of the Mizoram Fiscal Responsibility and Budget Management Act, 2006, the Governor of Mizoram is pleased to make the following Rules, namely :-

1. Short title and Commencement :

- (1) These Rules may be called the Mizoram Fiscal Responsibility and Budget Management Rules, 2007.
- (2) They shall come into force on such date as the Government may, by notification in the Official Gazette, appoint in this behalf.

2. Definitions :

- (1) In these Rules, unless the context otherwise requires -
 - (a) "Act" means the Mizoram Fiscal Responsibility and Budget Management Act, 2006
 - (b) "Form" means a form appended to these rules;
 - (c) "Government" means the State Government of Mizoram.
 - (d) "Section" means a section of the Act,
- (2) Words and expressions used herein but not defined shall have the meanings respectively assigned to them in the Act.

3. Medium Term Fiscal Policy Statement :

- (1) The Government shall in each year lay before the House of the Mizoram State Legislative Assembly a Medium Term Fiscal Policy Statement, as required under sub-sections 1(a) and (2) of section 5 of the Act, which shall include, in Form-I, a three-year rolling targets in respect of the following fiscal indicators :-

- (a) Revenue Deficit as a percentage of Gross State Domestic Product (GSDP);
 - (b) Fiscal Deficit as a percentage of Gross State Domestic Product (GSDP);
 - (c) Total Outstanding Liabilities as a percentage of GSDP and also of Total Revenue Receipts;
 - (d) Interest Payment as a percentage of Total Revenue Receipts;
 - (e) any additional target(s) the Government may like to prescribe.
- (2) The Medium Term Fiscal Policy Statement shall also explain the assumptions underlying the above mentioned targets for fiscal indicators and as assesment of sustainability relating to the items indicated in sub-section (3) a section 5 as well as sub-section (2) of section 7.

4. Fiscal Policy Strategy Statement :

The Government shall lay before the House of the Mizoram Legislative Assembly, the Fiscal Policy Strategy Statement as required under sub-section (1)(b) and (4) of section 5, content of which shall be in Form - II(a). The Fiscal Policy Strategy Statement shall incorporate a Fiscal Correction Path indicated in Rule 5 hereinafter, comprehensively to be presented in Form II(b).

5. Fiscal Correction Path :

The Government shall, for the purpose of achieving the Fiscal Management Targets as provided under Section 6 of the Act, draw up a Fiscal Correction Path which shall, inter-alia, contain the following items:-

- (i) a path of annual reduction of revenue deficits from the year 2006-'07 and to bring it down to zero by 2008-'09 and generate revenue surplus thereafter; and
- (ii) a path of annual reduction of fiscal deficit from 2006-'07 and to bring it down to 3 percent of the estimated Gross Domestic Product by 2008-'09.

6. Total outstanding Debt not to exceed twice the estimated receipts in the Consolidated Fund of the State :

As required under Sub-section (5) of Section 6, the Government of Mizoram shall take appropriate measures for ensuring that the total outstanding debt in a year shall not exceed twice of the estimated receipts in the Consolidated Fund of the State at the close of the financial year. The Government may also specifically entrust the Public Expenditure Review Committee constituted under Rule 8 to review the progressive expenditure of the Government vis-a-vis receipt and to suggest suitable measures to ensure compliance of Fiscal Management Targets as set out at Sub-section (5) of Section 6.

7. Macroeconomic Framework Statement :

As required under Sub-section (6) of Section 6, the Government shall prepare a Macroeconomic Framework Statement giving prospects for the State's economy and related fiscal strategy which shall be laid before the House of the Mizoram State Legislative Assembly along with the budget. The Statement shall be in Form-III

8. Statement on details of employees and related salary :

As required under Sub-section (7) of Section 6, the Government shall bring out a special statement along with the annual budget giving in detail, the number of employees in Government, Public Sector Undertakings, Autonomous Bodies including Autonomous District Councils, State Information Commission, State Public Service Commission and Other similar bodies, and Aided Institutions, and related salary.

9. Disclosures :

The Government of Mizoram shall, at the time of presenting the budget, make disclosures for fiscal transparency as required under section 7 of the followings, namely :-

- (a) a statement of select indicators of fiscal situation in Form D-1;
- (b) a statement on components of State Government liabilities and interest cost of borrowings/ mobilization of deposits in Form D-2;
- (c) a statement on the Consolidated Sinking Fund in Form D-3;
- (d) a statement on guarantees given by the Government in Form D-4;
- (e) a statement on outstanding risk-weighted guarantees in Form D-5;

10. Public Expenditure Review Committee (PERC) :

- (1) As provided under Section 8 of the Act, the Government shall constitute a Public Expenditure Review Committee with the following composition -
 - (a) Secretary to the Government of Mizoram, Chairman
Finance Department
 - (b) Not more than 4 persons having knowledge and professional Members
expertise in the fields of Finance, Fiscal and Economic Management, Planning, Administration, Accounts, Audit and Law
 - (c) Besides above, the Government reserves the right to nominate a few special invitees in the meetings of the Committee for effective deliberations and cross-fertilisation of ideas; however, the number of special invitees shall not exceed the number of members of the Committee.
- (2) The Government may appoint an officer in the Finance Department, not below the rank of Deputy Secretary, to act as the Member-Secretary of the Committee.
- (3) The terms of reference of the Committee shall be as follows :-
 - (a) The Committee shall discuss and review the progressive receipts and expenditure in the State's Annual Budget and see if it is consistent with the Fiscal Management Targets and objective as laid down in the Act.
 - (b) The Committee may make suggestions for taking necessary corrective measures consistent with the Fiscal Management Targets and objectives in the mobilization of resources and spending of the Government.

- (c) The suggestion of the Committee shall be recommendatory in nature.
 - (d) The other issues as may be entrusted by the Government from time to time.
 - (e) The Committee shall meet once in every six months in a financial year.
- (4) Other terms and conditions including allowances of non-official members may be prescribed by the Government by notification in the official Gazette.

11. Measures to enforce compliance :

As required under sub-section (2) of section 9, the Minister in-charge, Finance Department shall carry out a half-yearly review of the trends in receipts and expenditure in relation to the budget and remedial measures may be taken to achieve the targets outlines in the Fiscal Management Targets and objectives. The half-yearly review shall be drawn up in the form of a Review Report and shall be laid in the Legislative Assembly in its sitting following the review.

Provided that in a half-yearly review the Minister shall also take into account the observations and suggestions of the Public Expenditure Review Committee.

Sd/-
Lalmalsawma,
Financial Commissioner,
Government of Mizoram.

FORM - I
(See rule 3)
MEDIUM TERM FISCAL POLICY STATEMENT

A. FISCAL INDICATORS - ROLLING TARGETS

(Rs. in crore)

	Previous year (Y-2) Actual	Current Year (Y-1) Budget Estimates (BE)	Current Year (Y-1) Revised Estimates (RE)	Ensuring Year (Y) Budget Estimates (BE)	Targets for next Two Years.	
					Y+1	Y+2
1. Revenue Deficit(-)/Surplus (+) as percentage of GSDP						
2. Fiscal deficit as percentage of GSDP						
3. Total outstanding Liabilities as percentage of GSDP						
4. Total Outstanding Liabilities as a percentage of Total Revenue Receipt (TRR)						
5. Interest Payment as a percentage of Total Revenue Receipts (TRR)						

B. ASSUMPTIONS UNDERLYING THE FISCAL INDICATORS -

	Previous year (Y-2) Actuals	Current Year (Y-1) Budget Estimates (BE)	Current Year (Y-1) Revised Estimates (RE)	Ensuring Year (Y) Budget Estimates (BE)	Targets for next Two Years.	
					Y+1	Y+2
1. Revenue Receipts						
(a) Tax-Revenue						
(b) Non-Tax-Revenue						
(c) State's Share of Central Taxes						
(d) Grants from Central Government						
(i) Non-Plan Grants						
(ii) Plan Grants						
2. Capital Receipts -						
(a) Borrowings on account of Internal Debt of the State Government (of which W&MA)						
(b) Loans and advances from the Centre						
(c) Recovery of loans and advances						
(d) Borrowings from Public Account (Net)						
3. Total Expenditure -						
(a) Revenue account						
(i) Interest Payment						
(ii) Salaries						
(iii) Pensions						
(iv) Others						
(b) Capital Account						
(i) Public Debt - repayment of borrowings (of which W&MA)						
(ii) Loans and Advances						
(iii) Capital Outlay						
4. GSDP						
5. Outstanding liabilities of the State Government						

C. ASSESSMENT OF SUSTAINABILITY RELATING TO -

- (i) The balance between receipts and expenditure in the general and revenue receipts and revenue expenditure in particular. The Medium Term Fiscal Policy Statement may specify the tax-GSDP ratio, own tax-GSDP ratio and State's share in Central tax-GSDP ratio for the current year and subsequent two years with an assessment of the changes required for achieving it. It may discuss the non-tax revenues and the policies concerning the same. Expenditure on revenue account, both plan and non-plan, may also be discussed with particular emphasis on the measures proposed to meet the overall objectives. It may discuss policies to contain expenditure on salaries, pension, subsidies and interests payments. An assessment of the capital receipts shall be made including the borrowings and other liabilities, as per policies spelt out. The statement shall also give projections for GSDP and discuss it on the basis of assumptions underlying the indicators in achieving the sustainability objective.
- (ii) The use of capital receipts including borrowings for generating productive assets. The Medium Term Fiscal Policy Statement may specify the proposed use of capital receipts for generating productive assets in different categories. It may also spell out the proposed changes among these categories and discuss them in terms of the overall policy of the Government.
- (iii) The estimated yearly pension liabilities worked out on actuarial basis for the next ten years. In case it is not possible to calculate the pension liabilities on actuarial basis, the State Government may, during that period, estimate the pension liabilities by making forecasts on the basis of trend growth rates (i.e. average rate of growth of actual pension payments during the last three years for which data are available).

FORM - II(a)
(See rule 4)

FISCAL POLICY STRATEGY STATEMENT

A. FISCAL POLICY OVERVIEW :

This paragraph will present an overview of the fiscal policy currently in vogue.

B. FISCAL POLICY FOR THE ENSUING YEAR :

This paragraph shall have, inter alia, six sub-paragraphs dealing with -

(1) Tax Policy

In the sub-paragraph on tax policy, major changes proposed to be introduced in direct and indirect taxes in the ensuing financial year will be presented. It shall contain an assessment of exemption in various taxes and how far it related to principles regarding tax exemptions.

(2) Expenditure Policy

Under expenditure policy, major changes proposed in the allocation for expenditure shall be indicated. It shall also contain an assessment of principles regarding the benefits and target group of beneficiaries.

(3) Borrowing and Other Liabilities, Lending and Investments

In this sub-paragraph on borrowings, the policy relating to internal debt, including the access to WMA/OD facility from the Reserve Bank of India, Government lending, investments and other activities; including principles regarding average maturity structure, bunching of repayments, etc., shall be indicated. The borrowing by Public Sector Undertakings and Special Purpose Vehicle, lending, investments, pricing of user charges on public goods and utilities and description of other activities, and activities of Public Sector Undertakings which have potential budgetary implications; and the key fiscal measures and targets pertaining to each of these shall be indicated.

(4) Consolidated Sinking Fund

In this sub-paragraph, the policy related to the Consolidated Sinking Fund (CSF) shall be indicated.

(5) Contingent and Other Liabilities

Any change in the policy on contingent and other liabilities, in particular guarantees, which have potential budgetary implications shall be indicated. Any change in the policy related to borrowings by special purpose vehicle (SPV) and other equivalent instruments where liability for repayment is on the State Government shall be indicated. The policy on building up of the guarantee Redemption Fund (GRF) and commission charges/collected for guarantees issued shall also be indicated.

(6) Levy of User Charges

Any change proposed in the levy of user charges of public services shall be spelt out.

C. STRATEGIC PRIORITIES FOR THE ENSUING YEAR :

- (1) Resources mobilization for the ensuing financial year through tax, non-tax and other receipts shall be spelt out.
- (2) The board principles underlying the expenditure management during the ensuing year shall be spelt out.
- (3) Priorities relating to management of public debt proposed during the ensuing year shall be indicated.

F. POLICY EVALUATION :

This paragraph shall contain an evaluation of the changes proposed in the fiscal policy for the ensuing year with reference to fiscal deficit reduction and objectives set out in the Medium Term Fiscal Policy Statement.

D. RATIONALE - FOR POLICY CHANGES

- (1) The rationale for policy changes consistent with the Medium Term Fiscal Policy Statement, in respect of direct and indirect taxes proposed in the ensuing Budget shall be spelt out.
- (2) The rationale for major policy changes in respect of budgeted expenditure including expenditure on subsidies shall be indicated.
- (3) Rationale for changes, if any, proposed in the management of the public debt shall be indicated.

FORM - II(b)
(See Rule 4 and 5)

OUTCOME INDICATORS OF THE STATE'S OWN FISCAL CORRECTION PATH

(Rs. in crore)

Items	Y-3 (Act)	Y-2 (Act)	Y-1 (BE)	Y-1 (RE)	Y (BE)	Y+1 (Proj)	Y+2 (Proj)
A. STATE REVENUE ACCOUNT:							
1. Own Tax Revenue							
2. Own Non - Tax Revenue							
3. Own Tax + Non Tax Revenue (1+2)							
4. Share in Central Taxes & Duties							
5. Plan Grants							
6. Non-Plan Grants							
7. Total Central Transfer (4 to 6)							
8. Total Revenue Receipts (3+7)							
9. Plan Expenditure							
10. Non-Plan Expenditure <i>of which</i>							
11. Salary Expenditure							
12. Pension							
13. Interest Payments							
14. Subsidies - General							
15. Subsidies - Power							
16. Total Revenue Expenditure (9+10)							
17. Salary + Interest + Pensions (11+12+13)							
18. as % of Revenue Receipts (17/8)							
19. Revenue Surplus/Deficit (8-16)							
B. CONSOLIDATED DEBT:							
1. Outstanding debt and liability							
2. Total Outstanding guarantee [of which guarantees on account of budgeted borrowing and SPV borrowing]							
C. CAPITAL ACCOUNT:							
1. Capital Outlay							
2. Disbursement of Loans and Advances							
3. Recovery of Loans and Advances							
4. Other Capital Receipts							
D. GROSS FISCAL DEFICIT [(8+D3+D4)-(16+D1+D2)]							
E. GSDP (Rs. Crs.) at current prices Actual/Assumed Growth Rate (%)							
F. INDICATORS AS % OF GSDP							
1. Own Tax Revenue							
2. Own Non-Tax Revenue							
3. Total Central Transfer							
4. Total Revenue Expenditure							
5. Revenue Deficit							
6. Gross Fiscal Deficit							
7. Outstanding Debt and Liabilities							

FORM - III
(See rules 7)**MACRO-ECONOMIC FRAMEWORK STATEMENT**

1. **Overview of the State's Economy :** This paragraph shall contain a synoptic analysis of trend in the rate of growth of output. Information on key macroeconomic indicators shall be presented in the table at the end of this form.
2. **GSDP Growth :** This paragraph shall contain an analysis of trends in overall GSDP growth and its sectoral composition.
3. **Overview of State Government Finances :** This paragraph shall detail the developments in State Finances including an analysis of trends in revenue collections and expenditure, and the important fiscal deficit and debt indicators and the measures taken to improve the financial position of the State Government. Trends in State Government finances shall be presented in the formal appended. This will inter alia, indicate the developments related to the Consolidated Sinking Fund Guarantee Redemption Fund and issuances of risk-weighted guarantees and Ways and Means Advances availed from the RBI. The paragraph may also cover analysis of finances of local bodies and State-level public sector undertaking including the progress made by them for compilation/finalization of annual statements of accounts and Central transfers.
4. **Prospects :** Based on the trends in major sectors presented in the previous sections, an assessment shall be made regarding the growth prospects, along with the underlying assumptions. An assessment of fiscal prospects shall also be made.

MACRO ECONOMIC FRAMEWORK STATEMENT

Economic Performance at a Glance

Table 1 : Trends in Select Macroeconomic and Fiscal Indicators

		Absolute value (Rs. Crore)		Percentage Changes	
		April - Reporting period*		April - Reporting period*	
		Previous Year	Current Year	Previous Year	Current Year
A.	REAL SECTOR				
1.	GSDP at factor cost				
(a)	at current price				
(b)	at 1999-2000 price				
2.	Agriculture Production				
3.	Industrial Production				
4.	Tertiary Sector Production				
B.	GOVERNMENT FINANCES				
1.	Revenue Receipts (2+3)				
2.	Tax Revenue (2.1+2.2)				
2.1	Own Tax Revenue				
2.2	State's Share in Central Taxes				
3.	Non-Tax Revenue (3.1 + 3.2)				
3.1	State's Own Non Tax revenue				
3.2	Central Transfers				
4.	Capital Receipts (5+6+7)				
4.1	Recovery of loans				
4.2	Other Receipts				
4.3	Borrowing and other liabilities				
5.	Total Receipts (1+4)				
6.	Non-Plan Expenditure				
6.1	Revenue Account				
	of which :-				
	(a) Interest payments				
	(b) Subsidies				
	(c) Wages & Salaries				
	(d) Pension Payments				
6.2	Capital Account				
7.	Plan Expenditure				
7.1	Revenue Account				
7.2	Capital Account				
8.	Total Expenditure (6+7)				
8.1	Revenue Expenditure (6.1+7.1)				
8.2	Central Expenditure (6.2 + 7.2)				
9.	Revenue Deficit (-) Surplus (+) (1.8.1)				
10.	Fiscal Deficit $\{(1+4.1+4.2)-(8.1+8.2a+8.2b)\}$				
11.	Primary Deficit (10-6.1a)				
12.	Memo :				
	Average amount of WMA from RBI^				
	Average amount of OD from RBI^				
	Number of days of OD				
	Number of occasions of OD				

* Date will relate to the period up to which information for the current year is available. To facilities comparison, date of previous year corresponds to the same period of current year. Accordingly, reporting period may vary for different items.

^ The average amount of WMA/OD is calculated by summing up the outstanding amount of WMA as on each day (including holidays) and dividing by the total number of days during April-Reporting period.

FORM D - 1
(See Rule 9)

SELECT FISCAL INDICATORS

	Items	Previous Year (Actuals)	Current Year (RE)
1.	Gross Fiscal Deficit as Percentage of GSDP		
2.	Revenue Deficit (-)/Surplus (+) as Percentage of GSDP		
3.	Revenue Deficit (-)/Surplus (+) as Percentage of TRR		
4.	Total Liabilities - GSDP Ratio (%)		
5.	Total Liabilities - Total Revenue Receipts (%)		
6.	Total Liabilities - State's Own Revenue Receipts (%)		
7.	State's Own Revenue Receipts - Revenue Expenditure (%)		
8.	Capital Outlay as Percentage of Gross Fiscal Deficit		
9.	Interest Payment as Percentage of Revenue Receipts		
10.	Salary Expenditure as Percentage of Total Receipt		
11.	Pension Expenditure as Percentage of Total Revenue Receipt		
12.	Non-Developmental Expenditure as Percentage of Aggregate Disbursement		
13.	Gross Transfer from the Centre as Percentage of Aggregate Disbursement		
14.	Non-Tax Revenue as Percentage of Total Revenue Receipts		

FORM D - 2
(See Rule 9)

A. COMPONENTS OF STATE GOVERNMENT LIABILITIES

Category	Raised during the Fiscal Year		Repayment/Redemption during the Fiscal Year		Outstanding Amount (End - March)	
	Previous Year (Actuals)	Current Year (RE)	Previous Year (Actuals)	Current Year (RE)	Previous Year (Actuals)	Current Year (RE)
Market Borrowings						
Loans from Centre						
Special Securities issued to the NSSF						
Borrowings from Financial Institutions/Banks						
WMA/OD from RBI						
Provident Funds, etc.						
Other Liabilities						
TOTAL						

B. WEIGHTED AVERAGE INTEREST RATES ON STATE GOVERNMENT LIABILITIES
(Percent)

Category	Raised during the Fiscal Year ^A		Outstanding Amount (End - March)	
	Previous Year (Actuals)	Current Year (RE)	Previous Year (Actuals)	Current Year (RE)
Market Borrowings				
Loans from Centre				
Special Securities issued to the NSSF				
Borrowings from Financial Institutions/Banks				
WMA/OD from RBI				
Provident Funds, etc.				
Other Liabilities				
TOTAL *				

^A weighted average interest rate where the respective weight is the amount borrowed. This is calculated on contractual basis and then annualized.

* Weighted average interest rate where the weights are the amount of the respective components of State Government Liabilities

Example I

Suppose the State Government raised resources from the market on three occasions during a fiscal year for an aggregate amount of Rs. 6000 crore. The annual rates of interest were 10 percent, 12 percent and 14 percent, for Rs. 1,000 crore, Rs. 2,000 crore and Rs. 3,000 crore, respectively. The weighted average interest rate in respect of the resources raised during the year would, therefore, be

$$\begin{aligned}
 & [\text{Rs. } 1000 * (10/100) + 2000 * (12/100) + 3000 * (14/100)] / (1000 + 2000 + 3000) * 100 \\
 & = [100 + 240 + 420] / 6000 * 100 \\
 & = (760/6000) * 100 \\
 & = 12.67\%
 \end{aligned}$$

Example 2

Suppose the previous and current years pertain to 2002-03 and 2003-04. Suppose the total outstanding amount of special securities issued by the State Government to the NSSF was Rs. 1,000 crore as at end-March 2002 and Rs. 1,500 crore as at end-March 2003. Suppose the total interest cost incurred by the State Government on this account during 2002-03 and 2003-04 amount to Rs. 120 crore respectively. Then the weighted average interest cost on the outstanding amount of special securities issued to the NSSF during the previous year (i.e. 2002-03) is equal to $120/1000 = 12$ percent. Similarly the weighted average interest cost on the outstanding amount of special securities issued to the NSSF during the current year (i.e. 2003-04) is equal to $120/1400 = 8.57$ percent.

FORM D - 3

(See Rule 9)

CONSOLIDATED SINKING FUND (CSF)

(Amount in Rs. crore)

Outstanding Balance in CSF at the beginning of the previous year	Additions during the previous year	Withdrawals from CSF during the previous year	Outstanding balance in CSF at the end of previous year/ beginning of current year	Col. (4)/ Outstanding stock of SLR Borrowings (%)	Additions during the current year	Withdrawals from CSF during the current year	Outstanding balance in CSF at the end of current year/ beginning of ensuing year	Col. (8) Outstanding stock of SLR Borrowings (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

GUARANTEES GIVEN BY THE GOVERNMENT

Invoked during the year (Rs. Crore)		Outstanding at the end of the year (Rs. Crore)	Guarantee Commission or Fee (Rs. Crore)		Remarks
Discharged	Not Discharged		Receivable	Received	
(6)	(7)	(8)	(9)	(10)	(11)

Note : Reporting year refers' to the second year preceding the year for which the Budget is presented

OUTSTANDING RISK - WEIGHTED GUARANTEES

Default Probability	Risk Weights (Percent)	Amount outstanding as in the Previous Year and the Current Year	Risk Weighted outstanding guarantee in the previous year and the current year
Direct Liabilities	100		
High Risk	75		
Medium Risk	50		
Low Risk	25		
Very Low Risk	5		
Total Outstanding			

Note : The risk - Weights have been pre-specified for various risk categories.