



GOVERNMENT OF MIZORAM

BUDGET SPEECH

of

**PU LAL THANHAWLA
HON'BLE CHIEF MINISTER**

for

**2009-'10
(Interim Budget)**

in the

MIZORAM LEGISLATIVE ASSEMBLY

on

Monday, the 23rd March, 2009 Aizawl

Mr. Speaker Sir,

With your permission, I rise to present before this august House the **Supplementary Demands for the year 2008-'09, the Interim Budget Estimates for the year 2009-'10** and to seek vote on Account to meet the essential expenditure for one third of the estimated expenditure for 2009-10 till the Regular Budget is passed by the House later.

I. THE ECONOMY

2. I am happy to lay before this House, the Economic Survey for 2008-09 as a series of Annual publication from 2006-07.

3. As the Hon'ble Members are aware, the global economy has been seriously affected by recession; first the developed economies and then the emerging economies. The Government of India and the Reserve Bank of India had been taking pains to offset the adverse possible impacts in the Indian economy. While the Reserve Bank of India carried out various monetary policy measures, the Government of India has been taking up fiscal and other measures including the recently announced economic stimulus packages. In line with these policy announcements, the Government of Mizoram will also sincerely take up various fiscal and other policy measures to offset the possible adverse effects of recession in the State's Economy.

4. The time series data available for the State's economy could not successfully capture the likely effects of economic slowdown in the Indian Economy. The latest and recently finalized GSDP for 2005-06 stood at **Rs. 2105.13 crore** at constant prices and **Rs. 2729.86 crore** at current prices with growth rate of **2.38 per cent** over 2004-05.

5. On the basis of this data, GSDP at constant prices of 1999-2000 for quick estimates of 2006-07 stood at **Rs. 2220.57 crore**, advanced estimates for 2007-08 stood at **Rs. 2343.70 crore** and provisional estimates of 2008-09 stood at **Rs. 2495.16 crore**. Projection of GSDP for 2009-10 stood at **Rs. 2642.78 crore** at constant prices, with projected growth of **5.92 per cent**.

6. GSDP at current prices for quick estimates of 2006-07 stood at **Rs. 2995.66 crore**, advanced estimates for 2007-08 at **Rs. 3305.09 crore** and provisional estimates for 2008-09 at **Rs. 3662.63 crore**. With this, the projection of GSDP for 2009-10 at current prices stood at **Rs. 4051.56 crore** with a projected nominal growth of **10.62 per cent**.

II. REVISED ESTIMATES 2008-09

7. Let me have an overview of the fiscal position for the current year as shown in the Revised Estimates.

Revenue Receipts

Tax Revenues

8. The Revised estimates of Tax Revenues is **Rs. 522.63 crore** in which State's Own Tax Revenues is estimated at **Rs. 94.82 crore** and State's Share of Central Taxes at **Rs. 427.81 crore**. State's Own tax revenues has shown an increase of **27.17 per cent** over the Budget Estimates of **Rs. 74.56 crore** which is mainly due to higher collection on account of VAT. Even though the Central Government has made a lesser collection of taxes in the revised estimates, State's share of Central Taxes is maintained at the Budget Estimates level of **Rs. 427.81 crore** as we still expect to receive the Budget Estimates level.

Non-Tax Revenues

9. The Revised Estimates for State's own Non-tax revenues is **Rs. 161.42 crore** which is an increase of **37.66 per cent** over the Budget Estimates of **Rs. 117.26 crore**. The expected increase is mainly due to expected higher collection on account of sale of power.

Grants-in-aid

10. Grants-in-aid from the Central Government for the Revised Estimates 2008-09 is **Rs. 2017.71 crore** which is an increase of **26.25 per cent** over the Budget Estimates level of **Rs. 1598.23 crore**. The expected increase is due to higher allocation under Central Assistance for plan schemes and inflow of funds on account of Centrally Sponsored Schemes, Central Plan Schemes and Special Schemes of NLCPR and NEC.

Capital Receipts

11. The estimated net capital receipt in the Revised Estimates 2008-09 is **Rs. 141.69 crore**. This includes net Public Debt of **Rs. 113.47 crore** and recoveries of Loans and Advances of **Rs. 28.22 crore**.

12. The higher level of net public debt over the Budget Estimates is mainly due to increase in allocation of net market borrowing by **Rs. 15.00 crore** as a part of economic stimulus package, **Rs. 18.30 crore** as additional open market borrowing for Annual Plan and receipt of REC's loan of **Rs. 4.87 crore**.

Expenditure

13. The estimated net total expenditure on the Consolidated Fund of the State in the Revised Estimate 2008-'09 is **Rs. 3199.37 crore**. Revenue expenditure is **Rs. 2462.96 crore** and capital expenditure is **Rs. 736.41 crore**. Non-Plan expenditure is **Rs. 1777.49 crore** whereas Plan expenditure will be **Rs. 1421.88 crore**. Increase in the Plan expenditure is due to additional expenditure on account of higher allocation in respect of Central Assistance for State's Plan and Centrally Sponsored Schemes (CSS), Central Plan Schemes (CPS), Special Schemes like North Eastern Council, Non Lapsable Central Pool of Resources.

Fiscal Indicators

14. The year 2008-09 is a critical year in that selected fiscal indicators are to be brought to targeted levels as mandated in the Mizoram Fiscal Responsibility and Budget Management Act, 2006. The level of Gross Fiscal Deficit is to be brought down to **3 per cent** of GSDP and Revenue Deficit is to be eliminated and generate revenue surplus in the following years.

Revenue Surplus

15. Attaining a revenue surplus have become a common feature in the State's finance. We have an estimated revenue surplus to the tune of **Rs. 238.79 crore**.

Fiscal Deficit

16. The Gross Fiscal Deficit (GFD) for Revised Estimate 2008-09 is placed at **Rs. 371.51 crore**. The Government of India has relaxed fiscal deficit to **3.5 per cent** of GSDP in 2008-09 due to the requirement of higher public spending as a part of economic stimulus packages recently announced and to attain the targeted fiscal deficit of 3 per cent of GSDP by 2009-10.

III. INTERIM BUDGET 2009-10

17. Mr. Speaker Sir, I now turn to the Interim Budget for 2009-10.

18. Since the Planning Commission could not finalise the State's Annual Plan for 2009-10, we are under compulsion to prepare an Interim Budget in which the Annual Plan size is maintained at the current year's level of **Rs. 1000.00 crore**. As and when the Annual Plan for 2009-10 is finalized, we will seek for approval of this House for a regular budget.

Receipts

Revenue Receipts

19. Estimated Revenue Receipt is **Rs. 2473.81 crore**. Of this State's Own Tax Revenues is estimated at **Rs. 116.29 crore** and State's Own Non-Tax Revenues at **Rs. 181.14 crore** with a total of **Rs. 297.43 crore** on account of State's Own revenues. Share of Taxes is estimated at **Rs. 409.78 crore** and Grants-in-aid from Central Government at **Rs. 1766.60 crore**.

Capital Receipts

20. Net Public Debt is estimated at **Rs. 72.99 crore** and recoveries of Loans & Advances at **Rs. 30.01 crore**.

Expenditure

Revenue Expenditure

21. Revenue Expenditure is estimated at **Rs. 2423.03 crore**.

Capital Expenditure

22. Capital Expenditure is estimated at **Rs. 603.86 crore**. This includes Capital Outlay of **Rs. 453.64 crore**, Public debt at **Rs. 130.22 crore** and Loans and Advances **Rs. 20.00 crore**.

Annual Plan 2009-10

23. Since the Annual Plan size for 2009-10 is not yet finalized, it is not possible for me to make meaningful commitments towards developmental initiatives of my Ministry. The plan commitments and developmental initiatives will be highlighted at the time of laying of the regular budget. However, I will make a mention of only Revised NLUP, the flagship scheme of my Ministry.

Revised NLUP

24. As duly incorporated in the election manifesto, Revised New Land Use Policy (NLUP) will be the flagship scheme of the Government as poverty alleviation and development of the poor population in the State. For this purpose, we propose for interim allocation of **Rs. 100.00 crore** in the budget.

Fiscal Indicators

25. Revenue surplus is estimated at **Rs. 50.78 crore** and Gross Fiscal Deficit is estimated at **Rs. 392.86 crore** in the Interim Budget Estimates 2009-10. Deterioration in the Interim Budget Estimates is due to maintaining Annual Plan at **Rs. 1000.00 crore** and estimation of additional expenditure on account of

revision of salaries of Government Employees. Corresponding inflow of plan resources for Annual Plan has not been included as the same is not yet finalized by the Planning Commission of India. Fiscal position is expected to improve after finalization of Annual Plan 2009-10 and presentation of regular budget.

Outstanding Public Debt

26. Outstanding public debt as contained in the Finance Accounts 2007-08 as on 31.3.2008 is **Rs. 3062.46 crore**. Debt stock as per the Revised Estimate 2008-09 as on 31.3.2009 is **Rs. 3276.08 crore** and as on 31.3.2010 as per the Interim Budget Estimates will be **Rs. 3429.07 crore**.

IV. FISCAL REFORMS

27. Mr. Speaker Sir, today is a day of fiscal consolidation and reforms. Let me now highlight the reforms processes and actions taken up by the Government under the Fiscal Responsibility and Budget Management Act.

Public Expenditure Review Committee

28. The Public Expenditure Review Committee (PERC) had already held its 2nd and 3rd sittings and review of the fiscal position for the 2nd half of 2007-08 and the 1st half of 2008-09 was already taken up.

Finance Minister's Half-Yearly Review

29. A half yearly review of fiscal position for the 2nd half of 2007-08 was completed and a review report is being laid in this August House during this Budget Session. A review of the fiscal position for the 1st half of 2008-09 will be held shortly and the review report will be laid in this House as soon as the review is taken up.

30. Since the Budget I am laying is an interim budget, I am not laying the Explanation Memorandum in the Budget, Statements in Salary and Employment Data Statements required under the Fiscal Responsibility and Budget Management Act. The Statements on Macroeconomic Framework, Fiscal Policy Strategy and Medium Term Fiscal Policy will be laid at the time when a regular budget is presented in this House.

31. The Thirteenth Finance Commission has been actively on the job for resource transfers to the States for the award period of 2010-2015. Since the level of resource transfers of the Finance Commissions are the main determinants of the fiscal position of the States in the fiscal federalism of the country, the State Government will continue to work closely with the Commission so that the State could receive its due and rightful share under the award.

V. TAX AND NON-TAX PROPOSALS

32. As Hon'ble Members are all aware, the main obstacle towards generation of revenues in the State's finance remains limited tax and non-tax base leaving us limited scope for improvements in generation of revenues. Besides, there are cases of distortions in the tax system, stagnant tax rates in major taxes for the last many years and low levels of collection efficiency.

33. Since my Ministry has taken over the charge only recently, a clear picture as to how remedial measures for addressing these issues could not be spelt out. The proposed measures will be laid at the time of the regular budget. Till such time, we would continue to maintain the existing rates.

34. In the case of Non-Tax Revenues, we would slowly move towards cost recovery without compromising the services rendered to the people.

VI. CONCLUSIONS

35. Mr. Speaker Sir, I would like to thank all the Hon'ble Members of this august House for giving me a patient hearing.

36. With these words, I commend the **Supplementary Demand for Grants 2008-'09**, the **Interim Budget Estimates for 2009-'10** and Vote on Account for the first four months from **April 2009 to July 2009** for consideration and approval of this august House.

Thank You, Sir.

Note: Full text of the Budget Speech along with full set of Budget Documents is available at www.mizofin.nic.in.