



GOVERNMENT OF MIZORAM

**BUDGET SPEECH**  
*of*  
**PU ZORAMTHANGA**  
**HON'BLE CHIEF MINISTER**  
*for*  
**2008-'09**  
*in the*  
**MIZORAM LEGISLATIVE ASSEMBLY**  
*on*  
*Thursday, the 13<sup>th</sup> March, 2008 Aizawl*

*Mr. Speaker Sir,*

With your permission, I rise to present before this august House the **Supplementary Demands for the year 2007-'08 and the Budget Estimates for the year 2008-'09.**

## **I. OVERVIEW OF THE ECONOMY**

2. As per advance estimates, the State's economy is expected to register a real growth rate of **6.74 per cent** in 2007-08 as against **7.50 per cent** in 2006-07. The nominal growth rate is estimated at **10.15 per cent** in 2007-08 while the nominal growth for 2006-07 was **10.67 per cent**. Thus, with the advance estimates, the Gross State Domestic Product (GSDP) for 2007-08 at current price is **Rs. 3287.89 crore** while the figure at constant price (of 1999-2000) stood at **Rs. 2527.88 crore**.

3. A study of sectoral share of GSDP of 2007-08 by industry of origin clearly reveals the predominance of service sector in terms of contribution to GSDP. Service Sector contributes the largest share of **67.12 per cent**, followed by the Industry sector at **17.65 per cent** and the Agriculture & Allied Sector with the lowest at **15.23 per cent**.

### *Agriculture Sector*

4. The Agriculture sector comprising of agriculture, livestock, forestry and fishing has registered a growth rate of **3.16 per cent** in 2007-08 as against the growth rate of **3.14 per cent** in 2006-07.

### *Industry Sector*

5. The Industry sector which includes mining and quarrying, manufacturing, construction and electricity, gas and water supply registered a growth rate of **4.68 per cent** in 2007-08 as against the growth of **8.95 per cent** in 2006-07.

### *Service Sector*

6. Over the years, the Service Sector has remained the highest contributor of GSDP. In the estimates for 2007-08, the share of this sector is **67.12 per cent**. The estimated growth rate under this sector is **8.15 per cent** as against **8.31 per cent** in 2006-07

## **II. OVERVIEW OF THE BUDGET**

7. I am happy to present the full budget for the year 2008-09. This is the fourth consecutive year that I have the privilege of presenting a full budget.

8. As I have mentioned in my last Budget Speech, the budget for the current year and the year 2008-09 fall within the award period of the Twelfth Finance Commission (TFC). This award period (2005-'10) is marked by a relatively higher level of inflow of resources from the Centre in different forms to the State. This results in a relatively comfortable fiscal position for the State.

9. The year 2008-09 is critical in that selected fiscal indicators are to be brought to the targeted levels mandated by 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 we have to generate revenue surplus in the following years. Achieving all these targets will call for very concerted and determined efforts on the part of my Government towards fiscal reforms. I assure the Hon'ble Members that the Government will take all necessary measures to achieve the above set targets.

### **Fiscal Indicators**

#### ***Revenue Surplus***

10. In the Budget Estimates for 2008-09, we have an estimated revenue surplus to the tune of **Rs. 185.23 crore**. As mandated in the FRBM Act, the revenue deficit is to be eliminated and we have to generate revenue surplus. Thus, we have a revenue surplus in excess of what we had to the tune of **Rs.162.85 crore** in the Budget Estimate for 2007-'08. We are well within the stipulations of '*The Mizoram Fiscal Responsibility and Budget Management Act, 2006*'.

#### ***Fiscal Deficit***

11. The Gross Fiscal Deficit for 2007-08 (Revised Estimate) is pegged at **Rs. 138.59 crore**, which is **3.51 per cent** of GSDP. Gross Fiscal Deficit for 2008-09 is estimated at **Rs. 131.49 crore**, which is **3.00 per cent** of GSDP. This is in line with the stipulation of the FRBM Act to achieve a position of Gross Fiscal Deficit at the level of **3 per cent** of GSDP by 2008-'09.

12. The continued improvement of the State's finances is apparent in that the Government no longer needs to park huge funds in the Public Account to meet expenditure requirements on the Consolidated Fund. We will continue to maintain that position that the Government does not keep idle funds in Public Account Deposits.

### ***Deficit and surplus in the Budget***

13. The year 2008-'09 is expected to commence with an estimated opening deficit of **Rs. 84.65 crore** and the Budget Estimate is a surplus Budget to the tune of **Rs. 54.29 crore**. Accordingly, we will have a closing deficit of **Rs. 30.36 crore** at the end of the year.

### **III. REVENUE AND CAPITAL RECEIPTS**

14. The total estimated receipt for the year 2007-'08 at the Budget Estimates level was **Rs. 2226.49 crore**. The amount as per the revised estimate is **Rs. 2659.89 crore**. We expect to mobilize a total receipt of **Rs. 2492.06 crore** during 2008-'09. At the Budget Estimate level, the estimated receipt for 2008-'09 increases by **Rs. 265.57 crore** which represents an increase of **11.93 per cent**.

15. Out of the total estimated receipt for the year 2008-'09, estimated revenue receipt is **Rs. 2217.87 crore** and capital receipt is **Rs. 274.19 crore**.

#### **Revenue Receipts**

16. I may now go to the estimates of receipts from various tax and non-tax revenues.

#### ***Tax Revenues***

17. Of the Revenue Receipts, the major classification consists of Tax and Non-Tax Revenues. The estimated Tax Revenue for 2008-'09 is **Rs. 502.37 crore** which includes State's Own Tax Revenue of **Rs. 74.56 crore** and State's Share of Central Taxes of **Rs. 427.81 crore**.

18. As indicated above, State's own tax revenue for 2008-09 is estimated at **Rs. 74.56 crore**. The amount for 2007-08 (BE) was **Rs. 68.13 crore**. This estimate is an increase of **9.44 per cent**.

19. The estimated amount of State's share in Central Taxes for 2008-09 is **Rs. 427.81 crore**. A significant point I would like to highlight here is that with continued growth momentum in the country's economy, the collection of taxes by the Central Government increased considerably and much beyond the expectation of the TFC. The Central Government has already stepped up 'State's Share of Central Taxes' for the coming year. State's share of Central Taxes for the year 2008-'09 is placed at **Rs. 427.81 crore** while the recommended amount by the TFC is **Rs. 330.16 crore**, registering an increase of **Rs. 97.65 crore**. This amount even exceeded the projected figure while finalizing the State's Plan Resources for Annual Plan 2008-09 by **Rs. 35.79**

**crore** which is as high as **9.13 per cent**. I may, once again, take this opportunity to express my gratitude to the Government of India for their generous transfer of resources to the State.

### ***Non-Tax Revenues***

20. The estimated amount for Non-tax revenues for 2008-09 is **Rs. 1715.50 crore**. Out of this, we estimate State's own non-tax revenues at **Rs. 117.27 crore**. At the Budget estimates level, State's non-tax revenues increases by **Rs. 19.30 crore** from **Rs. 97.97 crore** in 2007-08 which represents an increase of **19.70 per cent**.

21. Non-tax revenue in the form of Grants-in-aid from the Central Government for 2008-09 is estimated at **Rs. 1598.23 crore**. The components of grants are: (i) Non-Plan Grants at **Rs. 687.50 crore**, and (ii) Plan Grants at **Rs. 910.73 crore**.

### **Capital Receipts**

22. Capital receipts are mainly resources raised by the Government in the form of borrowings from various sources with the exception of non-debt capital receipts. Receipt on capital account comprises of Public Debt and Loans and Advances. The estimated total receipt for 2008-09 is **Rs. 274.19 crore**.

### ***Receipts on account of Public Debt***

23. In 2008-'09, receipt on account of Public Debt is estimated at **Rs. 248.88 crore**. This includes receipt of **Rs. 223.58 crore** on Internal Debt and **Rs. 25.30 crore** on account of Loans and Advances from Central Government.

### ***Recoveries of Loans and Advances***

24. Estimated receipt on Loans and Advance categorized as *Non-Debt Capital Receipts* is estimated at **Rs. 25.31 crore**. This is a return that we have on investment of fund towards loans and advances.

### ***Deficit Financing***

25. The time has come to put a check on the increasing tendency of deficit financing in the State's finances. The accumulation of debts in the State Government over the years is the result of borrowings to finance the deficit in resources. As we are all aware, we are predominantly dependent on resource transfers from the Centre. As a result, the transfer of resources on the recommendations of the successive Finance Commissions has been the main determinant in the fiscal position of the State Government. With the improved situation in the balance of receipts and payments, the State Government could now put a check on the level of deficit financing and set an ambitious target of fiscal deficit at **3 per cent** of GSDP in 2008-09. In my proposed budget for

2008-09, the total amount of new loans to be raised including those on Public Account is **Rs. 225.73 crore** and repayments during the year is estimated at **Rs. 80.24 crore**. However, the net borrowing on the Consolidated Fund is estimated at **Rs. 85.00 crore**. Thus gross fiscal deficit is placed at **Rs. 131.49 crore**, which is **3.00** per cent of GSDP. I may inform the Hon'ble Members that for the purpose of estimating GSDP of the State, the calculation is based on the time series data estimated by the TFC for its award period; the GSDP of Mizoram for 2008-09 as estimated by TFC is **Rs. 4383.00 crore**.

26. The details of borrowings of the State Government for 2008-09 are as follows: (i) State Provident Funds-**Rs. 73.52 crore**, (ii) Net Market Borrowings-**Rs. 92.91 crore**, (iii) Negotiated Loans-**Rs. 34.00 crore**, (iv) Block Loan (loan portion of Externally Aided Projects)-**Rs. 25.30 crore** taking the total gross borrowings to **Rs. 225.73 crore**.

#### **IV. REVENUE AND CAPITAL EXPENDITURE**

27. Estimated gross total expenditure on the Consolidated Fund of the State for 2008-09 is **Rs. 2625.03 crore** in which gross revenue expenditure is **Rs. 2034.89 crore** and gross capital expenditure is **Rs. 590.14 crore**. However, after deduction of recoveries on account of stock suspense of **Rs. 2.25 crore** on revenue account and **Rs. 68.00 crore** on capital account, net total expenditure on the Consolidated Fund of the State for 2008-'09 is **Rs. 2554.78 crore**. Out of this, estimated net revenue expenditure is **Rs. 2032.64 crore** and estimated net capital expenditure is **Rs. 522.14 crore**. In terms of classification on Plan and Non-Plan accounts, estimated Non-Plan expenditure is **Rs. 1553.57 crore** whereas Plan expenditure will be **Rs. 1001.21 crore**. The Plan expenditure will include Centrally Sponsored Schemes (CSS), Central Plan Schemes (CPS), Special Schemes like those of the North Eastern Council (NEC), Non Lapsable Central Pool of Resources (NLCPR) etc. which are outside the State's Annual Plan.

#### **Revenue Expenditure**

28. In the revenue account for the year 2008-'09, non-developmental expenditure is estimated at **Rs. 720.68 crore** which is **35.46** per cent of the total revenue expenditure whereas the remaining amount under development sector is **Rs. 1311.96 crore** which accounts for **64.54** which is an improvement of **1.45 per cent** over previous year's level of **63.09 per cent**.

### ***Interest Payments***

29. Another indicator of public spending is the level of expenditure on interest payments in a fiscal year. It is an indicator of the debt sustainability levels in the fiscal operations of the State Government. The TFC had, after taking into account the fiscal position of various States, recommended interest payment up to the level of **17 per cent** of revenue receipts in a long term framework as a sustainable level. Besides that, the stipulations of the Ministry of Finance for a sustainable level of interest payments relative to revenue receipts is **15 per cent** in the year 2009-10 and the Ministry even recommended to include this stipulation in the Fiscal Responsibility Legislation of the States. In the case of our State, I may share with the Hon'ble Members that the level of interest payments is still at a very comfortable level. Interest payments for 2007-08 at the Revised Estimate level is **Rs. 180.58 crore** which is **7.64 per cent** of the estimated revenue receipts. The estimated amount of interest payments for 2008-09 is **Rs. 203.13** which is **9.16 per cent** of the revenue receipts.

### ***Salaries***

30. Salary bills have always been forming an important component of the State's Non-Plan and Plan expenditure over the years. The successive pay revisions at periodical intervals and revision of dearness allowance of the employees brought about increase in the wage bill of the Government. At the Budget Estimates level, expenditure for salary of 2007-08 was **Rs. 596.75 crore** which forms **33.65 per cent** of revenue expenditure and **26.49 per cent** of net total expenditure in the Consolidated Fund. In 2008-09, the estimated amount of salary expenditure is **Rs. 708.37 crore** which forms **34.85 per cent** of revenue expenditure and **27.73 per cent** of net total expenditure in the Consolidated Fund.

### ***Pensions***

31. Pension payments have also become an issue of serious concern. The heavy expenditure occurred as a result of the increasing number of pensioners as well as the increase in pension payment per capita. In 2008-09, the estimated amount of pension bill is **Rs. 106.01 crore** which forms **5.22 per cent** of revenue expenditure and **4.15 per cent** of net total expenditure in the Consolidated Fund. It is the endeavour of the Government to gradually move towards reforms in the Pension sector so that pension payments are brought within prudential levels and that the State's finance is not heavily strained by expenditure on this account.

### **Capital Expenditure**

32. Capital Expenditure includes expenditure on capital outlay, disbursement of loans and advances and repayment of loans. Estimated capital expenditure for 2007-08 (Budget Estimate) was **Rs. 479.17 crore** which improved to **Rs. 730.76 crore** at the Revised Estimate level. Capital expenditure for 2008-09 is estimated at **Rs. 522.14 crore**.

### ***Capital Outlay***

33. Expenditure under this account is one of the most important components under the State's budget as it is used for creation of capital assets. Basic infrastructural needs of the State under General Services, Economic and Social Services have been met with expenditure under this account. In the revised estimates for 2007-'08, capital expenditure is estimated at **Rs. 730.76 crore** out of which capital outlay is **Rs. 541.42 crore**. In the Budget Estimates of 2008-'09, capital outlay is estimated at **Rs. 332.95 crore**. It is the commitment of my Government to move towards increased spending for creation of capital assets for laying a strong foundation of economic growth across the State.

### ***Repayment of Loans***

34. The increasing expenditure of the State Government towards servicing of debt has also become a matter of serious concern. The increasing debt stock of the Government over the years brought about corresponding increase in the expenditure for servicing of loans. However, the State Government has been making all out efforts to reduce the debt stock and corresponding repayments. The measures we have been adopting include arriving at One-Time Settlement (OTS) package with the financial institutions, rescheduling of loans and prepayment of high cost loans by availing Structural Adjustment Loan from the Asian Development Bank which I will describe at length in the later part of my speech. The estimated amount for repayment of loans for 2008-09 is **Rs. 189.19 crore**. However, if the State Government could finalise the proposal for prepayment of loans with Structural Adjustment Loan, we may utilize a much higher amount for repayment of loans. The proposed prepayment of high cost loans will bring about reduction in the debt stock, corresponding reduction in annual repayment of loans and payment of interests.

### ***Loans and Advances***

35. The State Government has been giving loans and advances to the Government servants and to the general public under different specified schemes. Out of these, loans and advances under Plan Account are advanced to the general public in the form of housing loans out of loans availed from the Life Insurance Corporation of India. I propose **Rs. 3.82 crore** for this purpose during 2008-09.



36. Loans and Advances on Non-Plan Account include advances given to the Members of the Legislative Assembly and advances to the Government employees for purchase of motor cars. The amount for 2007-08 (RE) is **Rs. 5.25 crore**. I propose to allocate the same amount for the purpose during 2008-09.

## **V. NON-PLAN EXPENDITURE**

37. Non-Plan Expenditure covers the entire gamut of expenditure other than those falling under Plan Expenditure. It encompasses recurring expenditure including interest payments and certain capital expenditure. Net Expenditure on Non-Plan Account as per the revised estimate for 2007-'08 is **Rs. 1456.85 crore** and the amount in 2008-'09 is estimated at **Rs. 1553.57 crore**.

### ***Non-Developmental Expenditure***

38. Non-Plan Non-Development Expenditure covers the expenditure on account of General Services. Main contributors are expenditure on account of administrative costs of the Government, fiscal services and payment of interests. Because of the nature of expenditure they are classified as non-developmental. The estimated amount of expenditure under this for 2008-09 is **Rs. 709.36 crore** which forms **45.66 per cent** of total non-plan expenditure and the estimated amount of non-developmental expenditure on non-plan account in 2007-08 (BE) was **44.93 per cent**.

### ***Developmental Expenditure***

39. The expenditure covers expenditure on Social and Economic Services. The estimated expenditure for these two sectors for 2008-09 are **Rs. 360.29 crore** and **Rs. 298.56 crore** respectively taking the total expenditure to **Rs. 658.85 crore**. The expenditure on these sectors is aimed at socio-economic development of the State for which it is termed developmental expenditure. The combined expenditure under these two sectors contributes **42.41 per cent** of total Non-Plan Expenditure.

40. Mr. Speaker Sir, I may share with the Hon'ble Members that a very serious concern in the State's finances today is the increasing pressure of Non-Plan Expenditure and the burgeoning Interest Payments. It is with an attempt to rein in Non-Plan Expenditure that the Fiscal Responsibility and Budget Management Act, 2006 was passed, as you would recall. It has been the conscious endeavour of the Government to achieve the targets set out in the Act so that the State's finances continuously move towards a path of fiscal balance and sustainability.

## **VI. PLAN RESOURCES AND EXPENDITURE**

41. Mr. Speaker Sir, it is the Plan Account in which major policy initiatives for development of the economy has been taken up. As a result, the State Government has been keenly pursuing policies that could trigger development of the State across the sectors so as to achieve the ideals of balanced development. I may share with the Hon'ble Members that we would continue the initiatives of bringing about a quick pace of development of the State for the benefit of the people. I may now highlight the resources and proposals for outlay for the Annual Plan 2008-09.

### **Annual Plan 2008-'09**

42. Mr. Speaker Sir, we know that the size of the Annual Plan for 2008-'09 has been fixed at **Rs.1000.00 crore**. The same was finalized in the discussion I had with the Deputy Chairman of the Planning Commission in the month of January, 2008. This approved plan size is an increase of **Rs.150.00 crore** over the approved plan for 2007-'08.

### ***Plan resources***

43. The Scheme of Financing of the Annual Plan 2008-09 reflects the various resources that we would be able to mobilize for funding the Annual Plan. The resources include (i) State's Own Funds - **Rs. (-) 87.91 crore**, (ii) State's Borrowings - **Rs. 145.49 crore**, (iii) Central Assistance - **Rs.943.52 crore**, (iii) Public Sector Enterprises (PSE) - **Rs. (-) 1.17 crore** and (iv) Local Bodies - **Rs.0.07 crore**.

### ***Plan expenditure***

44. On expenditure side, the approved outlay of **Rs. 1000.00 crore** for 2008-'09 has been allocated to different sectors. Sector-wise allocations of outlays are: (i) Agriculture & Allied Activities - **Rs. 78.42 crore**, (ii) Rural Development - **Rs. 46.15 crore**, (iii) Special Areas Programme - **Rs. 49.23 crore**, (iv) Irrigation and Flood Control - **Rs. 27.66 crore**, (v) Energy - **Rs. 68.11 crore**, (vi) Industries and Minerals - **Rs. 27.15 crore**, (vii) Transport - **Rs. 51.99 crore**, (viii) Communications - **Rs. 6.46 crore**, (ix) Science, Technology & Environment - **Rs. 2.04 crore**, (x) General Economic Services - **Rs.144.21 crore**, (xi) Social Services - **Rs. 480.57 crore** and (xii) General Services - **Rs. 18.01 crore**.

### ***Priority Sectors***

45. Mr. Speaker Sir, I may now highlight the plan priorities of my Government as contained in the Annual Plan of 2008-'09.

46. Agriculture & Allied Activities and Rural Development with particular emphasis on self sufficiency in food production, employment generation and poverty eradication are the priorities of the Annual Plan 2008-09. We are all aware of the *mautam* famine as a result of bamboo flowering which resulted in crop destruction on a large scale. In this connection, the National Rural Employment Guarantee Scheme (NREGS) will be a great help for combating a State-wide famine while helping in increasing agriculture production and developing rural infrastructure.

47. In the agriculture sector, a major breakthrough had been made in infrastructure development during the Tenth Plan and the first year of the Eleventh Plan. We have taken up infrastructure development in the form of land development, agriculture link roads, storage, godowns, plants and agriculture machineries. We have laid infrastructural foundation for agriculture development and there has been a shift in policy from infrastructure development to production and marketing stages by incentivising the farmers through assistances and market linkages.

48. I may share with the Hon'ble Members that the Government makes sustained efforts to accelerate the agriculture growth and more emphasis is being given to this sector by prioritizing and reaffirming our commitment to increase investment in agriculture and allied sectors to achieve an annual growth of 4 per cent as envisaged by the Central Government. The initiatives we are taking in 2008-09 include i) Assistance to Jhumia Families for innovative activities, ii) National Agriculture Insurance Scheme (NAIS) to be implemented on 50:50 sharing pattern between the Government of India and the State Government, iii) Market intervention in selected crops. A contingency plan is in place in the form of providing inputs such as local paddy seeds for the affected cultivators due to rodent attacks during bamboo flowering.

49. Development of economic infrastructure continues to be the priority of the Plan. Implementation of the Mizoram State Roads Project under World Bank, development of economically important roads under Non-Lapsable Central Pool of Resources (NLCPR) and North Eastern Council (NEC) and North Eastern Road Project shall continue. Development of power infrastructure under Accelerated Power Development and Reforms Programme (APDRP) will continue to be a priority in 2008-09.

50. In Social Services, education, health services and sports and youth services will continue to receive high priority. The plan endeavour will be not only to sustain favourable education and health indicators but also significantly improve them during this year. The SSA Mission together with State Plan Schemes will not only improve elementary education but will also greatly

reduce the drop-out rate and the National Rural Health Mission will improve the health indicators and health infrastructure in the State. The setting up of Youth Commission is expected to go a long way towards serving the interests and welfare of our youth.

51. The initiatives under PPP will also be carried forward so as to attract private investors for infrastructure development in the State. We had initiated the process to take up Tuivai Hydroelectric Project on PPP mode.

### ***Mautam famine***

52. As all the Hon'ble Members are aware, bamboo flowering had taken place for the last few years and the flowering came to an end in 2007 thereby destroying the bamboo forests of the State. Due to attack of rodents, the crop production in the State has gone down drastically bringing about the apprehended *mautam* famine in the State. I will share with the Hon'ble Members that the Government is fully prepared for the situation. As I had mentioned in my last Budget Speech, tackling the impending *mautam* famine is an important agenda of the Government. I reiterate that we are not going to allow any member of the citizen to suffer from the deprivation of famine on this account. The Government will always ensure that enough foodgrains are available to the people. At the same time, we will also ensure that purchasing power is created to enable the people to access the stock of foodgrains.

53. For successful tackling of famine, we would be integrating the various activities of the State Government with various schemes including the Central Scheme of 'National Rural Employment Guarantee Scheme' which is mandated with creation of a hundred-day employment in a year. Besides the existing coverage of four districts of Mizoram, the Central Government is extending the Scheme to the remaining four districts thus bringing all the eight districts of Mizoram under its coverage. With the employment so generated under the Scheme coupled with the availability of foodgrains, we will ensure that the adverse impact of *mautam* famine is minimized.

### ***Mizoram Intodelhna Project***

54. Implementation of Mizoram Intodelhna Project (MIP) will continue to be an important development programme of the Government. Accordingly, I propose to allocate **Rs.20.00 crore** during 2008-09.

### ***Externally Aided Projects***

55. I mentioned in my budget speech last year that an important feature of the State's Plan since the last few years is the inclusion of projects in the Annual Plan in the form of 'Externally Aided Projects (EAP)'. The World Bank assisted '*Third Technician Education Project*' had been completed in 2007-08. The

other World Bank assisted-Mizoram State Roads Project is under implementation and is expected to be completed in May, 2009

56. During 2007-08 we have included the scheme of '*North Eastern Region Urban Development Project (NERUDP) (Phase-I)*' with an estimated cost of **Rs. 298.58 crore**. We also propose to avail one more assistance from the Asian Development Bank under the title of '*Structural Adjustment Loan*' for meeting adjustment costs in the reforms processes being taken up by the Government in fiscal and socio-economic fronts. The proposed amount of loan is **\$ 150 million** and it will be implemented over a period of three years. I propose to allocate fund for these EAP schemes during the year 2008-'09 as follows - **Rs.2.88 crore** for *Mizoram State Roads Project*, **Rs.110.12 crore** for *North-Eastern Region Urban Development Project* and **Rs. 140.00 crore** for *Structural Adjustment Loan* taking the total to **Rs. 253.00 crore**.

#### ***MLA Local Area Development Scheme***

57. The Scheme would be continued during 2008-09 and I propose to allocate **Rs.600.00 lakh** for 2007-'08 to be utilized as **Rs. 15.00 lakh** per constituency.

#### ***Central Assistance for State Plan Schemes***

58. Within the approved plan size of **Rs. 1000.00 crore** for 2008-09, **Rs. 190.66 crore** is included as Additional Central Assistance (ACA). The Scheme-wise details for 2008-09 are as follows- (i) Accelerated Irrigation Benefit Programme (AIBP) – **Rs.25.00 crore**, (ii) Control of Shifting Cultivation – **Rs.5.50 crore**, (iii) Border Area Development Programme (BADP) – **Rs.13.02 crore**, (iv) Roads & Bridges – **Rs.4.74 crore**, (v) National Social Assistance Programme (NSAP) – **Rs. 3.45 crore**, (vi) Nutrition Programme for Adolescent Girls (NPAG) – **Rs.0.07 crore**, (vii) Grants-in-aid under Article 275 (1) – **Rs.3.24 crore**, (viii) Jawaharlal Nehru National Urban Renewal Mission (JNNURM) – **Rs.14.77 crore**, (ix) Backward Region Grant Fund (BRGF) – **Rs.24.97 crore**, (x) Accelerated Power Development and Reforms Programme (APDRP) – **Rs.19.94 crore**, (xi) National e-Governance Action Plan (NEGAP) – **Rs.5.96 crore**, One-time Additional Central Assistance – **Rs. 70.00 crore**.

59. The grant portion under Additional Central Assistance is **Rs. 179.17 crore** and loan portion is **Rs. 11.49 crore**. The Government will raise market loans for meeting the loan components under the schemes.

#### ***One-Time Additional Central Assistance***

60. The allocated amount of **Rs. 70.00 crore** under One-time Additional Central Assistance for 2008-09 is proposed to be utilized under specified items as follows: (i) Public Health Engineering – **Rs.22.00 crore**, (ii) Public Works – **Rs.20.00 crore**, (iii) Power – **Rs.15.00 crore**, (iv) School Education – **Rs.5.00**

**crore**, (v) Health Services – **Rs.3.50 crore**, (vi) Fisheries – **Rs.2.00 crore**, (vii) Agriculture – **2.50 crore**.

### ***Plan Loans from Central Financial Institutions***

61. For the last many years the State Government has been funding a part of the plan expenditure by resorting to borrowings from Central Financial Institutions with due consent of the Government of India under Article 293 (3). With the objective of tightening the borrowings of the State Government, borrowings from the Central Financial Institutions had been reduced. I propose an amount of **Rs. 34.00 crore** under this out of which **Rs. 20.00 crore** will be availed from *Life Insurance Corporation of India (LIC)* and **Rs. 14.00 crore** from *National Bank for Agriculture and Rural Development (NABARD)*. The achievements we had attained with funding from these financial institutions are very encouraging. The proposed amount of **Rs. 20.00 crore** from LIC will be utilized for the following schemes: (i) Government Housing-**Rs. 2.95 crore**, (ii) Police Housing-**Rs. 3.20 crore**, (iii) LAD Housing-**Rs. 3.82 crore**, (iv) Public Works (Buildings)-**Rs. 10.03 crore**.

62. Funds from NABARD are coming in the form of Rural Infrastructure Development Fund (RIDF) which aims at building rural infrastructure in partnership of the State Government with the Bank. We had completed several important infrastructure projects in rural health, minor irrigation, water supplies and rural roads. During 2007-08, we are taking up more important projects covering rural roads and rural water supply schemes under RIDF-XIII. We would continue these projects during 2008-09 with the proposed allocation of **Rs. 14.00 crore**.

### ***Plan Grants from Twelfth Finance Commission***

63. A part of the grants from the Twelfth Finance Commission has been released to the State Governments as plan grants. The total amount earmarked as plan grants for 2008-09 is **Rs. 22.50 crore**. Plan grants for 2008-09 are to be utilized for the specific schemes identified by the Twelfth Finance Commission as follows: (i) Maintenance of Forests-**Rs. 5.00 crore**, (ii) Conservation of Heritage-**Rs. 1.25 crore**, (iii) State's Specific Needs -**Rs. 16.25 crore**.

### ***Commitment of Plan posts into Non-Plan***

64. As I announced in my last budget speech, a number of posts under Plan have been committed into Non-Plan during the current year. During 2008-09 also, I propose to commit 227 posts of Group 'A' and 600 posts of Group 'B' posts created during the Seventh Plan period. I may inform the Hon'ble Members that the Government will continue to commit posts under Plan into Non-Plan so that posts under Plan created during the preceding periods are fully

committed to Non-Plan and that funds under Plan account will be available for capital investment.

### **Other Plan Expenditure**

65. During 2007-08, we have taken up many programmes and schemes outside State's Annual Plan. These schemes which are implemented on the initiative of the Government of India effectively supplement the development efforts of the State. We may now look at the position of such schemes falling outside State's Annual Plans.

#### ***North Eastern Council***

66. The estimated amount of fund received from NEC during 2007-'08 as per the revised estimate is **Rs. 53.16 crore**.

#### ***Non-Lapsable Central Pool of Resources (NLCPR)***

67. The estimated amount of receipt under NLCPR during 2007-'08 as per the revised estimate is **Rs. 57.98 crore**.

#### ***Centrally Sponsored Schemes***

68. During 2007-'08 we received **Rs. 251.13 crore** as per the revised estimate.

#### ***Central Plan Schemes***

69. We received **Rs. 1.10 crore** during the current year as per the revised estimate.

## **V. ADMINISTRATIVE INITIATIVES**

### ***Creation of Minor Irrigation Department***

70. During 2006-'07, we had created a new Department of 'Minor Irrigation' with the intention of bringing about a more efficient implementation of irrigation in the State and for bringing about agriculture development for the State's economy. We would provide necessary fund to enable functioning of the Department.

### ***Creation of Information Technology Department***

71. Acknowledging the growing importance of information technology and the IT enabled services in today's world, the Government has taken a decision to create a separate Department of Information Technology.

### ***Third and Fourth Battalions of Indian Reserve Police***

72. We successfully completed raising of the 3<sup>rd</sup> Indian Reserve Battalion during the current year. The newly recruited personnel are undergoing trainings at PTC Thenzawl, PTC Lungverh and at the four Battalion Headquarters.

73. With the permission and financial support of the Government of India, we are now raising the 4<sup>th</sup> Indian Reserve Police Battalion in our State. Preliminary steps for recruitment of personnel have been taken during the current year; raising of the battalion is expected to be completed during 2008-09.

### ***Special loan for purchase of car for Government employees***

74. As I mentioned in my budget speech last year, privatization of government vehicles was implemented successfully during 2007-08 and the sister scheme for providing special car loan at concessional interest rate was given effect during the year. Under the provisions of 'The Mizoram Government Employees (Special Loan for Purchase of Car) Rules, 2001, officers deprived of the entitlement have been provided with concessional interest rate of **5.5 per cent** with a maximum loan ceiling of **Rs. 5.00 lakh**. A number of officers deprived of the entitlement already availed the loan.

### ***Reforms of the Public Sector Enterprises***

75. As Hon'ble Members are aware, several Public Sector Enterprises (PSE) have been established by the Government of India to attain the objectives of socialist economy of the country and for taking up economic activities within the umbrella of the Government. However, the performance of some of the Public Sector Units over the years has left ample room for improvement and a majority of them turned out to be virtually sick units instead of achieving the social objectives of the Government. In our State too, the performances of some of our PSEs are not reassuring, and most of them depend on continued budgetary support of the Government over the years, let alone accruals of dividends to the Government. The situation calls for introspection on the policies so as to find ways for revamping the PSEs with prospects of revival and for winding up of units with no such prospects.

76. For the purpose of reorienting the policies in the PSEs, a High Powered Committee has been set up in the Finance Department to look into the future policy initiatives of the Government. In the light of the above policy, we would be taking measures to restructure and revitalize PSEs by taking up reforms measures.



### ***Corporatisation of Power***

77. As required under the Electricity Act, 2003, the Government of Mizoram decides to introduce reforms in the power sector and finally transform the Department of Power & Electricity into a corporation. The Government have had taken the initiative and had commissioned the Administrative Staff College of India (ASCI), Hyderabad as consultant. A report was already submitted and the Government is actively pursuing the reforms, and the Structural Adjustment Loan from the Asian Development Bank could also meet a part of the cost of reforms being contemplated in power sector.

### ***Separation of Judiciary from Executive***

78. We have completed the process of separation of Judiciary from the Executive by absorption and induction of the existing Judicial Officers into the Mizoram Judicial Service. Excluding the Autonomous District Council areas, Civil Courts have been established during the current year. It is the commitment of my Government that efficient functioning of the Judiciary for smooth administration of justice will always be ensured.

## **VI. FISCAL REFORMS**

79. Mr. Speaker Sir, I have mentioned about the economy measures taken by the Government. An important policy initiative of the Government is the reforms process in the fiscal operations of the Government. Let me now highlight the reforms processes taken up by the Government.

### **Fiscal Responsibility and Budget Management Rules, 2007**

80. As I had mentioned in my last budget speech, '*The Mizoram Fiscal Responsibility and Budget Management Rules, 2007*' was finalised and notified on 01.07.2007. With the finalisation of the said Rules, we had proceeded in full swing towards implementation of the Mizoram Fiscal Responsibility and Budget Management Act, 2006. As a result of the implementation of the Act and Rules, the State Government had been taking up fiscal reforms as laid down in the following paragraphs.

### ***Public Expenditure Review Committee***

81. As provided under the Rules, we constituted a 'Public Expenditure Review Committee' which is a five-member Committee under the chairmanship of the Finance Secretary. The Committee was initially constituted for a period of one year. The Committee had already held its first meeting to review the half yearly position of receipts and expenditure for the first half of 2007-08 covering April to September 2007.

### ***Finance Minister's Half-Yearly Review***

82. As provided under the Rules, a half yearly review of receipts and expenditure is to be carried out by the Minister in-charge of Finance. In compliance of the above statutory requirement, I had taken up review of the State's finances for the first half of 2007-08 covering the period from April to September 2007; a report of my review will be laid in the current sitting of this august House.

### ***Medium Term Fiscal Policy Statement***

83. As provided under the Rules, a Medium Term Fiscal Policy Statement presenting the fiscal policies of the State Government in relation to certain selected indicators over the medium term with three-year rolling targets is drawn up and laid along with the budget documents in this sitting of the Assembly. The Statement lays emphasis on the sustainability aspect in the State's finances and for generation of revenue surplus for utilisation towards creation of capital assets.

### ***Fiscal Policy Strategy Statement***

84. A Fiscal Policy Strategy Statement was also drawn up and laid along with the budget documents. This statement presents an overview of the fiscal policy of current year and the policy of the ensuing year in regard to taxation, expenditure, borrowings and investments of the State Government in instruments like Sinking Fund etc. A Fiscal Correction Path laying down targets for reduction of fiscal deficit and for elimination of revenue deficit over the medium term has been charted out in the Statement.

### ***Macro Economic Framework Statement***

85. A Macro Economic Framework Statement is drawn up and laid along with the budget documents. This Statement presents an overview of the economy for the current year and of the State's economy for the ensuing year. It also touches upon the estimates of GSDP of the State and prospects of the economic growth over the medium term.

### ***Debt Consolidation and Relief facility***

86. I mentioned in my last budget speech the facility of Debt Consolidation and Relief Facility as devised by the TFC and that the States could get the benefits of debt consolidation and write-off based on the performance in fiscal management. Consequent upon our enactment of Fiscal Responsibility Legislation in 2006, all block loans of the Government of Mizoram released up to 31.03.2004 and outstanding as on 31.03.2006 amounting to **Rs. 258.55 crore** was consolidated by the Ministry of Finance, Government of India and rescheduled for a fresh term of twenty years and the interest rate reset at **7.5 per**

**cent.** Consolidation was approved by the Central Monitoring Committee in January, 2007.

87. The benefits that are admissible to us under the facility have been accruing to us. The loan consolidation was carried out in the last part of 2006-07. As a result of the consolidation we have been benefited by lowering of interest on those loans and the resultant lower interest payments. The amount of interest relief accrued during 2006-07 was **Rs. 10.67 crore**. The Government of India has adjusted this amount against repayment dues of the following years. Similarly, interest relief would accrue in the following years as follow: 2007-08-**Rs. 9.78 crore**, 2008-09-**Rs. 9.30 crore**, 2009-10-**Rs. 8.33 crore** taking the total for the award period of the TFC to **Rs. 38.08 crore**. The benefit of interest relief would continue till the consolidated loan is fully repaid by the 20<sup>th</sup> year after 2006-07. However, we take into account the benefits of interest relief for the award period of the TFC only.

88. Apart from relief on account of consolidation, we have got the benefit on account of debt write-off. This write-off is available only when the State achieves the target of reducing the revenue deficit and containing it within the base year level and reducing fiscal deficit and containing it within the level of 2004-05. As a result of our performance in 2006-07, we had earned the benefit of write-off of repayment dues for the year amounting to **Rs. 12.93 crore** and approval was conveyed in the last part of March, 2007. During the current year also, the Government of India already approved a write-off of repayment for 2007-08 of **Rs. 12.93 crore**. All these facilities could accrue to us only because of the improvements we had carried out in fiscal management over the last few years. Likewise, we expect to earn a debt write-off of **Rs. 12.93 crore** each for 2008-09 and 2009-10.

89. Besides the above, the Government is benefited by lower repayments as a result of loan consolidation. The benefits that we will have as a result of lower repayments during the award period of TFC (2005-10) is **Rs. 11.49 crore**.

#### ***Consolidated Sinking Fund***

90. As per the Revised Scheme of Consolidated Sinking Fund, we invested **Rs. 14.00 crore** in 2007-08, which is the prescribed **0.5 per cent** of the total outstanding liabilities of the Government as on 31<sup>st</sup> March, 2007. The continued investment of the Government results in accumulation of funds in Sinking Fund and the estimated balance amount in the Fund as on 31.3.2008 is **Rs. 54.47 crore**. In 2008-09, I propose to invest **Rs.15.00 crore** which is 0.5 per cent of outstanding liabilities as on 31.03.2008 in the Consolidated Sinking Fund.

### ***Guarantee Redemption Fund***

91. While we had been trying our best to complete setting up of Guarantee Redemption Fund (GRF) during the current year, we could not finalise the process though we had completed a part of the formalities for the purpose. Assessment of risk-weights in the guaranteed loans takes some time and finally we had finalised engagement of Credit Rating Information Services of India Limited (CRISIL Ltd.) for the purpose. We would be able to complete the assessment and finalise the constitution of the Fund shortly.

### ***Special Ways and Means Advance***

92. We were given the facility of Special Ways and Means Advance from 2006-07 with the initial ceiling of **Rs.6.70 crore**. The amount is determined on the basis of the average amount of Sinking Fund invested in the Government of India's Securities. The ceiling has been revised from time to time; the ceiling currently in force is **Rs. 16.57 crore**.

### ***Debt Stock***

93. As required under the FRBM Act, 2006, I am laying down the data on outstanding debt for the five-year period covering the period 2006-07 to 2010-11. I may share with the Hon'ble Members that serious efforts are being taken to reduce the debt and interest payments thereof to sustainable levels. The estimated amount of debt stock as on 31.03.2008 is **Rs. 3026.59 crore**.

### ***Management of Public Debt***

94. Throughout the year we have been making utmost efforts towards efficient management of public debt. Repayments had been made and interest dues cleared. We had even earned rebate for timely payments in some of our loans. During the current year total amount utilized for repayment of loans is **Rs. 178.92 crore** and for interest payments is **Rs. 180.58 crore**. I assure the Hon'ble Members that we will continue to carry on management of public debt in an efficient manner.

### ***Structural Adjustment Loan for tax, fiscal and socio-economic reforms***

95. I may now share with the Hon'ble Members that the commitment of the State Government in bringing about a continued reforms process in fiscal operations is bringing about negotiation of loan for reforms with the Asian Development Bank. We had entered into negotiations with the Bank for availing a Structural Adjustment Loan (SAL) of **\$150 million** as Externally Aided Project starting from 2008-09. The loan would be availed through the Government of India in the form of 90:10 grants and loan pattern. The nature of utilisation of the loan is mainly non-plan in nature and will cover the costs of adjustment in carrying out reforms in the State's finances and governance sectors. The main areas of concern include prepayment of high-cost debts, fiscal

and tax reforms, reforms in health and education sectors, power sector reforms and social sector reforms. It is very much expected that the proposed loan will bring about visible impacts in the fiscal and governance scenarios and lay a robust fiscal foundation for the State for the years to come.

96. Mr. Speaker Sir, while highlighting the continued improvement of the State Government's financial position, let me also share with the Hon'ble Members that fiscal reforms is a continuous process and unstinted efforts need to be made to sustain the present comfortable position. We will continue to pursue the various reforms processes to lay a strong fiscal foundation conducive to socio-economic development.

## **VII. TAX AND NON-TAX PROPOSALS**

97. 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. However, even with such limitations, our achievements towards collection of revenues are no less remarkable. As we all know, different Departments under my Government are collecting revenues. Taxation, Excise & Narcotics, Transport, Accounts & Treasuries and Land Revenue & Settlement are involved in collection of tax revenues. Even with the limitations that we have, I assure the Hon'ble Members that utmost efforts will be on with the Departments so as to ensure higher collection while maintaining optimum levels of taxation without creating undue burden to the general public.

98. Let me now highlight some proposals on Tax and Non-Tax revenues.

### ***Improvement of Tax Administration***

99. I mentioned in my last budget speech about the issue of Audit Assessment on VAT. The exercise we had carried out resulted in increased collection much beyond our estimation. As a result, the estimated collection on VAT in 2006-07 (BE) of **Rs. 35.00 crore** improved to **Rs. 53.72 crore** on actual collections for the year. In percentage terms, this improvement touched **53.49 per cent** which was not insignificant.

100. To increase the efficiency of collection of tax, we had been taking up strengthening of man-power in Taxation Department. We expect to achieve higher tax collection efficiency with this measure.

## **Proposals for Tax Rates**

### *Land Revenue, Stamps and Registration*

101. I propose to maintain the existing rate in 2008-09.

### *State Excise*

102. With total prohibition in force in the State, the contribution of State excise duty to the total revenue may continue to be modest.

### *Value Added Tax (VAT)*

103. As the rates of taxes are implemented in line with the recommendations of All India VAT Empowered Committee, it is not prudent to make our own commitment for tax levels. However, as tax on VAT continues to remain the major source of tax revenue, I may like to review the rates in tune with the recommendations of the Committee.

### *Taxes on vehicles, Other taxes on Goods & Passengers*

104. I propose to maintain the existing rates.

### *Other Taxes and Duties on Commodities & Services*

105. While proposing to maintain the existing rates, we will attempt to put the entertainment activities within tax net.

## **Non-Tax Measures**

106. While I do not propose for new measures on collection of non-tax revenues during 2008-09, we would ensure efficiency in collection.

## **VIII. CONCLUSION**

107. Mr. Speaker Sir, I shared with the Hon'ble Members my dream of development and a bright future in my last year's budget speech. I am still confident of the possibility of bringing our State in the forefront of development with the active support of the ongoing policies of the Government by the public. At the national level, the vibrant nature of the Indian economy is buttressed by the estimated growth of **8.7 per cent** for the current year according to the advanced estimate of the Central Statistical Organisation. Advanced estimated growth rate of our State's economy at **6.74 per cent** is no less reassuring.

108. In the fiscal federalism of the country, it is a precondition for the State Governments to work in close tandem with the Government at the Centre so as to bring about convergence of resources that flow to the States in various forms.

It is the continued stance of my Government that the various resources that are transferred to us in various forms like Finance Commission transfers, transfers of the Planning Commission for State Plans and those from the Central Government Ministries as CSS and CPS are optimally deployed for furthering the economic policies of my Government.

109. It is in the light of the above that we are working with the Central Government in the priority sectors so as to bring about a change in the socio-economic landscape of the State. The successes we are achieving in Central Sector Schemes like SSA, MDM, NHRM, ARWSP, RGGVY, etc. are clear indications of my Government's commitment to the convergence of schemes for socio-economic development of the State. The partnership we have with the Asian Development Bank since the recent past is a sign of our commitment towards attraction of investments from other sources for economic development.

110. In the light of what I have mentioned in the preceding paras, I may share with the Hon'ble Members that there is a very bright future which could materialize in a few years' time so that the people of the State can reap the benefits of development and prosperity.

111. Sir, I would like to thank all the Hon'ble Members of this august House for giving me a patient hearing. Before I conclude my speech, I would like to call upon the Hon'ble Members to bestow their well considered thoughts on the various proposals and programmes made in the next year's Budget Estimates and favour this august House with the benefit of their wisdom, valuable ideas, experiences and positive advice.

112. With these words, I commend the **Supplementary Demand for Grants 2007-'08** and the **Budget Estimates for 2008-'09** for consideration and approval of this august House.

*Thank You, Sir.*