



समयेन न्यते

GOVERNMENT OF MIZORAM

BUDGET SPEECH
OF
PU ZORAMTHANGA
HON'BLE CHIEF MINISTER

for

2006-2007

in the

MIZORAM LEGISLATIVE ASSEMBLY

on

Tuesday, the 14th March, 2006
Aizawl

Mr. Speaker Sir,

With your permission, I rise to present before this august House the **Supplementary Demands for the year 2005-'06 and the Budget Estimates for the year 2006-'07.**

2. I am happy to present the full budget for the second successive year since 1996-'97. This is possible as a result of early finalisation of Annual Plan size of the state by the Planning Commission of India. In fact, ours is the first that the Planning Commission finalized this time. The Annual Plan size for 2006-'07 has been fixed at **Rs. 758.00 crores** which represents an increase of **10.66** per cent over the Annual Plan size of 2005-'06.

3. The annual budget I am now presenting is marked by sizeable inflow of resources from the Centre as a result of the recommendations of the Twelfth Finance Commission. As I have already mentioned in my last Budget Speech, the total transfer of fund as a result of Twelfth Finance Commission's recommendations for the award period of 2005-'10 is **Rs. 4660.91 crores** which is **83.84** per cent more than the Eleventh Finance Commission's award.

4. Another remarkable feature of this budget is that we have an estimated revenue surplus to the tune of **Rs. 135.05 crores**. This trend is in keeping with the revenue surplus we had to the tune of **Rs. 85.40 crores** in the Budget Estimate for 2005-'06. This clearly is a positive reflection on the achievement in the management of the State's finances. Besides, it shows the improved financial health as a result of prudent financial management we have been assiduously pursuing for the last few years.

5. Other indicators of our improved financial condition are our increasingly infrequent resort to the Ways & Means Advances for meeting mismatches in the State Government's Account and that of much more sporadic lapsing into overdrafts during the past few years. The amount utilised as Ways & Means Advance so far during the current financial year is **Rs. 63.24 crores** whereas the amount utilised during the year 2004-'05 was **Rs. 295.14 crores**. In regard to overdrafts, the State Government fortunately has not lapsed into overdraft for a single occasion during this financial year whereas we have had lapsed into overdrafts on one occasion for one day in 2004-'05 wherein we had to avail **Rs. 5.04 crores**. The year before, we had two occasions of overdraft wherein the total amount availed was **Rs. 40.47 crore**. All these clearly indicate the improved financial health as a result of the efforts taken by the State Government.

6. As the Hon'ble Members are aware, the State Government has been facing acute financial crisis for some years. As a result, some drastic measures have had to be taken by the Government. Some of these measures are in the form of non-filling up of and abolition of posts as well as augmentation of state's resources. I can share with the Hon'ble Members today that these efforts are now paying dividends and we have now reached a relatively comfortable situation. This achievement would not have been possible but for the active cooperation of the Hon'ble Members, various Departments of the State Government and the general public at large. It is my humble plea that such a support continues to be extended in the years to come in the interest of the State.

7. The year 2006-'07 is expected to commence with an estimated opening deficit of **Rs. 156.75 crores** and the Budget Estimate is a surplus Budget to the tune of **Rs. 129.63 crores**. Accordingly, even with the surplus budget we would be having during the year, we are under compulsion to have a closing deficit of **Rs. 27.11 crores** for 2006-'07.

8. The total estimated revenue receipt for the year 2006-'07 is **Rs. 1694.99 crores**, which is 14.5 per cent higher than the Budget Estimate of 2005-'06. The estimated expenditure is **Rs. 1559.94 crores** which is 11.8 per cent higher than the Budget Estimate for 2005-'06. Total estimated expenditure for 2006-'07 is **Rs. 1966.95 crores**. In the revenue account for the year 2006-'07, non-developmental expenditure accounts for 37.05 per cent whereas the remaining amount under Development sector accounts for 62.95 per cent.

9. I would also like to share with the Hon'ble Members that during the last few years, we have implemented various reforms and made achievements even with the limited resources and financial constraints. It has been with this in mind that the available resources under the Five-Year Plans, Annual Plans, Additional Central Assistance and Assistance from External Funding Agencies have been mobilised to boost the State's infrastructure development. With an estimated approved outlay of **Rs. 2300.01 crores** for the Tenth Plan period, an amount of **Rs.758.00 crores** has been earmarked for 2006-'07. The coming year has a special significance, as it is the concluding year of the Tenth Plan. With this estimated outlay for 2006-'07, the total outlay for the Tenth Plan period as of now comes to **Rs. 3144.98 crores**. Thus the Hon'ble Members will note

that this outlay represents an increase of **Rs. 844.97 crores** over and above the estimated approved outlay. This clearly bears testimony to our commitment to the development of the State as well as active pursuance of mobilisation of resources resulting in substantial inflow of funds during the Tenth Plan period.

10. A significant feature of the resource inflow during the Tenth Plan period is the inflow of funds in the form of Additional Central Assistance for special and other programmes of the State. The Additional Central Assistance for special programmes during 2005-'06 is **Rs.147.08 crores** and the estimated amount for the coming year is **Rs.149.46 crores**.

11. Another remarkable feature of the Tenth Five Year Plan is allocation of a large chunk of funds under one-time Additional Central Assistance placed at the disposal of State Government in which prioritised schemes could be identified and implemented by the State Government. Since 2001-'02, the amount received so far is **Rs.170.49 crores** and the estimated amount for 2006-'07 is **Rs.46.85 crores**. Under this, important projects like Mizoram Intodelhna Project (MIP), World Bank counterpart funding for Externally Aided Projects (EAPs), Bamboo Flowering and Famine Combat Scheme (BAFFACOS), Bamboo Technology Park at Sairang, completion of Raj Bhawan, Lengpui Airport and new Secretariat Complex have been taken up.

12. We may now have a look at the Annual Plan 2006-'07. Sector wise allocations of outlay are as follows:

1)	Agriculture & Allied Activities	-	Rs.	75.90	crore
2)	Rural Development	-	Rs.	25.00	crore
3)	Special Area Programme	-	Rs.	39.41	crore
4)	Irrigation & Flood Control	-	Rs.	31.69	crore
5)	Energy	-	Rs.	72.61	crore
6)	Industries & Minerals	-	Rs.	23.04	Crore
7)	Transport	-	Rs.	114.98	Crore
8)	Communication	-	Rs.	5.30	crore
9)	Science, Technology & Environment	-	Rs.	1.44	Crore
10)	General Economics Services	-	Rs.	64.27	Crore
11)	Social Services	-	Rs.	286.19	Crore
12)	General Services	-	Rs.	18.17	Crore
TOTAL		-	Rs.	758.00	Crore

13. The Annual Plan for 2006-'07 lays special emphasis on combating the bamboo flowering and the ensuing possible famine, implementation of Mizoram Intodelhna Project (MIP), improvement of infrastructure in the form of Roads & Bridges, Rural and Urban Development and the globally accepted gainful investment in human resources in the form of education, healthcare, poverty alleviation and creation of sports infrastructures. Accordingly substantial funds have been allocated to these sectors.

14. As all the Hon'ble Members are aware, bamboo flowering which occurs at an interval of 50 years, is expected to occur in the year 2007. If past experience is anything to go by, we have to anticipate rodent upsurge followed by famine in the succeeding years as a result of crop failure. To obviate the problem that the bamboo flowering may cause, we have been making all-out efforts to tackle the same.

15. We have initiated the process of tackling this issue since 2003-'04 and necessary institutional arrangements have been put in place. And as mentioned earlier, a scheme known as **BAFFACOS** was drawn up involving 14 Departments. The required budgetary allocations have been made since 2004-'05. For this purpose, resources have been mobilised by way of allocating funds out of one-time Additional Central Assistance. Besides, the Twelfth Finance Commission had been specifically apprised of this impending phenomenon and as a result, the Commission had recommended resource transfer to the tune of **Rs. 40.00 crores** for this purpose. This is in addition to the earmarked amount of **Rs.65.00 crores** allocated under one-time Additional Central Assistance during the period 2004-'07.

16. Having mentioned the measures taken to tackle the phenomenon of *Mautam*, let me also share with the Hon'ble Members that we are taking active steps to convert this phenomenon into a blessing in disguise. As a result of flowering, the existing bamboos will perish very shortly. To take advantage of this situation, the Government is taking measures to replace the perished bamboos by better quality bamboos while disposing the existing bamboos economically.

17. Mr. Speaker Sir, I have mentioned about the economy measures taken by the Government. An important policy initiative of the Government is the conclusion of the process of Privatization of Government vehicles with accompanying scheme of Voluntary Retirement Scheme for Government Drivers. This process has been taken up since the year 2001 and is now in its final stage. Identification of vehicles for disposal has been completed and a number of Government Drivers, Conductors and Despatch Riders have also availed the facility of Voluntary Retirement Scheme. As originally envisaged in the Scheme, this would result in substantive reduction of recurring expenditure on non-development items in the State's Exchequer.

18. The concept of e-governance is increasingly becoming popular worldwide. In keeping with the worldwide trend, the Central Government is also launching an extremely ambitious National e-Governance Programme which aims at improving the quality, accessibility and effectiveness of Government's services to the citizens with the help of Information and Communication Technology. With a budget of over **Rs. 14000.00 crores** targeted to address the citizens' needs, "the NeGP aims at substantially increasing the pace of e-governance activities in the Centre as well as in the States". Taking advantage of this programme, the State has already prepared Detailed Project Report for Capacity Building and it is the endeavour of the State Government to reap maximum benefit of the programme so that the ultimate benefit are passed on to the common people.

19. 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 we are not yet out of the wood and that continuous efforts need to be made to sustain the present comfortable position. We are all aware that the State has limited resource base and that we predominantly depend on the devolution of resources from the Centre. The Planning Commission of India and the successive Finance Commissions have been urging the State Government to explore more and more avenues for generation of revenues. Besides, it is in the interest of the State itself that more and more sources of revenue are tapped while increasingly cutting down revenue expenditure.

20. Let me now highlight some of the tentative efforts of the Government in fiscal reforms and augmentation of the State's sources of revenue. These measures are in the form of increasing the efficiency of Value Added Tax (VAT), assessment of water charge based on meter reading, imposition of tolls on roads, collection of user charges in the form of water cess on minor irrigation, etc.

21. In an increasingly globalised world, the economic boundaries across the countries are vanishing; insulation can only be at the cost of the country. This is true in the case of a federal structure like ours where a resource deficit State heavily depends on the Central Government. Introduction of VAT at the State level with the majority of the States discarding their archaic and distortionary Sales Tax is the boldest measure of tax reform in an independent India. A system of destination based VAT offers the best alternative for this reform. This was the genesis of the

moves initiated by Dr. Manmohan Singh as the then Union Finance Minister to persuade the States to reform their Sales Tax that has now culminated in the installation of VAT in the States.

22. With the coming into operation of VAT from 01.04.2005, the Taxation Department needs strengthening to efficiently implement the Act, as coverage of VAT is much more than that of the Sales Tax in terms of items. This coverage will be reviewed from time to time.

23. Reforms in regard to assessment of water charge and metering has been on active considerations of the Government for quite sometime. For this purpose, a number of water meters were purchased by availing loan from NABARD and were accordingly installed in domestic water connections within the towns. The main reason behind this is the possibility of higher collection of fee as well as conservation of water by the consumers as fee would be paid in proportion to the quantity consumed. As a result, it is intended to start collection of water charges as per meter reading during 2006-'07. This would result in more systematic and equitable distribution of water than with collection of fee at a flat rate.

24. As Hon'ble Members are aware, the State Government has been constructing roads and huge expenditure has been incurred towards this. Many road projects have been taken up in the form of World Bank Aided Mizoram State Roads Project, Centrally Sponsored PMGSY, NEC funded and State Government's road projects. With these manifold investments, the State would be having a number of good roads in the near future. Maintenance of those roads would require substantial expenditure by the State, which is already overburdened with huge revenue expenditure.

25. To cope with these upcoming requirements of expenditure, the State Government is intending to start collection of small amount of tolls on roads and bridges from 2006-'07 onwards. This collection would be having a double impact; increasing revenue and more importantly creating a sense of ownership and participation. The rate of collection would be revised from time to time and a few more roads would be identified on yearly basis. In this way, we would be able to cope with the increasing pressure of expenditure towards maintenance of roads.

26. The State Government has been investing substantial amounts every year on construction of minor irrigations, dams and distribution of sprinklers towards improvement in the agricultural system and for benefiting the agricultural population. At present, there is no direct revenue return to the Government as a result of such investments. There is a popular notion that assets created by the Government are to be maintained and looked after by the Government and that the benefited community has no role in the maintenance of the same. In order to correct this notion, it appears proper that the beneficiaries are given a sense of participation and responsibility. Hence, it is intended to collect minimal water cess from the year 2006-'07 in selected areas where minor irrigation facilities have been provided.

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

28. With these words, I commend the **Supplementary Demand for Grants 2005-'06** and the **Budget Estimates for 2006-'07** for consideration and approval of this august House.

Thank You, Sir.