



GOVERNMENT OF MIZORAM

BUDGET SPEECH

of

**PU LALSAWTA
HON'BLE FINANCE MINISTER**

for

2016-2017

in the

MIZORAM LEGISLATIVE ASSEMBLY

on

Thursday, the 17th March, 2016 Aizawl

**BUDGET SPEECH OF THE FINANCE MINISTER
FOR THE FINANCIAL YEAR 2016-2017**

Mr. Speaker Sir,

With your permission I am presenting to this august House the Regular Budget for the Financial Year 2016-17 and the Supplementary Demand for Grants for the Budget Estimates 2015-16 for discussion and its subsequent approval.

2. During last year I was able to place a regular Budget only in the month of October 2015 due to many reasons and it is fortunate that I am now able to lay a regular Budget for 2016-17 well in time.

3. Commencement of the award period of the Fourteenth Finance Commission coupled with introduction of lots of changes and uncertainties in the Central Government during 2015-16, hindered us from presenting the full budget in the month of March last year. I am calling the present Budget that I am now laying as the first real Budget, because for the first time in our history, real autonomy to a great extent has been given to the State in determining the size of our Budget, our sources of funds are more or less certain as well as our need for expenditure.

4. The Union Budget of 2015-16 announced major changes in the Centre to State financial transfers, one of which was the change in sharing pattern of Government of India sponsored schemes. Hence, for some time the State Matching Share (SMS) in most of the Centrally Sponsored Schemes (CSS) we have been availing were informed to be in the ratio of 50:50, and we feared that we may not be able to avail many of the Central Schemes because, even in the

ratio of 90:10, we could barely implement the CSS. But lately, the Central Government has kindly changed the sharing ratio to 90:10 in most of the cases and 80:20 in some cases for the Special Category States. Even then, the State Government is carefully monitoring the process of availing the Central Schemes by the Departments to avoid severe hardship in providing the SMS.

5. One important fact that I have noticed is that our Legislators, journalists and the common people have shown keen interest in the Budget since the past few years, which implies that we are moving ahead in the right direction. It is my intention to enlighten my fellow citizen how our Budget is determined and meticulously tailored to suit our requirement. I implore the people of Mizoram to share my responsibility in improving the health of our State's finances.

6. Mr. Speaker Sir, let me further elaborate this by starting with the sources of funds from which we intend to finance our required expenditures. The estimated sources of fund for the State Government during 2016-17 without differentiating Revenue Receipt and Capital receipt will be as follows-

- (a) ***Devolution of fund as per recommendation of the Fourteenth Finance Commission for the year 2016-17,*** comprising of - Share of Taxes amounting to ₹ 2627.17 crore which is 85.27% of ₹ 3081.00 crore assessed by the Fourteenth Finance Commission based on actual devolution during 2015-16, Post Devolution Revenue Deficit (PDRD) Grant amounting to ₹ 2294.00 crore, Urban Local Bodies (ULB) Grant amounting to ₹ 20.68 crore and State Disaster Response Fund (SDRF) amounting to ₹ 16.00 crore. *Share of Taxes and PDRD Grant are untied funds which are our main sources of*

dependence for almost all purposes, whereas, the ULB Grant and SDRF are tied funds meant for specific purposes, that cannot be utilized for any other purposes other than what they are meant for. As has been experienced over the past years, actual devolution of Share of Taxes may be higher or lower than the projected amount depending upon the actual accrual of the Taxes and Duties to the Central Government. Out of ₹ 20.68 crore estimated to be available under ULB Grant, ₹ 15.97 crore is for Basic Grant and ₹ 4.71 crore is for Performance Grant of the Urban Local Bodies.

- (b) **State Borrowing** amounting to ₹ 110.58 crore comprising of Loan from NABARD amounting to ₹ 70.00 crore, Loan from NCDC amounting to ₹ 11.24 crore and Block loan amounting to ₹ 29.34 crore. It may be stated that the low interest NABARD loan is one of the main sources of fund for developmental works under State Plan fund whereas NCDC loan is specifically meant for Co-operative societies. They all have SMS portion due to which when allocations are made out of these loans, more amounts than the actual receipts accrued under each loan has to be allocated. I would like to mention here that the Government of Mizoram would go to a great length to borrow funds insofar as we are convinced the purposes for the loan are for asset building and prospective investments in larger public interest.
- (c) **Open Market Borrowing (OMB)** amounting to ₹ 250.00 crore which the State Government can avail of in a quarterly basis by seeking consent from the Ministry of Finance depending upon our need for various developmental works to fill the fiscal gap of

the State. Ways & Means advance of ₹ 0.03 crore is also estimated to be availed.

- (d) **State's Own Funds** amounting to ₹ 610.25 crore comprising of State's Own Tax Revenue (SOTR) and State's Own Non-Tax Revenue (SONTR). A recovery of Loans and advances to the tune of ₹ 32.84 crore is also expected to be available.
- (e) **Funds for Centrally Sponsored Schemes** amounting to ₹ 1386.37 crore which are essentially Plan Funds expected to be received from various Ministries of the Central Government. It may be reiterated here that the State Government finds it difficult to avail of those CSS whose sharing pattern are higher than 90:10 due to high SMS, and even in the 90:10 sharing ratio, the Government has priorities to be finally determined on case to case basis from Planning Department.
- (f) **Non-Lapsable Central Pool of Resources (NLCPR) & North Eastern Areas (NEA)** amounting to ₹ 221.41 crore is expected to be received from Ministry of DoNER and NEC and they are meant for specific works and projects as are approved by the Ministry of DoNER and the NEC.
- (g) Block Grants of ₹ 494.63 crore and other Non-Plan Grants of ₹ 1.97 crore is expected.

7. Thus the total amount of fund expected to be available to the State Government from all available sources during 2016-17 is ₹ 8065.93 crore. As I have mentioned earlier, some of these funds such as ULB Grant, SDRF, NCDC Loan, fund for EAP, fund for CSS and NLCPR/NEA are for specific purposes and are therefore, tied funds. At the same time, EAP, CSS and NLCPR/NEA are not

assured fund and could not be wholly relied upon as the projected amounts may not materialize.

8. Some people may enquire why the State government does not resort to more borrowing so that more fiscal space will be available. It is true that the State Government can increase its OMB higher than ₹ 250.00 crore and NABARB loan higher than ₹ 70.00 crore as long as the net borrowing ceiling for Mizoram for the financial year 2016-17 fixed by the Ministry of Finance based on the base fiscal deficit target of 3% is not violated. However, the State Government is very concerned about our previous accumulation of debt and the future requirement of increase in revenue expenditure such that we intend to remain on the safe side. Moreover, the quality of investment by way of deficit financing has to be watched so that we do not get into a debt trap. The State Government is determined to have solid financial foundation for which the current and the next one or two financial years have been declared as, "Years of Consolidation". However, the State Government, being ever aware of its public duty, will not desist from getting our financial requirements in any manner to serve the interests of the State.

9. Mr. Speaker Sir, I would like to mention here that the State Government is financially much more comfortable now in comparison with the Thirteenth Finance Commission period of 2010-2015. More autonomy is now given to the State Government which we have not seen during the previous period. However, since nothing more is there to be expected from the Central Government other than what I have elaborated just now, we need to be very cautious in allocating our scarce resources. Other than meeting

our obligations we must spare our resources for meeting capital investment.

Budget Estimates 2016-17

10. Mr. Speaker Sir, I may now come to the Budget Estimates 2016-17.

Revenue Receipt

11. Revenue Receipt of the State Government consists of Tax Revenue and Non-Tax Revenue. The estimated Tax Revenue for 2016-17 is ₹ 2958.36 crore comprising of State's Own Tax Revenue (SOTR) amounting to ₹ 331.19 crore and State's share of Central Taxes and Duties amounting to ₹ 2627.17 crore.

12. The estimated Non-Tax Revenue for 2016-17 is ₹ 4714.12 crore consisting of State's Own Non-Tax Revenue (SONTR) amounting to ₹ 279.06 crore and Grants-in-Aid from the Central Government amounting to ₹ 4435.06 crore.

13. Thus the total Revenue Receipt of the State is estimated at ₹ 7672.48 crore out of which the State's Own Revenue Receipt is estimated to be ₹ 610.25 crore, which is only 7.95% of the total Revenue receipt.

Capital Receipt

14. Capital Receipt comprises of Internal Debt of the State Government, Loans & Advances from the Central Government and Recoveries of Loans & Advances. The total Capital Receipt for 2016-17 is estimated at ₹ 393.45 crore out of which ₹ 331.27 crore is estimated to be obtained from Internal Debt, ₹ 29.34 crore from

Loans & Advances from the Central Government and ₹ 32.84 crore from Recoveries of Loans & Advances.

15. The Internal Debt of the State Government consists of Open Market Borrowing (OMB) amounting to ₹ 250.00 crore, Loans from NABARD amounting to ₹ 70.00 crore, Loans from NCDC amounting to ₹ 11.24 crore and W&MA from RBI amounting to ₹ 0.03 crore.

Efforts on Resource Mobilization

16. Being a revenue deficient State, we need to put in all out-efforts to tap new potentials for resource mobilization. At the same time, we also need to increase the quantum of collection under our existing Tax and Non-Tax Revenues. I would like to mention here that the State Government has constituted a Cabinet Sub-Committee on Economy Measures for the purpose.

17. The total receipt on account of State Excise has increased tremendously with the implementation of the Mizoram Liquor (Control & Prohibition) Act, 2014 and the revenue so far accrued to the State Government during 2015-16 (upto December 2015) is ₹ 41.96 crore against annual target of ₹ 35.67 crore. I propose an estimated receipt of ₹ 43.08 crore during 2016-17.

18. Under Taxation Department, I propose an estimated receipt of ₹ 165.00 crore under State Sales Tax Act, and also ₹ 60.00 crore on sale of motor spirits and lubricants.

19. With the introduction of 'The Mizoram Motor Vehicles Taxation (Amendment) Act, 2015', collection of taxes under the Act is expected to increase. The revenue already accrued under this head upto December 2015 is ₹ 13.54 crore and I propose an estimated receipt of ₹ 15.00 crore for 2016-17.

20. Regarding fixation and revision of Water Tariff, the Mizoram Water Supplies (Control) Rules, 2006 was revised and “The Mizoram Water Supplies (Control) (Amendment) Rules 2011” came into force from 21st November 2014. The Water tariff rate was revised accordingly; this will be gradually increased in future as per provisions of the Rules. I propose an estimated receipt of ₹ 35.00 crore under Water Supply for the year 2016-17.

21. Power & Electricity Department has filed the tariff petition for financial year 2016-17 to the JERC for Manipur and Mizoram for an average increase of 8.21% from the existing tariff. The revenue so far collected by the Department on account of Sale of Energy and Miscellaneous receipt is ₹ 80.67 crore upto November 2015. I propose an estimated receipt of ₹ 172.00 crore for the year 2016-17.

Expenditure

22. Mr Speaker Sir, let me now come to the Expenditure side of the Budget Estimates 2016-17. The estimated required expenditure may broadly be outlined as below-

- (a) Non Plan Revenue Expenditure for administrative purposes comprising of salary, wages, OE&TE amounting to ₹ 4469.18 crore with an allowance of 12% increase in salary while other things remaining the same as last financial year.
- (b) Non-Plan Capital Expenditure for the purpose of repayment of previous loans, purchase of food grains, loans and advances to State employees, purchase of HSD for pumping of water, etc. amounting to ₹ 655.27 crore.

- (c) Plan Capital Expenditure for developmental works amounting to ₹ 1172.80 crore.
- (d) Plan Revenue Expenditure comprising of salary, wages, OE and TE amounting to ₹ 1921.11 crore.
- (e) Other component of CSS schemes not included within Plan amounting to ₹ 0.29 crore.

23. In other words, the Gross Expenditure from the Consolidated Fund of the State for 2016-17 is estimated at ₹ 8218.65 crore comprising of Gross Revenue Expenditure amounting to ₹ 6390.57 crore and Gross Capital Expenditure amounting to ₹ 1828.08 crore. Excluding recoveries on Stock Suspense, estimated Net Expenditure of the Consolidated Fund of the State is ₹ 8038.39 crore of which Net Revenue Expenditure will be ₹ 6388.57 crore and the Net Capital Expenditure is ₹ 1649.81 crore.

24. Plan Outlay for 2016-17 amounting to ₹ 3093.91 crore consists of estimated receipts for CSS/NEA/NLCPR from various Ministries of the Central Government amounting to ₹ 1440.73 crore and State fund provided for Plan sector amounting to ₹ 1653.18 crore.

25. This holistic view of our Budget Estimates may give us a fair idea about the determinants of our Budget both on the Receipt side as well as on the Expenditure side.

Major allocations of Fund

26. Plan Fund is meant for various items of Plan Expenditure such as Plan Revenue Expenditure, Plan Capital Expenditure, Grants-in-Aid (Salaries & Non-Salaries), State Flagship Programme NLUP, and the State Matching Share (SMS).

27. I propose to allocate an amount of ₹ 140.00 crore as SMS so that various Centrally Sponsored Schemes may go smoothly.

28. The State Government is going to implement New Economic Development Policy from 2016-17 onwards under which various major development works would be taken up. This New Economic Development Policy is programmed for a 5-year term which will be a coordinated Policy of the State Government mandated to comprise all developmental activities under NLUP and under all Government Departments. I propose to set aside ₹ 250.00 crore for this purpose. I also propose another ₹ 50.00 crore for State (Development) Plan Programmes.

29. Reserve fund to the tune of ₹ 20.00 crore is proposed to be parked under Planning Department for meeting various contingency expenditures.

30. I propose to allocate ₹ 98.77 crore for taking up of various works under NLCPR and ₹ 122.64 crore for works under North Eastern Areas (NEA).

31. ₹ 70.00 crore is earmarked for various developmental works under NABARD loan to be taken up by different Departments of the State Government.

32. There is a scheme being undertaken in Cooperation Department under the Integrated Cooperative Development Project (ICDP) for upliftment and revival of various Cooperative Societies in five districts, to be completed within a span of 4 years. For this project I propose to allocate ₹ 11.24 crore during the year.

33. For covering critical sectors within the Programme of the ongoing NLUP, I provide ₹ 30.00 crore for financial year 2016-17.

34. For implementation of Mizoram State Roads-II Regional Transport Connectivity Project (MSR-II RTCP), an EAP under Public Works Department, I propose to earmark ₹ 180.39 crore during 2016-17.

35. For improvement and upgradation of Serchhip-Buarpui road, another EAP project under PWD, I also propose to allocate ₹ 68.00 crore.

36. I propose to allocate ₹ 42.90 crore for ongoing EAP Project of North-Eastern Region Capital Cities Development Investment Programme (NERCCDIP) Project -II and ₹ 70.18 crore for NERCCDIP Project-III to be taken up by SIPMIU under UD&PA Department.

37. I propose to allocate ₹ 159.34 lakh for establishment of Mizoram Lok Ayukta which is expected to be in force during the fiscal year 2016-17.

Sectoral Allocation

38. Sector wise allocation of the Plan Outlay of ₹ 3093.91 crore is as shown below:

i)	Agriculture & Allied Services	- ₹ 174.06 crore
ii)	Rural Development	- ₹ 294.89 crore
iii)	Special Area Programme	- ₹ 80.71 crore
iv)	Irrigation & Flood Control	- ₹ 44.37 crore
v)	Energy	- ₹ 49.54 crore
vi)	Industry	- ₹ 37.13 crore
vii)	Transport	- ₹ 315.83 crore
viii)	Communication	- ₹ 14.21 crore
ix)	Science, Technology & Environment	- ₹ 3.98 crore
x)	General Economic Services	- ₹ 690.67 crore

xi)	Social Services	- ₹ 1327.49 crore
xii)	General Services	- ₹ 55.43 crore
xiii)	Loans and Advances	- ₹ 5.60 crore

Non-Plan Service-wise Allocation

39. Service-wise distribution of total Non-Plan Fund of ₹ 5124.45 crore is indicated below:

(a) Revenue Account

(i)	General Services	- ₹ 2558.12 crore
(ii)	Social Services	- ₹ 1125.26 crore
(iii)	Economic Services	- ₹ 785.80 crore

(b) Capital Account

(i)	General Services	- ₹ 142.00 crore
(ii)	Economic Services	- ₹ 178.27 crore

(c) Public Debt and Loans & Advances - ₹ 335.00 crore

Revenue Surplus and Fiscal Deficit

40. Mr. Speaker Sir, our present Budget Estimates for 2016-17 is prepared so as to have a Revenue Surplus of ₹ 1283.91 crore and a fiscal deficit of ₹ 23.01 crore. The Fourteenth Finance Commission Recommendation stipulated that State Government should have revenue surplus and contain fiscal deficit within annual limit of 3% of the State's GSDP throughout its award period. It is my intention to steer the State finances to achieve these objectives and to remain within the aforesaid fiscal parameters. The revenue surplus will be 8.26% and the fiscal deficit estimated will become a mere 0.15% of the projected GSDP of ₹ 15535.00 crore for 2016-17.

Liabilities of the State Government

41. The Gross State Domestic Product (GSDP) is the yardstick to assess the fiscal health of the State with regard to its liabilities. The following table shows the overview of the State's liabilities during the past few years.

Debt Position of Mizoram

Items	2011-12	2012-13	2013-14	2014-15 (Pre- Actuals)	2015-16 (BE)
Liabilities (₹ in crore)	4,548.45	5,114.20	5,608.47	6,550.39	6,260.20
Liabilities as % of GSDP	65.06%	63.51%	54.47%	52.41%	44.07%
Liabilities as a % of GSDP as projected by TFC	85.70%	82.90%	79.20%	74.8%	-
GSDP Projected by GoI (₹ in crore)	6,991.40	8,053.00	10,297.00	12,499.00	14,204.00

42. Our overall liabilities which include Market Borrowings (Market Loans and Power Bonds), Loans from the Central Government (Block Loans and other Loans), Special Securities issued to NSSF, Borrowings from FIs (LIC, NABARD, NCDC and other Institutions), WMA/OD from RBI, Provident Funds and Other Liabilities stood at ₹ 4548.45 crore in 2011-12, ₹ 5114.20 crore in 2012-13, ₹ 5608.47 crore in 2013-14 and ₹ 6550.39 crore in 2014-15. The State total liabilities were estimated to be ₹ 6260.20 crore in 2015-16(BE). In terms of percentage to our GSDP, our liabilities were 65.06% in 2011-12, 63.51% in 2012-13, 54.47% in 2013-14, 52.41% in 2014-15 and was estimated to be 44.07% in 2015-16 (BE). Thus, over the past few years, our liabilities

diminished from 65.06% to 52.41% of our GSDP which is indeed a great achievement.

43. The estimated liabilities of the State for 2016-17 will be ₹ 7290.17 which is 46.93% of the projected GSDP of ₹ 15535.00 crore.

Economy Measures

44. Mr. Speaker Sir, I take this opportunity to reiterate that our sources of funds are limited so that we need to augment our Tax and Non-Tax Revenues to the greatest extent possible and also to carefully spend our limited resources. In order to pursue the Office Memorandum on Economy Measures issued by the CMO in December 2014, a Cabinet Sub-Committee has been formed. The Committee has a quarterly review on the Action Taken Report submitted by various Departments and sets action plans with Heads of the Departments. The State Government is committed to carry out and enforce these guidelines on austerity measures and rationalization of expenditures.

45. Now that the State Government is implementing National Food Security Act, 2013 effective from March 2016, the monthly expenditure on purchase of food grains by the State Government is expected to decrease by ₹ 2.00 crore in comparison with the previous arrangement.

46. In order to minimize expenditures incurred by the loss making Public Sector Enterprises (PSEs) the State Government has closed down three PSEs namely ZENICS, ZOHANCO and MAMCO in December 2015. Regular employees under these PSEs were either absorbed into State Government or were given retirement under the

Mizoram State Public Enterprises (Early Retirement) Rules, 2015 according to their choice. At the same time, ZIDCO and MIFCO are to be restructured and privatized respectively for which the State Government is actively pursuing the matters.

47. Payment of Medical Reimbursement has been a big headache for the State Government as huge amount of unpaid bills are piling up. The State Government has to pay approximately ₹ 80.00 crore annually for Medical Reimbursement alone. Hence, in order to streamline the overall Medical Reimbursement system, a Committee on Medical Reimbursement Review was formed by the Government which has already submitted its report and suggestions. Once the report is accepted and implemented, the expenditure on this item would be greatly diminished and would save the State's exchequer a huge amount of public money.

Conclusion

48. Mr. Speaker Sir, we have declared the current financial year as 'Year of Consolidation' meaning that we have decided not to venture on high and new developmental works but to bring the State on a sound financial footing. The dividends have paid off so much so that we have cleared a huge amount of our liabilities in the form of civil deposits during current financial year. Therefore, as stated earlier, the other financial years ahead for one or two years have been declared as "Years of Consolidation", which will go on well with pursuance of developmental activities also.

49. This year, however, the State Government is intending to implement New Economic Development Policy for which a separate fund is earmarked. We intend to do more developmental works

under this new policy. At the same time, the State Government is still committed to clear our backlog liabilities as much as possible and to provide basic services to the citizens.

50. I assure you that the Government will shoulder the duty of providing funds for efficient maintenance of the whole Government machinery from the Non-Plan resources at hand with wise discretion and proper assessment. Needless to say, the Government is aware of the threat of earthquake and other disasters that may befall us. For this, special consideration of the Government is always reserved.

51. Mr. Speaker Sir, while presenting this Budget, I am aware of the fact that my responsibility as Finance Minister is not only to enforce economy measures, but to ensure that the people of the State prosper. Prosperous people enjoy paying taxes, and it is the intention of the Government to make Mizoram one of the most prosperous States in India, which is what the people of Mizoram rightly deserve.

52. Mr. Speaker Sir, I thank all the Members for giving me a patient hearing and with these words I commend the Budget Estimates for the Financial Year 2016-17 for discussion and approval of this august House.

Thank You, Sir