



GOVERNMENT OF MIZORAM

BUDGET SPEECH

of

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

for

2009-2010

in the

MIZORAM LEGISLATIVE ASSEMBLY

on

Thursday, the 15th October, 2009

Mr. Speaker Sir,

With your permission, I rise to present before this august House the **Budget Estimates for the year 2009-10.**

2. Sir, It is a great privilege for me to present the first full budget as a Minister of Finance of the new Ministry which took over office in the latter part of 2008. At the same time, it is a challenge to move ahead with the various commitments of the Ministry for the development of the State and upliftment of the poorer sections of the community. The Government's took over of the office in 2008 was soon followed by the near end of the last fiscal and hardly anything could be taken up under the circumstances. The commencement of the current fiscal again coincided with the General Election to the House of the People resulting in delay in finalization of the Annual Plan size for 2009-10 which compelled the Government to go in for two successive Vote on Accounts for the first four-month period of April-July, 2009 and then for the next four-month period of August-November, 2009. Due to these unforeseen circumstances, implementation of the critical developmental commitments of the Government could not be quickly taken up as was earlier stipulated. With the proposed regular budget, I hope that the Government will be able to take up its commitments to the people in full swing.

I. OVERVIEW OF THE ECONOMY

3. As the Hon'ble Members are aware, Indian Economy was shocked by the global economic meltdown in 2008-09 and by rise in prices of crude oil and other import items during the year. As a result, even with the average growth of the economy at **8.9 per cent** during the last 5 years of 2003-04 to 2007-08, the growth in 2008-09 was estimated by Central Statistical Organization (CSO) at **6.7 per cent** only. The Quick Estimates for 2007-08 released by the CSO in May, 2009 placed the real GDP growth for 2007-08 at **9.0 per cent** as against the real growth of **9.7 per cent** in 2006-07. The Revised Estimates of 2008-09 also placed the real GSDP growth at **6.7 per cent** as against the previous Advance Estimates of **7.1 per cent**. The Union Finance Minister, in his Budget Speech in July, 2009 also stressed the slowdown in the Indian Economy as a result of the slowdown in the global economy affecting the overall inflation, employment and investment. That had necessitated the Government of India to announce a series of economic stimulus packages to offset the cyclical effects and to boost investments through public spending and generate demands internally. However, despite the moderation in growth, India continues to be one of the fastest growing economies in the world reaffirming its inherent strength and strong macroeconomic fundamentals led by strong domestic demand base.

4. The Directorate of Economics & Statistics, Govt. of Mizoram also released the GSDP for 2006-07 along with the Quick Estimates of 2007-08 and Advance Estimates of 2008-09. The data so released shows that the GSDP for 2006-07 recorded a real growth rate of **8.59 per cent** and the Quick Estimates of GSDP for 2007-08 placed the real growth rate at **7.13 per cent**. The Advance Estimates of 2008-09 however, placed the growth rate at **7.0 per cent**. The GSDP finalized for 2006-07 placed the GSDP at factor cost at current prices at **Rs. 3059.47 crore** with real growth rate at **8.59 per cent**. The Quick Estimates of 2007-08 placed the GSDP at factor cost at current prices at **Rs. 3411.66 crore** with real growth of **7.13 per cent**. The growth trajectory of the State's economy is reassuring in the light of the national economy growing at **9.7 per cent** in 2006-07 and **9.0 per cent** in 2007-08.

5. The Advance Estimates of 2008-09 placed the GSDP at factor cost at constant prices at **Rs. 3809.16 crore** with the nominal and real growth rates respectively at **11.65 per cent** and **7.0 per cent**. The per capita income at current prices is estimated at **Rs. 30292.00** and at constant prices at **Rs. 21549.00**. The Projected estimates of GSDP made by the Directorate of Economics & Statistics placed GSDP for 2009-10 at current prices is **Rs. 4226.73 crore** and at constant prices is **Rs. 2808.91 crore** with nominal and real growth rates at **12.01 per cent** and **7.20 per cent** respectively.

6. The contribution of the agriculture sector in the GSDP in real terms in 2007-08 stood at **15.51 per cent**, and has come down to **15.49 per cent** in 2008-09. It is further projected at **14.32 per cent** in 2009-10. The share of industry sector in GSDP remains more or less constant, at **19.32 per cent** in 2007-08, **20.09 per cent** in 2008-09 and **19.39 per cent** in 2009-10. The service sector continues to be major share holder of the GSDP at **65.17 per cent** in 2007-08, **64.42 per cent** in 2008-09. It is projected to contribute a share of **66.29 per cent** in 2009-10. The share of service sector, following the national trend, has been increasing over the last few years.

7. The national policy on agriculture is to attain a growth rate of **4.0 per cent** in agriculture & allied sector. The growth of agriculture sector in 2007-08 and 2008-09 is estimated at **2.86 per cent** and **2.85 per cent** respectively. It is projected to grow at **3.0 per cent** in 2009-10. The Industry Sector registered a real growth rate of **7.42 per cent** in 2007-08 and **7.09 per cent** in 2008-09. It is further projected to grow at **7.48 per cent** in 2009-10. The real growth rate of service sector has been **8.11 per cent** in 2007-08 and **7.95 per cent** in 2008-09 and is expected to further register a growth of **8.07 per cent** in 2009-10 current prices.

8. The Directorate of Economics & Statistics for the first time brought out a series of District Domestic Product (DDP) with reference to the year 2005-06. Aizawl District has the highest per capita income with **Rs. 27,625.00** while Champhai District has the lowest per capita income with **Rs. 18,462.00**.

9. I may share with the Hon'ble Members that the investment climate of the State has been optimistic. This is evidenced by the inflow of foreign capitals through the Government of India in the recent years and the increasing co-operation we have been having with the multilateral funding institutions. The ongoing implementation of the World Bank-assisted Mizoram State Roads Project and the recent signing of the 2 (two) loan agreements with the Asian Development Bank (ADB) for their investments in the project of '*North-Eastern Region Capital Cities Development Investment Programme (NERCCDIP)*' and the '*Mizoram Public Resource Management Programme (MPRMP)*' bear testimony to this and the increasing credit worthiness of the State. The growth of Government revenues has also contributed towards the process of fiscal consolidation as mandated under the Mizoram Fiscal Responsibility and Budget Management Act, 2006 and helps create the much needed fiscal space for public investments.

10. The Government's focus has been brought to the urgent need to create the necessary infrastructure for laying a strong foundation for socio-economic development of the State. Investment in development infrastructure through public and private investments is the long felt need of the Government. Thus, steps have been taken for capacity building at the Departmental level by associating the reputed agencies. At the start, the project of Tuivai Hydrel Project has been proposed for Public Private Partnership (PPP) mode for which the viability gap funding from the Government of India under the Scheme is being sought. The quantitative and qualitative improvements in the utilization of the Central Sector Schemes and the foreign capital will continue to be the focus for increasing investments given the resource constraints of the Government.

II. REVIEW OF THE YEAR 2008-09:

11. The year 2008-09 falls within the award period of the Twelfth Finance Commission (TFC). The TFC's award period (2005-'10) witnessed a relatively higher flow of resources to the States. This has resulted in a relatively comfortable fiscal position for the State.

12. The fiscal position in 2007-08 witnessed a sharp deterioration in the final accounts. The revenue surplus deteriorated to **Rs. 131.35 crore** which is less than 2006-07 by **Rs. 120.30 crore**. The fiscal deficit also deteriorated to

Rs. 391.49 crore. The main reason for deterioration in the fiscal position in 2007-08 is due to short booking of revenue receipts on account of grants-in-aid from Central Government in the Accounts of 2007-08. Besides, the fiscal shock due to purchase of rice at economic cost resulting in expenditure on account of differential price between economic cost and issue price resulted in expenditure on account of subsidy. If these things did not happen, the fiscal position would be well within the fiscal correction path drawn up by the State Government.

13. The fiscal position improved in 2008-09. As per the Pre-Actual 2008-09, the revenue account was in surplus by **Rs. 331.13 crore** and the fiscal deficit is **Rs. 102.59 crore** only. Even measured in terms of the comparable series of GSDP adopted by the TFC, the fiscal deficit is as low as **2.34 per cent**.

Receipts

14. Budget Estimates of total revenue receipts during 2008-09 is **Rs. 2217.87 crore**. The Revised Estimates put the revenue receipts at **Rs. 2701.75 crore**. In the Pre-actual 2008-09, the total revenue receipts stood at **Rs. 2645.65 crore**. Receipts on account of Tax Revenues during 2008-09 is **Rs. 478.01 crore** of which State's Own Tax Revenues is **Rs. 94.62 crore** and Share in Central Taxes is **Rs. 383.39 crore**. Shortfall in collection is due to devolution of lesser amount of Share in Central Taxes.

15. A remarkable feature in the State's Own Tax Revenues is the secular growth registered in the total collection. The State's tax witnessed a turn around after introduction of VAT from 01.04.2005. State's Own Tax Revenue in 2007-08 is **Rs. 77.51 crore** and total collection in 2008-09 (Pre-Actual) is **Rs. 94.62 crore** with corresponding growth rates of **14.64 per cent** and **22.06 per cent** respectively. The average growth rate of Own Tax Revenues during the last 4 years is **24.67 per cent**. With the average growth of GSDP at current prices at **11.61 per cent** during the same period, the State's Own Tax Revenues grows with buoyancy of **2.12** which is much higher than the TFC's projected Own tax buoyancy of **1.10** for the State of Mizoram.

16. Budget Estimates for Non-Tax Revenue Receipts in 2008-09 stood at **Rs. 1715.50 crore** which was revised to **Rs. 2179.12 crore** in the Revised Estimates. The Pre-Actual figure put it at **Rs. 2176.64 crore**. Of this, State's Own Non-Tax Revenues is **Rs. 158.16 crore** and Grants-in-aid from Central Government is **Rs. 2018.48 crore**.

Expenditure

17. Budget Estimates of total Expenditure for 2008-09 is **Rs. 2554.79 crore**. Revised Estimates put the total expenditure at **Rs. 3199.36 crore**. Pre-Actual of total expenditure turned out at **Rs. 2845.50 crore** of which Plan Expenditure is **Rs. 1108.30 crore** and Non-Plan Expenditure is **Rs. 1737.20 crore**. Revenue

expenditure is **Rs. 2323.51 crore**, capital expenditure is **Rs. 441.17 crore**, public debt is **Rs. 63.41 crore** and expenditure on loans & advances is **Rs. 17.41 crore**.

Fiscal Indicators

Revenue Surplus

18. The revenue surplus in 2007-08 is **Rs. 131.35 crore**. In the Budget Estimates for 2008-09, we had estimated revenue surplus at **Rs. 185.23 crore** which was revised to **Rs. 238.80 crore**. The Pre-Actual put it at **Rs. 331.13 crore**. This is the record highest revenue surplus in the State's finance.

Fiscal Deficit

19. The Gross Fiscal Deficit in 2007-08 is **Rs. 391.49 crore**, which is **9.91 per cent** of GSDP. Gross Fiscal Deficit for 2008-09 was initially estimated at **Rs. 131.49 crore**, which was revised to **Rs. 371.51 crore** in the Revised Estimates. The Pre-Actual 2008-09 put it at **Rs. 102.59 crore**.

III. BUDGET ESTIMATES 2009-10:

20. I am happy to present the full budget for the year 2009-10.

21. I could not present a regular and full budget earlier due to the General Election to House of the People resulting in delay in the finalization of Annual Plan size for 2009-10. With the finalization of the Annual Plan in August, 2009, I am now in a position to present the full budget incorporating the various plan commitments of the Government.

22. The current year's budget has been prepared in the wake of the national economy reeling under the global economic recession which had manifested in various economic and fiscal policies of the Central Government. Even though the State has been relatively immune to the direct effects of the recession, the effects it had on the national economy has percolated down resulting in reduction of the State's share of Central Taxes. In the light of the various budgetary announcements, I would like to assure the Hon'ble Members that the Government will work hand in hand with the Central Government in all the policy announcements so that the possible effects of economic recession in the State could be minimized.

Revenue Receipts

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

24. The estimated Tax Revenues for 2009-10 is **Rs. 509.69 crore** which includes State's Own Tax Revenues of **Rs. 116.29 crore** and State's Share of Central Taxes of **Rs. 393.40 crore**. Even though we estimate a much higher level of State's own tax revenues, the downward revision of the State's Share in Central Taxes by an amount of **Rs. 34.41 crore** from the estimates of 2008-09 resulted in modest increase over 2008-09.

25. The estimated amount for Non-tax revenues for 2009-10 is **Rs. 2499.52 crore**. Out of this, we estimate State's own non-tax revenues at **Rs. 181.14 crore**.

26. Non-tax revenues in the form of Grants-in-aid from the Central Government for 2009-10 is estimated at **Rs. 2318.38 crore**. The components of grants are: (i) Non-Plan Grants at **Rs. 1004.88 crore**, and (ii) Plan Grants at **Rs. 1313.50 crore**.

Capital Receipts

27. 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. The estimated total receipts for 2009-10 is **Rs. 278.96 crore**.

28. Receipts on account of Public Debt is estimated at **Rs. 248.95 crore**. This includes receipt of **Rs. 223.74** on Internal Debt and **Rs. 25.21 crore** on account of Loans and Advances from Central Government.

29. Estimated receipt on Loans and Advances categorized as *Non-Debt Capital Receipts* is estimated at **Rs. 30.01 crore**.

Deficit Financing

30. The post-FRBM period witnessed the State Government's borrowings on a tight grip. The accumulation of debts in the State Government over the years is the result of borrowings to finance the gap in resources. As we are all aware, we are predominantly dependent on resource transfers from the Centre. Over the years the State Government has been resorting to borrowings to supplement the resources and to finance capital investments with the expectation of economic returns. Even though we estimate a relatively high fiscal deficit in 2009-10, we will resort to borrowings to the minimum requirement for financing the investment requirements of the Government.

31. With the above in view, the estimated borrowings of the State Government for 2009-10 are as follows: (i) Net State Provident Funds- **Rs. 58.98 crore**, (ii) Market Borrowings- **Rs. 167.63 crore**, (iii) Negotiated Loans- **Rs. 56.11 crore**, (iv) Block Loan (loan portion of Externally Aided

Projects)- **Rs. 25.21 crore** taking the total gross borrowings to **Rs. 307.93 crore**.

IV. EXPENDITURE

32. We estimate a gross total expenditure on the Consolidated Fund of the State for 2009-10 at **Rs. 3867.40 crore** in which gross revenue expenditure is **Rs. 2833.44 crore** and gross capital expenditure is **Rs. 1033.96 crore**. Net expenditure on the Consolidated Fund is estimated at **Rs. 3687.39 crore**, of which net revenue expenditure is estimated at **Rs. 2831.69 crore** and net capital expenditure is **Rs. 855.70 crore**. The estimated Non-Plan expenditure is **Rs. 2211.31 crore** whereas Plan expenditure will be **Rs. 1476.08 crore**. The Plan expenditure will include Centrally Sponsored Schemes (CSS), Central Plan Schemes (CPS), and 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

33. In the revenue account for the year 2009-10, non-developmental expenditure is estimated at **Rs. 997.28 crore** which is **35.22 per cent** of the total revenue expenditure whereas development sector is estimated at **Rs. 1984.41 crore** which accounts for **64.78 per cent** with a slight improvement over the previous year's percentage of **64.54**.

Interest Payments

34. The estimated expenditure for interest payments in 2009-10 is **Rs. 239.90 crore**. Interest payment in 2007-08 was **Rs. 208.01 crore** and in the Revised Estimates 2008-09 is **Rs. 229.29 crore**.

Salaries

35. Salary expenditure has been estimated with a big jump due to the impending Sixth Pay Revision of the employees. As the Hon'ble Members are aware, the pay revision of the employees at periodical interval has become due and the Government will carry out revision of pay on the lines of the Sixth Central Pay Commission. Accordingly, the required funds for meeting the increased salary has been provided in the estimates resulting in substantial increase in overall expenditure and increase in percentage terms over the total estimated expenditure. Salary expenditure under Non-Plan Account is estimated at **Rs. 1034.77 crore** and salary expenditure under Plan Account is estimated at **Rs. 205.39 crore** taking the total salary expenditure to **Rs. 1240.16 crore**.

Pensions

36. The expenditure on pension in 2007-08 is **Rs. 97.14 crore** which increased to **Rs. 106.01 crore** in the Revised Estimates 2008-09. It is estimated at **Rs. 163.11 crore** in 2009-10. Out of this, the estimated expenditure on normal pension payment is **Rs. 148.41 crore** and the estimated expenditure towards Voluntary Retirement of School Teachers is **Rs. 14.70 crore**. Increase in the estimation is also due to the expected revision on account the Sixth Pay Revision.

Capital Expenditure

37. Capital Expenditure includes expenditure on capital outlay, disbursement of loans and advances and repayment of loans. Estimated capital expenditure for 2009-10 is **Rs. 855.70 crore**.

Capital Outlay

38. Capital Outlay is meant 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 Budget Estimates of 2009-10, capital outlay is estimated at **Rs. 393.88 crore**.

Repayment of Loans

39. The estimated expenditure on account of repayment of loans for 2009-10 is **Rs. 236.65 crore**. The relatively higher expenditure is due to the proposed pre-payment of a sizeable amount of high cost loans during 2009-10 under the ADB assisted MPRMP. The normal repayment of loan is estimated at **Rs. 143.55 crore** and expenditure on pre-payment of high-cost loans is estimated at **Rs. 93.10 crore**. This prepayment of loan will have the positive impact of reducing the future interest payment liabilities of the Government.

Loans and Advances

40. The State Government has been giving loans and advances to the Government servants and to the general public under specified schemes. The expenditure on loans and advances in 2007-08 is **Rs. 6.12 crore** and in the Revised Estimates 2008-09 is **Rs. 17.38 crore**. The estimated expenditure on loans and advances in 2009-10 is **Rs. 25.17 crore**. Plan expenditure on loans and advances is estimated at **Rs. 5.05 crore** and under Non-Plan Account is estimated at **Rs. 20.12 crore**.

Transfer to Contingency Fund

41. In compliance of the provisions of the Contingency Fund of the State of Mizoram Act, 2009 we will build up a corpus fund for which I propose allocation of **Rs. 200.00 crore**.

V. NON-PLAN EXPENDITURE

42. Non-Plan Expenditure for 2009-10 is estimated at **Rs. 2211.31 crore** of which Non-Plan Revenue Expenditure is estimated at **Rs. 1845.74 crore** and Non-Plan Capital Expenditure is estimated at **Rs. 365.57 crore**. The total Non-Plan expenditure in 2007-08 was **Rs. 1459.86 crore** and the expenditure in the Revised Estimates 2008-09 stood at **Rs. 1777.49 crore**.

Non-Developmental Expenditure

43. In the Non-Plan Revenue Expenditure for 2009-10, Non-Developmental Expenditure component on account of General Services has been estimated at **Rs. 949.34 crore** which forms **51.43 per cent** of total non-plan revenue expenditure. Non-developmental expenditure in 2008-09 (RE) was **Rs. 776.44 crore** which is **43.68 per cent** of the total Non-Plan Revenue Expenditure.

Developmental Expenditure

44. The expenditure covers expenditure on Social and Economic Services on Non-Plan Revenue Account. The estimated expenditure for these two sectors for 2009-10 is **Rs. 516.07 crore** and **Rs. 380.33 crore** respectively taking the total expenditure to **Rs. 896.40 crore**. The combined expenditure under these two sectors contribute **48.57 per cent** of total Non-Plan Revenue Expenditure.

Fiscal and Debt Sustainability

45. The Hon'ble Members may be aware that public finance today has been besetted with the issue of fiscal sustainability and debt sustainability in the long-term framework. The level of debt stock, interest payments, salary and pension may be taken as the indicators of sustainability.

46. Debt stock of the Government of Mizoram as on 31.03.2008 as per the Finance Accounts is **Rs. 3062.46 crore**. This includes internal debt at **Rs. 1468.86 crore**, loans & advances from the Central Government at **Rs. 558.50 crore** and loans from Public Accounts at **Rs. 1035.10 crore**. The Revised Estimates 2008-09 put the debt stock as on 31.03.2009 at **Rs. 3276.09 crore**. We estimate debt stock as on 31.03.2010 at **Rs. 3368.38 crore** and further project the debt stock as on 31.03.2011 and 31.03.2012 at **Rs. 3530.38 crore** and **Rs. 3710.38 crore** respectively. Measured in terms of the State's GSDP, the total debt stock as a percentage of GSDP for 2007-08, 2008-09 (RE), and 2009-10 respectively stood at **89.76 per cent**, **86.01 per cent** and **78.95 per cent**. It is further projected at the level of **73.88 per cent** in 2010-11 and **69.32 per cent** in 2011-12.

47. It is the conscious effort of the State Government to slowly move to efficient management of debt in line with the International best practices. It is due to this that we have included debt restructuring as a part of the Structural Adjustment Loan for taking up exhaustive reforms. The initiative will include prepayment of high cost loans with interest of **9 per cent** and above, developing a debt management manual and database. This is expected to bring about improvements in the overall debt management of the State Government.

48. The level of interest payment as a percentage of total revenue receipts is an important indicator of debt sustainability. The TFC designed that the level of interest payment should not exceed **17 per cent** of revenue receipts in a long term frame-work for debt sustainability. Besides, Ministry of Finance recommended that a sustainable level of interest payments relative to revenue receipts is **15 per cent**. Taking this in view, the level of interest payment relative to total revenue receipts in 2007-08 is **10.20 per cent**, **8.49 per cent** in 2008-09 (RE) and is estimated at **7.97 per cent** in 2009-10.

49. Salary expenditure is another indicator of fiscal sustainability. The total salary expenditure over the total expenditure needs to be slowly cut down to make the resources available for capital investment and other critical maintenance expenditure of the Government. The total salary expenditure in 2007-08 is **Rs. 734.61 crore** which is **28.43 per cent** of the total expenditure; the expenditure in 2008-09 (RE) is **Rs. 952.14 crore** which is **28.58 per cent** of the total expenditure. The estimated salary expenditure in 2009-10 is **Rs. 1240.16 crore** which is **32.07 per cent** of the total expenditure. The relatively higher level of salary expenditure over the total expenditure in 2009-10 is due to the impending implementation of the Sixth Pay Revision for the employees of the State Government for which the required funds have been provided in the budget. Over the long term frame-work it would be the endeavour of the Government to keep the salary expenditure at the optimum level.

50. The level of pension is another issue of concern as pension payment remains unfunded and the Government has to fully bear the expenditure in it. The pension expenditure in 2007-08 is **4.76 per cent** of total revenue receipts. The percentage stood at **3.92** in 2008-09 (RE) and is estimated at **4.93 per cent** in 2009-10. The Government is actively considering reforms in the pension sector under the ADB's assisted MPRMP so as to ensure sustainability in the long run.

VI. PLAN EXPENDITURE

51. Mr. Speaker Sir, let me turn to the proposals for plan expenditure in 2009-10.

Annual Plan 2009-10

52. Hon'ble Members may be aware that the size of the Annual Plan for 2009-10 has been fixed at **Rs.1250.00 crore** resulting in an unprecedented increase over the Approved Outlay of **Rs. 1000.00 crore** for 2008-09. The same was finalized in the discussion I had with the Deputy Chairman of the Planning Commission in the month of August, 2009. This approved plan size is an increase of **Rs. 250.00 crore** over the Approved Outlay for 2008-09.

53. I propose to allocate the approved outlay of **Rs. 1250.00 crore** for 2009-10 to different sectors. Proposed sector-wise allocations of outlays are: (i) Agriculture & Allied Activities – **Rs. 161.97 crore**, (ii) Rural Development – **Rs. 48.80 crore**, (iii) Special Areas Programme – **Rs. 71.25 crore**, (iv) Irrigation and Flood Control – **Rs. 58.21 crore**, (v) Energy – **Rs. 69.11 crore**, (vi) Industries and Minerals – **Rs. 17.60 crore**, (vii) Transport – **Rs. 66.22 crore**, (viii) Communications – **Rs. 5.40 crore**, (ix) Science, Technology & Environment – **Rs. 2.04 crore**, (x) General Economic Services – **Rs. 64.44 crore**, (xi) Social Services – **Rs. 553.32 crore** and (xii) General Services – **Rs. 131.64 crore**.

Priority Sectors

54. Mr. Speaker Sir, I may now highlight the plan priorities of my Government as contained in the Annual Plan of 2009-10. By taking the country's average targeted overall growth rate of **9 per cent** with **4.0 per cent** in Agriculture Sector into consideration and the need to ensure better quality of life for all sections of the population, particularly those below the poverty line, the Government accorded priority to the following areas:

The New Land Use Policy (NLUP)

55. NLUP is the flagship programme of the Government which is given the highest priority. It focuses mainly on a major overhauling of the rural economy through structural changes by weaning away the farmers from the destructive jhum practices to sustainable livelihood based on local resources, genius of the people and regeneration of resources. It will, thus aim at complete change over from unsustainable shifting cultivation to permanent farming with the aim of solving the problem of food scarcity to sustainable livelihood. It is an integrated programme of agriculture, horticulture, minor irrigation, soil & water conservation, animal husbandry, fisheries, forest, sericulture, cottage & small scale industries etc. and designed for implementation on a cluster approach

designed to strive for a common cause of progressively weaning away jhum practices and open up the opportunities for a more productive and sustainable livelihood and development.

56. Under this programme, an integrated socio-economic development has been formulated to uplift **1.2 lakh** families for assistance during 5 years commencing from 2009-10. Introduction of commercial cultivation of crops is expected to transform Mizoram rural economy under the theme '*cultivation for prosperity*' where the second Green Revolution will be targeted. An amount of **Rs. 1200.00 crore** is projected for the family oriented scheme component in addition to **Rs. 1250.00 crore** for infrastructure development, Information, Education & Communication (IEC), training & project management, etc. Backward and forward linkages for supply of inputs, processing and marketing of the produces are being made for all the crops and produces.

Power Development

57. Power Development will continue to be the priority of the Government by tapping the power potential in hydro and other energy sources to make the State power surplus within 7-8 years. Hydro projects above 25MW are proposed to be taken up under PPP. The projects are in various stages of progress.

Land Reforms & Settlement

58. Land Reforms & Settlement will be the priority of the Government. As the Hon'ble Members are aware, the customary community land holding system continues in most parts of the State till today. In order to bring about comprehensive land reforms and land settlement, a new land law is being formulated. We try to become the first tribal State in India to take up comprehensive land settlement and bring about land reforms in lieu of the customary land holding system.

Restoration of vegetative cover

59. Mizoram is trying to become the first State in India to formulate a comprehensive forest and soil conservation and management policy. The policy is aiming at enhancing rain forest area and restoration of vegetative cover which will in turn improve the quality and quantity of water, promotion of agriculture and horticulture through improved vegetative cover.

Oil & Natural Gas

60. Realising the potential for commercially viable Oil & Natural Gas reserves, the State Government encourages exploratory survey. About **55 per cent** of the total area of the State has been covered. Trial drilling has been started from the current year. A suitable Oil & Natural Gas Policy is being formulated to facilitate tapping of the potential for progress and prosperity.

Sports & Youth Services

61. Sports & Youth Services is one of the top priorities of the Government. Under the theme of '*Catch them Young*', a comprehensive policy for promotion of sports has been pursued for development of infrastructure along with promotion of identified sports to tap the rich potential for sports. Suitable disciplines have been identified and pursued. Sports academy will come up in a few years' time in addition to Sports Promotion Centres in all the District Headquarters.

Human Resources Development

62. Mizoram is the only State without Medical College, Engineering College and other important centres of learning. The State Government realizes the importance of Human Resource Development (HRD) for a balanced and faster economic development and therefore, actively pursued establishment of important institutions like Indian Institute of Information Technology, National Institute of Technology, Institute of Medical Sciences (Medical College along with other Para medical courses) and Agriculture University so that Mizoram may be able to effectively train the young people in various fields through HRD activities.

Externally Aided Projects (EAP)

63. Mr. Speaker Sir, I may share with the Hon'ble Members that we have the privilege of entering into development partnership with multilateral institutions for financing our developmental investments. Apart from the World Bank assisted '*Third Technician Education Project*' which was completed in 2007-08, the World Bank assisted-Mizoram State Roads Project is under active implementation for taking up critical road construction and improvement of roads in the State. We had sought additional financing of **Rs. 60.50 crore** and credit extension up to December, 2010 so that the project components would be satisfactorily completed under the assistance.

64. I have the privilege of finalizing the two assistance programmes from the ADB in the current year. We had signed a final Agreement with the ADB on 4th August, 2009 for development partnership for the '*North Eastern Region Capital Cities Development Investment Programme*' for taking up urban renewal projects in Aizawl City along with other four North-Eastern Capital Cities. The project cost for Aizawl City is **\$ 68 million** and will include critical urban management programmes such as sewerage, water supply, solid waste management and capacity building. It will be financed in the form of Multi-Tranche Finance Facility and will cover a period of six years. The various programme components are expected to bring about substantial improvements in the urban management of Aizawl City.

65. We also signed a final Agreement with the ADB on 17th September, 2009 for co-operation for financing the '*Mizoram Public Resource Management Programme (MPRMP)*' in the form of '*Structural Adjustment Loan*' for meeting adjustment costs in the reforms processes being taken up by the Government in governance, fiscal and socio-economic fronts. The approved cost of the programme is **\$100 million** and it will be implemented over a period of three years.

66. I propose to allocate fund for these EAP schemes during the year 2009-10 as follows - **Rs. 12.43 crore** for '*North Eastern Region Capital Cities Development Investment Programme*' and **Rs. 239.69 crore** for '*Structural Adjustment Loan*' taking the total to **Rs. 252.12 crore**.

MLA Local Area Development Scheme

67. The Scheme would be continued during 2009-10 and I propose to allocate **Rs. 1000.00 lakh** to be utilized at **Rs. 25.00 lakh** per constituency.

Central Assistance for State Plan Schemes

68. Within the approved plan size of **Rs. 1250.00 crore** for 2009-10, **Rs. 266.17 crore** is included as Additional Central Assistance (ACA). The Scheme-wise details of ACA for 2009-10 are as follows- (i) Accelerated Irrigation Benefit Programme (AIBP) – **Rs. 55.55 crore**, (ii) Control of Shifting Cultivation – **Rs. 5.50 crore**, (iii) Border Area Development Programme (BADP) – **Rs. 24.95 crore**, (iv) Roads & Bridges – **Rs. 5.79 crore**, (v) National Social Assistance Programme (NSAP) – **Rs. 4.23 crore**, (vi) Nutrition Programme for Adolescent Girls (NPAG) – **Rs. 0.15 crore**, (vii) Grants-in-aid under Article 275 (1) – **Rs. 8.82 crore**, (viii) Jawaharlal Nehru National Urban Renewal Mission (JNNURM) – **Rs. 50.33 crore**, (ix) Backward Region Grant Fund (BRGF) – **Rs. 24.98 crore**, (x) National e-Governance Action Plan (NEGAP) – **Rs. 3.94** (xi) Rashtriya Krishi Vikash Yojana (RKVY) – **Rs. 4.15 crore** and (xii) One-time Additional Central Assistance – **Rs. 77.78 crore**.

69. We have been able to get increased allocation of funds for AIBP from **Rs. 25.00 crore** in 2008-09 to **Rs. 55.55 crore** in 2009-10. Likewise, the allocation of JNNURM in 2008-09 is **Rs. 14.77 crore** which is enhanced to **Rs. 50.33 crore**. With these increased allocations, we will be able to take up irrigation in the potential areas in increased pace. The increased JNNURM is also expected to contribute significantly towards improvement of urban management in the urban areas of the State.

70. Another significant feature of the Annual Plan is the allocation of funds under Annual Plan for RKVY for the first time in the year 2009-10. We had not been getting the allocation due to disqualification on shortfall in the level of expenditure on agriculture & allied sector in the plan expenditure. The allocation for 2009-10 is **Rs. 4.15 crore**. The broad objectives of RKVY includes incentivising the States to increase public investment in agriculture & allied sector, preparation of agriculture plan for the Districts and the States and reducing the yield gaps in important crops.

One-Time Additional Central Assistance

71. The allocated amount of **Rs. 77.78 core** under One-time Additional Central Assistance for 2009-10 is proposed to be utilized under specified items as follows: (i) PWD (Roads & Bridges) – **Rs. 20.00 crore**, (ii) Public Works (Govt. Housing) – **Rs. 0.70 crore**, (iii) Power – **Rs. 35.87 crore**, (iv) School Education – **Rs. 7.70 crore**, (v) PHE – **Rs. 1.60 crore** and (vi) Sports & Youth Services – **Rs. 11.91 crore**.

Plan Loans from Central Financial Institutions

72. The Government will continue to fill up the critical gap in investments in key sectors by availing loans from the Central Financial Institutions with due consent of the Government of India under Article 293 (3) of the Constitution of India. I propose to avail a total loan of **Rs. 50.00 crore** in Annual Plan 2009-10 of which **Rs. 20.00 crore** will be availed from *Life Insurance Corporation of India (LIC)* and **Rs. 30.00 crore** from *National Bank for Agriculture and Rural Development (NABARD)*. I may share with the Hon'ble Members that 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. 6.90 crore**, (ii) Police Housing – **Rs. 4.55 crore**, (iii) LAD Housing – **Rs. 5.05 crore**, (iv) Public Works (Buildings) – **Rs. 3.50 crore**.

73. I propose to continue utilization of the low-cost funds from NABARD under Rural Infrastructure Development Fund (RIDF) for taking up projects for building up rural infrastructure in development partnership of the State Government with the Bank. It is noteworthy that we had already completed many projects under Agriculture, Minor Irrigation, Rural Health, Rural Roads, and Rural Drinking Water Supply with the active participation of the Bank. I propose to take up projects under RIDF-XV with allocation of **Rs. 22.00 crore** for Rural Roads and **Rs. 8.00 crore** for Drinking Water Supply in 2009-10.

Plan Grants from Twelfth Finance Commission

74. As Hon'ble Members are aware, the TFC provided specific grants for taking up State's specific projects as special package, Rs. **40.00 crore** towards Bamboo Flowering and **Rs. 25.00 crore** for Sports Complex. Besides, maintenance grants for forests and heritage conservation also form the TFC's package. I propose to allocate the total grant of **Rs. 10.31 crore** in 2009-10 as follows (i) Maintenance of Forests- **Rs. 5.00 crore**, (ii) Conservation of Heritage- **Rs. 1.25 crore**, (iii) State's Specific Needs (Sports Complex) - **Rs. 4.06 crore**.

Other Plan Expenditure

75. As the Hon'ble Members are aware, the Government has been taking up developmental schemes outside the State's Annual Plans during the last many years. These are resources coming to us outside the Annual Plan supplementing the plan policies and programme of the State Government. It is the commitment of my Government to integrate the resources in the nature of CSS, CPS, NLCPR, NEC etc. with our State Plans to bring about increased investments for overall growth and development and make the general people reap the benefits of public investments.

VII. ADMINISTRATIVE INITIATIVES

76. Let me highlight a few administrative initiatives of my Government.

Mizoram Law Commission

77. The Government is fully committed to developing the legal framework in the State. For that purpose, we had set up a Law Commission to look into the various issues connected therewith and to weed out useless or unused laws and to recommend substantive and procedural laws for better administration and development.

Mizoram Education Reforms Commission

78. Acknowledging the growing importance of human resource development, we had set up the Education Reforms Commission of Mizoram in May, 2009 to examine and suggest ways and means to offer quality education affordable to the poor and to find a solution to the increasing unemployment through reforms in education in the State.

Repatriation of Brus

79. Pursuant to the Memorandum of Understanding concluded between the Government of Mizoram and the Bru National Liberation Front on the 26th April, 2005 it was agreed upon by both the parties that the State Government

would take all necessary steps to accelerate the pace of development in the western belt of Mizoram covering all Bru settlements and that a Special Development Project will be implemented depending upon the quantum of assistance provided by the Central Government. The Government of India has already agreed to provide Rs. 33.00 crore for the project. The Government of Mizoram will actively take up all matters connected with repatriation of brus and their special development.

Separation of Judiciary from Executive

80. The Government of Mizoram has completed the process of separation of Judiciary from the Executive. Strengthening of the Judiciary is on the agenda of the Government and a number of posts have also been created to ensure efficient system of the Judiciary in the State.

VIII. FISCAL REFORMS

81. Mr. Speaker Sir, an important commitment of my Government is the measures in the form of fiscal reforms and consolidation. Towards this end, the Government enacted the Mizoram Fiscal Responsibility and Budget Management (FRBM) Act in 2006 and the Rules was also put in place in 2007. Mizoram FRBM Act, 2006, as amended in 2009 requires that the State Government should eliminate revenue deficit and reduce the fiscal deficit to **3 per cent** of GSDP by 2010-11 while the earlier stipulation in the original Act was reduction of fiscal deficit to **3 per cent** by 2008-09. The Ministry of Finance, Government of India has also relaxed the targeted fiscal deficit for 2009-10 to **4 per cent** of GSDP. Hence, the major focus of the State's fiscal policy strategy is to bring down the fiscal deficit to the targeted level within the stipulated time frame. This can be achieved by adopting a policy of reduction of expenditure and contain within the optimum level of resources to minimize the fiscal gap. However, the requirement of expenditure presses us to spend more for infrastructure and other developmental needs. So, with limited scope of expansion of own resources, focus will be directed towards finding the required resources from alternative sources like external assistance in the form of EAP and private capitals in the form of PPP.

82. The challenge towards fiscal consolidation in 2009-10 and the years ahead will be the fiscal shock on account of the revision of pay of the employees in line with the Sixth Central Pay Commission. The expenditure on account of this will, no doubt, bring about increased Revenue Expenditure on Plan and Non-Plan Accounts. However, the Government will implement the pay revision for which the estimated required expenditure has been provided in the Budget. However, with the coming of the award period of the Thirteenth

Finance Commission from 2010-11 and with the expected higher level of transfer of various resources, we expect that the increased expenditure on account of the Pay Revision would slowly be absorbed in the overall expenditure and the shocks gradually minimized.

83. The fiscal shock that had persisted in 2007-08 and 2008-09 on account of food subsidy will continue to be the reason for fiscal imbalance in 2009-10 as well. Since the Government could not risk drastic reduction of supply of rice from the Food Corporation of India due to the shortage of food supply in the State, this will need to be carried on for a few more years. Thus, even with the losses that the Government will have to bear in food trading, we are under compulsion to continue the food subsidy till such time the Government could make alternative arrangements.

84. The Government will also face the downward estimation of the State's share in Central Taxes in 2009-10. While the estimated amount in 2007-08 was **Rs. 340.89 crore**, the actual amount devolved to the State Government was **Rs. 363.36 crore**. In 2008-09 the estimated amount was **Rs. 427.81 crore**, the actual amount devolved was **Rs. 383.39 crore**. In 2009-10 also, the amount estimated in the Interim Union Budget in February, 2009 was **Rs. 409.78 crore** which went down further to **Rs. 393.40 crore** in the Union Regular Budget in July, 2009. Thus, even at the Budget Estimates level, the State's share of Central Taxes in 2009-10 decreases from 2008-09 by **Rs. 34.41 crore**. This will definitely have a negative impact in reducing the revenue surplus and deterioration of the fiscal deficit.

85. Another item of expenditure that the State Government will have to meet on the Consolidated Fund will be expenditure on account of one-time outgo for building up of the Contingency Fund of the State. With the enactment of the Contingency Fund of the State of Mizoram Act, 2009 the State Government has to put a corpus revolving fund of **Rs. 200.00 crore** to meet the various unforeseen expenditure of the Government. Since this one-time expenditure has to be met out of the Consolidated Fund, the fiscal deficit has to deteriorate by the corresponding amount.

86. We are now in the last year of the TFC award period. The serious challenge to the State remains to balance the receipts and expenditure and be able to confine within the fiscal reforms programme drawn up by the TFC. The need to find alternative resources compelled the Government of Mizoram to look for the support of the multilateral institutions for finding resources to meet the developmental needs of the State.

Public Expenditure Review Committee

87. As the Hon'ble Members are aware, a Public Expenditure Review Committee (PERC)' had been constituted to look into the fiscal position of the Government and various connected issues on a half-yearly basis. The PERC had earlier taken up a review of the fiscal position for the First Half of 2008-09. The PERC also took up a review of the fiscal position for the Second Half of 2008-09.

Review of Fiscal Position for the Second Half of 2008-09

88. 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 2008-09 covering the period from April to September 2008 and my review report was already laid in this august House in the month of March, 2009. My Review Report for the Second Half of 2008-09 covering October, 2008 to March, 2009 will be laid in the present sitting of the House.

Medium Term Fiscal Policy Statement

89. As provided under the FRBM Rules, a Medium Term Fiscal Policy Statement presenting the fiscal policies of the State Government in relation to certain selected indicators over the period 2009-10 to 2011-12 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, generation of revenue surplus for utilisation towards creation of capital assets and reduction of fiscal deficit in line with the provisions of the FRBM Act.

Fiscal Policy Strategy Statement

90. A Fiscal Policy Strategy Statement is 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 projections over the medium term has been presented in Statement.

Macro Economic Framework Statement

91. 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 projection for the ensuing year. It also presents the overall economic framework and prospects of the State's economy over the medium term.

Debt Consolidation and Relief facility

92. It is noteworthy that we have been getting the benefits of debt consolidation and debt waiver in the scheme of the Debt Consolidation and Relief Facility (DCRF) drawn up by the TFC. The benefits that we already earned greatly helped the State Government in creating fiscal space on revenue account. We will continue the reforms initiatives so as to reap the benefits of fiscal consolidation and the incentives under the facility.

Consolidated Sinking Fund

93. As per the Revised Scheme of Consolidated Sinking Fund, we invested **Rs. 15.00 crore** in 2007-08, which is the prescribed **0.5 per cent** of the total outstanding liabilities of the Government as on 31st March, 2008. The continued investment of the Government results in accumulation of funds in Sinking Fund and the estimated balance amount in the Fund as on 31.3.2009 is **Rs. 63.25 crore**. In 2009-10 also, I propose to invest **Rs.15.50 crore** which is approximately **0.5 per cent** of outstanding liabilities as on 31.03.2009 in the Consolidated Sinking Fund.

Guarantee Redemption Fund

94. In the month of May, 2009 we had set up a Guarantee Redemption Fund with initial corpus fund of **Rs. 50.00 lakh**. We will continue to build up the corpus fund for meeting the future contingent liabilities of the Government arising out of invoked guarantees.

Reforms of the Public Sector Enterprises

95. As Hon'ble Members are aware, the Public Sector Enterprises (PSE) under the Government of Mizoram turned out to be virtually sick units instead of achieving the social objectives with which they are established by the Government. Most of our PSEs depend on continued budgetary support of the Government over the years, let alone generation of profits and accruals of dividends to the Government. The Government will consider measures for revamping the PSEs with prospects of revival and for winding up of units with no such prospects. The assistance from the ADB for MPRMP will meet a part of the cost of the reforms.

96. Mr. Speaker Sir, while highlighting the fiscal reforms initiatives of the Government, let me also share with the Hon'ble Members that fiscal reforms is a continuous process and calls for unstinted efforts to achieve the targets and objectives of fiscal consolidation. The Government will continue to pursue the various fiscal reforms processes and create the fiscal space for public investments for long term socio-economic development.

IX. TAX AND NON-TAX PROPOSALS

97. Hon'ble Members are all aware of the limited tax and non-tax base of the State. However, the implementation of VAT in 2005-06 has brought about substantial improvements in buoyancy of tax revenues. Contributions and annual growth of other items of tax revenues are no less remarkable. Due to this, the State's taxes could attain average growth of **24.67 per cent** during the last four years. Even in the aftermath of the slowdown of the global and the country's economy, the State's taxes continue to be buoyant in 2008-09 with a growth rate of **22.06 per cent**. The contribution of non-tax revenues also helped in augmenting the State's own revenues. Realising the limitations in augmenting the tax and non-tax base, the Government will take up extensive reforms of tax revenues under the ADB's assistance in the *Mizoram Public Resource Management Programme*. Emphasis will be laid strongly towards effecting tax collection efficiency and better tax compliance.

Value Added Tax (VAT)

98. VAT will continue to be the main contributor of State's tax revenues. To improve the collection, we will start implementation of the restructuring of Taxation Department by carrying out the restructuring package drawn up by the Department. This is expected to bring in efficiency of tax administration and corresponding tax collection efficiency. The process of VAT auditing will also be institutionalized by introducing VAT Audit Manual and by intensive capacity building of the tax officials.

Land Revenue

99. Land revenue will also be focused with specific reference to restructuring of the Department, streamlining the tax collection system and improving the land record management. This will be coupled with exhaustive process of capacity building of the officials involved in administration of land revenue and computerization of the records. This is expected to bring about higher collection of land revenue as well as realization of the arrears accumulating over the years.

Stamps and Registration

100. Emphasis will be laid on streamlining the procedure for handling of stamps and in the registration of documents.

State Excise

101. With total prohibition in force in the State, the contribution of State excise duty will continue to be modest in contrast to other States where excise duty is one of the main sources of tax revenue. I propose to maintain the existing rates in 2009-10.

Taxes on vehicles, Other taxes on Goods & Passengers

102. Taxes on account of motor vehicles will also be taken up in the form of capacity building of the officials involved and introducing the Management Information System in the tax collection system. This is expected to bring about overall improvement in the tax collection. I propose to maintain the existing rates in 2009-10.

Other Taxes and Duties on Commodities & Services

103. The contribution of entertainment tax continues to be modest over the years. We will explore the possibility of increasing the collection by adopting efficiency in the system of collection.

Non-Tax Measures

104. The implicit subsidies in the services provided by the Government continue to result in distortion of non-tax revenues. We will attempt at increasing cost recovery so as to ensure higher collection of non-tax revenues.

X. CONCLUSION

105. Mr. Speaker Sir, as highlighted above, the Government is committed to fulfill its electoral promises to crush the developmental bottlenecks and usher in an era of economic prosperity over the medium term. The ambitious flagship programme in NLUP is expected to kick start the development of the rural agricultural masses by affording them a means for sustenance and livelihood by replacing the very destructive jhumming system by providing them with the required market linkage for their produces. However, development could come only when the Government's policies could gather the support of the stakeholders.

106. In the fiscal federalism of the country, the State's own efforts alone could not always be sufficient to bring about rapid growth and development. As the Hon'ble Members are aware, growth and development of the economy is not a single exercise achieved in a short span of time, it is the result of many interrelated activities which could be achieved over a period of time. However, I would assure the Hon'ble Members that the Government is committed to overall growth and development in the shortest possible time for which all the resources of the State will be supplemented by other resources flowing into the State. The Government will focus attention to outcome-based activities, monitoring and evaluation of plan activities to achieve the developmental goals of the Ministry.

107. I would once again reiterate that the Government will work closely with the Central Government so that maximum benefits of the Central Sector Schemes reach the people of the State. We will also continue to work with the multilateral agencies for foreign capital for meeting the critical resource gap for investments. With these measures, we may have a future which will bring in the fruits of development and prosperity to the State.

108. With these words, I commend the **Budget Estimates for 2009-'10** for consideration and approval of this august House.

Thank You, Sir.

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