



GOVERNMENT OF MIZORAM

BUDGET SPEECH
of
PU LAL THANHAWLA
HON'BLE CHIEF MINISTER
for
2010-2011
in the

MIZORAM LEGISLATIVE ASSEMBLY

on
Friday, the 19th March, 2010

Mr. Speaker Sir,

With your permission, I rise to present before this august House the Budget Estimates for 2010-11.

2. Sir, it is a great privilege for me to present the second budget as a Minister of Finance of the present Ministry after presenting the budget in October, 2009. Entering the award period of the new Finance Commission for the next 5 years and looking forward to laying a strong foundation for economic growth and development, I feel very privileged to take a front seat in the State's fiscal vehicle that is driving on to a path of fiscal consolidation and economic growth. As I had categorically pointed out in my last budget speech, challenges face the Government with the developmental commitments we had made to the people for affording them security of livelihood and prospects of a better future.

3. As Hon'ble Members are aware, the Annual Plan for 2010-11 could not be finalized before preparation of the budget, which will be finalized in the discussion with the Planning Commission of India, scheduled in the latter part of March, 2010. As a result, we have been compelled to present the budget by maintaining the same size of Annual Plan with that of 2009-10. With the finalisation of the Annual Plan, I may have to seek supplementary grants for incorporating the increase in the Plan.

4. The Twelfth Finance Commission, which had blessed the State Government with much higher devolution of resources, coupled with buoyant central taxes and duties, brought about far reaching consequences in the process of fiscal consolidation. The State's taxes also registered impressive growth during the same period even though in absolute terms, the contribution on the overall revenues and expenditures is still meagre. The period is indeed a remarkable period in the fiscal history of the State.

5. I also feel privileged to present the budget 2010-11 in the wake of the commencement of the award period of the Thirteenth Finance Commission. The Thirteenth Finance Commission has recommended a much higher level of transfer of resources to the State Government for the purpose of vertical equalization. I would like to make a point that with the percentage growth of **88.92** of devolution of resources to our State Government as compared to **83.84 per cent** in the Twelfth Finance Commission, I hope that the increased fiscal space will enable us to make a meaningful impact in the public expenditure for the common citizen.

I. OVERVIEW OF THE ECONOMY

6. As the Hon'ble Members are aware, Indian economy witnessed recessions in 2008-09 and 2009-10 due to the global economic meltdown. As a result, the Central Government was compelled to take various counter recessionary measures in the form of broad-based economic stimulus packages to offset the effect in the economy. The proactive measures taken by the Union Government have successfully achieved the

desired objectives and the growth trajectory is expected to be regained over the medium term. The growth of the economy in 2008-09 was **6.7 per cent**, thus putting the average growth during the last 5-year period of 2004-05 to 2008-09 at **8.5 per cent**, which is very impressive. The Advance Estimate of National Income in 2009-10 released recently indicates that the economy is likely to grow by **7.2 per cent**. Thus, there is a slight acceleration in the growth from the growth of last year. The Economic Advisory Council to the Prime Minister has forecasted the growth in 2010-11 at **8.2 per cent** and 2011-12 at **9 per cent**. It is seen from these estimates that the country's economy will regain the growth trajectory of around **9 per cent** in the next few years, which is reassuring, despite the recent serious effects of global economic recession.

7. I am happy to lay the Economic Survey of Mizoram for 2009-10 which gives a detailed analysis of the economic activities of the State for the current year.

8. The Economic Survey shows that as per the advanced estimates of 2009-10, the economy will grow at **7.2 per cent** and the data on quick estimates of the economy for 2008-09 shows growth of the economy at **7 per cent**. The growth rate of the economy is reassuring in the light of the country's estimated growth of **7.2 per cent** in 2009-10. The Quick Estimates of 2009-10 shows that the Services sector continues to be the dominating sector with its percentage share of **66 per cent**, followed by Industries Sector at **19.5 per cent** and Agriculture Sector at **14.5 per cent**. It is therefore, imperative that the Government invests more on Industries and Agriculture sectors for balanced growth.

9. The Union Finance Minister, in his Budget Speech in February, 2010 stressed the three challenges in managing the Indian economy over the medium term such as- i) to quickly revert to the high GDP growth path of 9 per cent, ii) to harness economic growth to make development more inclusive, and iii) to address weaknesses in government systems, structure and institutions at different levels of governance. My Government also agrees to the prime importance of these issues in bringing about the government induced growth as the persistent weaknesses in the government's delivery systems continue to be the stumbling block in the various administrative and development processes. I also feel the urgent need to suitably address these issues for development and that the Government's focus will also be directed towards growth that is inclusive.

10. I may share with the Hon'ble Members that the Government's focus has been directed towards promoting public investment and also making the economic environment conducive to investment of the private sector and other external and multilateral agencies so that the combined efforts will lay the required foundation for further growth of the State's economy. I would like to share with you that the increasing co-operation of the Government with multilateral agencies and their increasing investments will have the positive effects in the investment climate of the State. It will also bring in the transfer of knowledge and expertise as well as the best practices at the international level to the State Government in general and the officials

concerned involved in the implementation of projects and programmes, which will, in turn, have the positive effects in the governance and project implementation systems in our State.

II. A REVIEW OF YEAR 2009-10

11. As I had earlier highlighted in my budget speech last year, 2009-10 is the terminal year of the Twelfth Finance Commission. The period has witnessed intense process of fiscal reforms and consolidation. The process has been institutionalized by enactment of the Fiscal Responsibility and Budget Management Act (FRBMA) in the Central Government and at the State level.

12. I had also pointed out that the State Government's finances witnessed a sharp deterioration of the fiscal performance in 2007-08 with revenue surplus deteriorated at **Rs. 131.35 crore** and the gross fiscal deficit also deteriorated to **Rs. 391.49 crore**. The main reason for deterioration was non-booking of revenue receipts on account of grants-in-aid from Central Government in the Accounts of 2007-08. That was aggravated by other fiscal shock like food subsidy in purchasing rice at economic cost resulting in huge subsidy expenditure on account of differential price between economic cost and issue price. I had earlier concluded that 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 final accounts for 2008-09 had been released in the Finance Accounts, 2008-09. With reconciliation of the receipts between Finance Department and the AG Office, the short booking of central grants were booked in the accounts of 2008-09 and thus brought about improvement in the fiscal position. The revenue account was in surplus with an all time high of **Rs. 339.33 crore** and the fiscal deficit was **Rs. 94.25 crore** only. Even measured in terms of the comparable series of GSDP adopted by the Twelfth Finance Commission, the fiscal deficit is as low as **2.15 per cent**.

14. Mr. Speaker Sir, in retrospect, the period of the Twelfth Finance Commission commenced at the time when the State Government was reeling with unsustainably high fiscal deficit and a very high debt stock relative to GSDP indicating a high degree of fiscal stress. The Commission's recommendation of fiscal reforms facility by introducing the 'Debt Consolidation and Relief Facility (DCRF)' linked with the enactment of the Fiscal Responsibility Legislation slowly brought about fiscal consolidation. The higher levels of devolution of resources on the recommendations of the Commission also helped in improving the overall fiscal position. However, the last year of the period witnessed slow re-appearance of the fiscal imbalance as the recommended devolution of resources could hardly meet the expenditure that has been increasing rapidly. Besides, certain fiscal shocks have come into play, resulting in aggravation of the imbalance. Thus, it has become difficult for the Government to find enough resources to meet the expenditure commitments. We had been eagerly looking

forward to the new era of the next Finance Commission for higher levels of devolution of resources so that the Government could have rooms for fiscal maneuverability.

15. The Budget Estimates for 2009-10 was presented in the midst of the above and that it was difficult to make a promising fiscal position. However, even with the one-time outgo of **Rs. 200 crore** on account of corpus fund of the Contingency Fund of the State, the continued food subsidy, and the anticipated increased expenditure on account of the Sixth Pay Revision, the Budget Estimates presented a revenue surplus of **Rs. 177.52 crore**. The fiscal deficit of **Rs. 411.51 crore** would have come down to **Rs. 211.51 crore** only without corpus of the Contingency Fund.

Receipts

16. Budget Estimates of total revenue receipts during 2009-10 was **Rs. 3009.21 crore**. The Revised Estimates put the revenue receipts at **Rs. 3214.03 crore**. Increase in the level of revenues is as a result of factoring all the receipts on account of CSS, NEC, NLCPR etc. Revised Estimates of Tax Revenues is **Rs. 510.09 crore** of which State's Own Tax Revenues is **Rs. 116.69 crore** and Share in Central Taxes is **Rs. 393.40 crore**.

17. A remarkable feature in the State's Own Tax Revenues is the secular growth registered during the last few years. A turn around resulted with the introduction of VAT from 01.04.2005. State's Own Tax Revenue in 2007-08 was **Rs. 77.52 crore** and collection in 2008-09 was **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 is **24.67 per cent** during the last 4 years while the average growth of GSDP at current prices is **11.61 per cent** during the same period thereby indicating that buoyancy of State's Own Tax Revenues is 2.12 which is much higher than the TFC's projected Own tax buoyancy of **1.1** for the State.

18. Budget Estimates for Non-Tax Revenue Receipts in 2009-10 stood at **Rs. 2499.52 crore** which have been revised to **Rs. 2703.94 crore** in the Revised Estimates. Of this, State's Own Non-Tax Revenues is **Rs. 143.02 crore** and Grants-in-aid from Central Government is **Rs. 2560.92 crore**.

Expenditure

19. Budget Estimates of total net Expenditure for 2009-10 was **Rs. 3687.39 crore**. Revised Estimates put the total expenditure at **Rs. 4006.39 crore**. Revenue Expenditure is estimated at **Rs. 2831.69 crore** and Capital Expenditure is estimated at **Rs. 855.70 crore**. Plan Expenditure is estimated at **Rs. 1476.08 crore** and Non-Plan Expenditure is **Rs. 2211.31 crore**.

Fiscal Indicators

20. The revenue surplus was estimated at **Rs. 177.52 crore** in the Budget Estimates for 2009-10. The Revised Estimate puts the same at **Rs. 256.89 crore**. The Gross Fiscal Deficit was estimated at **Rs. 411.51 crore** in the Budget Estimates and the same

is placed at **Rs. 586.17 crore** in the Revised Estimates. A relatively higher fiscal deficit as earlier indicated is mainly due to the one-time outgo of expenditure on account of corpus fund of the Contingency Fund of the State and other increase in the expenditure on Revenue Account. It may also be pointed out that even though the Revised Estimates indicate deterioration in the fiscal position, I expect improvements when the accounts for 2009-10 is finalized in view of the likely savings on account of unspent amount of provisions which have been made to meet the additional requirement on account of sixth pay revision, and other potential savings which will be reflected in the final accounts.

21. During the current year, we have carried out certain positive changes in our budgetary exercise. We had built up the Contingency Fund of the State with a corpus fund of **Rs. 200.00 crore**. The revision of minimum wages has brought about increased expenditure on wages for which we had provided additional provision of fund and also provides the projected level of expenditure in 2010-11. We had taken due care of the additional requirement of fund for meeting the cost of establishing 2 Commando Companies under Home Department which will later on be reimbursed from the Government of India. We had also taken care of the additional expenditure on account of upward revision of the welfare measures in respect of the ex-servicemen and required levels of expenditure will also be provided in 2010-11. Having regard to the important service rendered by the various Mizoram Houses to the government officials on duty and the public in general and their tight budgetary positions, I have provided additional requirement of funds in the current year and proportionate increase will be made in their budgetary allocations in 2010-11. Besides, for smooth budgetary exercise of the various key functionaries, certain other arrangements were also carried out in relation to the budget. A separate head of account was arranged for the Chief Vigilance Officer to take care of expenditure required in connection with activities of Vigilance Department. The Protocol & Hospitality Wing has been placed under the budgetary control of General Administration Department from the existing Secretariat Administration Department. Likewise, with the formation of the new Department of Information & Communication Technology, a separate Demand No. 48 has been assigned by carving out from the Planning & Programme Implementation Department. All these measures are expected to bring about improvements in the delivery systems of the Government.

III. BUDGET ESTIMATES 2010-11

22. I am happy to present the full budget for the year 2010-11.

23. Mr. Speaker Sir, in the current year, we started with an Interim Budget in March, 2009 and obtained Votes on Account on two successive occasions and the regular budget was presented only in October, 2009. The delay in the laying of the regular budget has, in turn resulted in the delay in utilisation of funds. Due to this reason, the repeated recommendation of the Public Expenditure Review Committee for spreading of expenditure uniformly throughout the year has not been possible

during the current year and a bulge in the expenditure in the last part of the year could not be avoided.

24. Realising the various disadvantages in the delay in presenting the regular budget, I have taken the option of going for a regular budget even before finalisation of the Annual Plan for 2010-11. We will initially start with the Annual Plan size of **Rs. 1250 crore**, and any increase in the Annual Plan size will be considered in the course of the year.

25. The current year's budget has been prepared in the wake of the national economy showing signs of recovery and with the expectation of a high growth over the medium term and even to an ambitious target of crossing the double digit barrier. Besides, the commencement of the award period of the Thirteenth Finance Commission with relatively higher devolution of resources will make rooms for furthering our fiscal consolidation process.

The Thirteenth Finance Commission

26. Mr. Speaker Sir, I would like to share with the Hon'ble Members that the constitutional scheme of Indian fiscal federalism mandates financial relations of the Government at the Centre and the State Governments in sharing of the resources. Thus, the recommendations of the successive Finance Commissions are the main determining factors of the position of the State Governments for their respective award periods. The year 2010-11 heralds in the era of the award period of the Thirteenth Finance Commission which will largely determine the fiscal position of the Government for the next 5-year period of 2010-2015.

27. Broadly, the Commission recommended a total devolution of **Rs. 8805.30 crore** for Mizoram for the 5-year period. The total recommended amount of the Twelfth Finance Commission was **Rs. 4660.91 crore**. Thus, at the aggregate level, the total devolution increased by **Rs. 4144.39 crore**, and the percentage increase in the devolution is **88.92** over the Twelfth Finance Commission. The broad recommendations of the Commission pertaining to the State of Mizoram are as highlighted below-

Share in Central Taxes

28. The Commission has assessed a total State's share in Central Taxes at **Rs. 3901.30 crore**. The year-wise devolution will be as follows: 2010-11 – **Rs. 548 crore**, 2011-12 – **Rs. 679 crore**, 2012-13 – **Rs. 759 crore**, 2013-14 – **Rs. 895 crore** and 2014-15 – **Rs. 1055 crore**. The figures may not tally with the aggregate due to rounding of the figures. It may, however be noted that the actual amount to devolve in each year will depend on the actual collection of taxes & duties by the Central Government. Thus, against the recommended amount of **Rs. 548 crore** in 2010-11, the amount estimated in the Union Budget 2010-11 presented in February, 2010 is **Rs. 563.06 crore**. During the period of the Twelfth Finance Commission also, the State Government had been in receipt of share in taxes much higher than the recommended amounts in absolute figures.

Non-Plan Revenue Deficit Grant

29. The Commission assessed the State Government to have revenue deficits after devolution of taxes during the entire award period. The Commission has recommended grants-in-aid to cover the gap in resources to the State Governments. The total amount recommended is **Rs. 3991.40 crore** and the year-wise recommended amounts are as follows: 2010-11 – **Rs. 715 crore**, 2011-12 – **Rs. 684 crore**, 2012-13 – **Rs. 908 crore**, 2013-14 – **Rs. 882 crore** and 2014-15 – **Rs. 804 crore**.

Disaster Relief

30. The Commission has recommended building up of a State Disaster Relief Fund (SDRF) in continuation of the existing Calamity Relief Fund. Besides, the Commission separately earmarked funds for capacity building. The total amount recommended for SDRF is **Rs. 47.50 crore** which includes **Rs. 5 crore** for capacity building.

Elementary Education

31. The Commission assessed the needs of the States for meeting additional expenditure on account of the universalisation of education and for fulfillment of the Right of Education Act, 2009 for children in the age group of 6-14 years. The grant recommended for Mizoram is **Rs. 5 crore**.

Improving Outcomes

32. Certain grants are recommended by the Commission towards improving service delivery and for better outcomes as follows:

- *Improvement in Justice Delivery:* The Commission has recommended grants for improving justice delivery with a total amount of Rs. 12.96 crore with item-wise break up as follows: i) Morning/Evening Courts – **Rs. 6.27 crore**, Lok Adalat and Legal Aid – **Rs. 0.75 crore**, Training of Judicial Officers – **Rs. 0.63 crore**, Training of Public Prosecutors – **Rs. 0.38 crore**, Heritage Court Buildings – **Rs. 1.13 crore**, ADR Centres – **Rs. 2.72 crore** and Court Managers-**Rs. 1.09 crore**.
- *Incentive for issuing UID:* The Commission provided incentive grants for people below poverty line to register for Unique Identification (UID) at the rate of Rs. 100 per person. For this purpose, the Commission recommended **Rs. 1.20 crore** for the State of Mizoram.
- *District Innovation Fund:* The Commission has arranged a District Innovation Fund with the total allocation of **Rs. 8 crore** with **Rs. 1 crore** in each District.
- *Improvement of Statistical Systems at State & District Level:* The Commission provided grants for building up a comprehensive and reliable data systems for which **Rs. 8 crore** is recommended for Mizoram.
- *Employee & Pension Data-base:* An amount of **Rs. 5 crore** is recommended for developing a complete database of government employees and pensioners.

Environment related Grants

33. In keeping with the terms of reference relating to *the need to manage ecology, environment and climate change consistent with sustainable development*, the Commission recommended environment-related grants for protection of forests and the ecology as follows:

- *Forests: Rs. 171.20 crore.*
- *Water Sector Management: Rs. 4 crore.*

Maintenance of Roads & Bridges

34. The Twelfth Finance Commission had arranged specific grants for maintenance of roads & bridges. Realising the need and importance of good quality roads and the benefits derived out of it, the Thirteenth Finance Commission continues the same and provided grants amounting to **Rs. 89 crore** during the period from 2011-12 to 2014-15.

State Specific Needs

35. The Commission has recommended a total grant of **Rs. 250 crore** for taking up specific projects for Mizoram during the award period which are listed below:

- *Sainik School – Rs. 50 crore*
- *Construction of Raj Bhavan – Rs.30 crore*
- *Construction of Jails – Rs. 30 crore*
- *Infrastructure Schemes for the Three Autonomous District Councils – Rs. 25 crore*
- *Construction of Playground in Khatla Village Aizawl – Rs. 2 crore*
- *Construction of Police Station Buildings in Border Areas – Rs.31 crore*
- *Construction of Primary Health Centres and Health Sub-Centres – Rs. 30 crore*
- *Fire and Emergency Services – Rs. 20 crore*
- *Construction of Additional Building for Civil Secretariat – Rs. 20 crore*
- *Heritage Conservation – Rs. 12 crore*

36. Besides the above, the Commission also recommended incentive grants to the State Governments which will be released on the basis of performance. Such grants are indicated below:

- *GST Compensation:* The Commission recommended a grant of Rs. 50,000 crore to meet the compensation claims of State Governments for revenue losses on account of implementation of GST between 2010-11 and 2014-15.
- *Incentive for Grid Connected Renewable Energy:* An amount of **Rs. 5000 crore** is recommended for distribution to the States on the basis of achievement in capacity addition in renewable energy.
- *Incentive for Reducing Infant Mortality:* The Commission recommended an incentive grant for improving human development indicators (HDI) measured

in terms of reduction in infant mortality rate (IMR). The total amount is **Rs. 5000 crore** to be distributed to the States on the basis of performance in reduction of IMR over 2009 baseline.

Revenue Receipts

37. Having indicated the broad recommendations of the Thirteenth Finance Commission, I may now go to the estimates of receipts from various tax and non-tax revenues.

38. The estimated Tax Revenues for 2010-11 is **Rs. 681.32 crore** which includes State's Own Tax Revenues of **Rs. 118.26 crore** and State's Share of Central Taxes of **Rs. 563.06 crore**.

39. The estimated amount for Non-Tax Revenues for 2010-11 is **Rs. 2572.55 crore**. State's Own Non-Tax Revenues has been estimated at **Rs. 166.37 crore** and Grants-in-aid from the Central Government is estimated at **Rs. 2406.18 crore**. The components of grants are: (i) Non-Plan Grants **Rs. 806.74 crore**, and (ii) Plan Grants **Rs. 1599.44 crore**.

Capital Receipts

40. In keeping with the provisions of the FRBMA and the path of fiscal correction recommended by the Thirteenth Finance Commission, the Government will attempt at building up revenue surplus for financing capital investments. This will reduce the requirement of borrowings for meeting the capital expenditure.

41. In 2010-11, we estimate a total capital receipt of **Rs. 259.60 crore**. Non-debt receipt is estimated at **Rs. 30.01 crore**. Gross borrowings are estimated as follows; **Rs. 201.99 crore** on Internal Debt and **Rs. 27.60 crore** on account of Loans and Advances from Central Government thus taking total gross borrowings to **Rs. 229.59 crore**.

42. The estimated borrowings of the State Government for 2010-11 are as follows: (i) Net State Provident Funds- **Rs. 60 crore**, (ii) Market Borrowings- **Rs. 117.02 crore**, (iii) Negotiated Loans- **Rs. 50 crore**, (iv) Block Loan (loan portion of Externally Aided Projects)- **Rs. 27.60 crore** taking the total gross borrowings to **Rs. 254.62 crore**.

EXPENDITURE

43. I will now go to the estimates of expenditure.

44. I estimate a gross total expenditure on the Consolidated Fund of the State for 2010-11 at **Rs. 3719.66 crore** in which gross revenue expenditure is **Rs. 2913.98 crore** and gross capital expenditure is **Rs. 805.68 crore**. After deducting the recoveries on account of stock suspense, the estimated net expenditure on the

Consolidated Fund is **Rs. 3577.91 crore**, of which net revenue expenditure is estimated at **Rs. 2912.23 crore** and net capital expenditure is **Rs. 665.68 crore**.

45. On classification of expenditure into Plan and Non-Plan, the estimated Non-Plan expenditure is **Rs. 2134.66 crore** whereas Plan expenditure will be **Rs. 1443.25 crore**. The estimated Plan expenditure includes **Rs. 193.25 crore** on account of CSS. My Government shall endeavor to contain non-plan expenditure to increase Plan expenditure.

Revenue Expenditure

46. In the revenue account for the year 2010-11, non-developmental expenditure is estimated at **Rs. 1064.65 crore** which is **36.54 per cent** of the total revenue expenditure whereas development expenditure is estimated at **Rs. 1849.33 crore** which accounts for **63.46 per cent**.

Interest Payments

47. The estimated expenditure for interest payments in 2010-11 is **Rs. 246.01 crore** which is an increase of **Rs. 239.90 crore** over the Budget Estimates 2009-10. The pre-payment of high cost loans under the ADB assisted MPRMP is expected to bring down the stock of high cost loans of **9 per cent** and above, which will in turn help in containing the expenditure on the interest payments.

Salaries

48. Salary expenditure in 2009-10 has been estimated taking into account the incremental expenditure on account of the sixth pay revision for the employees. In 2010-11, we estimate the salary expenditure with an increase of **10 per cent** which is expected to take care of the salary expenditure inclusive of the sixth pay revision. Salary expenditure under Non-Plan account is estimated at **Rs. 1136.89 crore** and salary expenditure under Plan Account is estimated at **Rs. 227.94 crore** taking the total salary expenditure to **Rs. 1364.83 crore**. In addition, a good portion of GIA is spent on salaries.

Pensions

49. The expenditure on pension in 2008-09 was **Rs. 126.05 crore** and the budget estimates put the pension expenditure for 2009-10 at **Rs. 163.11 crore**. Following the trend growth rate, the expenditure is estimated at **Rs. 205.40 crore** in 2010-11. The sharp increase in the estimation in 2009-10 is due to the expected revision on account of the sixth pay revision. My Government plans to introduce New Defined Contributory Pension Scheme to contain the ever growing pensionary liabilities.

Capital Expenditure

50. Capital Expenditure includes expenditure on capital outlay, disbursement of loans and advances and repayment of loans. Estimated capital expenditure for 2010-11 is **Rs. 665.68 crore**.

51. Capital Outlay which is meant for creation of capital assets is estimated at **Rs. 388.48 crore**. The estimated expenditure on account of repayment of loans for 2010-11 is **Rs. 19.05 crore**. The relatively higher expenditure is due to the proposed pre-payment of a sizeable amount of high cost loans during 2010-11 under the ADB assisted MPRMP. This prepayment of loan will have the positive impacts in reducing the debt stock of high cost loans and in containing the future interest payment liabilities of the Government. The State Government has been giving loans and advances to the Government servants and to the general public under specified schemes. The estimated expenditure on loans and advances in 2010-11 is **Rs. 25 crore** out of which **Rs. 5 crore** falls under Plan Account and **Rs. 20 crore** under Non-Plan Account. The capital outlays in our State have been constantly low in comparison with the revenue expenditures. My Government shall give appropriate emphasis on capital expenditure.

NON-PLAN EXPENDITURE

52. Non-Plan Expenditure for 2010-11 is estimated at **Rs. 2130.94 crore**. This includes Non-Development Expenditure component on account of General Services at **Rs. 960.25 crore** which forms **45.06 per cent** of total non-plan expenditure. Non-Plan expenditure falling under Social and Economic Services are estimated at **Rs. 985.42 crore** and **Rs. 185.27 crore** respectively taking the total expenditure to **Rs. 1170.69 crore**. The combined expenditure under these two sectors contributes **54.94 per cent** of total non-plan expenditure.

Fiscal Indicators

53. Budget Estimates 2010-11 put the revenue surplus at **Rs. 341.63 crore** which is an all-time high revenue surplus. The gross fiscal deficit is placed at **Rs. 41.84 crore**, which is **0.88 per cent** of GSDP.

Fiscal Sustainability

54. 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. Debt stock of the Government of Mizoram as on 31.03.2009 as per the Finance Accounts is **Rs. 3259.82 crore**. The Revised Estimates put the debt stock as on 31.03.2010 at **Rs. 3346.83 crore**. Measured in terms of the State's GSDP, the total debt stock as a percentage of GSDP in 2009-10 will be **78.44** while the percentage in 2008-09 was **85.58**. This shows that the Government has slowly been successful in containing the debt stock as a percentage of GSDP.

55. 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.

PLAN EXPENDITURE

56. Mr. Speaker Sir, let me turn to the proposals for plan expenditure in 2010-11.

Annual Plan 2010-11

57. As I have already pointed out, the size of the Annual Plan for 2010-11 is yet to be finalized with the Planning Commission of India. However, realising the valuable time we had lost during the current year due to late finalisation of the Annual Plan and seeking of Votes on Account on two occasions, I have decided to propose for a regular budget with the Annual Plan size at Rs. **1250 crore** pending finalisation of the Plan size.

58. Within the approved outlay of **Rs. 1250 crore**, I propose to allocate to different sectors as follows: (i) Agriculture & Allied Activities - **Rs. 59.46 crore**, (ii) Rural Development - **Rs. 48 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. 17.75 crore**, (vii) Transport - **Rs. 91.72 crore**, (viii) Communications - **Rs. 5.40 crore**, (ix) Science, Technology & Environment - **Rs. 2.04 crore**, (x) General Economic Services - **Rs. 162.68 crore**, (xi) Social Services - **Rs. 442.37 crore** and (xii) General Services - **Rs. 222.01 crore**.

Priority Sectors

59. Mr. Speaker Sir, pending the finalisation of the Annual Plan, it is difficult to lay down the definite plan programmes and priorities of the Government in terms of actual sectoral allocations. Besides, with the tentative scheduled date of finalisation of the Annual Plan sometime in the last part of March, 2010, I would prefer to finalise a detailed priority-specific programmes of the Government after finalisation of the Plan size. However, I would like to highlight once again that NLUP, which is the flagship programme of the Government will continue to be given the highest priority. The scheme aims at a complete change over from unsustainable shifting cultivation to permanent farming with the aim of solving the problem of food scarcity to sustainable livelihood. It will be an integrated programme of agriculture, horticulture, minor irrigation, soil & water conservation, animal husbandry, fisheries, forest, sericulture, cottage & small scale industries etc. The outline of implementation and corresponding allocation of funds will be worked out in due course.

Externally Aided Projects

60. 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. In 2010-11, we will continue to take up projects to cater to critical infrastructure and development needs of our State.

61. 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 earlier sought additional financing and credit extension up to December, 2010 so as to successfully complete the road sectors under the project. For that purpose, I propose an allocation of **Rs. 25.50 crore** in 2010-11.

62. The ADB assisted '*North Eastern Region Capital Cities Development Investment Programme*' commenced with the signing of the Agreement with Asian Development Bank on 04.08.2009. This will cover urban renewal projects in Aizawl City along with other four North-Eastern Capital Cities. An amount of **Rs. 12.56 crore** has been provided in 2009-10. I propose allocation of **Rs. 42.67 crore** in 2010-11. This aims at self sustaining water supply after three years without budgetary support.

63. Another ADB assisted '*Mizoram Public Resource Management Programme (MPRMP)*' in the form of *Structural Adjustment Loan*' also commenced in 2009-10 with the signing of the agreement with the Asian Development Bank on 17.09.2009. An amount of **Rs. 239.56 crore** has been allocated in 2009-10. I propose allocation of **Rs. 207.78 crore** in 2010-11.

MLA Local Area Development Scheme

64. The Scheme would be continued during 2010-11 and I propose to allocate **Rs. 1000 lakh** to be utilized @ **Rs. 25 lakh** per constituency.

Lunglei High Powered Committee

65. To meet the requirement of taking up specific projects in Lunglei District, I propose allocation of **Rs. 6 crore** for Lunglei High Powered Committee to take up critical development needs within the District which is in addition to normal development schemes for the whole State.

Central Assistance for State Plan Schemes

66. Within the tentative Annual Plan size of **Rs. 1250 crore** for 2010-11, **Rs. 266.17 crore** is included as Additional Central Assistance (ACA). The Scheme-wise details of ACA for 2010-11 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 Plan (NEGP) – **Rs. 3.94** (xi) Rashtriya Krishi Vikash Yojana (RKVY) – **Rs. 4.15 crore** and (xii) One-time Additional Central Assistance – **Rs. 77.78 crore**.

One-Time Additional Central Assistance

67. One-Time Additional Central Assistance has been allocated by the Planning Commission of India for taking projects of special importance to the States. An amount of **Rs. 77.78 crore** under One-time Additional Central Assistance for 2010-11 is proposed to be utilized under specified items as follows: (i) Agriculture-**Rs. 2 crore**, (ii) Power & Electricity-**Rs.35 crore**, (iii) PWD (Roads & Bridges) – **Rs. 17.20 crore**, (iv) PWD (Govt. Housing)–**Rs. 7.60 crore**, (v) Public Works Building-**Rs. 3.48 crore**, (vi) School Education-**Rs. 7 crore**, (vii) Sports & Youth Services-**Rs. 3 crore** and (viii) Public Health Engineering-**Rs. 2.50 crore**.

Plan Loans from Central Financial Institutions

68. 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). I propose to avail a total loan of **Rs. 50 crore** in 2010-11 of which **Rs. 10 crore** will be availed from *Life Insurance Corporation of India (LIC)* and **Rs. 40 crore** from *National Bank for Agriculture and Rural Development (NABARD)*. I am happy to inform the Hon'ble Members we have already achieved important projects with funding from these financial institutions. The proposed amount of **Rs. 10 crore** from LIC will be utilized for the following schemes: (i) Police Housing – **Rs. 5 crore**, (ii) LAD (Housing) – **Rs. 5 crore**.

69. I propose to continue utilization of the low-cost Rural Infrastructure Development Fund (RIDF) from NABARD 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 in the project implementation and physical monitoring by the Bank. I propose to allocate funds to the Departments for taking up projects under RIDF as follows: i) Animal Husbandry & Veterinary Science – **Rs. 2.50 crore**, (ii) Public Works Department – **Rs. 25.50 crore**, (iii) Health Services – **Rs. 4 crore** and (iv) Public Health Engineering-**Rs. 8 crore**.

Plan Grants from Finance Commission

70. The Twelfth Finance Commission provided specific grants for taking up State's specific projects which were included in the Annual Plans during its award period. The Thirteenth Finance Commission also recommended a sizeable amount for taking up projects on plan account, which will be duly accounted in the plan resource and utilised within the annual plan. However, pending finalisation of the Annual Plan, I am not in a position to specifically take care of the grants for incorporation in the Annual Plan. The allocations, as and when finalized with the Planning Commission, will be duly incorporated in the Annual Plan.

Other Plan Expenditure

71. As the Hon'ble Members are aware, the Government has been taking up developmental schemes outside the State's Annual Plans. These include schemes

under CSS, CPS and Special Schemes like NEC and NLCPR. These schemes which are implemented on the initiative of the Government of India effectively supplement the development efforts of the State and are rightly termed as plan-outside-plan expenditure.

72. In a slight departure from the practice in the earlier years, I have made budget provisions to the Departments against the funds expected to be received on account of CSS. In the budget estimates 2010-11, we have included allocation of **Rs. 193.25 crore** which could be utilised by the Departments as and when the corresponding funds are released by the Central Government.

V. A FEW ADMINISTRATIVE INITIATIVES

Indian Reserve Police

73. As the Honb'le Members are aware, raising of the IR Battalions, their establishment and deployment in other States are drawing the attention of the Government as they render important services on behalf of the State Government. The 2nd IR Battalion was successfully deployed in Chhatisgarh during 2006 to 2008. On the request of the Government of India, we have been deploying the 3rd IR Battalion in Assam from February, 2010. We have been taking up with the Government of India for release of the balance raising cost of IR Battalions and for reimbursement of deployment charges and with the Government of Chhatisgarh for release of the deployment charges required to be borne by the borrowing State Government.

Repatriation of Bru Refugees

74. I had mentioned in my last budget speech of the Government's intention to take necessary steps in repatriation of Bru Refugees and for taking steps for development of the western belt covering Bru settlements. Accordingly, the Government took steps for repatriation commencing from 16th November, 2009. However, due to the unexpected incident known to all the Hon'ble Members, the Government could not commence the repatriation process. With the return of normalcy in the belt, the Government will take stock of the situation and take appropriate measures.

Separation of Judiciary from Executive

75. After separation of the Judiciary from the Executive, the Government takes various measures to make the Judiciary function properly. Various posts have been filled up and the newly recruited Judicial Officers are already posted to the different Districts. To meet the immediate requirement of infrastructure like court buildings and residential quarters, allotment of land and development of various infrastructures are being taken up by the Government. It is the commitment of my Government that required physical and logistic support will always be extended so that efficient functioning of the Judiciary for smooth administration of justice will always be ensured. The provision of funds by the Thirteenth Finance Commission will also help in this regard.

Development of Information Technology

76. The Government realizes the paramount importance of various forms of communication in modern days. Even in the functioning of the Government and the service delivery system to the public, the benefits of information technology could not be overemphasized. In keeping with the changing world and the necessity of IT related activities, the Department of Information Technology was created in 2008. The various basic communication facilities are slowly put in place including establishment of a Common Service Centre (CSC) for integration of all the Community Information Centres (CICs) of the State for which implementation already started. An ambitious scheme under National e-Governance Plan (NeGP) is the State Data Centre with the state of the art infrastructure which will be capable of storing all the State Government data for many years to come. This will be implemented in a period of 5 years. Besides, Department specific Management Information Systems (MIS) have been developed so that the Departments could make use of the information technology for better output. I hope that the Government's initiatives towards development of IT related activities will bring about better outputs and better services to the people.

Development in Science & Technology

77. The Government realizes the vital role the science & technology has been playing in triggering development of various economic activities on scientific lines. The initiatives taken by the Science & Technology Wing has enabled the Government to complete scientific mapping of Natural Resources Atlas, Wasteland, Land Cover, Land Degradation, and National Wetland Inventory Assessment. I hope that these scientific inputs will prove to be very valuable in our future plan of activities in various fields.

Power Development

78. The Government's focus continues towards improving the position of power & electricity in the State. Various resources are also mobilized to meet the expenditure required including the Government of India's support in APDRP, RGGVY, and our State's own resources. A 12 MW Serlui 'B' Project is at completion stage and commissioning will take place in the near future. Reforms and improvements in the power sector are actively taken up under RGGVY. Besides, the Government has actively taken up steps for developing mega Hydel Projects of 210 MW Tuivai HEP on PPP mode for which viability gap funding of the Government of India has been sought. A 460 MW Kolodyne HEP had been handed over to NTPC to take up on PPP mode 'Build, Own, Operate and Maintain (BOOM)' model. I hope that on completing these projects, availability of power will be improved considerably. My Government realizes the need to reduce subsidy on power consumption and to increase capital investments in power sector as well as its corporatisation.

Development of Sports Infrastructure

79. Realising the great potential for promotion of sports among the youths of the State, the Government takes up focused approach towards promoting sports and youth activities and by taking on the corresponding development of sports infrastructure. During the current year, a sizeable fund was allocated for taking up the Rajiv Gandhi

Sports Stadium at Mualpui under the Twelfth Finance Commission award and for taking up District Sports Complex under One-Time ACA. A separate fund has also been arranged for artificial turf at AR Ground. The Government will continue to accord high priority on development of sports and other youth activities and necessary funds will be arranged.

House Site Plan

80. The Government has taken up house site plan at Zemabawk during the current year for allotment of house sites to the poor and deserving landless people. My Government realizes the need to build satellite townships around Aizawl to ease the intense congestion.

Border Trade

81. The Government takes efforts to get the benefits of global economic integration and takes initiatives towards this end within the confines of the State. The development of Zokhawthar Land Custom Station by the Trade & Commerce Department in the form of infrastructure and other logistic arrangements have made the border trade point ready for commissioning in the near future. This will be an opening in the chapter of trade relations of the two countries of India and Myanmar through Mizoram and the Government will take the best use of the opportunity of trading with foreign countries. Like-wise, the Government's attention is also focused at foreign trade with Bangladesh for which various preparatory activities are already taken up. 'The Mizoram Trade & Investment Conclave' held at Berawtlang in July, 2009 and attended by the dignitaries and trade organizations from Myanmar, Bangladesh, Government of India and Mizoram State bear testimony to the Governments' efforts in promoting foreign trade with neighbouring countries.

Drinking Water Supplies and Sanitation

82. The Government accords priority to availability of safe drinking water supply to the people. Towards this end, the Government of India's ambitious scheme of National Rural Drinking Water Supply Programme (NRDWP), RIDF schemes of water supplies and State' own efforts taken together helped in improving water supplies in the State and the Government of India's scheme of 'Total Sanitation Campaign(TSC)' slowly helps in improving the sanitary condition of the State.

Investment in Public Sector Enterprises (PSEs)

83. The Public Sector Enterprises of the State Government are not achieving their objectives and are becoming losing concern for the State Government. The Authorised share capital for MIFCO Ltd. and ZIDCO Ltd. are paid up and that of ZOHANDCO Ltd. is to be paid up during 2010-11. Continuing investment in PSEs under the present condition without some action of reforms may not be fruitful. The Government has initiated revitalization of these PSEs under the ADB-assisted MPRMP. Further investment to the PSEs will be considered along with the reforms commitment of the enterprises on case to case basis. The Government may have to take a painful decision to liquidate or amalgamate them for the long-term benefit of the State.

Industrial Development

84. The existing Industrial Policy was announced a decade ago in 2000. This policy could not deliver significant impetus for the development of industry in the State. The various incentives in the existing policy will continue in 2010-11. However, due to the changes in the industrial scenario of the country, the commitment of the State Government for development through NLUP and the need to generate global competitiveness, this existing policy will be reviewed and a new policy will be announced. Industries Department is making a start in the exercise of drafting the new policy. The new Industrial Policy is expected to attract investment from outside the State and from abroad while protecting the interest of local entrepreneurs and farmers. The incentives being provided will be re-oriented towards meeting the actual need of the industrial units. Food processing industry and Micro Enterprise sector will be more focused in view of the larger scope of employment in this sector and in order to fulfill the election agenda of my Ministry.

Roads & Bridges and Public Buildings

85. Road networks remain the most important economic lifeline for the State and the importance of good roads cannot be overemphasized. The Government had taken pains in making new roads, and maintaining the existing roads. The various sources available in the form of our own State Plan Fund, World Bank-assisted MSRP, National Highways, RIDF schemes for Rural Roads, Centrally Sponsored PMGSY, Kolodyne Multi-Modal Transport Project, Central Road Fund, NEC Sponsored Schemes and the Twelfth Finance Commission's support for maintenance of roads, together brings about quantitative and qualitative improvements in road connectivity in the State. During 2010-11, the World Bank assisted MSRP will be wound up by completing the project components. The Multi-Modal Project will commence the physical works, and the State PWD will take over the National Highways from Border Roads Organisation and 400 kms of road has been targeted to connect 80 villages during 2010-11.

86. Infrastructure development in the form of construction of public buildings is also actively taken up by the Government. Construction of various Mizoram Houses, Circuit Houses, Raj Bhavan Complex, Indoor Stadium etc. are included among the ongoing works towards building infrastructure. Construction of Assembly Annexe building will be completed during 2010-11. The Government will continue to accord priority towards taking up housing infrastructure.

VI. FISCAL REFORMS AND CONSOLIDATION

87. Mr. Speaker Sir, the challenge to every government of the day remains to take measures in the form of fiscal reforms and consolidation. Towards fiscal reforms of the State Governments, the Twelfth Finance Commission had made the institutionalized Fiscal Responsibility Legislation linking it with the 'Debt Consolidation and Relief Facility'. Towards this end, the Government enacted the Mizoram Fiscal Responsibility Act in 2006 and the Rules was also put in place in

2007. Managing the State's finances with the FRBM targets as guideposts helped the Government in the fiscal management.

88. We are now entering the award period of the Thirteenth Finance Commission. Since the States form components of the Indian federalism, the State's fiscal reforms programme needs to be aligned to the structure of reforms designed by the successive Finance Commissions. We are now to draw up a fiscal policy that will guide the fiscal performance of the Government over the medium term. The salient features of the fiscal reforms as introduced by the Commission may be highlighted as under:

- (a) Reduce aggregate debt stock of the Central and State Governments to 68 per cent of GSDP by end of the award period (2014-15). The Central Government's debt will come down to 45 per cent of GSDP and combined debt of the State Government at 25 per cent.*
- (b) A long term and permanent target for the States should be to maintain zero revenue deficit. This is termed as 'golden rule' by the Commission.*
- (c) States should reduce fiscal deficit relative to GSDP with differing years to achieve the target of 3 per cent. In the case of Mizoram, the target for reducing fiscal deficit to 3 per cent of GSDP is 2014-15.*
- (d) State Governments should amend their FRBM Act to achieve the targets set out above.*

89. In keeping with the above, the Commission has also recommended that the annual borrowings of the States shall be set by the Government of India using the pre-determined formula. Corresponding to the fiscal roadmap for the States during the award period of the Commission, it has recommended the following debt relief to the State Governments:

- (a) Interest rate on all NSSF loans to the States contracted till 2006-07 and outstanding at the end of 2009-10 shall be reset at 9 per cent of interest. In future, NSSF Scheme shall be reformed into a market-aligned scheme.*
- (b) Loans from Government of India to the State Governments and administered by the Ministries/Departments other than Ministry of Finance, outstanding at the end of 2009-10 shall be written off. Any future lending from the Centre to the States under any CSS shall be discontinued.*

90. According to the data made available to the Commission, the total NSSF loans of the Government of Mizoram contracted till 2006-07 and outstanding at the end of 2009-10 is **Rs. 127.93 crore**. The interest relief on account of resetting will benefit the Government till maturity of the loans. The relief accruing during the award period has been assessed at **Rs. 4.51 crore** with year-wise relief as follows; i) 2010-11 – **Rs. 1.02 crore**, ii) 2011-12 – **Rs. 0.96 crore**, iii) 2012-13 – **Rs. 0.90 crore**, 2013-14 – **Rs. 0.84 crore** and 2014-15 – **Rs. 0.78 crore**. The total amount of CSS loans of the Government of Mizoram that will be written off on the recommendation of the

Commission is **Rs. 75 crore**. Thus, the debt relief introduced by the Commission will benefit the State to the extent of **Rs. 79.51 crore**.

91. The debt relief facility recommended by the Commission is conditional upon the States' amending their FRBM Acts, and incorporating the roadmap for reduction of fiscal deficit to 3 per cent of GSDP as recommended by the Commission. In the case of Mizoram, the reduction of fiscal deficit as recommended by the Commission is **6.4 per cent** in 2011-12, **5.2 per cent** in 2012-13, **4.1 per cent** in 2013-14 and **3 per cent** in 2014-15. I may separately propose for amendment of the FRBM Act in line with the above stipulations.

92. Having highlighted the broad fiscal framework and roadmap for fiscal consolidation as designed by the Thirteenth Finance Commission, I would like to share with the Hon'ble Members that my Government will continue to work towards fiscal consolidation. I fully agree with the Commission that for a long term sustainable and successful fiscal consolidation, the key lies in the growth dynamism of the economy. There is a two-way relationship between growth and fiscal consolidation; or what is called the '*strategy of expansionary fiscal consolidation*' where fiscal consolidation leads to higher growth due to higher levels of public and private investments, which in turn, further facilitates maintenance of fiscal stability. The Government will continue to work within the optimum mix of economic growth and fiscal consolidation for long term fiscal stability.

93. Mr. Speaker Sir, I would like to highlight some of the concerns in successful management of our state finance over the medium term.

94. The surging revenue expenditure in general will pose a threat to the Government's ability to maintain a revenue surplus and that building up of revenue surplus for financing the capital investment will be at stake. To match the incremental revenue expenditure, the Government has to find resources to meet the expenditure. The expenditure due to sixth pay revision for the employees with cascading effects on the pension payments will have to be absorbed in the expenditure. However, with the coming of the award period of the Thirteenth Finance Commission from 2010-11 and with the higher levels of transfer of various non-plan resources, we expect that the increased expenditure on account of the Sixth Pay Revision would slowly be absorbed in the overall expenditure and the shocks gradually minimized provided that we tighten our belts and sacrifice sumptuous expenditures on several items.

95. The major focus of the State's fiscal policy strategy will continue to generate revenue surplus and make rooms for capital investments from available resources. Fiscal deficit has to be brought down to the targeted level so as to reduce deficit financing which will in turn help reduce the debt stock. 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 Government will continue in its effort towards finding alternative resources to increase expenditure on 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 resources like external assistance in the form of EAP, private capitals in the form of PPP etc.

96. The fiscal shock that had commenced in 2007-08 and that had continued in 2008-09 and 2010-11 on account of food subsidy will continue to be the reason for fiscal imbalance in 2010-11 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 local food supply in the State, this will need to be carried on for a few more years but with reduced rate of subsidy, and if possible, without any subsidy for the APL families. 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.

97. On the positive side, the Government's effort to fiscal consolidation will be facilitated by the upward estimation of the State's share in Central Taxes in 2010-11. While the Budget Estimates of Share in Taxes in 2009-10 is **Rs. 393.40 crore**, the estimated amount in 2010-11 is **Rs. 563.06 crore** with an increase of **Rs. 169.66 crore**. This is a very positive feature in view of the downward revision of share in Central Taxes in 2008-09 and 2009-10.

Public Expenditure Review Committee

98. As the Hon'ble Members are aware, the 'Public Expenditure Review Committee (PERC)' which had been constituted to review the fiscal position of the Government and to act as watchdog of the state finance had been actively on the job. The 5th meeting of the PERC had already taken up review of the fiscal position for the first half of 2009-10 with various recommendations for improvements in our fiscal management.

Review of Fiscal Position for the First Half of 2009-10

99. 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 with the above statutory requirement, I am taking up review of the State's finances for the first half of 2009-10 covering the period from April to September, 2009 on the basis of the monthly civil accounts for September, 2009 and the various recommendations put forwarded by the PERC.

Medium Term Fiscal Policy Statement

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

Fiscal Policy Strategy Statement

101. A Fiscal Policy Strategy Statement is also drawn up and laid along with the budget documents for 2010-11. 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, investments and lending of the State Government in various forms. A Fiscal Correction Path laying down targets for fiscal indicators over the medium term up to 2012-13 has been charted out in the Statement.

Macro Economic Framework Statement

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

Consolidated Sinking Fund

103. As per the Revised Scheme of Consolidated Sinking Fund, we are investing **Rs. 16 crore** in 2009-10, which is the prescribed **0.5 per cent** of the total outstanding liabilities of the Government as on 31st March, 2009. The continued investment of the Government results in accumulation of funds in Sinking Fund and the principal amount already invested in 31.3.2010 comes to **Rs. 79.24 crore**. In 2010-11, I propose to invest **Rs.16.50 crore** towards augmenting the corpus of the Fund which is approximately **0.5 per cent** of outstanding liabilities as on 31.03.2010.

Guarantee Redemption Fund

104. In the month of May, 2009 we had set up a Guarantee Redemption Fund (GRF) with initial corpus fund of **Rs. 50 lakh**. I propose to augment the corpus with additional investment of **Rs. 50 lakh** during 2010-11. Assessment of risk-weights in the guaranteed loans has been completed by CRISIL Ltd. and we will consider levying of guarantee fees on future government guarantees on the basis of the rating of the entities.

105. Mr. Speaker Sir, while highlighting the various facets of the fiscal position of the Government, I would like to highlight the importance of finding resources to meet our expenditure requirements. We cannot expect the Central Government to salvage us out of the fiscal stress all the time and we need to do our best and tap our own untapped potential. It has rightly been quoted that '*there are no free lunches*' thereby indicating that all the economic agents should know that they are required to struggle in their efforts to growth and development. I would therefore, call upon all the functionaries under the Government that the relatively comfortable fiscal position on the award of the Thirteenth Finance Commission does not give us rooms for complacency and we have to take pains to match the resource inflows, generate our own resources and make proper and the best uses of the resources available so as to bring about long term economic impact.

VII. TAX AND NON-TAX PROPOSALS

106. Mr. Speaker Sir, we are a resource deficit State, characterized by limited tax and non-tax base leaving us a limited scope for improvements. Even with such limitations, our achievements towards collection of revenues are no less remarkable, with a very high own tax buoyancy during the last few years. I assure the Hon'ble Members that the Government will take utmost efforts to ensure higher collection while maintaining the optimum levels of taxation and without creating undue burden to the general public.

Improving the tax administration

107. The Government feels the need to address the various structural weaknesses in the tax administration running across the tax departments. To successfully address these issues, the Government will focus on restructuring of the Departments, develop appropriate Management Information Systems, takes up capacity building and increase the collection efficiency. The ADB assisted MPRMP will be a great help towards this end.

Land Revenue,

108. 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 supplemented with corresponding capacity building of the officials involved in the tax administration. This is expected to improve collection on account of land revenues. The State has been paying too much compensation for acquisition of land for public purposes while the land revenue collections have been too little. My Government will endeavour to bring land reforms.

Stamps and Registration

109. My Government will focus on better streamlining in handling stamps and registration of documents for increased collection of revenues.

State Excise

110. With total prohibition in force in the State, the Government's focus continues to be in favour of prohibiting production and consumption of liquor and hence, the contribution of State excise duty to the total revenue continues to be modest. While I propose to maintain the existing rates in 2010-11, with winery licenses issued to the two wineries at Champhai and Hnahthial and which are expected to commence production in 2010-11, I expect a sizeable increase in collection on excise duties from them.

Value Added Tax (VAT)

111. Value Added Tax (VAT) continues to be our main source of tax revenues with very high buoyancy. With the Goods & Services Tax (GST) to be implemented in the a few years' time, the Government will look at the overall tax structure keeping the future implementation of GST in view.

Taxes on vehicles, Other taxes on Goods & Passengers

112. Realising the increased potential in generation of revenues on account of motor vehicles, the Government has started the process of upward revision of taxes on motor vehicles for which appropriate decision will be taken in due course. The Government proposes introduction of one-time payment system in the tax payment which had been in practice in most of the States. The Government will also focus on introducing the Management Information System in the tax collection.

Other Taxes and Duties on Commodities & Services

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

Non-Tax Measures

114. Growth of Non-Tax revenues of the Government has been impressive during the last few years. We recognize that there are potential for increasing the collection by increasing the collection efficiency and improving the collection system. While I do not propose for specific measures on collection of non-tax revenues during 2010-11, we would ensure efficiency in collection and improving the collection systems by reducing the costs for generating incomes.

VIII. RECEIPT BUDGET FOR 2010-11

115. Realizing the need to mobilize resources and in keeping with the Government's efforts towards increased collection of our own resources, we have prepared a Receipt Budget for 2010-11, which will be the first of its kind in our budgetary exercise. This initiative, laying down targets of revenue collection of the different Department under various heads of revenues is expected to bring about increased efforts of the various Departments and Organizations under my Government for improving our collection.

IX. CONCLUSION

116. Mr. Speaker Sir, the Government faces the challenge to bring about a turn around in our economy and to crush the developmental bottlenecks and usher an era of economic growth and development. My Ministry's flagship programme in NLUP, which is targeted at development of the rural agricultural masses by affording them a means for sustenance and livelihood by replacing the very destructive jhumming system, will be an important beginning. However, as I had already appealed in my last budget speech, the success of these kinds of programmes depends on a multiplicity of factors, including the active support of the beneficiaries, who are the major stakeholders. I would, once again appeal to all the Hon'ble Members to kindly extend support to the Government's plan programmes and policies for achieving the objectives of growth and development and for having a better State to live in.

117. In the fiscal federalism of the country, the quantum of devolution of resources from the Centre to the States is the main determinant of our fiscal position. The Government is also required to work in close tandem with the Central Government so

as to bring about convergence of resources that flow to the State in various forms. I believe that effective convergence of resources and our plan activities is the key to growth and development. In the globalised economy, our ability to take gains from the availability of internal and external resources for investment is another important key to mobilize resources for investment. The increased devolution of resources on the recommendation of the Thirteenth Finance Commission will help in making funds available for investments and for building the required infrastructure for economic growth and development.

118. Having said all these, I hope that the Government's policies will be able to bring about growth and development, of which the benefits could be reaped in a few years' time.

119. With these words, I commend the **Budget** to the 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.