



GOVERNMENT OF MIZORAM

**Budget Speech
1993-1994**

PU J. LALSANGZUALA

Hon'ble Finance Minister

In the

Mizoram Legislative Assembly

On

Monday, the 15th March 1993

Mr. Speaker Sir,

I now rise, with your permission, to present the Mizoram Budget for the financial year 1993-1994.

2. During the last year and a half, the Country has witnessed perhaps the most dramatic changes on the economic front in the post-independence era. The process of economic reforms with twin pillars of liberalization and globalisation, initiated in June 1991, made substantial progress. The considerable advance made in bringing about fiscal correction is reflected in deceleration in inflation in the course of the year. The rate of inflation declined from 17 percent in August 1991 to mere 7 percent by 1992 end. The fiscal deficit which ruled at 8.4 percent of Gross Domestic Product in 1990-1991 was brought down to 5 percent only in 1992-1993. Further, the growth of GDP is expected to exceed 4 percent in 1992-1993 as against 1.2 percent only in 1991-1992. But there is no cause for complacency. A great deal remains to be done. However, this task cannot be accomplished by the center alone. The Economic Survey presented in the Parliament sometime back has implored the State Governments to supplement the Center's efforts by reducing their budgetary deficits. An expert scrutiny of State's fiscal policy has also been recommended in the Survey.

3. It is with this in the background that I have framed my Budget. Drawing lessons from the changes in the national scene, we have to do our mite so as to gradually reduce our heavy dependence on the Central support. The need of the hour is self-improvement by refashioning our methods of functioning and mode of thinking. I, as Finance Minister, have quite a thankless job while translating these in practice. I hope the Hon'ble Members would appreciate the unenviable position I am placed in and while evaluating my Budget in this light extend their full co-operation. The only alternative to fiscal discipline is fiscal disaster and we must do our best to avert the same.

PLAN EXPENDITURE

4. The size of the Eight Five year Plan (1992-1993) of Mizoram has been fixed at Rs. 763.00 crores. This is about treble of the original size (Rs. 260.00 crores) and more than double of the expenditure of Rs. 370.00 crores incurred on State's Seventh Plan (1985-1990). For the first year of the Eight Plan (1992-1993), the size of the State's Annual Plan was fixed at Rs. 166.00 crores, including additional Rs. 5.00 crores for Serlui 'B' power Project and Rs. 1.00 crore for restoration of landslide damages at Hlimen. We also expect to get loans of Rs. 10.00 crores in the current year from Power Finance Corporation to accelerate tempo of some projects. On present indications, our performance may be more or less in the neighbourhood of the targeted allocations.

5. For the next year (1993-1994), an outlay of Rs. 185.00 crores has been approved by the Planning Commission for the State's Annual Plan. The Centre has undertaken to provide an assistance of Rs. 174.48 crores for this Plan. The balance of rs. 10.52 crores is assigned for State's own contribution including Rs. 5.00 crores by way of market loan. It is for the first time that Planning Commission has allowed the State Govt. to tap this instrument of Plan funding. This marks another step towards our joining the mainstream with other states.

6. In our Plan for the next year, Agriculture and allied sector continue to get the top-most priority with about one-third of the Outlay allocated to it. New Land Use Policy with an outlay of Rs. 27.73 crores occupies the prime of place. A special provision of Rs. 3.00 crores has been made for strengthening of Mizoram Agricultural Marketing Corporation. The Sectors of Power & Communications have been accorded the second and third priorities with allocations of Rs. 28.21 crores and Rs. 23.97crores respectively; the Serlui 'B' Hydel Project in which Rs. 5.00 crores is expected to be spent in the current year would have a further allocation of Rs. 5.00 crores in 1993-1994. Social Services have been given high priority. Both Education and Water

Supply and Sanitation have been allotted over Rs. 13.00 crores each. The distributions system of Lunglei Water Supply Schemes is proposed to be completed. An allocation of Rs. 7.00 crores has been made for the District Councils.

7. Apart from the outlay of Rs. 185.00 crores on the State Plan. A provision of Rs. 7.85 crores has been made for NEC Schemes. It is also proposed to incur an additional expenditure of Rs. 3.28 crores for acceleration of progress of selected power schemes to be funded by loans from Power Finance Commission. As regards Centrally Sponsored Schemes, only token provisions have been made in the absence of clear indications available at present from the various sponsoring agencies.

8. A booklet highlighting the performance in 1992-1993 and programmes for 1993-1994 of various departments have been circulated separately along with the Budget documents. I do not, therefore, propose to touch upon the same here.

RANGAJAJAN COMMITTEE

9. At the instance of NDC, the Planning Commission had constituted in April 1991 an Expert Committee to suggest durable solutions to the financial problems of the Special Category States, under the Chairmanship of Dr. C. Rangarajan, former Member of the Commission. The most important financial problems being faced by us and most of the other Special Category States related to the existence of Non-Plan gaps resulting in frequent overdrafts with the Reserve Bank. The problem emanated from the cessation by the Planning Commission from 1989-1990 of the practice of taking into account the Non-Plan gap also while fixing the level of Central Assistance for the Plan and the unrealistic assessment of our requirements by the Ninth Finance Commission. Even the most legitimate committed liability in respect of Seventh Plan Schemes was not funded by that Commission.

10. The Committee which submitted its report in August last year is stated to have made the following recommendations:

- (a) the committed liability in respect of Seventh Plan may be treated as Plan expenditure in 1992-1993;
- (b) up to 20 p.c. of the Plan assistance in 1992-1993 may be diverted towards covering the Non-Plan gap;
- (c) up to 10 p.c. of the Plan assistance in 1992-1993 may be given additional to meet Non-Plan gap, in six monthly installments from October 1992 onwards, on the condition that the State had no overdraft even on a single day in the month preceding; and
- (d) the servicing liability due in 1992-1993 on account of the U.T. period loans may be written off.

11. We had been looking at the outcome of this Committee's deliberations with great hope. However, with due regard to the Committee, I would submit that its recommendations were most disappointing, Sir, if you allow me, I would venture to go to the extent to say that the Committee has failed to fulfill the job assigned to it. They have not suggested any durable solution to our problems as required of them. All the four recommendations pertain to the current year and even for this year; much of the relief is illusory. For example, as the Hon'ble Members know, because of paucity of resources, our seventh Plan committed liability was not transferred to Non-Plan account. It is already on Plan account. The second recommendation of the Committee also does not help us, as this would result in cutting the size of our Plan, which in any case was not practical.

12. The most surprising was the condition of 'no overdraft; attached to the release of additional assistance. The assistance was designed to relieve the State of overdraft and the

absence of overdraft itself has been made a pre-condition for its release. It is most unfair and unjust. We are fighting for the waiver of this condition all together.

13. I had in my last speech expressed hope, on the basis of what transpired at the Annual Plan meetings with Planning Commission, for write off of U.T. period loans. Sir, I am sorry to say that the Rangarajan Committee has disillusioned us totally. The relief afforded by it is a paltry sum of a little over Rs 8.00 crores against the outstanding dues of over Rs. 51.00 crores. We are not at all in a position to meet this liability and have decided to continue our efforts, and more vigorously, for the total waiver of U.T. period loans.

REVISED ESTIMATES FOR 1992-1993

14. In my speech last year, I had stated that the year 1991-1992 was expected to close with an overall deficit of Rs. 20.92 crores. However, according to the Reserve Bank's account, the actual deficit was somewhat larger at Rs. 23.90 crores. This deterioration was mainly because of less receipt by way of Central assistance to the extent of Rs. 2.34 crores. We expect to get bulk of the cut restored on furnishing requisite data on the actual expenditure incurred on certain earmarked schemes.

15. The Budget Estimates for 1992-1993 presented by me last year revealed on overall surplus of rs. 7.94 crores. The surplus is now estimated at Rs. 3.39 crores. This is mainly the net result of increased in Non-Plan expenditurae resulting from the sanction of two installments of D.A. effective from 1.1.1992 and 1.7.1992 involving a net liability of over Rs. 8 crores counter-balanced by additional assistance of Rs. 5 crores under the recommendations of Rangarajan Committee. No provision for increases in D.A. was made in the Budget as mentioned in my last year's speech. While on this subject, I must thank our employees for the sacrifice made through impounding of additional dearness allowances arrears amounting to about Rs. 5 crores.

16. On the basis of the Revised Estimates for the current year, the year is likely to close with a deficit of Rs. 20.51 crores. Though the servicing liability due this year in respect of U.T. period loans has been waived, I have not provided for payment of accumulated arrears of Rs. 25.16 crores, as our resources position does not permit me do do so. As mentioned earlier, we propose to take up the issue of write off of these loans again with the Union Government.

BUDGET ESTIMATES FOR 1993-1994

17. After having presented surplus budgets for the last two years and, more important, maintaining the position in practice, I am this time constrained to come before this august House with a Budget which reveals an over-all deficit. Much against my wishes, I could not help it.

Sir, as you know, over 90 percent of our budget is funded by the Centre. Of late, our requirements and commitments have been growing at a pace faster than that of the flow of Central support. The problem of Non-Plan gap to which I made a reference earlier is posing a serious menace. In this context, I would request Hon'ble Members' unstinted cooperation in doing our best in mobilizing additional resources and cutting down avoidable expenditures.

18. While on this subject, I would like to draw the attention of Hon'ble Members to an important development in the constitution by the President of India of the Tenth Finance Commission. This Commission is required to make its recommendations on tax sharing and grant-in-aid to States for the five years (1995-2000). This Commission is very vital to us, as the ultimate solution to our financial problems lies in their proper appreciation of our case. This Commission, which is expected to submit its report by November this year, has called for colossal amount of data on various aspects of State's finances and economy, apart from a memorandum containing State's views on its terms of reference. At this stage, we may only wish that the commission makes realistic evaluation of our requirements and recommends adequate devolution of funds to not only pull the State out of the morass of Non-Plan gaps but to enable it to make reasonable contribution towards creation of necessary developmental infra-

structure. From our side. I may only assure that the State would spare no effort to project its problems before the commission in their true perspective.

19. Coming to the figures, the Budget Estimates place revenue receipts at Rs. 4236.91 crores and revenue expenditures at Rs. 364.88 crores, involving a surplus of Rs. 59.03 crores on Revenue Account. Most of this is on Plan account. On Public Account also, estimates reveal a surplus of Rs. 12.25 crores. The problem arises on Capital Account. Because of huge deficit of Rs. 72.34 crores on this account, there is an overall deficit of Rs 1.06 crores in the Budget. With this, the deficit at the close of the year is estimated at Rs. 21.57 crores.

20. I made a reference earlier to the U.T. period loans. For the reasons indicated already, we have not been paying the dues and have thus accumulated arrears of Rs. 25.16 crores. Another amount of Rs. 7.03 crores is due in 1993-1994. I have not made provision for payment of these dues. We hope that the Government of India would agree to our request for write off of these dues. Another contingent liability for which I have not made provision in my budget is the cost of implementing the recommendations of the Pay Commission, which submitted its report in December last. These recommendations are under examination of the State Government. For payment of further dearness allowance also, I have not made any provision in the budget. I expect the departments to accommodate as much of the liability as possible within the Budget allocations made to them through vigorous efforts at economy in Non-Plan expenditure.

21. For the present, I am not proposing any measures for additional resource mobilization. During the course of the year, the Government may come forward with some such measures depending upon the needs of the situation. Efforts will also be made to effect better recovery of dues and to economize to the utmost on non-plan expenditures apart from improving productivity and efficiency of Government functioning.

22. Sir, before closing, I must heartily thank on behalf of this august House, the Hon'ble Union Finance Minister, for a bold proposal made by him in his speech while presenting the Central Budget in the Parliament, for the grant of tax- holiday for a period of five years to the industrial undertakings which may be set up in the North-East. I hope that people from the State and others would take advantage of this concession and help in the creation of developmental infrastructure in Mizoram.

23. In the end, I would like to thank all those involved in the preparation and printing of the Budget especially the officers and staff of the Finance Department and Printing and Stationery Department for the hard work put in by them so as to present the Budget before this august House well in time. May I also thank you Sir, and the Hon'ble Members for bearing with me. I earnestly request them to give me the benefit of their wise counsel for guidance.

24. With these words, Sir, I commend the State Budget for 1993-1994 for the consideration and approval of this august House.

Thank You