



GOVERNMENT OF MIZORAM

Budget Speech

1996-97

PU J. LALSANGZUALA

**Hon'ble Finance Minister
In the
Mizoram Legislative Assemble
On
Thursday, the 14th March 1996**

Sir,

May I have your permission to present to the House the Revised Estimates for the year 1995-96 and the Budget Estimates for the year 1996-97.

2. Let me, Sir, at the outset, submit that the Budget Estimates for the year 1996-97 which I propose to present are interim in nature. Honourable Members know that our budget is heavily dependent on the flow of resources from the Centre. As much as 93 percent of our budget is sustained by the Central support. Because of the ensuing general elections in the country, the Central Government has deferred finalization of the Plan outlay and the Central support for 1996-97. As such, there is no clear picture available about the quantum of funds from the Centre. Further, the Planning Commission has also not yet finalized the State Plans. Under the circumstances, it is not possible to project expenditure levels for the next year in a realistic manner.

3. The current year has been an year of some achievements and some sacrifices. The Planning Commission, after fixing the Plan outlay at Rs.227 crore, allocated additional assistance to the tune of Rs.22 crore, consisting of Rs.10 crore for the Capital Project, Rs.8 crore for the Indo-Myanmar trade and Rs.4 crore for the State University. Thus, the total size of the State Plan rose to Rs.249 crore with the Central support as high as Rs.283 crore. This has been a unique achievement and while we congratulate ourselves for it, we also owe our gratitude to the Planning Commission for their generous allocation to take care of our development needs.

4. In my speech last year, I had mentioned about our undertaking given to the Planning Commission to raise additional resources of Rs.20.61 crore towards funding the Plan in the current year. I take pleasure to inform the Honourable Members that we have acquitted ourselves creditably by fulfilling this undertaking. In this connection, I would like to draw the attention of the Honorable Members to the active deliberation of the Mizoram Resources Mobilization and

Taxation Enquiry Committee under the Chairmanship of the Chief Secretary which has held three sittings during the current year and gave useful and far-reaching recommendations to help raise additional resources to fund our Plan. Some of these recommendations like revision of bus fares and rates of profession tax, extension of passenger tax to taxis, introduction of tax on cable T.V. operators and imposition of composite tax/fee on tourist buses and taxis have already been implemented, which have brought an additional revenue to the tune of Rs.55 lakhs. The Government has also decided to introduce in the State the system of use of Revenue Stamp of Re 1 on all payments of Rs.500 and above. The modalities are being worked out.

5. I made a mention about sacrifices. As part of our efforts to raise resources, we were committed to impound D.A. increases and Interim Relief of Government employees. But for the unstinted cooperation extended by employees in agreeing to the scheme of impounding and crediting to their respective GPF accounts, we could have faced financial problems. Sir, I would like to make an earnest appeal to the Honourable Members to join me in conveying our sincere thanks to our employees for this sacrifice in the face of mounting pressures on their personal budget.

6. Sir, my heart bleeds when I talk of the Chhimtuipui disaster that struck last year. It is said that the strength of the people is really seen in adversity and how they cope with it. It goes to the credit of the people that they bore the brunt stoically despite huge losses to lives and property. In any adversity like this, availability of funds to restore the damaged property and rebuild the economy is always limited and the task is daunting. Besides releasing Rs.1.20 crore from the Calamity Relief Fund, saving from the budget also enabled releasing an additional amount of Rs.2.36 crore for restoration work. Our appeal to Government of India resulted in further assistance of Rs.4.71 crore. We have also received generous financial help to the tune of Rs.35.13 lakhs from private and voluntary agencies like Churches, non-government organizations (NGOs) and individuals and we are beholden to them for this wonderful gesture. At this juncture, I would like to take the opportunity to thank our Honourable Prime Minister for

this generous cash assistance to the tune of Rs.50, 000 to each of the bereaved families who lost their kith and kin in the tragedy. I once again salute the brave hearts of our people and the sacrifices they had to make under the circumstances.

TENTH FINANCE COMMISSION

7. In my last speech I made a mention of the Tenth Finance Commission. I take pleasure to inform the Honourable Members that the per capita transfer of resources to Mizoram under the recommendations of the Tenth Finance Commission is the highest among the States. The total devolution recommended by the Commission to Mizoram for the period 1995-2000 is Rs.1802.01 crore – Rs.1398.37 crore by way of tax-shares and Rs.403.64 crore by way of grants-in-aid – representing a step-up of 76.5 percent over the recommendations of the Ninth Finance Commission for the preceding five-year period 1990-95. Apart from the revenue gap grants of Rs.331.19 crore, the other grants include Rs.57 crore for the development of Lengpui Airport, Rs.2.82 crore for Police housing, Rs.4.31 crore for up gradation of some selected services, Rs.3.32 crore for improvement of local (rural and urban) administration and Rs.5 crore as contribution towards the Calamity Relief Fund. The special grants-in-aid of Rs.57 crore for the Lengpui Airport was in addition to Rs.20 crore allocated earlier by the Planning Commission for the two years 1994-95 and 1995-96. Another notable feature of the report of Tenth Finance Commission is that Mizoram, for the first time, came to have a share, though small, out of the grants-in-aid earmarked for distribution to States by way of compensation in lieu of the repealed tax on the railway passenger fares. This was in recognition of a stretch of railway-line entering the State upto Bairabi.

PLAN OUTLAYS

8. I mentioned that the total size of the State Plan in the current year is Rs.249 crore with Central support being Rs.283 crore. On present indications, we are expected to spend Rs.234 crore only in the current year. The shortfall of Rs.15 crore is under the externally aided projects. We have approached Overseas Economic Cooperation Fund (OECF) of Japan through the

Government of India, for assistance for the Tuirial Hydel Project and a fact-finding team is likely to visit the State early next year. In addition to the State Plan, the expenditure on Centrally Sponsored Schemes is estimated at Rs.57.55 crore and on N.E.C.Schemes at Rs.16.13 crore. An extra outlay of Rs.8.05 crore is on schemes funded by the Rural Electrification Corporation and the Power Finance Corporation. For the next year, we have, as directed by the Planning Commission, tentatively assumed the outlay on the Plan at the same level as the normal Plan in the current year. The Plan expected to be finalized by the Planning Commission after general elections will be reflected only in the regular budget for 1996-97 to be presented later.

REVISED ESTIMATES FOR 1995-96

9. With an overall surplus of Rs.4.67 crore during 1994-95, the current year (1995-96) opened with a deficit of Rs.27.25 crore. The Revised Estimates framed now for 1995-96 reveal a closing deficit of Rs.41.21 crore. Though there is a deterioration of resources to the tune of Rs.18.63 crore over the last year, bulk of this deterioration was only technical in nature in the sense that the expenditure corresponding to the assistance of Rs.14.96 crore received at the fag end of the last year for payment of rental charges to those whose property was utilized by the security forces during the counter-insurgency operations, had to be provided in the Revised Estimates for the current year.

10. From the receipts angle , the current year proved quite difficult. For this year (1995-96), the Tenth Finance Commission had estimated a deficit of Rs.293.78 crore in the Mizoram's non-Plan Revenue Account. To cover the same fully, they assumed devolution of Rs.146.53 crore by way of tax-shares and recommended a general grants-in-aid of Rs.147.25 crore for the balance. However, the tax-share allocated by the Government of India was reduced to Rs.135.09 crore on account of expected shortfall in the revenue from the Union Excise Duties. Our Honourable Chief Minister took up the matter with the Union Finance Minister with a plea to compensate us for this shortfall through a corresponding increase in the quantum of the grants-in-aid, in compliance with the true spirit underlying the Finance Commission's assessment. This, however,

did not materialize. There was further erosion in our receipts in the form of a recovery of Rs.10.05 crore from our tax-share on account on the excess payment stated to have been made in 1992-93.

11. The Budget Estimates for the current year as presented by me last year had shown an overall surplus of Rs.8.72 crore. As compared to this, the Revised Estimates framed now show a deficit of Rs.13.96 crore. Apart from the shortfall in the State's tax-shares, there were certain inescapable increases in expenditure also. The non-Plan expenditure has grown from Rs.308.30 crore in the B.E. stage to Rs.381.64 crore at the R.E. stage. One of the reasons as stated above, was the provision for the payment of rental charges which had to be made in the Revised Estimates. Besides, provision had to be made for payment of compensation to those whose property was damaged during the counter-insurgency operations, corresponding to the grants-in-aid of Rs.18.36 crore received from the Government of India. There was extra expenditure also because of massive landslides in the southern parts of the State. Also, I had deliberately not made provision in the Budget Estimates for payment of two installments of DA due to employees in the fond hope that this burden would be absorbed by the departments through economy in their normal budget allocations. This, however, could not be absorbed. Further, payment of Interim Relief also had to be made to employees including arrears for the period September 1993 to March 1995. However, as already stated, due to cooperation extended by our employees, much of these could be impounded in GPF accounts.

BUDGET ESTIMATES FOR 1996-97

12. On the basis of the Revised Estimates for 1995-96, the next year 1996-97 is expected to open with a deficit of Rs.41.21 crore. One of the foremost considerations before me while framing the budget for the next year was to reduce this deficit to the utmost extent possible. With the cooperation of different departments, I have succeeded in framing a surplus budget for 1996-97. The budget shows a surplus of Rs.4.47 crore against the deficit of Rs.13.96 crore as per the Revised Estimates for the current year, showing an improvement of Rs.18.43 crore. This was

possible mainly through the avoidance of inessential expenditure and containment of the growth of other non-Plan expenditure. I hope to maintain this trend in the final budget for the year.

13. The Budget Estimates show a surplus of Rs.97.89 crore on Revenue Account, with revenue receipts placed at Rs.581.82 crore and revenue expenditure at Rs.483.93 crore. However, with a huge deficit of Rs.94.85 crore on Capital Account, there is a small surplus of Rs.3.04 crore only in the Consolidated Fund. The Public Account also reveals a small surplus of Rs.1.43 crore. With the overall surplus of Rs.4.47 crore, the closing deficit is estimated at Rs.36.74 crore.

14. Taking the budget as a whole, total disbursements in 1996-97 amount to Rs.643.10 crore consisting of Rs.257.08 crore on Plan account and the remaining Rs.386.02 crore on non-Plan account. The Central support comes to Rs.599.74 crore, accounting for 93.26 percent of the aggregate budget.

15. As stated earlier, the outlay on the State Plan and the Central assistance therefore are tentatively pitched in the budget at the level of the current year only. Provision has also not been made in the budget for the fresh installments of D.A., which the Government may have to pay to the employees next year. Following the report of the Fifth Central Pay Commission expected early next year, the State Government may also have to go in for extensive pay-revision for its employees. On the other hand, the Government may have to go in for further additional resource mobilization on the basis of the recommendations of the Mizoram Resources Mobilization and Taxation Enquiry Committee, which is in session. I propose to take up all these aspects at the time of framing the final budget for the year 1996-97.

16. Before I close, I want to make an earnest appeal. Our demand on the limited resources is ever growing as the Government expenditure is increasing year after year. As per the recommendations of the Tenth Finance Commission, the non-plan gap grant is shrinking every

year until it disappears totally in another four years time. While we have made every effort to raise resources of our own to match the need, there are limitations. The only alternative is to tighten our belts and the departments of the Government spend discreetly and avoid unnecessary expenditure. As they say, 'economy is a great source of revenue' and I want every department to follow this so that we can learn to live within our means. I am hopeful that the departments would heed to this advice.

17. While as required, the Annual Financial Statement for the year 1996-97 has been laid before the House and the connected Demands for Grants are also circulated to the Honourable Members, I am, at this stage, seeking a "Vote on Account" only for the first four months of the financial year 1996-97.

18. Sir, before I close, I would like to thank you and all other Members of the House for giving me a patient hearing and attention. I also express my thanks to the Officers and staff of all departments, especially the Finance Department and the Government Press. Further, this is the first time that the State budget has been largely prepared on the Computer. This was possible only because of the special efforts put in by the Mizoram Unit of the National Informatics Centre. My special thanks are due to them for this cooperation.

Thank you, Sir.