

***Mr. Speaker Sir,***

With your permission, I rise to present before this august House **the second Supplementary Demands for the year 2010-11** and **Budget Estimates for the year 2011 – 2012** for seeking **Vote-on-Account** to meet the essential expenditure for one third of the estimated expenditure for **2011 – 2012** till the Regular Budget is passed by the House later.

**I. OVERVIEW OF THE ECONOMY**

1. Sir, the period of intense fiscal reforms and consolidation under the Twelfth Finance Commission (FC-XII) regime has been replaced by the mandate of the Thirteenth Finance Commission which recommended the roadmaps to further consolidate the processes of fiscal balance. We are entering into a new fiscal regime, as we are to experience a new dawn with a passing away of the Eleventh Five Year Plan (2007-08 to 2011-12) by the end of this year. While achievements of the past in some areas helped the State to have a square footing to go further to meet new challenges, past performances in other areas gave a mixture of hope as well as apprehension as the desired level of development and equitable growth are still far away from where we stand today.

2. I recognize that we still have a long way to go to fully realize the objective of achieving higher growth. The expected average growth rate of Gross State Domestic Product (GSDP) of Mizoram during the Eleventh Plan period was 7.1 percent. However, the Mid-Term Appraisal of the Eleventh Five Year Plan

produced by the Planning Commission of India placed the growth rate of the State at 5.5 percent in 2007-08, and 6.4 per cent in 2008-09 and the growth rate forecasted by the State for 2009-10 was 7 per cent only. Equipped with the outcomes of the mixture of these performances, we are now entering the award period of the Thirteenth Finance Commission, and the State Government will have to face challenges - dual tasks of mobilizing resources and ensuring austerity measures.

3. The objective of the State Government on one front is to strive for faster and inclusive growth. As per the new roadmaps for fiscal consolidation introduced by the Thirteenth Finance Commission, the projected growth rate of State's GSDP during 2010-11 is 9.7 per cent, 10 per cent in 2011-12, and 10.3 per cent growth rate of GSDP during the next successive three years. To achieve a faster and inclusive growth, we need to have more public investments as well as investments from private players. The slow pace of growth of GSDP in the past may be mainly attributable to the lack of investment other than public investments, which were regrettably insufficient to ensure the desired level of growth. Mainly due to its remote location and inaccessible terrains, lack of infrastructure and a rather hostile social and political history consequent to the political disturbances of 1966, and the aftermath private investment from outside is virtually absent. With the restoration of peace and improvement in communication, the climate conducive for entry of private players is slowly emerging. However, the Government will have to remain the key player as well as the creator of the right environment for investment for a long time to

come. Therefore, the Government will continue to accord priority to promote investment-friendly environment.

4. On the other front, the State's fiscal reforms program needs to be aligned with the structure of reforms introduced by the Thirteenth Finance Commission within which the fiscal deficit as well as the outstanding debt of the State has to be curbed at pre-determined levels. This implies that the Government will not be heavily relying on borrowings to finance its developmental expenditures. The issue of prime concern is, therefore, the need to generate surplus for capital investment. Towards this end, the State Government will take steps to reduce its non-plan revenue expenditure wherever possible, and at the same time, it will also take steps to ensure commercial viability of its public sector enterprises. The process for reforms of public sector units will be continued, and the continued existence of these Public Sector Units (PSUs) will depend to a great extent on their commercial viability. At the same time, the Government will continue to work with multilateral institutions to mobilize external resources to meet investment requirements. There is no denying the fact-that the road ahead is full of challenge. There are neither magic formulae nor short cut or easy way for achieving these goals. And I have no such magic tricks. May I remind the hon'ble Members that we have to reap the harvest by the sweat of our brow. Therefore, I propose to introduce certain measures to generate surplus fund for further investment for the common wealth of the people.

## **II. REVIEW OF YEAR 2010-2011**

5. Mr. Speaker Sir, Let me have a brief review of the fiscal position of the Year 2010-2011 as shown in the revised estimates

### **REVENUE RECEIPTS**

#### ***Tax and non-tax revenue***

6. Mainly due to the buoyant growth of Central taxes, the economy has been rebounding from the slow down of 2008 and the collection of tax revenue has increased considerably. This, in turn, had resulted in increased devolution of Central taxes and accordingly the tax revenue is increased to **₹ 714.93 crore** from the Budget Estimates of **₹ 681.32 crore**. The Revised Estimates under Non-Tax Revenues also increased to **₹ 177.59 crore** from the Budget Estimates of **₹ 166.36 crore**. Grant-in-aid is also estimated in the Revised Estimates at **₹ 2821.33 crore** against the Budget Estimates of **₹ 2406.17 crore**. The total revenue receipts in the Revised Estimates for 2010-11 is, therefore, **₹ 3713.85 crore** against the Budget Estimates of **₹ 3253.86 crore**.

#### ***Capital Receipts***

7. The estimated net capital receipt in the Revised Estimate for 2010-2011 is **₹ 571.38 crore** over and above the Budget Estimates of **₹ 259.59 crore** securing an increase of 120.11 per cent. This includes net Public Debt of **₹ 538.37 crore** and recoveries of Loans & Advances of **₹ 33.01 crore**.

## **EXPENDITURE**

### ***Revenue Expenditure***

8. In the revenue account for the Revised Estimates 2010-11, the gross revenue expenditure was estimated at ₹ **3701.44 crore** against the budget estimate of ₹ **2913.98 crore**. Out of this, non-developmental expenditure was estimated at ₹ **2205.33 crore** which is 59.5 per cent of the total revenue expenditure whereas development expenditure was estimated at ₹ **1496.11 crore** which accounts for 40.2 per cent of the total revenue expenditure.

### ***Capital Expenditure***

9. Capital Expenditure includes expenditure on capital outlay, disbursement of loans and advances and repayment of loans. Revised Capital expenditure during 2010-11 was estimated at ₹ **1351.87 crore**. Out of which, Capital Outlay was estimated at ₹ **890.33 crore**, disbursement of loans at ₹ **32.15 crore** and Public Debt at ₹ **429.39 crore**.

### ***Fiscal Indicators***

10. The gross fiscal deficit during 2010-11 is estimated at ₹ **735.32 crore**, which is 11.6 per cent to the State's GSDP. The targeted gross fiscal deficit as a percentage to the GSDP during 2010-11 as per the fiscal consolidation roadmap introduced by the Thirteenth Finance Commission is 7.5 per cent.

### ***Revenue Surplus***

11. The revenue surplus in the revised estimates for 2010-11 is ₹ **14.15 crore**. The rather low level of revenue surplus and its resultant high fiscal deficit is mainly due to introduction of new pay to the employees and pensioners in line with the recommendations of the Sixth Central Pay Commission.

### **III. BUDGET 2011 – 2012**

Mr. Speaker Sir, I now turn to the Budget Estimates for 2011-12.

12. As hon'ble Members are aware, due to late finalisation of the State Annual Plan for 2011 – 2012, I am not in a position to present a regular Budget but to seek for **Vote-on-Account**. I will lay a regular budget in due course.

### ***Revenue Receipts***

13. Estimated Revenue Receipt is ₹ **3501.67 crore**. Out of this, the State's Own Tax revenue is estimated at ₹ **173.17 crore** and the State Own Non-Tax revenues is estimated at ₹ **237.57 crore**. Share of taxes is estimated at ₹ **709.73 crore** and Grants in aid from Central Government is estimated at ₹ **2381.20 crore**.

### ***Capital Receipts***

14. Net Public Debt is estimated at ₹ **192.95 crore** and the recoveries of Loans & Advances is estimated at ₹ **33.01 crore**.

### ***Expenditure***

#### *Revenue Expenditure*

15. Gross Revenue Expenditure is estimated at ₹ **3262.47 crore** whereas Net Revenue expenditure is estimated at ₹ **3260.72 crore**.

#### *Capital Expenditure*

16. Gross Capital Expenditure is estimated at ₹ **506.68 crore**, Public Debt at ₹ **263.67 crore** and Loans and Advances at ₹ **30.00 crore**.

### ***Annual Plan 2011 – 2012***

17. Respected Sir, the Annual Plan size for 2011-12 was finalized only a few days ago and time does not permit me to present Regular Budget incorporating the Annual Plan. At the same time, I am happy to inform the hon'ble Members that the Annual Plan Outlay for 2011-2012 was fixed at ₹ **1700.00 crore** in the meeting I had with the Deputy Chairman, Planning Commission of India. The plan commitments and developmental initiatives will be highlighted at the time of laying of the regular budget. However, I will make a brief on NLUP which is the flagship program of my Ministry.

#### *New Land Use Policy*

18. The State Government will continue to make efforts for achieving the objective of inclusive growth through the New Land Use Policy (NLUP) in a planned manner. This gigantic and noble Policy of the State Government will not only create sustainable and profitable livelihood but it will also positively

affect issues like environmental sustainability, poverty reduction and gender balance. It is also expected that the policy will trigger higher growth in the Agriculture Sector. During 2010-2011, ₹ **234.82 crore** was allocated under Additional Central Assistance for the implementation of NLUP which was divided into three components, namely- the Management Component of ₹ **15.62 crore**, Infrastructure Component of ₹ **20.49 crore** and Development Component of ₹ **198.71 crore**. From the Development Component, 45139 beneficiaries are given financial assistance. For the next financial year, Projection has been made to cover more beneficiaries and to enhance the coverage of the scheme in terms of financial assistance, training, capacity building and infrastructure development. The physical and financial projections for 2011-12 will be duly incorporated in the Regular Budget.

#### *Fiscal Indicators*

19. Revenue account will continue to be in surplus and is estimated at ₹ **240.94 crore** and the Gross Fiscal Deficit is estimated at ₹ **112.73 crore**. Hence, the percentage of gross fiscal deficit to the projected State's GDP (current prices) which stood at ₹ **7216.75 crore** is 1.56 per cent.

#### *Outstanding Public Debt*

20. Outstanding public debt which was as high as ₹ **3259.81 crore** at the end of 2008-09 fiscal was reduced to ₹ **3163.94 crore** during 2009-10 fiscal. Containing the outstanding debt could be partly attributed to pre-payment of high cost debt under the ADB-assisted Mizoram Public Resource Management Programme.



*Public Expenditure Review Committee*

21. The Public Expenditure Review Committee (PERC) had already held its sittings to review the fiscal position for the 1<sup>st</sup> half of 2009-10 and the 2<sup>nd</sup> half of 2009-10 on 10<sup>th</sup> March 2010, and 14<sup>th</sup> March, 2011 respectively.

**IV. TAX AND NON- TAX PROPOSALS**

22. Sir, as I already highlighted, the increasing pressure of expenditure on revenue account on the one hand and the need for higher investments on capital account compel us to mobilize more resources. To effectively address this, we need to adopt a two-way approach to fiscal management; to contain non-productive expenditure and mobilize additional resources. In keeping with this, I propose the following measure for mobilising tax and non-tax revenues.

23. I propose the following measures of tax and non-tax revenues-

a) upward revision of rates of sales tax on Petroleum products and increase of the uniform floor rate of VAT on other items as done in the neighbouring States.

b) upward revision of monthly minimum of user charge in respect of piped water supply; upward revision of various taxes under Transport Department which were fixed as far back as in 1997.

c) compulsory registration of all documents relating to land settlements, periodic patta, etc...

d) compulsory registration of Labourers and Casual Employees and levying of employment Cess from regular employees of the State Government.

24. Further, may I share with the hon'ble Members that our financial resources had been drained heavily by provision of subsidy on food and Public Distribution System (PDS) items to the masses and without properly targeting the intended population. While I recognize the need and significance of a well-designed subsidy in public expenditure, this kind of subsidy to the masses could have various negative impacts. Above all, it dearly costs the Government. I, therefore, propose a review of the existing subsidy in food and other PDS items so that issue price will be enhanced in respect of people other than those below the poverty line and those paying the maximum ceiling of professional tax. This will help in effectively addressing the fiscal imbalances in the Government.

## **V. CONCLUSIONS**

25. Mr. Speaker Sir, I would like to thank all the hon'ble Members of this august House for giving me a patient hearing.

26. With these words, I commend the Budget Estimates for 2011-2012 and Vote on Account for the first four months from April 2011 to July 2011 for consideration and approval of this august House.

*Thank You, Sir*