



सत्यमेव जयते

**GOVERNMENT OF MIZORAM**

**BUDGET SPEECH**

*of*

**PU H.LIANSILOVA  
HON'BLE FINANCE MINISTER**

*for*

**2011-2012**

*in the*

**MIZORAM LEGISLATIVE ASSEMBLY**

*on*

***Thursday, the 14<sup>th</sup> July, 2011***

Mr. Speaker Sir,

With your permission, I rise to present the Regular Budget Estimates for the year 2011 – 2012 before this august House.

1. Sir, I deem it a great privilege for me to present the first Budget as a Finance Minister and the third Regular Budget of the current Ministry especially at a time when the country's economy is showing signs of recovery from the period of global economic slow down which happened three years ago. It is well known that the State's economy has been following the trajectory of the country's development. Therefore, it remains the sincere efforts of this Government to catch up with the rest of the country in the overall economic development.

2. It has been highlighted in the Budget Speech (Vote on Account) which was presented in the early part of this year, that fiscal reform in keeping with the Mizoram Fiscal Responsibility and Budget Management (FRBM) Act, 2006 in line with the recommendation of Thirteenth Finance Commission, has become a beacon while framing the policy and program of the Government. Again, in keeping with the new roadmap for fiscal consolidation introduced by the Thirteenth Finance Commission, we continue to maintain Revenue Surplus in the Budget and the efforts have also been made to reduce the fiscal deficit as a percentage of Gross State Domestic Product (GSDP) to achieve a target of 8.5 *per cent* in 2010-11, 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. Outstanding debt of the State will also be managed to contain within the recommendation of the Thirteenth Finance Commission.

3. Sir, I also feel very fortunate that I can prepare Budget in the wake of the early period of Thirteenth Finance Commission which recommends more devolution of share in taxes which, in turn, gives me an opportunity to provide room for enhancing Capital Outlay and bring about a remarkable infrastructure and socio-economic development in spite of the prevailing financial constraints due to the virtual absence of private investments other than grants coming from Central Government.

## **I. OVERVIEW OF THE STATE ECONOMY**

4. Respected Sir, I am happy to present highlights of Economic Survey Report for 2010-11 before this august House which was laid on 28<sup>th</sup> March, 2011. This Survey Report highlights a detailed analysis of the economic activities of the State for the current year at the time when the Country's economy is showing recovery and back to its pre-crisis growth momentum.

5. The Economic Survey Report 2010-11 shows that the finalized GSDP for 2004-05 stood at **₹ 2681.97 crore** at current prices. It further reveals that the State Economy is projected to grow at about 9.57 *per*

cent during 2010-11 while the National Economy is projected to grow at 8.6 per cent during the same period.

6. GSDP at current prices for provisional estimates of 2008–09 stood at ₹ **4581.35 crore**. Quick estimates for 2009–10 stood at ₹ **5497.93 crore** and Advance Estimates for 2010–11 at ₹ **6297.10 crore**. With this, the projection of GSDP for 2011–12 at current prices stood at ₹ **7216.75 crore**. Even compared with the rest of the country, the growth of the State economy is quite encouraging.

7. The Economic Survey further shows, for the current financial year 2011-12, that the Services sector continues to be the dominating sector with its share of 59.47 per cent, followed by Industries Sector at 21.97 per cent and Agriculture Sector at 18.56 per cent. It is noteworthy to mention here that there is a slight improvement in the Industry Sector in comparison with the growth rate of the previous year. But, Agriculture sector shows a declining growth rate over the previous year. It is therefore, imperative that the Government invests more on Industries and Agriculture sectors for balanced growth.

## **II. A REVIEW OF YEAR 2010-11**

8. Respected Sir, the financial year under review witnessed a lot of fiscal reforms and consolidation which have been undertaken in line with the course of action determined by the Central Government and the prescription laid down by the Thirteenth Finance Commission. As it had been highlighted in the Budget Speech last year, the Thirteenth Finance Commission Report became effective from last fiscal which results in more devolution of Central Grants and Taxes to State government thereby giving us larger fiscal space to enhance infrastructure development and to invigorate Plan development. On the contrary, it recommends various fiscal measures which should be complied with by the State Governments in their fiscal management.

9. As hon'ble members are aware, The Mizoram (Revision of Pay) Rules, 2010 was implemented for the State Government Employees during the financial year under review. Inevitably, this has had its impact on the State finances. However, I would like to assure this august house that this Government is making an all-out-effort to tide over our fiscal constraint and to increasingly tap all the resources available for financing Capital investments and for triggering growth and development.

10. Sir, besides implementation of Pay Revision, provision of subsidy for the purchase of food grains and electricity also causes a huge payout to the detriment of the State fiscal management. State Government finds it difficult to set aside an optimum amount of budgetary allocation for infrastructure and socio-economic development during this financial

year. However, utmost efforts are undertaken to build up the Revenue Surplus of ₹ 16.63 crore which is well within the corrective measure roadmap recommended by the Thirteenth Finance Commission.

## **RECEIPTS**

### ***Revenue Receipts***

11. Revised Estimates of total revenue receipt during 2010-11 was ₹ 3716.32 crore against the Budget estimates of ₹ 3253.87 crore.

12. The State's Own Tax Revenue (SOTR) was estimated at ₹ 118.26 crore in the Budget Estimates and it improved to ₹ 124.15 crore in the Revised Estimates. Better performance than expected is mainly due to higher collection of revenues in respect of Land Revenue and VAT. In spite of achieving the Budget Estimates in the Revenue Accounts and Revenue surplus is shown in the Revised Estimates, the actual figures are still lower than achievable targets. Meanwhile, the devolution of Central Taxes and Duties exceeded the Budget Estimates by ₹ 27.72 crore thereby making it possible to get ₹ 590.78 crore in the Revised Estimates. The total revenue receipt from Tax Revenue was, therefore, estimated at ₹ 714.93 crore in the Revised Estimates against the Budget Estimates of ₹ 681.32 crore.

13. In respect of State's Own Non-Tax Revenue (SONTR), Budget Estimates was pegged at ₹ 166.37 crore which went up to ₹ 177.59 crore in the Revised Estimates. Interest receipts also displayed an increase from the Budget Estimates of ₹ 26.21 crore to ₹ 32.00 crore in the Revised Estimates which is considered a healthy sign even though there is a room for improvement.

14. Grants-in-Aid from Central Government was estimated at ₹ 2406.18 crore in the Budget Estimates whereas it went up to ₹ 2823.80 crore in the Revised Estimates. Out of this, ₹ 894.20 crore was coming from Non-Plan Grants and then, Plan Grants contributed ₹ 1929.60 crore.

### ***Capital Receipts***

15. Revised Estimates of the total Capital Receipts during 2010-11 was ₹ 571.38 crore against the Budget Estimates of ₹ 259.60 crore. In this Revised Estimates, Loans & Advances and Public Debt contributed ₹ 33.01 crore and ₹ 538.37 crore respectively.

## **EXPENDITURE**

### ***Revenue Expenditure***

16. The Gross expenditure of ₹ **2913.98 crore** in the Budget Estimates of 2010-11 was raised to ₹ **3701.45 crore** in the Revised Estimates. Higher Expenditure in the Revised Estimate than the Budget Estimates is mainly attributable to the payment of salaries of State Government Employees in the wake of revision of pay.

### ***Capital Expenditure***

17. Budget Estimates of Capital Expenditure during 2010-11 was placed at ₹ **805.68 crore** whereas the figures touched ₹ **1351.89 crore** in the Revised Estimates. Repayment of Loans & Advances was ₹ **32.15 crore** in the Revised Estimates against the Budget Estimates of ₹ **25.00 crore**.

18. The total expenditure under Consolidated Fund in the Budget Estimates stood at ₹ **3719.66 crore** whereas the same was pegged at ₹ **5053.34 crore** in the Revised Estimates.

### ***Fiscal Indicators***

19. The key indicators which reflect the fiscal performance of the State are Revenue Deficit/Surplus and Fiscal Deficit. The Revised Estimates put the Revenue Surplus at ₹ **16.63 crore** against the Budget Estimates of ₹ **341.63 crore**. Fiscal Deficit was also placed at ₹ **732.85 crore** in the Revised Estimates against the Budget Estimates of ₹ **41.84 crore**. Unexpected performance of Revenue Surplus and Fiscal Deficit in the last fiscal may be attributed to implementation of Pay Revision, provision of large amount of fund for purchase of food grains and electricity. However, the State Government is paying full attention to improve the overall State fiscal position by tapping all available resources.

## **III. BUDGET ESTIMATES 2011-12**

20. Sir, I am happy to present the Regular Budget for the year 2011-12.

21. As hon'ble members are aware, we entered the current financial year with the passage of Budget on Vote on Account for the first four months due to late finalization of State Annual Plan. This delay of Regular Budget will apparently cause late utilization of Plan Fund even though Public Expenditure Review Committee suggested uniform spreading of expenditure throughout the year. However, utmost efforts

have been undertaken to ensure timely and quality utilization of Public Fund by way of simplifying the procedure of obtaining administrative approval and expenditure sanction.

22. The current Regular Budget has been prepared keeping in mind the importance and necessity of complying with various provisions and conditions prescribed for the State financial management by the Thirteenth Finance Commission. I would like to assure all hon'ble members that this government is committed to remain within the bounds of the Fiscal Responsibility and Budget Management Act, 2006 as amended from time to time.

## **RECEIPTS**

### ***Revenue Receipts***

23. Revenue Receipts mainly consist of Tax Revenue and Non-Tax Revenue. The estimated Tax Revenue for 2011-12 is **₹ 882.90 crore** comprising State's Own Tax Revenue of **₹ 173.17 crore** and State's share of Central Taxes of **₹ 709.73 crore**.

24. The estimated amount for Non-Tax Revenues for 2011-12 stands at **₹ 2865.39 crore** in which State's Own Non-Tax Revenue is estimated at **₹ 237.57 crore** and Grants-in-aid from the Central Government is pegged at **₹ 2627.82 crore**. The components of grants under Non-Plan and Plan are **₹ 925.92 crore** and **₹ 1701.90 crore** respectively.

### ***Capital Receipts***

25. The total capital receipt is estimated at **₹ 493.39 crore** for the current financial year 2011-12. Non-debt receipt (Recoveries from Loans and Advances) is estimated at **₹ 36.76 crore**. It is estimated that an amount of **₹ 433.60 crore** shall be obtained from Internal debt whereas **₹ 23.03 crore** on account of Loans & Advances from Central Government. The estimated total Public Debt now comes to **₹ 456.63 crore**.

## **EXPENDITURE**

26. Mr. Speaker Sir, I may now go to the estimates of expenditure.

27. Sir, the total expenditure from the Consolidated Fund of the State for 2011-12 is estimated at **₹ 4367.34 crore**. Gross Revenue Expenditure is estimated at **₹ 3427.51 crore** whereas the Gross Capital Expenditure is estimated at **₹ 939.83 crore**. Excluding the recoveries on account of stock suspense, the estimated net expenditure on the Consolidated Fund of the State is **₹ 4216.09 crore**, of which net revenue expenditure is

estimated at ₹ **3426.26 crore** and net capital expenditure is ₹ **789.83 crore**.

28. In other words, the expenditure can be classified as Plan Expenditure and Non-Plan Expenditure in which Annual Plan Expenditure has been fixed at ₹ **1700.00 crore** whereas the Non-Plan Expenditure is estimated at ₹ **2410.27 crore**. Besides, the other plan expenditure on Centrally Sponsored Scheme (CSS), North Eastern Council (NEC) and Non Lapsable Central Pool of Resources (NLCPR) is estimated at ₹ **105.82 crore**. Curtailment of Non-Plan Expenditure has been accorded prime importance by the Government since uncontrolled Non-Plan expenditure could narrow down the State Annual Plan size.

### ***Revenue Expenditure***

29. Revenue Expenditure is also widely classified as Development Expenditure and Non-Development Expenditure. In this account, Development Expenditure is estimated at ₹ **2189.50 crore** which is 63.88 *per cent* of the total revenue expenditure of ₹ **3427.50 crore**. At the same time, Non-Development Expenditure in the Budget Estimates 2011-12 stood at ₹ **1238.00 crore** which is 36.12 *per cent* of the total revenue expenditure.

### ***Interest Payments***

30. The budget estimates of Interest payments for last year 2010-11 was pegged at ₹ **258.77 crore** whereas the estimated expenditure for Interest payments in 2011-12 is ₹ **271.24 crore** which is an increase of 4.82 *percent* over the previous year. Prepayment of high cost loans under the Asian Development Bank (ADB) assisted Mizoram Public Resource Management Program (MPRMP) accounts for the increase of interest payments. However, containing the expenditure on the interest payments has become the top priority of this Ministry in order to set aside large amount of fund for developmental work.

### ***Salaries***

31. Requirement for Salaries under Non-Plan, Plan and CSS for the current financial year are estimated at ₹ **1212.99 crore**, ₹ **225.26 crore** and ₹ **9.47 crore** respectively. Therefore, the total expenditure on salaries is estimated at ₹ **1447.72 crore**. As I have mentioned, a larger portion of the Annual Budget is required to be set aside for Revenue expenditure in order to meet the requirement of Salaries, Pension Payments, Interest Payments. Besides implementation of Pay Revision of regular employee of the State Government, minimum wages of various categories of Muster Roll employees currently enrolled under the State Government have also been raised at 30 *per cent*.

## *Pensions*

32. Even though New Defined Contributory Pension scheme has already been launched last year, all the existing Government employees are still left out of the scheme as the Scheme has been implemented to cover only those employees recruited on or after 1<sup>st</sup> September, 2010. As such, I propose to set aside **₹ 272.89 crore** for the expenditure on Pension payments against the Budget estimates of **₹ 205.40 crore** during 2010-11.

## ***Capital Expenditure***

33. Out of the estimated Capital Expenditure of **₹ 939.83 crore**, the Capital Outlay is estimated at **₹ 646.95 crore**, Disbursement of Loans and Advances at **₹ 34.71 crore** and disbursement of Public Debt at **₹ 258.17 crore**. In view of the amount of estimated Revenue Expenditure, the allocation of Capital Outlay remains low till date. However, it has been the constant effort of this Government to create more space for creation of durable assets and setting aside more funds for development expenditure.

## **NON-PLAN EXPENDITURE**

34. Mr. Speaker Sir, it is well known that Non-Plan Expenditure always occupies the central part of our budgetary exercise since long, which in turn, correspondingly reduces the scope for expansion of Plan expenditure. It is the conscious effort of this ministry to effectively address this issue by rationalizing non-productive expenditure. I do hope that this initiative taken by this Government would bring about an improvement in our fiscal position.

35. The net expenditure in the Non-Plan Account for the Budget Estimates of 2011-12 is estimated at **₹ 2410.27 crore**. The main contributors in the Non-Plan Account are expenditure on account of administrative costs of the Government which are always recurring in nature and other certain capital expenditure.

36. Out of the estimated Non-Plan expenditure of **₹ 2410.27 crore**, expenditure on Salaries, Pensionary charges, Interest payments are estimated at **₹ 1212.99 crore**, **₹ 219.01 crore**, **₹ 270.93 crore** respectively. These expenditures always take the lion's share of Non-Plan expenditures in the State finances.

## ***Fiscal Indicators***

37. The continuous absence of Revenue Deficit since 2003-04 has been maintained even in this Budget Estimates with the Revenue Surplus at **₹ 322.04 crore** against the Budget Estimates 2010-11 of **₹ 341.63**

**crore.** Fiscal Deficit was estimated at ₹ **172.87 crore** against the Budget Estimates of ₹ **41.84 crore** for 2010-11. The estimated Fiscal Deficit for 2011-12 is 2.4 *per cent* of the projected GSDP of ₹ **7216.75 crore**. Besides, the Outstanding Debt is estimated at ₹ **3690.32 crore** which is also 51.14 *per cent* of the projected GSDP mentioned above.

38. As per fiscal consolidation roadmap recommended by Thirteenth Finance Commission for the current financial year, the State Government is required to eliminate Revenue Deficit and achieve fiscal deficit of 6.4 *per cent* of our GSDP. Besides, it has also recommended that the outstanding debt should not exceed 85.7 *per cent* of the total GSDP. This Budget Estimates have been prepared in compliance of the provisions and conditions laid down by the Thirteenth Finance Commission as stated above.

### ***Fiscal Sustainability***

39. Sir, as per recommendation of Thirteenth Finance Commission, the Outstanding Debt of the State has to be controlled at the level of 85.7 *per cent* of GSDP for the current financial year. Keeping in mind the target set above, net public debt to be attained at the end of this financial year 2011-12 is estimated to be ₹ **198.46 crore** including the Internal debt of the State and Loans & Advances from the Central Government. Debt Stock of Government of Mizoram as on 31.3.2010 as per the Finance Accounts was ₹ **3163.95 crore**. Hence, it is estimated that outstanding liabilities of the State Government as on 31.3.2011 is ₹ **3411.86 crore** which is 54.18 *per cent* of the projected GSDP ₹ **6297.11 crore**.

40. As respected members are aware, the State Government is committed to slowly move to efficient management of debt in line with the recommendation and prescription set by the Thirteenth Finance Commission. On account of this condition, debt restructuring has been included as a part of the Structural Adjustment Loan for taking up fiscal reforms. The initiative is being carried out through implementation of the 'Mizoram Public Resource Management Program' as a part of Loan availed from Asian Development Bank.

### **PLAN EXPENDITURE**

41. Mr. Speaker Sir, I may now go to the proposed expenditure under Plan Expenditure for 2011-12.

### **Annual Plan 2011-12**

42. As hon'ble Members are aware, the State Annual Plan was finalized at ₹ **1700.00 crore** in the meeting between hon'ble Chief Minister of Mizoram and Deputy Chairman, Planning Commission of India on 18<sup>th</sup>

March, 2011 due to which the Regular Budget could not be laid in time before the State Legislative Assembly. It is apparent that delay finalization of Annual Plan could cause late utilization of Plan Fund which leads to the poor performance of the quality of expenditure of Public money. Hence, it has become the endeavour of this Ministry to ensure timely approval of sanction and utilization of fund in order to improve the quality and performance of public expenditure output.

43. Within the approved outlay of **₹ 1700.00 crore**, I propose to allocate the following amount to different sectors as follows: (i) Agriculture & Allied Activities - **₹ 351.30 crore** (ii) Rural Development - **₹ 39.10 crore** (iii) Special Area Programme - **₹ 84.35 crore** (iv) Irrigation & Flood Control - **₹ 78.56 crore** (v) Energy - **₹ 91.25 crore** (vi) Industry - **₹ 27.65 crore** (vii) Transport - **₹ 129.56 crore** (viii) Communications - **₹ 3.80 crore** (ix) Science, Tech. & Environment - **₹ 2.01 crore** (x) General Economic Services- **₹ 123.19 crore** (xi) Social Services - **₹ 534.65 crore** (xii) General Services - **₹ 234.58 crore**.

### ***Priority Sectors:***

44. Mr. Speaker Sir, in line with what has been highlighted in the Chief Minister's Budget Speech in the month of March this year, the flagship programme of this Ministry, i.e New Land Use Policy (NLUP) will continue to be given top priority. 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. The scheme is implemented through an integrated programme concerning various Departments. I will discuss this programme in detail.

### ***MLA Local Area Development Scheme***

45. I propose to allocate **₹ 1000.00 lakh** to be utilized at the rate of **₹ 25 lakh** per constituency as the scheme is to be continued in this financial year.

### ***Central Assistance for State Plan Scheme***

46. Within the State Annual Plan of **₹ 1700.00 crore**, an amount **₹ 239.72 crore** is included as Additional Central Assistance (ACA). Scheme wise details of ACA for 2011-12 are: (i) Accelerated Irrigation Benefit Programme (AIBP) - **₹ 75.00 crore** (ii) Control of Shifting Cultivation - **₹ 4.58 crore** (iii) Border Area Development Programme (BADP) - **₹ 37.02 crore** (iv) Roads & Bridges - **₹ 10.36 crore** (v) National Social Assistance Programme (NSAP) - **₹ 7.15 crore** (vi) Grants in Aid

under Art. 275(1) - ₹ 10.09 crore (vii) Jawaharlal Nehru National Urban Renewal Mission (JNNURM) - ₹ 52.34 crore (viii) Backward Regions Grant Fund - ₹ 24.98 crore (ix) National e-Governance Plan (NEGAP) - ₹ 1.59 crore (x) Rashtriya Krishi Vikash Yojana (RKVY) - ₹ 16.61 crore

### ***Plan Loans from Central Financial Institutions***

47. Sir, with the consent of the Government of India under Article 293 (3), the State Government can avail Loans from various Central Financial Institutions to provide room for enhancing Capital expenditure in the State fiscal space. I propose to avail Loans from Life Insurance Corporation of India (LIC) amounting to ₹ 10.00 crore and from National Bank for Agriculture and Rural Development (NABARD) amounting to ₹ 60.00 crore. Besides, I also propose to avail Loan from National Co-operative Development Corporation Ltd etc... (NCDC) amounting to ₹ 1.71 crore. The total amount of Negotiated Plan Loan to be availed comes to ₹ 71.71 crore.

### ***Lunglei High Powered Committee***

48. In order to take up critical development needs within the District in addition to normal development schemes for the whole State, I propose to allocate ₹ 7.00 crore to Lunglei High Powered Committee against ₹ 6.00 crore during last financial year 2010-11 which is an increase of over and above 16 per cent.

### ***Plan Grants from Finance Commission***

49. The Thirteenth Finance Commission recommended Grants for taking up projects on plan account, which will be duly utilized within Annual Plan. As per the Annual Plan approved outlay, an amount of ₹ 89.14 crore is earmarked to be spent under this account for the current financial year 2011-12.

### ***Externally Aided Projects***

50. Mr. Speaker Sir, I would like to inform this august House that the State Government is very fortunate to avail the opportunity of entering development partnership with multilateral institutions for financing our developmental investments. As a part of this initiative, agreement has been signed with Asian Development Bank to avail Program Loan and Project Loan, also called Structural Adjustment Loan. The total Loan to be availed is \$ 100 million. Loan is to be released based on the performance of the Implementing Agencies on the targeted areas.

51. It may not be possible to overemphasize the necessity of fiscal reforms within the State finance. By recognizing the prime importance of the fiscal reforms, Mizoram Public Resource Management Program is being implemented as apart of Structural Adjustment Loan from Asian Development Bank (ADB). The first tranche of the Loan amounting to **\$ 47 million (₹ 221.46 crore)** has been released by Asian Development Bank. Using this allotted fund, the State Government implemented – (i) *Prepayment of high cost debt* with an allocated amount of **\$ 19 million (₹ 89.52 crore)** (ii) *Health Insurance Corpus* with an allocated amount of **\$ 25 million (₹ 117.78 crore)** (iii) *Voluntary Retirement Scheme* with an allocated amount of **\$ 3 million (₹ 14.16 crore)**. Second tranche amounting to **\$ 40 million** is expected to be availed during the current financial year.

52. Respected Sir, I am very proud to say that a World Bank assisted-Mizoram State Roads Project is implemented successfully within our State. As all members of this august House are aware, Aizawl – Lunglei via Thenzawl Road which reduces the distance between Aizawl and Lunglei by over 71 kms was inaugurated recently by hon'ble Chief Minister of Mizoram. The opening of the main Corridor of the State brought the people of South and North of the State very much closer which brings about the overall development of the State both in economy and quality of life since the people of Project Corridor enjoy the opportunity of faster and easier access to State Capital for marketing their agriculture and horticulture products. As the Communication and Road Network are still very poor in our State in comparison with the neighbouring States, more emphasis will be laid on the new construction and improvement of Road network within the State.

### ***Improvement of Sports Infrastructure***

53. Government of Mizoram is recognizing the fact that there are lots of hidden talents among the youths. In order to unearth these talents and to provide opportunity to young generation, this ministry has intended to construct a full fledged stadium at Mualpui, Aizawl called **Rajiv Gandhi Sports Stadium**. The construction has already been started a year ago and then, in order to continue this project, I propose to allocate **₹ 15.00 crore** for the current financial year. Moreover, this Ministry has also laid Astro-Turf (also called Artificial grass) at AR Lammual; Aizawl and also has proposed to do the same at Thuamluaia Mual; Lunglei. Allocation has also been made in the Annual Plan at the level of **₹ 4.00 crore** to be utilized for the said purpose within this financial year.

## ***New Land Use Policy***

54. Respected Sir, with the approval of Planning Commission, Government of Mizoram has launched a Comprehensive project for inclusive growth and development called New Land Use Policy (NLUP) on 14<sup>th</sup> January, 2011 which is the flagship programme of this Ministry. This NLUP focuses mainly, *inter alia*, on a major overhaul of the State economy through structural changes by weaning away farmers from the system of destructive jhum cultivation to sustainable livelihood opportunities based on local resources, genius of the people and keeping in view regeneration of resources. During 2010-11, **₹ 234.82 crore** was sanctioned for the financial assistance of 45139 selected beneficiaries under this Scheme. The allocated fund was sub-allocated into three components – Development (Beneficiary) Component, Management Component and Infrastructure Component. However, I would like to highlight some interesting points on NLUP before this august house as below:

- (a) In order to verify genuineness of selection of beneficiaries, random survey of 10 clusters in and around Aizawl area was conducted through the Department of Economics, Mizoram University. Some of the important findings are:
  - (i) 54.08 *per cent* of the selected beneficiaries earn their livelihood on daily labour.
  - (ii) Average per capita income of the beneficiaries is **₹ 1396.25**.
  - (iii) More than 52 *per cent* of the selected beneficiaries live in rented house and 63 *per cent* do not have their own land.
  - (iv) 27.23 *per cent* of the bread earners in the selected families are women.
  - (v) Head of **28 families** are 20 years and below while 12.46 *per cent* families are headed by persons above 60 years.
  - (vi) 33.73 *per cent* of the selected beneficiaries are Below Poverty Line (BPL) families.
- (b) For preparation of village-wise Land Use Planning, a comprehensive guideline was issued. Since the Village leaders do not have technical skill to prepare land use plan as envisaged under NLUP, experts from the Department of Economics, Mizoram University are engaged for the purpose. It is proposed to complete the same by September, 2011.
- (c) Village and District Level Monitoring Committees have been formed for intensive monitoring of the project implementation. In addition, Multi Disciplinary Official Committee has been formed in all Districts to verify genuineness of beneficiaries,

progress in the implementation etc... They are important agencies for in-house monitoring purposes.

For the year 2011-12, ₹ **234.00 crore** is allocated for the continuous implementation of NLUP. Moreover, ₹ **15.83 crore** is expected to come from Centrally Sponsored Scheme (CSS) through convergence. Disbursement of second installment is going on in most of the districts. Target number of beneficiaries for second and third phase is under consideration. It is proposed to finalize the same at the earliest so that the advanced training and preparatory works may be started without any delay.

#### **IV. ADMINISTRATIVE INITIATIVES**

##### ***Strengthening of Taxation Department***

55. Sir, by recognizing the prime importance of Tax Administration in order to fulfill the mandate of various provisions prescribed by Thirteenth Finance Commission, Taxation Department has been included in the Mizoram Public Resource Management Program under Asian Development Bank with the aim of organizational restructuring and internal capacity building of the Department. Further, initiative has been taken to upgrade and replace the current Management Information System (MIS) for collection of taxes. As such, Detailed Project Report under National e-Governance Project (NeGP) was prepared and it was approved by the Project Empowered Committee at the Centre. Fund amounting to ₹ **6.91 crore** has been approved for the project and it will be utilized as development of exclusive web-based VAT MIS software to replace the present MIS. Since State Government is required to improve Own Tax Revenue, Own Non-Tax Revenue and Own Tax-GSDP ratio, the Government is committed to intensify and improve Tax Administration by way of introducing e-payment, e-registration, e-return and electronic issue of forms in the near future.

##### ***Kaladan Multi Modal Transit Transport Project in Phase 'A'***

56. Kaladan Multi Modal Transit Transport Project is the new project for construction of multi modal route which has been launched to connect Kolkata Port with North Eastern States through Myanmar. The Project was initiated by Ministry of External Affairs (MEA), Govt. of India and was entrusted to Ministry of Road Transport & Highway (MORT&H). Further, the portion of road (100kms) within Mizoram is entrusted to PWD, Mizoram. After completion of this Kaladan Multi Modal Transit Transport Project, North Eastern State bordering Mizoram will import and export their products and other materials as transportation cost via this project route will be cheaper. Therefore, this gigantic project is

expected to bring about economic sustainability and fiscal improvement in the State fiscal management.

### ***Improvement of Labour Welfare***

57. Sir, this Ministry always accords priority on the welfare of Below Poverty Line (BPL) families and Casual Labour. As such, The Mizoram Building & Other Construction Worker's Welfare Board was created in 2009. It became effective from 2010 to provide various facilities such as financial assistance, old age pension, education, medical and maternity benefit etc... to Labour and casual employees. **₹ 38.00 lakhs** has been collected so far for the Welfare fund since the Welfare fund has to be met from accumulated collection of fund from various sources.

### ***Transfer of Police Training Centre***

58. It may not be possible to overemphasize the contribution of Police forces for the public well-being. By recognizing the importance of Police services, the State Government finds it necessary to re-arrange the existing location and headquarters of various wings of Police Department for the betterment of the Police Administration. Therefore, Police Training Centre at Lungverh has been shifted recently to Thenzawl and is subsequently declared Thenzawl Police Training Centre as a full fledged Police Training Centre. In consequent to this action, former PTC at Lungverh is also declared as Headquarters of Fifth Indian Reserve Battalion.

### ***Construction of Mizoram Public Service Commission (MPSC) Examination Hall***

59. For the improvement of the existing infrastructure of the Mizoram Public Service Commission, it is proposed to construct an Examination Hall with a capacity of accommodating 1200 candidates at a time. The estimated cost is **₹ 288.32 lakh** out of which **₹ 113.68 lakh** has been sanctioned for the commencement of the work. It is believed that this new Examination Hall will bring convenience and better environment for the employees of MPSC and will provide an equal opportunity to all candidates and job seekers who utilize this Hall.

## **V. FISCAL REFORMS AND CONSOLIDATION**

60. Mr Speaker Sir, it is the duty and responsibility of every government today to keep vigil and take stock of its fiscal situation in the form of Fiscal Reforms and Consolidation. As such, I would like to inform hon'ble members that this Government is also taking utmost effort in the management and looking after of state fiscal position in line with the Fiscal Reforms Provision as envisaged in the Thirteenth Finance Commission Report.

61. The Thirteenth Finance Commission recommended debt relief in respect of National Small Savings Fund (NSSF) Loan and Loans from Government of India administered by Ministries other than Ministry of Finance in line with the prescribed fiscal roadmap. It is estimated that Government of Mizoram will be benefited to the extent of **₹ 79.51 crore** by this debt relief introduced by the Commission. The Commission also recommended that the target for the annual borrowings of the State be set by Central Government on the basis of pre-determined formula.

62. In order to avail the abovementioned debt relief, the State Government has to fulfill certain conditions prescribed by the Commission. One of the conditions is amendment of FRBM Act by incorporating the roadmap for reduction of fiscal deficit to 3 *per cent* of GSDP progressively by 2014-15. The tentative Calendar for reduction of fiscal deficit as per Commission's recommendation is – starting from 8.5 *per cent* in 2010-11, 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. In pursuance of this, an amendment to the existing Act is also proposed in the current session of this Legislative Assembly.

#### *Public Expenditure Review Committee*

63. As provided in Section 8 of Mizoram FRBM Act, 2006, a five member Committee of Public Expenditure Review Committee was constituted. It has held its sixth meeting on 14<sup>th</sup> March, 2011 to review half yearly position of receipts and expenditure for the second half of 2009-10 covering October, 2009 to March, 2010. It has suggested many recommendations to the State Government for the improvement of Public expenditure and to bring forward tax administration to earn more revenue.

#### *Review of Fiscal Position for the Second Half of 2009-10*

64. As provided in Section 9 of sub-section (2) of Mizoram FRBM Act, 2006, a half yearly review of receipts and expenditure is to be carried out by the Minister-in-charge of Finance Department. As such, I have taken up review of the State finance for the second half of 2009-10 covering the period of October, 2009 to March, 2010. Report of my review is also laid in the current sitting of this august house.

#### *Medium Term Fiscal Policy Statement*

65. As provided under the Rules, a Medium Term Fiscal Policy Statement which set forth the fiscal objectives and strategic priorities of the State Government in relation to certain selected indicators over the medium term is laid along with the budget documents in this sitting of

Legislative Assembly. This statement presents an assessment of sustainability relating to the balance between revenue receipts and revenue expenditure, use of capital receipts including borrowings for generating productive assets and the estimated yearly pension liabilities for the next ten years.

### *Fiscal Policy Strategy Statement*

66. As provided by Mizoram FRBM Act, 2006, a Fiscal Policy Strategy Statement is also drawn up and laid along with the budget documents in the current sittings. This statement presents an overview of the fiscal policy of current year and the policy of the ensuing year in regard to taxation, expenditure, borrowings and investments of the state government in the instruments like Sinking Fund and Guarantee Redemption Fund. A Fiscal Correction Path laying the targets for fiscal indicators over the medium term up to 2013-14 has been charted out in the Statement.

### *Macro Economic Framework Statement*

67. A Macro Economic Framework 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***

68. Sir, Consolidated Sinking Fund is being used as redemption of outstanding liabilities of State Government. The Fund is managed by Reserve Bank of India and the corpus is invested in Government of India securities. As per the Revised Scheme of Consolidated Sinking Fund, an amount of **₹ 16.50 crore** was invested in 2010-11, which is the prescribed 0.5 *per cent* of the total outstanding liabilities of the State Government as on 31<sup>st</sup> March, 2010. The continued investment of the Government results in accumulation of Sinking Fund and the principal amount already invested up to 31.3.2011 comes to **₹ 90.75 crore**. In 2011-12, I propose to invest **₹ 21.75 crore** towards augmenting the corpus of the Fund.

### ***Guarantee Redemption Fund***

69. Guarantee Redemption Fund had been set up in May, 2009 with initial corpus fund of **₹ 50.00 lakh**. It was established with an objective of utilizing the accumulated Fund towards the payment of contingent liabilities. For the current financial year 2011-12, I propose to augment the corpus with additional investment of **₹ 100.00 lakh**. 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.

## **VI. TAX AND NON-TAX PROPOSALS**

70. Respected Sir, it is well known that our state is resource Deficit State. At the same time, the Thirteenth Finance Commission introduced the new roadmaps for State fiscal consolidation by projecting the growth rate of State's GSDP during 2010-11 at 9.7 *per cent*, 10 *per cent* in 2011-12, and 10.3 *per cent* of GSDP during the next successive three years. In order to achieve and attain these roadmaps, 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. The present trend of our economy solely depends on various grants and assistances coming from Central Government which are not sufficient to meet even the basic requirement of the State. By recognizing this fact, this Ministry has introduced various new tax policies in order to catch up the overall economic development. Sir, let me highlight few follow up action that has been taken in pursuit of these new tax policies in spite of announcement already made in the Budget Speech (Vote on Account) this year.

### **Tax Measures**

#### *Upward revision of Sales Tax and VAT*

71. Mr. Speaker Sir, as hon'ble members are aware, announcement for the implementation of new Tax and Non-Tax Policies has been made in this august House during the Budget (Vote on Account) session held in March, 2011. In pursuance of that announcement, the State Government has revised upward the existing sales tax imposed on various Petroleum products. In respect of LPG (Liquefied Petroleum Gas), it was raised from 2 *per cent* to 4 *per cent*, from 18 *per cent* to 20 *per cent* in respect of Motor Spirit (Petrol), from 10 *per cent* to 12 *per cent* in respect of High Speed Diesel. This course of action is expected to generate substantial amount of revenue to the State Exchequer and will help the Fiscal Position of State Government in achieving various target set under Mizoram FRBM Act, 2006 as amended from time to time.

#### *Stamps and Registration*

72. To generate own resources and to improve own non-tax revenue, the State Government has issued Notification dated 22<sup>nd</sup> Feb, 2011 to impose levying of Stamp-duty on monthly payment of Salaries to all

regular Government officials including the Council of Ministers and Parliamentary Secretaries and on all bills in respect of payment made by various Departments and offices to private parties. Stamp duty was fixed at ₹ 10.00 per Bill for Gazetted officer including Ministers, Speakers etc., ₹ 5.00 for Non-Gazetted Officials per bill. It has also been fixed for Payment made by various Departments and offices to private parties on the basis of the amount of the Bill. It is hoped that this utmost efforts of the Government will bring substantial amount of revenue to the State Consolidated Fund.

### **Non-Tax Measures**

#### *Upward revision of User charges on Water Supply and in Transport Department*

73. Mr Speaker Sir, in order to augment the state own resources and to generate more revenue, the State Government decided to increase the existing user charge of drinking water supplied to the public through any types of Water Supply Scheme to certain comfortable level and Notification to this effect has also been issued. User charges are fixed on the basis of the amount of water and the condition under which water is supplied. Further, it is also learnt that various taxes/user charge collected under Transport Department have not been reviewed since 1997 and it became long over due for revision. Initiative has been taken and final Notification is expected to be issued soon.

#### *Compulsory Registration of Revenue related documents*

74. It is also proposed to enforce compulsory registration of all Revenue connected documents like Land Settlements Certificate (LSCs), Periodic Patta etc....within the State to generate more revenue in this regard. It is expected that this measure will be put in place in near future.

#### *Compulsory Registration of Laborers and Casual employees*

75. Proposal for compulsory registration of Laborers and Casual employees was announced in the last Budget (Vote on Account) session held in the early part of this year with a view to increase State Own Non-Tax Revenue. The matter has been pursued by the concerned Department in full swing and it is hoped that this kind of efforts will help the collection of revenue to certain level of extent.

## *Collection from regular employees of State Government*

76. In order to augment State own resources, the State Government is intending to collect certain percentage of the salary from its regular employees. It is hoped that this measure will also be implemented in the near future.

### **VII. RECEIPT BUDGET FOR 2011-12**

77. Respected Sir, we have drawn up Receipt Budget 2011-12 and is laid before this august house along with other budget documents. This initiative, laying down targets of revenue collection of the different Department under various heads of revenues is expected to bring about a positive turnaround in the increased efforts of the various Departments and Organization under the State Government for improving collection of various Taxes and Non-Taxes Revenue.

### **VIII. CONCLUSION**

78. Mr Speaker Sir, as hon'ble Members are aware, the country's economy is back to its pre-crisis trajectory. Fiscal consolidation is impressive and the United Progressive Alliance Government scaled up its flow of resources to State Government, in particular, to rural areas to give more inclusive thrust to developmental process. At the same time, even as the Government is engaged in addressing specific concerns emanating from some of these events in the larger public interest and in upholding the rule of law, such an impression is misplaced. We have to seize in these developments, the opportunity to improve our regulatory standards and administrative practices. As such, this Ministry is giving priority to curtailing of leakage of Public Money and to improve the outcomes of the implementation of People's program. While the State Government is committed to attain and achieve faster and inclusive growth through the implementation of our flagship programme New Land Use Policy (NLUP) which is targeted at developing rural population who earn their livelihood by the very destructive shifting cultivation system, the success of this programme depends on lots of factors but mainly depends on the active support and dedicative ambition of the beneficiaries who are the major stakeholders. In a complex and rapidly evolving economy, the Government can not profess to be the sole repository of all knowledge. Indeed, in a democratic polity, it stands to benefit from various sources of inputs. In some areas, good results depend on coordinated efforts of all Public Servants and People's Representative. Therefore, I would like to appeal to all hon'ble members to kindly extend support to the Government policies and programme in achieving the objectives of growth and development so that we can have a better and prosperous State to live in.

79. Sir, since we are living in the State of fiscal federalism, we cannot solely depend on the devolution of resources coming from the Central Government even though it is the main determinant of our fiscal position. I would, therefore, like to emphasize the importance and necessity of generating own resources once again as it is the only option available to us to achieve the objective of not only balancing the revenue account but also generating surplus for capital investment. As the latter option seems the obvious choice, I would, therefore, call upon all the citizens within Mizoram particularly employees under State Government to take utmost efforts in generating own resources, to cooperate the Government in this regard, to match the resource inflows and to make proper and the best uses of the resources available so as to bring about long term economic development.

80. Having said all these, I hope the Government's policies and programme will be able to bring about long term and stable economic growth and development, of which the results can be harvested in a few years to come.

81. I would like to thank all the hon'ble members of this august House for giving me a patient hearing.

82. With these words, I commend the **Budget Estimates for 2011-12** for approval of this august House.

*Thank You, Sir*

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**Note:** Full text of the Budget Speech along with full set of Budget Documents is available at [www.mizofin.nic.in](http://www.mizofin.nic.in)