



सत्यमेव जयते

**GOVERNMENT OF MIZORAM**

# **BUDGET SPEECH**

*of*

**PU LALSAWTA  
HON'BLE FINANCE MINISTER**

*for*

**2015-2016**

*in the*

**MIZORAM LEGISLATIVE ASSEMBLY**

*on*

***Friday, the 9<sup>th</sup> October, 2015 Aizawl***

## **BUDGET SPEECH OF THE FINANCE MINISTER FOR THE FINANCIAL YEAR 2015-2016**

Mr. Speaker Sir,

With your permission I am presenting to this august House the Regular Budget for the Financial Year 2015-16 for discussion and its subsequent approval.

2. The first Vote on Account Budget 2015-16 for April – July 2015 was laid in this House on 19<sup>th</sup> March 2015 and another Vote on Account for August – October 2015 was again placed on 7<sup>th</sup> July this year. I express once more my sincere thanks to this House for having approved the two Vote on Account. As we are all aware, the current financial year is the year from which the awards of the Fourteenth Finance Commission are effective. The recommendations of the Commission have introduced a paradigm shift in the pattern of the transfer of funds to the States. Apart from this, Government of India has since introduced a new system by setting up the National Institute for Transforming India, NITI Aayog, in place of the erstwhile Planning Commission. Under the new pattern of funding, States are no longer given their main sources of Plan Fund consisting of Normal Central Assistance (NCA), Special Central Assistance (SCA) and Special Plan Assistance (SPA) that were, otherwise, formerly made available within the Five-Year Plan and Annual Plan.

The categorisation of some States, including Mizoram, as Special Category States is also discontinued. Another significant development is the change in the existing funding pattern of 90:10 for various Centrally Sponsored Schemes. I would kindly remind the honourable Members that because of these changed circumstances mentioned above, the two sets of Vote on Account were required to be passed.

3. The total fund under the award of the Fourteenth Finance Commission for our State during 2015-16 to 2019-20 will be Rs. 30584.21 crore as shown below:

*(Rupees in crore)*

| Year         | PDRD Grant   | Share of Taxes | Urban Local Bodies |              | SDRF      | Total           |
|--------------|--------------|----------------|--------------------|--------------|-----------|-----------------|
|              |              |                | Basic              | Performance  |           |                 |
| 2015-16      | 2139         | 2670           | 11.54              | -            | 15        | 4835.54         |
| 2016-17      | 2294         | 3081           | 15.97              | 4.71         | 16        | 5411.68         |
| 2017-18      | 2446         | 3559           | 18.46              | 5.34         | 17        | 6045.80         |
| 2018-19      | 2588         | 4118           | 21.35              | 6.06         | 18        | 6751.41         |
| 2019-20      | 2716         | 4769           | 28.85              | 7.93         | 18        | 7539.78         |
| <b>Total</b> | <b>12183</b> | <b>18197</b>   | <b>96.17</b>       | <b>24.04</b> | <b>84</b> | <b>30584.21</b> |

4. The main sources of funds for the State during these 5 years will consist primarily of Share of Taxes and Post-Devolution Revenue Deficit Grant (PDRD Grant), while the grants for Urban Local Bodies and State Disaster Response Fund (SDRF) are specific grants that cannot be utilised for other purposes.

5. In comparison with the total fund received under Thirteenth Finance Commission, the funds recommended by the Fourteenth Finance Commission for our State appears to be a huge sum. However, I would urge respected Members to note that due to the discontinuation of normal Plan flows which used to come earlier, coupled with the changed sharing patterns of Centrally Sponsored Schemes from the usual 90:10 to 50:50 or so, the implication is that the State would have to spend more funds on State Matching Share in order to avail of many of the Centrally Sponsored Schemes.

6. In all the previous years, Planning Commission would allocate Plan funds to the States in the form of Annual Plan Outlay within the approved Five-Year Plan while the Non Plan funds used to be allocated for 5 years according to the recommendations of the Central Finance Commission. However, from 2015-16 onwards, the awards of the Fourteenth Finance Commission are made to the States without there being any differentiation between Plan and Non Plan allocation. The remaining funds that will flow from the Central Government will be from Schemes under CSS, NEC and NLCPR, the amounts of which the concerned Central Ministries are yet to decide on and so, I propose to provide only the tentative figures against these schemes in the Budget.

### **Budget Estimates 2015-16**

7. Mr. Speaker Sir, I may now come to the Budget Estimates 2015-16.

## **Revenue Receipt**

8. Revenue Receipt of the State consists of Tax Revenue and Non-Tax Revenue. The estimated Tax Revenue for 2015-16 is Rs. 2740.28 crore comprising State's Own Tax Revenue of Rs. 326.56 crore and State's share of Central Taxes of Rs. 2413.72 crore.

9. The estimated amount for Non-Tax Revenue for 2015-16 stands at Rs. 4435.17 crore, of which State's Own Non-Tax Revenue comprises Rs. 252.81 crore. The Grants-in-Aid from the Central Government is thus pegged at Rs.4182.36 crore. The components of grants under Non-Plan and Plan are Rs. 2167.54 crore and Rs. 2014.82 crore respectively.

10. Out of the total estimated Tax Revenue of the State indicated above, the estimated State's Own Tax Revenue of Rs. 326.56 crore is 11.92 percent and the State's Own Non-Tax Revenue of Rs. 252.81 crore forms 5.7 percent of the total Non-Tax Revenue expected during the year.

## **Capital Receipt**

11. The total Capital Receipt is estimated at Rs. 429.89 crore for the current financial year 2015-16. Capital Receipt comprises Internal Debt of the State Government, Loans & Advances from the Central Government and Recoveries of Loans & Advances. Non-Debt Receipt (Recoveries from Loans and Advances) is estimated at Rs. 40 crore. It is estimated that an amount of

Rs. 369.22 crore shall be obtained from Internal Debt whereas Rs. 20.67 crore is estimated on account of Loans & Advances from Central Government. The estimated receipt of total Public Debt then comes to Rs. 389.89 crore.

12. Estimated receipt on account of Share of Taxes of Rs. 2413.72 crore for the year is pegged as per what is reflected in the Union Budget while the amount actually recommended by the Fourteenth Finance Commission is Rs. 2670 crore. However, it may be noted that the amount that will finally be transferred to the State will be based on actual realization of taxes by the Central Government during the year.

#### **Efforts on Increase of Tax and Non-Tax**

13. We need to put in more efforts to increase the quantum of our own Tax and Non-Tax collection, and to this end our Government is committed to finding all possible sources of receipts. During the last financial year 2014-15, the total receipt on account of State Excise is Rs. 4.91 crore. With the introduction of the Mizoram Liquor (Control & Prohibition) Act, 2014 I anticipate enhanced excise inflows and because of this I now propose an estimated excise receipt of Rs. 35.68 crore during 2015-16.

14. A decision has been taken recently by the Government to revise the existing rate of VAT on various Tobacco Products including cigarettes, cigars,

cigarillos and *vaihlo* from 20 percent to 30 percent. As a result, I propose additional revenue of Rs. 1.50 crore during the current financial year.

15. The Mizoram Entry Tax Draft Bill 2015 recently passed in this House has been actively pursued for its actual implementation. And from this effort, a certain amount of additional revenue is also expected.

16. There is also an endeavour in the Government to put in place an Amendment to the Mizoram (Land Revenue) Act 2013 and the Mizoram (Land Revenue) Rules 2013 to streamline and improve the procedures and processes of survey, allotment and settlement of land, land record management and assessment and collection of land revenue which is expected to be introduced during 2015-16. I therefore provide an additional receipt of Rs. 1 crore in the Budget.

17. Under the Department of Land Revenue & Settlement there is an active effort to bring out a system to increase collection of taxes on account of Registration Fees and Stamp Duties in the State, which has been considered to hold great revenue potential for the State. The Mizoram Registration Rules 2015 are being prepared under Section 69 of the Registration Act 1908. I propose an additional receipt of Rs. 5 crore on this count during 2015-16.

18. There is also an urgent need to augment receipts under State's Own Non-Tax Revenue, especially tariffs on water and power by effecting regular

and gradual growth in the rates rather than imposing a quantum leap on tariff rates. The concerned Departments of the Government are known to have been making attempts to achieve this end. The revision and fixation of power tariff is done by the Joint Electricity Regulatory Commission (JERC) for Manipur and Mizoram as per the Multi-year Tariff Regulations 2014. As the present tariff structure of Mizoram is less than that of other North Eastern States, it is imperative that we should, at least, be at par with other NE States so that the overall resources of the State can be improved.

### **Expenditure**

19. The gross Expenditure from the Consolidated Fund of the State for 2015-16 is estimated at Rs.7756.83 crore. Gross Revenue Expenditure is estimated at Rs. 6093.29 crore and the gross Capital Expenditure is estimated to be Rs. 1663.54 crore. Excluding recoveries on Stock Suspense, estimated Net Expenditure of the Consolidated Fund of the State is Rs. 7576.56 crore of which Net Revenue Expenditure will be Rs. 6091.29 crore and the Net Capital Expenditure is Rs. 1485.27 crore.

20. Of the total Expenditure under the Consolidated Fund of the State during 2015-16, the total estimated Non-Plan Expenditure is Rs. 4519.96 crore and the estimated Plan Expenditure comes to Rs. 3097.78 crore. Rs. 139.08 crore is an estimated Expenditure for other splinter Centrally Sponsored Schemes not brought into the fold of Plan Fund.

21. Plan Outlay for 2015-16 amounting to Rs. 3097.78 crore consists of estimated receipts for CSS/NEC/NLCPR from various Ministries of the Government of India amounting to Rs. 1873.71 crore and Rs. 1224.07 crore being the State fund provided for Plan Sector. This State fund comprises Loans to be availed from Financial Institutions like NABARD, NCDC, PFC and the Government of India and also those for Externally Aided Projects (EAP).

### **Allocation of State Plan Fund**

22. State Plan Fund is solely meant for various items of Plan Expenditure such as Revenue Expenditure, Grants-in-Aid (Salaries & Non-Salaries), State Flagship Programme NLUP, and the State Matching Share (SMS). Even though the exact amount required for SMS cannot yet be ascertained, I propose a tentative allocation of Rs. 111.40 crore for the year so that the normal fund flow for these CSS/NEC/NLCPR schemes, which come from the Central Government, may not be seriously disrupted.

23. For covering critical sectors within the Programme of the ongoing NLUP, I provide Rs. 60 crore for current financial year 2015-16.

24. Rs. 3.61 crore is earmarked for taking up Rubber Plantations under Soil & Water Conservation Department during the year.

25. Rs. 3.47 crore and Rs. 3.12 crore are set aside for on-going Animal Feed Plant, Ramrikawn and a new project Integrated Veterinary & Animal

Husbandry Training Institute, Lungpuizawl, Lunglei respectively under Animal Husbandry & Veterinary Department.

26. For taking up 11 (eleven) new Irrigation Schemes under Minor Irrigation Department I propose to allocate Rs. 4.90 crore.

27. Under Public Works Department Rs. 3 crore is earmarked for on-going work Rehabilitation of West Phaileng-Marpara Road and a total of Rs. 9.87 crore is proposed for the following new works – Chuhvel to Sihtlang Road, R.Tuichang to Tumtukawn, Zote to Chhiphir Road, Zawngin to Suangpuilawn Road and Laki to Vahai Road.

28. For on-going construction of 27 (Twenty seven) Supply Godowns under Food, Civil Supplies & Consumer Affairs Department I propose to set aside Rs. 27.59 crore.

29. For taking up various new Water Supply Schemes (WSS) under Public Health Engineer Department such as Kelkang WSS, Lamchhip WSS, Khawruhlian WSS, Buangpui Solar Water Pumping System, Tuikum and Greater Serchhip WSS Booster Pump House and for Renovation of Ngopa WSS a total provision of Rs. 14.44 crore is allocated.

30. There is a scheme being undertaken in Cooperation Department under the Integrated Cooperative Development Project (ICDP) for upliftment and revival of various Cooperative Societies within the State to be completed

within a span of 4 years. For this Project I propose to allocate Rs. 11.24 crore during the current year.

31. Restructured Accelerated Power Development and Reforms Programme (R-APDRP) sanctioned by the Ministry of Power has been going on under Power & Electricity Department for improvement of power distribution system covering 9 towns in the State. For the 10 percent State Matching Share for this project, I propose to allocate Rs. 24.05 crore during current financial year.

32. For construction of EAP Projects under Public Works Department Champhai-Zokhawthar Road and Chhumkhum-Chawngte Road, I propose to earmark Rs. 114.70 crore during 2015-16.

33. I propose to allocate Rs. 57.87 crore for ongoing EAP Project of North-Eastern Region Urban Development Programme (NERDUP) to cover Aizawl Water Supply and Sewerage & Sanitation Programme under UD&PA Department.

34. For reforms and restructuring of Public Sector Enterprises (PSE) which is one of the facets within the ambit of Mizoram Public Resource Management Programme (MPRMP) under Finance Department, Rs. 34.10 crore is allocated.

35. Rs. 10 crore is allocated to UD&PA Department for purchase of a site at Zodin Square for construction of a mega Motor Parking.

36. For MLA Local Area Development Fund a total of Rs. 20 crore is earmarked during 2015-16, and from this allocation each Member of Mizoram Legislative Assembly shall contribute Rs. 1 lakh for Mizoram State AIDS Control Society adding up to a total of Rs. 40 lakh which will then be allocated to Health Services as Grants-in-Aid for the Society.

### **Plan Sectoral Allocation**

37. Total Plan Outlay of Rs. 3097.78 crore is allocated to various Sectors as shown below:

|       |                                   |       |               |
|-------|-----------------------------------|-------|---------------|
| i)    | Agriculture & Allied Services     | – Rs. | 318.61 crore  |
| ii)   | Rural Development                 | – Rs. | 292.45 crore  |
| iii)  | Special Area Programme            | – Rs. | 97.38 crore   |
| iv)   | Irrigation & Flood Control        | – Rs. | 91.97 crore   |
| v)    | Energy                            | – Rs. | 76.36 crore   |
| vi)   | Industry                          | – Rs. | 27.17 crore   |
| vii)  | Transport                         | – Rs. | 258.54 crore  |
| viii) | Communication                     | – Rs. | 15.50 crore   |
| ix)   | Science, Technology & Environment | – Rs. | 3.09 crore    |
| x)    | General Economic Services         | – Rs. | 496.36 crore  |
| xi)   | Social Services                   | – Rs. | 1347.59 crore |
| xii)  | General Services                  | – Rs. | 72.76 crore   |

## **Non-Plan Service-wise Allocation**

38. Service-wise distribution of total Non-Plan Fund of Rs. 4519.96 crore is indicated below:

*(a) Revenue Account*

|                         |       |               |
|-------------------------|-------|---------------|
| (i) General Services    | – Rs. | 2190.26 crore |
| (ii) Social Services    | – Rs. | 988.78 crore  |
| (iii) Economic Services | – Rs. | 733.34 crore  |

*(b) Capital Account*

|                        |       |              |
|------------------------|-------|--------------|
| (i) General Services   | – Rs. | 142.03 crore |
| (ii) Economic Services | – Rs. | 178.26 crore |

*(c) Public Debt and Loans & Advances* – Rs. 287.29 crore

## **Budgetary Borrowings**

39. Mr. Speaker Sir, I would like to mention that for States like ours whose own resources are still very minimal, there is a need to resort to borrowings for funding basic developmental works. However, it is not wise to go on availing loans without discreet planning if we are to avoid an ever-increasing debt of the State. It is always better to have proper planning for spending the loans that are to be availed. Apart from this, the Government of India fixes a prescribed ceiling on the annual budgetary borrowings of the States within which we have to contain our borrowings.

40. During the current fiscal 2015-16 our budgetary borrowing limit is fixed at Rs. 426 crore which is 3 percent of the estimated Gross State Domestic Product (GSDP) of Rs. 14204 crore for the year.

41. Within this ceiling, I propose to raise Market Loans and Negotiated Loans from NABARD, Power Finance Corporation (PFC) and National

Cooperative Development Corporation (NCDC) including Block Loans from the Government of India for various development projects including EAP projects in the State. Besides, net balances in the Public Account under Small Savings, Provident Fund, etc. and Civil Deposits, etc. are taken into account for computing loans availed by the State during the year. Therefore, the total Internal Debt together with Loans and Advances proposed to be raised during the year comes to Rs. 389.89 crore.

### **Liabilities of the State**

42. The main criterion for assessing the State's fiscal health in regard to liabilities is the Gross State Domestic Product (GSDP). In this regard I would like to briefly, and at a glance, apprise the respected Members of the position of what our State debt stock has been in the past five years with reference to the Thirteenth Finance Commission's recommended targets of liabilities for Mizoram during 2010-15 *vis-a-vis* our actual position yearwise as tabulated below:

| <b>Financial Year</b> | <b>TFC's recommended percentage of GSDP</b> | <b>Liabilities in crore of rupees</b> | <b>Actuals as percentage of GSDP</b> |
|-----------------------|---------------------------------------------|---------------------------------------|--------------------------------------|
| 2010-11 (Actuals)     | 87.3%                                       | 4496.86                               | 74.23%                               |
| 2011-12 (Actuals)     | 85.7%                                       | 4548.45                               | 65.06%                               |
| 2012-13 (Actuals)     | 82.9%                                       | 5114.20                               | 63.51%                               |
| 2013-14 (Actuals)     | 79.2%                                       | 5608.47                               | 54.47%                               |
| 2014-15 (RE)          | 74.8%                                       | 5863.71                               | 46.91%                               |

43. During the current financial year 2015-16, the total amount of the State's liabilities is estimated at Rs. 6260.20 crore which stands at 44.07 percent of the projected GSDP of Rs. 14204 crore.

### **Revenue Surplus and Fiscal Deficit**

44. Mr. Speaker Sir, as per the recommendation of the Fourteenth Finance Commission, States are now expected to have Revenue Surplus and to contain Fiscal Deficit at 3 percent of GSDP every fiscal for the ensuing 5 years (2015-16 to 2019-20) of the Commission period. I have a strong desire with considered determination to steer the State finances within the aforesaid fiscal parameters. In this Budget Estimates, I therefore target a Revenue Surplus of Rs. 1084.16 crore and Gross Fiscal Deficit of Rs. 109.63 crore which is 0.77 percent of the estimated GSDP.

### **Austerity Measures**

45. Mr. Speaker Sir, as I have highlighted earlier, we will have no separate fund for taking up Plan and Non-Plan requirements from 2015-16 onwards except for the awards under Finance Commission and for that reason, it is all the more pressing for us to augment our own Tax and Non-Tax Revenues to the greatest extent possible and also to wisely spend our limited resources as best as we can. Under the enthusiastic guidance of the Hon'ble Chief Minister an Office Memorandum was issued in December 2014 from the CMO spelling out detailed directives on economy in spending and resource mobilisation for strict compliance by all Government Departments and Autonomous Bodies

under the State Government. Earlier I caused an OM to be issued from the Finance Department on the same lines in July last year. The Government is ever determined to enforce these guidelines on austerity measures and rationalisation of expenditure.

46. The State Government in its efforts to have better economy in spending recently revised the system of food trading by raising selling price of rice to the public from Rs. 9.50 to Rs. 15 per kilogram. Very recently the Government had to take a hard decision on the management of the State's Public Sector Enterprises. The three sick PSEs namely ZENICS, ZOHANDCO and MAMCO are decided to be closed down and ZIDCO and MIFCO are recommended to be restructured and privatised respectively. For regular employees of these PSEs, the Mizoram State Public Enterprises (Early Retirement) Rules 2015 have been notified and the implementation of the decision of the Government on the matter is expected to be completed during 2015-16.

### **Report of the State Finance Commission**

47. The first Mizoram State Finance Commission was formed by the Government to make recommendations on the system of transfer of funds to the Autonomous District Councils and the Local Bodies. The Report was submitted to the Government on 19.2.2015. This Report is being examined and if it is accepted by the Government devolution of Grants-in-Aid to the three

Autonomous District Councils, Aizawl Municipal Council and the Village Councils can be carried out evenly and based on proper patterns.

### **Conclusion**

48. Mr. Speaker Sir, it is the intention of the Government to consider this financial year 2015-16 as the *Year of Consolidation*. This implies that the Government will be intent on bringing the State on a more firm financial footing by not venturing on high and new developmental agenda. Instead, the effort of the Government will be to concentrate more on high priority and thrust areas and at the same time to dissolve our liabilities to the extent possible with the available resources. We will start clearing the huge pile of Civil Deposits, which have accumulated over the years, from the current financial year onwards and it is expected to fully clear the same within the next three or four years. At the same time, I assure you that the Government will shoulder the duty of providing funds for the efficient maintenance of the whole Government machinery mainly from the albeit meagre Non-Plan resources at hand with wise discretion and proper assessment.

49. As it is possible to know the amount of fund that will be roughly available for the State during the coming five years from 2015-16, it will be the endeavour of this Government to wisely utilise our limited funds for the upliftment of our State. I beseech all the Members of this House and the citizens of Mizoram to give me your support to accomplish this uphill yet noble task.

50. Mr. Speaker Sir, I once again thank all the Members for giving me a patient hearing and with these words I commend the Budget Estimates for the Financial Year 2015-16 for approval of this august House.

Thank You, Sir