

BUDGET SPEECH OF THE FINANCE MINISTER FOR THE FINANCIAL YEAR 2017-2018

Mr. Speaker Sir,

With your permission I will present to this august House the Regular Budget for the Financial Year 2017-18 and the Supplementary Demand for Grants 2016-17 for discussion and its subsequent approval.

2. Fortunately I will be able to lay again a regular budget for 2017-18. I had laid a regular budget last year and it is a great privilege that I am able to lay a regular Budget for two years in a row. With the commencement of the Fourteenth Finance Commission Recommendation in India, more autonomy is given to us in determining the size of our Budget, our sources of funds are more or less certain as well as our need for expenditure.

3. There is a paradigm shift in the budgeting system that the Plan – Non Plan regime has come to

an end and we are stepping in to a new era of Revenue-Capital budgeting system which will be effective from 2017-18 throughout the whole India.

4. Mr. Speaker Sir, let me start with the sources of funds from which we are planning to finance our required expenditures. The estimated sources of fund for the State Government during 2017-18 without differentiating Revenue Receipt and Capital receipt will be as follows-

(a) ***Devolution of fund as per recommendation of the Fourteenth Finance Commission for the year 2017-18***, comprising of - Share of Taxes amounting to ₹ 3107.26 crore, Post Devolution Revenue Deficit (PDRD) Grant amounting to ₹ 2446.00 crore, Urban Local Bodies (ULB) Grant amounting to ₹ 23.80 crore and SDRF amounting to ₹ 17.00 crore. Out of ₹ 23.80 crore estimated to be available under ULB Grant, ₹ 18.46 crore is Basic Grant and ₹ 5.34 crore is Performance Grant of the Urban Local Bodies.

- (b) **State Borrowing** amounting to ₹ 596.95 crore comprising of Loan from NABARD amounting to ₹ 150.00 crore, Loan from NCDC amounting to ₹ 11.24 crore and Block loan amounting to ₹ 35.68 crore. Open Market Borrowing (OMB) amounting to ₹ 400 crore which the State Government can avail by seeking consent from the Ministry of Finance depending upon our need for various developmental works to fill the fiscal gap of the State. Interestingly the last time Government of Mizoram borrowed Ways and Means Advance from RBI was June, 2015 which means the State's financial health has improved much and therefore, Ways & Means advance of ₹ 0.03 crore only is also estimated to be availed.
- (c) **State's Own Funds** amounting to ₹ 694.64 crore comprising of State's Own Tax Revenue (SOTR) and State's Own Non-Tax Revenue (SONTR).

A recovery of Loans and advances to the tune of ₹ 32.84 crore is also expected to be available.

(d) **Funds for Centrally Sponsored Schemes**

amounting to ₹ 1169.61 crore is expected to be received from various Ministries of the Central Government. It may be reiterated here that the State Government finds it difficult to avail those CSS whose sharing pattern are higher than 90:10 except for those CSS which have strategic importance for the general public.

(e) **Block Grants** consisting of funds for EAP, NLCPR, BADP, NSAP, AIBP, JNNURM, NeGAP amounting to ₹ 582.36 crore is expected.

5. Thus the total amount of fund expected to be available to the State Government from all available sources during 2017-18 is ₹ 8803.10 crore. As I have mentioned earlier, some of these funds such as ULB Grant, SDRF, NCDC Loan, fund for EAP, fund

for CSS and NLCPR/NEA are for specific purposes and are therefore, tied funds. At the same time, EAP, CSS and NLCPR/NEA are not assured fund and could not be wholly relied upon as the projected amounts may not materialize.

6. The State Government being determined to have solid financial foundation had declared the past two years as, “Years of Consolidation” and accordingly worked tirelessly for improvement of its financial positions. As a result, our financial health has witnessed commendable improvements so that we are intending to spend more funds for building basic infrastructures in various sectors during 2017-18. Therefore, Market Loans to the tune of ₹ 400.00 crore and NABARD loan amounting to ₹ 150.00 crore are intended to be availed during the period.

Budget Estimates 2017-18

7. Mr. Speaker Sir, I may now come to the Budget Estimates 2017-18.

Revenue Receipt

8. Revenue Receipt of the State Government consists of Tax Revenue and Non-Tax Revenue. The estimated Tax Revenue for 2017-18 is ₹ 3504.97 crore comprising of State's Own Tax Revenue (SOTR) amounting to ₹ 397.71 crore and State's share of Central Taxes and Duties amounting to ₹ 3107.26 crore.

9. The estimated Non-Tax Revenue for 2017-18 is ₹ 296.93 crore and Grants-in-Aid from the Central Government is estimated at ₹ 4371.40 crore for 2017-18.

10. Thus the total Revenue Receipt of the State for 2017-18 is estimated at ₹ 8173.31 crore out of which the State's Own Revenue Receipt is estimated to be ₹ 694.64 crore, which is only 8.50 % of the total Revenue Receipt.

Capital Receipt

11. Capital Receipt comprises of Internal Debt of the State Government, Loans & Advances from the Central Government and Recoveries of Loans & Advances. The total Capital Receipt for 2017-18 is estimated at ₹ 629.79 crore out of which ₹ 561.27 crore is estimated to be obtained from Internal Debt, ₹ 35.68 crore from Loans & Advances from the Central Government and ₹ 32.84 crore from Recoveries of Loans & Advances.

12. The Internal Debt of the State Government consists of Open Market Borrowing (OMB) amounting to ₹ 400 crore, Loans from NABARD amounting to ₹ 150 crore, Loans from NCDC amounting to ₹ 11.24 crore and W&MA from RBI amounting to ₹ 0.03 crore.

Efforts on Resource Mobilization

13. Being a revenue deficient State, we need to put in all out-efforts to tap new potentials for resource

mobilization. At the same time, we also need to increase the quantum of collection under our existing Tax and Non-Tax Revenues.

14. Goods & Services Tax Act will be effective from July, 2017 throughout the whole country and will repeal state Sales Tax Act. There is something yet to be settled for its implementation which makes it difficult to make precise estimation of the revenue to be accrued from this source. Apparently our revenue will however be increased with the introduction of Goods & Services Tax Act. Under Taxation Department, I propose an estimated receipt of ₹ 285.00 crore under State Sales Tax Act which *inter alia* includes ₹ 74.99 crore on sale of motor spirits and lubricants.

15. The total receipt on account of State Excise has increased tremendously with the implementation of the Mizoram Liquor (Prohibition & Control) Act, 2014 for the second year in a row and therefore, I propose

an estimated receipt of ₹ 51.50 crore during 2017-18 against ₹ 43.08 crore estimated in 2016-17.

16. We expect to generate revenue amounting to ₹ 20.68 crore under Land Revenue & Settlement Department on account of Land Revenue, Stamps & Registration fees and Land Reforms.

17. With the introduction of 'The Mizoram Motor Vehicles Taxation (Amendment) Act, 2015', collection of Taxes under the Act is gradually increasing. I propose an estimated receipt of ₹ 15.48 crore for 2017-18.

18. "The Mizoram Water Supplies (Control) (Amendment) Rules 2011" came into force from 21st November 2014. The Water tariff rate was revised accordingly; this will be gradually revised in future as per provision provided in the Rules. Revenue already collected under this Act during 2016-17 upto the month of December, 2016 is of ₹ 27.20

crore and I propose an estimated receipt of ₹ 40 crore under Water Supply for the year 2017-18.

19. During 2017-18, Power & Electricity Department is expected to generate revenue amounting to ₹ 181 crore on account of Power Tariff.

Expenditure

20. Mr Speaker Sir, let me now come to the Expenditure side of the Budget Estimates 2017-18. As already mentioned, Central Government have decided a merger of Plan and Non Plan which will also be effective in the State of Mizoram as such, the expenditure side of our budget will be broadly classified into Revenue Expenditure and Capital expenditure.-

- (a) **Gross Revenue expenditure** amounting to ₹ 6388.21 crore is projected for 2017-18 and our **Net Revenue Expenditure** will be ₹ 6386.21 crore.

(b) **Gross Capital expenditure** amounting to Rs. 2414.89 comprising of fund for developmental works and for the purpose of repayment of previous loans, purchase of food grains, etc. loans and advances to State employees, is projected for 2017-18 and our **Net Capital Expenditure** will be ₹ 2236.62 crore.

21. Therefore, the Gross Expenditure from the Consolidated Fund of the State for 2017-18 is estimated at ₹ 8803.10 crore comprising of Gross Revenue Expenditure amounting to ₹ 6388.21 crore and Gross Capital Expenditure amounting to ₹ 2414.88 crore. Estimated Net Expenditure of the Consolidated Fund of the State is ₹ 8622.84 crore of which Net Revenue Expenditure is ₹ 6368.21 crore and the Net Capital Expenditure is ₹ 2236.62 crore.

22. This holistic view of our Budget Estimates may give us a fair idea about the determinants of our

Budget both on the Receipt side as well as on the Expenditure side.

Important allocations of funds

23. Needless to say the purposes of Revenue expenditures. The most notable feature of our Budget 2017-18 is allocation of fund for New Economic Development Policy (NEDP). I allocate ₹ 750.00 crore for NEDP which will be implemented by 31 Government Departments.

24. Government truly knows that some of our roads conditions are not good enough and therefore tries to address this problem by allocating more funds. During 2017-18, I proposed to allocate ₹ 239.50 crore for maintenance of Roads and Bridges which is 259% more than what had been allocated in 2016-17 (BE). Further, for new and on-going construction of roads, I propose to allocate ₹ 657.64 crore for 2017-18 against ₹ 387.65 crore in 2016-17 (BE) i.e. 70% more than allocation in 2016-17 (BE).

25. I propose to allocate an amount of ₹ 140 crore as SMS so that various Centrally Sponsored Schemes may go smoothly.

26. I propose to allocate ₹ 98.77 crore for taking up of various works under NLCPR.

27. ₹ 150 crore is earmarked for various developmental works under NABARD loan to be taken up by different Departments as indicated below:

a) AH & Vety.	₹	5.71 crore
b) Soil & WC	₹	0.52 crore
c) P&E	₹	16.65 crore
d) PWD	₹	80.00 crore
e) PHE	₹	17.47 crore
f) Minor Irrigation	₹	12.38 crore
g) FCS&CA	₹	9.21 crore
h) School Education	₹	8.06 crore
Total	₹	150.00 crore

28. There is a scheme being undertaken in Cooperation Department under the Integrated Cooperative Development Project (ICDP) for upliftment and revival of various Cooperative Societies in five districts, to be completed within a span of 4 years. For this Project I propose to allocate ₹ 11.24 crore during the current year.

29. For continuing construction of 3 roads namely – Champhai-Zokhawthar Road, Chhumkhum-Chawngte Road and Tlabung-Kawrpuchhauh Road under the Mizoram State Road-II Regional Transport Connectivity Project (EAP funded by World Bank), I propose to earmark ₹ 187.40 crore during 2017-18.

30. For improvement and upgradation of Serchhip-Buarpui road, another EAP project under PWD, I also propose to allocate ₹ 60.00 crore.

31. I propose to allocate ₹ 35.12 crore for ongoing EAP Project of North-Eastern Region Capital Cities Development Investment Programme (NERCCDIP)

project -II and ₹ 84.25 crore for NERCCDIP project-III to be taken up by SIPMIU under UD&PA Department.

32. In 2016-17 (BE) ₹ 159.34 lakh was allocated for establishment of Lok Ayukta in Mizoram. However, we were unable to materialize it due to some unavoidable circumstances. I propose again ₹ 159.34 lakh for establishment of Lok Ayukta in 2017-18. Steps are being taken for setting up of Lok Ayukta and it is now hopeful that we will have Lok Ayukta in Mizoram in due course.

33. Government of Mizoram knows the problem of our policemen in respect of payment of motor vehicle repair bill, domestic travelling expenses and their uniforms. We tried to address this problem by allocating them a quite good amount of funds in RE 2016-17. Further, to avoid accumulation of liabilities in the coming years I proposed to allocate ₹ 473.10 lakh which is ₹ 218.50 lakh more than BE 2016-17 for their domestic travelling expenses, ₹ 427.70 lakh

which is ₹ 76 lakh more than BE 2016-17 for maintenance of their vehicles. Similarly, I propose to allocate ₹ 500 lakh for police uniform which is ₹ 340 lakh more than BE 2016-17 with a view to give our policemen better uniforms.

34. Service-wise distribution of total Fund is indicated below:

(a) Revenue Account

- (i) General Services – ₹ 2362.16 crore
- (ii) Social Services – ₹ 2365.66 crore
- (iii) Economic Services – ₹ 1660.39 crore

(b) Capital Account

- (i) General Services – ₹ 698.48 crore
- (ii) Social Services – ₹ 431.28 crore
- (iii) Economic Services – ₹ 956.38 crore

(c) Public Debt and Loans & Advances

– ₹ 328.74crore

Revenue Surplus and Fiscal Deficit

35. Mr. Speaker Sir, our present Budget Estimates for 2017-18 is prepared so as to have an estimated Revenue Surplus of ₹ 1787.10 crore and an estimated fiscal deficit of ₹ (-) 138.94 crore. The revenue surplus and fiscal deficit estimates will be 10.18% and 0.79% of the projected GSDP of ₹ 17561.60 crore for 2017-18 respectively.

DEBT POSITION OF MIZORAM AS PER C&AG

REPORT

36. Our aver all liabilities which included Market Borrowings (Market Loans and Power Bonds), Loans from the Central Government (Block Loans and other Loans), Special Securities issued to NSSF, Borrowings from FIs (LIC, NABARD, NCDC and other Institutions), WMA/OD from RBI, Provident Funds (GPF, Insurance & Pension Fund) and Other Liabilities stood at ₹ 5608.38 crore in 2013-14 (Actual), ₹ 6550.39 crore in 2014-15 (Actual), ₹ 6407.39 crore in 2015-16 (Actual), ₹7290.17 crore

in 2016-17(BE). As a per cent of GSDP our liabilities in 2013-14 was 54.46%, 62.90% in 2014-15, 47.90% in 2015-16 and 46.92% in 2016-17 (BE).

37. The estimated liabilities of the State for 2017-18 is ₹ 7177.99 crore which is 40.87% of the projected GSDP of ₹ 17561.60 crore. The Government has embarked upon a more vigorous programme through New Economic Development Policy (NEDP) to assist the farmers and animal rearers to increase their produces, and to uplift them from the present subsistence level to market economy in which the Government will provide their common requirements of infrastructures that require borrowing. The Government will play the role of facilitator providing different facilities in the form of infrastructures and others so that grass-root workers are assured better economic position. For this, I inform this august House that I shall borrow as may be required for the purpose.

38. Mr. Speaker, our GSDP is estimated to grow at a rate of 13.05% during 2017-18.

Economy Measures

39. Mr. Speaker Sir, I take this opportunity to reiterate that our sources of funds are limited so that we need to augment our Tax and Non-Tax Revenues to the greatest extent possible and also to carefully spend our limited resources. In order to pursue the Office Memorandum on Economy Measures issued by the CMO in December 2014, a Cabinet Sub-Committee has been formed. The Committee has a quarterly review of the Action Taken Report submitted by various Departments and chalk out action plans with Heads of the Departments. The State Government is committed to carry out and enforce these guidelines on austerity measures and rationalization of expenditures.

40. Food Security Act, 2013 has since been introduced in Mizoram from 1st March, 2016. As we

all know under Food Security Act, 2013, the poor families of the State totaling a population of 673825 are being given a monthly subsidised rationed rice at the rate of ₹ 3 per kg. For the rest population, the Government procures rice through local purchase presently at the rate of ₹ 2500 per quintal instead of procuring rice at higher rate from FCI. As a result, Government spent less amount of money in food procurement. During 2015-16 alone, Government spent less amount of fund for food procurement to the tune of ₹ 58.88 crore than the amount spent during the previous year.

41. Medical Reimbursement Bill has been a big headache for the State Government as huge amount of unpaid bills are piling up. The State Government has to pay approximately ₹ 80 crore annually for Medical Reimbursement bill alone. Steps are being taken for implementation of the recommendation of a Committee on Medical Reimbursement and we are now in a culmination stage. Once the report is

implemented, the expenditure on this item would be greatly diminished and would save the State Exchequer a huge amount of public money.

Conclusion

42. Mr. Speaker Sir, we have declared the last two financial years as 'Year of Consolidation' meaning that we have decided not to venture on high and new developmental works but to bring the State on a sound footing. The dividends have paid off so that we are now able to invest more funds during 2017-18 for developmental works to accentuate growth. Comparing our proposed Capital Expenditure with the previous year's amount, the increment is 35.57% which clearly indicates that Government of Mizoram is fully committed to bring about development for its people.

43. Mr. Speaker Sir, I thank all the Members for giving me a patient hearing and with these words I commend the Budget Estimates for the Financial

Year 2017-18 for discussion and approval of this
august House.

Thank You, Sir