



GOVERNMENT OF MIZORAM

BUDGET SPEECH

of

Pu Zoramthanga

HON'BLE CHIEF MINISTER

&

FINANCE MINISTER

for

2021- 2022

in the

8TH MIZORAM LEGISLATIVE ASSEMBLY

On

Monday, the 1st of March, 2021

**SPEECH OF THE FINANCE MINISTER
AT THE PRESENTATION OF BUDGET
FOR THE YEAR 2021-22**

Hon'ble Speaker,

I rise to present the Budget Estimates for the Financial Year 2021-22 before this august House.

1. Hon'ble Speaker Sir, I am presenting this budget at a time when the whole world, including India, is struggling to recover from the impact of COVID-19 crisis. Before I proceed further, I would like to pay my respects and express my sincere gratitude to all the frontline workers and everyone who have risked their lives and participated in the fight against the pandemic. I would also like to extend my heartfelt appreciation to those who have generously provided financial support and to all the people of Mizoram for their unparalleled cooperation in these trying times.

2. Sir, when I presented the Budget for the Financial Year 2020-21, it was outside the realm of our imagination that our State or our country, not to mention the rest of the world, already grappling in an uncertain economy, would be plunged into such a grave catastrophe. As it is, the present period is incredibly complicated and challenging from economic point of view. The constant lockdowns and restrictions have not only constrained the economic activities and disrupted supply chains but have halted our normal lives in more ways than we can perceive. As a result, tax collection at the Central Government plummeted which consequently trickled down to our State's share of taxes and resulted in much lower release than receipt than the preceding years.

3. We are in a trying and uncertain times where accurately prioritizing the needs and meeting those priorities becomes a challenge. The pandemic has distended expenditures and scaled down revenue income, substantially out of alignment with our budgetary

targets, thereby pushing the State to resort to huge additional borrowings.

4. I have to let this august House to note that the basic attribute of the State Budget like Mizoram depends mainly on the recommendations of Finance Commissions. The Fifteenth Finance Commission had submitted its Report for 2021-26, and the Union Budget has also been prepared largely in line with the report of the Commission. The Commission decided to retain share of 41 % of the tax proceeds among the 28 States in India. Under the horizontal formula, the share of Mizoram is 0.500 % which is lower than the share of 0.506 % recommended in its Interim Report for 2020-21 but higher than the Fourteenth Finance Commission's recommendation of 0.460 %. However, actual transfer will depend on tax buoyancy of the Central Government.

5. In addition, during the Fourteenth Finance Commission period, Post Devolution Revenue Deficit Grant (PDRDG) was recommended for 11 States which was reduced to 7 States in 2019-20. The Fifteenth Finance Commission has recommended 17 States assessed with a post-devolution deficit and these recommended grants diminish towards the end of the award period. Recommendation for Urban Local Body Grant and Rural Local Body Grant also saw a decrease for the year 2021-22. The Commission recommended 40 % of the fund as untied and the remaining 60 % to be utilized for supporting and strengthening the delivery of basic services.

6. It is, however, a moderate relief that the Commission maintained status quo for State Disaster Risk Management Fund (SDRMF) at ₹ 47.00 crore. The State will contribute a matching share of 10 % to this fund.

7. Our State's Own Revenue earnings which saw an increase of 6.52 % in 2019-20 from 2018-19, has shown an increase of only 1.64 % in the current year compared to 2019-20 following a long period of limited economic activities. The State is constantly taking measures to increase its own revenue from all sectors.

8. Looking into our high dependency for revenue sources on the Union Government and lessons from COVID crisis on importance of self-reliance, we can try to reverse this global calamity as a catalyst to strive harder for our own course, self-sufficiency and to venture for more scope of revenue sources.

OVERVIEW OF THE STATE'S ECONOMY:

9. Hon'ble Speaker Sir, I would like to highlight a brief overview of our State's economy through a few selected economic indicators like Revenue Surplus or Deficit, Fiscal Deficit, and Sustainability of Debt, which are mostly measured in terms of GSDP.

10. As a consequence of surging revenue expenditure and dwindling income arising from COVID crisis, the State's Gross Fiscal Deficit for RE 2020-21 increased to 6.87 % from the estimated figure of 1.66 % and Revenue Deficit as Percentage of GSDP is estimated at 2.52 % in current year. The severe drop in the quantum of revenue collection at the Central Government has led to a significant reduction in the Mizoram's share by ₹ 1,185.03 crore which is 29.86 % lesser than BE 2020-21. Here, I would like to mention that tax devolution for the State has been declining since 2019-20 and Special Grants of ₹ 546.00 crore recommended by the Fifteenth Finance Commission has not been realized. Being aware of the fiscal difficulties faced by the States, the Central Government has allowed additional borrowings of 2 % of GSDP out of which 1 % is untied and 1 % is with conditionalities linked with reforms. As the amount is beyond the State's Net Borrowing Ceiling and as availing of additional borrowings would breach the limit prescribed for Fiscal Deficit of 3 % of GSDP under the Mizoram FRBM Act, 2006, the FRBM Act was amended to bring down Fiscal Deficit to 3 % by 2024-25. For reasons cited above, despite the State reprioritizing its spending and taking effective economy measures to scale down its revenue expenses, the State is not in a position to maintain revenue surplus in the current fiscal year.

11. GSDP for 2021-22 is estimated to be ₹ 37,974.55 crore at Current Price presenting a growth rate of 19.97 % against the current year's figure of ₹ 31,653.99 crore which is slightly higher than the growth rate for 2020-21 i.e. 19.44 %. It is imperative to mention that the State's GSDP for 2021-22 is estimated based on 2017-18 actuals and therefore not impacted by COVID implying that the final figure may change. Though the GSDP projected figure is quite high, the contribution of service sector is extremely high over primary and industrial sectors, we need to maintain stability and an attempt for achieving more balanced sectoral contributions.

12. Keeping a positive perception, State's Own Revenue for 2021-22 is estimated to stand at 16.05 % of the total Revenue Receipt which is highly appreciable and also at 4.14 % of GSDP which is at an approximate level compared to previous year's figure.

13. In spite of our limited revenue resources, I aimed at maintaining a revenue surplus of ₹ 579.42 crore in 2021-22.

14. The estimated Gross Fiscal Deficit as a percentage of GSDP for 2021-22 is 2.14 % and Primary Deficit will stand at 1.12 %.

15. The accumulated outstanding debts will be ₹ 10,491.20 crore and the Debt/GSDP ratio is 27.63 %. We have seen an optimistic trend in our debt sustainability during the last five years, i.e., 41.09 % in 2016-17; 41.85 % in 2017-18; 32.89 % in 2018-19; 32.72 % in 2019-20 and 28.53 % in 2020-21(RE) and 27.63 % in 2021-22(BE).

BUDGET ESTIMATES 2021-2022:

16. Hon'ble Speaker Sir, preparation of this year's budget is intimidating and challenging given the uncertainty about the post-lockdown economic outlook, but even so estimates are made with a resilience approach.

I RECEIPTS:

A. Revenue Receipts:

17. As it stands, the State obtains its major portion of income from State's Own Tax and Non-Tax Revenues, Devolution of the Tax proceeds of the country as recommended by Finance Commission, various grants received from the Centre and Loans and Advances availed from various institutions. The total Projected Revenue Receipt for the year 2021-2022 is ₹ 9,795.80 crore.

18. State's Own Tax and Non-Tax Revenue:

The projected earnings from our State's Own Tax Revenue is ₹ 719.56 crore which is 8.75 % increase from current year's BE of ₹ 661.68 crore. Further, we are trying to achieve ₹ 852.26 crore from our Own Non-Tax Revenue which include ₹ 175.00 crore subsidy amount to be credited to P&E Department's revenue account. Without this, the projected increase of Non-Tax Revenue compared to 2020-21 BE of ₹ 583.07 crore is 16.15 %. The aggregate growth of State's Own Tax and Non-Tax Revenue will be 26.27 %.

19. Tax Devolution:

The 41 % of the central divisible pool of taxes, which exclude cesses, surcharges and cost of collection, as per BE 2021-22 of the Union Budget is ₹ 6,65,562.74 crore which is 15.13 % decrease from current year's BE. This is in fact a decent share considering the actual amount received for the current year which is 29.86 % lesser than the estimated figure out of this estimate, ₹ 3,327.82 crore is earmarked for Mizoram a much lower figure compared to current year's figure of ₹ 3,967.96 crore.

20. Grants-in-Aid:

In line with the recommendation of Fifteenth Finance Commission, the Central Government has set aside grants for

Mizoram under the following components:

a) Post Devolution Revenue Deficit Grant:

The Central put an estimated amount of ₹ 1,790.00 crore for 2021-22 as a grant recommended by the Fifteenth Finance Commission which is 25.88 % higher than current year's BE. Here, I would like to mention that the Revenue Deficit Grants as recommended by the Commission for its five year award period are on a declining path.

b) Local Body Grants:

It is estimated that ₹ 103.00 crore will be received towards Local Body Grants with an estimated amount of ₹ 69.00 crore under Rural Local Body Grant and ₹ 34.00 crore under Urban Local Body Grant. The recommended amount is 25.36 % less than the previous year's figure. 40 % of these grants is untied and can be used by the Local Bodies for felt needs under their respective subjects. While 60 % of Rural Local Body Grant is earmarked for drinking water, rain water harvesting, water recycling, sanitation and maintenance of ODF, 60 % of Urban Local Body Grant is assigned for sanitation, solid waste and water waste management, drinking water, rain water harvesting and water recycling. The actual award under these grants could also be higher based on the performance and fulfillment of certain conditionalities.

c) State Disaster Risk Management Fund (SDRMF):

Grant under this fund is kept unchanged at ₹ 47.00 crore for BE 2021-22. The Commission recommended that 20 % of the fund can be utilized for mitigation purposes and the remaining 80 % as response funds.

21. Centrally Sponsored Schemes (CSS) and Externally Aided Projects (EAPs):

We have estimated ₹ 2,433.52 crore from various Centrally Sponsored Schemes and ₹ 136.87 crore from Externally Aided Projects. We also expect to receive ₹ 385.77 crore from other transfers like NLCPR/NESIDS, NEC, ST Welfare Grants, Central Road Funds etc.

B. Capital Receipts:

22. Capital Receipts are receipts that create liabilities such as loans from the general public, foreign governments and the Reserve Bank of India (RBI), disinvestment receipts and recoveries of loans from State and Union Territory Governments and other parties.

23. Internal Debts:

A sum of ₹ 1,295.00 crore is estimated to be received from Internal Debts of the State. Internal Debts include various loans from Market Loans (₹ 1,000.00 crore), NABARD (₹ 170.00 crore), National Co-operative Development Corporation (₹ 10.00 crore), Rural Electricity Corporation (₹ 5.00 crore), and Power Financing Corporation (₹ 10.00 crore), etc.

24. Loans and Advances:

A sum of ₹ 30.52 crore is expected to be availed from the Loan portion of Special Schemes through Externally Aided Projects etc.

25. Recovery of Loans and Advances:

A capital receipt of ₹ 27.56 is expected to be received from recovery of Loans from Government Servants, Co-operative Societies, and Loans for Housing etc.

26. The total estimate for Capital Receipts to be realized for the year 2021-22 is ₹ 1,353.08 crore which is 45.49 % higher than current year's projection of ₹ 930.04 crore.

27. The Overall Receipt comprising of Revenue and Capital is estimated to be ₹ 11,148.89 crore, which is ₹ 433.89 crore higher than BE of 2020-21.

II DISBURSEMENTS:

A. Revenue Expenditure:

28. The total Disbursement for Revenue Expenditure for the year 2021-22 is estimated to stand at ₹ 9,216.39 crore, which is 82.67 % of the total Budget Estimate.

29. The scope of Revenue expenditure is very wide. It includes, expenditures on Salary of Employees, Pensionary Charges, Interest payments, expenditure on large sectors like Education, Sports, Road Maintenance, Power Purchase, Water supply, District Administration, Secretariat Administration, Home, Jails, Police, purchase of food grains etc. It also includes maintenance cost of infrastructure projects which were already commissioned by the State Government. Further, certain Ministries of the Govt. of India have ceased to release salary portion of those employees whose engagements and salaries are paid from CSS Schemes; and the State has to desperately meet their salaries until the Scheme is terminated thereby swelling up the Revenue Expenditure.

30. Due to increase in obligatory expenses and also due to decrease in grants received from the Centre, I would like to inform the Hon'ble Members of the House that as the State is compelled to reduce its non-obligatory revenue expenditures, various activities which were undertaken in pre-COVID period except priority items will not be possible to be taken up in 2021-22.

B. Capital Expenditure:

31. Hon'ble Speaker Sir, the total fund earmarked for Capital Expenditure to the development of the State amounts to ₹ 1,932.50 crore, which is 17.33 % of the total estimated expenditure. Capital expenditure is mainly for creation of assets for the Public including lands and buildings, roads and bridges, irrigation, sports infrastructures, large machineries etc. As the Government of India reduced the Share of Taxes of most States along with Deficit Grants, we need to find more scope for generating revenues for establishing space towards Capital investments.

32. The Net estimated expenditure for 2021-22 including Revenue and Capital, that corresponds to the total estimated receipts comes to ₹ 11,148.89 crore.

III. SECTORAL ALLOCATIONS:

A. General Services Sector:

33. This Sector comprises the general organs of the States like Legislature, General Administration and District Administrations, Election, Fiscal services (Finance and Accounts, Taxation, Land Revenue, Excise, Transports, Goods & Services), Home etc.

34. A sum of ₹ 3,917.10 crore (₹ 2,987.10 crore for Revenue section and ₹ 930.00 crore for Capital section) which is 35.13 % of the total Budget will be allocated under this Sector.

B. Social Services Sector:

35. A sum total of ₹ 4,077.29 crore (₹ 3,665.42 crore from Revenue portion and ₹ 411.87 crore out of Capital portion) which is 36.57 % of the total Budget will be allocated for this Sector. Social Services Sector consists of Education, Health, Water Supply and Sanitation, Local Administration and District Councils, Social Welfare etc.

C. Economic Services Sector:

36. An allocation of ₹ 2,821.44 crore (₹ 2,745.87 crore from Revenue section and ₹ 75.57 crore from Capital section) will be made for Economic Services Sector which forms 25.31% of the total Budget.

37. This Sector comprises of Agriculture and allied Services, Rural Development, Irrigation and Flood Control, Industries and Mineral, Communication, Science & Technology, Environment, Civil Supplies etc.

IV. ALLOCATIONS ON PRIORITY SECTORS:

38. Out of the available resources within the State Budget, I propose to allocate a sum total of ₹ 400.00 crore for various activities of SEDP.

39. I also propose to put aside a sum of ₹ 5.00 crore for Rehabilitation of MNF Returnees.

40. Hon'ble Speaker Sir, I express my deep appreciation to members of the House for their huge contribution from their Local Area Development Fund to the Chief Minister's Relief Fund for COVID-19 related expenditure. I propose in this budget ₹ 60.00 crore for MLA Local Area Development Fund.

41. With a view to support Co-operative activities, a sum of ₹ 10.00 crore will be earmarked for availing subsidized loans, which will be utilized for strengthening and promoting Co-operative Societies.

42. Grants-in-Aid to be given to Urban Local Body, Rural Local Bodies and the three Autonomous District Councils from the state's own fund are proposed to be allocated approximately in the level of current year's provisions. It will be reviewed in line with the

recommendation of the second Mizoram State Finance Commission for which its constitution is underway.

V. CHARGED AND VOTED EXPENDITURE:

43. The gross estimated expenditure for the year 2021-22 is ₹ 11,330.89 crore. The net estimated expenditure will be ₹ 11,148.89 crore after deduction of ₹ 182.00 crore in respect of recoveries for purchase of foodstuff and stores under FCS&CA Department and Printing and Stationeries Department, and the net estimated expenditure would correspondingly match the estimates of receipt. Out of the gross estimated expenditure, ₹ 964.57 crore would come under Charged Expenditure, and a gross amount of ₹ 10,366.32 crore (including deduct recoveries) would come under Voted Expenditure, which requires sanction of this august House.

VI. SUPPLEMENTARY DEMAND FOR GRANTS:

44. Sir, Supplementary Demands for Grant of ₹ 3,058.08 crore will be required under Revised Estimates. I, therefore, seek the approval of the House for Supplementary Demands. The determinants of these additional expenses will include those late releases of funds under CSS, NEA, NLCPR/NESIDS, CRF amounting to ₹ 945.05 crore; Externally Aided Projects, NABARD, Special Central Assistance, Counterpart Funding (SMS) and SEDP Fund release amounting to ₹ 765.25 crore; and State funds amounting to ₹ 1,347.78 crore.

45. The total amount of allocations that has been made in excess of the Budget Estimate during 2020-21 is ₹ 3,058.08 crore which includes Charged expenditure of ₹ 737.28 crore and a Voted expenditure of ₹ 2,320.79 crore. The Voted Expenditure requires the sanction of this august House.

VII. ECONOMY MEASURES:

46. Hon'ble Speaker Sir, as I have already highlighted in my speech, the economic and social impact of the virus is devastating whereas untied grants to be received from central government reduces, hence economic recovery from the crisis is likely to be slow and uneven. To address the situation, the State Government has taken austerity measures to avoid unnecessary expenditures at various levels such as budgetary cuts in certain areas, direct recruitment and creation of posts except for extremely necessary cases, ban on State sponsored foreign travels, introduction of Annual Maintenance Contract System for motor vehicle repair etc. The State Government would need to take up the standing austerity measures at least till the time our financial situation improves. The State is also taking measures to boost its Tax and Non-Tax Revenue to the greatest extent possible.

CONCLUSION:

47. Hon'ble Speaker Sir, I commend the Budget Estimates (excluding estimates for Charged Expenditure) for the Financial Year 2021-22 amounting to ₹ 10,366.32 crore (Rupees Ten Thousand Three Hundred Sixty-Six Crore and Thirty-Two Lakh only) for discussion and approval of this House.

48. Further, Sir, may I also present the Supplementary Demands for Grants for the Financial Year 2020-21 in respect of Voted Expenditure amounting to ₹ 2,320.79 crore (Rupees Two Thousand Three Hundred Twenty Crore Seventy-Nine Lakh only) for consideration and approval of this august House.

Thank you.