



GOVERNMENT OF MIZORAM

BUDGET SPEECH

of

**PU ZORAMTHANGA
HON'BLE CHIEF MINISTER**

for

2007-'08

in the

MIZORAM LEGISLATIVE ASSEMBLY

on

Thursday, the 15th March, 2007 Aizawl

Mr. Speaker Sir,

With your permission, I rise to present before this august House the **Supplementary Demands for the year 2006-'07 and the Budget Estimates for the year 2007-'08.**

I. OVERVIEW OF THE ECONOMY

2. The State's economy has been following the general path of the country's development. However, being a relatively late starter that we are, we have a lot of ground to make up. Therefore, it remains the conscious efforts of the Government to catch up with the rest of the country in the overall economic development. In order to move towards a more realistic estimation of the impacts of the Government spending and for an independent assessment of the state of the economy, we have for the first time initiated the much needed '*Economic Survey*' of the State. I am happy to present the first ever Survey Report to the Hon'ble Members.

3. According to the advanced estimates in the Survey Report, the State's Gross Domestic Product is expected to grow at **4.84 per cent** in real terms during the current year. The Primary Sector is likely to grow at **5.31 per cent**, Secondary Sector at **12.5 per cent** and the Tertiary Sector to grow at **10 per cent**. Even compared with the rest of the country, the growth of the State's economy is quite encouraging. As compared with the estimated real growth rate of **6 per cent** by the Twelfth Finance Commission, this growth

rate is seen as satisfactory given the poor basic infrastructure in the economy. Efforts are on not only to sustain but to improve the present level of growth and bring the State at par with many of the better off States of the country.

II. OVERVIEW OF THE BUDGET

4. I am happy to present the full budget for the year 2007-08. This is possible as a result of timely finalization of the Annual Plan size of the State by the Planning Commission of India.

5. As I have mentioned in my last Budget Speech, the budget for the current year and the year 2007-'08 fall within the award period of the Twelfth Finance Commission. This period (2005-'10) is marked by a relatively higher level of inflow of resources from the Centre in different forms of transfer of resources to the State. This results in a relatively comfortable fiscal position for the State.

Fiscal Indicators

6. Another remarkable feature of this budget is that we have an estimated revenue surplus to the tune of **Rs.162.84 crore**. This trend is in keeping with the revenue surplus we had to the tune of **Rs.135.06 crore** in the Budget Estimate for 2006-'07. This clearly is a reflection on the commitment of the Government to the Fiscal Management Target of reducing Revenue Deficit to zero by the year 2008-'09 and to generate revenue surplus thereafter as mandated in '*The Mizoram Fiscal Responsibility and Budget Management Act, 2006*' which this august House passed during last year.

7. The Gross Fiscal Deficit (GFD) for 2006-'07 (Revised Estimate) is placed at **Rs.288.33 crore**, which is **9.72 per cent** of Gross State Domestic Product (GSDP). GFD for 2007-'08 is estimated at **Rs.113.65 crore**, which is **3.49 per cent** of GSDP. This is in line with the path of reduction of fiscal deficit as contained in the 'Fiscal Correction Path' drawn up for compliance of the Targets in the Act. It is with this in view that we endeavour to achieve a position of Gross Fiscal Deficit at the level of **3 per cent** of GSDP by 2008-'09 as demanded by the Act.

Utilisation of Ways & Means Advance and Overdraft

8. Mr. Speaker, Sir, you would very clearly know that Ways & Means Advance from the Reserve Bank of India is an important instrument for correcting temporary mismatches in the Government account. That we could avoid resorting to the Ways & Means Advance for meeting mismatches in the State Government's account is an indication of our improved fiscal position. In regard to overdrafts, the State Government fortunately has not lapsed into overdraft for a single occasion both during this financial year and the previous year. I am happy to share with the Hon'ble Members that these are a reflection of the continuous improvement of the financial health as a result of the efforts made by the State Government. The periods of stoppage of payments from the Treasuries due to mismatches in the Government's accounts that were very much prevalent some years back have now become a thing of the past.

Deficits and surplus in the Budget

9. The year 2007-'08 is expected to commence with an estimated opening deficit of **Rs.104.17 crore** and the Budget Estimate is a surplus Budget to the tune of **Rs.83.31 crore**. Accordingly, even with the surplus budget we would be having during the year, we are under compulsion to have a closing deficit of **Rs.20.86 crore** at the end of the year.

10. The total estimated receipt for the year 2006-'07 is **Rs.1959.62 crore**. The amount as per the revised estimate is **Rs.2293.46 crore**. We expect to mobilize a total receipt of **Rs.2226.49 crore** during 2007-'08. At the Budget Estimate level, the estimated receipt for 2007-'08 increases by **Rs.266.87 crore** which is an increase of 13.62 per cent.

11. Out of the total estimated receipt for the year 2007-'08, estimated revenue receipt is **Rs.1936.35 crore** and capital receipt is **Rs.290.13 crore**.

Revenue Receipt

12. Of the Revenue Receipts, the major classification consists of Tax and Non-Tax Revenues. The estimated Tax Revenue for 2007-'08 is **Rs.409.02 crore** which includes State's Own Tax Revenue of **Rs.68.13 crore** and State's Share of Central Taxes of **Rs.340.89 crore**. A significant point that I would like to highlight here is that the Central Government generously increased the level of our

‘State’s Share of Central Taxes’ for the year 2007-’08 and is placed at **Rs.340.89 crore** while the recommended amount by the Twelfth Finance Commission is **Rs.287.10 crore**, registering an increase of **Rs.53.79 crore**. I may take this opportunity to express my gratitude to the Government of India for their generous transfer of resources to the State.

13. Various Non-Tax Revenues are also forming an important component of the State’s source of revenue. This includes various kinds of user charges on the assets and services created for the people. Non-Tax Revenue for 2007-’08 is estimated at **Rs.99.97 crore**. It is the commitment of the Government to continue the efforts of recovery of user charges so that there is increasingly higher level of cost recovery and correspondingly higher level of efficiency of public service which is the essence of an effective administration.

14. A major chunk of our Revenue Receipt comes from the Central Government in the form of Share of Taxes, Grants-in-aid and Contributions. These are Non-Plan Grants, Plan Grants and other contributions. We estimate that receipt on these accounts during 2007-’08 will be: (i) State’s Share of Central Taxes at **Rs.340.89 crore**, (ii) Non-Plan Grants at **Rs.658.46 crore**, (iii) Plan Grants at **Rs.770.90 crore**. The total estimated amount is **Rs.1770.25 crore**.

Capital Receipt

15. Receipt on capital account comprises of Public Debt and Loans and Advances. Out of the estimated total receipt of **Rs.290.13 crore** for 2007-'08 , receipt on account of Public Debt is estimated at **Rs.267.43 crore** and receipt on Loans and Advance is estimated at **Rs.22.70 crore**.

Expenditure

16. The estimated net total expenditure on the Consolidated Fund of the State is **Rs.2252.67 crore**. Out of this, estimated revenue expenditure is **Rs.1773.51 crore** and estimated capital expenditure is **Rs.479.16 crore**. In terms of classification on Plan and Non-Plan accounts, estimated Non-Plan expenditure is **Rs.1409.31 crore** whereas Plan expenditure will be **Rs.851.28 crore**. The Plan expenditure will include many other plan expenditure like Centrally Sponsored Schemes (CSS), Central Plan Schemes (CPS), Special Schemes (North Eastern Council, Non Lapsable Central Pool of Resources etc.) which are outside the State's Annual Plan.

Revenue Expenditure

17. In the revenue account for the year 2007-'08, non-developmental expenditure is estimated at **Rs.640.35 crore** which is 36.11 per cent of the total revenue expenditure whereas the remaining amount under Development sector is **Rs.1133.16 crore** which accounts for 63.09 per cent; bulk of the non developmental expenditure comes under General Services.

Capital Expenditure

18. In the revised estimates for 2006-'07, capital expenditure is estimated at **Rs.603.63 crore** out of which capital outlay is **Rs.482.45 crore**, Public Debt is **Rs.115.92 crore** and Loans and Advances is **Rs.5.25 crore**. In the Budget Estimates of 2007-'08, capital expenditure is estimated at **Rs.479.17 crore** which comprises of expenditure on capital outlay - **Rs.288.69 crore**, Public Debt - **Rs.179.97 crore** and Loans and Advances - **Rs.5.36 crore**.

III. NON-PLAN EXPENDITURE

19. Non-Plan Expenditure covers the entire gamut of expenditure other than those falling under Plan Expenditure. It encompasses recurring expenditure including interest payments and certain capital expenditure. Non-Plan Expenditure as per the revised estimate for 2006-'07 is **Rs.1308.51 crore** and the amount 2007-'08 is estimated at **Rs.1401.39 crore**.

20. Mr. Speaker Sir, I may share with the Hon'ble Members that a very serious concern in the State's finance today is the increasing pressure of Non-Plan Expenditure and the burgeoning Interest Payments. It is with an attempt to curtail Non-Plan Expenditure that the Fiscal Responsibility and Budget Management (FRBM) Act, 2006 was passed, as you would recall. It has been the conscious endeavour of the Government to achieve the targets set out in the Act so that the State's finance continuously moves towards a path of fiscal balance and sustainability.

Public Debt

21. The Public Debt and its management are the concerns of the Governments the world over, and the Central and the State Governments in particular. As Hon'ble Members are aware, the Government is financing many of its spending on capital formation by way of borrowings from different sources like Market Loans, Loans from Financial Institutions, Loans from Public Account, Loans and Advances from the Government of India etc. Raising of all these loans and management thereto have now become an important task which is to be managed efficiently. It is with this target that the Union Finance Minister proposed the setting up of an autonomous Debt Management Office and to set up a middle level office at the beginning during 2007-'08. It naturally is the commitment of my Government that the management of public debt would continue to receive high priority and would continue to be carried out efficiently.

22. The time has come to put a check on the increasing tendency of deficit financing in the State's finance. As required under the FRBM Act, 2006, I am laying down the data on outstanding debt and projected debt for the next five-year period. I may share with the Hon'ble Members that serious efforts are being taken to reduce the debt and interest payment thereof to sustainable levels.

IV. PLAN EXPENDITURE

23. As I had related in my last budget speech, the current year is the concluding year of the Tenth Five-Year Plan Period (2002-2007). The approved outlay for the current year is **Rs. 758.00 crore**.

24. The estimated approved outlay for the Tenth Five-Year Plan was **Rs.2300.01 crore**. With the approved outlay of **Rs.758.00 crore** for 2006-'07, the total outlay for the Tenth Plan period comes to **Rs. 3144.98 crore**. This outlay represents an increase of **Rs.844.97 crore** over and above the estimated approved outlay.

25. During the Tenth Five-Year Plan period, we have had taken up many important major projects under the State's Plan, availed of sizeable amount of plan assistance from the North-Eastern Council (NEC), Ministry of DONER in the form of Non-Lapsable Central Pool of Resources (NLCPR) and also implemented the infrastructure projects in the first ever Externally Aided Project (EAP) taken up by availing assistance from the World Bank. Besides that, we have had implemented various Centrally Sponsored Schemes and Central Plan Schemes. It is after taking stock of all these that I could say with pride that the Tenth Plan period is a blessing for the State of Mizoram as a whole.

Eleventh Five-Year Plan

26. The year 2007-'08 is heralding the beginning of the Eleventh Five-Year Plan (2007-2012). The proposed outlay for the Eleventh Plan period is **Rs.4500.00 crore**. The Government has been making all-out efforts to fully make use of this new Plan period so as to make it a period of bliss and prosperity for the people. We have drawn up priorities and strategies for the development of the State during this period.

Priority Sectors

27. Agriculture & Allied Activities and Rural Development with particular emphasis on the various components of Bharat Nirman Programme continue to get our priority. Efforts will be made to connect all villages and habitations with all-weather roads during the Eleventh Plan period. In order to attain self-sufficiency in food production, development of potential flat land and minor irrigation will be taken up more vigorously. The scheme for watershed development will also continue to receive due consideration. Construction of agricultural and horticultural link roads is another priority area whereby efforts will be made not only to connect the fields/gardens where crops are grown by good roads, but also to provide employment to the farmers during the lean seasons. It is considered necessary to supplement the efforts under the State Plan by providing more funds for the development of Agriculture and Rural Development sectors from CSS, NLCPR, and NEC during the Eleventh Plan period in order to achieve the desired goals. A special scheme called the Mizoram Intodelhna Project (MIP) will also be continued with a modified and a more focused way during the Eleventh Plan period.

28. Development of economic infrastructure has also been accorded high priority. Implementation of the Mizoram State Roads Project under the World Bank assistance will spill over to the Eleventh Plan period. Mizoram will also be covered under the North-Eastern States Road Project to be funded by the Asian Development Bank. In the power sector, construction of Hydro Electric Projects (HEPs) like Tuirini (2x19 MW), Tuivai (3x70 MW), Bairabi Dam Project (2x40 MW) etc. have been proposed to be taken up during the 11th Plan period. Due attention will also be given to infrastructure on power transmission and distribution system through the Accelerated Power Development and Reform Programme (APDRP) and Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY).

29. In Social Services sector, education and health will continue to receive high priority. Our endeavour will be not only to sustain the favourable education and health indicators of the State, but also to make significant improvement during the Eleventh Plan period. With the implementation of the SSA mission, the drop-out rate at the elementary education and secondary education level considerably comes down during the Tenth Plan period. SSA Mission will be continued during the Eleventh Plan period for which more state matching contribution will be required.

Commitment of Plan posts into Non-Plan

30. A remarkable feature in this Plan period is that a number of posts which were created during the past Plan Periods are taken up for commitment into Non-Plan. As Hon'ble Members are aware, posts created since the Seventh Five-Year Plan have not been committed yet, resulting in huge salary bills and other related revenue expenditure on Plan account. It is on the agenda of the Government that all these posts are committed into Non-Plan so as to make fund under Plan outlay available for capital investment.

As a first step towards this, as many as 1604 Group 'C' and 1013 Group 'D' posts created during the Seventh Plan period are committed to Non-Plan from the year 2007-'08. Consequently, corresponding amount of expenditure on wage bill of these employees are now available for non-salary expenditure in the State's Plan for 2007-'08. I would like to assure the Hon'ble Members that more posts would be committed in the coming years so that posts under Plan created during the preceding periods are fully committed to Non-Plan.

Annual Plan 2007-'08

31. Mr. Speaker Sir, we know that the size of the Annual Plan for 2007-'08 has been fixed at **Rs.850.00 crore**. The same was finalized in the discussion I had with the Deputy Chairman of the Planning Commission in the month of February, 2007. This estimated outlay is an increase of **Rs.92.00 crore** over the approved outlay of 2006-'07.

32. The Scheme of Financing of the Annual Plan 2007-'08 reflects the various resources that we would be able to mobilize for funding the Annual Plan. The resources include (i) State's Own Resources (SOR) - **Rs.81.47 crore**, (ii) Central Assistance - **Rs.769.63 crore**, (iii) Public Sector Enterprises (PSE) - **Rs. (-) 1.17 crore** and (iv) Local Bodies - **Rs.0.07 crore**.

33. On expenditure side, the amount within the approved outlay has been allocated to different sectors for utilization. Sector-wise allocations of outlays are: (i) Agriculture & Allied Activities - **Rs.76.25 crore**, (ii) Rural Development - **Rs.46.59 crore**, (iii) Special Area Programme - **Rs.44.63 crore**, (iv) Irrigation and Flood Control - **Rs.34.74 crore**, (v) Energy - **Rs.80.11 crore**, (vi) Industries and Minerals - **Rs.20.80 crore**, (vii) Transport - **Rs.147.91 crore**, (viii) Communications - **Rs.5.79 crore**, (ix) Science, Technology & Environment - **Rs.2.24 crore**, (x) General Economic Services - **Rs.64.81 crore**, (xi) Social Services - **Rs.308.10 crore** and (xii) General Services - **Rs.18.03 crore**.

34. Mr. Speaker Sir, I may now highlight a few schemes that are included in the proposed plan expenditure in the Annual Plan of 2007-'08.

Baffacos

35. As all the Hon'ble Members are aware, bamboo flowering is anticipated to peak during this year. As I had earlier mentioned in

my last Budget Speech, tackling the impending *mautam* famine is an important agenda of the Government. A Scheme under the name of '*Bamboo Flowering and Famine Combat Scheme*' (**BAFFACOS**) was earlier devised for the purpose and implemented since 2004-'05. We are not going to allow any member of the citizen to suffer from the deprivation of famine on this account. An amount of **Rs.30.00 crore** has been allocated during 2006-'07. We will continue to give priority to this and I propose to allocate **Rs.20.00 crore** from the Normal Plan and **Rs.15.00 crore** under Twelfth Finance Commission Grant taking the total to **Rs.35.00 crore**.

Mizoram Intodelhna Project

36. Implementation of Mizoram Intodelhna Project (MIP) will continue to be an important development programme of the Government. Accordingly, I propose to allocate **Rs.20.00 crore** during 2007-'08.

Externally Aided Projects

37. An important feature of the State's Plan since the last few years is the inclusion of projects in the Annual Plan in the form of 'Externally Aided Projects (EAP)'. During 2006-'07, we have two project with the assistance of the World Bank - (i) *Mizoram State Roads Project* and (ii) *Third Technician Education Project*. We would continue the Projects during 2007-'08. The Third Technician Education Project would be completed and wound up

during 2007-'08. One more project for infrastructure development of Aizawl city under the '*North Eastern Region Urban Development Project (NERUDP) (Phase-I)*' will be taken up from the year 2007-'08. The estimated cost of the project for Aizawl city is **Rs.298.58 crore** and will be implemented for a period of ten years. It is to be taken up by availing loan from the Asian Development Bank (ADB) in the form of 90:10 Grant and Loan pattern of funding. It will cover Water Supply, Solid Waste Management, Urban Roads and Transportation, Drainage and Landslip Protection, Slum Upgrading and Sewerage and Sanitation. I propose to allocate fund for these EAP schemes during the year 2007-'08 as follows - **Rs.102.00 crore** for Mizoram State Roads Project, **Rs.66.00 lakhs** for Third Technician Education Project and **Rs.29.34 crore** for ADB Project.

MLA Local Area Development Scheme

38. Mr Speaker Sir, it is on the agenda of the Government to assign more and more role to the elected Members of the Legislative Assembly in the developmental processes and to enable them to prioritise schemes within their respective constituencies. For this purpose, we had instituted a Scheme of '*Member of Legislative Assembly Local Area Development Scheme*' from the current year 2006-'07 by allocating **Rs.10.00 lakh** per constituency for utilization. The Scheme would be continued during 2007-'08 and I propose to raise the Fund to **Rs.15.00 lakh** per constituency. Accordingly, **Rs.600.00 lakh** is allocated for 2007-'08.

Central Assistance for State Plan Schemes

39. Many other important projects are included in the State's Plan in which the schemes are formulated by the Central Government for implementation in the State. Such schemes would be taken up during 2007-'08 as follows- (i) Accelerated Irrigation Benefit Programme (AIBP) – **Rs.25.00 crore**, (ii) Control of Shifting Cultivation – **Rs.5.50 crore**, (iii) Border Area Development Programme (BADP) – **Rs.9.02 crore**, (iv) Roads & Bridges – **Rs.4.59 crore**, (v) National Social Assistance Programme (NSAP) – **Rs.2.39 crore**, (vi) Nutrition Programme for Adolescent Girls (NPAG) – **Rs.7.04 crore**, (vii) Tribal Welfare under Article 275 (1) – **Rs.3.24 crore**, (viii) Jawaharlal Nehru National Urban Renewal Mission (JNNURM) – **Rs.14.77 crore**, (ix) Backward Region Grant Fund (BRGF) – **Rs.24.97 crore**, (x) Accelerated Power Development and Reforms Programme (APDRP) – **Rs.19.00 crore**, (xi) National e-Governance Action Plan (NeGAP) – **Rs.5.05 crore**.

One-Time Additional Central Assistance

40. We are also having Central Assistance of **Rs.52.00 crore** under One-Time Additional Central Assistance in the Annual Plan for 2007-'08. Under this, the State Government could identify its own priorities for implementation. Out of this allocation for 2007-'08, I propose to allocate the fund as follows; (i) Agriculture – **Rs.2.00 crore**, (ii) Fisheries – **Rs.0.50 crore**, (iii) Minor Irrigation – **Rs.2.00 crore**, (iv) Power & Electricity – **Rs.12.50 crore**, (v) Roads & Bridges – **Rs.13.00 crore**, (vi) Public Health Engineering – **Rs.22.00 crore**.

Other Plan Expenditure

41. As Hon'ble Members are aware, the State Government has been implementing many other Plan Schemes which are not included in the State's Annual Plan but are forming an important component of the Plan Expenditure. I may now highlight these components in brief.

North Eastern Council

42. North Eastern Council (NEC) is giving plan assistance to the States of the North-Eastern Region and is an important source of funding the infrastructure development. The estimated amount of fund from NEC during 2006-'07 as per the revised estimate is **Rs.65.44 crore**. It is expected that the same amount would be released by NEC during 2007-'08.

Non-Lapsable Central Pool of Resources

43. As Hon'ble Members are aware, the Government of India mandated that ten per cent of every developmental expenditure in each Ministry of the Central Government should be utilized for the North-Eastern Region. Fund not utilized during each year are pooled apart under the name of 'Non-Lapsable Central Pool of Resources (NLCPR). North-Eastern States could now utilize fund in this pool for taking up the infrastructure projects in the Region. We have been utilizing huge amount of fund for creating infrastructure in the State for the last few years. The estimated amount of receipt during 2006-'07 as per the revised estimate is **Rs.47.62 crore**. We expect to receive the same amount from this fund, if not more, during 2007-'08.

Centrally Sponsored Schemes

44. We have also been taking up many projects under the schemes of the various Central Government Ministries in the form of 'Centrally Sponsored Schemes (CSS)'. These schemes have greatly benefited the State for the last many years. Notable among the Plan includes 'Rajiv Gandhi National Drinking Water Mission', Swarna Jayanti Shahari Rojgar Yojana (SJSRY) etc. During 2006-'07 we received **Rs.191.46 crore** as per the revised estimate. We expect to receive the same amount from this fund during 2007-'08.

Central Plan Schemes

45. We also implement the schemes that are formulated by the Central Government for the benefit of the people all over the country. Such schemes are known as 'Central Plan Schemes (CPS)'. National Programme for Control of Blindness, Strengthening of Revenue Administration and Upgradation of Land Records, etc. are the schemes under this Plan. We received **Rs.4.06 crore** during the current year. We expect to receive at least the same level during 2007-'08 also.

Public Private Partnership

46. Mr. Speaker Sir, the concept of Public Private Partnership (PPP) is gaining momentum worldwide. It is a term that refers to long-term contractual partnership between the public and private sector agencies, specifically targeted towards financing, designing, implementing, and operating infrastructure facilities and services

that were traditionally provided by the public sector. These collaborative ventures are built around the expertise and capacity of the project partners and are based on a contractual agreement, which ensures appropriate and mutually agreed allocation of resources, risk and returns. This approach of developing and operating public utilities and infrastructure by the private sector under terms and conditions agreeable to both the Government and the private sector is what we commonly refer to as PPP.

47. The underlying issue here is that the Government, which is providing all sorts of infrastructure and services for the last many years would work with the private parties and share the risks and benefits in the process. It is the realization of the huge resources in the hands of the private entities for investment and inadequacy of Government resources that triggered a move in this direction. The big advantage in PPP is the prospect of quicker pace of investment and reallocation of Government spending on other strategic areas; investment of the private entities could now meet the expenditure that the Government used to incur heavily in earlier periods. Such being the benefits of PPP that we would take advantage of the upcoming opportunities of working with the private entities in formulating PPP projects in many projects in the coming years so as to bring about a sea change in the investment landscape. I may share with the Hon'ble Members that we have made a move in this direction and formulated a few PPP projects and I hope that a few projects could take off in the near future.

Other Administrative Initiatives

48. During 2006-'07, we had created a new Department of 'Urban Development and Poverty Alleviation' with the intention of bringing about a more efficient urban development and poverty alleviation. An amount of **Rs.50.00 lakh** was allocated for initial establishment cost. We would provide necessary fund to enable functioning of the Department.

49. We have raised the 3rd Indian Reserve Battalion during the current year. Necessary budgetary allocation will be made to make it function efficiently.

50. We have completed the process of privatization of Government vehicles. We are now starting implementation of the sister scheme - 'The Mizoram Government Employees (Special Loan for purchase of car) Rules, 2001'. Affected officers will be given the facility of car loan with a concessional interest rate.

V. FISCAL REFORMS

51. Mr. Speaker Sir, I have mentioned about the economy measures taken by the Government. An important policy initiative of the Government is the reforms process in the fiscal operations of the Government. Let me now highlight the reforms processes taken up by the Government.

Fiscal Responsibility and Budget Management Act, 2006

52. A very important and notable one in the fiscal reforms process is the enactment of the 'The Mizoram Fiscal Responsibility and Budget Management Act, 2006' which was passed by this august House during last year. Since then, the Government has been taking up measures to achieve the fiscal management targets and other objectives set out in the Act. Rules have been framed under the title 'The Mizoram Fiscal Responsibility and Budget Management Rules, 2007' which is being notified shortly.

53. We have drawn up the Fiscal Correction Path, Macroeconomic Framework Statement, Medium Term Fiscal Policy Statement, Fiscal Policy Strategy Statement, and Statement of details of Government Employees and related Salary, all of which are being laid in the House in this sitting. Other issues relating to constitution of Public Expenditure Review Committee and mechanisms for review of receipt and expenditure by the Minister of Finance as a measure of compliance of the Act have been taken up actively and will also be finalized soon.

Debt Swap

54. The issue of Fiscal Reforms had earlier been recommended by the Eleventh Finance Commission and devised a Fiscal Reforms Facility in which the States were required to draw up a Medium Term Fiscal Reforms Programme and could avail relief in the form of debt swap in the facility. As a result of successful compliance of

the recommendations, we had swapped many of the high-cost loans in the National Small Savings Fund (NSSF) and NABARD by substituting them with the low-cost market borrowings. This result in a sizeable amount of savings on account of lower payment of interest for these loans.

Rescheduling of loans from Financial Institutions

55. In order to put a check on the increasing pressure of interest payments in the various loan accounts of the State Government, we have taken measures in the form of rescheduling of loans at a lower rate of interest and by rescheduling of repayments. We have carried out such exercise in the cases of loans under National Co-operative Development Corporation (NCDC), Rural Electrification Corporation (REC) and Life Insurance Corporation of India (LIC). Rescheduling in respect of REC loan was carried out in 2004-'05, NCDC in 2004-'05 and LIC in 2005-'06. We could therefore save substantial amount of interest payments as a result of these exercises. Savings as a result of reduction in interest payment in the case of LIC for the period 2006-'07 to 2028-'29 was estimated at **Rs.28.99 crore.**

One-time Settlement Package

56. We also carried out measures in the form of One-time Settlement in which we entered into agreement with the Financial Institutions for settlement of past loans in a very concessional package with lower rate of interest. During 2006-'07 we agreed a

One-time Settlement Package with the Housing and Urban Development Corporation (HUDCO). In this package we settled a loan of **Rs.43.95 crore** and scheduled for repayment during two years from October, 2006. An amount of **Rs.11.87 crore** has been estimated to accrue to the State Government as a result of the package.

Debt Consolidation and Relief

57. The Twelfth Finance Commission (TFC) had designed the facility of Debt Consolidation and Relief Facility as a measure of fiscal reforms in the State's finances. The facility is linked to enactment of fiscal responsibility legislation which again is targeted at elimination of revenue deficit and reduction of fiscal deficit to a prescribed level along with transparency and prudence in fiscal management.

58. As a sequel to the compliance of the requirements laid down by the TFC, the States could get the benefit of Debt Consolidation and Relief as laid down in the 'Debt Consolidation and Relief Facility (2005-'06 to 2009-'10)'. As per the facility of consolidation, all central loans released up to 31.03.2004 and outstanding as on 31.03.2005 will be consolidated and rescheduled for a fresh term of twenty years and interest at the rate of 7.5 per cent will be charged. This will result in lower repayments and lower interest rate. Under the facility of Debt Relief, the States are entitled to write-off of repayments during the award period of TFC

depending upon the annual reduction of revenue deficit as compared to the base year level. The amount of write-off is linked to the absolute amount by which the revenue deficit is brought down each year subject to the condition that Gross Fiscal Deficit should not go beyond the level of 2004-'05. As we enacted the FRBM Legislation in 2006-'07, we would be able to avail the facility only for the four-year period of 2006-'07 to 2009-'10. The Government of India already accepted the consolidation of loan. On initial estimates of the Government of India, the maximum amount of Debt relief admissible to the Government of Mizoram is **Rs.57.85 crore** out of which **Rs.7.31 crore** is on account of lower repayments and **Rs.50.54 crore** is for lower interest payments. A further facility in the form of write-off of repayments to a maximum of **Rs.75.16 crore** is also admissible for the period. However, as the first year of the award period already passed the amount that will actually accrue to us may be less than the above assessment.

Revised Scheme of Consolidated Sinking Fund

59. As per the recommendation of the Twelfth Finance Commission, the existing Sinking Fund set up by the State Governments are to be reviewed to cover all loans of the State Government and not of Market Borrowings alone as was the case in the existing Scheme. The Reserve Bank of India then devised a Revised Scheme for reconstitution of the Fund. We also agreed to the revised scheme and reconstituted the Consolidated Sinking

Fund. As the Revised Scheme prescribes annual investment of 0.5 per cent of the total outstanding liabilities of the Government as on 31st March of the preceding year, we estimated the required amount at **Rs.14.00 crore** for 2007-'08. I, therefore, propose to invest **Rs.14.00 crore** in the Consolidated Sinking Fund.

Guarantee Redemption Fund

60. The Twelfth Finance Commission also recommended constitution of the Guarantee Redemption Fund for servicing of all kinds of loan guaranteed by the Government and invoke the same on default by the loanee institution. However, constitution of the Fund is to be preceded by the assessment of risk-weight of the guaranteed loans. During 2006-'07 we have taken up the modalities of constitution of the Fund but could not finalise it due to non-completion of core assessment of risk-weight as it requires engagement of expert institutions with whom finalization of contract takes time. I hope that we would be able to complete the assessment and finalise the constitution of the Fund.

Raising of ceiling on Ways and Means Advance

61. Based on the recommendation of M.P. Bezbaruah Committee, the Reserve Bank of India revised the amount of ceiling on Ways and Means Advance of different States. The ceiling in respect of Mizoram was also raised from **Rs. 55.00 crore** to **Rs. 60.00 crore** during the current year.

Special Ways and Means Advance

62. We have not been given the facility of Special Ways and Means Advance till last year. The Reserve Bank of India has recently given us the facility of Special Ways and Means Advance with a ceiling of **Rs.6.70 crore**. The amount is determined on the basis of the average amount invested in the Government of India's Securities. With the increase of our investment in the Government of India's Securities from the Consolidated Sinking Fund, we would be able to have a higher ceiling on the Advance. It is noteworthy that we are given the facility for the first time in the fiscal history of the State.

63. Mr. Speaker Sir, while highlighting the continued improvement of the State Government's financial position, let me also share with the Hon'ble Members that fiscal reforms is a continuous process and unstinted efforts need to be made to sustain the present comfortable position. We are all aware that the State has limited resource-base and that we predominantly depend on the devolution of resources from the Centre. It is in the interest of the State itself that more and more sources of revenue are tapped while increasingly cutting down revenue expenditure.

VI. TAX AND NON-TAX PROPOSALS

64. Let me now highlight some proposals for generation of revenues.

Audit Assessment on VAT

65. I mentioned in my last budget speech about the issue of efficiency of collection of Value Added Tax (VAT). As pointed out therein, we had carried out an effective measure in the form of Audit Assessment during the current year. This measure results in higher return of collection. Besides, we also accorded the priority of ensuring administrative efficiency in the form of strengthening the man-power. Accordingly, we have finalized recruitment to posts of various categories under Taxation Department. As a result of the above measure, we expect to collect **Rs.51.00 crore** during the current year while the collection during last year was **Rs.41.59 crore**. I propose to carry on the process of audit assessment covering more areas during 2007-'08.

Water Meter-based Billing

66. I announced at the beginning of the year that billing on water connections will be meter-based. We carried out that billing system and started the process with effect from 01.07.2006. I may share with the Hon'ble Members that the receipt accruing to the Government is expected to improve over the years as a result of this introduction.

67. The rates that are being charged in the meter billing are still very modest. I propose to carry out revision of rates as the services are improved so as to move towards higher recovery of cost and maintenance along with augmentation of revenue source of the State.

Tolls on Roads and Bridges

68. We had proposed for collection of tolls on roads and bridges. We have taken up preliminaries that are required for starting of actual collection. In spite of the active steps in this direction, we could not commence collection during the current year. We would continue the process and start actual collection during the ensuing year.

Water Cess on Minor Irrigation

69. In the case of water cess too, we could not complete the process of collection of cess during the current year. I propose to complete the formalities and start collecting cess during the next fiscal.

Cost Recovery and Service Efficiency

70. Mr. Speaker Sir, while announcing tentative tax and non-tax efforts in the fiscal operations of the Government, I would like to add that typically the benefits of cost recovery in the services provided by the public sector are ultimately passed on to the consumers in the form of improved delivery services. As is known to the Hon'ble Members, the non-recovery of cost is a subsidy implicit in the service delivery and this implicit subsidy has become one of the most daunting obstacles to a move towards efficient public service; efficiency of service could be expected and ensured only when the user pays for it and enough resources are generated for maintenance and for further improvement of service.

71. Improvement of delivery services is becoming all the more critical as we are on the threshold of implementing the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and the Aizawl City Development Project under ADB funded North Eastern Region Urban Development Project (NERUDP). In these cases, the success of the projects is dependent upon their being made self-sustaining. I may share with the Hon'ble Members that while moving towards a path of cost recovery, the Government will always ensure that increasingly efficient service is delivered to the users.

VII. CONCLUSION

72. Mr. Speaker Sir, I deem it fit to share with the Hon'ble Members that India has become one of the biggest emerging economies of the world and is also having a great potential to become the great economic power of the world. The latest estimated growth of 9.20 per cent for the current year shows that this dream is a possibility in the very near future. It is in the light of the country's economic development that we are also reorienting our priorities and objectives so as to reap the benefits and bring the State in the forefront of the development in the sectors in which we are blessed with the potentials.

73. It is in the light of the above that we are working with the Central Government in the priority sectors so as to bring about a

change in the economic landscape in the State. I therefore have a dream of a very bright future which could come true in a few years' time. Let us prepare ourselves to reap the fruits of the upcoming economic boom and elevate the overall standards of livelihood and lay the foundations of a robust economy for the future generations.

74. Sir, I would like to thank all the Hon'ble Members of this august House for giving me a patient hearing. Before I conclude my speech, I would like to call upon the Hon'ble Members to bestow their well considered thoughts on the various proposals and programmes made in the next year's Budget Estimates and favour this august House with the benefit of their wisdom, valuable ideas, experiences and positive advice.

75. With these words, I commend the **Supplementary Demand for Grants 2006-'07** and the **Budget Estimates for 2007-'08** for consideration and approval of this august House.

Thank You, Sir.