

**Mr. Speaker Sir,**

I rise to present the Budget of the Government of Manipur for the year 2005-06. This is the 4<sup>th</sup> consecutive budget of the Secular Progressive Front since it assumed office in March, 2002. While the full budget will be discussed later, for the present I seek a Vote on Account to enable the Government to discharge its responsibilities and to meet all essential expenditure during the first four months of 2005-06.

**2.** Sir, as you are aware when my Government assumed office three years back, it inherited the State's finances in such a state which was not sustainable even in the short term. The finances of the State had worsened to such an extent that Government was not able to discharge its basic obligations of paying salary and allowances to its employees on regular basis. The basic problem in the State's finances has been structural in nature. Its non plan expenditure exceeded its receipts for the purpose by almost 100 %. This distortion in the State's finances has been primarily created by the lopsided award of the Eleventh Finance Commission which failed to take into consideration the liabilities on account of the revision of pay scales of the State Government employees following the Central pay scale based on the 5<sup>th</sup> Pay Commission's recommendation. Since the State's own revenues constitute a very small component of its total receipts and most of the non-plan expenditures are inelastic in nature, correction of the distortion created by the Eleventh Finance Commission has been beyond the means of the State Government alone. As such the State Government has been seeking Central support to get over the financial difficulties, on year to year basis.

**3.** The problem of structural imbalances in the State's finances continued during the current year. However, with the UPA Government assuming office at the Centre, the State of Manipur has been receiving a very sympathetic consideration from the Government of India in overcoming its financial difficulties. The Central Government was kind enough to extend a medium term loan of Rs. 609 crores during the current year to enable the State to wipe out its closing deficit of the same amount for the year 2003-04. This assistance by way of medium term loan was further supplemented by Special Ways and Means Advances which gave a temporary relief to the State in managing its cash flows.

**4.** Notwithstanding the basic financial constraints of structural imbalances in its receipt and expenditure on the non-plan side, my Government has succeeded in managing its finances much more efficiently and prudently. My Government started a series of measures to streamline the financial management of the State. Amongst others, these included prioritization of expenditure and rationalization of cash flow management.

**5.** Outcomes of better management of the finances of the State are clearly visible in a number of areas. The Government has been able to release pay and allowances to its employees and also discharge the State's liabilities on account of pension, debt servicing etc. on regular basis, since August, 2004. There has been no occasion to resort to overdraft with the Reserve Bank of India since August, 2004 till date. Even though the State Plan Outlays for the current year were finalized as late as in October, 2004, the Government could achieve substantial progress in implementation of its plan schemes in a short period. Early implementation of plan schemes without waiting till the fag end of the financial year, has substantially improved the quality of plan expenditure. The State Government was, thus, not only able to release substantial funds for

implementation of plan schemes during the current year as compared to previous years but was also able to release funds to the tune of about Rs. 100 crores to clear the backlog of past years under the Centrally Sponsored Schemes, Central Plan Schemes, NLCPR, NEC etc.

**6.** Sir, I would like to inform this August House, that despite financial difficulties, my Government was able to contain its revenue deficit. As a result, the State received incentive grants for its performance under the Medium Term Fiscal Reform Programme as recommended by the Eleventh Finance Commission. During the current year the State received an incentive grant of Rs. 54.18 crores.

**7.** Sir, I am happy to inform the House that with the initiative of my Government and with the generous support from the UPA Government at the Centre, the Outlays for the State Plan have been substantially increased from Rs. 590.30 crores in 2003-04 to Rs. 787.72 crores in 2004-05 and to Rs. 915 crores for the year 2005-06.

**8.** Unlike in the last many years, the outlay for the State plan for 2005-06 has been finalized with the approval of the Planning Commission of India, well in advance before the start of the year and the provisions for expenditure has been accordingly incorporated in the Budget Estimates. This will facilitate better planning and implementation of various schemes resulting into desired outcomes in terms of all round development.

**9.** Sir, as you are well aware, high level of unemployment among the youths of the State has been a very serious concern. It is not only perpetuating poverty but also providing sustenance to the insurgency in the State. Considering its importance, my Government in consultation with the Planning Commission of India, has formulated Special Employment

Generation Programme. An amount of Rs. 30 crores and Rs. 70 crores have been provided for the purpose during 2004-05 and 2005-06 respectively. In addition, the State Government in consultation with the Planning Commission of India has also formulated a Re-construction Plan for the State under the one time Additional Central Assistance and Special Plan Assistance for which an outlay of Rs. 240 crores and Rs. 365 crores have been provided during 2004-05 and 2005-06 respectively. This will further boost employment opportunities and development of infrastructure in the State.

**10.** Sir, I am very happy to inform this August House, that my Government presented our financial difficulties before the 12<sup>th</sup> Finance Commission very clearly. Our clear presentations to the 12<sup>th</sup> Finance Commission has resulted in adequate 12<sup>th</sup> Finance Commission award which will largely meet our basic requirements. This is an area where the previous Government had failed miserably. The State had to pay a heavy price during the last four to five years and its economic and infrastructure development suffered.

**11.** The Twelfth Finance Commission has recommended an amount of Rs. 4391.98 crores towards Non-Plan Revenue Deficit Grants for 2005-10 against Rs. 1774.94 crores recommended by the Eleventh Finance Commission. It has also assessed an amount of Rs. 2221.44 crores as State's share in Central taxes for 2005-10 against the EFC assessment of Rs. 1377.32 crores. The Twelfth Finance Commission has also recommended grants for an amount of Rs. 144.69 crores for maintenance of roads and bridges, buildings and forests for which no specific recommendation was made by the Eleventh Finance Commission.

**12.** The total transfers from the Centre to Manipur, as recommended by the Twelfth Finance Commission, for 2005-06 is estimated at Rs. 1161.73 crores. Out of this, the Share of Central Taxes and the Non-Plan Revenue Deficit Grants amount to Rs. 1139.17 crores as against Rs. 643.19 crores under the EFC award for the current year 2004-05. Thus, there is an increase to the tune of Rs. 495.18 crores. The transfers from the Centre for meeting Non-Plan expenditure together with the State's Own Tax and Non-Tax Revenues amounting to Rs. 203.32 crores, is estimated at Rs. 1342.49 crores. Against this the expenditure for 2005-06 under Non-Plan Revenue Account is estimated at Rs. 1456.43 crores. Thus, a gap of Rs. 113.94 crores will still be there. However, this is within the manageable limits, provided we succeed in raising additional resources and containing or even reducing the Non-Plan expenditure.

**13.** I would, therefore, like to inform this August House that despite generous support from the Central Government, a favourable award from the Twelfth Finance Commission and a prudent and efficient fiscal management, the State's Budget may continue to be in deficit if the efforts are not made to raise additional resources and to contain the Non-Plan expenditure. My Government is determined to take all necessary measures and efforts required to improve State's Own Resources and contain its Non-Plan expenditure.

**14.** Mr. Speaker Sir, I would seek the cooperation of all the members of this House, cutting across the party lines, in realizing the above objectives. Hon'ble Members can play a very constructive and positive role in persuading public to pay their dues and taxes such as electricity bills, water bills, sales tax etc. to the Government fully and in time. Their co-operation is also crucial in containing the unproductive expenditures in the

Government so that more funds are available for development of the State, its progress and prosperity.

**15.** Sir, it hardly needs any reiteration that the State Legislature is the ultimate custodian of the Finances of the State. I am sure with all its wisdom, it will lead the way and set examples in the new era of financial disciplines and fiscal management of the State. I am sure that with the blessings of this August House, my Government will not only reduce the budgetary deficit but steer the State of Manipur as one of the first States in the North Eastern Region to present a surplus Budget in the coming years.

**16.** The Twelfth Finance Commission has also recommended a package of debt relief to the States. This basically consists of two parts. Firstly, the Central loans to the State contracted till 31.3.2004 and outstanding as on 31.3.05 may be consolidated and re-scheduled for a fresh term of 20 years at a lower interest rate of 7.5 per cent. Secondly, the Commission has also recommended a debt write off scheme linked to the reduction of revenue deficit of States. Under the scheme, the re-payments due from 2005-06 to 2009-10 on central loans contracted up to 31.3.04 and recommended to be consolidated will be eligible for write off. Quantum of write off of re-payments will be linked to the absolute amount by which the revenue deficit is reduced in each successive year during the award period.

**17.** The debt relief package recommended by the Twelfth Finance Commission is, however, subject to enactment of fiscal responsibility legislation by the State. This legislation will, inter-alia, provide for transparency in the fiscal management of the State. It would require certain specific disclosures and set targets in terms of measurable parameters to be achieved by the State while managing its finances. In

other words, the legislation will require a prudent fiscal management based on pre determined parameters and targets in key areas. As my Government is committed to improve the finances of the State and in the process also avail the benefit of the debt relief recommended by the Commission, I would be bringing forward the required legislation for consideration of the House when we meet again to consider the full Budget.

**18.** Unfortunately, the medium term loan of Rs. 609 crores contracted by the State Government during the current year falls outside the debt relief package recommended by the Twelfth Finance Commission. As such, if the State has to repay this loan over a period of three years starting from the year 2006-07, after the moratorium of two years, the out flow on account of repayment would be of the order of about Rs. 203 crores per year. This is obviously beyond the capacity of the State. It may drive the State finances back to the bad old days, if no suitable remedy is found. My Government is, therefore, determined to pursue with the Government of India to either include the loan under the debt relief package of the Finance Commission or to write it off completely.

**19.** Before I come to the specific details of the Revised Estimates, 2004-05 and Budget Estimates, 2005-06, I would like to share another area of serious concern which has been bothering me. I am reasonably confident that with the generous support from the UPA Government at the Centre and with the legislative binding on the State Government to contain revenue, fiscal and budgetary deficits, the finances of the State are bound to improve and become normal. As such, enough funds can be made available for the development of the State as and when required. However, the real key for success lies in the manner and quality of spending. In other words, if the Government has spent one rupee from the

State exchequer for the development then the real issue is whether it has created real value or asset on the ground worth one rupee or not. Needless to say that no development can take place simply by spending money unless it is well spent. It is the quality of expenditure and the resultant outcome which matters at the end rather than its quantity. I would not hesitate in stating that the delivery system of the Government could be further improved. It requires re-vitalisation and further strengthening to ensure that people of the State receive the services due to them. I am aware that adverse law and order situation comes in the way of gearing up the Government machinery to the developmental challenges ahead of us. However, I am confident that with the improvement in the law and order situation, the efficiency and effectiveness of the Government machinery and its delivery system on the ground will improve in the days to come.

**20.** With this background, I would now present the Revised Estimate for 2004-05 and Budget Estimates for 2005-06.

### **REVISED ESTIMATES, 2004-05**

**21.** The Revised Estimates for 2004-05 with a gross expenditure of Rs. 3207.46 crores show a decrease of Rs. 804.35 crores as compared to Rs. 4011.81 crores reflected in the Budget Estimates for 2004-05. Out of the Revised Estimates of Rs. 3207.46 crores, an amount of Rs.1043.18 crores is shown as charged expenditure under the Consolidated Fund of the State and the remaining amount of Rs.2164.28 crores is shown as the "Voted" expenditure.

**22.** The State Plan outlay of Rs. 425.88 crores shown in the Budget Estimates was tentative. This has been revised to Rs. 787.72 crores as approved by the Planning Commission.

**23.** Over all Non-Plan provision has been reduced by an amount of Rs. 1235.30 crores from Rs. 3463.88 crores to Rs. 2228.58 crores. Although there is an increase of Rs. 25.03 crores under "Voted" account, there is a sharp decline under "Charged" account. This is because of lesser provision under Ways and Means Advances and Overdrafts from RBI as the State Government resorted to limited Ways and Means Advances and Overdrafts from RBI. This is an indicator of better management of resources.

**24.** The provision for Centrally Sponsored Schemes, Central Plan Schemes and North Eastern Council Schemes in the Revised Estimates, 2004-05 is Rs. 191.16 crores which is Rs.69.11 crores more than the provision in BE,2004-05. The provision in the RE, 04-05 in this regard includes a backlog of Rs. 101.27 crores of earlier years.

**25.** The Revised Estimates for 2004-05 show an increase of Rs.205.04 crores under Revenue Receipts. This is mainly because of higher revenue receipts from the Central Government due to increased State Plan size. State Government has also targeted better performance under its own tax and non-tax revenues.

**26.** On the expenditure side, the revenue expenditure in RE, 04-05 is maintained at the level of the Budget Estimates with a marginal decrease by Rs. 12.72 crores. However, under the capital account, there is sharp increase in expenditure. The provision of Rs. 264.64 crores in BE, 04-05 has been increased to Rs. 620.68 crores showing an increase of Rs.356.04

crores. More developmental activities are thus envisaged in the Revised Estimates.

**27.** The State is expected to end the year 2004-05 with a closing deficit of Rs. 423.87 crores as against the closing deficit of Rs. 609 crores for the year 2003-04

### **BUDGET ESTIMATES, 2005-06**

**28.** For 2005-06, the total gross expenditure has been estimated at Rs. 3226.99 crores of which Rs. 2222.10 crores is reflected under Non-Plan, Rs. 915.00 crores is shown under Plan and Rs. 89.89 crores under Centrally Sponsored Schemes, Central Plan Schemes, and N.E.C. Schemes etc. Estimates of expenditure under Centrally Sponsored Schemes, Central Plan Schemes etc. are likely to change according to the releases made by the Ministries of the Govt. of India in the course of the year.

**29.** The State Plan outlay of Rs. 915 crores as approved by the Planning Commission of India for 2005-06 has been fully reflected under the Budget Estimates. This will enable the State Government to start implementation of development schemes under State Plan right from the beginning of the year.

**30.** The State's Own Tax and Non-Tax Revenues are estimated at Rs. 203.32 crores representing 8.54% of the total revenue receipts of Rs. 2380.28 crores. This is 23.37% above the estimated receipts for 2004-05. The State Government proposes to make substantial improvement in the collection of Sales Tax and Electricity revenues.

**31.** With the award of the 12<sup>th</sup> Finance Commission, the total revenue receipt for 2005-06 has been shown at Rs. 2380.28 crores which is 39.22% above the figure of 2004-05. With the above increase the revenue account shows a surplus of Rs. 530.55 crores which will be utilized towards development expenditure of Rs. 530.04 crores under the Capital Account.

**32.** The year 2005-06 is expected to begin with an opening deficit of Rs.423.87 crores and end with a deficit of Rs 478.69 crores.

**33.** As the detailed discussion on the Demands for Grants will take some time, I propose to move separately a "Vote on Account" for grant of expenditure covering the first four months of the financial year 2005-06 so as to enable the State Government to carry on its activities from the 1<sup>st</sup> April, 2005.

**34.** With this submission, Mr. Speaker Sir, I present the Revised Estimates for 2004-05 and Budget Estimates for 2005-06 with the hope that the same will receive the approval of this August House.

---