



**GOVERNMENT OF
ARUNACHAL PRADESH**

BUDGET

2008 - 2009

SPEECH

OF

KALIKHO PUL
MINISTER OF FINANCE

MARCH 19, 2008

Mr. Speaker Sir,

With your permission, I rise to present before the August House the Budget Estimates of the Government of Arunachal Pradesh for the financial year 2008-09 along with the Supplementary Demands for Grants for the current financial year 2007-08.

It is a great challenge on my part to manage the finances of the State in a disciplined and prudent manner. But I am sure that under the able guidance of Shri Dorjee Khandu, Hon'ble Chief Minister, and with the cooperation of the Hon'ble Ministers and Hon'ble MLAs I can accomplish the responsibility entrusted on me in the best interest of the State.

As a nation we have great dreams. Arunachal Pradesh must prepare for its share of the Indian dream. In recent years the Government of India has paid special attention to the development of this region and particularly to Arunachal Pradesh. I must take this opportunity to express our sincere thanks and gratitude to Hon'ble Prime Minister, Madam Soniaji and Deputy Chairman Planning Commission for announcing a mega-development package for our state during maiden visit of Hon'ble Prime Minister to Arunachal Pradesh.

Financial position of the State during 2007 – 08:

As a result of the prudent fiscal management, the State's account with the RBI for the current financial year 2007–08 opened with a positive balance of Rs. 18.28 crore as against a negative opening balance of Rs. 56.92 crore

of the last financial year 2006–07 and that of the year 2005–06 opened with a huge negative balance of Rs. 303.54 crore. It would thus be seen that there has been significant improvement in cash management of the State Government during last 3 years. This has been achieved after meeting all the obligations and clearing all the dues right from the pending students' stipend to regular payment of DA/DR, Bonus etc. to the Government employees.

From the very beginning of the current financial year 2007–08 till now, the State has maintained comfortable cash balance in its accounts with the RBI without availing any fresh loans, over and above the normal borrowing limit allowed to the State Government by the Ministry of Finance, Government of India. Neither we have gone for Ways And Means Advances nor for an overdraft for a single day during the financial year.

Fiscal Reforms:

As the Hon'ble Members of the House are aware that on the basis of recommendation of the Twelfth Finance Commission (TFC), the State Government enacted Fiscal Responsibility and Budget Management (FRBM) Act, 2006 to provide the responsibility to the State Government to ensure fiscal stability and sustainability, and to enhance the scope for improving social and physical infrastructure and human development by achieving sufficient revenue surplus, reducing fiscal deficit and removing impediments to the effective conduct of fiscal policy and prudent debt management through limits on State Government borrowings, and greater transparency in fiscal operations of the

State Government, use of a medium-term fiscal framework and for matters connected therewith or incidental thereto.

On the basis of enactment of FRBM Act-2006, the State Government, during 3 years from 2005-06 to 2007-08, has got total relief of Rs. 99.10 crore which includes Rs. 20.40 crore during 2005-06, Rs. 39.84 crore during 2006-07 and Rs. 38.86 crore during 2007-08 as relief in terms of lower repayments of principal, relief in payment of interest in terms of lower interest payments and relief on account of debt waiver. It is apt to mention that we had a huge debt servicing liability just two years ago. Because of the reform measures initiated as told earlier, the quantum of debt has come down drastically and consequently saving on this account is utilized for development programme.

As indicated here, the FRBM Act-2006 also mandates greater transparency in fiscal operations, I am separately presenting the Medium Term Fiscal Plan (MTFP) of the State Government for 2006-07 to 2009-10. With that, I am also presenting the details of State Government employees as on **31st March, 2007** as per the provision under Sub-Section 1 of Section 3 of the FRBM Act, 2006. It is mandatory to furnish the achievement details of FRBM Act, 2006 every year alongwith the budget estimates.

Annual Plan 2007-08:

While Plan Outlay under State Plan for 2007-08 was approved by the Planning Commission at Rs. 1320.00 crore, the revised outlay for Annual Plan 2007-08 has been kept at the level of Rs. 1471.96 crore by the State Government as per the latest estimates of resources for financing the Annual Plan 2007-08 by providing additionality of Rs. 210.09 crore (including grant of Rs. 20.00 crore for R. K. Mission

Hospital, Itanagar) of PM's package and of Rs. 14.35 crore on account of upward revision of fund under Border Area Development Programme (BADP).

Annual Plan 2008-09:

I am happy to inform this August House that the Annual Plan 2008-09 of the State has been approved by the Planning Commission at Rs. 1800.00 crore as against Rs. 1320.00 crore for the current financial year 2007-08 resulting in 36% increase over the current year's Annual Plan. This is an unprecedented step-up during the last two decades based on realistic assessment of State's own resources. May I inform the Hon'ble Members of the House that during the discussion in the Planning Commission between Deputy Chairman, Planning Commission and Hon'ble Chief Minister of the State and me, the Annual Plan 2008-09 was coming at around Rs.1088.27 crore as per the set norms. However, the plan size was increased to Rs. 1800.00 crore at the initiative taken by the Hon'ble Chief Minister and the team of Officers of Planning and Finance Department of the State. Realizing the unique nature of constraints faced by the State Government, the Planning Commission agreed to provide additional fund under ACA and SPA. Hence, the resources for the Annual Plan 2008-09 has increased to Rs. 2065.00 crore with the inclusion of PM's package of Rs. 265.00 crore.

PM's Economic Package:

The Hon'ble Prime Minister's recent visit was an event of historical significance. Funds for various important developmental programmes of over ten thousand crores were announced by the Prime Minister. Hence, it is expected that within reasonable span of time, our state will catch up with other developed states of our country.

Hon'ble Prime Minister Dr. Manmohan Singh has set a road map for us and chalked out four strategies, I quote :

- “(i) The state needs good connectivity with the rest of the country through roads, railways and airports.
- (ii) There is a need for good infrastructure within the state.
- (iii) The people of Arunachal Pradesh need much better educational and health facilities.
- (iv) And most importantly, the state needs all-round economic development in tourism, in food processing, through large scale power projects.” Unquote.

His initiatives such as Trans-Arunachal Highway covering 1840 Kms from Tawang to Mahadevpur costing about Rs. 5500.00 crore, Border Village Illumination Programme of Rs. 550.00 crore, connection of 513 habitations by roads under PMGSY, green-field airport at Itanagar, rail connectivity for Itanagar are revolutionary as far as the betterment of socio-economic profile of this state is concerned. All these were possible by successfully convincing the Central Government by our Hon'ble Chief Minister with the help of Ministers about the need for rapid socio-economic development of the State. The sincere efforts of the officers of Planning and Finance Department also deserve appreciation in formulating relevant proposals.

Thrust Areas:

The maintenance of law and order and peace is prerequisite for any development. Arunachal and its people are known for peace loving and patriotic character. But we

are surrounded by states which are prone to insurgency and so the Government is committed to maintain peace and harmony at all costs and accordingly, the Government is committed to provide adequate budget provision during the current fiscal year for Police department. Besides, we shall take full advantage of the central schemes like Modernization of Police forces. Among our recent achievements, the 3rd IRBN has been recently created by the State Government against which 1004 posts have been sanctioned. Further 496 posts under Civil police have been sanctioned to man the checkgates and Police Stations where ad hoc personnel were working. This measure will not only address the law and order but also generate employment for many youths.

To ensure economic development during the 11th Five Year Plan on a sustainable basis, our Government has identified physical infrastructure as the most critical factor. Highest emphasis will be laid on Education, Health, Road Communication, Power Sector, Agriculture and Allied Sectors, Welfare of youth, Women and Children and to provide safe drinking water to all.

The Government is committed to universalisation of elementary education and development of Secondary and Higher and Technical Education during 11th Five Year Plan. A beginning has already been made with the Sarva Shiksha Abhiyan (SSA) and our achievements under SSA are commendable. In the first phase I had waived the cost of text books for students of Class I to Class VIII. Now I announce to provide fully free text books for ST students from class IX to XII waiving the 25% price currently paid by the students. May I share with you all, that keeping in mind the hardship of the students, we have this year released an

additional amount of Rs. 20.00 crore over and above the regular plan allocation for stipends. I also propose to increase the amount of stipend to all ST students from Class I to Class X @ Rs. 100/- per month, and from Class XI and onwards @ Rs. 75/- to help them meet the rising prices. On the initiatives taken by Hon'ble Chief Minister, the Planning Commission has agreed to provide corpus fund for the Vivekananda Kendra Vidyalaya and Rama Krishna Mission Schools. Our fund saved on this account shall be utilized for infrastructure and welfare activities of other schools of the State.

Having said that, I also propose that since school education has already been given adequate attention during previous years, the higher and technical education needs to be given priority during the year 2008-09. The newly opened colleges such as Rang-fra Government College at Changlang, Donyi Polo College, Kamki, Tirap Government College and Yachuli Government College do not have the minimum infrastructure to provide quality education. To overcome these shortcomings, I propose to provide adequate grants under ACA/SPA for construction of class rooms, Teachers' Residence, approach roads and library buildings in those colleges.

Further, it has been felt that our educated youths are being deprived of necessary coaching and study materials in the State to prepare for UPSC Civil Services Examinations. This being one of the reasons, the representation of Arunachalee youths in Civil Services is extremely minimal. Hence, to support them financially, the State Government has been providing a token amount @ Rs. 5000/- and Rs. 10,000/- at present to the candidates

qualifying preliminary and main examination respectively. However, keeping in view the price rise over the years, I propose to enhance these amounts to Rs. 30,000/- for the successful candidates of Preliminary Examination and Rs. 50,000/- to the successful candidates of the main examinations of Civil Services. This is expected to encourage and motivate the aspiring youths of the State.

I believe, keeping in mind the volatile security situation in some parts of the State, we must initiate some programmes in the areas of Sports, Culture and creative activities to channelise the youthful energy in a positive direction. The Sports infrastructure should be strengthened so as to develop the inherent skills of our youths in Sports and athletic activities. Towards this objective, I propose to enhance the present level of funding for development of Sports and Cultural Programmes during the forthcoming financial year.

Universal access to health care is essential for balanced development. The promotion of health is a vital public good and a basic human right. The health of the people of the state contributes significantly to economic growth. Hence, to improve the health scenario in the State, the existing infrastructure is regularly being strengthened. Our major thrust will be consolidation of District Hospital, Community Health Centers, Primary Health Centers and Sub-Centers across the State. Like previous years this year also the Government proposes to provide a sum of Rs. 5.00 crore under Decentralized Plan to the Deputy Commissioners and the District Medical Officers to purchase the need based quality medicines. We are also taking full advantage from the schemes of National Rural Health Mission (NRHM) and

other CSS. Our endeavour will be to reduce high rate of Maternal Morbidity & Mortality Rate (MMR) and Infant Mortality Rate (IMR) and Total Fertility Rate (TFR) to the target level. We commit to provide adequate fund for the health care in the State. I intend to provide fully equipped cardiac ambulance and dead body career van in every district. However to begin with for the ensuing year 2008-09, I propose to provide funds for these facilities at capital complex. I can share with members of the House that the Government of India has decided to establish North East Institute of Folk Medicine at Pasighat, Arunachal Pradesh, which is a matter of satisfaction.

Our Government is giving top priority to the Power sector in the State. We are committed to electrification of all villages and we will take optimal benefit under the Rajiv Gandhi Grameen Vidyutikaran Yojana. An outlay of more than Rs. 700.00 crore under Plan and Non-Plan is proposed for this sector during 2008-09 for generation, transmission and distribution of power in the state.

The road connectivity in the state is far below the national average by most of the parameters. Extending and improving the road network is an essential infrastructure requirement for all-round development of the state. The government is committed to bridging the infrastructure gap in the road sector and hence accorded high priority to this sector. An integrated master plan encompassing all categories of road to be developed under various programmes will be prepared by the state. A tentative outlay of Rs. 1053.00 crore under Plan and Non-Plan is proposed to be earmarked for this sector during 2008-09. Besides, special emphasis will be laid on rural roads through the Pradhan Mantri Gram Sadak Yojana (PMGSY) and mobilize the fund under various programme of Central Government namely, NEC, NLCPR, CRF, SARDP-NE for Inter-State Connectivities. We are

grateful to the Hon'ble Prime Minister that our long felt demand of Trans-Arunachal Highways has been addressed.

Due to vastness of the geographical area and difficult terrains, it may take long time to provide road connectivity across the State. To get rid of this bottleneck, Hon'ble Prime Minister has announced that a new Greenfield Airport will be coming up at Itanagar and other airports at Pasighat, Aalo, Daporijo, Ziro and Tezu would be functional. He also announced the launching of a daily helicopter service between Guwahati and Tawang which will not only increase accessibility but also attract tourist inflow to that area.

About 80% people of the State living in rural areas are poor. Therefore, the activities under Poverty Alleviation Programme will be intensified modeling them appropriately for their adaptability in the state. The Government will endeavour to extend National Rural Employment Guarantee Programme to all the districts in the State during the 11th Plan. This will enable all rural people willing to work, to get at least 100 days of employment in a year.

Although we have enough potentials in the spheres of Agriculture and Horticulture, so far we have not organized those sectors for production on commercial basis. This is attributed to lack of marketing strategy, support price mechanism and storage facilities. The production of Ginger, Cardamom, Kiwi, Orange etc. on large scale need storage facility and marketing. Hence, the Government proposes to put in place those mechanisms so as to motivate the farmers. Focused attention will be given to the potentialities and problems of farmers in the State. Hence, an outlay of substantial amount is proposed under the plan and Non-plan for the year 2008-09.

Agriculture in Arunachal Pradesh is dependent on rain water for irrigation purposes and on the other hand, flood is a recurring phenomena in the state due to high precipitation. Hence, the Irrigation and Flood Control Programme is receiving our high priorities. The Government will provide sufficient fund during 2008-09 to meet the requirement of the department. In addition, we have been availing AIBP scheme under ACA to support irrigational activities. The Government shall try to mobilize more funds under this programme.

The Government is committed to providing safe drinking water to rural and urban areas of the State, and to implement the Rural Sanitation Programme. This being an essential service, the Government is committed to providing adequate funds during 2008-09. This apart, we will avail other projects in this sector under Bharat Nirman Yojana, DONER and NEC.

Arunachal Pradesh has tremendous scope for pisciculture and fishery activities. With a view to strengthen this sector and engage the youth in independent earning process, the schemes such as Recreational Fishery Development for Eco-tourism (angling) and Pilot Project on running water fish culture will be supported during the year 2008-09.

In the field of social welfare, special focus will be required on juvenile rehabilitation, for persons with disability, implementation of nutrition programme and financial assistance to Arunachal Pradesh Social Welfare Advisory Board. We have 85 ICDS projects with 4,277 Anganwadi Centres covering 1.6 lakh children and 50 thousand mothers. Efforts are being made for convergence and networking of Women's Development Programme at different levels.

Keeping in mind the dignity of the senior citizens, the State Government has been providing Old Age Pension to them @ Rs. 150/- in addition to the similar scheme implemented by the Central Government. Keeping in view the rising prices over the years, I propose to enhance Rs. 50/- per month in respect of State beneficiaries only, making it Rs. 200/- per month.

I also propose that to strengthen our social security measures and specifically to empower the women, Gender Budgeting should form a component of our annual budget and the Government will make adequate provision for that. Hence, the development and security of women and children should be given top priority while formulating schemes of each department during the ensuing financial year.

Moreover, women of Arunachal Pradesh are among the hardest working people of the country taking care of both, the livelihood systems and home management. Economic empowerment of the women is considered critical for a healthy and all encompassing growth of the society. Given the limited outreach of the banking system in the State, women, especially the poor women are not in a position to gain access to financial services including savings and credit. The Self Help Group (SHG) movement of the country is now recognized as, by far, the largest micro finance movement of the world. Unfortunately, the state has been grossly lagging behind in this area.

In order to correct this imbalance, and give an opportunity to the poor women of the State to save their frugal resources and put them to productive use by mutual lending, and later on access to larger bank resources, it is proposed to give a special boost to the promotion of SHGs of women during 2008-09. The State Government, with

technical support of NABARD and banking system, will promote 5,000 SHGs over next three years, of which 1,500 SHGs will be promoted during 2008-09. This will cover all the poor families of the State under a massive micro saving movement. The Department of Women and Child will be the nodal department. The State Government will also appoint a senior officer as Micro Finance Coordinator.

The Department of Tirap and Changlang was created during 2003-04 with objective of catalyzing the developmental activities in these two districts. During the year 2008-09 an amount of Rs. 25.00 crore has been proposed.

Arunachal Pradesh is a treasure house of natural beauties with very rich culture and flora and fauna. The State's tourism potential still remains only partially explored. This sector can generate jobs and incomes with comparatively less investment than most other economic activities. The Government proposes to create necessary infrastructure to promote tourism in future years. An outlay of Rs. 15.00 crore is proposed and further we will seek Planning Commission's intervention, the schemes under DONER, NEC and Ministry of Tourism for more assistance to strengthen this sector. We may also explore the possibility of involving the private investors for creating infrastructure on PPP basis.

To implement need-based schemes at grass root level based on recommendations of respective MLAs, I intend to enhance the MLALAD fund from Rs. 50.00 lakhs per annum to Rs. 70.00 lakhs per annum during the year 2008-09. Additionally, Rs. 50.00 lakhs which was earlier provided under District Decentralized Planning shall now be provided at the disposal of the Deputy Commissioners under District Planning Committee to meet the expenses in addressing the local needs of importance.

I would like to apprise briefly the initiative taken by our Hon'ble Chief Minister for the revival of Cooperative Apex Bank which was defunct for last several years leaving the small depositors, marginal farmers and labours, students and Government employees high and dry. Hence, the Government had to intervene in the interest of all to revive the bank and restore the confidence of the customers. A series of reform measures have been initiated. One of them is by providing Rs. 180.00 crore as equity share which is now used as operational capital of the Bank. Further, I propose to provide an amount of Rs. 45.00 crore during 2008-09 as soft loan to strengthen its operation and ensure smooth transaction. The bank authority should prepare modalities to invest in profitable ventures. More importantly, to give a professional functioning, the Government has decided to discontinue the practice of appointing political people as the Chairman and MD of the Bank. Instead, Senior administrators with wide experience are now managing the affairs. The Government is also committed to improve the working of the Bank by recovering debt and fixing responsibility on the erring officers and officials of the Bank. Hence, I on behalf of the Government, appeal to all the customers to repose faith in the bank management and continue to deposit their savings to boost its efficiency and credibility.

Recently, a bold and innovative step has been initiated by the State Government by successfully implementing the VRS Golden Handshake Scheme for casual labours of PWD. The Department had a total 10,614-strong casual labours with a liability of about Rs. 24.00 crore per annum towards their salary, wages, bonus etc. Since many of them were surplus labour in the absence of schemes for execution, the liability on this account was considered unproductive. Hence,

the department gave the option the labours, whosoever desired, to offer for voluntary retirement with one-time settlement of dues. It was purely based on voluntary offers and 6,591 labours decided happily to quit with a view to earn their livelihood independently. The total financial implication on this account was about Rs. 26.92 crore. The net result of this initiative was a savings of about Rs. 15.00 crore – Rs. 16.00 crore per annum which could now onwards be utilized on plan developmental schemes and contribute to the tangible development of the State. I am sure every work department has such unproductive liability and therefore should give an offer in the best mutual interest of the employees and the employers.

Our Government has always been sensitive to the welfare of the employees who form the workforce of the Government. In order to help them overcome the brunt of ever inflationary market price, I have released two doses of DA @ 6% during this financial year. Now since one more dose of DA @ 6% has been announced from 1st January, 2008, I intend to release it very shortly. But this should motivate the Government employees to work with greater commitment and sincerity.

I think the most pleasant proposal I am going to share with Hon'ble members of this August House is the fund provision made in the ensuing budget for meeting the hike in their salary and allowances. While serving the people and the society, the Hon'ble Members have often experienced hardship in terms of personal resources to meet the commitments to the people of constituency, to provide medical treatment to poor people of their area, in maintaining protocol and in reception of VIPs at their residence. The present

level of salary and allowances are too meager to accommodate the liabilities while performing multifarious nature of public services. The Government had appointed me as the Chairman of the Committee to look into the proposal, consequent upon which I had collected inputs from neighbouring North-Eastern States, Rajasthan, MP and NCT of Delhi and compared them with the existing rates of our State. After, discreetly examining the genuine problems of the Hon'ble Members, and considering the reasonableness of the proposal, I had recently recommended for an enhancement @ Rs. 30,000/- in salary for every one right from MLAs, Deputy Speaker, Ministers, Speaker and to Chief Minister. There has also been a little hike in allowances of Hon'ble MLAs and the Deputy Speaker. This is expected to provide a breathing space to all my colleagues to meet their obligations. The uniqueness of this recommendation is that there is no gap between an Hon'ble Member and the Chief Minister or Hon'ble Speaker.

Similarly, considering the genuine grievances of Ex-MLAs I had recommended for an enhancement in pension amount from Rs. 2500.00 to Rs. 5000.00 per month and over and above that Rs. 1000/- per month as medical treatment allowances. However, keeping in view the unmanageable amount of medical reimbursement claim, the same has been recommended to be discontinued henceforth. However, I have recommended for launching of family pension scheme for the family members of deceased MLAs @ 50% of the last drawn amount as pension.

Hopefully, all the members of the House would heartily welcome this proposal.

Transfer of Committed Expenditure into Non-Plan :

Usually the maintenance liabilities of posts created during one plan period should normally be transferred to non-plan segment in the beginning of the next plan according to the guide lines of Planning Commission. This has been avoided in the past due to apprehension of deterioration in BCR. However, I have ventured to do so this year keeping in mind the long term benefit for the State. I may share with the August House that our State has been entitled to the lowest amount of Non-plan Revenue Deficit grant during the Eleventh & Twelfth Finance Commission award. This is because the quantum of Revenue Deficit grant is decided by the Finance Commission on the basis of Non-plan expenditure liability of a State.

Due to non-transferring of committed liabilities from Seventh Plan onwards from plan to non-plan, the maintenance cost of almost all Plan Schemes is borne as additional burden on the Plan expenditure thereby affecting the Annual Plan fund. About 48% of the State plan fund goes towards the salary, wages, vehicles, stipends etc. every year. This leads to State's inability to take up new schemes and also to continue financing the ongoing or spill-over schemes. As a result, a large number of assets created in the successive plan periods have now been deteriorating resulting in declining productivity. Therefore, the assumption that the completed scheme will give enough return for their maintenance has not been realized in the State.

I am to inform that we have already initiated action to provide committed expenditure from plan to non-plan side. To begin with for financing the Annual Plan 2008-09,

Rs. 150.00 crore, being the salary expenditure of plan post (7th Plan onward) has been proposed to be transferred to non-plan side. However, I seek cooperation of all the Hon'ble Ministers and Hon'ble MLAs, senior Government officers to bear with us in maintaining a limit on Non-plan unproductive expenditure for at least next two years. This will be a transitional period till we get the benefits under Thirteenth Finance Commission award. The Planning and Finance Departments should work in tandem with mutual adjustment in the best interest of the State's future.

Resource Mobilization :

During my tenure as Finance Minister for last ten years, I have kept up the pursuit of mobilizing resources which in turn has helped obtain the enhanced plan allocation from the centre. We have explored all the possible sources such as Power, Mines and Minerals, Lottery, Tax & Excise, Forest etc. and we have generated revenue much beyond our target. We have immense potentials in the sectors such as Hydropower, Minerals like Dolomite, Limestone, Oil, Gas, Coal, Forest, Horticulture etc. However, we have to target an economical exploitation of these natural resources. Previously these sectors were not given serious attention. Now I propose to provide a substantial amount for survey and exploitation of mines and mineral. In addition, Government proposes to encourage the private investors for taking up projects on Public Private Partnership (PPP) basis. The State Government is also in the process of framing a mining and new industrial policy which will address the issues in this area while striking a balance between environmental concerns and economic development.

Let me clarify one important point that other departments which have not been specifically covered in my speech are not meant to be ignored. In fact we will support every department but it is not possible to discuss the priorities of each departments in the budget discussion.

Supplementary Demands for Grants for 2007-08 :

Mr. Speaker Sir, I would now like to dwell on the Supplementary Demands for Grants for this year 2007-08. As mentioned earlier by me, the Annual Plan for this year 2007-08 was finalized by the Planning Commission at Rs. 1320.00 crore. The revised Annual Plan of the State for 2007-08 has been fixed at Rs. 1471.96 crore by providing additionality of Rs. 210.09 crore of PM package and Rs. 14.35 crore on account of upward revision of fund under Border Area Development Programme (BADP).

In addition to the State Plan Funds, the State also has received funds directly from various Central Ministries/ Agencies for specific schemes. These include the Centrally Sponsored Schemes (CSS), Central Plan Schemes (CPS), Schemes funded by NEC and the Non-Lapsable Central Pool of Resources (NLCPR). The RE figure in respect of these schemes for the year 2007-08 has been arrived at Rs.672.07 crore, after taking into consideration the details furnished by the respective departments. This is inclusive of Rs. 119.70 crore which remained unspent due to various reasons in the last financial year 2006-07 and had to be authorized for expenditure during the current financial year.

The Non-Plan Revised Estimates (RE) for the current financial year have been finalized at Rs.1651.06 crore against BE figure of Rs. 1323.97 crore. The non-plan revenue

expenditure (RE) 2007-08 has been finalized at Rs.1464.16 crore against the BE figure of Rs. 1124.42 crore. The net increase in Non-Plan Revenue Expenditure is Rs. 339.74 crore which includes resource supported estimate of Rs.232.15 crore. The net increase is on account of ad-hoc bonus, DA / DR / RRBs and other committed liabilities. The non-plan capital expenditure RE 2007-08 has been finalized at Rs. 186.90 crore against the BE 2007-08 figure of Rs.199.55 crore.

Budget Estimate for 2008-09 :

I now come to Budget Estimates of Demands for Grants for the financial year 2008-09. Mr. Speaker Sir, as I have informed this House in the preceding para of my speech, the Planning Commission has substantially increased the plan outlay of the State for the Annual Plan 2008-09 to Rs. 1800.00 crore against the plan outlay of Rs. 1320.00 crore of the current financial year. However, the Annual Plan 2008-09 has been increased to Rs. 2065.00 crore by adding PMs package of Rs. 265.00 crore.

The departments have already been informed about the tentative allocations to them. The Demands for Grants for 2008-09 reflect the Annual Plan outlay of Rs. 2065.00 crore. The sectoral allocation will be fine tuned in April-May, 2008 after detailed discussions with the departments concerned and after reconciliation by AG Shillong. A provision of Rs. 13.82 crore has been made for Central Plan Schemes and Centrally Sponsored Schemes. A provision of Rs. 3.80 crore has been made for NEC schemes and Rs. 4.10 crore for the Non-lapsable Central Pool of Resources. These are token provisions and the actual figures would depend on

sanctions during the course of the year. The final figures would be reflected in the Revised BE for 2008-09.

The Non-Plan outlay for BE 2008-09 has been estimated at Rs.1377.75 crore. The Non-Plan Revenue expenditure BE 2008-09 has been fixed at Rs .1187.91 crore and the Non-plan capital expenditure BE 2008-09 at Rs. 189.84 crore. The Non-Plan estimates are based on 5% growth on salary and 2% nominal growth on increment in basic pay besides 5% growth on other accounts over the non-plan revenue Budget Estimate 2007-08.

The scheme of Financing Annual Plan (BE & RE) 2007-08 and BE of 2008-09 and the estimates of receipts and expenditure for (BE & RE) 2007-08 and BE for 2008-09 can be seen at Annex-I and Annex-II respectively.

Tax proposals :

Mr. Speaker, I shall now present my tax proposals. I am happy to inform the August House that no new taxes are proposed in the next year's budget. Rather, concessions on levy of VAT on some items are proposed.

i) Introduction of Tax Deduction at Source (TDS) :

In order to check revenue leakages especially in supply/contract work under various departments, the State Government vide Notification dated 11th April, 2007 have introduced TDS System. Under TDS system, DDO, who is responsible for payment of bills to the dealers/suppliers/contractors, is authorized to deduct VAT at source and deposit the same in the Government Treasury. This has helped in smooth collection of revenue.

ii) Reduction of Rate of VAT :

I propose to bring an amendment to lower the rate of tax on the following commodities from 12.5% to 4% to benefit the consumers for following items:

- a) Processed meat and poultry,
- b) Dry fish,
- c) Processed or preserved vegetables,
- d) Fruits including fruit jams, jelly, pickles, fruits squash, paste, fruit juice.

iii) List of Goods to be exempted from VAT :

The following items are taxable @ 4% in Arunachal Pradesh. However, I propose to exempt these items from the VAT for the benefit of the farmers, students and common people.

- a) Arecanut powder and betel nut.
- b) Bicycle, tricycle and cycle rickshaw and parts.
- c) Chemical fertilizer, pesticides, weedicides and insecticides.
- d) Exercise book, graph book, laboratory note book and writing instruments.
- e) Seeds.

Besides, there are certain programme such as National Vector Borne Disease Eradication Programme, National Aids Control Programme, National TB Control Programme etc. for which the medicines are purchased by the Government of India and dispatched to our State. The suppliers are supposed to pay entry tax. However, as the suppliers pay tax in other states, they are not very willing to deliver those medicines in our State and sometimes divert to other States.

To avoid this situation, I propose to exempt those centrally supplied medicines from entry tax in the larger interest of the poor people.

With these words, Hon'ble Speaker Sir, I commend the Budget 2008-09 to this August House for its consideration and approval.

Thank you Sir.

**SCHEME OF FINANCE – ANNUAL PLAN 2007- 08
(BE & RE) AND 2008-09 (BE)
OF ARUNACHAL PRADESH.**

(Rs. in crore)

Sl. No.	Item	2007-08		2008-09
		BE	RE	BE
1	2	3	4	5
1.	State's Own Resources (a to d)	26.23	-71.51	9.24
	a) BCR	-2.28	-100.15	-19.46
	b) MCR	4.76	4.89	4.95
	c) Plan grants from GOI (TFC)	23.75	23.75	23.75
	d) Adjustment for year's opening balance	—	—	—
2.	State's Borrowings (i-iii)	260.46	285.02	201.00
	(i) Gross Borrowings (a to f)	344.12	353.02	294.95
	a) State Provident Fund	72.12	81.02	85.07
	b) Small Saving	59.37	23.98	25.00
	c) Net market borrowings	138.97	174.36	115.38
	d) Negotiated loans	73.66	73.66	69.50
	e) Bonds/Debentures	—	—	—
	Central Assistance-Loans (f1 to f3)	98.21	98.21	176.64
	f ₁ Loans for NCA	76.89	76.89	84.58
	f ₂ Loans portions of ACA for EAPs	1.02	1.02	1.00
	f ₃ Loans for Others	20.30	20.30	91.06
	(ii) Repayments	83.66	67.30	91.06

Sl. No.	Item	2007-08		2008-09
		BE	RE	BE
1	2	3	4	5
3.	Central Assistance – Grants (a+b+c)	1033.31	1257.75	1854.76
	a) Normal Central Assistance	691.98	691.98	761.18
	b) ACA for EAP (ACA+SPA)	8.89	8.89	9.00
	c) Others	332.35	556.79*	1084.58
4.	Aggregate Plan Resources (A+B+C)	1320.00	1471.96	2065.00
5.	State Plan Outlay	1320.00	1471.96	2065.00

Note : Central Assistance - Loans is subsumed in State's borrowings.

* Includes the followings :

- i) PM's package for R.K. Mission Hospital = Rs. 20.00 crore
 - ii) Other portion of PM's package = Rs. 190.09 crore
 - iii) Additional allocation for BADP = Rs. 14.35 crore
- Total : Rs. 224.44 crore**

Components of Additional Central Assistance (ACA) for Special
and other Programmes

(Rs. in crore)

Sl. No.	Schemes/Programmes	2007-08		2008-09
		BE	RE	BE
1	2	3	4	5
1.	Accelerated Irrigation Benefit Programme (AIBP)	60.00	60.00	60.00
2.	Shifting Cultivation	3.00	3.00	3.00
3.	Border Area Development Programme (BADP)	32.98	47.33	32.98
4.	Road and Bridges	16.22	16.22	16.22
5.	National Social Assistance Programme (NSAP)	7.59	7.59	7.59
6.	Nutrition Programme for Adolescent Girls (NPAG)	0.08	0.08	0.08
7.	Grants in Aid under Art. 275(1)	2.20	2.20	2.20
8.	Accelerated Power Development and Research Programme (APDRP)	9.00	9.00	9.00
9.	National E-Governance Action Plan (NEGAP)	9.75	9.75	9.75
10.	Backward Regions Grant Fund	15.45	15.45	15.45
11.	Rural Household Electrification	—	—	—
12.	Jawaharlal Nehru National Urban Renewal Mission (JNNURM)	2.42	2.42	2.42
13.	Special Plan Assistance (SPA)	134.89	344.98	887.12
14.	Onetime ACA	38.77	38.77	38.77
Total (1 to 14)		332.35	556.79	1084.58

**SUMMARISED POSITION SHOWING OVERALL FINANCIAL
POSITION OF THE STATE GOVERNMENT 2007-08 (BE & RE)
AND 2008-09 (BE)**

(Rs. in crore)

Sl. No.	Item	2007-08		2008-09
		BE	RE	BE
1	2	3	4	5
A. Revenue Account				
1.	Receipts	2331.27	3307.24	3903.55
2.	Expenditure	2168.82	2642.17	2963.00
3.	Surplus (+)/Deficit (-)	162.45	665.07	940.55
B. Capital Account				
1.	Receipts	350.82	365.45	303.43
2.	Expenditure	500.94	1171.59	499.88
3.	Surplus (+)/Deficit (-)	-150.12	-806.14	-196.45
C. Total Consolidated fund				
1.	Receipts	2682.09	3672.69	4206.98
2.	Expenditure	2669.76	3813.76	3462.88
3.	Surplus (+)/Deficit (-)	12.33	-141.07	744.10
D. Public Account (Net)		-61.04		180.68
E. Total				
1.	Receipts (C.1+D)	2622.05	3853.37	4406.18
2.	Expenditure (C.2)	2667.76	3813.76	3462.88
3.	Surplus (+)/Deficit (-)	-45.71	39.61	943.30
F. Opening Balance			18.28	
G. Total Surplus (+)/Deficit (-)			57.89	