



सत्यमेव जयते

**GOVERNMENT OF
ARUNACHAL PRADESH**

**BUDGET
2009 - 2010**

**SPEECH
OF
KALIKHO PUL
MINISTER OF FINANCE**

MARCH 2, 2009

Mr. Speaker, Sir,

I rise to present before the August House the Budget Estimates of the Government of Arunachal Pradesh for the financial year 2009-10, along with the Supplementary Demands for Grants, for the current financial year 2008-09.

As all the members are fully aware that Arunachal Pradesh has witnessed an unprecedented spurt in developmental activities in last two years. With the growing support from the central government and various reforms initiated by the state, we have increased the pace of the development in all sectors. However, with this, my responsibility as Finance Minister has increased manifold. I am happy to mention here that I could deliver my best with the guidance from Hon'ble Chief Minister and the cooperation from by cabinet colleagues and the members of this August House.

Before I come to the details of the proposals for Budget Estimates for 2009-10, I would like to apprise the Hon'ble Members of the prevailing status of the State's economic position.

State Finances

I am happy to inform this August House that with the continued efforts made by this Government, the State's economy has started looking up. During the Tenth Plan Period 2002-07, the annual average growth rate of Gross State Domestic Product (GSDP) was 6.22 per cent. The GSDP of the State during 2007-08 has been estimated at Rs. 2755.09 crores at constant (1999-2000) prices and at Rs. 3739.62 crores at current prices. The growth rate in GSDP at constant

and at current prices in 2006-07 was 12.8% and 17.33% respectively which is much higher than the earlier period.

In the past two years, we have been able to further consolidate the State's financial position. Fiscal deficit as percentage of State's Gross State Domestic Product (GSDP) was 13.54 per cent in base year 2004-05, this came down to 8.80 per cent in 2005-06 and reached to 0.22 per cent in 2007-08. Hon'ble Members are aware that after enactment of Arunachal Pradesh Fiscal Responsibility and Budget Management (FRBM) Act, 2006, we received the benefit of re-scheduling of our outstanding debt to Ministry of Finance, Government of India as on 31.3.2004 and on 31.3.2005 and payment of interest at the reduced rate of interest @ 7.5 per cent per year on the outstanding re-scheduled debts. Now, with our achieving the FRBM Act targets of maintaining the desired level of revenue surplus since 2005-06 and gradual reduction of fiscal deficit as a percentage of GSDP w.e.f. 2004-05 onwards, we became eligible for complete write-off by the Govt. of India of the re-scheduled outstanding debt of Rs. 60.63 crores due for payment during the last 3 years viz. during the years 2005-06, 2006-07 and 2007-08 @ Rs. 20.21 crores each year. Similarly, under debt relief in terms of lower repayments of principal and lower interest payments the State Government got a relief of Rs. 76.00 crores till now from 2005-06.

To augment state's resources the State Government is initiating long term measures like increase in upfront fees for various categories of hydropower projects, introducing lease rent against Government lands being used by various Central Government Organizations like Army, ITBP, BRO, etc, and issuing instructions to them to pay royalty against all construction materials, etc.

Hon'ble Members will be happy to know that during the last three years, the State Government has restricted its

borrowing from all sources to a level within the ceiling prescribed by the Ministry of Finance, Govt. of India and the borrowing limits laid down in our FRBM Act. This has been possible because of improvement in our own resource position coupled with observation of financial prudence.

I would also like to mention that the State Government has taken measures for redemption of the existing debts when they mature or fall due for repayment. I am sure, Hon'ble Members will agree with me that we should not leave the burden of servicing and repayment of the public debt availed by our generation to the future generation. I have already created a Consolidated Sinking Fund (CSF) for redemption of debts of all kinds, when they mature or fall due for repayment at future dates. This Fund will be of great help to the State Govt. in the future when large repayments of market borrowings raised during the years 2002-03, 2003-04 and 2004-05 to swap the outstanding high cost small savings loans and other loans, would start maturing from 2014-15 onwards. This Fund is being maintained with the Reserve Bank of India outside the Consolidated Fund of the State. The existing amount of this fund is Rs. 58.90 crores.

In order to grab the opportunity given by the finance commission, which we get only once in five years, my Department worked very hard for preparing memorandum for the Thirteenth Finance Commission. These efforts were further strengthened by the excellent field visits and presentations by our team which received appreciation from the commission itself. Secretary, Thirteenth Finance Commission has written a letter to Chief Secretary congratulating the tremendous efforts of the entire Finance Team. I would like to tell this August House that we received very limited award from the previous Finance Commission

as compared to our requirements and also in comparison with other North-Eastern states. However, I am pleased to inform that we are confident that because of our best efforts we will be able to secure the optimum award from the thirteenth finance commission, which will go a long way in tying up our non-plan revenue gap for the period of 2010 to 2015.

These remarkable achievements of the State Govt. were made possible by your co-operation. Hon'ble Speaker, Sir, and the Hon'ble Members, with your continued support and co-operation, I hope to maintain this trend of fiscal consolidation and improvement in the next financial year (2009-10).

Implementation of 6th Central Pay Commission package

In this background of the prudent financial management, the State Government faced the enormous challenge of implementation of recommendations of the sixth Central Pay Commission package for the employees of the State Government. Since last four months, the State Government under the guidance of our Chief Minister worked day and night to find out the ways to ensure that the benefits are passed to the state government employees. Personally, I pleaded to the Empowered Committee of the Finance Ministers and called on various central government ministries including the Ministry of Finance, the Planning Commission of India, Thirteenth Finance Commission, Prime Minister's Office, etc.

Our Chief Minister also passionately appealed to all higher authorities for providing some relief to the State Government so that it can implement the pay commission. Very innovatively the state approached the Central Governmen

for the grant of peace and green bonus. Hon'ble Chief Minister personally gave memorandum in Prime Minister's Office and met Shri P. Chidambaram, the then Union Finance Minister along with all cabinet colleagues. Memorandums for Green & Peace bonus was also given to Shri Pranab Mukherjee, Union Foreign Minister, on his visit to Tawang during recent Buddha Mahotsava Festival and to Shri Hamid Ansari, H.E. the Vice President of India, during his visit to the State. The entire Finance Department burnt mid-night oil to prepare voluminous documents to support our task.

I would like to inform the House that in spite of resource crunch and the fact that this liability did not figure in the Eleventh Five Year plan, the State Government has implemented the Sixth Central Pay Commission package with suitable modifications in line with implementation of Fifth Pay Commission in the state.

I am proud to mention that ours is the first state in North-East and one of the very few states in the country to implement the revised pay scales of Sixth Central Pay Commission in the state.

The Planning Commission has been very supportive in providing assistance under planned expenditure and so far as non-plan resources are concerned, the Thirteenth Finance Commission and Government of India have been strongly pursued for financial assistance. The State Government is committed for the welfare of the employees. Therefore, as and when specific and untied financial assistance is received from Government of India, the further arrears would be released to the employees accordingly.

Revision of wages of contingency and casual workers

I am happy to inform the House that State Government has substantially raised upward the wages of Contingency

Workers w.e.f. 19th February, 2009 from Rs. 55/- to Rs. 80/- for unskilled, from Rs. 60/- to Rs. 85/- for semi-skilled and from Rs. 65/- to Rs. 90/- for skilled workers per day in Area – I and to Rs. 90/-, 95/- and 100/- per day to such type of workers respectively in Area – II. Monthly payments are being made for all the 30 days of the month, including four Sundays. The annual financial impact on the State exchequer on account of this revised wage rates would be more than Rs. 90 crores per annum.

Goods and Services Tax:

I would like to inform the Hon'ble Members, that an Empowered Committee of the State Finance Ministers had been asked to work towards introduction of Goods and Services Tax (GST) in India with effect from April, 2010. The Empowered Committee has been holding meetings and discussions on working out a model of GST suitable for our country. Arunachal Pradesh has also been associated in the process. The Goods and Services Tax will be a single tax in place of many taxes being levied by both Central and State Governments at present. The major taxes that will be subsumed in GST will be the Excise Duty, CENVAT and Services Tax levied by Central Government and VAT levied by State Govt.

The purpose of introducing GST is to have uniformity in tax laws, procedures and rates throughout the country. Introduction of GST will enable State Governments to levy tax on services which is the fastest growing segment of our economy. Introduction of GST will also enable businesses to claim input tax credit on taxes paid on both goods and services and will make them competitive.

Reforms

Our responsibility does not stop just by asking and receiving funds from the Government of India. We have to supplement the Government of India's efforts through sound reforms. Since last two years, with the active support from all of you we have initiated many reforms in the Planning and Finance Process. Our initiative of introducing the third party monitoring system under PM package and SPA schemes has been appreciated by the Planning Commission of India. In order to make the implementation more transparent and meaningful, we have established the State Level and District Level Monitoring Committees involving the Panchayat Raj leaders. We have also instructed all the executing agencies to host all the information on the web-sites along-with the photographs of the works undertaken.

We have also decided to computerize the treasuries in the phased manner, which will not only make the process simpler and faster, but will also strengthen the internal checks and balances. I am sure these and other reforms will go a long way in the developmental history of Arunachal Pradesh.

As a part of administrative reforms, the State Government has decided to incentivize, the hard area postings by providing hard area and high altitude allowance over & above the Special compensatory Allowance, esp. for those areas which are approachable only by foot march like Vijoynagar, Lada, Thingbu, Mago, etc. In addition we have decided that for some category of employees such as Doctors, Teachers, Nurses etc, it will be made compulsory to serve for at least ten years in interior areas.

Hon'ble Members are aware that last year we substantially increased the rate of stipend to the students. To

take it further and to improve the stipend delivery system we have decided to create a separate sub-head for giving this stipend so that it remains non-divertible. Attempts will be made to release stipend to the students on the monthly basis so that the students will be able to procure essential food items as per their requirement in time.

We have also introduced another reform in our budgetary process. Earlier the estimated receipts under CSS/ CPS/NEC/NLCPR etc. were booked under receipts head during BE stage, but on expenditure side only token provision used to be made, because of the apprehension that departments might spend the amount if provided in the BE stage without the amount getting credited to the State exchequer. However, this resulted in distorting the budget at BE stage, which required correction. From the current year this correction has been done, with a strict condition that Departments would undertake expenditure only after actual receipt of central funds, with proper budgetary support and financial sanction.

Focus Areas

We always say that the roads are the arteries through which blood of development flows. Our government has taken up massive road development programme in the state. Under Trans-Arunachal highway, around 1800 kms of road will be constructed costing about Rs. 12,513 crores which will also include major bridges on river Lohit and Dibang. All the district headquarters will be connected by the two lane highway by constructing about 700 kms of roads. Further, under PMGSY additional 513 villages will be connected by constructing 2880 kms of roads. All these are over and above our normal state plan and central plan schemes. From independence to 2008, on an average we added 300 kms

of roads per year and now henceforth we will be constructing approximately 600 kms per year. We also appreciate that there are many habitations in remote border areas for which construction of motorable road will take considerable time. Hence as a stop-gap arrangement, the Government has prepared and submitted a proposal for the construction of good quality porter tracks and foot suspension bridges in remote and strategically important areas. The proposal is under active consideration with the Central Government and we are hopeful to get the approval for the same.

Peace and tranquility are the pre-requisite for the development of the state. We are aware of this and hence we have already raised the third IRBN and convinced the Central Government to increase the allocation under Police Modernization. Now we also propose to raise the fourth IRBN. We have also decided to establish the WT station in each of the circle headquarters which will be of great help for the administration, police and common citizen for the easy and reliable communication especially during the emergencies such as Law and Order Problem, Natural Calamities etc.

Despite tremendous potential in the sports related activities, we could not harness this potential for various reasons. However, now the State Government has decided to give thrust to the sports and allied activities. We have raised a corpus of Rs. 3.0 Cr for the Sangay Lhaden Sports Academy. We have also provided assistance to the Sports Authority of Arunachal Pradesh. Sufficient funds have been pumped in the development of infrastructure for sports and allied activities. This will channelize the young energy into more productive and constructive ways. Further our Government has decided that those sports persons who have secured Gold Medal, Silver Medal and Bronze Medal at the

National level, will be awarded Rs. 10 lakhs, Rs. 5 lakhs and Rs. 2 lakhs respectively. For those sports persons who secure medals in the International Events, a suitable higher scale of award would be given.

Considering the hardships faced by the teachers and medical staff posted in remote areas to get temporary accommodations in the district headquarters when they go on duty or for training to the district place, we have decided to establish one transit guest house for teachers and one for the medical staff in each district headquarters in a phased manner. Construction of teachers and medical staff quarters in remote areas will be our topmost priority in this year.

The Government is committed to ensure more and more participation of Panchayat Raj leaders in the governing process. We have already transferred 29 functions to the local bodies. To continue our efforts, we have decided to provide assistance to the Panchayat Leaders for their mobility in the form of some allowance. The modalities will be decided by the administrative department concerned.

Our age-old system of Gaon-Burahs has withstood the test of the time and still continues to prove their relevance. Hon'ble members, I am happy to announce that while acknowledging the valuable service rendered by our gaon burahs, the State Government has decided to increase their honorarium by Rs. 100/- per month. Further, in order to ensure that our gaon burahs are updated with the developments in the outside world, we have decided to provide, one radio set to each of the gaon burah. In addition to ensure that the funds under the honorarium remain non-divertible we have decided to create a separate sub-head under OC for paying Gaon-Burahs Honorarium.

The delivery of health services in the remote areas is one of the biggest challenges faced by any welfare state. The ASHAs, DAIs and MEDICs forms the backbone of the health delivery system in the villages and we appreciate their contribution. In order to motivate them to work harder and perform multifarious role in the health sector, the Government has decided to provide fixed monthly honorarium of Rs. 500/- per month for ASHAs, DAIs and MEDICs. Currently, ASHAs are not paid any fixed monthly honorarium while DAIs and MEDICs are paid @ Rs.300/- pm. We also propose to undertake series of trainings for ASHAs, MEDICs and DAIs so as to enable them to perform greater role in the health sector. Similar to last year, non-divertible allocation of Rs. 500.00 lakhs has been provided for procurement of essential drugs and medicines. We also intend to provide one ambulance and one dead body carrier van in each district headquarter. In order to cater these growing needs in the health sector, we have significantly increased their allocation this year on plan side.

Our Government had announced Microfinance Vision 2011 in last year's budget to form 5000 Self Help Groups (SHGs) within the span of three years. I am pleased to inform the August House that we have already initiated the process in collaboration with NABARD and about 2000 Self Help Groups are in various stages of formation and maturity. Already more than 1500 SHGs have their bank accounts operational. We plan to start massive capacity building in the next financial year for which we propose to provide Rs. 300.00 lakhs as start-up fund. We also plan to start the SHG Mela in near future and make it an annual affair for better marketing and exchange of experiences.

Tax propoals

Hon'ble Speaker Sir, I shall now present my tax proposals:

(1) Levy of VAT on tobacco products:

Government of India has taken various measures to preserve public health by discouraging the use of tobacco and its products and banning smoking in public places. Our Government proposes to levy 12.5% VAT on tobacco products with a two-pronged objective of promoting public health as well as augmenting resources of the state.

(2) Reduction in rate of VAT:

I propose to bring an amendment to lower the tax rate on following commodities from 12.5% to 4% to benefit common people thereof:

- a. Soaps & Detergents
- b. Packed children nutritional supplements
- c. Packed liquid milk
- d. Noodles

Supplementary Demands for Grants for 2008-09:

Hon'ble Speaker, Sir, I would now dwell on the Supplementary Demands for Grants for this year 2008-09. The Annual Plan for this year 2008-09 was approved by the Planning Commission at Rs. 2264.60 crores as against Rs.1471.96 crores for the financial year 2007-08. Here, I would like to inform the House that as per Arunachal Pradesh FRBM Act, 2006, the State Government's Budgetary Borrowings (net) for 2008-09 should not be more than Rs.136.00 crores to restrict the Fiscal Deficit of the State as percentage of Gross State Domestic Product at 3% during 2008-09. However, the Planning Commission fixed the budgetary borrowing (net) at Rs. 257.11 crores while finalizing the Annual Plan 2008-09 at Rs. 2264.60 crores. Recently as a part of the economic stimulus package, announced by the Government of India, States have been allowed to raise in the current financial year additional market borrowing of 0.5%

of their Gross State Domestic Product (GSDP) for capital expenditure. They have, therefore, relaxed the Debt Consolidation and Relief Facility (DCRF) guidelines for the current year (2008-09) by modifying the fiscal target as 3.5% so as to enable States to borrow up to 3.5% of their respective GSDP during 2008-09 as one time relaxation for undertaking capital expenditures. Thus, the State Government of Arunachal Pradesh can have the budgetary borrowing limit up to Rs. 159 crores for financing the Annual Plan 2008-09. Thus, there would still be a shortage of Rs. 98.11 crores in budgetary borrowing (net) in financing the Annual Plan 2008-09. In view of this and expected shortfall in State's own resources due to non receipt of some resources by the State Government as envisaged earlier, the revised Annual Plan for 2008-09 has been estimated at Rs. 1886.77 crores which is still above the Annual Plan 2007-08 of Rs. 1471.96 crores.

The Annual Plan outlay for 2009-10 has not yet been finalized by the Planning Commission. Based on the envisaged guidelines of the Planning Commission by effecting 10% increment over the current year's Central assistance and estimates of State's own resources, tentatively, Annual Plan 2009-10 has been estimated at Rs. 1977.42 crores. This annual plan for the year 2009-10 will not include the funds for the completion of incomplete projects under PM's package as full funding has been released by 2008-09. The Annual Plan 2009-10 will be finalized in the discussion in the Planning Commission between the Deputy Chairman, Planning Commission and our Hon'ble Chief Minister.

In addition to the State Plan funds, the State Govt. has also received funds from various Central Ministries/ Agencies for specific schemes. These include the Centrally Sponsored Schemes (CSS), Central Plan Schemes (CPS),

Schemes funded by NEC and Non-Lapsable Central Pool of Resources (NLCPR). RE figure in respect of these schemes for the year 2008-09 has been arrived at Rs. 522.00 crores, after taking into account the details furnished by the respective departments. This is inclusive of Rs. 60.16 crores which remained unspent due to various reasons in the last financial year 2007-08 and had to be authorized for expenditure during the current financial year (2008-09).

The Non-Plan Revised Estimates (RE) for the current financial year has been finalized at Rs. 2067.97 crores against BE figure of Rs. 1376.88 crores. The Non-Plan Revenue Expenditure (RE) 2008-09 has been finalized at Rs.1880.74 crores against Budget Estimate (BE) figure of Rs. 1187.04 crores. The net increase in non-plan revenue expenditure is Rs. 693.70 crores which includes resource supported estimate of Rs. 96.39 crores. The net increase is on account of DA/DR and other committed liabilities mainly in the salary head of account due to implementation of Sixth Central Pay Commission package in the state and transfer of 13,265 posts from plan to non-plan. The non-plan capital expenditure RE 2008-09 has been finalized at Rs. 187.23 crores against BE 2008-09 figure of Rs. 189.84 crores.

Budget Estimates for 2009-10 :

Now Sir, I come to Budget Estimates and Demand for Grants for the financial year 2009-10. The budget has been prepared in consonance with the Medium Term Fiscal Plan of the State in accordance with the recommendation of the Twelfth Finance Commission and as stipulated under the Arunachal Pradesh Fiscal Responsibility and Budget Management Act, 2006. The five year medium term fiscal plan and other provisions of

the Arunachal Pradesh FRBM Act, 2006 have been placed in this August House in a separate booklet.

The budget estimates of receipt and expenditure for 2009-10 have been shown in Annex-I

The budget estimates of 2009 -10 show a receipt of Rs. 3526.96 crores under the consolidated fund of the State. Out of this, Rs. 3256.96 crores is on Revenue Account and the remaining Rs. 269.99 crores is under Capital Account. As against this, total expenditure from the consolidated fund of the State in 2009-10 is estimated at Rs. 4551.61crores of which Rs. 3607.36 crores is on Revenue Account and Rs. 944.25 crores on Capital Account.

I have tried to ensure that while maintaining the forward tempo of development, all important financial parameters like the Revenue Surplus and Fiscal Deficits remain within the limits prescribed under the Arunachal Pradesh FRBM Act, 2006. I request your support in this endeavour.

With these words, Hon'ble Speaker Sir, I commend the budget for the 2009-10 to this August House for its consideration and approval.

Thank you Sir

Consolidated Fund

(Rupees in crore)

	Budget Estimates 2008-09	Revised Estimates 2008-09	Budget Estimates 2009-10
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A. RECEIPT

Consolidation Fund			
Revenue Account	3903.55	3681.52	3256.96
Capital Account	303.43	384.61	269.99
Total	4206.98	4066.13	3526.95

B. EXPENDITURE

Consolidation Fund			
Revenue Account	2963.00	2912.15	3607.36
Capital Account	499.38	1942.56	944.25
Total	3462.38	4854.71	4551.61

C. TRANSACTION DURING THE YEAR

Surplus (+)			
Deficit (-)		(-) 788.58	(-) 1024.66

D. OPENING BALANCE

Surplus (+)		(+) 488.67	
Deficit (-)			

E. CLOSING BALANCE

Surplus (+)			
Deficit (-)		(-) 299.91	