

## **Speech of Shri Mukut Mithi, Chief Minister, Arunachal Pradesh**

### **50th National Development Council Meeting on 21st December 2002 at New Delhi**

At the outset let me compliment the Honb'le Prime Minister, the Chairman of the Planning Commission, Deputy Chairman, Planning Commission and his team for preparing a visionary and comprehensive draft Tenth Plan to steer the process of development. The document has tried to translate the vision of the Honb'le Prime Minister to take the country amongst the league of developed nations. The growth rate as envisaged in the Tenth Plan document is not only desirable but also essential and in the words of Honb'le Prime Minister question is not whether we can achieve this growth rate or not, but can we afford not to have this growth rate. We have to meet the rising expectations of our people. The document has made a thorough analysis of the existing economic situation in the country, and we endorse the document. However, I would like to make some observations and suggestions for the consideration of the Honb'le Prime Minister.

The 8% growth envisaged in the Tenth Plan is absolutely essential. However, the past performance and the present economic situation in the country and the world cautions us against being too optimistic. Secondly, the document exhorts us to take some bold policy decisions, which may be a radical departure from the existing policies. If we have to achieve the envisaged growth rate, we will have to rise above competitive politics.

The Tenth Plan document accepts the reality of increasing regional disparity. The Planning Commission has accepted our often-expressed apprehension that the comparatively backward states have not been able to take the advantage of opening up of the economy. The growth rates in poorer states such as Arunachal Pradesh have declined in the decade of nineties compared to earlier periods. The inability of the state to attract private investments appears to be the apparent reason. The investments by the state government have also stagnated and declined in real terms. Arunachal Pradesh being a special category state, has almost been completely dependent upon central subventions. However, the central assistance has been declining in real terms. The Planning Commission has recognised the need of continued and increasing central resources for the economically backward states. Therefore, I request that allocations to the state plan may be suitably increased.

Public investments have been envisaged to play a significant role to achieve the targets under the Tenth Plan. The strategy to raise public investments will pose challenges to backward states like Arunachal Pradesh. The tax base of the backward states is very poor and therefore the possibilities of increasing revenues are extremely limited. In the last three years we have taken various steps envisaged to the Tenth Plan for enhancing revenues and compressing expenditure. However, we have not been able to raise resources to a significant level. The scale of economic activities is very small and private sector does not have a significant presence, except in petty trading. Till the basic infrastructure is created and the resources of the state such as hydropower, forest, tourism and horticulture are adequately developed, the expectation of substantial revenues will not be justified. The reduction of expenditure on the government also has its limitations in backward states. There is no denying the fact that efficiency and productivity of the manpower can be considerably improved. However, it has to be kept in mind that we are still trying to reach to our people located in remote and difficult areas. No doubt the state cannot remain as an employer of the last resort. However, completely closing the government sector in the absence of employment opportunities in private sector, can cause social distress in the society. Therefore, we will have to make concerted efforts to increase employment opportunities in various sectors but at the same time not completely closing the government sector.

Agriculture sector has potential to create large-scale employment opportunities for our youths. However, there is need to adopt appropriate policies for agriculture sector. I endorse the Planning Commission suggestions in this regard. Arunachal Pradesh has also been trying to give emphasis to the agriculture sector in the Tenth Plan within our limited manoeuvrability. The state government has tried to shift the investment pattern in favour of agriculture in the Tenth Plan. However, we have limited scope of shifting investment pattern without causing disruption in other sectors mainly social and economic infrastructure. As Arunachal Pradesh is one of the last states to join the process of planned development, most of the infrastructure is in the initial phase of creation. Most of our infrastructure related schemes have been initiated in Eighth and Ninth Plan only and are at various stages of completion. The shifting of investment pattern to agriculture is likely to slow down the pace of physical infrastructure creation, thus, further reducing our potential for economic development. Therefore, I urge the Honb'le Prime Minister for enhanced central grants especially for infrastructure creation.

Till the infrastructure in backward states is comparable to the advanced states, the expectations of participation of these states in the process of development will be not too bright. Another aspect, which needs attention for agriculture development, is high incidence of taxation on agro-processing industry. Arunachal Pradesh has been trying to set up aseptic packaging plant for packaging fruit juices in the state. But we are finding it difficult to attract private investment in spite of our best efforts. It has transpired that the cost of establishing the aseptic packaging plant is very high and taxes and duties comprise a very large component of the cost. Therefore, if we have to ensure the development of agro-processing sector then the cost of investment will have to come down.

Agriculture in the North-East especially in the hilly and tribal states is by and large a subsistence activity. The practice of slash and burn cultivation is widely prevalent. This practice was sustainable when there was no population pressure. But now with increasing population pressure the practice is no longer sustainable and has become ecologically harmful. We need to preserve our forests also. We have been trying to regulate this practice. The necessary condition for stabilising the slash and burn cultivation is to increase in productivity of land. For increasing productivity we will have to make investments in irrigation facilities. The example of green revolution states is worth learning where large tracts of land have been degraded due to overuse of irrigation and chemical fertilisers. The chemical fertiliser consumption in the North-East states especially Arunachal Pradesh is very little. Most of the agriculture and horticulture crops are organically grown. This can be our strength in the agriculture sector in view of increasing demand for organic foods worldwide. However, we need the scientific inputs to increase the productivity of the land for growing organic foods. The extension services need to be revamped. There are some institutions of central government in the North-East, which are inadequately staffed, and not serving the purpose. There is need of revitalising these services. Research and development for the special regions like Arunachal Pradesh need to be taken up earnestly for enhancing the productivity with limited irrigation facilities and less chemical fertilisers.

Horticulture is a promising sector for the Northeastern region. The Government of India has set up Horticulture Mission for the Northeastern states. The people are enthused and taking up horticulture activities on an increased scale. However there is a

lack of quality planting material. The poor quality planting material will not give high productivity. Therefore, it is suggested that special attention may be paid to the supply of good quality planting material suitable for the Northeastern Hill States.

Public investment in irrigation sector is envisaged to be a salient feature of the Tenth Plan strategy for agriculture development. For assured irrigation, the upgradation of the existing assets was taken up under Accelerated Irrigation Benefit Programme (AIBP). The funding pattern of the programme requires one-third contribution from the state and balance comes as a loan component. The own resources of the state are limited as we are mostly dependent upon central grants. The loan liabilities of the state have also reached unsustainable level. Therefore we are not able to take advantage of this scheme.

Similarly, We are not in a position to take advantage of the Command Area Development (CAD) scheme. Though scheme is in operation since 1974-75, but the state was not in a position to take it's benefits as there was no major or medium irrigation project in the state. We could avail the benefits under the programme only when it was extended to the minor irrigation clusters. However, under the scheme, the state is required to provide 50% matching state share. With the limited resources of the state, we are not in a position to take full advantage of the scheme. Therefore, it is requested that both the schemes may be modified to provide 100% grant, especially to the special category states.

The deteriorating financial condition of the states, especially the backward and poor states such as Arunachal Pradesh needs special remedial measures. Their financial condition will not allow them to become full partners in development process. The envisaged improvement in the financial condition of the states during Tenth Plan period is highly optimistic. Expenditures of the state governments have risen sharply compared to the growth in revenues. In spite of best efforts, most of the states have not been able to contain their non-plan expenditures. The capacity of backward states such as Arunachal Pradesh is further limited in the absence of sources of revenue. The Eleventh Finance Commission has not transferred sufficient resources to the states. We have also been penalised by not granting adequate non-plan revenue gap grants, as we have not been able to transfer the committed liabilities under previous plans to the non-plan side. The Tenth Plan projections as envisaged for some states such as Arunachal

Pradesh are not really new investments in production capacities and large part of it will go in meeting the committed liabilities on account of completed schemes under previous 5 year plans.

The investment in new schemes will be further jeopardised, as the debt burden of the states will continue to rise. In the absence of revenue, the state governments do not have any option except to raise resources from borrowing. As most of the infrastructure projects in backward areas may not be remunerative and self sustaining, the repayment will have to be made from the state budgets. Due to increased debt servicing new investments are likely to be completely crowded out by the end of Tenth Plan. Therefore, the central government will have to take steps to improve the debt condition of the state governments. A significant component of debt of the state governments pertains to the central government. In a truly federal structure it should be sharing the development process. Therefore, it is suggested that the repayment to the central government may be deferred for fifteen to twenty years especially for states which have realistic expectations of raising revenues in the medium term.

The Central government had started Rural Infrastructure Development Fund (RIDF) for funding the infrastructure in rural areas. In spite of policy decision by Arunachal Government to take up only remunerative projects under RIDF, we have not been able to find economically viable rural infrastructure projects. It is much more difficult in backward states such as Arunachal Pradesh to generate sufficient economic activities to make any infrastructure project viable. Therefore, there is no option but for the state government to continue to create such infrastructure. Creation of basic infrastructure by borrowing costly funds is not justified. The RIDF loans are further going to deteriorate the poor financial condition of the states. Therefore it is requested that RIDF loans may be converted as grants.

The central government has focused special attention to the Northeastern region in the last few years. Special initiatives have been taken up for the development of this backward region. One of the instruments for channelising the funds to create basic infrastructure in the North-East, is the creation of Non-Lapsable Central Pool of Resources. All the central ministries are expected to spend at least 10% of their budgets in the Northeastern region. Unspent budget of the ministries is transferred to the central pool of resources. Therefore, non-lapsable pool is essentially the unspent

funds of the central ministries, which should have been spent in the Northeastern region. The transferring of these funds to the Northeastern region as 90% grant and 10% loan is unfair. Therefore, the Non-Lapsable Pool should be made as a 100% grant.

I would like to draw your kind attention to one of the most important developmental parameters relating to Arunachal Pradesh and such similarly situated states. Most of the schemes and their guidelines are framed keeping in view the bigger states of main land India where population density is high and cost of development is uniform. However, states situated in the Himalayas such as Arunachal Pradesh are completely hilly and habitations are widely dispersed. Therefore, norms and parameters of development of most of the schemes are not fully applicable to such states. Unit costs of delivery of services are very high. Sometimes the guidelines are completely contrary and are not applicable to Arunachal Pradesh. Therefore, the guidelines of the schemes should be framed keeping in view the regional variation.

The long neglected region of the North-East India started getting focused attention from Government of India from the mid nineties. It was realised and appreciated by the Government of India that there are genuine and special problems afflicting the region and they need redressal. One of the most significant problems is the absence of basic infrastructure, which is the \ I prerequisite for development. To assess the situation the Prime Minister under his socio-economic package constituted a commission under Shri S. P. Shukla to assess the gap in infrastructure and backlog of basic minimum services. The Commission after wide ranging consultations and touring the region submitted it's report. The report fulfilled its mandated of assessing the gaps in infrastructure in the Northeastern region. No state of the Northeastern region has found fault with the Commission report. Government of India also appreciates the lack of infrastructure. Unfortunately, decisive action has not been taken and that is a great disappointment.

Nature has endowed North-East with significant forest resources. The forests are not only an important livelihood support system for tribal communities but it forms an important part of their culture. They have been living in harmony with forests for generations. However, with the pace of modernisation and enactment of conservation related legislations, the harmonious balance between the forests and tribal communities has been disturbed.

The most serious conflict emerges from the forest conservation laws. The conservation laws have been framed with the background of conserving and increasing the forest cover from less than 20% to one-third area of the country. The laws have not taken into consideration the states which have a large forest cover, such as Arunachal Pradesh, which has more than 82% of its area under forest cover. There is a direct conflict between the development and forest conservation. A state like Arunachal Pradesh which is the latest entrant to the planned development process, needs to start major development projects. We are facing problems for executing these projects. Most of roads in the interior areas have to, per force, pass through the forest land. The projects of road construction and power transmission lines have been delayed on account of forest clearance. A case in point is the Ranganadi - Along transmission line funded under NLCPR whose execution has been delayed on account of taking forest clearance by two years.

To increase agriculture production and create employment opportunities for educated unemployment youths, the land-based activities have to play an important role. The agro climatic conditions of Arunachal Pradesh are conducive for growing horticulture crops, tea and rubber etc. We initiated some measures for tea plantations. However, this is coming in direct conflict with the forest laws. The land is the prerequisite for large-scale plantations and in our state, there is a dearth of non-forest land. The Tea Board has completely stopped subsidy to the farmers from Arunachal Pradesh expressing apprehension that forest land may be diverted for tea cultivation.

Forests are not only an ingredient of the environment, they are also a natural resource and wealth of a nation. Forests are our largest natural resource. However, these resources are common to humanity and the benefits transcend the geographical boundaries. A particular state is custodian of the forest resources on behalf of a region. That state should not be penalised for this role. In the absence of scope for industrial development, the scientific exploitation of forest can be a good source of revenue. However, the restrictions on this score have completely choked our limited resources. Now we are not in a position to even provide for the cost of regeneration. The Tenth Plan strongly emphasises generation of resources by the states. Therefore, till a legislation is brought modifying the forest conservation laws, the state should be granted special dispensation to compensate for the loss of revenue, or a conservation

cess may be imposed on the states with less than 25% forest cover and given to states with more than 65% forest cover.

The central government had promised to set up National Institute of Bio-diversity Studies in Arunachal Pradesh. The experts from Union Ministry of Environment & Forests had visited Arunachal Pradesh couple of years ago and selected a suitable piece of land near Banderdewa (a place 32 Kms. away from Itanagar). But no action has since been taken to set up the Institute. I would urge Honb'le Prime Minister to look into the matter personally to ensure early establishment of this National Institute in Arunachal Pradesh. Its establishment will go a long way to develop the phenomenal bio-diversity and preserve the rich traditional knowledge of tribal communities in the state.

Hydel power potential is another significant resources the state possesses, which can solve the power position in India. The hydel power is not only clean but the cost of operation is also very less. The Tenth Plan envisages to increase the share of hydel power in the country. Arunachal Pradesh possesses more than one third potential of the country. Several mega projects have been initiated in the state by Government of India. These projects are at various stages of development. These projects will require huge resources. The Government of India will have to make special efforts to ensure adequate and timely resources for these projects.

The Northeastern region was a single economic entity before independence, along with neighbouring region of Bangladesh and there was no restriction on movement of goods across it. However, after independence and creation of various states, the movement of goods has hindered and the trade has declined considerably. The growth rate of the region is low compared to rest of India. There is good potential of increasing trade in the region. We can forge economic ties with the neighbouring countries and this region can again become a thriving economic Zone. Therefore, I suggest that the entire region of the North-East may be declared as a special economic zone.

Jai Hind