

## **Speech of Shri S.C. Jamir, Chief Minister, Nagaland**

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

Respected Prime Minister, Deputy Chairman and Members of the Planning Commission, fellow Chief Ministers and distinguished participants,

At the outset I congratulate the Chairman, Deputy Chairman and Members of the Planning Commission for bringing out a comprehensive Tenth Plan document with new concepts and approaches. The principles outlined in the Plan document reflect the common social, political and economic direction towards which we have to proceed and we appreciate the efforts that have gone in to evolve such thinking. Now the task before us is to put them into practice and transform our plans into a reality.

At the 49<sup>th</sup> meeting of the NDC I had voiced the problems and difficulties faced by States like Nagaland but many of the questions raised by us remain unanswered. The entire process of the successful implementation of the Plan hinges on the availability of resources and I would like to once again draw the attention of the NDC to the practical problems faced by small, poor and under developed States like Nagaland. The ambitious targets of 8% growth set at the national level and 5.6% for Nagaland reflect the need and desire for accelerating the pace of growth of the economy and we are in full agreement with that. The areas of concern are whether in the present financial position we shall be able to reach any where near that target as well as how to create 'sufficient condition' to accomplish it.

As indicated in the Plan document, Nagaland is the only State in the country that has succeeded in reducing the ratio of gross fiscal deficit to the Plan expenditure in the Ninth Plan as compared to the Eighth Plan. We have reduced this ratio from 21.4% in the Eighth Plan to 16.1% in the Ninth Plan. This has not been an easy task; we had to take very tough financial decisions causing considerable hardships to the people, especially considering the fact that our State is afflicted by a chronic insurgency movement and has a negligible revenue base. A drastic control of government expenditure, though a desirable objective, also affected the economy of the State that is largely dependent on the Government expenditure. The economy in expenditure is still continuing in order to comply with the conditions of the Medium Term Fiscal Reforms Programme (MTFRP) of the Eleventh Finance Commission and the terms of the MOU entered into with the Ministry of Finance. We are proud that Nagaland was one of the first States in the country to comply with these conditions and avail of the prescribed incentive, but the net effect has been debilitating.

In the present Plan document, we understand that the scheme of Plan funding has largely to depend on the growth of our revenue receipts accompanied by substantial reduction in the Non-Plan revenue expenditure (NPRE). The fundamental question confronting us is the issue of our resource base, which is very small. In order to improve our Balance of Current Revenue (BCR) the only recourse before us is to further curtail the expenditure.

The Honourable Members of this Council will appreciate that in a State that is already reeling under the drastic austerity measures to conform to the MTFRP, any further reduction in the expenditure can only lead to systemic breakdown. Such a situation will definitely not be conducive in Nagaland which is battling a separatist movement that requires not only administrative and political interventions but also appropriate economic measures.

At the 49<sup>th</sup> meeting of the NDC I had mentioned in detail the discriminatory award of the 11<sup>th</sup> Finance Commission which considerably reduced the quantum of devolution of funds to the special category States..It in addition stipulated that the 15% revenue gap grant be withheld in the case of revenue deficit States to be released later as incentive on the achievement of the targets. This has had a punitive effect on States like Nagaland rather than being an incentive. In fact it is proving disastrous for our Planning process as the withheld amount is nearly 25 % of the total size of the annual plan. Withholding and delaying the release of such large quantum of funds has a direct bearing on the timely release of funds for the various Plan programmes. Given this financial scenario it is becoming impossible for us to do any planning and development and the issue of reaching the growth rate targets as projected in the Plan document becomes a far cry for us. It is therefore essential that the Centre addresses the fiscal problems of States like Nagaland and devise an appropriate compensatory mechanism to offset our adverse resource position. In this connection may I request once again for expediting the report of the official level committee of the Finance Ministry already constituted to go into the problems of the North-eastern States?

Sir! Ours is a big country, comprising both rich States and poor States. In the Approach Paper the importance of ensuring a balanced development for all States has been well recognised and articulated. Towards this end, the Tenth Plan document specifies a State-wise break-up of the broad development targets. However, the rationale for the variation in fixation of growth rate targets in respect of the States causes some unease. It is presumed that many considerations would have gone into the fixation of the

targets but the very fact that poor and underdeveloped States like Nagaland have a lower growth rate targets while richer and more advanced States have been given much higher growth rate targets, creates an impression that the planning process is aimed at making the rich more rich and the poor more poor. On the other hand for a poor but small State like Nagaland a little more investment can make a very big difference. This being so, a small adjustment of the Plan investments could offset such imbalances and make the growth rates for the States more uniform.

The issue of fixing the growth rate of the States entails that in order to attain the targets, the States have to fix their priorities of investment. Over the years, we notice a very confusing trend emerging in the scheme of Plan financing. In order to sustain a reasonable growth in the Plan size of the States, various earmarked schemes of the Centre are dovetailed into the State's Plan outlay. The quantum is growing year by year and presently, the earmarked sector amounts to more than 50% of the Plan outlay of the State. Such a high quantum of earmarked and tied funds gives the State practically no manoeuvrability for prioritisation of programmes. Moreover, these funds are earmarked primarily for development of infrastructure and social services sector at the expense of the primary and productive sectors. As a result, the actual achievements under the primary sector have been much below the targets particularly in the Eighth and the Ninth Plan. This policy, of dovetailing the earmarked programmes of the Centre in order to increase the Plan size of the States, has to be reviewed if we are to have realistic planning. The Plan size of the States has to be supported by appropriate funding and the schemes of the Centre should come as additionality.

Related to this is the issue of the Centrally Sponsored Schemes. It has been the experience of the States, that after creating huge committed liabilities such as posts and assets under the various CSS, they are simply transferred to the States without commensurate allocation of funds for the maintenance and continuation of those schemes. This adds to the financial problems of the State. Moreover, it is found that many of the Centrally sponsored schemes are either not relevant to the socio-economic condition of the States or that the guidelines and the modalities are not at all applicable to the ground realities. The number of centrally sponsored schemes is growing every year making it difficult to monitor them and supervise. At present there are about 189 CS schemes under implementation in Nagaland. Though there has been efforts to consolidate and streamline them, the number is still too large. For the purpose of the Tenth Plan, the National Development Council should take a closer look at the policy of CSS. It is suggested that a High Power Committee may be appointed to go into details of all the

centrally sponsored schemes in the country and further rationalise them. I have earlier suggested that it may be a good idea to bunch a large number of CSS into compact sector-wise schemes. The mode of implementation should also be made flexible in consonance with the ground realities of the concerned States. Further, considering the acute financial position of the Special Category States their share of the CSS should be dispensed with.

One of the most important reasons for the erosion of Plan funds is the committed liabilities being carried over into the subsequent Plans. Every year 20% of our Plan resource is diverted for the maintenance of posts and assets created during all the previous Plans. It is also ironic that for the Special Category States, the 11<sup>th</sup> Finance Commission has not provided any provision on this account in their award. The high quantum of resulting diversion and erosion of the Plan resource affect all our investment priorities. Given this scenario it will be very difficult for us to meet the growth rate target set for the State unless we find alternative ways to finance the committed liabilities of the CSS.

The Tenth Plan paper also does not touch upon special problems being faced particular by the States like Nagaland. A high level of insurgency and secessionist movements are plaguing several parts of the country. The answer to many of these problems is sustained economic development. Our experience has been that unless controlled promptly the political and social problems snowball very fast and ultimately cost the country dearly in terms of financial requirements for containing them. For Nagaland, and other similarly placed States, whose political, economic and social priorities are aimed at tackling these issues in the interest of the integrity of the country there should be a special approach in the Five Year Plans.

Of late, with the commendable initiatives of the Department of North East Region, various efforts are being made to encourage private investment in the North Eastern States. This is being done in partnership with bodies like the CII and the ICC. The Mumbai business summit, in July this year, has been one such major event. With these encouraging developments and change of perspective, we are surprised that this philosophy of building a partnership with the private sector initiated by DONER for a critical area like the North East Region, has not been given due consideration in the Plan document. The planning process needs to be so structured as to help create the basic infrastructure in the under-developed areas of the country, that will provide further impetus to this initiative and attract private investment in the region.

The Plan document has appropriately emphasised on the good governance. In the past few years Nagaland has taken many initiatives on reforms and restructuring in the Government system. Apart from downsizing and restructuring many of the departments, we have also embarked through an Act passed by the State Assembly on a process called 'Communitisation' which is aimed at capitalizing on the rich social assets of the Naga people. We are transferring the maintenance responsibilities of the public institutions, along with the resources, to the community. We have started with the communitisation of the School Education and the Health Care. We are further expanding the process to cover Water Supply and Power sectors. For a successful implementation of this exercise in empowerment, funds will be required for various activities involving capacity building and upgradation of the existing facilities. I hope that this effort in the direction of achieving a real and meaningful decentralisation to the grassroots will receive support by way of appropriate funding in the Tenth Plan.

Before concluding I would like to mention two specific issues that require attention in the 10<sup>th</sup> Plan. Nagaland has adopted a new approach for the Tenth Plan that focuses on enhancing productivity in the agriculture and allied sectors. We have also recognized the need to emphasise on organic agriculture so that our agricultural and food products are able to make a niche even in the world market in the future. We are also concentrating on creation of marketing infrastructure and market enlargement.

Tourism is another sector that requires major emphasis for States like Nagaland. The promotion of eco-tourism in the State will require substantial investment in creation of the basic infrastructure. The Tenth Plan document, however, has either sidelined these important issues or given only a passing reference. Since we are starting our ventures in these sectors with negligible infrastructure it is suggested that these issues be kindly taken into serious consideration by the Planning Commission.

I thank this august gathering for giving me the opportunity to share my views. I hope that the issues placed by me before this forum will be appropriately taken into account as we proceed into the crucial 10<sup>th</sup> Plan. Being the first Five Year Plan of the 21<sup>st</sup> century it is not only a trend-setter for all the future plans but also an embodiment reflection of high expectations of the people; and, it is for us to ensure that the 10<sup>th</sup> Plan succeeds in fulfilling these expectations.

Jai Hind.