



GOVERNMENT OF MANIPUR

SPEECH

OF

SHRI O. IBOBI SINGH

CHIEF MINISTER, MANIPUR

AT

**THE MEETING OF THE
NATIONAL DEVELOPMENT COUNCIL**

NEW DELHI

27-28 JUNE, 2005

Respected Prime Minister, Hon'ble Dy Chairman, Planning Commission, Hon'ble Union Ministers, esteemed Members, distinguished Invitees and Friends

I am grateful to the Prime Minister for the opportunity given to me to participate in the deliberation of the Mid Term Appraisal of the Tenth Plan. At the outset, I offer my congratulations to the Planning Commission for convening the NDC meeting for deliberations on matters of great national importance.

2. For a vast country like ours where diversities are interwoven with unity, planning for a balanced growth is no easy task. The mid-term appraisal has rightly aimed at providing need based development for each region and correct regional imbalances. It is in this context that i would like to make a few suggestions concerning Manipur State in particular and the North Eastern Region as a whole.

Regional Imbalance:

3. The mid-term appraisal document has viewed regional imbalance with increasing concern and mentions that some States have benefited from the economic reforms while other States have decelerated. Manipur is one of the States which have not gained from liberalization of the economy. Despite nature's abundant gift, the entire North Eastern Region remains backward and the regional imbalance compared with others has become apparent. The North Eastern States, which are beset with militancy are crying out for special attention and treatment.

4. The functions of regional planning for the North Eastern Region have been assigned to the North Eastern Council (NEC) and this responsibility, specially after the revitalization of NEC, weighs heavily upon its shoulders. However, the quantum of plan funding of NEC during the Tenth Plan period has been small and will handicap the revitalized NEC in bringing about far reaching changes in the region. Out of the Tenth Plan allocation of Rs. 3500 crores for NEC, an amount of Rs.1950 crores has been allocated during the first four years of the Tenth Plan leaving a balance of Rs.1550 crores for the last year of the Tenth Plan. Going by the present trend ,of plan size of NEC, an amount of of about Rs. 1,000 crores may not be allocated and would lapse. NEC States are already disappointed and unhappy with the repeated small plan size of NEC and I am afraid, if the trend of plan allocation for NEC is not enhanced, the noble intentions of our leaders in setting up the NEC and revitalizing it may not be fully realised.

5. To bring up the North Eastern Region at par with the developed regions of the country and for regional balanced development, the entire North Eastern Region may be viewed as a unit for policy and programme formulation. Further the Ministry of DoNER and the NEC including the North Eastern States may be provided with sufficient funds for accelerating infrastructure development in the region.

State Finances & Resources:

6. The resource generation potential of Manipur is very low. It depends mainly on the Finance Commission awards which have been inadequate. As the fund requirements for revenue expenditure is more pressing and cannot be postponed, the shortfall has always been bridged by diverting funds from the State plan. As a result, plan development has suffered. This is being mentioned to underline the need for a greater understanding of the finances of fiscally poor States whose developmental activities are affected by the inadequate awards of the Finance Commissions.

7. The mismatch between revenue expenditure and fund availability has made Manipur to frequently resort to borrowings. Now with the introduction of Fiscal Responsibility and Budget Management Act (FRBM Act) mandating large reduction in fiscal and revenue deficits than the original Tenth Plan targets, coupled with the responsibility thrust upon the States to make up 10% of the State Plan from market borrowing, the fiscally poor States, subsisting on borrowings, have been placed in a very difficult situation. In the case of Manipur, the present level of borrowings has almost crossed the prescribed limits and it will not be in a position to resort to market borrowings. The MTA Report mentions that the loan share of the State plan for some fiscally poor States may be made available from Central borrowings. Manipur will fall under this category.

8. However, if the ceiling on borrowings is not increased, Manipur will not be in a position to avail the entire 10% of the loan component to finance State plan and may also have to forgo other loan resources. Fiscally poor States are already facing difficulties from the almost routine diversion of plan funds for non-plan requirements, it is surviving on borrowings and will not be in a position to avail loans built into the State plan which will, in fact, amount to a lower plan outlay. It may therefore be necessary to consider raising the ceilings on deficits in respect of resource poor

States.

9. There are structural issues of finances of fiscally poor States which need to be addressed if diversion of funds from the State Plan to meet revenue expenditures, which cannot wait, is to be prevented. For several years, the fiscal situation compelled Manipur to contain its deficit financing by reducing Plan expenditure and this is likely to continue even in the next Five Year Plan if this issue is not addressed. I request the Central Government to be realistic and sensitive to the needs of the fiscally poor smaller States.

10. Linked to this, is the issue of investments that will lead to the improvement of resources for the State. Since the setting up of the Loktak Hydro Electric Power project, there have been no Central investments for major projects in Manipur which could act as a catalyst for economic development. There are two hydro power project proposals for Manipur which are still under consideration. The peculiar situation prevailing in Manipur needs a different approach and calls for taking hard decisions, not necessarily and entirely based on financial considerations.

11. I am happy that the Hon'ble Prime Minister has given the task of looking into the finances of the fiscally poor States to Experts for making suitable recommendations. I would like to request that this study may be expedited so that remedial measures are initiated early.

Centrally Sponsored Schemes (CSSs):

12. Centrally Sponsored Schemes have different financing patterns and the richer States have taken full advantage of the CSSs. However, resource starved States like Manipur have not been able to contribute state matching shares for CSSs even as low as 25%. Forgoing CSSs due to inability to finance the State share component has resulted in reduced investments mainly for social and economic development. This has further widened the gap in development between the rich and poor States.

13. To overcome this, the North Eastern States have jointly and individually approached the Central Government for revision of the State's share for all CSSs, including SSA to 10%. The MTA report mentions that the request of the North Eastern States is being examined and a decision would be taken. However, it has recommended for continuation of the SSA funding pattern of 75:25 between Centre

and States.

14. I would like to submit that North Eastern States are already lagging behind in development and have not been able to avail CSSs due to its poor resource position. Further, some CSSs like SSA require a huge State share funding. Manipur has often faced a dilemma of which CSS to forgo due to inadequate availability of funds to provide the State component. If the funding pattern is not relaxed to 90:10 for the NE States, I fear it will lead to further widening of disparity between the rich and poor States.

15. I would therefore urge that the funding pattern for all CSS including SSA be relaxed to 90:10 for the North Eastern States.

Connectivity and Border Trade:

16. Road and rail connectivity are the arteries of the North Eastern Region. The East-West corridor has been extended upto Silchar in Assam. There have been announcements that the National Highway from Dimapur upto Kohima will be converted into a four-lane highway. In respect of Manipur a short length of 6.6 kms is being made into a four-lane highway. I would like to propose that all the main National Highways linking the State Capitals, regardless of the volume of traffic, may be upgraded into four-lane highways. Further in order to prepare for handling increased volume of border trade through Moreh in Manipur with the South-East countries, I would propose that the National Highway - 39 from Imphal to Moreh be also upgraded into a four-lane highway.

17. Special mention may be made of the need for speedier completion of the railway projects taken up particularly in North Eastern Region. The people of Manipur are looking forward eagerly for the day when the rail lines from Jiribam is constructed upto Imphal. I would like to believe that the day for the rail lines to reach Moreh and connect India with the South-East Countries is not far away.

18. The "Look-East" Policy has been a path-breaking initiative of the Government of India. This policy would transform the locational disadvantageous position of the North Eastern States into strength and opportunity. Indo-Asean Car Rally in November, 2004 has acted as a catalyst. The Strategic Cooperation Agreement between India and ASEAN has also been signed which envisages free trade with

these countries from 2006 onwards. This augurs well for the economic prosperity of people of North East Region. I would request that impetus may be given to translate the 'Look-East' policy of the Government of India into a reality.

Employment and youth!

19. The change in the funding pattern brought about by the economic reforms has adversely affected the economy of Manipur. Jobs in the government sector have dried up and there is no further scope of employment. The employment scenario has shifted towards primary sector in respect of Manipur while in the developed States employment has moved from primary to other sectors. Other development indicators of the State have also shown deceleration in- growth. This reaffirms that development in Manipur has decelerated. The non generation of employment opportunities in the secondary and tertiary sectors has compelled the youths to search for jobs elsewhere. To enhance the employment opportunities of the youths, it is suggested that emphasis may be given to strengthening and setting up professional, technical and vocational institutes in the State.

Rural Employment Generation Programmes:

20. Most of the rural employment generation programme have got loan component to be financed by the banks. The implementation of such programmes including poverty alleviation programmes has suffered as there are many blocks without banks in Manipur. Even where there are banks there is delay in implementation due to the lukewarm response of the banks. It is suggested that either branches of banks are opened in all the unbanked blocks and prompt responses are ensured or the loan component be provided in the form of grant.

Comments on the Prime Minister's Specific Issues:

21. The Hon'ble Prime Minister has raised some specific issues and I would now like to give my views on them.

i) The agro-climatic conditions in Manipur is suitable for agriculture and can be diversified for horticulture crops, plantation crops, paddy-cum-pisciculture, agriculture-cum-livestock production, production-cum-processing, etc. Such activities can be intensified with the availability of sufficient irrigation facilities. Diversification in horticultural crops can be taken up in a big way in the hill areas of Manipur where

agriculture is confined to only 5.3% of the total agricultural area of the State. Horticulture crops which are doing well in the hill slopes of Manipur include passion fruit, orange, lime, pineapple, chilli, vegetables and tea. If fund availability is not a constraint, Manipur would like to encourage agricultural diversification through community approach in management of natural resources which includes capacity building, formation of Self Help Groups, construction of minor irrigation facilities, reclamation of land, providing inputs, construction of rural roads, construction of storage and marketing centres, and facilitating markets.

(ii) Investment for irrigation projects is high and renewed efforts are being made by Manipur to complete three ongoing irrigation projects. To reduce the losses in irrigation, the State Govt has reviewed the pricing of the irrigation water and the water rate has since been revised. However, there is a need for further improvement and with the impending completion of the three ongoing irrigation projects, this aspect will be attended to with urgency.

iii) For rejuvenation of support system in agricultural extension, credit and delivery systems of inputs, the community approach in management of natural resources can be identified as one of the successful programmes in Manipur and this approach of implementation could be followed for the State.

iv) Water is increasingly becoming a scarce resource and a source of friction between States and communities. The time has come for us to accord value to water for people to use this natural commodity prudently. In respect of power pricing, for States like Manipur where security cost becomes an element of the project cost unlike power project in relatively peaceful States, the element of security cost would need to be subsidized. Further, as water is becoming tradable commodity the share of free power for the State where the hydro project is set up should be increased.

v) Participation of the stakeholders in school management will help in controlling teacher absenteeism in primary schools. The involvement of villagers and parents in the management of the affairs of primary schools in some States has yielded good result. Improvement of teaching quality would depend on the proper recruitment of teachers, adherence to prescribed qualifications, training, availability of teaching aids and school infrastructure, syllabus and performance linked rewards. In respect of Manipur, the State Government is proposing to revamp the entire education system by providing school infrastructure, recruitment of shortfall teaching staff, in-service

training for teachers, strengthening of school administration and ensuring effective participation of stakeholders.

vi) There is a need to consider education in the Secondary level as a joint activity of the State and community and allow full participation by the community in this effort. The success of such community participation at the elementary level is an eye opener. Education at the Secondary level is resource intensive; maximization of resources from private sector should therefore be encouraged and allowed under a carefully prepared framework of educational objectives and regulations. Mere excuse of commercialization should not lead us to confine it within government domain. While the government should actively promote and lead by incentives in this regard, it should not block the efforts of the private sector to participate as long as they are in harmony with the objectives and policy. The Committee on Universalisation of Secondary Education of the Central Advisory Board on Education (CABE) has recommended for the government to play a primary role for secondary education and this would need careful consideration as the opportunity for broad basing secondary education and lightening the burden of the government is not missed.

vii) The current status of health infrastructure in Manipur and particularly in the rural and remote hill areas is poor. The National Rural Health Mission launched in April, 2005 therefore, presents us with a unique opportunity to substantially upgrade the rural health infrastructure to bring it at par with the national norms. To achieve this, the steps required for developing the District Health Plan have already been initiated.

Improvement and upgradation of the rural health infrastructure will also require augmentation of the existing strength of doctors and para-medical staff. Given the financial constraints of the State Government, it would be necessary for the Central Government to consider funding for the additional manpower requirements, at least in respect of the North Eastern States.

viii) Devolution of power to the people is necessary for the people to make their own decisions and reap the benefits. However, inspite of this the process of transfer of funds, functions and functionaries has been slow. This is because the elected representatives appear to perceive that they will have a lesser role to play in the decision making process. This aspect becomes even more relevant for a small State like Manipur where legislators represent a small number of voters. For such small

States there is a need to find a role in the PRI for the legislators. In respect of the hill districts of Manipur, where PRI has not been extended, similar corrective action would be required for ensuring smooth devolution of power to the District Councils.

ix) Rightly, the single most important issue that would change the performance of the bureaucracy has been identified as security of tenure for civil servants. This has become even more urgent as there are now government employees who do not want to be posted in the rural and difficult areas. Government employees have often approached the courts to stay transfer orders. We are thinking of a system that will have lesser room for manipulations.

x) The North Eastern States have not benefited under the liberalisation policy mainly due to backwardness, remote location and security problems. From investor's point of view, the North East Region is in a sub-optimal region. The remoteness of Manipur and difficult terrain imposes steep transportation costs which cannot be effectively offset through the usual package of economic incentives. This has been further accentuated by the widespread militant activities in the region. All these factors make Manipur an unattractive place for private investors. For creating a conducive environment for Public Private Partnerships, it would be necessary for the government to develop infrastructure and improve the security environment.

xi) The Central Government has demanded immediate payment of the outstanding dues to Central PSUs for purchase of power. The arrears as on March 2005 is Rs. 121.61 crores and the Central Government has insisted on the clearance of all the arrears during the current year itself. Besides this, there are payments due on account of the current billing of Rs. 110.41 crores during 2005-06. The State Government has already made a provision of Rs. 93.45 crores in the budget of 2005-06 in accordance with the availability of resources as indicated by the Twelfth Finance Commission. This is inadequate even to meet the current dues for this year. Considering the resource position, it is difficult for the State Government to provide for any additional payment during this year. Insistence of making arrear payment at one time will affect the State Plan outlay for the current year.

The Central Government should, therefore, allow the State Government to phase out the outstanding dues as on March 2005 over a period of 5 years to be paid in 6 equal installments during each year. This relief is necessary to permit the State to effectively implement reform measures in terms of reduction of T&D losses

and improvement of revenue collection from consumers.

xii) Implementation of Bharat Nirman in backward and landlocked States like Manipur would require capacity building inter-alia providing sufficient technical manpower up to the Programme Implementating Units at the district level. To implement this scheme, Manipur has set up a State Rural Roads Development Agency with six working divisions dedicated for improvement of roads infrastructure development in rural areas of Manipur.

xiii) For making the National Food for Work Programme and the proposed National Rural Employment Guarantee Act more effective, the State Government would suggest that this programme be implemented through the SHGs set up under the natural resource community management approach.

22. With the modifications and special consideration suggested above, I conclude by endorsing the broad recommendations in the MTA Report and I hope that the corrective measures under the Mid-Term Appraisal will address the problems of the fiscally poor States.

Thank you.