



Government of Nagaland

Speech of

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National Development Council,
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Respected Prime Minister, Dy. Chairman and Members of the Planning Commission, fellow Chief Ministers and distinguished participants of this 51st Meeting of the NDC

First of all, let me congratulate the Prime Minister for convening this 51st meeting of the NDC. Let me also congratulate the Planning Commission for having brought out a detailed and comprehensive analysis of the present state of Indian economy through the mid-term review of the 10th Plan. It will serve as an eye opener, as well as handy guide, for all of us, who are entrusted with the task of implementing the 10th Plan.

It is heartening to note that the Indian economy is experiencing a healthy growth rate of 6.5% during the first three years of the 10th Plan period. Although this is less than the targeted growth rate of 8.1% set for the 10th Plan, it is still a vast improvement over the 9th Plan performance. Whereas the growth rate of about 7% in the industrial sector is encouraging, especially the growth in the I.T. sector, manufacturing, automobile and biotechnology sectors, the mid-term review has also pointed out our poor performance in agriculture, which directly impinges on the living conditions of the masses. The deceleration of growth in agriculture from 3.2% in mid eighties and nineties to around 1.9% now is a matter which must worry all of us, if we really intend to make rural India strong and shining. I fully agree with the view of the Planning Commission that we have to do something more than continuing with "business as usual". We must step up public investment, particularly in irrigation and water resources management, watershed development, and in creating the essential infrastructure, such as agri link roads, and marketing facilities.

Now, let me come to the specific points on which the Hon'ble Prime Minister has sought the views and reaction of the Chief Ministers.

(i) *What specific steps can be taken by your State to encourage agricultural diversification?*

Although agriculture is the mainstay of the economy of the North East, and is likely to remain as such for a long time to come, the agricultural practices of the farmers of the region are primitive and unproductive. A mountainous country like Switzerland is also primarily an agricultural economy. They have, however, modernised and mechanized their farming practices to such an extent that they have

become a leading country in food products and dominate the world market in many agro products, including dairy products. Therefore, we feel that there is an urgent need to modernize and mechanise the farming practices by designing special practices and equipments for farming in the hilly terrain of the North East. ICAR may take the initiative in this regard. The Nagaland Government would be happy to provide land and other administrative support for starting an institute for the development of appropriate farming methods and implements for the hilly regions of the North East.

Further, the Nagaland Government has adopted organic farming as a State policy. With appropriate financial, technical and marketing support from Central Government and its agencies, we feel that our organic products will find a ready market all over the world, bringing in handsome dividends to the local farmers. ,

(ii) *Huge investments are required in irrigation. Has the State taken any steps to reduce losses in the irrigation department/corporation to enable these investments to be made?*

The State Government has made considerable investment in irrigation. However, because of the hilly terrain and scattered settlements of the people, we have been able to implement only minor irrigation projects. However, the State is in the process of taking up some medium irrigation projects also. Since, most of our farmers are in the category of small and marginal farmers with negligible surplus for marketing, the State Government is going slow in the matter of pricing water for irrigation purposes. However, we are actively looking into this aspect, and would soon come out with an appropriate water pricing policy.

(iii) *What should be done to rejuvenate support systems in agricultural extension, credit and delivery systems of inputs?*

We are doing reasonably well in providing extension services to our farmers. However, delivery of credit and agricultural inputs require much improvements. Due to the reluctance of banks to open branches in rural areas of the North East and also to extend agricultural credit to our farmers, modernization of agricultural practices faces serious hurdles. Out of 52 RD blocks in the State, as many as 21 RD blocks are yet to have any banking facilities.

To improve this situation, we have suggested to the Planning Commission to provide financial grants to the Village Development Boards to enable them to function as financial intermediaries to give cheap credit to local farmers and artisans. These VDBs are constituted in every village and they already have substantial corpus of fixed deposits worth about Rs.9.82 crore, which requires to be supplemented by grants from the Government. Because of the well knit village society, and the sound village administration, the VDBs/Village Councils are in advantageous position to ensure timely recovery of such loans. This measure will also save the farmers and artisans from the clutches of unscrupulous money lenders, who normally charge exorbitant rates of interest.

(iv) *How should we go about setting up mechanisms to price power and water?*

At present both power and water are being provided to the citizens by the Government, and the charges for power and water are fixed at commercial rates, without any subsidy element to the users. The losses suffered on delivery of these services are not due to under-pricing, but due to difficult terrain and for lack of economy of scale. We are in the process of setting up a State Electricity Regulatory Commission to handle the job of pricing power and other related issues as required under the CEA, 2003. However, at the moment, most of the N.E. States do not have the required logistic support system in their State Load Despatching Centres, and hence are not in a position to take advantage of availability based tariff. The APDR should address to this problem.

(v) *What are your suggestions for improving teaching quality and controlling teacher absenteeism in primary education?*

To improving teaching quality in primary schools, we require to set up more DIETs. At present the State Government have DIETs in 3 of the eleven districts, whereas the remaining 8 districts are yet to have DIETs. We will require Central assistance for setting up DIETs in those districts where it is not yet established.

To control the problem of teacher absenteeism, the Government have introduced a novel concept of "Communitisation" under which the control and management of government schools are handed over to the people, through their Village Education Committees. To facilitate this process, the Government of Nagaland passed the Nagaland Communitisation of Public Institutions and Services

Act, 2002. All the 1500 elementary schools in Nagaland have been brought under the purview of communitisation, and it has resulted in marked improvement in attendance of the teachers as well as the students. Communitisation has also been extended to rural health sub-centres as well as power supply, water supply and rural tourism.

(vi) *What can be done to encourage more involvement of the private sector in secondary education?*

In Nagaland there is already considerable involvement of private sector in secondary education. In fact, the results of the private schools are much better than those of the government run schools. What is needed is to provide more grants to these private schools to enable them to improve their infrastructural requirements and teaching equipments etc., for which there is fund constraints.

(vii) *What is your view to implement the National Rural Health Mission effectively?*

We are extremely grateful to the Government of India and the Prime Minister for launching the National Rural Health Mission (NRHM). The NRHM will go a long way in filling up the health sector gaps and deficiencies faced by the State.

We are in the process of constituting the different Societies and Committees at the State, District and sub-divisional levels. Nagaland is placed in a good position to implement the NRHM, since the "Communitisation" process has already covered 90% of the health sub-centres in the State. The philosophy of our "Communitisation" and NRHM blend very well, and therefore, our intention is to integrate the two, in order to reap the twin benefits.

To implement the NRHM effectively, it would be desirable to allow as much flexibility as possible to the States in the modality of its implementation. Most often, financial and other assistance are based on population and such other norms, which deprive the smaller States and hamper effective use of the assistance. Assistance should be given on the basis of the States' specific needs, its, economic, geographical and other inherent conditions. This will ensure effective implementation of not only the NRHM but also other on-going initiatives of the Government of India.

(viii) *What are the steps needed to empower Panchayats and how can the impediments to transfer of funds/functions/functionaries to them by States be*

removed?

Nagaland has been exempted from the 73rd Amendment of the Constitution concerning the setting up of Panchayats. However, we have a strong system of village administration based on our traditions and customs. These traditional village institutions known as Village Councils have been given legitimacy through a legislation. The Village Councils set up their respective Village Development Boards to look after the developmental aspect of the village administration. The State Government is giving liberal grants to the VDBs every year, enabling them to plan and execute their own development schemes according to their own genius and priorities. As such, we do not have any impediments in transferring funds and power to the village authorities. The only problem is inadequacy of the resources at our disposal for such transfer.

(ix) *What should we do to ensure security of tenure to civil servants?*

The State Government has constituted a Civil Service Board under the chairmanship of the Chief Secretary, through whose recommendation the transfers and postings of senior officers are done. Hence, there have been very few cases of arbitrariness or political considerations in the matter of transfers and postings of State Civil Service officers and All India Service officers who hold key positions in the government.

(x) *What should be done to encourage Public Private Partnerships at the State level to fund investment in infrastructure?*

Because of locational disadvantages combined with the hilly terrain, building up of infrastructure is a costly affair in a State like Nagaland. The prospects of returns on such investments are not commensurate with cost of building the infrastructure. Hence, it will require some more time before such public-private partnership in building infrastructure can be developed in the hilly States of the North East. Therefore, for the present, the Government shall have to bear the entire cost of such infrastructure in the North East region, in order to attract private investment in agriculture, industry and service sectors.

(xi) *What should be done to expedite reforms of State Electricity Boards? Tariffs need to be rationalized and distribution efficiency improved on an urgent basis.*

At present, distribution of power in Nagaland is done by the Government, as we have not set up SEB. Our tariffs are fixed on purely commercial principle, with no element of subsidy. However, on account of heavy transmission losses, the Power Department is incurring heavy losses. We are tackling this problem through "Communitisation of Public Institutions and Services", by providing a single meter to the village or ward, and the Village Ward Electricity Committee taking care of collection from the individual consumers in the nature of a subcontract. This is already being implemented in 176 villages and in a few town wards, with encouraging results. We are confident that our power losses can be substantially reduced through this process of communitisation.

However, our main problem is the high cost of power on account of high transmission charges imposed on the N.E. region by the PGCIL. The transmission charges for the N.E. region is 35 paise per unit against the national average of about 13 paise. This unfair discrimination against the N.E. region needs to be reviewed.

(xii) *Under Bharat Nirman, all villages with a population of 1000 or more are to be connected by roads by 2009. What steps are needed to build managerial and technical capacity for achieving this?*

In Nagaland, the connectivity of rural villages by roads is already quite high. We have already prepared a road map for achieving the targets set under Bharat Nirman, and we are confident of fulfilling it. The only problem is that because of heavy monsoons, the hilly terrain, the young and unstable alluvial soils, the maintenance and upkeep of the roads is difficult and expensive, for which hardly any fund is available with the State, nor provided by the Central Government. We are happy that the Twelfth Finance Commission has recommended some maintenance grants to the States, although the grant recommended will not be adequate to meet the actual needs.

(xiii) *What are your suggestions for making the National Food for Work Programme and the proposed National Rural Employment Guarantee Act more effective?*

In Nagaland, we have a strong and cohesive village administration that has evolved through time tested traditions, and backed up by the required legislation. The implementation of Food for Work Programme as well as the new National Rural

Employment Guarantee Scheme will be entrusted to the Village Councils and Village Development Boards. In view of the remote locality and transportation problems, it would be advisable if we allow the village authorities to meet the cost of transportation from the east component, or to dispose of the food grain component at district headquarters within the State, in the case of those villages which are self-sufficient in food grains.

4. Now, I would also like to highlight a few important issues that have special relevance to Nagaland, as well as the North Eastern States.

High power transmission or wheeling charges for the North East Region.

5. We understand that because of the difficult terrain and scattered settlements on various hill tops, with deep ravines in between, the cost of building power transmission lines would be much more in the North East Region. This will be equally true in the case of building all other infrastructures, as well as in the delivery of commodities and services. But it is a well accepted national policy by now, that the cost of such infrastructure, or delivery of essential commodities and services are evenly shared by all the consumers of the country, so that the people living in various regions of the country pay the same basic price for such commodities and services, such as in the case of food grains, LPG, kerosene, petrol and diesel etc. However, the Power Grid Corporation of India Limited (PGCIL) has not applied this honoured principle in the case of power wheeling charges for the North East region; as a result of which, the North East States have to pay wheeling charges at an exorbitant rate of 35 paise per unit, against the national average of only 12 to 13 paise. This has resulted in the cost of power being much higher in the North East region, inhibiting the growth of industries, and adversely affecting the poor consumers of the region. This will also stand in the way of exploiting the hydro potential of the region (where 60% of the nation's hydro potential of 30,000 megawatt are located), because the high cost of evacuation of power from hydro-power plants of the North East region to the mainland will make it less competitive in the national market.

Hence, the Central Government should immediately intervene and work out uniform national transmission tariff, or a suitable compensating mechanism, so that power in the North East region can also be priced at the level of other regions of the country.

Discontinuation of PMGY

6. We have received intimation from Planning Commission about discontinuation of PMGY from the year 2005-06 onwards, although that the PMGY had constituted a substantial component in the approved Annual Plan for 2005-06. At the same time, there is no indication as yet the amount of fund that will be made available to the States under the various new schemes approved by the Government of India in the Budget for 2005-06.

6.1. We are aware that the PMGY (erstwhile BMS) programme was initiated as per the resolution adopted in the Chief Ministers' Conference held on 4th and 5th July 1996. The BMS was later on re-designated as PMGY, and its period of operation extended beyond 2000 AD. In the case of Nagaland, against projected requirement of Rs.968.03 crore (at 1995-96 price level) for achieving the PMGY targets on various sectors, the GOI has so far released only Rs.406.52 crore till Annual Plan, 2004-05. This means that more than 50% of the PMGY targets are yet to be fulfilled. When the State took up this issue with the Planning Commission, we were informed that more funds have been allocated to the States under ACA and also to various Central Ministries dealing with the BMS items. Whereas the increase in ACA is negligible, there is no guarantee that the Central Ministries will pass down to the States the required funds equivalent to the PMGY allocations. Hence we are of the opinion that the PMGY programme should be continued till the original targets are achieved.,

Changed pattern in raising loan components of Central Assistance under State Plan, NEC, NLCPR etc.

7. At present, the pattern of Central Assistance for State Plans/ NEC/NLCPR etc. in respect of Special Category States is 90% grant and 10% loan, with the loan component also being given by Government of India as Central Loan to the States. Now, the Twelfth Finance Commission has recommended for shifting the responsibility of mobilizing the loan component of such central assistance to the concerned States. As the Special Category States may face serious problem in raising the loan component, it is suggested that the present funding pattern may be continued for special category States.

Standardisation of funding pattern and dubbing of Centrally Sponsored Schemes

8. I am made to understand that there are about 200 Centrally Sponsored Schemes being implemented by the Government of India, out of which about 115 Centrally Sponsored Schemes have so far been implemented in Nagaland. Not only the sheer number of C.S. are bewildering and confusing, there are also many funding patterns, with the Central share ranging from as much as 100% to as little as 30%. We have been requesting the Government of India to club together and reduce the number of CSS, and also to convert the funding pattern of all Centrally Sponsored Schemes to either 100% Central Assistance, or 90:10 sharing basis between the Centre and the State. Due to resource constraints, most of the Special Category States are unable to provide State matching share in respect of many CSS, resulting in heavy loss to the States.

8.1 Incidentally it may be mentioned that the Government of India have recently intimated us that discontinuation of central funding of Sports infrastructure development in the States. As we are in the midst of constructing several District Sports infrastructure with Central assistance, this decision will adversely affect the completion of these ongoing schemes. Hence, for the N.E. region this scheme may kindly be continued. Alternatively, all the CSS may be transferred to the States along with the required funds.

Establishment of Airport at Ciethu, Kohima

9. The only airport in Nagaland is located at Dimapur, which is miles away from the State capital. There is neither railways, nor waterways, linking Kohima to other State capitals or other parts of the State. Despite the fact that the only mode of transport connecting the State capital with other parts of the country is through road transport, the road between Kohima and Dimapur is frequently blocked by landslides, causing inconvenience to the WIPs, VTPs etc traveling to and from the State capital. It may also be reiterated that despite the declared policy of the Government of India to have an Airport in all the State capitals, Kohima is yet to have an Airport. It is in this background that the State Government has been pressing for construction of an Airport at Chiethu, Kohima. In spite of repeated request from the State Government, as well as the NEC Secretariat, the AAI is yet to submit the detailed estimates for techno-economic feasibility study till date.

Modernization of District Administration

10. We are grateful to the Government of India for providing liberal financial assistance for police modernization schemes in Nagaland. As the Civil Administration and Police Administration have to go hand in hand in maintaining law and order and in tackling insurgency problems, there is an urgent need for modernization for district administration as well. In this connection the Government of Nagaland has submitted a detailed proposal to the Government of India, Ministry of Home Affairs for providing an amount of Rs. 199.74 crore for modernization of District Administration in Nagaland. It is requested that the Government of India may expedite sanctioning of the programme.

Promotion of Tourism and removal of Protected Area Permit

11. The State Government is planning to promote tourism as an industry, where thousands of educated youth will also find gainful employment. In fact, Nagaland and other North East States are natural tourist destinations, and hence tourism has the potential to become the mainstay of the economy of the North Eastern Region. The main stumbling block to tourism development in Nagaland is the requirement of Protected Area Permit by any foreigner wanting to visit the State. The recent relaxations and concessions given by the Central Government in the procedure for issue of Protected Area Permit are not enough. In the context of the globalization process and the actual ground situation prevailing in the State, we strongly feel that it is high time for the Government of India to review all the existing rules and regulations regarding foreigners, who come through the front door, and to do away with the requirement of Protected Area Permit for normal tourists wanting to visit Nagaland. The only real danger comes from illegal immigrants, who come through the back door, without any passport or visa.

Revival of Tuli Paper Mill

12. The Nagaland Paper & Pulp Co. Ltd, Tuli has been promoted jointly by the Hindustan Paper Corporation Ltd. and the State Government in the ratio of 7:1 equity participation with an installed capacity of 100 MT per day and commissioned in July 1982. The Mill could not run profitably due to various factors like power shortage, excess employment, defects in boiler design, etc. and the Mill has been closed since 1992.

12.1 A revival package has been worked out on the basis of fresh DPR reflecting upgradation of installed capacity to 150 MT per day and a total fresh infusion of fund is estimated at Rs. 339.00 crore over a period of two years beginning 2003-04 but could not materialized due to case pending with the Appellate Court. The funding is proposed in the debt/equity ratio of 50:50. Thus, the total funding by way of equity is estimated at Rs. 169.50 crore. Considering that the original shareholding pattern in the Company is 7:1 between Government of India and the Government of Nagaland, the State Government's share of fresh infusion of fund works out to Rs. 21.20 crore over a period of two years. The consent of the State Government for meeting its obligation has already been communicated to the Government of India.

12.2 The Government of India has already given green signal to revive the Mill and asked NPPC to submit a fresh DPR reflecting the current cost, since the DPR submitted to them refers to 2002 price index. The NPPC has engaged a Consultancy firm to work out a fresh DPR with enhanced capacity of 200 MT per day and the total amount may come about Rs. 380.00 crore as stated by the Management. Under the circumstances, may I request the Government of India to kindly agree to the proposal and provide the necessary funds accordingly.

Banking and Industrial activities in the State with special reference to low CD Ratio

13. The basic problem facing industrialization in Nagaland is due to lack of flow of finance. The Credit Deposit Ratio today stands at only 17% as against the national average of 58%. Out of this, the Industrial Sector hardly accounts for 20% of the credit flow in the State, the major portion being taken by agriculture sector. Until and unless the Bankers come forward to extend credit facilities to our entrepreneurs and educated unemployed youth for promotion of industries and commercial activities, the industrialization scenario in the State will remain the same, if not worse. The Planning Commission may kindly agree to our proposal for one time grant to the Village Development Boards to strengthen their corpus of fixed deposits, and enable them to function as non-banking financial intermediaries and to extend credit at cheap rates to the farmers and artisans in rural areas.

Utilization of funds under Non Lapsable Pool of Central Resources

14. A Non Lapsable Pool of Central Resources was created out of the

shortfall in expenditures from various Ministries whereby a decision was taken that a minimum of 10% of funds in each Ministry must be utilized in the North Eastern Region. However, we are in the dark as to how much amount is made available every year under NLCPR and how much is provided to each State. Since we do not know how much fund is actually made available each year it is difficult for the State to prepare tangible proposal. A detailed paper on this issue may be brought out by the Ministry DONER, showing the quantum of 10% in each sector and its utilization State-wise since inception of this programme.

15. With these words, I thank the Hon'ble Prime Minister for convening and chairing this NDC Meeting, and wish the Council meeting all success.

Thank You.