

SPEECH OF SH. LAL THANHAWLA, HON'BLE CHIEF MINISTER, MIZORAM AT THE 57th MEETING OF NATIONAL DEVELOPMENT COUNCIL ON 27th December, 2012

Respected Prime Minister, Hon'ble Deputy Chairman, Planning Commission, Hon'ble Union Ministers, Members of Planning Commission and my esteemed colleagues from other sister States,

1. I am happy to be able to participate in this meeting of the National Development Council. The Eleventh Plan was one memorable milestone in the nation's big stride towards progress and the Twelfth Plan marks a step towards another milestone. It is only appropriate that while stepping into a new course of planning, the past shortcomings and deficiencies are taken stock of, mid-course correction, if necessary, made and new strategy and targets decided. This essential exercise has been done by the national Planning body quite exhaustively as would be seen from the Twelfth Plan document which is before us for consideration.
2. We endorse the broad vision and strategy of the Twelfth Plan as brought out in the plan document. In spite of the recent slow-down in growth rate, I feel that the target of 8.2% to 9% is achievable provided the necessary enabling conditions like larger resource availability, better resource management, doubled growth rate in the farm sector and low level of inflation etc are ensured.
3. I would restrict my observations to a few selected areas of planning which, besides being important for the country as a whole, are of special relevance to the North Eastern Region, particularly the hill areas. The Twelfth Plan has rightly emphasized the need for social and regional equity. It is in the interest of balanced development, The North Eastern hill areas constitute one part of the country that has been a limping participant in the race for progress. Historically and geographically disadvantaged, these areas are striving to make good the neglect of centuries. It, therefore, demands more focussed attention and larger dose of assistance. However, I regret to say that even the Twelfth Plan has given it somewhat peripheral attention.
4. There is need for a paradigm shift for development of this region. The pan - Indian development model that has been applied all these past years of planning does not quite relate to the traditional value system and the ground conditions peculiar to the region; nor has it promoted proper and adequate utilization of its vast natural resources in any substantial measure. The primary sector, which provides basic security, human resource development with emphasis on relevant skill development, rural development, which concerns 87% of the population and employment generation as an answer to social unrest born of general discontent, should be the primary thrust areas. Progress in these sectors would impact the secondary and tertiary sectors and would lead to inclusive growth, shared prosperity and distributive justice.

5. While we appreciate that the Twelfth Plan document makes a separate specific mention of North Eastern Region's developmental needs, it does not suggest a new strategy or action plan for speedier growth with higher thrust on the basic growth propelling sectors. We justifiably expected that the new Plan would provide for the necessary means to put into action the most legitimate recommendations of the N.E VISION :2020. Sadly, however, we do not find it. The national plan body may consider this.
6. In Mizoram we have taken up a uniquely designed programme called the New Land Use Programme that aims at integrated rural and agricultural development, economic empowerment of the less privileged section in the rural areas, value addition to local products and preservation of the fragile ecology. We are grateful to the Centre, particularly to Planning Commission for the special assistance granted for this programme and hope that much larger fund would be allocated to my State for this development initiative during the Twelfth Plan. This is one way of achieving inclusive growth.
7. We strongly suggest that the Twelfth Plan should include an integrated water resource management programme for sustainable development. The N.E region being a homogenous rainfall region, gets on an average, 11000 to 13000 mm of rainfall annually. But in the absence of an integrated management programme this rare gift of nature either causes misery due to flood in the plains or hardships due to scarcity caused by rapid run-off in the hills. Centre should work out a policy which provides for a judicious combination of structural and non-structural measures for flood moderation as well as harvesting and conserving water. It is time we took note of the warning contained in the World Bank Country report (2005) that if proper water management system is not put in place, India would face severe water crisis in 20 years. Twenty first century, it is said, will be the century for fresh water and the North East with the highest precipitation in the world and with nearly 34% of the country's surface water resources will surely command world's commercial attention. Twelfth Plan should help prepare the ground to enable this region to reap the benefit from this anticipated demand.
8. My State and, for that matter, all the other States of the North East, barring Assam, has witnessed hardly any perceptible, industrial growth which partly explains its economic backwardness. Private investors shy away as lack of infrastructure and connectivity and remoteness coupled with difficult terrain render enterprises unviable and non profit-making. The all-India public sector entities have not made their presence felt. This is inspite of the fact that VISION: 2020 has pleaded for a pioneering role to be played by the public sector in the region. Centre should consider more pro-active policy intervention to break the ice. In the initial year private and also public sector investors may have to be given much more incentives like, higher capital cost subsidy etc. We commend for consideration the Yugandhar Committee's recommendation for a Regional Industrial Policy for the North East concerning availability of institutional finance, power and water, and transportation and marketing network. Similarly, the report

of the high-level Committee constituted at the direction of the Hon'able Prime Minister to suggest appropriate measures to ensure that terrain and other geographical difficulties do not hinder economic development of the hill areas may also be seriously taken note of.

9. The Plan document has highlighted the need for PPP mode in a number of sectors like communication, power, human resource development etc. Share of private investment in infrastructure sector is proposed to be increased to 48% of the projected investment of over 56 lakh crore during the Twelfth Plan. These projections are most welcome. However, the ground realities in the region being what they are this may not work well in the N.E hill areas and to that extent they would be deprived of additional financial input. Unless VGF guidelines are amended and made more liberal in relation to these States so as to make projects economically viable, no private partner would take interest in any project in these States.
10. Speaking about infrastructure, the Plan contains large and elaborate proposals for expanding and strengthening of all aspects of communication networks - surface, air, railway and port. The irony is that all these proposals will, by and large, contribute to further growth of those States which are already better off, but the hill States of the North East, which have to depend almost entirely on road network, will be only marginally benefitted. We are glad to note that the Plan appreciates the need for putting high priority on connectivity of the North East. It will only be appropriate, therefore, to suggest that a sizable share of the expenditure in the Twelfth Plan for road development should go to the North Eastern hill States. As I have said earlier, in the prevailing conditions in these areas, you must not expect encouraging response from private investors for BOOT mode project execution. It will have to be largely governmental efforts. But our experience has not been quite encouraging in this regard. For instance, we have been waiting for quite sometime to get approval of proposals specifically relating to road development although Special Plan Assistance for this purpose was made in the State's approved Annual Plan for current fiscal. Similarly, even after a lapse of over a year, our proposal to take up a 210 MW power project on PPP mode has not been approved because 'in principle' approval for VGF is yet to be accorded. While on this subject, I would like to suggest that maintenance of assets created in the infrastructure sector being expensive and demand substantial additional fund, which poor States like Mizoram cannot generate internally, the responsibility may be taken over by the Centre. Constitution of a dedicated Maintenance Fund for the NE Hill States is, therefore, strongly recommended.
11. Central Sector or Centrally Sponsored Schemes greatly supplement the States' overall development efforts. However, due to paucity of untied fund, the State Government is not able to avail the CSS/Central Schemes fully resulting in the loss of Central funds. Against a projected fund flow of Rs.1498.80 crore for 2011-2012 under the existing CSS/Central Sector Schemes, Rs.161.00 crore is

required to be provided by the State as its matching share; but the State government can provide only about 60% of it. More untied Plan funds may, therefore, be allotted to cover matching share of the poor States like ours. The guidelines for most of these schemes require revision to fit into the ground conditions and traditions in the North East. We are happy that these in respect of BADP, HADP, BRGF have been modified. Other schemes should follow.

12. North Eastern Region is quite deficient in the use of banking capital as is evident from the low credit-deposit ratio. This implies poor take-off of institutional finance which is due to a combination of factors like (i) lack of demand for credit, (ii) low credit worthiness of borrowing community, (iii) low net work of bank branches, (iv) lack of flexible financial products offered by lending institutions, (v) lack of awareness among the people about the services offered by banking institutions etc. The region finds itself in a vicious circle - there is no greater flow of credit because there is no big demand and there is no demand because there is no flow of credit. It is time that the region was enabled to get out of this circle. The banking institutions will have to consider possible ways to raise the existing capacity of commercial bank branches, to work through regional bank branches and cooperative banks and use the services of various financial intermediaries. The Usha Thorat Committee on the financial sector plan for the North East has suggested a number of measures. I hope this and all the recommendations of the committee have been fully acted on.
13. North East's economic ties with rest of the country continue to be tenuous and have not proved fully successful due to logistic problem which will take many years to get resolved. Therefore, the move to integrate the region's economy with that of South East Asia, one of the fastest growing economies, is a correct, positive approach and the people of the region welcomed it. However, even after one and a half decade since announcement of 'Look East Policy', hardly anything is noticeable on ground. Signing of a number of unilateral, bilateral and trilateral agreements and FTAs with ASEAN may have benefitted other regions but not the N.E. Basic infrastructure facilities still remain under developed. Trade policy is not implemented in the vacuum. Infrastructure, services and production facilities have to be created. A detailed realistic study of the region's export potential, creation of a suitable production base within the region and involving the local communities as informed stake - holders are essential pre-requisites for the success of cross border trade. This would ensure that the North Eastern region does not just remain a mere corridor for movement of goods and services, in - bound as also out- bound, without the local people getting direct economic benefit, While we welcome export to our Asian neighbours goods produced somewhere down South or distant North through the NE corridor, we plead that the required opportunities and conditions may be created within the NE region for production of such goods with competitive edge. It would then directly benefit the region's population and strengthen region's economy.

14. We have a small problem about Annual Plan finalization. Late finalization of Annual Plan size often results in passing of 'vote on account' (interim) budget and this hampers proper financial management. Besides, we lose part of the working season. Every Draft Annual Plans of the 12th Plan should invariably be initiated by September and Annual Plan size be finalized preferably by December to avoid late implementation of Plan Scheme. Planning Commission is requested to take appropriate steps in this regard so that full budget for the fiscal year could be laid in due time. Secondly, the basic difficulties faced in implementation of the Twelfth Plan by States like Mizoram, will be resource constraint. The peculiar problems of these States are extremely limited resource base, larger committed expenditures in the form of salaries and wages, interest payments, etc. which are on the rise. I would, therefore, place for your consideration that for the special category states, grant of Normal Central Assistance be delinked from Balance from Current Revenue (BCR) and fiscal reforms performance.
15. We are happy that the Planning Commission document has made a special reference to the need for capacity building of PRIs. The Autonomous District Councils in Mizoram need urgent strengthening in the delivery system and project implementation. These areas are relatively backward and face greater constraints. Capacity building and provision of adequate fund to the ADCs are essential. Allocation of State Plan fund to these Councils have been substantially enhanced since 2009-10. But larger fund is required on this count. We request for substantial additional fund from the Planning commission.
16. During the 12th Plan we propose to take up a few selected programmes in the State that are expected to propel sustainable growth. In the agriculture sector attempt will be to meet 60% of the State's food requirement; to double the area under horticulture, raise oil palm growing area to 30,000 hectares, construct 2236 km of new roads and upgradation of 1739 km of existing ones so that the State's road density can be raised to 50 km per 100 sqr.km as against present level of 38 km/100sqr; a Medical College for the State and a Cancer Hospital, achieve 100% literacy etc. All these would need extensive support from Planning Commission for fund and the concerned Central bodies for technical aid. I am sure our hopes would not be belied.
17. At the end I would like to bring up one very important issue that particularly concerns under-developed States in the North East. The growing gap between resource availability and rising expenditure in the Non-Plan side has been an acute problem impacting economic development. There are genuine developmental, administrative and political compulsions for rise in Non-Plan expenditure. Over the years the mismatch has resulted in huge financial liability. Of necessity, part of it has to be met by diverting Plan fund drastically reducing fund for development purposes. We have approached Finance Commission for relief. But to our utter disappointment, successive Commissions did not appreciate our peculiar and genuine needs. The normative assessment of Non-Plan fund requirements leaves a big gap between our projected need and

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Commission's award. It is just impossible for a poor State with no industry, no private investment and inelastic tax base, to meet this gap. The Plans get down-sized and growth process hampered. Unless a solution to this problem is found, inclusive, balanced and faster economic growth for us will remain a distant goal.

Thank you, Mr. Chairman, for giving me this opportunity to put on record our views on and expectations from the Twelfth Plan.