



**GOVERNMENT OF NAGALAND**

**BUDGET SPEECH**

of

**SHRI T. R. ZELIANG**

Chief Minister

Minister in-charge, Finance

for 2016-17

**(Kohima, the 17th March 2016)**

**Speaker Sir,**

1. I rise to present the budget for the year 2016-17 before this august House. Before I go into the budget matters, let me make some statements in my capacity as the Chief Minister and Leader of this House, on some important issues and events concerning the affairs of the State and its people.

**A: Naga political issue:**

2. Speaker Sir, since the last budget session in July 2015, some momentous events of far-reaching implications for our people have taken place. Among the most significant was the Framework Agreement signed between the NSCN(IM) and the Government of India on 3<sup>rd</sup> August 2015 at New Delhi. Although the detailed modalities for final agreement have still not been made public, there is no denying that it is a huge milestone, and a big step forward towards resolution of the long-pending Naga political issue. As we have committed in the past, the DAN Government is prepared to step aside, if necessary, to pave the way for any political settlement that is honorable and acceptable to the Nagas. As leader of the House, and on behalf of all the Legislators of this august House, I convey my sincere request to all the Naga political groups to come forward and join in the process of consultations being initiated by the Interlocutor to the Naga political dialogue for arriving at a peaceful and lasting solution. We hope and believe that the final settlement arrived at as a result of the present dialogue, will be inclusive and cover all the Nagas wherever they are.

3. Speaker Sir, let me take this opportunity to assure the Naga community that we are committed to find and facilitate a peaceful solution to the Naga political issue, and will continue to do so till we reach the goal. The Parliamentary Working Committee of Nagaland Legislators' Forum on Naga Political Issue had gone to New Delhi during July last year, and again in February this year under your

Chairmanship, to meet the top leaders of the major political parties of the country and brief them about the unique history and situation of the Nagas and their political struggle, and to seek their support in bringing about an early and honorable solution to the Naga political issue. We are truly encouraged to see the positive response and assurances from various political party leaders, which has given us renewed hopes of seeing the long awaited final resolution of the Naga political issue. As a sequel to this Delhi trip, the PWC also met the various Naga political groups other than the NSCN(IM), at Chumukedima on the 9<sup>th</sup> of March, 2016, and had fruitful deliberations and exchange of views and ideas on the Naga Political issue and its peaceful resolution. As the parties to the dialogue continue to work out the finer details of a comprehensive agreement, I appeal to all sections of the Naga society to support the peace process with a spirit of forgive and forget, so that collectively, we may be able to build a better future for ourselves and our children. I assure all stakeholders that the PWC have no intention of undermining the efforts and sacrifices of any group, and we will be equally interested to engage with any group in our collective efforts for finding a peaceful and final solution to the Naga political issue. There is no denying that too many precious years and lives have been lost during the last six and half decades, and there will be a lot of catching up to do with the rest of the country. However, like the saying goes "It is better late than never". I strongly feel that we should not miss the bus this time, for we never know when the next bus will arrive.

#### **B: Law and Order:**

4. Speaker Sir, during last year and the current year, our State has witnessed disturbing incidents, particularly in Tuensang and Kiphire Districts, where communal tensions have been simmering for more than a year now. The latest violent incidents triggered by the murder of a couple near Shamator on 6<sup>th</sup> February 2016 are not only unfortunate, but a matter of great concern. I appeal to the people of Tuensang and Kiphire Districts to refrain from taking the law into their own hands,

and to allow and assist the State agencies to perform their duties in restoring law and order. Otherwise, we may see more tragedies taking place, and more wounds inflicted on each other. We must realize that such tribal conflicts will ultimately undermine our Naga society and brotherhood. Sadly, in such conflicts it is our children who pay the biggest price, as we are witnessing now in the way their studies and exams are being affected. Unless these conflicts are brought to an end, the people living in these areas will be put decades behind their neighbours, and will find it very difficult to catch up with others. The State Government shall leave no stone unturned to enforce the rule of law, and bring about peace and harmony in the society. I must also place on record the appreciation of the State Government to the efforts of the Political Affairs Coordination Committee, the Naga Hoho, ENPO and other NGOs to bring about peace, normalcy and better understanding in the area. I have been informed that the Special Investigation Team set up to investigate into the incident is making good progress and have got promising leads which are being pursued vigorously and that a breakthrough in the case is expected very soon.

**C: The new Plan process under NITI Aayog:**

5. Speaker Sir, it is more than a year now since the formation of NITI Aayog was announced on 1<sup>st</sup> January 2015. The main objective of setting up NITI Aayog was to foster the involvement and participation of States in the policy making process of the country, and bring about cooperative federalism and improve Centre-State relations. I shall briefly elaborate some important developments that have taken place since then.

6. As a part of the restructuring of the Plan process, I was also made a Member of the Sub-Group of NITI Aayog on Rationalization of Centrally Sponsored Schemes. Some of the key recommendations of the Sub-Group include more focus on core sectors of Centrally Sponsored Schemes, such as MGNREGA, Social Inclusion schemes, drinking

water, Swachh Bharat Mission, Rural connectivity and Electrification, Agriculture and Allied sectors, Education and Mid Day Meal, Health, Nutrition, Women and Children, Housing for all, Law and Order and the Justice Delivery System. The Sub-Group has recommended that the core sector schemes should be given first priority, and that investment levels are maintained and not reduced.

7. We have also recommended that for optional schemes, Ministry of Finance may make lump sum allocations to States, so that States are free to choose the optional schemes they wish to implement, and have the flexibility of portability of funds by way of shifting funds allocated under one head to another CSS component. A significant recommendation is the suggestion to re-design CSS to provide flexibility in each scheme, so that States are free to choose components that suit their local needs. This will greatly benefit the North Eastern States, who have always been adversely affected by the application of standardized norms that become impractical when applied to us. There is now a growing acceptance that the "one size fits all" approach is no longer relevant and workable. I quote the Hon'ble Prime Minister of India, Shri Narendra Modi who stated "Through NITI Aayog, we bid farewell to a 'one size fits all' approach towards development. The body celebrates India's diversity and plurality". The Special Category status of North Eastern States has been retained in the form of continuation of the 90:10 funding pattern for Core CSS Schemes. The funding pattern for Optional Schemes will be 80:20. Another key decision is the provision for continued funding of all CSS projects that have commenced during 2014-15, and still in existence as on 31<sup>st</sup> March 2015 for the next two years. This will require us to take concrete measures to ensure that all such projects are closely monitored at the highest level, and their completion ensured within the funding period.

8. Speaker Sir, as stated in the speech of the Honourable Governor, the Government of Nagaland will ensure that appropriate mechanisms for gender responsive budgeting are institutionalized to facilitate

integration of gender issues across all sectors. We are in the process of identifying measures that will help strengthen the State's efforts to operationalise gender responsive budgeting as a tool for effective gender mainstreaming.

9. Speaker Sir, our State is blessed with a youthful and vibrant population with a high percentage of literacy. However, we are not making proper use of this rich human resource. As on date, there are 72,415 unemployed youth in the Live Register, many of whom are engineers, architects and diploma holders. We are also aware of the huge construction activity in the State where the presence of our youth is practically non-existent, which is unfortunate given the high levels of unemployment. The overwhelming dependence on migrant construction workers also leads to a huge outflow of financial resources from the State, which adversely affects our economy. There is also the ever present danger of such floating population on the demography of the State. In order to address the problem of lack of relevant skills and employability, the Government has decided to declare the year 2016-17 as the "Year of Construction Workers" with focus on encouraging our youth to take up construction work as a profession, and build up their skills through appropriate institutions to be put in place shortly.

**D: Salient features of the Budget:**

10. Speaker Sir, with the replacement of the Planning Commission by NITI Aayog and the change in the pattern of fund flow from the Centre to the States, States are now free to decide their annual Plan outlay by themselves, after getting information from the Government of India the amounts earmarked for the State under various Centrally sponsored schemes. With the new system, for the first time after many years, we are presenting a full budget for 2016-17 in the month of March.

11. The annual Plan outlay for 2016-17 has been projected at Rs 3924.47 crores which consists of Rs. 2882.41 crores as CSS, Rs. 117.06

crores as NEC, Rs. 230.00 crores as NLCPR, Rs. 115.00 crores as EAP and Rs. 580.00 crores as untied or flexible fund. The annual Plan outlay for 2016-17 is 8.35% higher than last year. Out of the Annual Plan Outlay of Rs. 3924.47 crores, allocation for the Social Sector is Rs 1519.38 crores, which is 38.72% of the total outlay, for the Economic Sector, it is Rs. 1903.01 crores, which is 48.49% of the total outlay and for the General Sector, it is Rs. 502.08 crores, which is 12.79% of the total outlay.

**12.** Speaker Sir, while giving importance on the Social Sector, I am happy to state that we have provided necessary fund support for introduction of post graduate courses at the Kohima Science College, Jotsoma in six disciplines namely, Mathematics, Physics, Botany, Zoology, Geology and Anthropology from the next academic session. This will enable many students to pursue Post Graduate courses within the State.

**13.** Speaker Sir, I wish to make a brief mention here of an achievement that has been made in the area of budgeting that will have significant impact in the coming years. In continuation of the process of rationalization and codification of the Demand for Grants from 2015-16, more improvements have been made in the 2016-17 budget, where there is no separate column for Plan and Non Plan funds, but which can be identified by use of the classification code. In addition, an abstract of headwise detailed fund provisions has been indicated for easy and ready reference. This is a fulfillment of the rationalization and codification process, which will facilitate the computerization of the transactions of all DDOs and Treasuries in the near future. This in turn will help improve the quality of Accounts, and also improve monitoring and control of expenditure.

**14.** Speaker Sir, with better monitoring and control in place and also with the various austerity measures being worked out, I am hopeful of reducing the deficit by Rs. 225.00 crores by the end of 2016-17.

However, this will be subject to the Government of India providing us grant under share of Central Taxes as projected in our budget for 2016-17, at the level of Rs. 3016.31 crores.

**E: Finance and resources:**

**15.** Speaker Sir, as we close the first year of the Fourteenth Finance Commission award period, we must acknowledge that it is certainly better and more realistic as compared to the awards of the Thirteenth Finance Commission. The Thirteenth Finance Commission period ended with a huge deficit of Rs. 1542.71 crores, as a result of which we began the current financial year with serious cash management problems. However, despite the huge deficit, we have been able to avert a severe financial crisis so far, and have managed to disburse all normal recurring expenditures such as salaries, pensions, medical reimbursements etc., except for those employees who were appointed under CSS and flagship programs, mainly on account of non receipt of funds from the Government of India. We have also managed to release and clear almost all the proposals kept in civil deposit and backlogs during the year.

**16.** Speaker Sir, it was my endeavor to bring down the accumulated deficit at the beginning of the year. I am pleased to inform the honourable Members that during the current year, we have managed to reduce the deficit by a projected amount of Rs. 123.36 crores from the opening deficit of Rs. 1542.71 crores. Perhaps, this is the first time in the recent history of our State where the deficit could be reduced to this extent during a single financial year. For this, I thank all my colleagues, departments and particularly the Finance Department for making this possible. I am also projecting to reduce the deficit further in the coming year, with the support and cooperation from all, so that by the end of the Fourteenth Finance Commission period, we will have a manageable level of deficit.



17. At the same time, I would like to point out that we are not the only State struggling with deficit, and most of the resource constrained States are confronted with similar problems. Since ours is a welfare State, we will have to continue to implement the schemes and programmes which will benefit the common people, while ensuring that the pay and allowances and other benefits of the Government employees including pensions are paid on time.

18. Speaker Sir, the State Government spends about 50.15% as salary for the Government employees and about 18.15% for pensions out of the total Non Plan budget. The ratio of government employee to the population is about 1:15 which is perhaps the highest in the country. It is, therefore, expected of the Government employees to feel privileged and deliver better services to the people.

19. Speaker Sir, as an austerity measure, the Hon'ble Cabinet Ministers, Parliamentary Secretaries and senior officers have voluntarily decided to forego the allowances of refreshments, newspapers and magazines. We also intend to bring down the overhead expenditures with other measures such as:-

- i) Departments having excess employees shall not be allowed to recruit new employees even against resultant vacancies as was done in the case of School Education Department.
- ii) Rationalization of man power management, and relocation of employees from departments that have surplus to departments that require more manpower.
- iii) The Government spends about Rs. 85.00 crores annually for payment of leave encashment to retired employees. It is observed that most of the retired employees get full benefits of 300 days of leave encashment although many may not be regular in their duties. This has a huge financial impact on the State Government. The Government will, therefore, be examining the possibilities of either reducing the entitled number of days for leave encashment, or the option of allowing retiring employees to avail the entitled leave before retirement.

## **F: Resources mobilization:**

20. Speaker Sir, we are making continuous efforts to increase our tax base and improve efficiency of the collection machinery. We have recently put in place a system of fixing the base rate of land value under Dimapur so that mis-declaration and undervaluation of land transactions with the intent of evading stamp duty are checked. With the huge volume of property transactions taking place in Dimapur, it is expected that this will bring in a substantial amount of revenue for the State.

21. I believe that it is a good time for the State Government to tone up tax administration in the State, and to closely examine the collection and deposits of various tax and non-tax revenue by the different agencies of the State Government. We will accordingly focus on special audit of revenue collecting departments during the coming financial year to ascertain correct deduction and deposit of various taxes such as VAT, forest royalty, works tax, royalty on coal, power tariff etc. and take steps to recover those that are due to be deposited into Government account. Further, the Government also envisages to introduce more efficient methods of revenue collection so as to plug leakages in the system.

## **G: Budget proposals:**

22. Speaker Sir, for our internal revenue collection during the current year, I had put the target at Rs. 665.06 crores as against last year's, that is, RE 2014-15 target of Rs. 593 crores, an increase of 12.15 per cent. However, because of improvements made in some sectors, this figure has now increased by Rs. 17.96 crores to Rs. 683.02 crores in the Revised Estimates for 2015-16, which is an improvement of 15.18%. For the financial year 2016-17, I am estimating the internal revenue collection at Rs. 776.90 crores, which is an increase of 16.82% over RE of 2015-16.

23. As regards the budget proposals, I am estimating the gross receipts at Rs. 13,870.98 crores and gross expenditure at Rs. 13,645.98 crores for

the financial year 2016-17. The broad item-wise statement of the estimated gross receipts and gross expenditure is as under:

<b>A:</b>	<b>RECEIPTS:</b>	<b>(Rs. in crore)</b>
(i)	State's Own Tax and Non-Tax Revenue	776.90
(ii)	State's Share in Central Taxes	3016.31
(iii)	Central Assistance (Grants & Loans)	6775.69
(iv)	Internal Debt (including WMA from RBI)	3299.20
(v)	Recovery of Loans and Advances	2.88
<b>Total</b>		<b>13870.98</b>
<b>B:</b>	<b>EXPENDITURE</b>	
(i)	Non-Plan Expenditure (excluding Servicing of debts)	6129.32
(ii)	Servicing of Debt (including repayment of WMA)	3592.19
(iii)	Plan Expenditure	3924.47
<b>Total</b>		<b>13645.98</b>
<b>C:</b>	<b>Balance (A-B)</b>	225.00

24. The transactions for the year 2016-17 is estimated to result in a positive balance of Rs. 225.00 crore. With the negative opening balance of Rs. 1419.35 crores, the year 2016-17 is estimated to close with a negative balance of Rs. 1194.35 crores.

With these words, Speaker Sir, I commend the budget for 2016-17 to this august House for consideration and passing.

**Thank You.**