



सत्यमेव जयते



GOVERNMENT OF NAGALAND

BUDGET SPEECH

of

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Chief Minister

Minister in-charge, Finance

for 2017-18

Kohima, the 28th March 2017

Mr. Speaker Sir,

1. I rise to present the budget of Nagaland Government for the year 2017-18.

2. Since this is the first time I am attending the session of this 12th House, let me extend my warmest greetings to all of you, and also thank you for reposing your faith in me, and electing me to be the Leader of this august House in spite of the fact that I am not a regular member of this House at this moment. Incidentally, this is also the first ever budget to be presented by me in the course of my political career, spanning almost five decades. This budget also happens to be the last budget of DAN-III Government, as well as the 15th consecutive budget of DAN Government. Having been associated with the DAN Government right from its inception, I consider it to be God's grace and providence that I stand here today to present its 15th budget. If I am to summarise the achievements of DAN Government on the financial front during these past 15 years, I think it is the stabilization of the financial condition of the State, as compared to the shaky and precarious financial condition we witnessed during the preceding ten years, or the 1990s. At the same time, I am also confident that this will not be the last budget of the DAN Government, and that many more budgets will be presented in this august House by DAN Governments in the future also.

3. Mr. Speaker Sir, before I go into the financial details of the budget, let me also make some statements about the affairs of the State, in my capacity as the Chief Minister of the State and the leader of this House. Right from the beginning, and true to our election manifesto, the highest priority of DAN Government has been how to facilitate the peaceful resolution of the Naga political issue. And

towards this objective, we have been very pro-active right from day one. The Political Affairs Committee of the DAN Government, formed soon after DAN-I Government was installed, had met leaders of various Naga political groups on several occasions, and had useful interactions with them. Recently, after my assuming the office of the Chief Minister, the Government has constituted a new “Political Affairs Mission” in place of the erstwhile Political Affairs Committee, with a view to giving a new thrust and a mission approach to the peaceful resolution of the Naga political issue. This House had earlier formed a Joint Legislature Forum on Naga Political Issue right from DAN-I, which had been renamed in 2015 as Nagaland Legislators Forum on Naga Political Issue soon after DAN-III Government became an opposition-less Government. The Speaker had further constituted the Parliamentary Working Committee of the Nagaland Legislators Forum on Naga Political Issue, which met the Prime Minister, the Union Home Minister and other prominent political leaders in Delhi during 2015-16, and had sought their support for the peaceful resolution of the Naga political issue. The Committee also had meetings and exchange of ideas with various Naga political groups. While admitting that our best efforts during these last 15 years are yet to yield the desired or expected final outcome, let me say that we should give no room for pessimism or despair to come in our way. With the signing of Framework Agreement by the Government of India and the NSCN (IM) in August 2015, and the active interest shown by the Government of India to take the Naga political issue forward to its logical and peaceful conclusion, let us all hope for a positive outcome in the near future. Let us also hope that the results of the recently concluded Assembly elections in five States will further strengthen the hands of the Government of India in their efforts to resolve the Naga political issue.

4. Another positive outcome of the DAN’s pro-active and peaceful approach to the Naga political issue has been the relatively peaceful

atmosphere in the State during the last 15 years of DAN's rule, as compared to the chaotic and conflict situation that prevailed during the preceding decade of the 1990's. This relatively peaceful atmosphere has enabled the State Government to carry out several important infrastructure development programmes in the social and economic sectors, while also enabling the common people to pursue their own development and livelihood issues in a relatively peaceful atmosphere. I think this is definitely one important achievement of the DAN Government during the last 15 years.

5. On the down side, during the early part of this year, the State had faced serious law and order situations, arising due to agitations by tribal organizations against the Urban Local Bodies election with 33% women reservation. In the process, three precious lives were lost and several properties destroyed, leading to the ultimate declaration of the entire process of ULB election in Nagaland as null and void. While it is the democratic right of every citizen to form groups or organizations, we, at the same time, need to learn how to resolve our differences through the process of dialogue and consultations, and to refrain from frequent resort to bandhs and violence which are alien to our core Naga culture. Let us learn to be united and live together as a family; so that our hands are strengthened in whatever we do as Nagas. We also need to adapt some of our culture and traditions to meet the requirements of the present 21st century. Churchill had once said, quote "If we open a quarrel between the past and the present, we shall find that we have lost the future", unquote.

6. On our part, the State Government will have a thorough re-look into the Nagaland Municipal Act with a view to rectify any defects in the Act, and to incorporate new provisions and safeguards as may be found necessary. This process will be done in consultation with the civil society, tribal organizations and other stake holders. Let us hope

for a positive outcome, with a broad consensus emerging on all contentious issues, which will pave the way for the smooth conduct of ULB elections in future.

7. Now, coming to the budget matters, let me apprise the Hon'ble Members that there have been significant structural changes in the finances of the State and in the State's budget itself, consequent upon the implementation of the 14th Finance Commission's recommendations with effect from the year 2015-16, and the replacement of the Planning Commission by NITI Aayog. In the past, a substantial portion of our budget used to come under "Plan" head, which essentially consisted of Plan assistance from the Government of India through the Planning Commission, given in the form of Normal Plan Assistance (NPA), Special Plan Assistance (SPA) and Additional Central Assistance (ACA) etc. Now, such Plan assistances are no more available, and we have to depend on our own resources for many of our State's specific developmental works. The stand taken by the Central Government on this issue is that, as per the recommendation of the 14th Finance Commission, the devolution of shareable Central taxes to the States have increased by 10% and therefore, the States now have enough resources to undertake their own State-specific development schemes. However, the story is quite different in the case of Nagaland and some other special category States. In spite of the 10% increase in our share of Central taxes, we are still hugely in revenue deficit. That is why the 14th Finance Commission gave us substantial amounts in revenue deficit grants. But this deficit grant is just to cover the current revenue deficits; and there is no component for development works in it.

8. Reflecting this changed financial arrangement and following the system adopted by the Central Government, the budget documents now classify the expenditures broadly as "Revenue Expenditure" and

“Capital Expenditure” and not as Non-Plan & Plan expenditures as was done before. However, we now have a number of CSS and other Central Flagship schemes funded by the Central Government, which will henceforth provide the main thrust for development works in the State. For example, for the coming year 2017-18, the State Planning Board has approved a sectoral allocation of developmental funds to the tune of Rs. 3720.51 crores, out of which, the Central Sector, namely, CSS & Central Flagship schemes etc. accounts for Rs. 3070.51 crores, while the State sector, or the State flexible fund accounts for Rs. 650 crores, which is only about 17% of the total development outlay. Further, out of this State’s flexible fund of Rs. 650 crores, we have to meet the 10% State’s share of the Central sector schemes. This also means that if we are to fully avail the Central sector schemes as indicated above, we have to earmark not less than 50% of our States’ flexible fund towards meeting the State’s share of Central sector schemes, which is a tall order at the moment, as out of this State’s flexible fund, we have to provide funds for our priority State schemes such as LADP, VDB Grant-in-aid, UADP, and also for completion of on-going works earlier undertaken under the State sector. Hence, there is really very little fund left for undertaking new works under the State sector. A clear message that emerges out of this changed scenario is this: **Firstly**, we have to economise our non-plan revenue expenditures, while improving our own revenue mobilization, so as to make more funds available for developmental works. We have to be particularly careful not to engage any person in excess of the sanctioned posts. **Secondly**, the Government Departments should now focus more on effective implementation of Centrally funded schemes, and compete with each other in availing such funds, instead of squabbling over the allocation of the rather small State flexible fund. This will be the best way we can take forward the developmental process in the State on a faster track. I am a bit worried by the fact that during 2016-17, out of the Central funded

schemes of around Rs. 3344 crores indicated to the State by the Central Government, we have been able to access barely 50% till date. I feel we need to do lot of rethinking on this, and chalk out new strategies to improve our performance in availing Central funds earmarked for our State.

9. We are also entering a new era of public transactions, with the Government of India deciding to transfer subsidies and welfare schemes directly to the beneficiaries. After 31st March 2017, all subsidies and welfare schemes of the Central Government will be transferred to the beneficiaries through the Direct Benefits Transfer route, and all existing forms of cash payments will stop. This will bring about a huge increase in transparency and efficiency, and will ensure that Government funds reach the genuine beneficiaries for whom they are intended. I understand that our State faces a huge challenge in this area due to the absence of banking infrastructure in the interior areas. However, it is necessary for all concerned departments to make preparations for this eventuality, and ensure that systems are put in place so that the poor and needy are not deprived on account of failure of the departments. I also call upon the banking fraternity to walk the extra mile in providing banking services to the remote corners of the State for the benefit of the rural people.

10. Speaker Sir, let me also highlight some of the new initiatives and development schemes being recently initiated by the State Government. In the agricultural sector, the Government of Nagaland is taking up a project for “Fostering Climate Smart Highland Agriculture in Rural Areas of Nagaland” under the Externally Aided Project scheme, with funding from the International Fund for Agriculture Development (IFAD). The tentative amount of the IFAD loan is US \$ 35 million, which works out to Rs. 237.83 crores approximately, spread over a six year period. The project will cover eight out of the 11

districts of the State. Dimapur district is not being included since it is located mostly in plain areas. Tuensang and Peren districts have been excluded as they are already covered under the World Bank supported "North East Rural Livelihoods Programme (NERLP)". The project will cover 1.3 lakh rural households, and will focus broadly on improving jhum areas and value chain development. The main objective is to restore the ecological balance by addressing the growing human needs through a harmonious blend of modern technological advances with traditional knowledge and experience.

11. In the Forestry sector, an important project is being implemented with external aid from the Japan International Cooperation Agency (JICA). The project will aim at improving the forest eco-system and promote rural income generation through rehabilitation of jhum areas, while providing livelihood support in the project areas covering 79,000 hectares. The project has an overall cost of Rs. 533 crores, and will be implemented over a period of 10 years.

12. I hope that these two externally aided projects in the rural areas of the State will transform our rural landscape, and bring about improvements in the lives of our people. I also call upon all the officers involved in these two projects to leave no stone unturned to ensure that the projects are successfully implemented, in order that our credibility is enhanced in the eyes of external funding agencies, paving the way for more inflow of such funds to our State.

13. I am happy to say that in the Information Technology Sector, our State has been in the limelight for several notable achievements, such as successful implementation of the e-Districts project, for being the first State in the country to commission the 1st National Infrastructure Pilot Project in Peren District, and for being acknowledged as the best performing State in the North East for IT and e-Governance initiatives.

It is encouraging to see that despite serious challenges of poor infrastructure and difficult terrain, we are able to keep up with the much more advanced States.

14. I am also happy to note that the project for augmentation of water supply to the capital town of Kohima is finally being put in place, and will be inaugurated during the month of April 2017. I congratulate all those involved in making this possible. It will bring much relief to the residents of the capital city, especially during the lean season.

15. In the field of infrastructure, I am happy that after more than a decade of the announcement made by the then Prime Minister Shri A.B. Vajpayee, the work for 4-laning of the Dimapur-Kohima section of NH-29 has started during the current financial year. This mega project, once completed, will place Nagaland in a central position in the Government of India's Act East Policy.

16. Speaker Sir, I am happy to inform this august House that the much awaited and debated Goods and Services Tax regime is finally expected to roll out with effect from 1st July 2017. This new tax will be replacing about one dozen Central and State levies with a single integrated tax. The key benefits of this new tax regime will be reduction in the cost of movement of goods across the country, and reduction of the incidence of multiple taxation on the same commodity, which results in high prices and inflation. Under the GST regime, the States will also be able to levy tax on certain services, which will help boost revenue of the States. One of the key features of this system is that all transactions will be online. The Taxation Department is actively engaging with the GST Council to ensure a smooth transition to the new tax regime along with the rest of the country.

17. As regards the Budget proposals, Speaker Sir, I am estimating the gross receipts at Rs. 16,657.26 crores and gross expenditure at Rs. 16,365.17 crores for the financial year 2017-18. The broad item-wise statement of the estimated gross receipts and gross expenditure is as under:-

A: RECEIPTS	(Rs. in crore)
State's Own Tax and Non-Tax Revenue	: 795.96
State's Share in Central Taxes	: 3200.00
Central Assistance (Grants & Loans)	: 6860.94
Internal Debt (including WMA from RBI)	: 5798.45
<u>Recovery of Loans and Advances by State Govt</u>	<u>: 1.91</u>
Total	:16,657.26
B: EXPENDITURES	
Non-Plan Expenditure (excluding Servicing of Debt)	: 6526.84
Servicing of Debt (including repayment of WMA)	: 6117.82
<u>Plan Expenditure (including CSS)</u>	<u>: 3720.51</u>
Total	: 16,365.17
C. BALANCE (A-B)	: 292.09
D. PUBLIC ACCOUNT (NET)	: - 72.05
E. CURRENT TRANSACTIONS (A-B+D)	: 220.04

The current year's transaction is estimated to result in a positive balance of Rs. 220.04 crores. However, because of the negative opening balance of Rs.1657.87 crores, the year 2017-18 is estimated to close with a negative balance of Rs. 1437.84 crores.

With these words, Mr. Speaker sir, I commend the Budget for 2017-18 to this august House for consideration and passing.

