



GOVERNMENT OF NAGALAND

BUDGET SPEECH

of

Shri Neiphiu Rio
Chief Minister,
Minister in-charge, Finance
For 2020-21

Kohima, the 13th February 2020

Speaker Sir,

1. I rise to present the budget for the year 2020-21 before this august House.

2. The coming financial year 2020-21 is important for the State because it marks the commencement of the Fifteenth Finance Commission Award period. You are all aware that the tenure of the Fifteenth Finance Commission has been extended by another year upto October 2020 and so, the submission of the final report of the Commission has been delayed. The Commission has, however, submitted its report for the year 2020-21. The Commission will be submitting a separate report for five (5) years for the period 2021-22 to 2025-26 by October 2020. We are accordingly proceeding with a full budget.

3. Speaker Sir, two Members of the Fifteenth Finance Commission – Dr. Ashok Lahiri and Shri Ajay Narayan Jha, had recently visited our State from 8-10 January 2020. Their trip was planned as they had not come earlier during the first visit of the Commission to our State during November 2018. We had meaningful discussions with them and have conveyed to them the problems we face, such as the remote location of the State and the increase in financial problems after the pattern of financing contained in the 16 Point Agreement was discontinued. I have also mentioned the need for support in completing the Trans Nagaland Highway (Foothill Road) and for Ciethu Airport. Hon'ble Minister Planning also mentioned the pressing need for funds to maintain the capital assets being created under various programs, and the problems the State faces due to the discontinuation of SPA funding, which has left the State with a financial liability of Rs. 529 crore.

4. We have also explained to them the historical reasons for the high number of Government employees and the resulting high salary expenditure. The ratio of Government employees to the population is among the highest in the North East and perhaps even in the country. The problems we face in implementing Central Schemes due to poor communication network and limited banking facilities were also explained. We also informed them of the problems caused by the non-release of grants to Urban Local Bodies due to the inability to hold Municipal elections. Although representatives have not been elected, the ULBs are functioning normally headed by Administrators, and are providing basic services and amenities to the public. Accordingly, we have requested the Commission to provide funds to enhance their functioning and capacities.

5. We have also requested the Commission to give due consideration in covering our revenue deficit and recommending State Specific grants to ensure that there is a minimum level of development in the State. This was felt necessary because the Fourteenth Finance Commission had not recommended State Specific Grants citing the increased devolution to States by 10% from 32% to 42%. But this increased devolution did not benefit our State since we continue to remain revenue deficit even after the awards. As a result, we were unable to set aside adequate resources to take up developmental activities. Accordingly, we have requested the Commission to recommend State Specific Grants for infrastructure projects. The Commission has also been kind enough to permit submission of additional memorandum in case we desire. This will be a good opportunity for us, and the required details are being prepared for submission. The two Members have also advised the State to give more focus to the agri and allied sector. We are hopeful of a favourable response from the Commission.

6. Speaker Sir, the resolution of the Indo-Naga political issue has been the PDA Government's most important agenda. Though the State Government is not a direct party to the ongoing negotiations, we have committed to the people that we will play the constructive role of an active facilitator in the peace process. We have continued our efforts and endeavours to create an enabling atmosphere for the peace process to make positive headway. The Joint Legislators' Forum (JLF) comprising of all 60 Members of this House and the two Members of Parliament have risen above party affiliations and set aside differences to come together under one banner to facilitate the peace process. I extend my sincere appreciation to all the Members of this House for your positive participation and contribution towards the endeavours of the JLF. I take this opportunity to place on record our appreciation to the civil society organisations, Tribal Hohos, Church bodies, NGOs and all sections of the people who have contributed significantly to strengthen the peace process. Following the meeting of the JLF on 12th February 2020, a Core Committee has been constituted with the task of meeting all the stakeholders in the Peace Process to bring out more clarity and consensus.

7. I appeal to all sections of the people to make further efforts towards unity, oneness and reconciliation because it is only through unity that we will be able to overcome the challenges and the hurdles that lie ahead. Our people have been crying out for real peace for several decades. The by-products of the Naga Movement have been violence, political instability and social turmoil, all of which have negatively impacted our common quest for progress and growth. Generations of our youth have been denied opportunities thereby preventing them from coming at par with their counterparts elsewhere in the world because of the extraordinary challenges that have arisen as a result of our political movement. As a people, we cannot delay peace any

longer. We owe it to the present and future generations to usher in peace and pave the way for them to strive towards their aspirations of achieving success and excellence. Today, we live in a global village where the youth are equal international citizens under an environment of competitiveness. We must admit that in the past decades, our youth have been disadvantaged due to the insurmountable challenges they have to overcome before even competing with the rest of the global community. Under such circumstances, we cannot expect them to attain excellence and succeed. The time is now more than ripe for us to walk the extra mile to achieve genuine peace. Let us not miss this golden opportunity that has been offered to us to bring about lasting peace for the sake of our people, especially the youth and the future generations to come.

8. Speaker Sir, all leaders across the spectrum must be prepared to face the realities and the hard truths and we must be prepared to address the core issues without any hesitation. It is time to do away with rhetorics and be practical in our approach. We cannot allow the issue to drag on any further. As leader of this House, on behalf of every Member, I once again appeal to the negotiating parties to listen to the cry of the people and sincerely work towards achievement of lasting peace. We appreciate the Government of India for their sincerity and for acknowledging the unique history of the Naga people. I further urge the Centre to make the extra efforts to usher in an early political settlement that is honourable, one that upholds the democratic political rights of the Nagas.

9. The Naga people have significantly contributed towards the nation building process of this great country, and I am confident that with the advent of peace, our people will be able to make much more contributions towards the growth and advancement of

our country. Once the impediments of violence and political struggle are removed, I am hopeful that our youth will break free from the shackles that hold them back, and bring glory to our land and people. An honourable solution that is acceptable will not only pave the way for progress and development but will surely strengthen the foundations of democracy within the country and also elevate our standing amongst the international comity of nations. Let us all work towards this aspiration in a spirit of togetherness with renewed commitment and sincerity.

10. Speaker Sir, much has been spoken about the Citizenship Amendment Bill (CAB) which is now the Citizenship Amendment Act (CAA), 2019. The CAB had created serious apprehensions in the minds of the people not just in Nagaland but also across the region. The PDA Government had always maintained a consistent stand from the very beginning as we have said that Nagaland is protected under the provisions of Article 371A of the Constitution and the ILP Regulation of the Bengal Eastern Frontier Regulation, 1873. We consulted all stakeholders including the civil societies and tribal hohos on 31st January 2019 and it was collectively resolved to oppose the bill while observing that Nagaland is protected under the special provisions. In this meeting held at Rhododendron Hall in Police Complex Chumukedima, a resolution with civil societies was adopted which was followed by an Assembly resolution dated 25th February, 2019. In both the resolutions, while opposing the Bill, it was observed that Nagaland is protected. The State Government had also taken up the matter with the Government of India our opposition to the Bill and demanded exemption of Nagaland from the purview of the proposed law. The Government of India, through the Union Home Minister, held consultative meetings with Naga civil society, tribal hoho representatives, political parties and NGOs on 3rd December 2019 wherein it was

committed that Nagaland would be exempted in view of the ILP regime of BEFR 1873. The CAB was discussed and passed by both Houses of Parliament and is now law in the shape of the CAA. Now the provisions of the ILP and the BEFR 1873 have been mentioned and incorporated into a union law and have received constitutional endorsement

11. What was once a difficult situation has turned out to our advantage as the ILP and BEFR 1873 are now further strengthened not just for Nagaland State but also for other neighbouring States of the North Eastern region. Our consistent stand that we are protected has been vindicated as our neighbours also began to demand the introduction of the ILP regime in their respective States so that they too can be protected and exempted. The ILP regime is now further strengthened as other North Eastern States are also covered by the same provisions and we can collectively address any concerns whenever the situation may arise.

12. Speaker Sir, I had in my last budget speech asked departments to begin thinking in terms of projects that enhance productivity, having the potential of generating revenue and resources to drive our economy forward. There is a misconception that all plan allocations are meant for constructions only. In the process, we are neglecting core areas of functioning of departments, leaving them stagnant and making them ineffective. We need to have the ability to respond to changing situations and circumstances and address issues and problems that confront us, otherwise we will never be able to move forward.

13. Speaker Sir, my Government has taken some innovative steps in some key sectors of focus which I shall highlight briefly below:-

14. Speaker Sir, recognizing the felt need for assisting the youth to make the right career choices, the Department of YRS will be taking up a program called “Career Guidance and Employability Skills Development Program” during the next financial year. This program will help to create career awareness among 2000 students and help them to make informed decisions about their future. More importantly, it will help them to make career choices in line with their interests, abilities and strengths. This program will impact 37 Higher Secondary Schools across 11 districts in the State. It has a targeted job placement of over 70% for the job seekers. This program will also help the Government to acquire better insight into the areas of Higher Education, Skill Development and jobs in both the Government and private sectors. I have earmarked Rs. 1.25 crore for this initiative during 2020-21. As a part of the Government’s initiative to improve sports infrastructure, I have earmarked Rs. 10 crore for installation of astro turf football grounds at Chumukedima Police Complex and at Loyem Memorial Ground Tuensang.

15. Nagaland has successfully hosted the 9th edition of the North East Dr. T. Ao Football Trophy where all States of the North East participated under the aegis of the All India Football Federation. Ahead of the championships, the facilities of the Indira Gandhi Stadium were upgraded with international facilities that include astro-turf football pitch, high quality floodlights and world-class player facilities. This stadium is now capable of hosting national and international events. The international motorsports events organized during the Hornbill festival attracted dozens of international and national participants putting Nagaland on the motorsports map of the Asia Pacific region. Nagaland is becoming a destination for adventure and motorsports, which is closely linked with the tourism industry and there are vast potentials for growth in these areas.

16. While there is much room to improve further in sports, I want to assure the sports fraternity of the State that the Government in close collaboration with the Indian Olympic Association and the Nagaland Olympic Association is formulating a plan that will promote sports and games as gainful professional careers even as we prepare to host more national and international events in the coming years. Nagaland must emerge as a State with a vibrant sports culture where our sportspersons win medals and stand on victory podiums not just at national events but in international arenas also, and bring pride and glory to our State and country.

17. TAFMA is working to create opportunities for all sections of talents from every part of Nagaland to reach out towards their dreams and aspirations. In the past six months alone, TAFMA has partnered with the Indian Council for Cultural Relations (ICCR), collaborated with multinational companies and FM stations to promote musicians. New initiatives include Open House in every district of Nagaland, Think Fests engaging renowned resource persons for capacity building, the Nagaland Choir Olympics and Master Art Classes. Two global music legends, Dr. A. R. Rahman and Pt. Vishwa Mohan Bhatt have signed agreements with us to mentor and promote our musicians and artists. The Hornbill Music has been rehashed as an experiential festival where 67 local bands performed in 15 venues across different districts, and bands from as far away as Hungary and the United Kingdom performed in Nagaland with a footfall of more than one lakh thirty thousand. Upcoming projects include residencies, scholarships, exchange programmes with knowledge partners and collaborations with art institutions including exhibitions at the India Habitat Centre, New Delhi. The music and arts industry is now on the right track with encouraging leadership and engagements from the real stakeholders of the industry.

18. In the Land resources sector, with a view to provide a much needed thrust to the growth in rubber cultivation in the State, I am setting aside an amount of Rs. 2 crore for purchase of rubber rollers that will cover 10% of the mature tapping plants. Under the active support of the department, rubber cultivation has now expanded to a coverage of 19,077 hectares, out of which 2,571 hectares are already being tapped and 626 numbers of rubber rollers have been distributed to the deserving beneficiaries. I intend to now cover an additional 8,280 hectares that is matured for tapping so that the farmers are encouraged. This is an area that has much potential to promote entrepreneurship and add to the economy of the State.

19. I am happy to mention that Nagaland has been awarded the best performing state among small States in Law & Order for the year 2019 by the India Today Group 'State of States Survey 2019' for the second consecutive year. The State Police is also improving basic infrastructure facilities along the border to enhance security and striking capacity of our State Police.

20. Nagaland was also ranked first among the Northeast and Hill State category in the State Services Portal Assessment in 2019. The assessment took into account key parameters such as accessibility, ease of work, end service delivery, integrated service delivery, content availability, information security and status and request tracking. This was announced by the Government of India at the 23rd National e-Governance Service Delivery Assessment on 8th February 2020. Nagaland was selected based on adoption of good practices such as digital signature, online payment facility, single payment gateway for all channels, seamless integration of portals with social media apps, online submission of forms, apps for citizen services and online payment for services availed through mobile devices etc. This is

an encouraging trend, and reflects the steady transition of our functioning to online systems. I urge the departments to adopt all possible measures to migrate to online platforms to bring about more transparency and efficiency.

21. The Department of School Education has taken up several innovative steps. It has initiated steps to revive old culture and traditional values and improve quality of learning through morung traditional methods in partnership with NGO's in Tuensang and Longleng districts. The department has also started the Chief Minister's Meritorious Students Fellowship Programme (CMMSF) and awards have been given to 50 meritorious students amounting to Rs. 50,000 per student per annum. They will continue getting this amount for a period of 5 years provided they maintain prescribed levels of academic performance. I am confident these measures will bring about qualitative improvements in the educational system.

22. Music has been introduced in 11 GHSS (District Headquarters) as a co-curricular subject, while Belt Wrestling which is under the umbrella of All India Traditional Wrestling Federation, a style very similar to Naga wrestling has also been introduced in 100 Schools.

23. In the Higher Education stream, I am happy to announce that a Professional College of Engineering is being set up at Tsurangsa under Mokokchung District. The department is also working hard to get all the Government colleges get NAAC accreditation.

24. The State Government views the Tourism and related service sector as one of the key areas which can positively contribute to the enhancement of the local economy. There is no doubt that the

Tourism industry has the potential to contribute towards economic growth, attract investments and generate huge amounts of employment. Our approach of promoting the age-old culture, rich heritage and vibrant festivals of our people has paid positive dividends. The tourism slogan of the State, “Land of Festivals” is now internationally acknowledged and “Brand Nagaland” is receiving worldwide recognition.

25. The 2019 edition of the Hornbill Festival set new records and created higher benchmarks. An independent agency which carried out an ‘Economic impact analysis’ of the festival, revealed that the revenue generated in the local economy throughout the State in the direct tourism industry was more than Rs. 100 crore whereas the employment generation was more than 8000. International tourists from more than two dozen countries attended the festival. The total number of tourists at the festival was more than 2,80,000, reflecting a growth of 12.53 percent, which is much higher than the target of 5 to 7 percent. In the food and local services alone, conservative figures indicated local revenues in excess of Rs. 75 crores. This year the festival was further expanded to more areas as events were held in 5 districts and tourists extended their visits to all corners of the State. The aim of the State Government is to further promote tourism events not just within the State but take promotional programmes beyond our boundaries so that the tourism industry touches and benefits every district of Nagaland.

26. The State Government has signed

an MoU with the global brand Airbnb to promote homestays and experiential tourism. Through this initiative we are bringing the grassroot players into the tourism industry while ensuring that all citizens have the opportunity to generate gainful opportunities

while offering unique experiences to our guests. This initiative is going to change the dynamics of rural tourism where Nagas will have the world visit our homes under a responsible tourist environment, while we preserve our unique culture without making any compromises on our heritage and our precious environment. Nagas are by nature known for our hospitality and it is about time that such hospitality is monetised in order to boost our economy. The prestigious Overseas Travel Mart in Mumbai has awarded Nagaland as the “Most Promising New Destination”. The Tourism Department has also launched the Holy Land Tours in collaboration with the Israeli Tourism Ministry where church members undertake the holy land tours under full sponsorship for a wholesome and meaningful experience. Those who undertake the tour are selected on the recommendations of various Church organisations.

27. The Department of Fire and Emergency Services has obtained approval of the Government of India for setting up a Regional Emergency Management Training Institute (REMTI) and Regional Response Centre at Chiechama, Kohima District, for the State as well as the North Eastern region for Disaster Management and its mitigation since the region is located on one of the most disaster prone areas of the country.

28. The Department of Underdeveloped Areas has been actively working to scale up the skills of farmers, entrepreneurs and unemployed youth in the Eastern part of Nagaland to enhance their income and living standards and also provide them with marketing linkages in the form of collection and business centres from where the products will be shipped to retail outlets within and outside the State. During the current financial year 2019-20, the department has given special emphasis to development and

production of apparel, clothing line and handicrafts. I am sure many of you are aware that the State Government on 28th January 2020 has launched our very own fashion brand 'Mongken' in the capital city of Delhi. This initiative will create economic opportunities for local designers and skilled artisans and craftsmen, especially from the eastern region of the State. It will also take steps to patent traditional motifs and weave patterns, and promote and preserve traditional knowledge.

29. Speaker Sir, the lack of adequate resources of our own has always been a problem for our State. Despite efforts made over the years, we have a small tax base and so, the scope for expanding our tax base is limited. I am happy to note that with the introduction of GST, we have brought almost all dealers into the tax net. GST has also brought the additional benefit of destination based principle because of which consuming States are being benefitted. But our tax base will gradually get saturated, leaving us with fewer options such as new measures of taxation. Enhancement of efficiency and transparency to increase our revenue is what is required immediately. I have decided that it is time we start to explore all possible means to generate more resources for funding developmental activities. Some of the measures that I have taken up in this budget are briefly explained below:-

- (i) We are all familiar with the huge number of different types of heavy machinery and non-transport vehicles and equipments that are being purchased within the State as well as brought into the State for commercial activities. I propose to levy a one-time registration fee at the rate of 3% of the original cost of the vehicle for those purchased within the State for the first ten (10) years. Subsequently,

they shall be required to pay tax at the rate of 1.5% of the original cost for the next five (5) years. Those that are declared to be for exclusive personal use shall be excluded from this tax, including agricultural tractors.

- (ii) For old vehicles or machinery of the above category that are not registered in the State and are yet to complete ten (10) years and plying in the State for commercial activities shall be required to pay a one-time tax at the rate of 3% of the original cost of the vehicle after allowing for depreciation in value at the rate of 7% per annum, till the age of the vehicle reaches ten (10) years.
- (iii) For vehicles of the above category that are already registered in other States but have been brought to the State for a temporary period for commercial use, I propose to levy an Entry Fee at the rate of 1% of the original cost of the vehicle annually.
- (iv) In the petroleum sector, the rate of duty on petroleum products is being enhanced from 10% for diesel to 14.5% and from 20.38% for petrol and other motor spirit to 25%. I also propose to raise the rate of Road Maintenance Cess on petroleum products from Rs. 1.50 paise per litre to Rs. 2 per litre. These two measures are expected to generate additional revenue of Rs. 33 crore annually. The new rates shall become effective from the midnight of 15th February 2020.
- (v) In addition to these, the Government is also actively examining a few other options to generate more resources for funding developmental activities. The exercises are

expected to be implemented within the current financial year itself.

30. Speaker Sir, while the State Government will continue to make all possible efforts to mobilise resources for its various activities, let me also remind all the citizens of our responsibility in ensuring that we pay the dues of the Government such as power and water bills and various taxes, so that our society can gradually move forward to better economic conditions. We will also continue our efforts to streamline the revenue collection systems of the Government in various sectors to enhance efficiency and increase transparency.

Budget proposals:

31. Speaker Sir, the recently tabled Union Budget of 2020-21 has shown a fall in tax collections by the Central Government in the Revised Estimates of 2019-20. Initially, in the Budget Estimates of the Union Government the Share of Taxes for Nagaland was projected at Rs. 4206 crore. However, in the Revised Estimates of the Union Budget, it has been reduced to Rs. 3267 crore, a reduction of Rs. 939 crore. The shortfall in tax collections of the Centre has affected all States alike. As a result, the year 2019-20 is estimated to close with a deficit of Rs. 2234.85 crore. It may be clarified that the State's closing deficit has not deteriorated by the reduced amount in the Share of Central Taxes due to improvements in the mobilisation of our own internal resources.

32. As regards the Budget proposals, Speaker Sir, I am estimating the gross receipts at Rs. 20826.02 crore and gross expenditure at Rs. 21049.87 crore for the financial year 2020-21. The broad item-wise statement of the estimated gross receipts and gross expenditure is as under:-

A : RECEIPTS	(Rs. crore)
State's Own Tax and Non-Tax Revenue	: 1283.36
State's Share in Central Taxes	: 4493.37
Central Assistance (Grants & Loans)	: 8871.15
Internal Debt (including WMA from RBI)	: 6176.64
<u>Recovery of Loans and Advances by State Govt</u>	<u>: 1.50</u>
Total	: 20826.02

B : EXPENDITURES

Non Development Expenditure (excluding Servicing of Debt)	: 8715.30
Servicing of Debt (including repayment of WMA):	6241.42
<u>Development Expenditure (including CSS etc)</u>	<u>: 6093.15</u>
Total	: 21049.87

C. BALANCE (A-B)	: (-)223.85
D. PUBLIC ACCOUNT (NET)	: 99.89
E. CURRENT TRANSACTIONS (C+D)	: (-)123.96

33. The current year's transaction is estimated to result in a negative balance of Rs. 123.96 crore. However, because of the negative opening balance of Rs. 2234.85 crore, the year 2020-21 is estimated to close with a negative balance of Rs. 2358.81 crore.

34. With these words, Mr. Speaker sir, I commend the Budget for 2020-21 to this august House for consideration and passing.