

**CONCEPT PAPER FOR THE TASK FORCE
FOR RECOMMENDING A REGIONAL PLAN FOR THE
NORTHEASTERN REGION INCLUDING SIKKIM**

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INTRODUCTION: In its 56th Plenary Session of the NEC meeting at Agartala held on the 12th and the 13th of May 2008 the Vision 2020 Document was adopted by the NE Council. It was unanimously stated at the NEC meeting that funding for the North East for which 10% GBS was **an entitlement** of the NE States **as against the present form of grant**, was being done in an incomplete and insufficient manner.

Firstly, the **entire 10% GBS** has not being spent for development of NER even in a single year since its commencement in 1998. Secondly, the line Ministries were spending their portion of GBS not completely in accordance with the needs of the region, but in pursuance of their own central policies and for schemes which were of all India nature and not tailored for the needs of North Eastern States. This resulted in inefficient and irrational expenditure in economic terms. It was also unanimously stated that the funds granted to the NEC and NLCPR were totally inadequate to meet their committed liability not to mention initiation of any new schemes.

It was therefore decided that in order to translate the Vision 2020 into realizable programme objectives, a Task Force headed by Secretary NEC comprising of representative of MoDoNER, the Chief Secretaries of the eight States would be set up to recommend an appropriate strategy. The Task Force would work out the funds requirement, taking into account the 10% GBS which is an entitlement of the NER States, and enable the NEC to actively perform its mandated role as the Regional Planning Body for the region.

SPECIFIC ISSUES

The specific issues that need to be addressed are summed up below:

- Operationalising NEC to fulfil its mandatory role as the Regional Planning Authority

- Operationalising the role of the Ministry of DONER as the Ministry for the Development of North-East Region, not as the administrative authority only for NLCPR. This specifically involves:
 - Recognition by GOI that NLCPR is an entitlement and, as such, should be placed entirely at the disposal of DoNER that restricting NLCPR availability to annual budget grants (which are running at the fraction of the accumulated availability).
 - Placing 10% GBS entirely at the disposal of DoNER so that NEC is able to plan the utilization of the entire amount in consultation with State Governments and the Union Ministries concerned followed by DoNER administering releases to the Union Ministries/States concerned while NEC sets up a well-manned Monitoring and Vigilance Division to oversee implementation and undertake project evaluation for the subsequent Plan period.
 - Continuation of Plan grants and Non-Plan grants to NEC to fund NEC projects and assure their proper maintenance.
 - Preparation of Memorandum to the Thirteenth Finance Commission to match Plan grants with Non-Plan grants to assure maintenance and assets created.
 - Complementing the roles of NEC and DoNER so that NEC liaises with State Governments while DoNER acts as their liaison with Union Ministries.

I. BACKGROUND : The Northeastern Region (NER) despite having abundant resources and categorized as a 'special category' region remains economically backward even after sixty years of India's independence, plagued with factors which are not conducive

for economic growth, such as, poor connectivity and weak governance. The Central Government being aware of this situation accorded specific attention for development with special emphasis on infrastructure in the region. Special focus has been given to the economic development of the NER in the Five Year Plans with sectoral strategies formulated for infrastructure development, provision of basic minimum services and special safeguards for the various ethnic minorities operationalised through the 5th and 6th Schedule of the Constitution. Further, in 1972, through an Act of the Indian Parliament, a regional council, the Northeastern Council (NEC), was constituted with the Northeastern State Governors and Chief Ministers as its members. It was mandated as a regional planning advisory body exclusively for development of the region and is the only one of its kind in India. The Act was amended in 2002 making it as the Statutory Planning Body of the region. Apart from these special measures, the eight States of the region are implementing their own developmental (social and infrastructure) schemes. Various central ministries are also outlaying funds through their respective budgets for development of their respective sectors. However, even after of such attention, outcomes have not been commensurate with the desired achievements, inputs, activities and outlays.

The above developmental programmes of all the Ministries/agencies and funds required for the different programs are allocated by the Planning Commission of India, the paramount planning organization of India, set up by a Resolution of the Government of India in March 1950. While the approach of the Planning Commission to invest significantly on infrastructure have arguably been successful elsewhere in the country as is evident by existing macro economic indicators, the same cannot be said for the Northeast Region.

Causal factors cited by the Planning Commission in the 'Approach to the 11th Plan' have attributed this to the legacy of Partition of India which has caused disconnectivity and erasure of traditional accessible terminal markets, weak governance leading to indifferent implementation of programs and almost nil evaluation. In recognition of the fact that the region should be developed in a way that it can reclaim market advantages lost due to Partition of the country, the Government of India has enunciated an approach to develop the Northeastern India on a regional basis by investing significantly on key infrastructures for the development of the region while at the same time expressing the hope that governance would improve.

II. GENERAL BACKGROUND OF THE NE REGION.

The Northeastern Region is located in a junction with China (Tibet) in the north, Myanmar in the East and Bangladesh in the South. Eight States viz. Assam, Arunachal Pradesh, Manipur, Mizoram, Meghalaya, Nagaland, Sikkim and Tripura are located in the region. It shares only 2 percent of its borders with the rest of India. The populace is a mix of tribal population and non-tribals having their origin, nature and by ethnicity and culture to be more related to ethnic groups inhabiting western parts of China, southwest Tibet and Myanmar and further a field into Southeast Asia. It would not be out of place to claim that the Northeast in terms of its geographical and demographic characteristics is the point where Southeast Asia begins. As may be noted from any map of India territorially, the region is physically connected with the rest of India through a land area measuring 29 kms popularly called as the 'chicken's neck'. The Northeastern Region is considered remote because of this fact and because of the inadequate connectivity over

land, air or sea with the rest of the Indian mainland and with neighbouring countries.

(ii) The region is resource rich with proven deposits of crude, dolomite, limestone, coal, and high-grade uranium in one of the states. The region is also known for its unique biodiversity, flora and fauna, has the highest level of forest coverage in the country and the highest potential for hydropower. The following table is illustrative of the potential and resources of the Northeastern region.

Agro-Forestry	<p>Accounts for 26 % of the Forest cover of India.</p> <p>Largest producer of bamboo.</p> <p>World's Single largest Tea growing region (16% share).</p> <p>Largest producer (share of 55%) and Exporter of Tea in India</p> <p>Producer of premium quality Jute and silk.</p> <p>Horticulture and herbal resources.</p>
Minerals	<p>India's oldest & major Petroleum and Natural Gas Source, with shares of 16% and 8% respectively of total production.</p> <p>Other major Mineral Resources include: Coal, Limestone, Dolomite and uranium.</p>
Hydel Power	<p>The region is assessed to have the largest hydel power generation potential in the country (60,000 MW)</p>

River/ Waterways	The river network provides cost effective transport for movement of goods, notably to neighbouring countries and to Indian ports like Kolkata, & Haldia.

¹ NEDFi Databank: Statistics and facts about the Northeastern Region can be found on this webpage linked with the website on the Ministry of Development of Northeastern Region at www.mDoNER.gov.in

(iii) Apart from being bestowed with such abundant resources and potential, all the Northeastern states have been accorded with **special category status** by the Central Government. In layman terms, this means that the Government of India funds 90 percent of their capital budget requirements. In addition to these funds released through the State Plans, assistance is also made through Centrally Sponsored programs where states contribute 10 to 25% share and also through schemes fully funded by the Government of India and defined as Central Sector Schemes.ⁱ It is also the only region in the country which is served by a special regional planning body, the Northeastern Council (NEC) set up in 1972 through an Act of the Indian Parliament as a regional planning and developmental body, mandated with the mission of coordinating and facilitating development of the region. The NEC is allocated with its own budget and till the end of the March 2007 had invested over Rupees 8000 crores in the region. Most of the funds have been earmarked for road construction and hydropower generation.

III. NORTH EASTERN COUNCIL - Status

(i) However, while the positive factors have an important role to play in the development of the region with the NEC as the Regional Planning Authority for the North Eastern region, there are several constraints both physical as well as administrative, which need to be tackled. The major bottlenecks are

- (1) Undefined relationship of NEC with the Planning Commission
- (2) Absence of any administrative order specifically assigning the NEC as a Regional Planning Body.
- (3) The meagre size of the budget/resources available for the plans which NEC has been mandated to plan for.
- (4) The restricted role of the Ministry of DoNER as a Ministry primarily meant to look after the NLCPR funds essentially.

(ii) A significant step taken by the Union Government for promoting the inclusive development of the North East was the establishment of the North Eastern Council in 1972 through an Act of Parliament as the apex level advisory body for the then seven States/UTs of the North-East Region. The advisory role of the Council, which comprise the Constitutional and politico-administrative heads of the constituent units, was aimed mainly at the following:

- i) As the Regional Planning Body : For development of regional infra-structure mainly 'in the field of economic and social planning' (e.g. inter-state transport & communications, power, flood-control and other matter of common interest); 'securing the balanced development of the north eastern area', formulating a unified and coordinated Regional

plan (which will be in addition to the state plan) in regard to matters of common importance; prioritization of the projects and schemes in the Regional plan, and ‘reviewing’ their implementation from time to time.

- ii) As the Regional Forum: to “.... Review from time to time the measures taken by the States represented in the Council for the maintenance of security and public order therein and recommend to the Governments of the States concerned further necessary measures in this regard”.
- iii) As the Inter-State Co-coordinating Forum for the NER: on the lines of Zonal Council that had been established in other regions of the country under the States Reorganization Act 1956.

(iii) In accordance with the Act, the NEC established its own Secretariat. The NEC Secretariat consists of a Secretary who is assisted by the Planning Adviser, a team of advisers on Planning, Finance, Transport & Communication, Banking, Industries, Tourism and Horticulture and other officials. The Act stipulates that the Secretariat staff of the Council shall function under the direction, superintendence and control of the Chairman. Apart from its Statutory Role, the Council was allocated an annual budget mainly for the development of the regional infrastructure. The Plan funds allocated to the Council were in addition to the central allocation for the State Plans in the Region. A total of Rs. 7558.78 crore has been invested by the Council since its inception in 1972 till the end of the 10th Plan on 31st March, 2007. A major portion of the funds was utilized in the Transport & Communication. The Council was allocated an amount of Rs. 2511.5 crore during the 10th Plan and Rs. 600 crore in 2007-08 and Rs 624 crores for 2008-09 for the first two years of the XIth Plan.

(iv) Conceptually, it is abundantly clear that given the geo-political environment, the NEC is an excellent institution and remains the most important institution (symbol) in the NER representing the goodwill and concern of the Government of India for the people of the NER. It is in one sense a symbolic representation of the national concern for the region and the Government's resolve and effort to overcome the obstacles confronted by the people of the region in their development.

IV. DONER:

(i) In order to sharpen the focus on the Region and give fillip to the accelerated development of the Region the Government of India created the Department of Development of North-Eastern Region (DONER) in September 2001 which was upgraded to the status of a separate Ministry in May 2004. Apart from its other functions DoNER became the administrative Department/Ministry for NEC, a task earlier handled by the MHA. The ministry was allocated the following functions.

- Matters relating to the planning, execution and monitoring of developmental schemes and projects of North Eastern Region including those in the sectors of Power, Irrigation, Roads and Communications
- Hill Area Development Program and Border Areas Development Program in North Eastern Region
- Non-lapsable Fund for the North Eastern Region
- North Eastern Council
- North East Development Finance Institution (NEDFi)
- North Eastern Regional Agricultural Marketing Corporation Limited (NERAMAC)
- The Sikkim Mining Corporation Limited

- North Eastern Handloom and Handicrafts Development Corporation (NEHHDC), Shillong
- Road works financed in whole or in part by the Central Government in the North Eastern Region
- Planning of Road and Inland Waterways Transport in the North Eastern Region

Note: While the Ministry of Development of North Eastern Region would coordinate with various Ministries/ Departments primarily concerned with development and welfare activities in North Eastern Region, respective Ministries/ Departments would be responsible in respect of subjects allocated to them.

(ii) The creation of DoNER was a result of the recommendations of the Shri S P Shukla Commission that submitted its report on March 7, 1997. The NLCPR was created in 1998 with the stipulation that the unspent balances of 10% mandatory provision for the NEA should be placed in a pool and the funds available in the pool should be spent for the upliftment of the NEA. All these eventually led to the transfer and control of the NEC from the MHA to DoNER in 2001. The important reason why this was effected was also based on the fact that the MHA by virtue of its role and preoccupation with the maintenance of the general law and order security etc in the country was not geared up to take on the role of a development ministry. Because of this disconnect between the functions and role assigned to MHA and the supportive role needed by the NEC for affecting development for the NER, a change was felt necessary. The DoNER was therefore assigned the role to play a more focused role for the NER. The NLCPR funds were to be regulated and monitored by it as a Department. DoNER was elevated from a Department (in September 2001) to a Ministry on 27th May 2004. DoNER was never meant to be a substitute for NEC but was meant in reality to be a Ministry to undertake the focused attention of development of the

NER and in that process play the supportive role from the Centre to enable NEC to function much more effectively.

(iii) The primary role therefore, of DoNER was to concentrate and ensure that the various line Ministries in the Govt of India spent their 10% GBS on the NER. Secondly, as the parent Ministry for NEC it should facilitate the effective functioning of the NEC by providing the necessary supportive role required by it at and from the Centre by coordinating with other line Ministries in Government of India.

(iv) DoNER from 1999 to 31st March 2007 funded 944 projects in total at an approved cost of Rs.6848 crore and funds released so far is Rs.5182 crore. This does not include 200 retained projects costing Rs.2164 crore.

(v) The NEC on the other hand released and expended since its constitution approximately Rs 8000 crores as indicated below.

PLAN	PERIOD	OUTLAY	AMOUNT RELEASED
1	2	3	4
4th Five Year Plan	1973-74	0.33	0.28
5th Five Year Plan	1974-75 to 1977-78	65.11	53.93
Rolling Plans	1978-79 & 1979-80	82.45	65.33
6th Five Year Plan	1980-81 to 1984-85	417.15	385.34
7th Five Year Plan	1985-86 to 1989-90	811.05	779.80
Rolling Plan	1990-91 & 1991-92	424.50	423.83
8th Five Year Plan	1992-93 to 1996-97	1648.00	1419.05
9th Five Year Plan	1997-98 to 2001-02	2114.00	1935.55
10th Five Year Plan	2002-03 to 2006-07	2511.50	2495.67
	Grand Total	8074.09	7558.78

V. IMPACT OF OUTLAYS

(i) Despite the Budgetary outlays and actual disbursements invested so far, the perception has been of a distinct gap between the actual investments required and the actual funds being invested. The creation of the NLCPR regime in 2002 whereby 10% of GBS in respect of all ministries except for certain ministries such as the M/O Defence has been earmarked for the NER is yet to be realized fully. Hence, according to the Planning Commission's own analysis, it is reported that communications infrastructure is insufficient with

a minimal rail network, poor air connectivity and substandard highways. In fact, it can be said that the overall socioeconomic situation has not significantly changed even from the previous decade as would be evident from the speech of the former Prime Minister in India, (H.D. Deve Gowda) on 27th October 1996 where he pointed out that Assam was in the forefront of the economic development of the country 100-150 years ago. It was a pioneering state and enterprising entrepreneurs invested in the development of tea plantation, oil, coal mining, forestry, railways and inland waterways but has subsequently lost its imminent position.

(ii) The reasons for this, besides the physical bottleneck created by the partition of the country which virtually segregated and isolated the region from mainstream development process, emanate from the constant shortages of funds of the NEC that impede to a large extent all developmental activities. This has adversely affected the working of NEC as a Regional Planning Body. The present allocation of Rs 600 crores during 2007-08 and allocation of Rs 624 crores for 2008-09 is grossly inadequate. As against the present allocation there is a committed liability at the beginning of the 11th Five Year Plan carried forward from the Ninth and Tenth Plans of Rs 2202.08 crores. Out of this Rs 1767.72 crores alone is meant for the Transport and Communication Sector and another Rs 225.53 crores is for the Power Sector. Therefore approximately Rs 2000 crores are meant to meet the committed liabilities of the Transport and Communication and Power Sector. Converted annually into the first four years of the XIth Plan Period into percentage, this requirement constitute about 80% of the total budget of the current financial year (2008-09). Since the bulk of the amount is committed for meeting past liabilities the residual amount is totally inadequate to meet fresh developmental programmes and schemes for the region. Simultaneously, the

Ministry of DoNER has also been given only a portion of the accruals to the NLCPR leaving it to spend very little on the ongoing and new schemes.

(iii) Because of these factors, the NEC was compelled to allocate substantial portion of its annual budget of 2007-08 to meet the expenses of the ongoing schemes mainly, leaving very little for new schemes and projects. **While the intention for enforcing this discipline was understood by the Member States, they have expressed the view that if NEC continues to only provide funds in its budget for ongoing schemes, eventually the concept of consultation with States for preparing the annual budget as a Regional Planning Body may not be required since most of these projects require atleast 2-3 years or more for completion.** In that eventuality, they felt that the relevance of NEC as the Planning Body of the region constitutionally mandated will be redundant and its importance to the State Govts considerably reduced.

(iv) The State Governments of the NER in the recent exercise undertaken by the NEC for preparing its budget for 2008-09 reminded the NEC of the fact that this position is in addition to the existing direction that NEC should consider only schemes and projects which are interstate in nature or those which have interstate implications. The existing condition already restricts the Member States' choice of NEC projects and schemes. Because of both these restrictions in allocating the meagre NEC budget, the whole budgetary exercise undertaken by NEC with them becomes extremely restrictive and hence quite unnecessary. Given these conditions they feel that the State Governments are likely to lose interest in the working of the NEC since the possibility of either

getting new schemes and projects or considering any state-specific schemes/projects becomes remote if not impossible from NEC.

- (v) The North Eastern Council was intended to reinforce the need for cooperation and economic partnership, moderate the escalating demands of the various states and also for providing a common platform for collective decision on the planned development of the region that would benefit two or more states of the region failed. The conceptualization of a regional planning forum therefore, which was simultaneously thought of while the reorganisation of the Northeast was being formulated appears to have had very little impact on the NER.

VI. PROBLEM AREAS NEEDING TO BE ADDRESSED: THE ISSUES

(i) The first ever systematic attempt to identify gaps in infrastructure and Basic Minimum Service (BMS) in the North East was made in 1996 under the Shukla Commission. The Commission in its Report in March 1997 pointed out that an estimated Rs 9396 crores was required to cover the backlog BMS in the seven NE States. Three important components of BMS viz., housing for shelterless poor, rural connectivity and safe drinking water supply were estimated to require Rs 7085 crores which constitute nearly 75% of the resource requirement of BMS. In respect of infrastructure development, the report identified indicative requirement to bridge the huge gaps in key areas at Rs 93619 crores in 1996. Thus it was evident from the report that there is a need for massive flow of resources to fill the gaps of infrastructure and BMS in NE States to give the region a level playing field with the rest of the country. The Vision 2020, which has further examined the matter in great detail

has projected a massive requirement of funds of approximately Rs 13,29,891 crores up to 2020 for the NER to catch up in terms of income levels with the rest of the country. The projection indicated in the Vision Document shows that at the average annual growth rate of 9 percent GDP (FC) at 2006-07 prices or the average increase in per capita income in the country is expected to be an average of 7.6 percent (or Rs 87459 or USD 2250 per capita income). To catch up to this figure with the rest of the country the NE Region has to have an annual growth rate of 13 percent or the per capita income has to grow up by 11.64 percent. (Vision 2020 Vol. I)

(ii) The Central Government duly considering the problems of the Northeast started various special measures including funding of the Annual Plan on 90% grant and 10% loan basis. The Central Cabinet approved the **earmarking of 10% of GBS** (Gross Budgetary Support) **in 1997 for development of the North East**. Under this definition the Budget would include both the IEBR (Internal and Extra Budgetary Resources) and the EAP (Externally Aided Projects). However, subsequently it was decided by the Finance Ministry that the GBS would exclude IEBR but include EAP and would be followed as a uniform criterion of 10% norm. It was also decided by the NLCPR Committee that on the basis of laid down principles which include Departments which do not have direct linkage with North East (like Ocean Development), those which do not have any scope for work in North East (like Atomic Energy) and those Ministries having GBS less than Rs 10 crores would be exempted from earmarking 10% GBS for North Eastern States. Till date this has been followed as the criterion in deciding the 10% earmarking of GBS. Most importantly, earmarking 10% of the allocations made to the respective Ministries were exclusively meant for the development of the NER.

(iii) As against the approximate requirement of Rs. One lakh crores per annum required for the region up to the year 2020 to catch-up with the national average per capita income, the budget allocation for NER by non-exempted Ministries from the 10 % GBS including EAP is approximately over Rs 20,000 crores per annum. For the year 2008-09 as on 16.5.2008, however, about Rs 3600 crores have been allocated by the various line Ministries. This is as follows:

Sl.1	Actual Allocation (more than Rs 500 Cr) for NER (2008-09)	Rs 2050.00 crores
Sl.2	Actual Allocation (more than Rs 100 Cr but less than Rs 500 Cr) for NER (2008-09)	Rs 682.20 crores
Sl.3	Actual Allocation (more than Rs 50 Cr but less than Rs 100 cr) for NER (2008-09)	Rs 618.21 crores
Sl.4	Actual Allocation (less than Rs 50 Cr) for NER (2008-09)	Rs 156.20 crores
	Total	Rs 3506.61 crores

Source : Ministry of DoNER

(iv) Further, as against the various accruals to the NLCPR, the accumulation to this pool has been dwindling as a consequence of increased expenditure by the line Ministries. For example, as against the lump sum allocation by the Central Ministries (the unspent amount of the 10% GBS) to the DoNER for the NER, a comparison between accruals to the NLCPR of the two financial year of 2005-06 and 2006-07 shows a declining accrual to the NLCPR funds. As against the revised budget of 49 Ministries during 2005-06 amounting to Rs 95344.01 crores as budget and a revised EAP of Rs 87,061.62 crores, the accrual of the 10% of the GBS was Rs 1960.12 crores to the NLCPR. In the corresponding period during 2006-07 in the revised budget amounting to Rs 1,14,719.52 crores and a revised EAP of Rs 1,06,763.73 crores, the accrual of the 10% of the GBS came down to Rs 1307.38 crores. It is evident that the total funds

therefore now available in the NLCPR are falling year after year. In short the total funds required both to the DoNER and the NEC is hopelessly inadequate to meet the requirements.

(a) UNCOORDINATED EXPENDITURE BY LINE MINISTRIES.

(i) The most significant part of the entire application of funds from the 10% GBS by the line Ministries is not so much the fact of its volume or utilisation, but the disjointed manner in which the line ministries are making use of the funds in the NER. For example, from the minutes of the review meeting recently held by the Ministry of DoNER it is revealed that the 10% GBS even though in many instance have been utilised in the NER, it is revealed that some of these have been used for many non-developmental purposes which do not serve the interest of the NER. To cite two such cases “the representative from the Department of Public Enterprise informed that a provision of Rs 1 crore has been kept in their budget, which is 10% GBS for NE region. The projected expenditure of Rs 1 crore is earmarked for funding the training to the CPSU officials who take VRS so as to upgrade their skills to seek re-deployment elsewhere.”(sic) “The representative from the Ministry of Youth Affairs and Sports informed that a provision of Rs 67.20 crores has been kept in their budget, which is about Rs 22 crores less than 10% GBS for NE Region. The provisioning for NER is less as the allocation of Rs 224 crores is for Commonwealth Games, 2010 for which no provision has been made for the NER while suitable provision of 10% has been made out of the balance amount.”(sic)

(ii) The above examples will demonstrate the fact that the 10% GBS have been put to various uses not directly related to the NER and, secondly, even if allotted have been put into several slots of

unrelated schemes between the line ministries diluting the investment decisions. Further, since there is a total absence of coordinated investment and allocations among the line Ministries, the focussed development and need of the people of the NER are not addressed. Thus, even if over the years increase in the expenditure by the line ministries in the NER from the 10% GBS is indicated, in reality the Ministry of DoNER or the NEC have no say in the matter to give the line ministries 'a sense of purpose and direction' in the investment and allocations made for the development of the NER by these ministries.

(iii) Given, therefore, the substantial sums of money made available to the line ministries, there is an impression that these funds are being 'pushed' into the NER which in reality may not really get impacted in the field in the region. A **'wrong' impression and a general belief exists that since the line Ministries have been mandated to spend 10% of the GBS on the NER, allocation to both the NEC and DoNER could be curtailed as a consequence.** Obviously the volume of funds available in the 10% GBS is unable to create the necessary impact on the **region because of the uncoordinated and disjointed investment decisions taken separately and individually by the line ministries and also because schemes and programs are not necessarily those required by the region appropriate for the people.** This issue needs to be addressed urgently.

(b) NON-INVOLVEMENT OF STATE GOVERNMENTS.

(i) The other lacuna noticed in the funds allocated from the 10% GBS is that the prioritisation of schemes and projects that the NER States would like to be implemented **is not followed**, simply because the various schemes and projects have been formulated by the line

Ministries **on an all India basis without taking into consideration the peculiar needs of the NER.** The NEC, which is the Regional Planning Body is **never consulted** nor is the Ministry of DoNER taken into confidence while allocations and utilisation of the 10% GBS is made. The Ministry of DoNER and the NEC are both oblivious of the various schemes and projects undertaken by the various line ministries and this in turn affects their equation and working relation with the member States of the NER. In the process the desired role of DoNER and the NEC gets reduced. The States in turn are not too 'bothered' for the small sums of money made available to them through the Ministry of DoNER or NEC. The NEC, inspite of its locational advantage, knowledge of the needs and requirement of the region is never consulted by the line Ministries.

**(c) PLANNING COMMISSION AND THE NEW ROLE OF NEC –
A MAJOR DISCONNECT.**

(i) The Planning Commission was established in the year 1950 through a Government resolution, whereas North Eastern Council was established through an Act of Parliament in 1971. Through the amendment of the NEC Act of 2002, NEC has been designated as the Regional Planning Body for the constituent States. The Planning Commission has the power of the ultimate planning body for all the Central Ministries and the State Governments. The Five Year Plans and Annual Plans of the State Governments are discussed in detail in the Planning Commission through the forum of the meeting between the Deputy Chairman and the State Chief Minister after an elaborate process of going through the scrutiny of Working Group Meetings and Steering Committee Meetings etc. The State Governments particularly the Special Category States like the North Eastern States, where Central assistance constitutes almost the entire of State Plan Budgets, are virtually dependent on the Planning

Commission for taking up of any development scheme. It is needless to mention that the own resources of the NE States except Assam is negligible. These States are dependent on Central Government or more specifically on the Planning Commission for every important scheme/ project of the State.

(ii) The Planning Commission's role in this matter is basically as follows: (1) Apportioning the normal central assistance to the States as per the revised Gadgil Formula. (2) Allocating Special Plan Assistance/ Additional Central Assistance linked to specific projects to the States as per discretion of the Deputy Chairman. (3) It accords the final approval to the Five Year Plan / Annual Plan of the States. It may be mentioned that the total plan size consists of the total Central Assistance to that particular State and the State's own resources, including their borrowings. (4) Almost all the significant schemes under the State Plan are scrutinized by the Planning Commission. Planning Commission has the right to veto any scheme if it does not fall under the purview of the objectives of the National Plan and which it considers as detrimental to national interest. The role of the national planning body, the Planning Commission, is all encompassing and hence cannot be circumvented or bypassed. Planning Commission's relationship with NEC has not been formally codified in the form of government orders and circulars.

(iii) Given the prevalent position of the Planning Commission even though, not a statutory body backed by legislation as the NEC, by virtue of its unique position can neither be overlooked nor be dispensed with. The States in the region are confused at the existing dispensation.

(iv) It is however, necessary to define the comparative differences between the role of the Planning Commission with that of the NEC

over and above the obvious differences in their respective status and positions. The Revitalisation Report on NEC at para 8.1 talks of the relationship qualifies this relationship. “Thus functionally, NEC is intended to play the role in respect of the planning for the North Eastern Region that is similar to what the Planning Commission does in respect of the planning for the nation as a whole. The Planning Commission scrutinizes and finalises the Plan size of States (and also of the NEC) and allocates Plan funds among them accordingly, but does not implement any Projects/Schemes directly. NEC on its part not only formulates the Regional Plan but also allocates/releases.” Thus in spite of the implied “synergistic relationship” the roles are not identical even for NEC as a planning body in comparison to what is prescribed for the Planning Commission. Unlike the Planning Commission, the NEC is also expected additionally as spelled out in Section 4 (3) (a), (b) of the NEC Act to “review, from time to time, the implementation of the projects and schemes included in the regional plan and recommend measures for effecting co-ordination among the Governments of the States concerned in the matter of implementation of such projects and schemes”.

(v) The relationship between the Planning Commission with the NEC has not been formally codified. No administrative order in this connection has been issued for operationalising the statutory role, especially on the question of NEC’s equation in the planning process vis-à-vis the Planning Commission and vice-versa. Given the current state of affairs, NEC is not able to effectively perform its role as a regional planning body and in the process not able to make any contribution to the planning process and resource allocations made to the region by the Planning Commission. The critical coordination mechanism with the Planning Commission and the NEC has to be found.

VII. MODALITIES FOR EFFECTIVE DEPLOYMENT AND UTILISATION OF THE 10% GBS OUTLAY FOR THE NER

(i) It is apparent in the context of the foregoing analysis that funds made available for the development of the NER to the Ministry of DoNER in particular (from NLCPR) and the NEC (Plan funds from the Planning Commission) tend to be defused in their application besides being hopelessly inadequate.

(ii) Further, even if adequate funds are provided to the various line Ministries, because of the structural ambivalence between the line Ministries, the funds spent in the NER are not able to create the desired impact. This is primarily because of the disjointed nature of the plan schemes and projects made without a central planning or coordinating agency like the NEC for the NER. Ironically this is happening inspite of the fact that an institution to precisely take care of such problems exists in the form of the NEC.

(iii) In effect, **the Ministry of DoNER for all purposes becomes the Ministry of NLCPR** that too restricted to the amount allocated to it by the Ministry of Finance from the pool of funds that accrues to the Public Accounts as NLCPR, which is managed by the Ministry of Finance. Successively it is seen that even though the NLCPR funds are substantial, the allocation made by the Finance Ministry to the Ministry of DoNER is only a small portion of this fund. Further the NLCPR fund because of the quantity allocated to the Ministry of DoNER fails to create the necessary impact directly benefiting the state governments. In the case of the NEC, the funds are directly allocated as Plan Funds by the Planning Commission on an annual basis as part of the Five Year Plan.

(iv) The various programmes/schemes and application of funds by the line Ministries tend to be 'Centre-specific' rather than 'Region-specific' since a common norm is fixed for the whole country without taking into considering regional variations, which in the case of the

NER is significantly different in every respect. This approach diffuses the focus of development and deployment of funds into the region. **Secondly, it leaves both the NEC and the Ministry DoNER as mere 'appendages' to the development process of the NER rather than the prime movers of development for the region.**

(v) **10% GBS is an amount mandated to be spent for the development of North Eastern States. The unspent amount does not lapse and is not returned to the Consolidated Fund of India but continues to vest in the Non Lapsable Pool. Hence this is not to be considered as a grant from the Consolidated Fund of India to the North Eastern States but it is an entitlement of NE States. With holding this NLCPR money in Consolidated Fund of India is regarded by the NE States as a form of financial inequity.**

Hence the following approach is suggested:

- (a) There is an accumulated account of Rs.5000 crore approximately of unspent money under NLCPR from 1998 to March 2008. This money which is presently in the Consolidated Fund of India may be placed at the disposal of M/DoNER during the current financial year 2008-09, for addressing the committed liabilities of over Rs.3662 crore for projects retained/sanctioned under NLCPR and also for new projects to be taken up.
- (b) **The NEC by virtue of its status as the statutory regional planning body, should formulate a regional plan for the NER for effective utilisation of the entire 10% GBS from the year 2009-10** for meaningful development of the NER. The entire 10% GBS which constitutes the NLCPR, should

vest with M DoNER, and would be Non Lapsable. This amount would fund the Regional Plan of the NEC.

- (c) To achieve these objectives and sub-serve these purposes, the NEC should commence the exercise to formulate the regional development plan which ensures that there is no overlap or duplication of projects, gives the much needed sense of direction the planning that the NER requires, and results in a focused and targeted development of the region.

(vi) Hence, NEC should be mandated with the powers and responsibilities of the Planning Commission for the region albeit with the rider that the final plan prepared by it and the allocations proposed would still be the discretion of the Planning Commission. Stated otherwise, the exercise of framing the regional plan, recommendation of selection and formulation of projects and programmes, appropriate funds and evaluatory powers could be vested with the NEC.

(vii) NEC as the Regional Planning body will be essentially responsible for planning for the entire 10% GBS in consultation with the Planning Commission, the line Ministries, the Ministry of DoNER and State Governments of the NER.

(viii) In this planning process, representatives of the Planning Commission will be involved either at the Member or official level. The NEC will then prepare the budget based on the regional plan and place it before the Council for their consideration and endorsement. After the due resolution has been passed by the Council (NEC) this will be formally be sent to the Planning Commission and the line Ministries.

(ix) Lastly, implementation of the schemes and programmes would be delegated by the line ministries to the agencies created for performing the tasks or to the state governments as the case may be.

VIII. REGIONAL PLAN

(i) In the light of the above objectives the following Concept of a Regional Plan is suggested. The Regional Plan for the NE Region should be construed as a unified Plan of the eight State Plans constituting the core economic, infrastructure, human development and social sectors. The Regional Plan may exclude the contents of the State 5 year and annual Plans, but finalise the regional plan after due consultation with the States, so that there is harmony in the planning process. The regional Plan will not be something in addition to the Annual or 5 Year Plan, but will be the Master Plan from which the Annual State Plans and NEC Plans will derive their line activities. Since it will be finalized only after consultation and consensus with the States, there would not be any contradiction between the Regional Plan and the State Plans. The finalization of the Regional Plan would also provide a forum for the NEC and States to share their ideas regarding the future development of the Region, their perception of priorities, their knowledge and experience with each other. The resultant Regional Plan, and State Plans would in this sense all be integrated and derive benefit from each other.

(ii) The Regional Plan can then focus on optimal utilization of local resources in tandem with the available funds in a manner that would trigger the State of the Region on the path of progress and self-reliance, in keeping with their wishes and aspiration. This exercise would also involve a larger policy formulation in critical

areas of human and economic development. Regional Plans would have to be vigorously monitored for reviewing progress milestones, for mid-course correction if required, and for addressing unexpected hurdles. Time bound implementation would be paramount, so as to prevent scenarios in which project sanctioned in the 7th Plan continue to be implemented in the 10th Plan period. The emphasis of the Regional Plan should be on maximizing the output by using the limited resources optimally and by increasing the efficiency of the utilization being made.

(iii) To operationalise the above arrangements besides the essential pre-requisites the NEC could adopt the objectives of the Planning Commission and redefine its own objectives as follows:

(i) Take into consideration the total funds available under the 10% GBS annually as its financial outlay for preparing the plan for the region.

(ii) Make an assessment of the material, capital and human resources of the region, including technical personnel, and investigate the possibilities of augmenting such of these resources as are found to be deficient in relation to the region's requirements ;

(iii) Formulate a regional plan to ensure the most effective and balanced utilization of the region's resources by taking into consideration the State Plans, their priorities.

(iv) The NEC should determine the priorities, define the stages in which the Plan should be carried out to benefit the region and constituent States and propose the allocation of resources for the due completion at each stage;

(v) Indicate the factors which are tending to retard economic development, and determine the conditions which, in view of the current social and political situation, should be established or rectified for the successful execution of the Plan;

(vi) Determine the nature of the administrative and developmental machinery which will be necessary for securing the successful implementation of each stage of the Plan in all its aspects;

(vii) Appraise from time to time the progress achieved in the execution of each stage of the Plan and recommend the adjustments of policy and measures that such appraisal may show to be necessary.

IX. OPERATIONALISING THE REGIONAL PLANNING PROCESS.

(i) The NEC should immediately set up a Regional Planning Committee, comprising of the two permanent members and the Member, Planning Commission looking after the NEC, senior representatives of the eight NE States to be nominated by the Chief Ministers, Advisor/ Principal Advisor Planning Commission, Secretary NEC and Secretary DoNER. The Member Planning Commission may Chair the Committee, and Planning Adviser NEC may be the Member Secretary. Alternatively the Member Planning Commission, who is also a member of the NEC, would be the co-Chairman with the two permanent Members of NEC.

(ii) The Regional Planning Committee would be a permanent Committee to finalise the Regional Plan and place its recommendations before the NEC for approval. It would meet as and when required, but at least twice a year to review implementation of the Plan.

(iii) The Committee may authorize the 2 full time members and Secretary NEC to commence the examination of the State 5 Year Plans and Annual Plans in the Core Sectors and after discussion with the States draw up a Regional Master Plan and Regional Sectoral Plans, coterminous with the Five Year Plan , breaking them down to Annual Plan line items to be incorporated in the State Annual Plans and NEC Annual Plans. Projects that benefit more than one state and cannot be taken up as a whole by a single State could form part of Plans.

(iv) The Committee may finalise the same within 6-9 months, after which the NEC can approve it. The NEC may use the assistance of Consultants and experts for this exercise. To achieve this purpose namely Plan Formulation by the NEC an illustrative of Consultants capable of preparing the DPR and also assisting the State Governments and the NEC should be kept. These Consultants can be either from the region duly recognised for their work or from outside the region.

X. STRUCTURAL CHANGES.

(i) To achieve the above objectives the NEC may consider setting up an Executive Committee, which can meet once in a quarter to review its work. Past experience has shown that the NEC meets around once or twice in a year, and discussed matters of general importance.

(ii) In this connection the roles of the NEC and DoNER are really complementary to each other, but integration and coordination

structures require to be institutionalized to accord greater strength to both to achieve their common objectives particularly with the Planning Commission. The NEC should ideally function as a link between the NE States and the Ministry of DoNER with other Central Government Ministries.

(a) FUNCTIONAL INTEGRATION AND COORDINATION BETWEEN NEC AND THE MINISTRY OF DONER.

(i) It is proposed that a Committee system, both in NEC and DoNER be set up with mutual representation, so as to facilitate complete sharing of information of all projects being sanctioned in the NER under the NEC and the DoNER Schemes, and ensure that they are in accordance with the Regional Plan.

(ii) Towards this end, the NEC may constitute the following Committees : It is proposed that an Executive Committee with about 8-10 members be constituted which can meet more frequently to review implementation of the Regional Plans and discuss other important issues. This would require an amendment to the Act. Frequent meetings of the Executive Committee would enhance the visibility and accessibility of the NEC.

(b) Finance and Administration Committee : This should be an in-house Committee chaired by Secretary NEC, with a representative from DoNER, to discuss and finalize matters relating to administration and finance. Any major financial or administrative changes required for the better functioning of the NEC may be approved at this Committee, and later ratified by the NEC. It may meet whenever required. The Committee may also discuss the administrative and financial reforms required in the NEC for more efficient functioning.

(c) North East Project Sanctioning Committee: The present NLCPR Committee will be renamed as North East Project Sanctioning Committee (NEPSC) and will be suitably strengthened under the chairmanship of Secretary, DONER by including representative of NEC, NE States Governments and line Ministries of GOI which will consider and sanction the projects in consonance with the regional plan prepared by NEC, with the approval of the Minister, DONER.

XI. STRENGTHENING OF STAFF OF M/oDONER AND NEC.

(i) There should be a complementary of roles between DONER and NEC where the NEC prepares the regional plan, does the monitoring and evaluation of projects and liaises with the NE State Governments, DONER acts as the Government Repository of 10% GBS funds, sanctions the projects, supplements monitoring and evaluation and liaises with line Ministries of Government of India.

(ii) For effective implementation of the above measures a sub committee comprising of officers from MoDONER, and NEC will be constituted or the task given to a Consultant for recommending the requisite posts for both the NEC and DoNER to achieve the tasks given above.

(iii) A strong and well manned Monitoring and Evaluation Division would be created in the Ministry of DONER as well as in NEC to oversee implementation and undertake project evaluation for the subsequent Plan period.

(iv) Besides continuation of Plan grants, Non Plan grants both for DONER and NEC should be suitably augmented to take care of the increased manpower and more importantly to assure proper

maintenance of assets created for which the NE States have very little budget.
