

BLOCK VI:
Economic Development of North Eastern Region

Unit 1: Special Packages for Economic Development of
NER

Unit 2: DONER and its Role

Unit 3: North East Industrial Policy-Promotional Measures
for Cross Border

Unit 3: Role of NEC and NEDFI in the development of NER,
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Unit-1

Special Packages for Economic Development of NER

Unit structure:

- 1.1 Introduction
- 1.2 Objectives:
- 1.3 Meaning of Economic Development
- 1.4 Importance of the North East Region
- 1.5 Current challenges faced by the NER
- 1.6 Packages for economic development
- 1.7 Summing Up
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- 1.9 References and Suggested Readings

1.1 Introduction

The NER is best described in the NER vision 2020, whereby it is described as “a rainbow country—extraordinarily diverse and colourful, mysterious when seen through parted clouds”.

North Eastern Region (NER) consists of seven sisters Arunachal Pradesh, Meghalaya, Assam, Manipur, Mizoram, Nagaland, Tripura and Sikkim as the brother state. Since independence NER development and connectivity have been given priority by the Government of India (GOI) due to its Geo-Strategic location making it conducive for international trade. With 96% international boundary NER holds an important position for India to connect with the east.

Various schemes, programmes and packages are introduced from time to time specific to NER. In one such initiative, the first step taken towards developing NER was the formation of North East Council (NEC) in the year 1971. It is the nodal agency for the economic and social development of the NER. Since then various organisation such as MDoNER, NESIDS, NERCORMP, NEDFI etc have been formed to boost the development process in NER.

1.2 Objectives

After going through this unit, you will be able to-

- understand the meaning of economic development,
- understand the strategic importance of North East Region,
- know the challenges faced by the NER,
- discuss the various packages for development of North East Region.

1.3 Meaning of Economic Development

Economic Development is programs, policies or activities that seek to improve the economic well-being and quality of life for a community. In broader terms, Economic development refers to the process by which the overall health, well-being, and academic level of the general population of a nation improves. It also refers to the improved production volume due to the advancements of technology. It is the qualitative improvement in the life of the citizens of a country and is most appropriately determined by the **Human Development Index (HDI)**. Few factors which contribute to economic development are, creation of job opportunities, technological advancements, standard of living, living conditions, per capita income, quality of life, improvement in self-esteem needs, GDP, industrial and infrastructural development, etc.

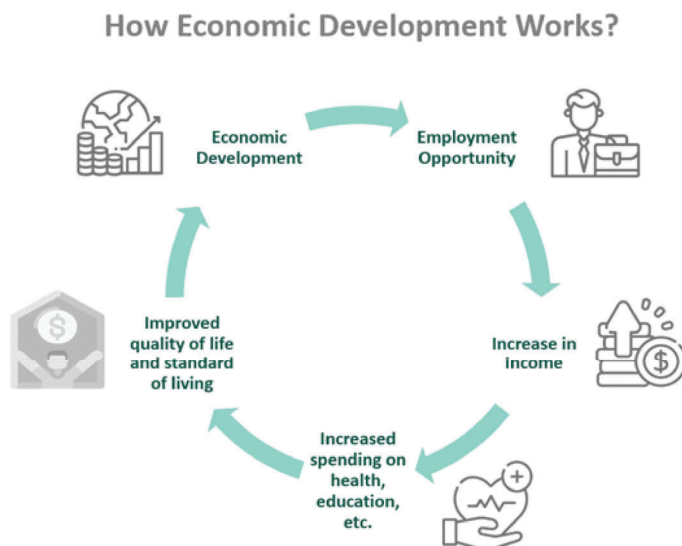


Diagram 1: Economic Development (Source: WallstreetMojo)

1.4 Importance of the North East Region

North Eastern Region of India is a landlocked region, with no access to seas. After independence (1947) the situation worsened with sealed routes to both land and sea routes for commerce and trade, and severed access to traditional markets and the gateway to East and South-East Asia – the Chittagong port in East Bengal (now Bangladesh). This is further complicated by the presence of confining connectivity with the rest of India via a small Siliguri Corridor, also called *Chicken's Neck*, a narrow 27-km-wide Siliguri corridor, making it a “remote land” and constraining access for movement of goods and people.

The following are importance of the region:

1. India's Act East Policy puts northeastern states on the territorial frontier of India's Eastward Engagement. It is considered as the gateway to **South-East Asia** and beyond and also **India's land-bridge to Myanmar**. This is important in the context of the Indian relationship with countries like Thailand and Singapore.
2. The area is also rich in **natural resources** like tea, oil and timber. For e.g. the tea plantations of Assam earn a significant value of foreign exchange for the country. Similarly, Bamboo is useful in the cane and furniture industry. Bird's Eye Chilli from Mizoram has the Geographical Indication (GI) tag.
3. With Brahmaputra and Barak and its tributaries the region has a potential to generate 50000 MW of **hydroelectric power** and has an abundance of fossil fuels.
4. India has vowed to create an additional 2.5 to 3 billion tonnes of carbon sink per year under its Nationally Determined Contributions as a part of the Paris Summit. North-Eastern India with its dense forest cover can play a huge role in such an endeavor. Mizoram is the best state in India in terms of forest cover.

1.5 Current Challenges Faced by the NER

Other than the geographical isolation with rest of India few more challenges faced by the region are discussed below:

1. **Lack of Efficient Infrastructure:** Infrastructure i.e. physical (like roadways, waterways, energy and so on) as well as social

infrastructure (for instance educational institutions, health facilities) are in poor state in comparison to rest of India. For example, as on 01.04.2020, against a national average of 21 km/1000 sq. km. railway network density, North Eastern States have an average railway network density of 10.79 km/1000 sq. km.

2. **Slow pace of industrial growth:** North-East India has remained historically underdeveloped in terms of industrial growth. Especially post Independence, due to the partition of India, the industrial sector in the Northeast received a serious setback as its trade routes were cut-off with the rest of the country. This in turn hindered economic integration with other parts of India and also reduced the attractiveness of the region as a destination for private sector investment.
3. **Limited Connectivity:** The North Eastern Region is a landlocked region. Therefore, it has limited access to the sea. Similarly, it has a difficult terrain that renders expressways and wider roads infeasible.
4. **Backward Areas:** Unlike the mainland, people of the North East Region are still content with a simple lifestyle and lack of technology in their day-to-day lives. The standard of living continues to be low, due to the absence of high-income generation opportunities. For e.g., the farmers practice primitive methods of agriculture, with the tribals still practicing Shifting agriculture in the country.

1.6 Packages for Economic Development

The NER is identified as the least developed region in the country primarily due to its weak infrastructure¹. Whatsoever might be the reason, the quality and quantity of the region's infrastructure (physical) is much behind the national level². To bring the development at par with the rest of India, GOI formed NEC as the nodal agency and MDoNER for planning, execution and monitoring of development schemes and projects.

About North East Council (NEC)

For focussing on the overall development of all the member states, NEC has grouped its funding scheme into categories such as agriculture and allied, industries, irrigation flood control and watershed management, medical and health, power and renewable resources of energy, science and technology, Tourism and Transport and Communication. Till the 9th Five year plan,

NEC assisted and promoted regional institute such as:- **NEPA** - North East Police Academy set up at Shillong in 1978, **NEEPCO** - North Eastern Electrical Power Corporation Ltd. set up at Shillong in 1976, **NERAMAC** - North Eastern Region Agriculture Marketing Corporation in Guwahati established in 1982, **NERIST** - North Eastern Regional Institute of Science & Technology, Itanagar, started in 1986, **RIPAN** - Regional Institute of Paramedical & Nursing Sciences, Aizawl set up in 1995 etc.

About MDoNER

To accelerate the pace of socio-economic development and to be at par with rest of the country, over the years the following schemes have been developed:

- Non-Lapsable Central Pool of Resources (NLCPR) scheme
- North East Special Infrastructure Development Scheme (NESIDS)
- PM- DevINE
- Social and Infrastructure Development Scheme
- 10% earmarked from Central Budget

The role and various schemes and packages of MDoNER are discussed in detail in the next chapter but few important interventions are mentioned below:

1. RCS-UDAN has been launched to provide connectivity to unserved and underserved airports and promote regional connectivity by making the airfare affordable. North East has been kept as a priority area under RCS-UDAN.
2. International Internet Gateway (IIG) established at Agartala. BSNL started the traffic on the link w.e.f 8th February 2016.
3. North East Development Finance Corporation Ltd. (NEDFi) providing impetus to the growth of MSMEs. Also, Northeast Venture Fund which is the first dedicated venture capital fund for the North-Eastern region and was set up in April, 2017.
4. The North Eastern Region Community Resource Management Project (NERCORMP), which is a livelihood project, has an objective of improving the livelihoods of vulnerable groups in a sustainable manner through improved management of their resource base in a way that contributes to preservation and restoration of the environment.

5. North East Tourism Development Council (NETDC) constituted in 2017 to promote and support tourism in the North Eastern Region by identifying and promoting theme-based regional and international circuits, branding and marketing of North East India Tourism.
6. “North East Special Infrastructure Development Scheme (NESIDS)” by restructuring the existing NLCPR-State scheme of the Ministry of DoNER, at a total cost of Rs. 5300.00 crore, for a period of three years. The scheme aims to fill up the gaps in creation of physical and social infrastructure in NER focusing tourism”.
7. “North East Road Sector Development Scheme (NERSDS)” launched by the Ministry of DoNER in 2015-16 for up-gradation of neglected Inter-State Roads, to be implemented by National Highways Infrastructure Development Corporation Limited (NHIDCL).
8. To address the special needs of the North East Region (NER), all Union Ministries mandatorily spend 10% of their budget in the North Eastern Region and the full utilization of this entitlement is the endeavour of the Government.

Stop to Consider

PM-Devine Scheme is the Prime Minister Development initiative for NER. The objectives of PM-Devine are:

1. To Fund infrastructure convergently, in the spirit of PM GatiShakti;
2. To Support social development projects based on felt needs of the North East;
3. To Enable livelihood activities for youth and women;
4. To Fill the development gaps in various sectors.

Check Your Progress

1. What is economic development?
2. What are the challenges faced by NER
3. What does NEPA, PEEPCO & NERIST stand for?
4. What are the objective of NEC and MDONER?
5. Name the special development package of NER?

1.6.1 Special Developmental Packages

The interventions of NEC and MDoNER in various developmental work has accelerated the pace of progress in NER especially in the fields of Surface and Air connectivity, Health, Power, Horticulture, Science & Technology, IT, Manpower, Industries, Tourism etc. In addition to this to reach the vision of NER as envisioned by GOI the following platforms and scheme were introduced:

a) *NITI forum for North East Region*

NEC has been supporting various developmental works thereby accelerating the pace of progress in the Region, especially in the fields of Surface and Air connectivity, Health, Power, Horticulture, Science & Technology, IT, Manpower, Industries, Tourism etc over the years. The focus areas identified were bamboo, dairy, pisciculture, tea, and tourism. to promote inclusive and sustainable economic growth and to recommend appropriate interventions for the development of the Northeast.

b) *Special developmental packages*

- Bodoland Territorial Council (BTC): Government of India agreed to provide a package of Rs.500.00 crore with financial assistance of Rs. 100 crore per annum for 5 years for projects to develop socio-economic infrastructure in Bodo Territorial Council (BTC) areas, over and above normal plan assistance to Assam.
- Dima Hasao Autonomous Territorial Council (DHATC): As per the MoS, Government of India agreed to provide a Special Economic Package of Rs. 200 crore (Rs. 40 crore per annum) to Dima Hasao Autonomous Territorial Council (DHATC) for 5 years over and above Plan fund through Government of Assam to undertake special projects proposed by the Council.
- Karbi Anglong Autonomous Territorial Council (KAATC): As per the MoS, Government of India agreed to provide a Special Economic Package of Rs. 350 crore (Rs. 70 crore per annum) over and above Plan fund over next five years to KAATC through Government of Assam to undertake special projects proposed by the Council.

Further, many institutions are established over the years in the field of education, finance, health etc few such organizations are mentioned below:

- a) *NEDFi*: Development of industries, infrastructure, animal husbandry, agri-horticulture plantation, medicinal plantation, sericulture plantation, aquaculture, poultry and dairy in the North Eastern states of India.
- b) *NERCORMP*: North Eastern Region Community Resource Management Project (NERCORMP) is a livelihood and rural development project aimed to transform the lives of the poor and marginalized tribal families in North East(NE) India. NERCORMP is a joint developmental initiative of the North Eastern Council(NEC), Ministry of DoNER, Govt. of India and International Fund for Agricultural Development(IFAD).
- c) *NERAMAC*: North Eastern Regional Agricultural Marketing Corporation (NERAMAC) was incorporated in 1982 as a Government of India Enterprise with North Eastern Council (NEC), Shillong as a Promoter. It is currently under the administrative control of the Ministry of Development of the North Eastern Region (MDoNER). Their main thrust area is to sustain farmers' interest in production by both pre- and post-harvest support. They play a significant role by sourcing, procuring and marketing cash crops like Ginger, Pineapple, Cashew Nut etc. from farmers of the North East Region to market their products in terminal markets.
- d) *NERLP*: The objective of the North East Rural Livelihood Project (NERLP) is "To improve rural livelihoods especially that of women, unemployed youth and the most disadvantaged, in four North Eastern States". The proposed project has four major components; Social empowerment; Economic empowerment; Partnership development & management and Project management
- e) *NEEPCO* : NEEPCO has been a trusted power generation company in the North Eastern region of India and beyond since 1976, working closely with the Ministry of Power and the north eastern states to act in their best interest in tapping the enormous power potential of the region and the country. Incorporated in 1976 to plan, investigate, design, construct, generate, operate & maintain

power stations in the North Eastern Region of India under the Ministry of Power, Government of India,

- f) *NEEDP*: North East Entrepreneurship Development Program (NEEDP) is an initiative of NEC (North Eastern Council) implemented in association with IIM Calcutta Innovation Park, aimed at creating an inclusive entrepreneurial ecosystem that can help foster, Socio-Economic Development and Employment Generation in the NorthEast region.

The initiative taken from MDoNER since its inception has contributed to the education sector of NER. Many nationally recognised institutions are established such as NEHU, IIT, NEIGRIHMS, NITS, NERIST etc.

1.7 Summing Up

Various schemes, programmes and packages are introduced from time to time specific to NER. In one such initiative, the first step taken towards developing NER was the formation of North East Council (NEC) in the year 1971. It is the nodal agency for the economic and social development of the NER. Since then various organisation such as MDoNER, NESIDS , NERCORMP, NEDFI etc have been formed to boost the development process in NER. The discussion made in this unit highlights the importance given to the north eastern region by the central government. Various packages and policies and initiatives were introduced by the central government from time to time for the economic development of the north eastern region.

1.8 Model questions

1. Explain the meaning of economic development.
2. Highlight the strategic importance of North Eastern Region
3. What are the various challenges faced by North Eastern Region.
4. Discuss the various packages for the economic development of north eastern region.

1.9 References and Suggested Readings

- Bhattacharya, R. (2011). Development disparities in North East India. New Delhi: Cambridge University Press India Pvt. Ltd.
- Choudhury, S. & Bhuyan, R. (2005). Development Disparity and North-east Region. Dialogue, 7(2).
- DoNER (2009). North Easter Region- Vision 2020. Ministry of Development of North Eastern Region, Government of India.

Unit-2

DONER and its Role

Unit Structure:

- 2.1 Introduction
- 2.2 Objectives
- 2.3 DONER: Mission, Vision and Major Activities
- 2.4 Significance of North East India
- 2.5 MDoNER's initiatives for Economic Development of North East Region
- 2.6 Summing Up
- 2.7 Model Questions
- 2.8 References and Suggested Readings

2.1 Introduction

DONER stands for development of North Eastern Region. The Department of Development of North Eastern Region was created in 2001 and was accorded the status of a full fledged ministry in May 2004. The Ministry of Development of North Eastern Region (MDoNER) functions as a nodal department of the central government to deal with matters relating to the socio economic development of the eight states of North East India. MDoNER acts as a facilitator between the Central Ministries/ Departments and the State Governments of the North Eastern Region in the economic development including removal of infrastructural bottlenecks, provision of basic minimum services, creating an environment for private investment and to remove impediments to lasting peace and security in the North Eastern Region.

2.2 Objectives

After going through this unit you will be able to-

- Understand the Vision and Mission of MDoNER
- Explain the role of MDoNER in the infrastructure and industrial development of NER
- Explain the role of MDoNER in the economic development of NER

2.3 DONER: Mission and Vision

The Ministry of Development of North Eastern Region (DoNER) is the only Ministry with a territorial jurisdiction and functions to coordinate the developmental efforts in the North Eastern Region (NER). The Ministry of Development of North Eastern Region (MDoNER) functions as a nodal department of the central government to deal with matters relating to the socio economic development of the eight states of North East India. The Ministry aims to give focused attention to address the special needs of the NE region. It coordinates with various Ministries / Departments primarily concerned with development activities in NER

The Vision of MDoNER: The Vision of DONER are as follows:-

- Transforming North East Region through Development, in Sustainable yet Accelerated manner, affording comprehensive
- growth and access to ease of living to all its citizens.

The Mission of MDoNER: The Mission of DONER are as follows:-

- Synergize policies, plans and execution for rapid development of NE Region through. Collaborating with Central Ministries, States, and Agencies & Expert Stakeholders.
- Ensuring full utilization of 10% GBS and other budgetary resources for NER.
- Promoting investment in the NER, including public, private, corporate & multilateral funding.
- Developing infrastructure to mitigate connectivity and social sector deficits of the region.
- Strengthening institutions and networks for livelihood, social services, skills and capacity.

Major activities of MDoNER: MDoNER deals with

- Matters relating to planning, execution and monitoring of the developmental schemes and projects of North Eastern Region including those in the sector of Power, Irrigation, Roads and Communication
- Implementation of various schemes like Non Lapsable Central Pool of Resource (NLCPR), Northeast Special Infrastructure Development Scheme, Hill Area Development Programme,

Schemes of NEC and North East Road Sector Development Scheme etc.

- Matters pertaining to various organization under its administrative control such as North Eastern Council(NEC) , North Eastern Regional Agricultural Marketing Corporation Ltd(NERAMAC), Northeastern Handloom and Handicraft Development Corporation (NEHHDC), Cane and Bamboo Technology Center(CBTC)and North East Development Finance Institution.
- Livelihood programmes of North East Rural Livelihood Project(NERLP), North Eastern Region Community Resource Management Project (NERCRMP)

2.4 Significance of North East India

The following points will highlight the significance and importance of North East India and the need to focus on its developmental aspects.

- i) **Strategic Location:** The NER is strategically located and surrounded by neighbouring countries like China, Bhutan, Bangladesh, Nepal and Myanmar. The development of this region holds strategic importance from the point of security and trade and commerce.
- ii) **Links with South East:** North East India is the gateway to South East Asia. Engagement with ASEAN and South East Asia is a central pillar of India's Foreign Policy in the recent times. Moreover, the India's 'Act East Policy' places the NER on the level playing field of India's eastward engagement.
- iii) **Economic Significance:** North Eastern Region has huge economic significance as it account for around 34% of the country's water resources and also 40% of India's hydro power potential.
- iv) **Tourism Potential:** The NER has huge potential for tourism. The region is endowed with various flora, fauna and tourist hotspot. Proper connectivity and infrastructure development will develop north east into a tourist hub in the days to come.
- v) **Cultural Significance:** The people of NER have very rich cultural heritage. Each state has its own culture and language.

The region itself represents the diversity that India as a whole represents. Moreover the south east Asian countries have some cultural linkage and similarities which will help to increase person to person contact and boost trade, commerce and tourism.

vi) Health Care Potential: Guwahati in Assam has become a new destination of health services. Health care facilities have increased tremendously in the past few years in guwahati with the establishment of several multispecialty hospitals and medical institutes. Guwahati has started to get patients from Bangladesh, Bhutan and Nepal. Imphal gets patient from Myanmar etc. North East India is gaining attraction of foreign and domestic investors under the Act East Policy. Medical tourism has the potential to bring huge investment in North East India and generate jobs.

Check Your Progress

1. Mention the vision of MDoNER.
2. The MDoNER was created in 2001 and was accorded the status of a full fledged ministry in
3. NLCPR stands for.....

2.5 MDoNER's initiatives for Economic Development of North East Region

The overall development of the North Eastern Region of the country is of utmost significance to the Government of India. The vision laid down by the Indian Government to become 5 trillion economy, to become world 3rd largest economy and to place itself in the category of developed economy from the existing developing economy will be possible only if the NER of the country are taken along in the path of overall economic, infrastructural, industrial and social development. The ambitious and rebranded initiative, 'Act East Policy' shall not materialize in true spirit if the NER does not participate in reality. Northeastern Region of the country is the gateway to the South East Asian countries. The region provides a level playing field to the Government to enhance its ties with South East Asian countries to fulfill its economic and strategic objectives. Moreover development in this part of the country will uplift the morale and enhance the patriotism of the citizens of this region which will

encourage greater participation in developmental activities. As regards to the development of the North Eastern Region The Ministry of Development of the North Eastern Region (MDoNER) is entrusted with the responsibility of dealing with matters relating to the socio-economic development of the NER. It is responsible for carrying out all kinds of planning, execution, and monitoring of government schemes. The DoNER works with a vision of elevating the socio-economic development in the north-eastern region so that, the national citizen living there can also enjoy the same facilities as the rest of the country enjoys.

The ministry has been implementing various schemes for the development of NER like:

1. Non Lapseable Central Pool of Resource Scheme(State):

NLCPR Scheme came into existence in 1998 under the then Planning Commission. Subsequently, it was transferred to Department of DoNER in 2001, which has become an independent Ministry in the year 2004. The main objective of NLCPR Scheme is to *fill up the gap in the infrastructure sector* of the North Eastern Region through sanctioning the projects prioritized by the State Governments. MDoNER gets Annual Budgetary Allocation from Ministry of Finance for funding the projects under NLCPR Scheme. Funds under the scheme are shared between the Central and State Governments on 90:10 basis. As per the statement released by MDoNER ‘Since inception, 1,635 projects worth Rs 16,233 crore have been sanctioned under the NLCPR scheme in sectors like connectivity, roads, bridges, water supply, sewage, health, education, tourism, etc. As per the reports from MDoNER, all Non-exempted Central Ministries/Departments have been mandated to spend 10% of their Gross Budgetary Support (GBS) for the development of the North Eastern Region (NER) States. Unspent balances of Ministries/Departments under 10% GBS get transferred to the Non-Lapsable Central Pool of Resources (NLCPR) net accrual Fund which is a notional pool maintained on a pro-forma basis by the Ministry of Finance (MoF). For the utilization of Resources from the NLCPR pool, MDoNER has proposed taking up projects for holistic development of 14 Aspirational Districts of North East and for development of five key sectors i.e bamboo, tea, tourism, pisciculture and dairy. The NLCPR scheme has been discontinued with effect from

December, 2017, except for meeting committed liabilities for the projects already sanctioned under NLCPR Scheme, and has been replaced by a new scheme called North East Special Infrastructure Development Scheme (NESIDS). (*Source: Committee on Estimates 2022-23, Presented to Lok Sabha on 20 December, 2022*)

2. Northeast Special Infrastructure Development Scheme(NESIDS):

NESIDS, which has come into force since 15.12.2017 in place of the NLCPR State scheme, is a Central Sector Scheme with 100% central funding under which financial assistance to NE States are provided to fill up the gaps in specified sectors of (a) physical infrastructure relating to water supply, power and connectivity to enhance tourism and (b) social sectors for creation of infrastructure in the areas of primary and secondary sectors of education and health. Schemes of NEC. Only projects which are not supported under any other scheme of the Central or the State Government would be considered for funding under this Scheme. As per the report submitted by MDoNER “Till date 145 projects costing Rs 3392.99 crore have been sanctioned against which an amount of Rs 1537.17 crore has been released, out of which Rs 1010.86 crore has been utilized by the State Governments. Out of these 145 sanctioned projects under NESIDS, three (03) projects worth Rs 85.36 crore have been completed. Presently, under NESIDS, 142 projects worth Rs 3307.35 crore are ongoing and are at various stages of implementation.” In order to fight Covid-19 pandemic in NE, Eight (08) projects costing Rs 219.58 crore have been sanctioned by MDoNER under NESIDS in the State of Arunachal Pradesh, Assam, Meghalaya, Mizoram, Nagaland and Tripura. (*Source: Committee on Estimates 2022-23, Presented to Lok Sabha on 20 December, 2022*)

3. Special Development Package(for autonomous council)

There have been three Special Development Packages for autonomous council, the details of which are given below:

A. Bodoland Territorial Council (BTC): Memorandum of Settlement (MoS) was signed between Central Government, Government of Assam and Bodo Liberation Tigers (BLT) on 10.02.2003, to accelerate the development of the region and to meet the aspirations of the people for which a package of Rs 500.00 crore was earmarked. Subsequently, additional package of Rs 250.00 crore

was also announced in the year 2008 for the same purpose. Against the total package of Rs 750.00 crore, 65 projects costing Rs 749.63 crore have already been sanctioned and out of these, 51 projects costing Rs 570.19 crore have already been completed

B. Dima Hasao Autonomous Territorial Council (DHATC):

Memorandum of Settlement (MoS) was signed between Central Government, Government of Assam and Dima Halam Daogah (DHD) on 08.10.12 to initiate time bound steps for devolution of power to grass root level in Dima Hasao , and ensuring increased capacity building for developmental activities at all levels for which a package of Rs 200.00 crore was earmarked. Under the DHATC Package 12 projects worth Rs 174.82 crore have been sanctioned till date. Against these sanctioned projects under DHATC, Rs 112.96 crore has been released and 100.74 crore have been utilized.

C. Karbi Anglong Autonomous Territorial Council (KAATC):

Memorandum of Settlement (MoS) was signed between Central Government, Government of Assam and United People's Democratic Solidarity (UPDS) on 25.11.2011, to initiate time bound steps for devolution of power to grass root level in Karbi Anglong, and ensuring increased capacity building for developmental activities at all levels for which a package of Rs 350.00 crore was earmarked. Under the package 25 projects costing Rs 235.88 crore have been sanctioned and 7 projects costing Rs 111.92 crore have been retained for sanction.

4. **The Social and Infrastructure Development Fund (SIDF):** The Social and Infrastructure Development Fund (SIDF) has been created in the Public Account for North Eastern Region, especially for Arunachal Pradesh and other remote, hilly, border areas with tribal population facing special problems that cannot be tackled through normal Schemes. Since inception, under SIDF, 37 projects costing Rs 587.16 crore were sanctioned and 22 projects costing Rs 410.06 crore have been completed. So far an amount of Rs 560.87 crore has been released and Rs 500.87 crore has been utilized by the State Government
5. **Hill Area Development Programme (HADP):** Hill Area Development Programme (HADP), a pilot scheme and a sub-scheme of NESIDS, aims at holistic and inclusive development of hill districts

of Tamenglong and Noney in Manipur. It strives to strengthen the State's efforts in addressing the physical and social infrastructural gaps in its remote hilly districts and providing for technology driven enabling ecosystem for delivery of public services. It also envisages harnessing the potential of identified local resources/natural endowments to improve production and value addition for enhancement of income of local people.

6. Natural Calamity (Flood Relief Measure): The Government of India provides relief fund for the natural calamities from time to time depending on the severity of the calamities like flood, earthquake etc through MDoNER.

7. Other Initiative of MDoNER:

a) MDoNER has been running two livelihood Schemes in NER namely North East Rural Livelihood Project (NERLP) and North Eastern Region Community Resource Management Project (NERCORMP) covering 21 districts in 6 states of NER viz. Arunachal Pradesh, Manipur, Nagaland, Sikkim and Tripura. Under these two schemes, 36561 SHGs and 1506 SHG Federations were created. The existing schemes on livelihood are focused on input supply, production, aggregations, primary processing and marketing through Self-Help Groups. A large number of Community Development Groups (CDGs), Producer Groups (PGs) and 22 Producer Companies have been formed under the projects. During the meeting held on 22 December 2020, the representative of the Ministry had stated that "North East Rural Livelihood Project, a World Bank aided project was one of the best ones in the country considering that North East is remote place.

b) Development of Bamboo Sector in NER: NER accounts for nearly 39% of the country's total Bamboo area. Government is giving a focused attention on the plantation of Bamboo in NER. Central Government has launched a restructured National Bamboo Mission in 2018-19 under the Ministry of Agriculture and Farmers Welfare (MoA&FA) focusing on the complete value chain of bamboo sector to link growers to consumers starting from plantation to processing to marketing. Bamboo has been removed from the classification of trees in Indian Forest Act 1927 through Indian Forest (Amendment) Act, 2017 and re-classified as 'grass' by the Ministry of Environment, Forest & Climate Change. The decision is a game

changer for development of Bamboo in the North Eastern Region as it would facilitate large scale cultivation and processing of bamboo. North East Cane and Bamboo Development Council (NECBDC) (earlier known as Cane and Bamboo Technology Centre (CBTC)), an institution of MDoNER has been tasked with development of the cane and bamboo sector in the country especially in the NER. It is involved in Capacity Building/Skilled Development; Bamboo Technical Support Group (BTSG) of NBM; Participation in Domestic/International Trade Fair/Exhibitions; Development of Cane and Bamboo Clusters in NER; and Bamboo Technology Park at Burnihat, Assam. It has created 16 Cane and Bamboo clusters on different themes in all 8 States (two in each States) of NER. Ministry of DoNER/ NEC has sanctioned 17 projects for Rs 134 crore including Bamboo Industrial Park, Dima Hasao. Under National Bamboo Mission (NBM) of MoA&FW, the funds of Rs 64.60 crore, Rs 33.33 crore and 35.20 crore were released in the year 2018-19, 2019-20 and 2020-21 respectively. Bamboo Holistic Development Plan has been prepared by the NEDFi and communicated to MoA&FW for implementation

- c) **Central Public Sector Enterprises under MDoNER:** There are two Central Public Sector Enterprises (CPSEs) under Ministry of DoNER, namely, North Eastern Handicrafts and Handloom Development Corporation Ltd. (NEHHDC) and North Eastern Regional Agricultural Marketing Corporation (NERAMAC). The objective of NEHHDC is to develop and promote Handicrafts and Handloom and allied products of the North Eastern Region and the development of artisans and weavers. NERAMAC is playing the role of a dynamic and vibrant marketing organization, supporting farmers/producers of NE getting remunerative prices for their produce and enhancing the agricultural, procurement, processing and marketing infrastructure of NER. National Bamboo Mission is focusing on the development of complete value chain of bamboo sector to link growers with consumers starting from planning material, plantation, creation of facilities, collection, aggregation, processing, marketing, micro, small & medium enterprises, skill development and brand building initiative in a cluster approach mode.” The Ministry of DoNER has commissioned the Sector Specific, State Specific Holistic development plans in the sectors

relating to (i) Bamboo (ii) Oil Palm (iii) Horticulture (iv) Handicrafts and Handlooms .

- 8. 10% Gross Budgetary Support for North Eastern Region:** MDoNER, being the nodal Ministry, monitors and keeps track of expenditure under mandatory 10% GBS by non-exempted Ministries/ Departments, since the Ministry's inception. All non-exempted Central Ministries/Departments are mandated to spend at least 10% of their GBS of Central Sector and Centrally Sponsored Schemes for NER. The BE allocation for the year 2021-22 for NER under 10% GBS stood out at Rs 68,020.24 Crore
- 9. NEDFI :** NEDFi is a public limited company registered under the companies Act 1956, on 9th August, 1995. It is notified as a public financial institution under section 4A of the said Act and it was registered as an NBFC in 2002 with RBI. The shareholders of the corporation are: IDBI, SBI, LIC, SIDBI, ICICI, IFCI, SUUTI, GIC. The management of NEDFI has been entrusted upon the board of directors comprising representations from shareholder institutions, DONER, state governments and eminent persons from the NE Region and outside having wide experience in industry, economics, finance and management. The basic objective of NEDFi is development of industries, infrastructure, animal husbandry, agri-horticulture plantation, medicinal plantation, sericulture plantation, aquaculture, poultry and dairy in the North Eastern states of India.

Stop to Consider

NEDFi is under the administrative control of Ministry of DoNER. NEDFi provides imputes to entrepreneurship in the NER by providing various kinds of financial assistance to micro and small enterprise. NEDFI provides micro finance schemes directly or through business correspondent.

NEDFi has set up Northeast Fund(NEVF) a dedicated venture capital fund for the region to encourage start ups in NER. NEDFi provides multi-disciplinary advisory and consultancy services to industrial infrastructure and social development projects in the region .

Moreover, Ministry of Development of North Eastern Region (MDoNER) has also been looking after the various projects and initiatives of the Central Government such a Bharatmala Pariyojana, Regional Connectivity Scheme, Swadesh Darshan Scheme, Kaladan Multi-Modal Transit Project etc . This projects are undertaken to revamp the transportation and connectivity infrastructure, promote tourism etc

- **Bharatmala Pariyojana (BMP):** Funds were released for development of infrastructure like roads and bridges, ISBT, airports, railway in North Eastern Region. Under Bharatmala Pariyojana (BMP) roads stretches aggregating to about 5301 km in NER have been approved for improvement. Out of this, 3246 km road length has been approved for development of Economic Corridors in the North East.
- **Regional Connectivity Scheme (RCS)-UDAN:** To make flying more affordable. Regional Connectivity Scheme (RCS-UDAN) has been launched to provide connectivity to unserved and underserved Airports within the country and to promote regional connectivity by making the airfare affordable through Viability Gap Funding (VGF). The North East has been kept as a priority area under RCS-UDAN.
- **Swadesh Darshan Scheme:** The Ministry of Tourism has identified several segments like Eco-Tourism, Rural Tourism, Medical Tourism, Wellness Tourism, Adventure Tourism, Cruise Tourism, Sustainable Tourism, Agri-Tourism, promotion of Cuisines as having huge potential for the North East Region. The Swadesh Darshan Scheme of Ministry of Tourism is aimed at developing theme based tourist circuits in the Country, including the North East Region. Under this scheme, projects worth Rs.1315.06 crore have been sanctioned for the North East Region in the last four years and Rs.783.40 crore has been released for the same. The Ministry of Tourism also organizes the ‘International Tourism Mart’ in the North East States for promotion of the North East Region.
- **Kaladan Multi-Modal Transit Project:** Kaladan multi-modal transit project that was put forward by India to Myanmar, and aimed at creating a gateway linking the landlocked North-Eastern region to the sea. Through this project, the mainland will be linked to the

NE region via all the three modes of transport, sea, river, & road. The project's framework and protocol were signed by both the countries on 2nd April 2008. The project has been on a fast track since Look East Policy was rechristened to Act East Policy. This long-delayed project began its road construction in April 2018 and is India's single largest developmental activity on a foreign land.

Thus the above points clearly speaks volumes about the role played by the MDoNER for the overall development of the region.

Check Your Progress

1. What was the main objective of Non Lapsable Central Pool of Resource (NLCPR)?
2. What is Swadesh Darshan Scheme?
3. What is the objective of Regional Connectivity Scheme (RCS)-UDAN?

2.6 Summing Up

The Ministry of Development of North Eastern Region (MDoNER) functions as a nodal department of the central government to deal with matters relating to the socio economic development of the eight states of North East India. The Ministry of Development of North Eastern Region (DoNER) is the only Ministry with a territorial jurisdiction and functions to coordinate the developmental efforts in the North Eastern Region (NER). The overall development of the North Eastern Region of the country is of utmost significance to the Government of India. The vision laid down by the Indian Government to become '5 trillion economy', to become world 3rd largest economy and to place itself in the category of developed economy from the existing developing economy will be possible only if the NER of the country are taken along in the path of overall economic, infrastructural, industrial and social development. The ambitious and rebranded initiative, 'Act East Policy' shall not materialize in true spirit if the NER does not participate in reality. Northeastern Region of the country is the gateway to the South East Asian countries. The region provides a level playing field to the Government to enhance its ties with South East Asian countries to fulfill its economic and strategic objectives.

2.8 Model Questions

1. What are the mission and vision of MDoNER?
2. Highlight the significance of North East India.
3. Discuss the role of MDoNER in the economic development of the region.

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Unit-3

North East Industrial Policy-Promotional Measures for Cross Border

Unit Structure:

- 3.1 Introduction
- 3.2 Objectives
- 3.3 Meaning and Objectives of Industrial policy
- 3.4 North East Industrial Development policy
 - 3.4.1 Introduction
 - 3.4.2 Policy highlights
 - 3.4.3 UNNATI
- 3.5 North East Industrial Development Scheme
 - 3.5.1 Eligibility criteria
 - 3.5.2 Incentives
- 3.6 Cross border trade
 - 3.6.1 Border trade
 - 3.6.2 Problems in development of border trade
 - 3.6.2 Policy initiatives by Government of India
- 3.7 Summing Up
- 3.8 Model Questions
- 3.9 References and Suggested Readings

3.1 Introduction

It was from the 19th Century CE, during the British Raj, that the territories of this region came to be recognised as “North-East India”. North East India (NEI) was made part of the Bengal presidency during British rule. Being the easternmost region, Transportation, Petroleum and Tea were only given the main focus. Post independence NEI was then primarily recognised as a resource hub for plantation and extraction sectors.

While across the hilly region and in many remote plain areas, the traditional industries and methods were being used such as shifting cultivation and indigenous handicraft industry which thrived in isolation.

Neither tea nor oil were the parts of region’s traditional economies, they were created in Assam by the colonial capitalists in the years 1837 and 1899 respectively for surplus extraction¹(Footnotes)

Industrial Policy in North East India: Peripheral Realities in Post-Liberalisation Period, J. P. Bhattacharjee and Rakhee Bhattacharya

The state was the key supplier of resources for various ‘core’ industrial development of India.

3.2 Objective

After going through this unit you will be able to-

- understand the meaning and Objectives of Industrial policy,
- explain the North East Industrial Development policy and scheme,
- analyse the problems faced in Cross Border Trade,
- explain the policy initiatives for Cross Border Trade.

3.3 Meaning and Objectives of Industrial policy

In simple words an Industrial Policy of a country is the set of standards and measures set by the Government to evaluate the progress of the manufacturing sector that ultimately enhances economic growth and development of the country. The government takes measures to encourage and improve the competitiveness and capabilities of various firms. The state government took initiative for the development of the region as a whole however the policies failed to bring the needed change in the industrial scenario and induce investment from the private players.

Industry scenario before North East Industrial policy 1997:

- Historically, the Petroleum and Tea sectors dominated the region’s industrial activity. These sectors have been in existence for over 100 years now. The important industry sectors included : Plywood, Chemical/Petrochemical/ Fertilizers, Paper and pulp, Engineering, Textiles, Jute, and others.
- A good number of medium and large units were established under the PSU banner. In fact major Private Investments in medium and large sectors was absent, except, perhaps in the tea & plywood sectors.
- Plywood, which was once the major industrial activity of the region, lost its ground due to a governmental order banning cutting of trees, in late 90 s. Nearly 300 Plywood units were reportedly closed as a result. Otherwise, the SME sector dominated the industrial activity, by and large.

After independence to focus on the overall economic development of India a separate Industrial policy was introduced with some set objectives. The

first Industrial policy of India was introduced in the year 1948 followed by in the year 1956, 1977, 1980 and 1991 etc. However, the New Industrial policy introduced in the year 1991 brought some drastic change with the introduction of LPG (Liberalisation, Privatization and Globalisation).

The industrial policy as formed by GOI has the following general objectives:

1. To maintain steady growth in productivity.
2. To create more employment opportunities.
3. Utilize the available human resources better
4. To accelerate the progress of the country through different means
5. To match the level of international standards and competitiveness

To specifically look into the infrastructural and industrial development of North East India organisations such as NEC, MDoNER were set up under the state government guidance which supported the industrial development in NEI.

Under such an initiative North Eastern Development Finance Corporation Ltd (1995) was set up. NEDFi provides financial assistance to micro, small, medium and large enterprises for setting up industrial, infrastructure and agri-allied projects in the North Eastern Region of India and also Microfinance through MFI/NGOs.

In the year 1997 NEI got its first North East Industrial policy (NEIP) to put right the 'chronic industrial underdevelopment' in the region with the aim to grow industries in NEI by supporting private investors. It was revised and a new policy was introduced and named as North East Industrial & Investment Promotion Policy (NEIIPP) 2007, was notified w.e.f. 1.4.2007 which will remain in force upto 31.03.2017. The short title given to the policy was Central capital Investment subsidy scheme 2007.

NEDFi was the nodal agency to provide for the disbursement of subsidies under NEIIPP in NEI uptill 2016. From 2017, GOI used the Direct Benefit Transfer fund mechanism to provide subsidies to the industries.

North East Industrial Policy (NEIP) 1997 had the following objectives:

The NEIP 1997 seeks to address the concerns of the Region, based on a two-pronged approach,

- (i) development of industrial infrastructure, and

(ii) provision of fiscal subsidies & incentives, and encouragement to resource-based and employment intensive industrial investments.

3.4 North East Industrial Development Policy

3.4.1 Introduction

The North East Industrial and Investment Promotion Policy 2007 of the Government of India has laid down a number of fiscal incentives for investors to promote industrialisation and investment in North East India. The provisions of the NEIIPP, 2007 were continued for a period of 10 years till 2017.

3.4.2 Policy highlights

- Central Excise Duty Exemption for 10 years.
- 100% Income Tax Exemption for 10 years.
- Capital Investment subsidy in plant and machinery @ 30%. without any upper limit of investment.
- Interest subsidy @ 3% on working capital loan for a maximum period of 10 years from the date of commencement of production.
- Comprehensive insurance – reimbursement of 100% insurance premium for 10 years.
- Incentives package also available for the service sector – hotels, nursing homes, vocational training institutes, etc.
- Incentives for bio-technological industry as applicable to other industries.
- Incentives for power generating industries – incentives under Sec. 81(A) of Income Tax Act to continue. Power generating plants (all types) up to 10 MW will be eligible for capital investment subsidy, interest subsidy and comprehensive insurance. (Source : Government of Assam Industries and Commerce).

3.4.3 UNNATI (Uttar Poorva Transformative Industrialization Scheme)

In a recent initiative taken by the Ministry of Commerce and Industry, Department for Promotion of Industry and Internal Trade (DPIIT) has introduced Uttar Poorva Transformative Industrialization Scheme, 2024 (UNNATI – 2024) for a period of 10 years at a total cost of Rs.10,037

crore. With a fresh outlook and tailored approach, this policy is set to revolutionize industry and service sectors, catering to their dynamic needs. UNNATI is not just a scheme; it's a catalyst for regional progress, driving economic growth and development. By incentivizing industrial expansion and optimizing operations, UNNATI paves the way for a thriving economy built on performance and innovation. Government of India is dedicated to offering essential assistance to industries in the North-eastern region (NER) through a novel policy designed to address the evolving requirements of the industries in manufacturing and service sectors.

The scheme's main objective is to generate gainful employment, which will lead to the area's overall socio-economic development. It will create productive economic activity in the manufacturing and service sectors. Industrial development in the NER needs to be given a fresh thrust with emphasis on job creation, skill development, and sustainable development by attracting new investments and nurturing existing ones. However, to maintain a proper balance between the industrial growth and pristine environment of the NER, certain industries are kept in the positive list such as Renewable energy, EV charging stations etc and there is a Negative list for certain sectors which may hamper the environment such as cement, plastic etc.

Salient features of the scheme:

- i. Scheme period:** The scheme will be effective from the date of Notification and up to 31.03.2034 along with 8 years of committed liabilities.
- ii. Application period for registration:** Industrial unit will be allowed to apply for registration from the date of notification up to 31.03.2026
- iii. Grant of registration:** All applications for registration shall have to be disposed of by 31.03.2027
- iv. Commencement of Production or operation:** All eligible Industrial Units to commence their production or operation within 4 years from the grant of registration.
- v. Districts are categorized in two zones:** Zone A (Industrially Advanced Districts) & Zone B (Industrially Backward Districts)

vi. Earmarking of funds: 60% of the outlay of Part A has been earmarked to 8 NE states and 40% on First-In-First-Out (FIFO) basis.

vii. For Micro industries (defined as per MSME industry norms), the P&M calculation will include the building construction and P&M costs for Capital Investment Incentive.

viii. All new Industrial units and Expanding units would be eligible for the respective incentives.

Its main focus areas are:

1. REVITALIZING THE NORTH EAST: UNNATI unfolds a transformative narrative, seamlessly blending substantial financial incentives, the creation of direct employment opportunities, and the nurturing of regional development.

2. Empowering new investments and nurturing expanding ones
UNNATI will elevate the region's infrastructure and facilitate skill development, laying the groundwork for sustainable and inclusive progress

3. Unlocking growth : Lucrative incentives, Unmatched opportunity
UNNATI provides lucrative incentives that are simplified, easy to apply for, and feature a transparent and streamlined process

4. Northeast region unfolds as an enticing and sustainable investment project

UNNATI aims to create a lasting positive impact, fostering resilience and prosperity in Northeast India for the long term.

Implementation strategy:

DPIIT will implement the scheme in cooperation with the states. Implementation will be overseen by following committees at the national and state levels.

I. The Steering Committee, headed by the Secretary, DPIIT (SIIT), will decide upon any interpretation of the scheme within its overall financial outlay and issue detailed guidelines for execution.

II. The **State Level Committee, headed by the state's Chief Secretary**, will monitor implementation, checks and balances, ensuring transparency and efficiency.

III. The **Secretary Level Committee, headed by the senior Secretary of the state (Industries)**, will be responsible for implementing the scheme, including the recommendation of registration and incentives claims.

Stop to Consider

INCENTIVES UNDER THE UNNATI SCHEME

1. Capital Investment Incentives
2. Capital Interest Subvention incentive
3. Manufacturing and services linked incentive

(Learners are required to go through the scheme in detail from various available sources)

Check Your Progress

1. What is Industrial Policy? What are the objectives of Industrial Policy?
2. What were the two different approach of NEIP 1997.
3. What is UNNATI? Discuss its salient features.
4. What are the focus area of UNNATI.

3.5 North East Industrial Development Scheme

North East Industrial Development Scheme (NEIDS) has been launched to further catalyze industrial development in the North Eastern Region including Sikkim. It came into force from 01.04.2017 up to 31.03.2022. The Scheme covers new units in manufacturing and services sectors. The scheme provides for Central Capital Investment Incentive for access to credit, Central Interest Incentive, Central Comprehensive Insurance Incentive, Goods and Services Tax Reimbursement, Income Tax Reimbursement, Transport Incentive; and Employment Incentive.

3.5.1 Eligibility criteria

All new industrial units in manufacturing and service sector upto 10 MW (megawatt) located in NER. Few conditions to be fulfilled by the new business unit are :

- It is not formed up by splitting up or reconstruction of an existing business
- It is not formed by transfer to the new unit of plant and machinery previously used for any other purpose
- it has not relocated from elsewhere and/or is not an existing unit reopened under a new name and style.

3.5.2:Incentives :

The total incentives availed by an eligible industrial unit under the scheme should not exceed the total investment in plant and machinery subject to a maximum limit of Rs.200.00 crore per unit. The following incentives will be provided to eligible industrial units on reimbursement basis:

1. Central Capital Investment Incentive for access to credit (CC AC)
:
 - Under this scheme an industrial unit can access credit @ 30% of the investment in plant and machinery with an upper limit of Rs.5.00 crore.
2. Central Interest Incentive(CI)
 - interest incentive @3% on working capital credit advanced by the Scheduled Banks or Central/State financial institutions for the first 5 years from the date of commencement of commercial production/ operation.
3. Central Comprehensive Insurance Incentive (CCI)
 - reimbursement of 100% insurance premium on insurance of building and Plant & Machinery for a maximum period of 5 years from the date of commencement of commercial production/ operation.
4. Goods and Services Tax (GST) Reimbursement
 - reimbursement of Goods and Services Tax (GST) is available on finished products manufactured in the NER up to the extent

of the central share of the CGST and IGST. This will be available for a period of 5 years from the date of commencement of commercial production subject to the following condition:

The GST reimbursement on finished goods is applicable only on the net GST paid, other than the amount of Tax paid by utilization of Input Tax credit under the Input Tax Credit Rules, 2017.

5. Income Tax (IT) Reimbursement

The industrial unit set up under this Scheme can claim reimbursement of central share of income tax for the first 5 years, including the year of commencement of commercial production by the unit.

6. Transport Incentive(TI); and

Incentive on transportation of only finished goods is available through Railways or the Railway Public Sector Undertakings, Inland Waterways or scheduled airline. This benefit is valid for a period of five years from the date of commencement of actual commercial production/ operation. The incentive can be availed once receipt of actual production is submitted.

7. Employment Incentive (EI)

The Department of Industrial Policy and Promotion (DIPP) will be contributing an additional 3.67% of the employer's contribution to Employees' Provident Fund (EPF). This interest will be in addition to the Government bearing 8.33% Employee Pension Scheme (EPS) contribution of the employer under the Pradhan Mantri Rojgar Protsahan Yojana (PMRPY).

3.6 Cross border trade

3.6.1 Border trade:

North Eastern India shares land borders with Bangladesh, Bhutan, China, Myanmar and Nepal and has agreements of overland trade with these countries through Land Custom Stations notified under Section 7 of the Customs Act, 1962.

For trading through LCSs situated on the Bangladesh and Bhutan border, there is a Free Trade Agreement (SAFTA), Border Trade Agreement has been entered into with China and Myanmar.

The Foreign trade policy (2004-09) acts as a platform to develop cross border trade between India and its neighbouring countries. A **Border trade** is different from trade through air, land or sea ports as trade through ports involves clearance through customs and has a large volume. Border trade in contrast is “over-land trade” by way of “exchange of commodities” ‘ from a bi-laterally agreed list by people living along both sides of the international border.

3.6.2 Problems in development of border trade: Fundamental problem in development of Border trade are:

1. Rise in Informal economy

Narcotics, weapon dealing, trafficking of animals etc is in rise in the cross border trade due to unprotected and porous borders. As a result of this the informal trade is weakening the development in cross border trade for genuine products.

2. Poor state of Infrastructure : Road connectivity, telecommunication, banking and other financial networks are in a poor state in the border areas. Henceforth, it has increased the transit and transaction cost of trading.

3. Dual currency exchange rate system of Myanmar: There is an official exchange rate which is grossly overvalued and an unofficial market determined rate which is a more realistic reflection of the currency’s actual worth. For instance, while the official exchange rate for US \$ 1 was Kt 5.7 at the end of 2003, the free market rate was Kt 850 for US \$ 1 (The Economic Intelligence Unit, 2004: p. 18-91).

4. Transit trade: Foreign Trade Law of Myanmar provides for transit trade, under which goods can be imported to Myanmar for final delivery in a third country. The overseas buyer or seller can appoint a Myanmar resident or enterprise as a conduit for the transit. It creates a situation whereby it results in artificially lowered price of the goods for the buyers in the final destination. The unusually low price of third country products imported to India from Myanmar in informal border trade leads to dumping of goods.



5. Natural calamity:

Landslide is found to be the most frequent natural disaster in the border areas. Border roads are blocked for days together disrupting all transport activities during the rainy season. As a result supply of all essential commodities and essential services are severely disrupted.

6. The Barter Trade Mechanism for Official Border Trade:

Barter trade system exists in cross border trade in the sense that export from one country needs to be balanced by import to that country by individual traders. The narrow range of items identified for formal border trade is another factor restricting the natural trade flows.

3.6.2 Policy initiatives by Government of India

1. India - Bangladesh

There are 83 land customs stations (LCS) between Bangladesh and India out of which 26 Land Customs Stations (LCS) are along the NE-Bangladesh border for facilitating the border trade. Out of 26 LCS, 20 are functional, while the remaining six are non functional. India's North East and Bangladesh are much more than next door neighbours. Being geographically contiguous, they are 'natural markets' for each other.

Initiative for economic cooperation:

- Signing of trade agreement between India and Bangladesh, firstly in the year 1972. This agreement was renewed up till 2012.
- Protocol on Inland Water Transit and Trade (IWTT) signed in 1972 and was last renewed in 2015 for five years.

- Bilateral Air Services Agreement between India and Bangladesh
- Bilateral Agreement on the Establishment of Joint Economic Commission (JEC)
- India-Bangladesh Convention for the Avoidance of Double Taxation
- India-Bangladesh Agreement for the Regulation of motor vehicle passenger traffic, and many such bilateral agreements were signed along with MOUs

2. India - Myanmar

- The first border trade agreement was signed in 1994 with two operational border trade points (Moreh-Tamu and Zowkhatar – Rhi on the 1643 km long border.
- Some items traded from Myanmar traders from the Indian side are cotton yarn, auto parts, soya bean meal and pharmaceuticals etc
- Various MOUs were entered between the two nations for trade facilitation such as the Confederation of Indian Industry and the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) entered into an MoU in February, 2000. An MoU was also signed between CII and the Myanmar Computer Federation (MCF) in 2001.
- To support the transport connectivity various upgradation were done. Such as :
 - ◆ resurfacing of the 160 km. long Tamu-Kalewa-Kalemyo road;
 - ◆ construction and upgradation of the Rhi-Tiddim Road in Myanmar;
 - ◆ the Kaladan Multimodal Transport Project; etc.
 - ◆ An ADSL project for high speed data link in 32 Myanmar cities has been completed by TCIL.
 - ◆ A heavy turbo-truck assembly plant set up in Myanmar by TATA Motors with GOI financial assistance was inaugurated on December 31, 2010
- ASEAN: Myanmar became a member of ASEAN in July 1997. As the only ASEAN country which shares a land border with India, Myanmar is a bridge between India and ASEAN.

- BIMSTEC: Myanmar became a member of BIMSTEC in December 1997. Myanmar is a signatory to the BIMSTEC Free Trade Agreement. Myanmar is the lead country for the energy sector. Myanmar trades mostly with Thailand and India in the BIMSTEC region.
- Mekong Ganga Cooperation: Myanmar is a member of the Mekong Ganga Cooperation (MGC) since its inception in November 2000. MGC is an initiative by six countries – India and five ASEAN countries namely, Cambodia, Laos, Myanmar, Thailand and Vietnam – for cooperation in the fields of tourism, education, culture, transport and communication.

3. India - Bhutan

The foundation of India Bhutan relationship was laid in the year 1949 with the signing of Treaty of Friendship and Cooperation and renewed in February 2007. This further developed into the signing of the India-Bhutan Agreement on Trade, Commerce and Transit 1972 and revised in 2016. It establishes a free trade regime between the two countries and also provides for duty free transit of Bhutanese exports to third countries.

Some recent initiatives undertaken by signing bilateral trade agreements are:

- 720 MW Mangdechhu Hydro Project,
- The Ground Earth Station of ISRO for utilization of the South Asian Satellite,
- Extension of interconnection between the National Knowledge Network of India and Bhutan's Research and Education Network were launched
- India's top exports to Bhutan are petrol & diesel, passenger cars, rice, wood charcoal, cell phones etc
- India is the leading source of investments in Bhutan, comprising 50% of the country's total FDI. There are about 30 Indian companies in Bhutan operating in various sectors - banking, manufacturing, electricity generation, agri/food processing, ITES, pharmaceuticals, hospitality, and education – such as Punjab National Bank, State Bank of India, Tata Power Company Ltd., General Insurance Corporation etc

4. India - China

The first trade agreement between the People's Republic of China (PRC) and India was signed in 1954. Nathula pass remained as a difficult trade point due to military conflict with China which shadowed the trade relations of these two countries. Most of the trade is carried out between the two countries through the port of Kolkata and Shanghai. The pass remained closed for many years after the 1962 war and was reopened in 2006 after the visit of Mr. Atal Bihari Vajpayee. During this tenure trade was carried out through the port of Tianjin. After the Indo-Sino war trade resumed between the two countries in 1978. In 1984 both the countries gave each other Most favoured Nation (MFN) status. India exports iron ore, cotton and other raw material etc and imports electrical and mechanical machinery, Active Pharmaceutical Ingredients (APIs), auto components.

5. India - Nepal

The trade relations between India and Nepal is governed by Treaty of trade, Treaty of Transit and Agreement of Cooperation to Control Unauthorised trade.

The **Treaty of trade** agreement between the two nations was signed in the year 1950. As per the Treaty it allows Nepali goods—those listed as primary goods, including agricultural—duty-free-quota-free access in Indian markets. However, there is a quantitative restriction imposed on the four items—vegetable ghee, acrylic yarn, copper products and zinc oxide.

Twenty-two routes have been specified for bilateral trade, of which fifteen have also been specified for third-country trade. The bulk of interchange, however, takes place only through five routes, (i) Raxaul (Birgunj), (ii) Jogbani (Biratnagar), (iii) Naxalbari (Kakarbhitta), (iv) Nautanwa (Bhairahawa), and (v) Nepalgunj Road (Nepalgunj)

Besides the Treaty on Trade, Nepal and India have also signed a **Treaty on Transit**, which allows Nepal to undertake third country trade through Indian Territory through mutually agreed upon routes. Nepal and India have also an agreement in place that allows cargoes originating from and delivered to Nepal to use Indian railways. Considering the open border between Nepal and India, the two countries have also signed an agreement of cooperation to control unauthorized trade that forbids export of goods

imported in Nepal to be exported to India without undertaking any manufacturing activity and vice versa.

They have also entered into a rail services agreement for movement of goods (container traffic and break-bulk cargo) in transit between Kolkata/Haldia and Birgunj (Nepal). The development of multimodal infrastructure at the land customs stations in Nepal – Birgunj, Biratnagar, Bhairahawa – has significantly improved the transport logistics of trade. Of these three, Birgunj has already been developed as a rail-linked ICD and a dry port.

The Reserve Bank of India (RBI) has initiated several measures in recent years to ensure a timely and hassle-free flow of credit to the export sector. These measures include liberalization of interest rates, flexibility in disbursement of pre-shipment credit, special financial packages for large value exporters, export finance for agricultural exports, etc. Banks have also been granted freedom to source funds from abroad without any limit exclusively for granting export credit in foreign currency. The banks are also free to charge interest rates lower than the ceiling fixed by the RBI, thereby creating a competitive setting for flow of export credit.

Check Your Progress

1. Write short notes on: NEIDS, DIPP, PMRPY.
2. What is Cross Border Trade.
3. Highlight the problems in the development of cross border trade.

3.7 Summing Up

Industrial Policy of a country is the set of standards and measures set by the Government to evaluate the progress of the manufacturing sector that ultimately enhances economic growth and development of the country. Industrial development in the NER post independence remained at a nascent stage due to various factors such as connectivity, poor infrastructure etc. For the development of the industrial scenario in NER, GOI formulated North East Industrial Development Policy. The region received an impetus after the formulation of these policies and one can witness some positive improvement in the overall scenario of the region. These policies not only provided financial support to industries but further expanded its assistance

by extending training, infrastructural support etc. Further, as the GOI focus shifted to NER and in line for sustainable industrial development along with employment generation, a new scheme UNNATI was introduced to cater to the needs of the region. NER is considered important due to its geographical importance, connecting India with the neighbouring countries. In the globalisation era, Indian economy should continue its trade with the neighboring countries giving a wide market for the Indian products. Cross border trade will enable the country to maintain cordial trade relationships with the neighboring countries.

3.8 Model questions

1. Discuss the Act east policy in the light of Look east policy.
2. Discuss the trade relation of India and Bangladesh and the initiatives taken by Government of India to boost the cross border trade.
3. What do you understand about the Most favoured nation (MFN) status?
4. Discuss the background of the NEIIPP 2007.
5. Discuss the role of Government of India in the development of industrial scenarios of NER.
6. Discuss and analyze the policy initiatives under UNNATI 2024.

3.9 References and Suggested Readings

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Unit-4

Role of NEC and NEDFI in the development of NER, NE India under Look East Policy

Unit Structure:

- 4.1 Introduction
- 4.2 Objectives
- 4.3 Role of North Eastern Council (NEC) in the development of NER.
 - 4.3.1 About NEC
 - 4.3.2 The composition of the member of the council
 - 4.3.3 Power and Function of NEC
 - 4.3.4 NEC and North East India
- 4.4 Role of North Eastern Development Finance Corporation Ltd (NEDFi) in the development of NER
 - 4.4.1 Management of NEDFI
 - 4.4.2 Type of Financial Assistance provided
- 4.5 North East India under Look East Policy.
- 4.6 Summing Up
- 4.7 Model Questions
- 4.8 Reference and further readings.

4.1 Introduction

The North Eastern Region (NER) is primarily an outcome of the North Eastern Reorganisation Act in 1972. While Assam was in existence prior to 1947; Nagaland was created in 1963; three states namely Manipur, Meghalaya and Tripura were created in 1972; two states namely Arunachal Pradesh and Mizoram were created in 1987; while in between Sikkim was created in 1975. The NER comprising of eight states has only 2 pc of their border with mainline India connected by a 27km wide corridor at Siliguri in North Bengal. It is surrounded by five foreign countries namely Bangladesh, Bhutan, China, Nepal, Myanmar. About 96 percent of the boundary of the region account for international borders. Many initiatives were made to connect NER with the South and Southeast Asian nations under the Look East Policy; a few of them are : Bay of Bengal Initiative for Multisectoral

Technical and Economic Co-operation(BIMSTEC), Bangladesh-China-India-Myanmar Forum for Regional co-operation (BCIM), the Mekong-Ganga Co-operation(MGC) and the Association of South East Asian Nations (ASEAN) linkages.

4.2 Objectives

After going through this unit, you will be able to–

- understand the role of NEC in the development of NEC,
- understand the role of NEDFI in the development of NEC,
- analyse North East India under Look/Act East Policy.

4.3 Role of North Eastern Council (NEC) in the development of NER

4.3.1 About NEC

The North Eastern Council is a nodal agency for the economic and social development of the North Eastern Region which consists of the eight States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. Established by an Act of Parliament in 1971, it is the nodal agency for the social and economic development of the North Eastern Region. The council started function from 1972 onwards. The establishment of the Council has marked the new beginning of a concerted and planned endeavor for the rapid development of the Region. Over the last fifty(50) years, NEC has been instrumental in giving direction to the growth and development of the northeastern region by removing the basic handicaps that stood in the way of normal development of the region and has ushered in an era of new hope growth and development in the North east region. The creation of North eastern Council perhaps convince the central government that the development of this region needs a regional approach for some sectors like transport and communication ,power, industry, manpower developments etc. The Central Government seeks an economic integration through the NEC as an advisory body in regional planning. The NEC is expected to achieve the above objectives by formulating unified and coordinated regional plan for development of the region, fixing priorities of the projects and also their phasing out

from the point of view implementation and routeing flow of funds from the center for investment in the regional development projects.

4.3.2 The composition of the member of the council

The members of the NEC consist of the Governors and the Chief Ministers of the eight member States including Sikkim, apart from the Chairman and three Members who are nominated by the President of India.

4.3.3 Power and Function of NEC

The NEC has been set up with the principal objective of effecting a fast and balanced social-economic development of the entire region .The function of the council are defined explicitly in Sec(4) of the NEC Act 1971.

- a) *As per the provision of the Act ,the NEC shall be an advisory body to the central government and government of each states concerned and make recommendations with regard to*
 - any matter of common interest in the field of economic and social planning;
 - any matter concerning inter-State Transport and Communications;
 - any matter relating to Power or Flood-control projects of common interest
- b) *for securing the balanced development of the North Eastern Areas ,the NEC shall*
 - formulate a unified and coordinated Regional Plan, which will be in addition to the State Plan, in regard to matters of common importance to that area;
 - forward proposals prioritizing the projects and schemes included in the Regional Plan and recommend stages in which the Regional Plan may be implemented; and
 - forward proposals regarding location of the projects and schemes included in the Regional Plan to the Central .

- c) *The council shall :*
- review the implementation of projects and schemes of projects from time to time and recommend measures to the governments in such matters.
 - recommend the government on the undertaking of necessary surveys of the existing projects and schemes and the feasibility of new project.
 - Review and recommend the central government on the fund allocation and financial assistance to states
- d) The council shall review from time to time the measures taken by the states represented in the council for the maintenance of security and public order and recommend the governments for further measures to be undertaken.

Stop to Consider

The North Eastern Region Vision 2020 Document was brought out by NEC and accepted and signed by all the Members of the Council in the 56th Plenary of the NEC on 13th May 2008 at Agartala, Tripura. It was later unveiled by the Government in July, 2008 at New Delhi. Subsequently, seventeen thematic groups incorporating sector experts were constituted by this Ministry to develop specific action plans to operationalize the Vision 2020 Document. These Groups identified broad intervention areas and mechanisms for development of the North Eastern Region during a meeting held in Shillong on 3-4 December, 2008. Action areas suggested by the thematic groups were referred for implementation by the concerned Ministries. Following this, the Ministry has been urging concerned Central Ministries/Departments to formulate relevant socio-economic programmes and projects in the region. Ministries are also invited to spell out their development plans, achievements and ongoing activities in the North Eastern Region during routine meetings of the North Eastern Council and other review meetings.

4.3.4 NEC and North East India

With the objective of the all-round development and progress of the North Eastern Region, the North Eastern Council has been striving for implementing the on-going projects. NEC has been supporting various developmental works thereby accelerating the pace of progress in the Region. The NER VISION 2020 reflects the responsibility shouldered by the NEC especially in the fields of Surface and Air connectivity, Health, Power, Horticulture, Science & Technology, IT, Manpower, Industries, Tourism with the objective of taking Northeast to new heights. Role of North Eastern Council (NEC) in the development of NER can be studied under the following heads:

a) **Role of NEC in agriculture and allied sectors development:**

The important role of the agriculture for the speedier economic development of the region has prompted the NEC to lay considerable emphasis on the development of agriculture and allied sectors together. The following are the areas where NEC has taken active role:

- Foundation of Seeds farm for major crops circles ,pulses , oilseeds, cottonetc
- Projects in watershed management in the member states
- Establishment of model livestock farms in various states covering poultry, piggery , cattle ,goats and horses.
- Schemes for Mushroom cultivation in various states
- Schemes for horticulture development
- Promotion of Rubber plantation in Northeast India
- Schemes for the development of Tea and medicinal plant.
- Schemes for the development of fisheries sector in the northeast.
- Schemes for development of sericulture in the northeast
- Establishment of North Eastern Regional Agricultural Marketing Corporation(NERAMAC) to market the agro horticulture product of NE region.

b) **Role of NEC in commerce and industry sectors development:**

To promote border trade on mission mode as per the Govt. of India's 'Look East' Policy ,NEC with MEA has opened Branch

Sett in Guwahati for the North Eastern Region with the objective of designing plans for export promotion and to establish close ties with neighbouring countries. The Cane and Bamboo Technology Centre(CBTC),Guwahati has been working for the development of cane and bamboo sectors in the North Eastern Region. The CBTC has prepared National Bamboo Mission which was launched in 2006 and accordingly CBTC was designated as the Bamboo Technical Support Group for NE states and the Eastern states of West Bengal ,Orissa, Jharkhand and Bihar. Some other important projects funded and implemented are as follows:

- Livelihood Development through Rehabilitation project of surrendered militants of Tripura was supported by NEC
- Bamboo Technology Park at Sairong ,Mizoram was funded by NEC
- Bamboo Plantation Project in BTC was supported by NEC.
- Ramie Rhizome Fibre Unit in Nagaland was funded by NEC
- Construction of ARTFED at Rehabari,Guwahati
- Setting up of Rubber wood factory
- Setting up of Regional Boiler Testing Laboratory.
- Sponsoring Techno-economic surveys and investigation on local resource
- Export potential survey for identifying viable small ,tiny units
- Establishing mineral based industries like mini cement plants.
- Sponsoring R&D Schemes such as coke – braze, desilication of black and green liquor from paper plants.
- Sponsoring students from NER for higher studies in modern technology ,agriculture, management and allied fields
- Expansion and setting up of technical institution in NER.
- Incentive Scheme for promotion of micro enterprise in the NE
- Promotion of Industrial products of the region.

c) **Role of NEC in human Resource Development of NE region.**

In the area of manpower development , the following new Training institute/activities were set up/undertaken with the NEC's initiative in the region:

- Regional Institute of Medical Science,(RIMS)Imphal
 - The North Eastern Regional Institute of Science and Technology (NERIST) Itanagar
 - North Eastern Police Academy(NEPA) Shillong
 - The North Eastern Regional Institute of Water and Land management(NERIWALM)Tezpur
 - Regional Dental College, Guwahati
 - Regional College of Nursing, Guwahati
 - Regional Institute of Pharmacy,Agartala
 - Regional Survey Training Institute, Agartala
 - North Eastern Judicial Officers Training Institute, Guwahati
 - Regional Centre for Trainers in Farm Management ,Rani,Assam
 - Introduction of Computer Education in School level in NER
 - Development of Sports & Youth Activities in NER
 - Support for Mountaineering and other Adventure activities including development of infrastructure in NER
 - North East Space Application Centre(NE-SAC)
 - Skill upgradation cum motivation training of teachers of NE region with the support of NCERT,SCERT,IGNOU and DIET.
 - Pilot Training Centre at Lilabari, Assam
 - Construction of Rajiv Gandhi Girls Hostel at Delhi for 500 NE students
 - NE working women hostel at New Delhi
- d) **Role of NEC in Medical and Health Sector:** The North Eastern Council supports the broad policies adopted under the National Health Policy-2002 which provides for facilitating equitable access to health facilities by creation of infrastructure development of health centers and institutions for healthcare needs as well as capacity building in medical and paramedical disciplines. While NEC continues to extend financial assistance to various health centers and institutions, following major Institutes are being funded under NEC's Plan.
- Dr. B.Borooah Cancer Institute, Guwahati

- Regional Dental College, Guwahati
- Regional College Of Nursing, Guwahati
- Sri Sankardeva Nethralaya, Guwahati

In addition to above, support to various other Health Institutions/ Centres/ Projects in all NER are given by NEC.

Check Your Progress

1. When was NEC established?
2. Highlight the role of NEC *in agriculture and allied sectors development of NER.*
3. Highlight the role of NEC in human Resource Development of NE region

4.4 Role of North Eastern Development Finance Corporation Ltd (NEDFi) in the development of NER

NEDFi is a public limited company registered under the companies Act 1956, on 9th August, 1995. It is notified as a public financial institution under section 4A of the said Act and it was registered as an NBFC in 2002 with RBI. The shareholders of the corporation are: IDBI, SBI, LIC, SIDBI, ICICI, IFCI, SUUTI, GIC. The core business of the corporation comprises of lending activities and fee based activities. The lending activities are undertaken through the project finance schemes and micro finance scheme. The corporation also provides fee based advisory and consultancy service to the state and central governments. NEDFi has been playing an important role in setting up new industrial and service sector projects in the North Eastern States. Various sectors financed by NEDFi are hotel & tourism, healthcare, education & training institute, food processing, handloom & handicrafts, microfinance etc.

4.4.1 Management of NEDFi

The management of NEDFi has been entrusted upon the board of directors comprising representations from shareholder institutions, DONER, state governments and eminent persons from the NE Region and outside having wide experience in industry, economics, finance and management.

4.4.2 Type of Financial Assistance Provided

NEDFi provides financial assistance, loan facilities to the business entities comprising up in the NE Region. It provides financial assistance to micro, small, medium and large enterprises for setting up industrial, infrastructure and agri -allied projects in the NER and also microfinance through MFI/ NGOs. Besides financing, the NEDFi offers consultancy and advisory services to the state governments, private sectors and other agencies. The role played by NEDFi for the development of particular area/sector in the NER can be studied under the following heads.

- 1) **Micro and Small Enterprise**: For development of MSE Sector the corporation has taken initiative to identify and nurture potential first generation local entrepreneurs and provide finance on easy terms to them to set up viable industrial project. NEDFi undertakes various activities towards promotion and development of MSME and micro finance sector in the region through various schemes such as NEDFi Opportunity Scheme for Small Enterprise(NOSSE), North East Entrepreneurs Development Scheme(NEEDS) , Women Enterprise Development Scheme(WEDS)
- 2) **Micro Finance**: The NEDFi 'Micro Finance Scheme' was launched by the corporation to assist the grass root small borrowers in unserved and underserved areas of the Northeastern Region . Through this scheme the corporation provides wholesale Micro CREDIT TO Micro Finance Institution (MFIs) of the region for on leading to low income individual for carrying out various income generating activities in farm and non farm sectors . NEDFi also provides micro finance to the low income borrower directly to the entrepreneur or through the business business correspondent.
- 3) **Business Correspondent Model**: NEDFi Micro Lending Scheme was launched to extend the benefits to Micro borrowers. Till 31.12.2022 financial assistance of Rs 24.52 crore was extended to borrowers under this scheme.
- 4) **Advisory and Consultancy Service**: NEDFi provides multi-disciplinary advisory and consultancy services to industrial infrastructure and social development projects in the region .
- 5) **North East Venture Fund**: NEDFi has set up Northeast Fund(NEVF) a dedicated venture capital fund for the region to

encourage start ups in NER. Till 31.12.2022 a total of 60 start ups were given investment commitment for Rs 91.67 crore.

6) Promotional and Developmental activities undertaken by NEDFi:

- NEDFi conducts various techno economic feasibility studies for the NER
- NEDFi serves as a nodal agency for disbursement of central subsidies under NEIP 199, NEIIPP 2007, and Freight Subsidy Scheme 2013.
- NEDFi is the nodal agency for “Mission Organic Value Chain Development for North Eastern Region(MOVCDNER). MOVCDNER is the key initiatives of Ministry of Agriculture and Farmers taking up value chain processing activities.
- NEDFi is the central nodal agency for flow of funds under Prime Minister’s Development initiatives for the North East Region (PM-DevNE).
- NEDFi conducts business meet in all the NE states for the first generation entrepreneurs to disseminate information on various Schemes and Programmes.
- NEDFi provides mentoring assistance to the first generation entrepreneurs on NE states on Managerial ,Technical ,Financial, Commercial and Marketing, Preparation of Project Reports and Credit Linkages through Business Facilitation Centres.
- NEDFi assists the NGOs/MFI by providing capacity building programmes.
- NEDFi maintains a web based portal called “NER Data Bank” with view to provide information about North East India at a single source.
- NEDFi conducts various programmes on Sustainable livelihood t provide alternative livelihood to the artisans in water hyacinth craft ,handloom and handicraft sector.
- NEDFi provides marketing supports to the artisans of NER through exhibition participation and its various showrooms

Check Your Progress

1. NEDFI was registered under the companies Act 1956, on(*fill in the blank*)
2. Highlight the core business of NEDFi.
3. What are the various promotional and developmental activities undertaken by NEDFi?

4.5 North East India under Look East Policy

Look East Policy which was launched in early 1990s is one of the prominent foreign policy initiative which Indian Government has taken. The primary aim of the Look East Policy has been to enhance trade ,investment and connectivity between India and other countries to its immediate East extending upto South East Asia ,East Asia and the pacific. The policy also has the much needed strategic ,economic and political dimension. The said Look East Policy was rebranded under the leadership of PM Narendra Modi as Act East Policy in 2014 to mark a significant shift towards a more proactive and action oriented approach towards the region. The first phase of Look East Policy started under the Prime Ministership of P.V Narshimha Rao(1991-96).The second phase was associated with P.M Atal Bihari Vajpayee’s Government(1998-2004). The third phase started and continued till the Prime Ministership of Dr Manmahon Singh (2004-2014).The Fourth phase emerged under the leadership PM Narendra Modi (2014 till date) as Act East Policy in 2014. The Act East Policy rests on the four central themes which are also known as 4C’s.They are : *Connectivity, Commerce, Culture and Capacity building*

The founding objective of both Look East and Act East Policy are same however the fundamental distinction between the two policies lie in the following:

1. The “Act East” policy encourages a proactive role for India to play in its eastern neighborhood.
2. “Look East” Policy was driven by economic interests; while “Act East Policy” focuses also on Security Interests besides economic interests.
3. The scope of “Look East” was limited to South East Asia, whereas “Act East” scope is extended to East Asia

4. The “Act East” policy highlights North East as an integral part of India’s foreign policy and accords this region as the main beneficiary and primary actor in our foreign policy concerning South East and East Asian countries

The North East India shares 4500 km long international borders with Nepal, Bhutan, China, Myanmar and Bangladesh. Myanmar alone shares 1643 km boundary with Indian states of Arunachal Pradesh, Manipur, Mizoram, and Nagaland. North east India also shares a rich cultural heritage with ASEAN countries such as Vietnam, Myanmar, Lao PDR and Thailand. Due to its geographical proximity with South East Asian countries and Cultural diversity, North Eastern Region will play an important role in the success of Act East Policy and overall regional economic integration. In this regard, the north-eastern states need holistic economic development so that it can sustain the local economy as well as give impetus to regional integration. In other words, the north eastern states should get the direct benefit from the development occurring due to the success of Act East Policy.

The Act East Policy will help NER to increase its connectivity and integrate with national, regional and global markets. This enhanced integration will facilitate trade and commerce and help the NER to find markets for its product in the South East Asia and Asia markets. The NER markets will also see enhanced product penetration from South East Asia and other Asia countries. The NER shares age old ethnic and cultural relationship with the countries of South East Asia and China. These ethnic and cultural commonalities can be leveraged to foster people to people contract and boost tourism in the region. Act East Policy comes with certain opportunities for the development of North East Region:

- Massive projects are being undertaken or completed in the North Eastern Region for enhancing connectivity and physical infrastructure. This will boost trade in the region.
- North East Region is rich in biodiversity that would boost tourism and attract tourist from South Eastern countries.
- The North East Region can reap the advantage of the Act East Policy by exporting natural resource like coal, spices, oil, natural gas, limestone, tea etc to south East Asian countries.
- Investment from investors of South East Asian Countries would benefit the NER in the near future

- Act East Policy would provide opportunity to the North Eastern Region to strengthen its relationship bilaterally or multilaterally with south East Asian countries.

Check Your Progress

1. The Act East Policy rests on the four central themes which are also known as 4C's. What are they?
2. What is the fundamental difference between Look East and Act East Policy?

4.6 Summing Up

The North Eastern Council is a nodal agency for the economic and social development of the North Eastern Region which consists of the eight States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. Established by an Act of Parliament in 1971, it is the nodal agency for the social and economic development of the North Eastern Region. NEC has been supporting various developmental works thereby accelerating the pace of progress in the Region. The NER VISION 2020 reflects the responsibility shouldered by the NEC especially in the fields of Surface and Air connectivity, Health, Power, Horticulture, Science & Technology, IT, Manpower, Industries, Tourism with the objective of taking Northeast to new heights. NEDFI is a public limited company registered under the companies Act 1956, on 9th August, 1995. The core business of the corporation comprises of lending activities and fee based activities. The lending activities are undertaken through the project finance schemes and micro finance scheme. The corporation also provides fee based advisory and consultancy service to the state and central governments. NEDFi has been playing an important role in setting up new industrial and service sector projects in the North Eastern States. The Act East Policy will help NER to increase its connectivity and integrate with national, regional and global markets. This enhanced integration will facilitate trade and commerce and help the NER to find markets for its product in the South East Asia and Asia markets

4.7 Model Questions

1. Discuss the power and functions of NEC.
2. Highlight the role of NEC in the development of NER.
3. Discuss the role played by NEDFi in the development of NER.
4. What are the different promotional activities undertaken by NEDFi
5. Discuss the North East India under Look East Policy/Act East Policy.
6. Mention how Act East Policy is significantly different from Look East Policy.

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