



Government of Kerala



T.Sivadasa Menon

Minister for Finance

23rd February 2001

Sir,

It is with a deep sense of satisfaction that I rise to present the sixth budget of the Left Democratic Front Government before this august house. This Government had to function amidst great hardships showered on the economy as a result of the lopsided policies of privatisation, liberalisation, globalisation that are being vigorously pursued by Government of India. Despite all these odds, we are able to march forward steadily towards the noble goal of creating a prosperous Kerala. We have taken the monumental decision for building our society through a comprehensive decentralised planning process with the active participation of the common man.

Sir, the course that we attempted to chart was indeed daring and difficult. The national economy faced severe recessionary trends – Kerala being a part of this great nation was also caught in the downward pull of these recessionary tendencies but, permit me to place on record

my deep sense of gratitude to the unstinted, wholehearted and tireless support, guidance and cooperation of the Hon. Chief Minister and my colleagues in the Cabinet. I look back with fulfilment at crossing the uncharted waters with my wicket intact. Our innings are over - we shall, needless to add, return for yet another innings very soon. We have delivered to the common man his dignity, restored his self-respect in taking decisions that concern him, doing so most gracefully and wholeheartedly. Sir, I indeed owe a debt of gratitude to you and the esteemed members of the august house for so indulgently giving me positive and constructive guidance in these five years. Government is a continuing phenomenon, persons may come and go but it is needless to emphasize that the foundations laid in decentralization of powers to local bodies, setting up infrastructure in the field of power and Information Technology, providing a stable and calm environment for industrial growth, can only be stabilized and consolidated by Governments to follow. Kerala is on the path of sustainable development and the Nayanar Government has played a stellar role in this for the same.

1. Sir, we go to the polls in a couple of months. In the true spirit of democratic governance, I propose to place an Interim Budget and Vote of Account before you today.
3. Before I go on with my budget speech, it will be necessary and most appropriate for us to remember our brothers and sisters in Gujarat who have gone through the worst catastrophe that any human race could go through. Our hearts go out in deep sympathy to the suffering people of Gujarat. I would like to assure you, that within our meagre

means, we have been rendering all possible assistance to the people of the State of Gujarat.

THE STATE'S ECONOMIC GROWTH

4. Perhaps nothing can convey a better idea of the performance of the State's finances than the actual figures of growth of the state's economy. I am very happy to inform this House that the State Domestic Product in 1999-2000 continued to grow at a rate of 16.81% over that in 1998-99. Per capita income has over this period increased by 15.76%. For the last several years, prices of our agricultural commodities have suffered. I do not intend to discuss reasons for this -- they vary from the misguided policies of the Government of India to effects of globalisation and liberalisation of the economy. Of course, had our agricultural sector also done well, Kerala would have been further ahead of all other States in growth. But despite this handicap, and the fact that our farmers continue to struggle under the consequences of these, the overall State economy has shown no signs of debilitation. The circumstances under which this growth took place points to the resilience of our economy. The question here is - how far has the State Government's policies contributed to this? Critics would easily attribute the growth of our economy to the remittances that continue to flow into our State from abroad. Certainly, our hardworking brothers and sisters abroad have worked hard to pump in money in to the economy and keep it going - we are rightfully proud of them. But then the figures would indicate that remittances are not a new phenomenon. In fact, growth in outstanding deposits retained in banks within the State are around the 19% range per annum

while the banks in the State has seen as high a rate as 22.24% in 1993-94. Surely then, remittances in to the State is not the factor that has been the mainstay of the economy through the recession that the State suffered in the last few years. It would not, by itself, explain the strength of the State's economy in these difficult times.

5. Sir, we are all aware of the difficulties that the National Economy has faced. Kerala, a small state having only 1.3% of the total geographic area of the country, faced the risk of being submerged by the depressive economic wave. Rubber prices plummeted, tea and coffee prices are at an all time low, and coconut has still not recovered from the mite epidemic and the price decline. The predicament before the Government two years back was whether we passively watch the recession crush our people or despite reduced resource availability, take recourse to borrowing so that Government spending would provide much needed impetus to the limping economy. We decided to take a proactive attitude and took the problem by its horns, mobilized resources from various sources and channelised them into productive activities. We not only increased our plan size consistently but also achieved the plan size in each year, when other states were reducing Plan size by one third. In doing so we have hauled the state out of the recessionary spiral and set it on the course of recovery. This year too we have fixed the plan outlay at a massive figure of Rs.3600 cr. Together with the amounts under Centrally Sponsored Scheme, the gross plan outlay would be Rs.4159.08 cr. In this budget too, I am allocating an amount of Rs.1065 cr. under plan for the local bodies. Together with other plan schemes and non-plan grants, this

will come to Rs.1431 cr. in 2001-02. There are massive provisions of Rs.611 cr. for power, Rs.632.42 cr. for social and community services, Rs.251 cr. for Agriculture and related sectors, Rs.274.35 cr. for Transport and Communications and Rs.275 cr. for Irrigation and Flood Control under this year's plan. It is such distribution of purchasing power in the past five years - particularly the infusion of micro-level spending at the Panchayat level through the decentralisation of the Plan - that has bolstered the State's economy and seen it through the worst years of the recession. We have often been criticized for borrowing more but Sir I ask - is it a crime to borrow for tangible asset creation? Is it a crime to mobilise resources for economic development? Is it a crime to raise resources for investment in much needed infrastructure? If the opposition still feels it is a crime - then yes we are guilty of sparing no effort to establish a rate of growth for the State, which has never been achieved ever before. Our satisfaction lies in the fact that the people, for whom we toiled have welcomed our action and that is all the reward that we seek.

6. The unparalleled success that we have achieved has come not only from strong growth, but also from an abiding commitment to strong values - caring and compassion - rooted in our credo of faith that there should be an equitable sharing of the benefits of economic growth.

FISCAL SCENE IN INDIA

7. My stewardship of the State's finances has to be necessarily seen against the backdrop of the Indian fiscal scenario. I am operating in an era of huge budget deficits

everywhere in the country. For the past two decades, both the Government of India and all the State Governments have been running budgets with high levels of revenue deficit. Public borrowing, in absence of any other course of action became the only recourse to cover these deficits. The Reserve Bank of India in its Report on Currency and Finance, 1999-2000, observed that there were serious slippages in budgets of both the Centre and States leading to heavy borrowing, and reports that *"The high levels of fiscal deficit have led to steady accumulation of debt, as reflected in the rise in the domestic debt-GDP ratio of the Central government from 50.6 per cent as at end-March 1999 to 52.9 per cent as at end-March 2000 and of State Governments from 19.4 per cent to 21.5 per cent of GDP during the same period."* In fact, Government of India has already completed its annual borrowing given the constraints that it is facing. Even on Ways and Means Advances -- which is a temporary accommodation that RBI extends to Governments -- the position is as follows: *"During the first nine months (April -December 2000) the average utilisation of WMA was Rs.6,061 crore, higher than the same period of the previous year (Rs.5,710 crore). The average incremental net RBI credit to the Centre was higher than the level of the same period of last year.* At this time, reports are that there has been nearly a seven percent shortfall in Plan expenditure of Government of India -- which is again a grim reminder of how difficult the fiscal situation is in the country. None of the published indicators on our national finances give us much to look forward by way of any impetus to our growth. Without being overly critical, let me simply say that it is indeed a chill economic wind that is blowing into our State from across the nation.

8. The financial situation of almost all the states is not comfortable either. More than half a dozen States have made cuts in Plan Expenditure in 1999-2000 some of them in the range of 15 to 53%. Informal reports indicate even deeper plan cuts by nearly ten states in the current fiscal year too. RBI estimates the total outstanding liabilities of all States to go up to Rs.4.99 lakh cr. in 2001 from Rs.2.12 lakh cr. in 1996- a rise of 135% over five years. Many States, which have never had to avail over draft from RBI has been recurrently resorting to this. To avail of short-term ways and means advance from Government of India, several States had entered into Memorandum of Understanding with Government of India -at terms imposed on them. Several States have defaulted on payments of salaries to their staff and other statutory liabilities! Some have not revised the pay of the Staff for years together now. The provision for Ways and Means Advance that Government of India keeps to assist State Governments in distress has been completely exhausted. Such is the magnitude of the fiscal stress experienced by the States.

CENTRE-STATE FINANCIAL RELATIONS

9. Let me also bring to your attention some very unfortunate developments in centre-state financial relations that threaten to cut at the roots of the federal polity that we have so carefully nurtured over the past five decades in this country. The President of India on 28th of April 2000 promulgated and published an order that added to the Terms of Reference of the Eleventh Finance Commission. The Commission was asked to draw up a "monitorable fiscal reforms programme aimed at reduction of revenue

deficit of the States” and accordingly it has submitted its report on this basis. Neither has the opinion of States been sought nor has there been any forum for States to echo their concerns. This has brought in a radical change to the principles of economic federalism enshrined in the Constitution. Government of India thus, would want to take on itself the task of controlling revenue deficits of States. Revenue deficit of any state is the mismatch between its revenue receipts and revenue expenditure. It may sound like a truism no doubt, but unlike the Centre, which controls monetary policy, the States has to take recourse to its Public Debt to bridge its revenue deficit. The Public Debt of a State is the exclusive domain of the State Government. That is why the Constitution makers have placed this as Item 43 of the State List in the Seventh Schedule of the Constitution. Except as provided for in Article 293 of the Constitution, the Constitution does not provide the Central Government any role in the supervision or management of the Public Debt of the State. In short, when States will be put on a “monitorable fiscal reforms programme”, what would unfortunately happen is that States will have to subject its Public Debt to a sort of “fiscal therapy”, failing which it will not get its entitlements. This move, clearly infringes on the powers and constitutional status of State Governments. And all this - when it is known clearly that even the Centre has not been able to achieve its fiscal deficit reduction targets for the last three years in spite of its resolve. I have to point out that this is the first time that a Finance Commission has been used to weaken the fabric of federal state relations enshrined in the Constitution.

10. Government of India has one readymade solution to all the difficulties that states face now – reduce subsidies, cut down the number of government employees, freeze salaries and dearness allowance, privatise public sector undertakings, curtail plan expenditure and levy as many taxes as possible. The Left Democratic Government will not accept such proposals that will stultify development besides hitting the common man. We have to unanimously suggest alternative remedies that would include increasing the state's share of central taxes to 50%, and compensating the State through a commensurate grant equivalent to the losses suffered on account of the recommendations of the Eleventh Finance Commission or in the alternative, set off these losses against the dues that States owe to Government of India. We would urge changing the loan to grant ratio from the existing 70:30 to 50:50. The constant refrain by some that the State is facing a financial crisis is only a ploy to make our State also like many others to enter into an agreement with Government of India. This is an onslaught on the sovereignty of the people. I call on all the members of this House to join as one to ensure that the State gets all its due entitlements from the Centre and thereby strengthen the fiscal federalism in the country.

FINANCIAL MANAGEMENT OF THE STATE

11. In the course of the next two or three months, we would have completed the elections in the State. I would expect that being an election year the Opposition would not spare opportunities to malign the performance of an incumbent government that is successfully completing its term. Well, such may be the unfortunate realpolitik of the times that dictates mindless affronts to governance. Financial

management of the State being the most complex, no doubt, becomes the easiest target! I would therefore like to take a few minutes of this august assembly to humbly point out the hollowness of such criticism. The easiest accusation would be to say that Government is encouraging unbridled expenditure. Nothing could be farther from the truth. In the last four years from 1996-97 to 1999-2000 for which final accounts of the Accountant General are available now, this Government has controlled expenditure and stayed within the budgeted figures of revenue expenditure, approved by the Legislative Assembly.

12. Non plan revenue expenditure under this Government has increased primarily largely on account of salaries and pensions alone. There was a marked rise in non plan revenue expenditure in two years 1998-99 and 1999-2000 of 21.4% and 25.33% as compared to the previous years. In 1998-99 out of the four areas of Revenue expenditure, viz. Economic Services, Social Services, General Services and Grants in aid & Contributions, only Economic Services showed a rise of 43.56%. The reason for this is that the outlay on Rural Development, under which assistance to Panchayats is accounted for, was increased by 80% to accommodate the Plan Allocation to Panchayats under decentralised planning. Every other item of non plan revenue expenditure has increased below the 17% level and many of them well under the 14% mark, despite the fact that outflows on account of salaries after the pay revision had begun.
13. On the other hand, in 1999-2000, expenditure on General Services out of the four classes of expenditure (Economic

Services, Social Services, General Services and Grants in aid & Contributions) showed a major spurt of 40.76% - which explained the overall rise in expenditure. This marked jump was accounted for by two items viz. pension payments and interest payments. Pensions rose by Rs.654 cr. in 1999-2000 over 1998-1999. This is explained by the fact that it was the first year in which all the employees retiring in that year drew pensions and retirement benefits at the revised levels. Interest payments on the other hand grew by Rs.506 cr. This is purely on account of short-term borrowings that the State had to rely on to finance expenditure approved in the State Budget. On account of the severe recession that persisted for an extended period in the State, revenue collection fell short of targets. This was the reason why such short-term borrowings had to be resorted to.

14. Despite the adverse circumstances under which Government operated, I have controlled the non plan revenue expenditure, as is seen on an item-to-item comparison was below the 18% levels during 1994-1996. Thus, it is clear that the record of this Government in prudential financial management is indeed creditable - significantly better than its predecessor government. This is not to imply that wasteful expenditure should not be further controlled wherever this is detected. However, the rise in expenditure during my tenure as Finance Minister can be explained by rise in salaries and pensions, increased outflow to local bodies and interest payments. Speaking on the subject of the efforts, State Governments have initiated to control expenditure, Dr. Y. V. Reddy, Deputy Governor, RBI and a noted authority on public finances

observed in his speech at India States' Reform Forum organised by the World Bank, at New Delhi, on November 24, 2000: *"There are, however, severe limitations in regard to the adjustment effort in view of the large magnitudes of committed expenditures viz., salaries, pensions and interest charges."*

15. It is instructive to look at some of these major items that have accounted for increase in public expenditure. Every Government is moved by the paramount consideration of rewarding its employees equitably through the pay revision that takes place once in five years. After the Fifth Central Pay Commission submitted its report, Government of India set a norm across the country by improving on its recommendations and implementing the same. After very serious deliberations that Government had with Employee Organisations, Government offered a package which was a fair revision. The effect of pay revision is felt over an extended period of two to three years, the increase in wage bill over this three year period is a good measure of how the actual benefit that accrues to employees. This time the increase on account of pay revision works out to 36.31% while the increase during the previous pay revision in 1992 was only 24.62%.
16. Again this very same concern has driven this Government's approach in revising the rate of pensions also. An unfortunate practice that sometimes is allowed to set in is to ignore the plight of former employees who are already pensioners at the time of the pay revision. The pay revision of 1997 has endeavoured to address this problem as best as it could. In fact in 1992, pensioners were not even covered under the Terms of Reference of the pay

revision exercise. A discontented and deprived work force would have been a drag on the development efforts initiated by this Government. We have as expected of any progressive Government, tried to be fair to the employees, both serving and retired, without sacrificing financial discipline. This time the growth in pension commitments works out to 40.21% as against 27.36% in the previous revision. At the same time we increased the welfare pensions of all categories of workers in the traditional sectors of agriculture and industries.

17. A criticism that is often heard is that debt levels have risen to inordinate levels. Some mischievous elements even go to the extent of saying that the State is 'sunk' in debt or that the State has fallen into a 'debt trap'. Let me use this opportunity to throw light on the subject – at least to be able to dispel misgivings from the minds of persons who do not want to be beguiled by the misinformation. As explained earlier, there are a couple of measures that indicate a Government's prudent use of debt to finance its shortage on resources. Firstly, has the debt been incurred for valid reasons? Secondly, will the debt impose heavy liability on future generations? I have mentioned, at some length, the substantial devolution that the State has made to local self-governments from 1997-98 onwards. Most of this expenditure is on capital works – like, roads, hospitals, schools and community works. However, the present limitations of accounting under the rules framed by the Comptroller and Auditor General, necessitate that such devolution be classified as 'revenue grants' – which in turn adds to the revenue deficit. Thus the estimates of revenue deficits in the budget, placed each year for the approval of

the Legislative Assembly, have been bloated by nearly a thousand crores.

18. Let us now glance at the figures on debt that are so often quoted wantonly. The truth is that the average growth rate in 1990-95 and 1995-2000 has been 18% for both these periods - In other words, the growth rates have been the same through out the decade. In the year 1994-95, the State saw the growth in debt mounting at the rate of 22.53%. This Government brought this down to 12.93% and 12.67% in 1996-97 and 1997-98 respectively. It was in 1998-99, for reasons explained earlier, that Government was compelled to resort to increased borrowing - that has led to an increase in the level of debt to Rs.20176 cr. as on 31.3.2000. One amusing story that is cited as an instance of superb financial management by the predecessor Government - is that when that government had handed over power, there was a surplus of over Rs.400 cr. in the treasuries. Firstly the figures touted out are not true as is seen from the reports of the Accountant General. But there is a more ironic side to this claim. When a Government resorts to borrowing, increasing at levels of 15-23%, any surplus in the treasuries means, that Government has unnecessarily borrowed excessively - thereby incurring avoidable interest cost. It would be a clear case of imprudent financial management! On the other hand, the borrowing that I have resorted to is largely made of short-term borrowings, which can be easily discharged once the revenue collection improves - and that too I have taken recourse to debt solely for financing development expenditure of the State.

DEVELOPMENT AND PLAN OUTLAY

19. The State Government's commitment to development is best reflected in the efforts it has made to sustain plan expenditure through these recessionary years. The misinformation spread about the State government's debt is that Government has incurred inordinate levels of debt, without bothering to study how the pattern of debt has grown over the years. In fact, the State Government had an easy option out of the financial difficulties by cutting down drastically on plan expenditure. It could have easily taken shelter under the argument that the recession left very little option for it. In fact in 1991-92, the original plan outlay was scaled down from Rs.807 cr. to Rs.623 cr. In the following year - 1992-93, again the plan outlay was reduced from Rs.913 cr. to Rs.807 cr. in the wake of financial difficulties. However, it goes to the credit of this Government that it avoided the easy path and chose to tread on the more difficult path of sustaining development efforts. The final plan outlay, which was Rs.623 cr. in 1991-92 has increased to Rs.3600 cr. in 2001-02 - nearly six fold increase over ten years. It is a matter of great satisfaction for the Government that it has steered plan expenditure through the turbulent financial situation that prevailed in the country and more specifically the state of our agricultural economy - without resorting to easy remedies and squeezing the plan expenditure.
20. In 1999-2000, the plan outlay approved by the Planning Commission was Rs.3250 cr. out of which Rs. 2117 was the expected receipts from Government of India as decided in the discussion with Planning Commission. In the month of January 2000, the State Government was informed of a

drastic reduction of Rs.531 cr. However, notwithstanding the constraints, Government was able to creditably achieve the plan expenditure and was able to contain the shock of this reduction. This again brings us to the assertion that Government's commitment to meeting its development target has been most commendable.

21. Let me sum up by answering a crucial question now? Is the state experiencing financial difficulty and if so what is the reason for it? Government meets its expenditure from its own tax and non-tax revenues, share of central taxes under the Finance Commission Award, grants in aid received from Government of India and then relies on borrowing from various sources to cover the balance. On account of the recession in the economy, tax revenues of the State, which showed an increase of 21% in 1995-96, dropped to 15% in 1996-97 and 1997-98 and then nosedived to 3.3% in 1998-99. It showed weak signs of recovery in 1999-2000 and picked up to 11.7%. To add to these difficulties, over the last five years, receipts from Government of India, both on account of share of central taxes and grants in aid, have grown at 8.55% only - which, once inflation is allowed for - means that inflows from Government of India is stagnating in real terms.
22. As was mentioned earlier, the steep slump in agricultural prices coupled with the general economic recession compounded the challenges in the path of Government. The total tax loss on account of fall in agricultural prices alone is estimated to be Rs.500 cr. annually. This Government had, as is expected of it, stepped in to extend support to the farmers, in various means. While it is not my intention to recount all of them here, it would be my

duty to point out that many of these measures had significant revenue implications. Tax concessions have been offered specifically for tea, coffee, pepper, coconut and for the procurement of rubber by the State Trading Corporation (STC). These would additionally amount to Rs.50 cr. annually. Similarly, to encourage large and medium scale industries, as per the industrial policy of Government, tax concessions for approximately Rs.50 cr. have been given annually. The new public distribution policy of Government of India has driven a lot of poor out of the ration system. Sales tax income from the Food Corporation of India has fallen by Rs.12 to 15 cr. The annual fall in State's revenues on account of fall in sale of cement, rubber, steel and newsprint alone is estimated to be Rs.100 cr.

AWARD OF THE ELEVENTH FINANCE COMMISSION AND KERALA

23. Under the award of the Eleventh Finance Commission, Kerala's share of central taxes has been reduced from an average of 3.859% (1995-2000) to 3.057% while its share of discretionary grants has been drastically reduced from 2.49% to 1.39% of the total. Thus out of a total transfer of Rs.4,34,905 cr. from the Centre to the States, Kerala's share is Rs.12,316.72 cr. which is 2.83% of the total devolution to the States. Hence, the Eleventh Finance Commission award will cost the State Rs.3664 cr. for the period 2000-2005. This means that if revenue collection of the Government of India is at the levels forecast by the Eleventh Finance Commission, then the state will, on an average lose Rs.60 cr. per month. The effect of this reduction is being experienced this year. Coming as it does

in a year where the State is yet to see a revival on the agricultural front, we are left in an unenviable predicament and have to strain all sinews to make up the gap.

LEGACY FROM THE PAST

24. As the Finance Minister, who took up reins of office in 1996, I was handed over a full load of liabilities – and I had to find means to pay these off. Dues to contractors on account of works for nearly Rs.400 cr. were outstanding. Rs.150 cr. was due to Local Self Governments on account of their dues on stamp duty and other items. More than Rs.100 cr. was due to poor beneficiaries under various welfare schemes of Government. Rs. 400 cr. was due to employees as dearness allowance that had not been released. In addition, I had to provide Rs.150 cr. for village roads that been given sanctioned by the previous government. In all, thus against the burden of Rs.1200 cr. by way of liabilities created by the previous Government, the cash balance I was given by them was a mere Rs.4.62 cr.
25. I have clearly brought out the reasons on the expenditure side, as to how all the major expenditure decisions of Government have fitted into a well-designed policy framework – that reflects the aspirations of the people of Kerala and the stated objectives of Government. I have also explained the most difficult financial circumstances that led to a shortfall in revenue realisation. I am happy to report that there are clear signs of recovery – which augurs well for the future of the State. That is why I will be able to keep revised estimates of revenue deficit for the current year below the levels of the previous year. I have been

able to control the growth of debt this year and I am very confident of further bringing down the growth rate of debt to approximately 14%. It is on this terra firma of confidence that I am presenting an interim budget that would help me seek your approval of the Vote on Account for the first four months of the financial year. Keeping in mind the fact that this is an interim budget alone, I shall not, as is customary in a budget speech, detail out the proposals for expenditure in all sectors. Neither are any tax proposals included in this interim budget. I shall focus briefly on only some of the development sectors particularly the 'sunrise' sectors for the State – on the crest of which, all of us would expect Kerala to ride forward into further progress and prosperity.

POWER

26. The State has made unprecedented strides and achieved spectacular success in the power sector last five years. From the grip of acute power shortage, load shedding and power cut in 1996, the State, through relentless efforts, has come a long way. Today the State has been able to withdraw power cut and load shedding completely. With the commissioning of the Kasargod Power Corporation and BSES (Fourth Stage) this year, 1062.60 MW would have been added by this Government to the power grid bringing the total installed capacity to 2568.1 MW. The Board is laying emphasis to tap maximum hydel generation. In line with this strategy, investigation has been initiated for setting up hydel projects of a combined capacity of 1000 MW in the next five years.

27. The Electricity Board has been making tremendous progress in the transmission sector also. The major achievement in this area is the implementation of the sub transmission system with the 33 KV Sub Transmission scheme in the power system of the State. During the last five years, five 220 KV substations, twenty six 110 KV substations, three 66 KV substations and one 33 KV substations have been commissioned. During this period, the Board has also constructed 1337 circuit km. of 220 KV lines, 700 circuit km. of 110 KV lines and 26 circuit km. of 66 KV lines. Two 220 KV substations, forty two 110KV substations, thirteen 66 KV substations, fifty six 33 KV substations, 70-80 km. of 220 KV lines, 393 km. of 110 KV lines, 83 km. of 66 KV lines and 438 km. of 33 KV lines are under construction.
28. In the distribution sector too, the Board has provided 15.62 lakh service connections and given 1.41 lakh streetlights during the last five years besides setting up 6122 transformers. In addition, the Board is giving one lakh connections under Kutir Jyothi Scheme with the assistance of REC and other agencies. Government has taken initiative to electrify 986 Scheduled Caste colonies under SCP at a total cost of Rs.34.4 cr. and 130 Scheduled Tribe colonies under TSP at a total cost of Rs.5.7 cr. In the next year, Government hopes to provide 4 lakh service connections, 1525 km. of 11 KV lines, 8100 km LT lines and 1835 transformers. The Board has introduced two Insurance schemes for extending help to the victims of electrical accidents viz. the Vydyuthi Suraksha Insurance Policy – 2000 and Workmen insurance coverage for petty contractors and workmen. Government has set apart

16.97% of the total plan for the power sector and has provided an outlay of Rs.611 cr. in the Annual Plan. Out of this Rs.233 cr. is for to be spent on Transmission and Rs.130 cr. on Distribution.

INFORMATION TECHNOLOGY

29. Information Technology has emerged as a potent tool for economic development of the State. To harness the opportunities offered by this sector, Government had, three years ago, declared a comprehensive IT policy, which aimed to promote a vibrant IT industry in the State. Some of the major initiatives that we could mark in the last year include the launching of the IITM-K (Indian Institute of Information Technology and Management – Kerala), as a centre of excellence for higher IT education, expansion of IT infrastructure at Trivandrum and Kochi, commencement of work on the establishment of a state-wide broadband network and successful implementation of model e-governance projects such as the Janasevanakendram. I am happy to mention that our initiatives in this sector have begun to yield dividends and the State is now poised for a period of accelerated growth in the coming months. Over the last year, Trivandrum has emerged as a significant software hub in the South for IT companies. Government intends to expand facilities at the park substantially. An amount of Rs.5 cr. has been earmarked in the coming year for the purpose. Government is also embarking on a state-of-the-art 'Technology Habitat' near Kochi, which would be a world-class facility, offering the most advanced telecom and related infrastructure for the development of IT. The Kerala Press Academy has formulated a scheme to preserve the valuable documents and books with them in

computerised form. For this purpose I am providing an amount of Rs.15 lakhs.

30. Our efforts to promote establishment of a modern telecom infrastructure in the State has received enthusiastic response, and we expect that approximately Rs.2400 cr. will be invested by the private sector over the next 3-4 years in building up a comprehensive optic fibre network in the State. Work on setting up a high-tech IT enabled service habitat at Kochi along with an incubation centre for facilitating new IT ventures at a cost of nearly Rs.1 cr. is already underway. In the coming year, an amount of Rs.50 lakhs has been earmarked for augmentation of these facilities. To take up a focussed promotion strategy to highlight the State's competitive advantages, Rs.2.5 cr. has been earmarked in the coming year.
31. The Integrated Service Centre or Janasevanakendram that was set up at Trivandrum as a pilot project for providing single window services to citizens is now being extended to all district headquarters in the State. A project for computerising 50 offices of the Registration Department is already underway, and it is proposed to extend this project to the remaining offices in the State. We expect the IITM-K to become full-fledged in the current year and we propose to develop this as a key resource centre for distance and web enabled education in future. An amount of Rs.5 cr. is being earmarked in the budget for the development of IITM-K. We will extend the scheme of converting selected rural libraries as Community Information Centres to more centres - for this purpose I have provided an amount of Rs.1 crore in my budget. A provision of Rs.5 cr. has been earmarked for completing

the computerisation of Treasuries and Rs.2.5 cr. for the Wide Area Network that will connect the Secretariat, Secretariat Annexe, Vikas Bhavan and other Public Offices. I have also provided an amount of Rs.3.08 cr. for completing the computerisation of the Sales Tax checkpoints and offices

32. The hallmark of this Government has been in its humanitarian approach to the welfare of the poor and the downtrodden. At the time of assuming office, this Government took on itself the liability to pay arrears of approximately Rs.100 cr. on account of various welfare schemes like unemployment assistance and agricultural workers welfare pensions – including arrears of six years of pension for coir workers. The arrack ban that was introduced in 1995 in the wake of the new excise policy had left thousands of workers in that industry, high and dry, many of them in utter destitution. Ironically the ban was introduced after the government revenues from this item of excise had been collected in to the treasuries. We were able to implement measures of Rs.40 cr. for workers in this industry in spite of the difficult financial situation. Including the allocation set apart by the Local Bodies, the outlay on housing schemes for the poor has grown by 300% to Rs.500 cr.
33. It is easy for a Government to announce welfare schemes and earn accolades from the beneficiaries and then leave it at that. But it is only a Government with a deep commitment for the downtrodden and the oppressed, that does not allow excuses to come in the way of allowing benefits to the poor – especially when confronted with financial difficulties. We have not allowed the financial

situation of Government to imperil our expenditure on the poor and the needy, but on the other hand we have been increasing outlays on these schemes every year. I am providing Rs.37.20 cr. for the disbursing Agricultural Workers' Pension and Rs.19.78 cr. towards destitute pension. I have included an amount of Rs.70 cr. in my budget for paying unemployment assistance. Government intends to constitute a welfare fund for workers employed in automobile workshops.

34. Housing for the poor has been one of the most critical areas that this Government has emphasised. Under the Maithri Housing Scheme for the poor, we have built houses for approximately Rs.200 cr. This year too, I have included a provision of Rs.35 cr. for the Maithri Housing Scheme. Almost all district panchayats have total housing schemes for the poor or are in the process of formulating them. The Kudumbashree project has been universally acclaimed as a very successful intervention launched by Government to combat poverty in the State. This programme has come in for national and international acclaim, as an innovative tool to fight poverty with its focus on the poorest women in society. I am earmarking an amount of Rs.15 cr. in the Annual Plan for this. In addition to these, Government will continue to emphasise poverty reduction schemes like the Swarn Jayanthi Grama Swarojgar Yojana, Indira Awas Yojana, Pradhan Mantri Gramodaya Yojana, National Slum Development Programme, Svarna Jayanthi Shahari Rozgar Yojana, Kochin Urban Poverty Reduction Project and Balika Samridhi Yojana. Through these schemes, I expect an amount of Rs.600 cr. to be spent directly on the

poverty reduction schemes in the State, including the State Share for these.

WELFARE OF SCHEDULED CASTES AND SCHEDULED TRIBES

35. Another area in which major rise in expenditure has taken place is on schemes for welfare of scheduled castes and tribes. The outlay on welfare of scheduled castes through the Special Component Plan, which was Rs.183 cr. in 1995-96, has gone up to Rs.315 cr. in 1999-2000. Similarly the outlay on welfare of Scheduled Tribes, which was Rs.30 cr. in 1995-96, increased to Rs.63 cr. in 1999-2000. This year the provision under SCP is Rs.87 cr. and under TSP the provision is Rs.3.83 cr. This includes Rs.11 cr. under Special Component Plan (SCP) and Rs.7.43 cr. under Tribal Sub Plan (TSP) for Model Residential Schools respectively, in addition to a provision of Rs.2.5 cr. for setting up Centres of Excellence. An amount Rs. 20 cr. has been provided in my budget to complete the Total Housing Scheme for Scheduled Castes and Scheduled Tribes.

TOURISM

36. Tourism has come to be unequivocally hailed as the new vehicle of growth for the economy of the State. Tourism in Kerala has recorded remarkable growth in the last four years. The number of foreign tourist arrivals has increased by 100% over 1994 to 2000, going up from 104568 to over 200000. Domestic tourist arrivals have showed a very steep rise of about 400% climbing rapidly from 12.84 lakhs in 1994 to 50 lakhs in 2000. Kerala is singled out as the most acclaimed tourist destination in the country during the

past few years. Our state received the national award of excellence for the best performing state in tourism consecutively for two years 1998-99 and 1999-2000. Government has acted as a facilitator and catalyst in promoting private investment and played a critical role in the field of destination promotion, basic infrastructure development and development of new destinations. The State Plan Allocation was Rs.6.7 cr. in 1994-95. This year, I have set apart Rs.47 cr. under Plan – an increase of over 600% over the last six years.

37. During the coming year, emphasis will be on high level marketing efforts and development of infrastructure at tourist destinations – which are prerequisites to ensure a quantum jump in the arrival of tourists into the State. The Tourism Department has already forwarded a mega project of Rs.154.68 cr. for central assistance to undertake a project for infrastructure development of the backwaters of Kerala. I have set apart Rs.3.00 cr. to develop tourism infrastructure along the existing backwater cruise routes and for reviving unused waterways.
38. Veli Tourism Village is being developed as an international tourist centre through private sector participation. 11 acres of land will be additionally acquired here. I have provided an amount of Rs.1 cr. in my budget. Rs. 6 cr. has been allocated to the Destination Kerala Programme for providing basic tourism infrastructure facilities. I have set aside Rs. 50 lakhs for restoration of heritage buildings such as the synagogue at Chennamangalam, Kottappuram Kotta, Pallippuram Kotta and Cheraman Parambu. To encourage private sector participation in the tourism sector, I have kept Rs.3.00 cr.

to provide incentives and subsidies for creation of tourism infrastructure. An amount of Rs.7.39 cr. has been set aside for construction of Kerala Bhavan, Mumbai, Additional Guest House at Ernakulam, New Guest Houses at Palakkad and Vythiri. Tourist Resorts (Kerala) Ltd, will be given Rs.4.00 cr. in 2001-02 for their investments in joint venture projects and land bank projects in the State. Bekal Resorts Development Corporation will be provided with Rs.1.00 cr. for continuing their efforts to develop Bekal as an international tourist resort with private sector participation. I have also earmarked Rs.7.25 cr. for the promotion and publicity efforts of the Tourism Department. The second phase of the Thenmala eco-tourism project, at an outlay of Rs.4.00 cr. will be completed in the next year. Efforts to develop Kannur as a major destination in North Kerala will be continued. Rs.55.00 lakhs has been set apart for this project.

INDUSTRIES

39. Our Industrial Policy has been appreciated for its vitality and above all for being able to lend a human face to industrial progress. The Single Window Clearance System has been introduced on 1.6.2000 in the State for speedy clearance of licenses and certificates for setting up of industrial units. Government is happy to inform this house that during the first three quarters of the year, 15211 SSI units have been set up in the State with a total investment of Rs.347.35 cr. and giving employment to 57348 persons. We hope to see 21000 new SSI units with a capital investment of Rs.500 cr. in the next year, giving employment to as many as 89000 persons. I have earmarked an amount of Rs.25 lakhs for developing new

products from rice and its bye-products at the Kerala Agricultural University, Thavanur and for Resource Mapping of clay and modernisation and diversification of Tile Industry based at Regional Research Laboratory, Pappanamcode. An amount of Rs.2.00 cr. has been earmarked for establishment of Development Areas and Development Plots and providing industrial infrastructure facilities. For developing the common facility centres at Changanassery and Manjeri for rubber and plastic industries, Rs.40 lakhs has been provided in my budget. A new scheme – the anti dumping facility centre – will be set up to study the ill effects of the proposed WTO regime on our industry. I have allocated Rs.1.25 cr. for this.

40. This year, Government expects to enhance the spending in the Handloom and Powerloom sector with more funds from Government of India and NCDC. I have set apart Rs.21.71 cr. for this sector. In addition to the existing rehabilitation and welfare schemes, Government proposes to open Geriatric Centres for the care of the elderly weavers. This year, the main emphasis will be on implementation of modern technology and modern fabric design and upgradation of existing technology in the Handloom sector. For the development of handlooms through Primary Co-operative Societies, I have made an allocation of Rs.5.55 cr. in my budget.
41. KINFRA has completed seven of its major projects. Two projects, Film and Video Park, Kerala Information Technology and Electronics Park are now under execution. The new projects include the Biotechnology Parks at Ernakulam and Thiruvananthapuram, KINFRA-ITPO Convention Centre at Ernakulam, Hi-Tech Park, Cochin,

Integrated Infrastructure Development Centre, Koratty and the Integrated Infrastructure Development Centre at Pathanamthitta. These will have a very major role in the industrial development of the State in future. I have provided an amount of Rs.21 cr. for the activities of KINFRA in the budget. In addition, I am also allocating Rs.10 lakhs for a new industrial park at Kidangoor.

42. KSIDC has launched many major initiatives in the State. These will have far reaching effects in spurring the industrial growth of the State. In this budget, I have provided Rs.30 cr. for KSIDC. Some of the major projects taken up are:
- i. Kerala Sharjah Investment Holding company set up by Non Resident Keralites, Government of Kerala and Government of Sharjah to foster the investment in the manufacturing sector.
 - ii. Setting up a Rs.100 cr. Ceramic sanitary ware project in Kasargod in collaboration with Adminex of U.K
 - iii. Gas Pipeline Project costing Rs.1500 cr connecting Kochi-Kayamkulam-Kasargode-Mangalore by Gas Authority of India Limited.
 - iv. DC Power project is planning a 80 MW project with an estimated cost of Rs.350 cr. in Kasargod.
 - v. Petronet-CCK Ltd. is laying a petroleum pipeline from Cochin to Karur with an estimated cost of Rs.535 cr.

- vi. LNG Terminal: Petronet LNG is implementing a Rs.1500 cr. project at Emakulam
43. The State Cashew Development Corporation is implementing a five-year modernisation programme with the assistance provided by the State Government. To complete this programme I have provided Rs.5 cr. in my budget.
44. The total outlay that I have provided for industries under plan in the budget is Rs.276.88 cr. This includes a massive provision of Rs.65 cr. for restructuring and revival of State Public Sector Units. An amount of Rs.25.5 cr. has been provided as investment subsidy for Small Scale Industries.

AGRICULTURE

45. The policies of this Government have been the anchorage and the bedrock for the one crore farmers in our State, during this time of crisis in the agricultural sector. Our well thought out efforts in this sector have been numbed by the lopsided policies of Government of India – all in the name of globalisation and liberalisation. In the next year, I have included a provision of Rs.167.20 cr. in the Plan Budget. Along with the amounts that will be spent by Local Bodies, this year I am hopeful of ensuring an expenditure of Rs.500 cr. in the agricultural sector. The activities of the newly created Paddy Board will help us to sustain the commendable gains in agricultural productivity in paddy that we had achieved in the last few years. I am allocating an amount of Rs.33.62 cr. for paddy cultivation. Government have been able to successfully combat the much-dreaded Mandari disease of coconut trees. 2.77 cr. trees have been treated at a total expenditure of Rs.28.77

cr. The second and third level of the campaign against the disease will be taken up this year. I have set aside Rs.21.50 cr. for coconut cultivation in my budget. This will be supplemented by expenditure by Local Bodies in this area. Despite procuring 80000 MT of copra, the price of coconut oil continue to be depressed in the realm of the import policy of Government of India. This year provisions of Rs.3 cr. and Rs.2.25 crore have been included on the schemes of Technology Mission on Pepper and Cashew Development Programme respectively. Under the National Watershed programme, Rs.13.08 cr. has been earmarked for 28 watersheds in the State.

46. We shall continue our efforts to help the rubber growers in our State. We have reduced taxes on rubber plantations and rubber. We are continuing our efforts to increase the quantity of rubber sheets and crumb rubber exported besides ensuring the export of a sizable share of the latex produced by public sector units. Last year, we had as a temporary measure reduced the tax rates for cashew, coffee and tea from 8% to 4%. We have exempted our farmers with less than five hectares of land from agricultural income tax. We have completely exempted rubber and coffee plantations up to 20 hectares from agricultural income tax. Farmers with up to 2 hectares of agricultural land have been given free electricity. In view of the severe difficulties faced by this sector, I intend to extend these tax concessions for one more year.
47. Very successful research conducted at the Kerala Agricultural University has confirmed the commercial potential of 'Kerasudha' or sweet toddy. Researchers estimate that popularisation of Kerasudha can yield direct

and indirect employment to as many as 5-10 lakhs people in the state. I intend to provide an amount of Rs.5 lakh as a token provision for drawing up a project to commercialise this appropriate and indigenous technology, which our scientists have developed.

ANIMAL HUSBANDRY

48. Kerala has achieved remarkable progress with a wide network of infrastructure facilities in the animal husbandry and diary sector in all the Grama Panchayats, paving way for achieving an annual 5.9% growth in milk production. The Department will focus attention on improving the efficiency of the services. The initiative triggered last year for introduction of mobile artificial insemination units and mobile milking machines will be strengthened further utilising fully the departmental as well as cooperative infrastructure. Disease investigation and control through preventive measures will be given increased impetus to avoid production loss, considering the fact that it is the poorest of the poor who bear the brunt of these avoidable losses. For strengthening of veterinary services I have provided an amount of Rs.11.78 cr. in the Annual Plan. I have also provided an amount of Rs.1.6 cr. for the Special Livestock Development Programme.

FISHERIES

49. This government has paid utmost attention to the fisheries sector given its economic and social importance in a state like Kerala with nearly 600 km. of sea coast and numerous inland and backwater bodies. This is a sector where workers do not earn bonus as part of their employment. We have already introduced a scheme for giving bonus to these

workers through Matsyafed. We will make this scheme more attractive and extend it to areas where there is no auction of fish at present.

50. We will complete the construction of fishing harbours now in progress at Muthalapozhi, Kayamkulam, Ponnani, Thalayi in a time bound manner and will also begin construction of a new fishing harbour at Koilandi. As a first step, I am including a token provision of Rs.10 lakh for constructing groynes to commence work on the harbour.

IRRIGATION

51. I have earmarked an outlay of Rs.327.08 cr. for the Irrigation Sector in my budget under both Plan and Non Plan. There are 15 completed and 12 ongoing major and medium irrigation projects in the State. Kallada Irrigation project will be completed in the year 2001-02. Pazhassi irrigation project will be ready for commissioning this year itself. Karapuzha project too can be commissioned during this year. Works of Banasurasagar project and bridge cum regulator at Chamravattom and Attappady Valley Projects are in the initial stages of execution. Work on the Tririthala Bridge cum Regulator is in good progress. The Chamravattom Regulator Authority of Kerala, Ltd. has been registered as a company for the speedy execution of the Chamravattom project. The Kanakkankadavu Project is nearing completion. For the proper maintenance of Irrigation projects a new scheme called "Water Resources Revamping and Consolidation Programme" has been implemented in the major irrigation projects of the State. This year, I have earmarked Rs.10 cr. for this scheme.

52. Improvement works in Canoli Canal in Kozhikode district is nearing completion. Action for the construction of regulators at Manjummel and Pathalam has been started for providing water to Cochin Refineries. A scheme of Rs.9.65 cr. for prevention of flood in Thiruvananthapuram city is being implemented. We have submitted a scheme for side protection of 20 rivers of Kerala for Central Assistance under the Anti River Erosion Scheme for an amount of Rs.38.75 cr. The Irrigation Department has constructed 24 km. of new sea wall and reformed 26 km. of existing sea wall in the last four years. The Eleventh Finance Commission has recommended an amount of Rs.50 cr. anti sea erosion schemes in the State. For the investigation and development of ground water resources, I have provided Rs.8.94 cr. under Plan.

CO-OPERATION

53. The success of this Government in enhancing the base of the Co-operative movement in the State over the last five years has been phenomenal. The Self Help Group efforts, the 'Neethi' innovations in sectors of public distribution and service, manufacturing efforts of RUBCO and RAIDCO are a few. Under the Co-operative Academy of Professional Education (CAPE), 6 new engineering colleges and one medical college have been started. The Kerala Co-operative Amendment Act - another achievement of this Government will make the Co-operative movement stronger and independent. This year I have provided an outlay of Rs.62 cr. for this vital sector.

TRANSPORT (INCLUDING ROADS AND INLAND WATERWAYS)

54. The total allocation for Transport in my budget is Rs.539.29 cr. The major allocation is for Roads and Bridges, which will get a total provision of Rs.460 cr. In the roads sector we have had a major breakthrough. The World Bank has agreed to include the State Highways project in the lending pipeline of projects. I am happy to announce that Rs.88 cr. has been set apart for the Project. This will enable us to complete the preliminary work of the mega project. The newly formed Roads and Bridges Development Corporation has gone ahead with the activities to construct a chain of Railway Over Bridges, jointly with the Railways. The Honourable Chief Minister has inaugurated the first batch of these overbridges. On the basis of discussions, which the Chief Minister had with the Malaysian Prime Minister, we will be taking up major road projects, which include the rehabilitation of the Sabarimala road and the Kumarakom Cherthala Road and construction of the Kottayam Kumarakam road. I am also happy to announce that the Aluva-Angamali four-laning contract will be awarded by March 2001.
55. I have also earmarked an amount of Rs.16.73 cr. for Inland Water Transport in this budget. Improvements to the Kotti-Kottappuram waterway for Rs.3.22 cr. are being implemented. With the completion of the Sultan Canal Phase I works, boat service in the Kotti-Parassinikadavu route has been started. The Phase II Sultan Canal project is in progress. For improvements to Kotti-Valapattanam-Parassinikadavu Boat route, I have set apart an amount of Rs.5 crore. World Bank is expected to assist a \$ 1.2 cr.

project (Rs.56 cr.) for the Alappuzha-Kottayam, Alappuzha-Changanacherry and Kottayam-Vaikom water routes.

56. Taking into account the aspirations of the people of Trivandrum, I am happy to announce that I have earmarked an amount of Rs.11 cr. in my budget for the Trivandrum International Airport.

WATER SUPPLY

57. This Government has given the utmost importance for water supply. An amount of Rs.221.27 cr. has been earmarked for this sector under Plan. Various schemes under implementation lay emphasis on scientific distribution and conservation of water. In addition, Centrally Sponsored Schemes, Accelerated Rural and Urban Water Supply schemes, Technology Mission schemes, LIC and HUDCO assisted schemes will also be implemented in the coming year. The Kerala Water Authority is also implementing schemes for Water Supply to Rural Schools and for Rainwater harvesting. Government of India has also now set apart 20% of the total allocation under ARWSP for sector reforms. These schemes operate on a demand driven basis with Community participation and beneficiary contribution. Kasargod and Kollam have been selected as the two pilot districts for this programme. One notable achievement of this Government has been in implementing the innovative World Bank Assisted Rural Water Supply Scheme in four districts with a total outlay of over Rs.400 cr. with the very same participatory basis that is the hallmark of the decentralised planning process.

EDUCATION

58. As in the past, Education accounts for the lion share of the budget of the State. This year the total outlay is Rs.2969.37 cr. Government have completed the delinking of Pre-degree education from colleges as part of its policy. There are 931 schools offering Higher Secondary Courses of which 417 are Government schools. This year, I have enhanced the provision under Plan to Rs.40 cr. exclusively for this as part of the total allocation of Rs.118.5 cr. for General Education.
59. In higher education, the emphasis has been on restructuring existing courses and offering job oriented courses. In the last three years more than 300 courses were started in the Government and Private colleges of the State. Government will introduce sufficient number of new courses this year aimed at giving the State a clear advantage in the sphere of higher education. We will evolve a comprehensive policy to start as many professional colleges in the State designed to provide adequate avenues for professional education for all our students who qualify for the same. Government has successfully implemented the revised UGC scheme, 1998 in our colleges with retrospective effect from 1.1.96.
60. Government proposes to start three new polytechnics at Kollam, Alappuzha and Palakkad districts. Government proposes to get accreditation from AICTE to all B.Tech and M.Tech courses of College of Engineering, Trivandrum, Thrissur, Kannur and Rajiv Gandhi Institute of Technology, Kottayam. CAD/CAM facilities will also be set up in these Engineering colleges. Centralised computing facility will be established in these colleges,

which will give students access even outside the working hours of the colleges. New courses, reflecting the current trends in technical education will be introduced in the polytechnics. MCA course will be introduced in Engineering College at Kottayam, Kannur and an MBA course at Kannur.

61. Government will emphasise the development of facilities at the five new started Engineering Colleges and the ten polytechnics. Special attention will also be given to setting up infrastructure in the eight technical high schools that were upgraded in 1993-94 as Polytechnics. A new Polytechnic at Purappuzha, Idukki has been started which offers courses like Computer and Information Technology which will be more relevant to the employment market today. Fine arts colleges at Mavelikkara and Thrissur have been upgraded. Proposals for establishing centres of excellence in selected Polytechnics have been submitted to the World Bank under the 3rd Technical Education Project.

HEALTH

62. The Health Sector accounts for an outlay of Rs.753 cr. in my budget. For improving facilities in the Medical Colleges of the State, I am providing an amount of Rs.20.75 cr. under Plan. The Department of Homeopathy, with its 524 rural dispensaries and 31 hospitals with combined bed strength of 970 is an important component of the health care system of our State. To improve the availability of homeopathic medicines, the capacity of Kerala State Homeopathic Co-operative Pharmacy will be enhanced in 2001-02. Government proposes to start 50 new homeo dispensaries this year.

63. The Directorate of Indian Systems of Medicine has 113 hospitals and 729 dispensaries under it. Government intends to open new dispensaries in 25 more panchayats and to open 5 new 20 bedded ayurveda hospitals. It is also proposed to upgrade ten 20 - bedded hospitals to 30 bedded hospitals in the coming year. Government intends to upgrade 3 hospitals to Taluk Hospitals in 2001-02. It is proposed to upgrade one taluk hospital to the level of a district hospital in the next year.

FOOD AND CIVIL SUPPLIES

64. The policy of Government of India to restrict distribution of food grains and sugar to those that they have reckoned as being below the poverty line has brought the much acclaimed Public Distribution System of the State, near to its being totally dismantled. Government of India have decided to redefine the public distribution system as a mere scheme for doling out some subsidy instead of recognising the fact that it is the food security system of this great country. With one single stroke of the pen, with a cold insensitivity to the millions of people in the country for whom the PDS has been the main food support, the gains of the last several decades is sought to be undone. Let me use this forum to again echo our collective grievance by saying that whatever are the compulsions of the Central Government – history will not pardon a Government that starts out to do fiscal reforms by hurting the poor and the deprived.
65. Our Government is committed to maintain universal coverage and our statutory rationing system, notwithstanding the financial constraints under which it is

operating now. In the current year we have provided an amount of Rs.161 cr. in the budget. In my interim budget I shall maintain this at the same level. If Kerala has had remarkable price stability on food items in the markets of the State, credit does rightfully goes to the Market Intervention Scheme of the Kerala State Civil Supplies Corporation. It is Government's policy to extend Maveli Stores to all panchayats of the State. Rs.50 cr. will be the share for the Civil Supplies Corporation in my budget.

66. We hope that the Centre will abide by the promise that it would compensate the losses suffered while adopting floor rates of taxes of States in consonance with the objective of putting an end to the tax war among States. But subsequently we have observed decisions on the part of Government of India that would result in losses to States. The Centre has even encroached on the rights of State Governments and reduced the tax on Aviation Fuel (ATF) from 25-30% to 4% - thereby resulting in an annual loss of Rs.60 cr. to us. Also the attempt on the part of Government of India to ban lotteries will lead to similar huge losses to Government. We have condemned such action in the strongest terms. We have done our best in redressing the complaints that have arisen as a result of implementing floor rates for taxes. Other tax proposals including reducing sales tax for jawans and exservice men on purchases from defence canteens are under the active consideration of Government.

EXTERNALLY AIDED PROJECTS

67. The House is aware of the major role that Externally Aided Projects play in accelerating the Economic development of

the State. As per Government of India norms 30% of such assistance is made available to all states as grant and 70% is made available as a loan. The rate of interest is very attractive. When this Government came to power, the share of Kerala in total Externally Aided Projects was a paltry 0.39%. It speaks volumes of the attention paid by the previous Government to muster resources for developmental projects. Sir, due to concerted efforts made by this Government we have been successful in cornering very major projects with substantial outlay. The Asian Development Bank Project could not fructify before I demit office but we have brought it to fruition. It will be the largest single project made available to the State with an outlay of US\$ 800 m. The project is awaiting the approval of the ADB Board. The World Bank assisted Kerala Rural Water Supply Project with an outlay of US\$ 89 m has already been signed. The Dutch Government assistance of about Rs.200 cr. in this sector will materialize this year. The World Bank aided Rs. 190 cr. forestry project is already underway. I have provided an allocation of Rs.40 cr. in my budget. The World Bank has also agreed to help the Highways Project. The outlay is expected to be Rs. 2100 Crores. The JBIC-assisted Attappady project is now in full swing. I am proud to state that as a result of our diligence Externally Aided Projects with a total outlay of about Rs. 6100 Crores have been sanctioned for the State.

68. I am deeply conscious of the fact that Government has to release three instalments of Dearness Allowance. What has been most encouraging is the fact that most of the employees in the State have stood by Government in its

financial difficulty and chose to patiently bear this delay. I am most grateful to them. I am happy to announce the release of arrears of Dearness Allowance and Dearness Relief that fell due on 1.7.99 and 1.1.2000. Employees will be able to draw their salary at the increased rates from May. The arrears will be credited to the provident fund accounts for a period of one year.

SUMMARY OF FINANCIAL POSITION

69. When I presented my budget for 2000-01, I had informed the house that I would cut down on deficit by holding down the expenditure to 8.05%. I have been successfully able to hold down expenditure on all items to the promised level. However on account of essential expenditure that I had to accommodate through the supplementary demand for grants and some increase on pensions and interest expenditure more than what was forecast, there has been a marginal increase in the total revenue expenditure. I will have a great deal difficulty in realising my estimates of revenue receipt for reasons that I have already explained. However, the revenue deficit for this year will be substantially lower than that in the previous year 1999-2000. For the primary reasons of shortage in anticipated receipts from the Centre as a result of the unfavourable award of the Finance Commission and some shortfall in items of revenue other than sales tax, I will have a deficit of Rs.684.99 cr. which together with the negative opening balance will add to an over all deficit of Rs. 859.89 cr.

Budget 2001-2002

70. Here is the final overall financial position for the current year 2000-01.

<u>Revised Estimates 2000-01(in Rs. cr.)</u>	
Revenue Receipts	9332.07
Revenue Expenditure	12563.84
Revenue Deficit	(-) 3231.77
Capital Expenditure	831.18
Loans & Advances (Net)	(-) 300.70
Public Debt (Net)	2152.58
Public Account (Net)	1526.08
Overall Deficit	(-)684.99
Opening Cash Balance	(-)174.90
Closing Cash Balance	(-)859.89

71. In my budget for 2001-02, I have continued my efforts to restrain all avoidable expenditure. I am banking on the recovery in the revenue collection that is clearly evident now. Already, the tax collections as at the end of January 2001 show a 2% point recovery over the corresponding figures last year. I am expecting collection from Sales Tax to register a modest increase over the budgeted figures. This gives me the confidence, that next year both the debt and the revenue deficit would have reduced considerably. I am happy to announce that our estimates indicate that there will be a significant surplus of Rs. 461.39 cr. at the end of the fiscal year 2001-02. This will be substantial enough to make good the difficulties posed by the overall closing deficit of this current year. Even though the figures of deficit for the next year that I have estimated in my interim

Budget 2001-2002

budget are bound to vary when the full budget is presented, at this time I would estimate the overall closing balance to be Rs. (-) 398.90 cr. for the next year.

72. The overall position is given below:

<u>BUDGET ESTIMATES 2001 - 02</u>		(in Rs. cr.)
Revenue Receipts		10833.67
Revenue Expenditure		13366.09
Revenue Deficit		(-)2532.42
Capital Expenditure		768.10
Loans and Advances (Net)		(-)222.21
Public Debt (Net)		2734.22
Public Account [Net]		1249.90
Overall Surplus		461.39
Opening Cash Balance		(-)859.89
Additional Expenditure now announced		0.40
Closing Cash Balance		(-)398.90

73. Sir, I once again express my gratitude to this august house for the patience and indulgence it has shown to me. Our five years tenure was eventful, packed with developmental initiatives undertaking challenges with ambitious targets. There being no parallel, we had only ourselves to compete with. Whilst financially healthy states were crashing under various onslaughts, we held our own and have emerged among the top five states registering high growth rates. Our fiscal deficit is in control and SDP has grown at an appreciable 16.8%. History will record this tenure as having laid down a firm and solid foundation for sustained

economic development. We have laid the foundation on which future generations will stand. Indeed, it will be genuinely said of us, that we, in our time, have sincerely strived to preserve those values that we hold dear and remain committed to.

74. I thank each and every one of you for your affection and unfailing support in this august house during the past five eventful years. I place the Interim Budget before this house and move the Vote on Account for expenditure for four months from 1st April 2001 to 31st July 2001 for your approval.

Thank You