



GOVERNMENT OF KERALA

REVISED BUDGET 2001-2002

BUDGET SPEECH

K. SANKARANARAYANAN
MINISTER FOR FINANCE

ON

13TH JULY 2001

Sir,

I rise to present the revised budget for the financial year 2001-02.

2. Sir, I have assumed charge as the Finance Minister of the State at a most critical juncture in the financial history of the State. It is with a deep sense of humility that I have taken on my onerous responsibilities. It would not in the least, be an exaggeration to say that I have been handed down a treasury that is practically empty. The exchequer, bequeathed to me, is truly in a woeful state. Indeed, beyond paying the salaries of the employees and making some of the statutory and unavoidable payments, there is money for little else. The finances of the State hang tenuously from a precipice. Briefly let me say, that it is in this background, that I have put on the mantle of my office. The task ahead is daunting and the challenges truly formidable. But,

whatever be the scale of sacrifice and efforts needed, there is no other alternative for our State – **we are duty bound to overcome the crisis.** This will be possible only through our collective efforts, inspired by a vision of growth for our State. Let me take this opportunity to seek the help, support, advice and guidance of each member of this august house in this great task of reconstruction and restoration that lies ahead of us.

3. Most of us are by now, familiar with the causes that have led to this breakdown. Unfortunate as it is, what we witness today is the natural outcome of a government having gone on a reckless spending binge, throwing all caution to the winds. A distressing fiscal pattern had guided the State Government over the last five years. This can best be summed up in what became adopted almost as an aphorism: "Borrow at will, spend merrily, and leave the rest to posterity." One terrible reflection of this malignant process was that Government simply seemed to have lost its capacity to "say no" to narrow special and vested interests. A culture of misguided spending seems to have been encouraged by Government. It would appear that Government feigned blissful ignorance of the fast approaching doomsday. Government began sliding down a slippery slope leading to a complete fiscal disaster. The fiscal crisis that assumed insurmountable proportions towards the end of the financial year 2000-01 and is still persisting - is the direct result of the profligacy of an elected Government. The surge in red ink has brought the state government to the brink

of bankruptcy. But, in this mindless waywardness that was unleashed, a cruel affront has been delivered to the people of Kerala.

4. This dangerous and acutely shortsighted policy seemed to work well for the first few years of the tenure of the previous Government. Political power was used to make cooperatives and cooperative banks, welfare funds and many other agencies to deposit their funds into the treasuries. Backed by these resources, the burdened exchequer seemed to trundle happily down the slope. Eventually, the Government seems to have been shaken up from its torpor only towards the end of the year 2000-2001. Thus, it was only after four years into its tenure that Government even began to be aware of warning signals that were always there but were never taken seriously. It woke up from its languor, to the two-fold realities, firstly, that the sources of borrowing for the State Government are indeed limited and secondly, that borrowing also brings with it the responsibility to repay the principal and interest, sooner or later.
5. In January 2001, the Council of Ministers decided to cut the plan by 30%. But strangely, the Assembly was not kept informed of this and the revised estimates presented to the Assembly in February 2001 did not reflect this reduction. By then, it would appear that the Government in power had lost the will, initiative and the decision-making ability to respond to the crisis. Government seemed paralysed in a comatose trance. It simply abnegated its responsibilities and did nothing to reverse the process.

No steps were taken to preserve the integrity of the exchequer and safeguard the people of Kerala from the fiscal breakdown. By April 2001, the collapse of the exchequer was complete.

6. Over the years 1998-99 to 2000-2001, Government had taken cover behind five excuses to explain the financial problems – increase in development expenditure, pay revision of employees, reduction in the plan outlay by Government of India, economic recession and the award of the Eleventh Finance Commission. The emerging crisis was glossed over in the maze of figures presented in the Annual Budgets each year. But what was concealed from the people was that States which were financially less healthier in comparison to Kerala in 1996 when the previous Government assumed office, had withstood the impact of such factors and protected the exchequer against all ravages, both real and imagined. I would be failing in my duty, if I do not truthfully present the hollowness of the assertions that my friends in the opposition benches often use to explain the fiscal crisis and through that to justify the misdoings and inaction of the previous Government.
- The argument that the fiscal crisis is due to enhanced expenditure on development has very little merit to it. The budget documents presented to this house in February 2001, would show that share of development expenditure in the total expenditure fell to 56.29% in 1999-2000 and 57.99% in the revised estimates for the year 2000-01. These are the lowest figures ever in the decade. Thus clearly, the argument

of development is simply an attempt to hoodwink the people of the State.

- There have been pay revisions every five years in the past. Every Government, which has completed its tenure in Kerala, has had to find the resources for revising the pay of its employees. But never in the past, has a pay revision been allowed to snowball into a financial crisis. This is despite the fact that the arrears of pay revision of our employees still lie impounded in the treasuries.
- No doubt, Government of India, most unjustly, reneged on its promise of resources to the State. It went back on its committed allocation to finance the Annual Plan in 1999-2000 and reduced transfers by Rs.531 cr. But what is inexplicable and strange is that despite receiving this information as early as April 1999, very little was done to adopt meaningful steps to counter the effects of this reduction.
- Each year between 1997 and 2001, the august House has been told of the impressive economic growth that was achieved under the stewardship of the previous Government. But, ironically, in the same breath, the august house has also been told that it is the economic recession particularly the fall in agricultural prices that accounts for the fiscal problems of the State! It is not my intention to dwell any further on this obvious contradiction.
- Certainly, the award of the Eleventh Finance Commission too has been grossly unfair to Kerala. Kerala is the worst affected of all States in the

country. But the Award period covers the five years 2000-2005. Let me remind this august House, that Finance Commission awards are not a new phenomenon. The total share that Kerala got under the Ninth Finance Commission Award – between 1990-95 was 3.25% of the total devolution to the States. Under the Tenth Finance Commission Award – between 1995-2000 this share rose to 3.43%. Under the Eleventh Finance Commission it will only be 2.83%. Thus the previous Government enjoyed the advantages of the best Finance Commission Award ever, during most of their tenure from 1996-2000.

If therefore, there is any Finance Minister who has cause for concern, I will be most justified in being alarmed. But, the previous Government has had no compunction to attribute their fiscal failure to the award of the Eleventh Finance Commission that, in reality, affected them, only during the last year, instead of tailoring their financial policies keeping in sight the Award, disappointing as it is.

7. This Government in the first month itself, after it assumed office took stock of the financial position. We have released a White Paper on State Finances to the people of Kerala on the 18th of June 2001, objectively depicting the nature, sources and possible remedies for the fiscal malaise that has beset the state. I would like to reiterate that the White Paper that this Government has published is not an excuse for any inaction on our part. Neither is it a preface to a series of unjustifiable measures on the public of Kerala – as

many of our detractors now would like to make it out to be.

8. Almost all sections of society in Kerala have been shocked by the revelations of the financial position of the State in the White Paper. A very feeble though desperate attempt to challenge the inferences in the White Paper has been made through the Alternative Document released by the respected Leader of the Opposition. But unfortunately, it sidesteps the main issues and neither analyses the cause for the crisis nor suggests any meaningful remedies for it. The document primarily puts forward a rather curious proposition conveying an impression that the solution to the fiscal crisis would lie in exhorting the people of Kerala to consume more liquor from the Beverages Corporation. Besides, a piece of gratuitous advice that waging a war against the centre-state policies of the Government of India will help resolve the fiscal crisis has also been thrown in for good measure. Therefore, I cannot but dismiss it as an illogical and politically motivated document. Let me hasten to add, that revenue collection figures do suggest that the Beverages Corporation can net Rs.40-45 cr. per month additionally raising the annual collection by a maximum of Rs.480-540 cr. through their retail sales of liquor. However, wowhat has to be made clear to this august house, is that this additional amount was already taken into account while presenting the current state of the finances in the White Paper. Let me also mention that the Beverages Corporation had turned in nearly Rs.1100 cr. during 2000-2001 into the exchequer - even before the new excise policy

was announced. And in any case, this additional revenue of about Rs.500 cr. that I expect is indeed a far cry from the rather alluring figure of Rs.2000 cr. suggested in that document!

9. We have presented the straight and simple truth to the people of Kerala through the White Paper on the finances of the State. But let me assure this august house and the people of our State that this Government will not take shelter behind these revelations or the tragic misdeeds and inaction of the previous Government. The unprecedented and overwhelming mandate enjoyed by this Government is truly a mandate for development. I solemnly affirm before this house, that with determination and courage we shall stem the tide and reverse the decline of our State. There is one silver lining amidst the dark clouds. A feeling is emerging that the State has to stand together as one, in facing the fiscal crisis and putting back the exchequer on the rails. At this hour, this unity alone, affords hope for nursing back the finances of the State to health. Indeed, this is our duty to the future generations of Kerala.

TENTH FIVE YEAR PLAN

10. Before I explain the salient features of the revised budget, let me inform the house that the preparation of the Tenth Five Year Plan is to commence shortly. The period of the Tenth Five Year Plan will largely overlap the tenure of this Government. I consider this a singular, golden opportunity to realign the State on a development path and move forward. We shall avoid the pitfalls that crept into the implementation of the

Ninth Five Year Plan in the years 1997-2002. As against Rs.16100 cr. estimated as the size of the State's Ninth Plan, the actual achievement, in real terms, will not exceed Rs.13000 cr. So also, indications are that the State has severely underachieved in terms of attracting private investment against the estimates included in the plan. We are paying the price for this mistake of ignoring the private sector. Kerala has been economically dwarfed by many states. We have clearly begun to lag behind other States who have stolen a march over us in several sectors. In the process, expectations and hopes of our people are belied and visions and dreams remain stultified. Five years is an extremely significant period in the economic history of any State. The remaining nine months in this last year of the Ninth Plan is obviously too short a period to make up for the last four years.

11. Government of India have finalised their approach paper to the Tenth Five Year Plan. We will shortly constitute Task Forces and Steering Committees of experts in various sectors. We will be receptive to advice from all quarters – from the public sector and the private sector – from within the nation and abroad – from academicians and practitioners – from government and non-government organisations alike. We will have to take into account the changes sweeping across the world. No State or country can remain insulated from these changes – as an island in itself. The Vision 21 document of Singapore proposes to convert the nation into *“a leading centre of competence in knowledge-driven activities and a*

choice location for company headquarters". The Russian Federation envisages "the improvement of the investment climate, a principal change in corporate management". The Budget of the United States for this fiscal year emphasises that "opening Government functions to competition to the fullest extent possible is the best way to ensure market-based pricing and encourage innovation". The outline for the Tenth Five Year Plan of the Republic of China expresses the determination to harness the energies of the private sector in the following words: "We need to encourage large and medium-sized state-owned enterprises to adopt the share-holding system and to change their operating procedures by listing their shares on the stock market". We too, have to be alive to the rich and diverse opportunities offered to our economic and social growth by a strong public-private partnership, while being sensitive to the socio-political milieu in which operate.

12. We will also have to revisit various development schemes continuing over the years. Schemes should pass an objective test in terms of their usefulness to the people. Projects should have a strong rationale in being either economically or socially relevant to our State to justify their retention in the next Five Year Plan. At the same time, new schemes in both traditional and emerging growth areas, which truly reflect the development needs of the State, will be shaped. In short, we intend to adopt a 'zero based' approach to our plan schemes to help us move forward in this new millennium. It is my hope that our Tenth Plan Document shall be a true, realistic and

progressive roadmap for the development of our State.

13. Sir, Let me now explain the public expenditure envisaged in various sectors of Government in my budget. It has been said that a budget is the shorthand for a Government's policies and that it defines the limits of spending as well as the values, priorities and goals of the Government. Budgets and policies have to meld seamlessly so that the wheels of Government move smoothly along the charted course of development. I have less than nine months in this financial year. By the time the budget is approved by this august house, there will be just four months left in the financial year. Already the expenditure on the basis of the Vote on Account is underway. I recognize this constraint, as rehashing the ongoing projects and recasting the budget will lead to wasted efforts and expenditure in several items. Hence I view my first budget as a **'corrective budget'** aimed at restoring the fiscal balance significantly though not fully, without losing sight of the need for investments in vital sectors. It is this thinking that shall guide me as I present the various features of the Annual Budget for the year 2001-2002.
14. In the White Paper, Government had recognised the fact that there has been a large extent of book adjustments as part of the Annual Plan figures over the last years. But, these transfers to the Public Account have been as huge as Rs.1000 cr. in the last three years. Needless to say, a root cause of the present financial crisis can be traced to this. In the

year 2000-01, despite such transfers, plan expenditure is expected to be under Rs.2850 cr. only – indicating the magnitude of the financial breakdown. Taking all this into account, I have realistically pruned the plan size from Rs.3600 cr. to Rs.3015 cr. This would still require an additional resource mobilisation of Rs.1000 cr. The figures in the budget documents placed before this house includes some of it. The ARM measures that I shall be proposing now in my speech will help me mobilise the rest. I shall endeavour to achieve this target during the financial year.

INFORMATION TECHNOLOGY

15. Information and communication technologies shall be recognized as vital elements in the strategy for economic growth in the State. I intend to set apart an amount of Rs.41.95 cr. for the IT sector. Kerala will be converted into a major IT destination of the country and Kochi will be developed as the I.T capital of Kerala. Setting up a world-class facility 'Technology Habitat' near Kochi, offering the most advanced telecom and related infrastructure is also envisioned. The thrust shall be on building up a vast resource base of trained IT professionals through Centres of Excellence in the IT sector. The private sector would be encouraged to actively take part in this endeavour. IT capabilities of educational institutions will be upgraded using the resources of the Indian Institute of Information Technology at Thiruvananthapuram. Establishing a state wide

broadband network in the State shall be a focus area of attention this year.

16. The IT Department has been made the nodal department for the management of all IT parks and facilities. Facilities at the Technopark at Thiruvananthapuram will be expanded. An amount of Rs.8 cr. has been provided for this in my budget. I have also provided an amount of Rs.2 cr. for initiating the construction of the Hi-Tech Park, Cochin.
17. My Government envisages that every student passing out of school in Kerala will be fully computer literate by the year 2006. Towards this end, I am happy to announce that a scheme shall be launched from the current year to introduce computer education into the regular curriculum of school children. Along with the amount of Rs.2.42 cr. received as grant under the Eleventh Finance Commission Award, I am including Rs.4.17 cr. for this in the budget. Given the substantive requirement for this project, I also intend to mobilise resources from local communities and multi-lateral financing institutions.
18. To ensure that the people of Kerala benefit from the fruits of IT, special emphasis will be given to e-governance projects. Computerisation in the Registration Department will be extended to all the remaining offices in the State. Rs.5 lakh was provided for this in the interim budget. I intend to provide an additional amount of Rs.50 lakh in my budget for this.

19. An amount of Rs.50 lakh has been earmarked for augmentation of facilities at the IT incubation centre being built in Cochin. To market the tremendous possibilities for IT industries in the State, I have provided an amount of Rs.2.5 cr. in the budget for promotion of IT. I also intend to supplement this by another Rs.1 cr. for promotional activities during this year.
20. The Treasury Computerisation Project will be completed. I have provided Rs.4.1 cr. for this. In addition, I have earmarked Rs.2.5 cr. for the Wide Area Network that will electronically link the Secretariat, Secretariat Annexe, Vikas Bhavan and other Public Offices. Government recognises that Collectorates are the key centres of administration. To improve and modernise their functioning and to make them more responsive to the needs of the citizen, the fourteen district Collectorates will be computerised. I am setting apart an amount of Rs.50 lakhs for this. To facilitate better communication with the districts, Government intends to establish video-conferencing facilities between the Secretariat and the districts in the coming year. I intend to provide Rs.50 lakhs in this budget.
21. In spite of the relatively good network of rural health centres in the State, there are several parts of the State, which do not have access to referral medical facilities. It is proposed to implement a pilot tele-health project in the State in the coming year. I am providing an amount of Rs.50 lakhs for this project.

22. I have also provided an amount of Rs.3.08 cr. for completing the computerisation of the Sales Tax Check posts and offices. An amount of Rs.2.05 cr. has been earmarked for the computerisation of the Motor Vehicles Department. All these major projects will be completed during this financial year.

TOURISM

23. Tourism is an area where the State clearly enjoys great natural advantages. Kerala has earned its place among the acclaimed tourist destinations in the country. Government is determined to make Kerala emerge as a leading global tourism destination. This year, I have set apart Rs.39.66 cr. under the Annual Plan for Tourism. Government intends to promote private investment and will take active steps to develop and promote all our important tourist destinations both existing and new. 58% of total outlay is intended for development of tourism infrastructure, and 20% of the allocation will be devoted for attracting private investment into this sector.
24. Government intends to create Special Tourism Zones (STZ) in Kovalam, Kumarakom, Fort Cochin and Munnar with Master Plans based on the carrying capacities of these regions. The Government will lay down architectural guidelines and provide a legal framework for implementation.
25. Government will give shape to a "Tourism Heritage Village" in the backwaters of Vembanad Lake. This village will integrate Kerala's traditional architecture,

cultural art forms and handicrafts and will be an innovative addition to the array of tourism products in the State.

26. "God's own country" has become a brand identity that uniquely sets apart Kerala tourism in the world. Government intends to capitalise on this brand recognition through more intense promotional efforts. I have earmarked Rs.7 cr. for the promotion and publicity efforts of the Tourism Department. High level marketing efforts and development of infrastructure at tourist destinations will characterise our approach to tourism. In collaboration with the World Tourism Organisation a strategic marketing plan has been finalised to penetrate the high value US market. Rs.2.50 cr. has been earmarked to develop tourism infrastructure along the existing backwater cruise routes. Selected unused waterways of the State, which have once been important water transport routes will also be revived. We shall do our best to realise the support promised by the Prime Minister of India for backwater tourism during his visit to the State.
27. A regulatory mechanism will be put in place to check any lop-sided and undesirable environmental and social growth stemming from unbridled short-term exploitation of a tourism destination. This will relate the development of tourist destinations in the State to their 'carrying capacity'. New projects in the sector include the development of backwater tourism, development of Vagamon as a new hill station, development of international standard golf courses at

Cochin and a new self-financing Hospitality Institute of international standards.

28. The Destination Kerala Programme for providing basic tourism infrastructure facilities will be emphasised with an allocation of Rs.5.50 cr. Heritage buildings such as the synagogue at Chennamangalam, Kottappuram Kotta, Pallippuram Kotta and Cheraman Parambu will be restored and renovated. Rs.50 lakh has been set apart for this. Rs.3.00 cr. has been set apart to provide incentives and subsidies for creation of tourism infrastructure. For the expansion of the facilities at the Veli Tourism Village, I have provided an amount of Rs.1 cr. in my budget.
29. The construction of Kerala Bhavan, Mumbai, Additional Guest House at Ernakulam, New Guest Houses at Palakkad and Vythiri will be completed. I have provided an amount of Rs.5.39 cr. for this.
30. Tourist Resorts (Kerala) Ltd. will be given Rs.2.50 cr. in 2001-02 for their investments in joint venture projects and land bank projects in the State. Thenmala eco-tourism project will be completed in the next year. Bekal will be developed as an international tourist resort with private sector participation through the Bekal Resorts Development Corporation. An amount of Rs.1 cr. has been set apart for this.

DECENTRALISATION OF POWERS

31. I am happy to announce that despite severe financial difficulties, I have maintained the share of resources that will flow to the Local Self Governments. We

shall strive to consolidate the gains of the decentralized planning process. But in the process policy aberrations will be rectified. I am earmarking Rs.1237.50 cr. for local bodies.

32. Local bodies will be free to formulate and implement their development priorities without interference. Expert committees, which were formed largely on political considerations, have been abolished and will be replaced by technical support systems.
33. In order to improve the resources position of the Local Self Governments, I would like to state here that an early decision would be taken on the report of the Second State Finance Commission. This will also help solve problems faced by Local Self Governments like lack of maintenance of assets, delay in releases and accountability.
34. I am happy to announce that a project called the "Decentralisation Support Programme" will be launched shortly with the help of the Dutch Government. This programme would aim at institutionalising decentralisation and encouraging development of ongoing systems and processes.

ENERGY

35. The power sector will be organised to dynamically respond to the demands and expectations from this sector. There will be a thrust on reform of KSEB focused on converting the Board into a financially viable institution that truly reflects the best interests of the customer. Tariffs will be fixed on scientific and rational lines through an Electricity Regulatory

Commission that will be set up soon. Under the Annual Plan, an amount of Rs.509 cr. has been set apart for the Power Sector.

36. The major focus will be on enhancing capacity in the generation sector primarily making use of the hydel potential of the State. An amount of Rs.44.95 cr. has been allocated for hydel projects. 211.2 MW of power will be added to State's Power Grid during the current year. New stations to be commissioned include three mini hydel projects of total capacity 34.2 MW. In addition, new hydel projects for a total capacity of 305.15 MW are being implemented. Existing hydel projects will be augmented to generate 438 MU. Renovation, Modernisation and Upgradation (RMU) of Pallivasal, Sengulam and Panniar Projects are to be completed during this financial year. The 300 MW Sabarigiri Project will be taken up this year for renovation, modernisation and upgradation.
37. The Transmission System in the State will be strengthened. This year there will be a planned investment of Rs.223 cr. for this. 88 Sub Stations will be completed during this financial year. Rs.115.03 cr. has been earmarked for improving the distribution system. Spot billing system will be strengthened to improve efficiency and increase revenues. Control rooms will be opened in five Districts to monitor and control interruption and breakdowns to reduce the down times are some of the schemes that are envisaged this year. Voltage improvement schemes will be expedited this year.

38. An amount of Rs.10 cr. has been provided for the development of non-conventional energy through ANERT.

INDUSTRIES

39. The Ninth Five Year Plan for the State of Kerala had envisaged an investment of Rs.28900 cr. from the private sector. But in spite of this, during the period 1997-2001, we have reached nowhere in achieving these targets. Our approach to industrial development in the State will be one that will actively solicit the participation of the private sector in the industrial development of the State. It will build on the outlook and philosophy embodied in the Industrial Policy Resolution of 1991. The primary emphasis will be on making the State more investor friendly. I have provided Rs.218.40 cr. for industries under plan in the budget of which Rs.67.96 cr. is meant for village and small-scale industries.
40. Private sector participation in the development of infrastructure in the State will be wholeheartedly promoted through schemes like BOT and its variants in the model of the Mattanchery Bridge. It is proposed to develop an "Industrial Corridor" between Eloor and Kochi Airport for attracting Non Resident Keralites (NRK) and IT majors from India and abroad for which necessary preliminary work like surveys etc. will be carried out by KINFRA immediately. The main thrust will be setting up of IT industries in this corridor.

41. A novel concept of "Special Industrial Zones" (SIZ) for industries will be developed for encouraging entrepreneurs to invest in the State. In the 'SIZ' necessary infrastructure like power, water and communication will be provided. It will also be ensured that through a legal framework that cordial and harmonious labour relations are maintained in these zones as well as in Growth centres and industrial parks. KSIDC, KINFRA will set up joint ventures with the private sector in the Special Industrial Zones.
42. I have provided Rs.23.34 cr. for KSIDC. The major projects envisaged include the setting up a holistic Health Village at an estimated cost of Rs.100 cr. in Calicut, Rs.100 cr. ceramic sanitary-ware project with foreign collaboration — a 80 MW project being set up by DC Power Project at an estimated cost of Rs.350 cr. in Kasargod — the petroleum pipeline from Cochin to Karur with an estimated cost of Rs.535 cr. being set up by Petronet-CCK Ltd. — the Gas Pipeline Project costing Rs.1500 cr. connecting Kochi-Kayamkulam-Kasargode-Mangalore by Gas Authority of India Limited — and the LNG Terminal being set up by Petronet LNG at Ernakulam at an estimated cost of Rs.1500 cr. A project evaluation study to set up a petrochemical industry in Kasargod with foreign participation at estimated cost of Rs.7000 cr. is under way.
43. New projects of KINFRA include the KINFRA-ITPO Convention Centre at Ernakulam, Integrated Infrastructure Development Centre, Koratty and the

Integrated Infrastructure Development Centre at Pathanamthitta. I have provided an amount of Rs.12 cr. for the activities of KINFRA in the budget.

44. After Information Technology, Biotechnology is poised to usher in the next wave of industrial revolution all across the world. The two new Biotechnology Parks at Ernakulam and Thiruvananthapuram to be set up through KINFRA will be the first step to enable the State to carve a niche niche in this field. Special efforts will be made to attract foreign and domestic investment in the Food processing industry.
45. An amount of Rs.13 cr. has been provided for the Kerala Financial Corporation for promoting small and medium scale industries in the State. KFC is expected to take up schemes for Rs.350 cr. aimed at providing employment for 48,000 persons during the year. It is expected that 25000 new SSI units can be registered in the next year with speedy clearances of licences and permits from departments and local bodies.
46. The other salient allocations that I have made in my budget are Rs.1.17 cr. for handicrafts, Rs. 13.37 cr. for the coir sector, Rs.3.50 cr. for Khadi and Village Industries and Rs.2.50 cr. for sericulture. I have provided an amount of Rs.4.58 cr. for the Kerala State Cashew Development Corporation. CAPEX and Cashew Development Corporation have run up huge losses during the last few years. A new pragmatic strategy will have to be evolved in the cashew sector.

AGRICULTURE AND HORTICULTURE

47. Sir, the Governor's address to this august house spells out in some detail the basic ingredients of the agricultural policy of this Government. I shall not therefore repeat them here. There is no gainsaying the truth that the recent fall in prices of most of the agricultural commodities and the wide spread debilitating diseases of major crops like coconut, pepper and cashew have dealt a double blow to our farmers. This has left deep scars on the State's economy as well. It is this situation that has to be retrieved.
48. I have provided Rs.167.20 cr. for agriculture in the Plan Budget. The State will be investing approximately Rs.500 cr. in the agricultural sector taking into account the share of grants that the Local Self Government will be setting apart for this sector.
49. The large-scale conversion of paddy land for other uses has to be stemmed to halt the irreversible decline in paddy cultivation as well as the associated environmental degradation of paddy lands. The accent will be on improving agricultural productivity in paddy in the next few years to above 2.5 tonnes per hectares. An amount of Rs.8 cr. is provided for rice development programmes. Under the Macro Management Programme of the Central Government, Rs. 14 cr. has been earmarked for paddy cultivation. I am allocating a total outlay of Rs.22.12 cr. for paddy cultivation.
50. A Coconut Technology Mission will be launched in the State to comprehensively address the issues and

challenges in coconut cultivation. This year, a programme of procuring raw coconut from the farmers, at a price compatible with the Minimum Support Price will be implemented. Mandari disease in coconut trees has had disastrous effects on the cultivation and profitability of this crop. A special campaign to eradicate endemic diseases like mite, root wilt and Mandari will be launched. Both public sector and private sector organisations will be associated in product diversification and marketing efforts of coconut products. I am setting aside Rs.19.20 cr. for coconut cultivation in my budget.

51. A standing committee of eminent experts to study on a continuous basis, the impact of the opening up of the Indian market as a result of WTO Agreement on Agriculture will be set up. Government will evaluate these recommendations of this Committee to counter the ill effects of WTO agreement and fully exploit the positive advantages of access to international markets and implement them. I am providing a token provision of Rs.3 lakh for the work of this committee.
52. The international trade potential of spices and cashew have to be used to its fullest for the economic growth of the State. Thrust will be on improving productivity and quality of pepper and other spices to compete with international products. In cashew cultivation, special technology packages like high density planting, use of clonal material for planting and rehabilitation of unproductive plantations will be attempted on a wider scale. I have provided Rs.6.47 cr. for Pepper development programmes. I have also

provided Rs.5.67 cr. for Cashew Development Programme.

53. Rs.13.08 cr. has been earmarked for 28 watersheds in the State, under the National Watershed programme.
54. The problems faced by rubber farmers have to be resolved and the position of rubber in the economy of our State has to be restored. Imports of rubber into the country, at a time when the surplus stock exceeds 1.5 lakh tonnes, will be opposed vehemently. Government of India has already been requested not to allow any imports of rubber under any pretext. Use of rubber in roads and new industries will be encouraged. Rubber has to be included as one of the agricultural products for international trade, through WTO renegotiations. Sir, I would like to assure this house that if rubber prices continue to remain below economically viable prices for the farmers, we are determined to find the resources for launching an effective market intervention programme to bring relief to rubber cultivators. The tax rates for rubber at 4% will not be increased. Farmers with less than five hectares of land have been exempted from agricultural income tax. Rubber and coffee plantations up to 20 hectares will continue to be exempted from agricultural income tax.
55. The working of Haritha Sanghams will be streamlined and selectively expanded to more areas. Marketing of horticultural products will be taken up through the Kerala State Horticultural Products Development Corporation and Local Self Governments. The emphasis will be on the development and marketing

of value added products from coconut, fruits, vegetables and spices. I am setting apart a provision of Rs.7.60 cr. for horticulture in my budget.

56. The Crop Insurance scheme will be revamped to ensure better coverage of small and marginal farmers. The implementation of this scheme will be entrusted to an autonomous body. I am providing Rs. 1 cr. for this.

ANIMAL HUSBANDRY AND DAIRY

57. Productivity will be increased by further strengthening cross breeding facilities and improving the efficiency of the services in the Animal Husbandry and Dairy sectors. The existing infrastructure in the animal husbandry and dairy sectors will be developed further. To handle the increase in production, the processing capacity of KCMMF will also be increased. The market share of dairy cooperatives will be increased by encouraging more sales agencies in both the cooperative and the private sector. I have provided an amount of Rs.35.25 cr. in the Annual Plan for the Animal Husbandry and Dairy sectors in my budget.
58. At least 15000 farmers will be imparted training in scientific livestock and poultry production. I am setting apart Rs.60 lakhs for this programme. The Kamadhenu Insurance Programme will be popularised through the Farm Information Bureau to cover all dairy farmers.
59. There will be an intensive drive to contain mastitis through comprehensive veterinary care. I have

provided an amount of Rs.13.20 cr. under plan for strengthening of veterinary services. A programme for Intensive Dairy Farming through adoption of villages or a region will be taken up. I have also provided an amount of Rs.5.25 cr. for the Special Livestock Development Programme. Other components of Government involvement in this sector include setting up fodder nurseries in Grama Panchayats and strengthening District Dairy Quality Control Laboratories. Pilot projects in the use of Mobile Artificial Insemination units as well as Milking Machines will be extended with the active involvement of the local self-governing bodies and dairy cooperatives. Rs. 70 lakh have been provided for strengthening dairy co-operatives.

60. Rs.3.00 cr. has been set apart for the activities of the Kerala Livestock Development Board. I have also earmarked Rs.2.5 cr. for the Veterinary College at Wayanad.

FISHERIES

61. In the fisheries sector, the approach will be on tapping the employment opportunities of the sector with the required emphasis on the welfare of the fishermen. A massive self-employment programme for fisherwomen will be taken up at an estimated cost of Rs 15 cr. Fisherwomen will be organized into Self-Help Groups and empowered to undertake economic activities allied to fisheries and other activities. I am providing a provision of Rs.1 cr. as Government share for this project.

62. NCDC funding will be utilised to give shape to an Integrated Fisheries Development Project for traditional fishermen. New Fish Landing Centers will be constructed at seven places. I am allocating a token provision of Rs.11 lakhs for this. Steps will be taken to ensure increased benefits to fishermen from the Fishermen's Welfare Fund.
63. Construction of fishing harbours at Muthalapozhi, Kayamkulam, Ponnani, Thalayi will be completed. Work on a new fishing harbour at Koilandi will also be started this year. I have earmarked an amount of Rs.10.84 cr. for these works in my budget.
64. This sector receives a total allocation of Rs.74.40 cr. under plan in my revised budget.

FORESTRY AND WILDLIFE

65. In my revised budget, I have included a provision of Rs.61 cr. for Forestry and Wildlife sectors. The thrust shall be on promotion of sustainable forest management, conservation of forest resources and preservation of eco-systems.\
66. I have included Rs. 14.17 cr. for the improved management of natural resources and Rs.7.10 cr. for strengthening of forest resources. Under the externally aided Kerala Forestry Project, I have allocated an amount of Rs.32 cr. in my budget.

WELFARE OF SCHEDULED CASTES AND SCHEDULED TRIBES

67. Despite the financial difficulties, which the state is experiencing, Government will ensure that expenditure on the welfare of Scheduled Castes and Scheduled Tribes remains unaffected. The total provision earmarked for the Welfare of Schedule Castes and Scheduled Tribes is Rs.335 cr. This is 11.11% of the entire Annual Plan of the State.
68. In the Special Component Plan for this year, I have set apart an amount of Rs.277 cr. I have also provided Rs. 58 cr. for the welfare of Scheduled Tribes this year. For taking up housing schemes for Scheduled Castes and Scheduled Tribes, I have allocated an amount Rs. 22.33 cr. in this budget.
69. In the Governor's address to this august Assembly, it was announced that a Commission for Scheduled Castes and Scheduled Tribes affairs to monitor the implementation of Government policies and programmes would be set up. I propose to set apart a provision of Rs.3 lakh for the initial expenses of this Commission.
70. Government is aware that at this stage of development in the social and economic history of Scheduled Castes and Scheduled Tribes, it is important to foster the intellectual and physical competence of talented SC/ST students and youths. This will be done through a series of schemes like entrepreneur development programmes, courses and training for imparting managerial skills in industry, trade and commerce to the SC/ST youths and providing

computer and IT related education training in selected institutions.

71. I am providing an amount of Rs.2.5 cr. for setting up a Centre of Excellence for Scheduled Castes and Scheduled Tribes, which will be developed as a national institute for research and higher studies for SC and ST students. I have earmarked Rs.25 lakh for sending Scheduled Caste and Scheduled Tribe Students to National Institutes of Science, Technology and Management for training in IT. A Centre for the Improvement of Traditional Skills and Professions of Scheduled Tribes will also be started this year with the objective of preserving their traditional knowledge and skills.
72. Three Model Residential Schools for Scheduled Castes in Idukki, Kasargod and Kozhikode and three Model Residential Schools in Punalur, Idukki and Kottayam for Scheduled Tribes will be started this year. I am happy to set apart Rs.11.00 cr. for this.

HOUSING

73. The Kerala State Housing Board has been financially wrecked in the last five years, primarily as a result of inordinate borrowing and diversion of borrowed funds. The Board owes Rs.202 cr. to HUDCO, which has been the major lending agency for the Board. I am working out a strategy to redeem the situation and save the Board from imminent closure.
74. I have provided an outlay of Rs.41.50 cr. for the housing sector in my budget. Out of this, Rs.30 cr. is

for meeting spill over commitments under the Maithri scheme.

75. Satellite Townships at Akkulam in Thiruvananthapuram District and Thripunithura near Ernakulam City will be set up with assistance from national and international financial agencies.
76. The Kerala State Nirmithi Kendra will start Self Employment units in 100 Panchayats this year where unemployed youth and women will be trained in production of building material.
77. A new scheme for allotment of house plots to registrants in Municipal areas through loan tie-ups with financial institutions will be launched this year.

RURAL DEVELOPMENT AND PANCHAYATS

78. In this revised budget, I have set apart Rs.64.23 cr. for rural development and panchayats. Rs.43.24 cr. is exclusively for poverty alleviation schemes and Rs.20.99 cr. is for Community Development schemes and Panchayats.
79. The total allocation includes Rs.17.43 cr. for the Attappady Waste Land Comprehensive Environmental Conservation Project.
80. Kudumbashree is a powerful testimony to the success in using micro enterprises as a tool for poverty alleviation. The Kudumbashree experiment has come in for national and international acclaim. This programme will be extended to cover the backward districts of Kasargode and Waynad besides 50 new

Panchayaths in other districts during this year. I have provided Rs.10 cr. for the scheme.

81. Under the computerisation programme for Local Self Governments, I have set apart an amount of Rs.1 cr. for the state level activities of the Information Kerala Mission, which has been entrusted with the implementation of the programme.

URBAN DEVELOPMENT

82. Urban sector receives Rs.28.96 cr. under the Annual Plan in my revised budget. An amount of Rs.8.80 cr. has been set apart for the Cochin Urban Poverty Reduction Project being implemented with assistance from Department for International Development (DFID), UK in the Cochin Corporation.
83. I have also included Rs.1.5 cr. in my budget for the Swarna Jayanthi Shahari Rozgar Yojana which is a 75% Centrally Sponsored Scheme implemented in Municipal towns.
84. The National Slum Development Programme in 58 major urban slums will be continued this year also.

COASTAL AREA DEVELOPMENT AUTHORITY

85. Government is conscious of the disadvantage and hardships that the people living in the coastal areas of the State face due to poor availability of basic amenities and infrastructure. I am happy to announce that Government intends to form a Coastal Area Development Authority for the comprehensive development of the coastal areas of the State including provision of water supply, housing,

sanitation and health. I am providing an amount of Rs.1 cr. for the initial expenses of setting up this authority.

HILL AREA DEVELOPMENT AUTHORITY

86. Lack of basic infrastructure like transport and water supply have impeded the economic growth of the hill regions of the State in the past. I am happy to state here that Government aims to usher in a comprehensive thrust to develop the hill regions. Towards this end, I am happy to declare the formation of a Hill Area Development Authority. I am also providing an amount of Rs.1 cr. for setting up this authority in my budget.
87. The absence of a well-connected road network for the hill regions of our State has been long felt. It gives me happiness to announce that Government intends to launch the construction of a hill highway with private sector participation. I am setting apart an amount of Rs.50 lakh in my budget for this.
88. My Government recognises the social, religious and economic importance of Sabarimala among the great pilgrimage centres of this country. Government intends to prepare a master plan for the development of Sabarimala. We will be seeking the required forestland for this purpose against afforestation programmes in public lands available with us. I am happy to announce an amount of Rs.1 cr. for preliminary expenditure to start this project.

CO-OPERATION

89. I am aware of the severe resource depletion that the co-operative sector has suffered in the last three years on account of locking over Rs.1000 cr. in the treasuries for the ways and means management of Government. It shall be our solemn endeavour to return this amount to the co-operative movement where it belongs, once the finances of the State are turned round.
90. The Pariyaram Medical College will be revived and the interests of the student community studying there will be protected. An operating environment for the Kochi Medical College to continue its academic activities will be created. Engineering Colleges under the Cooperative Agency for Professional Education (CAPE) will also be assisted to proceed with its academic work.
91. I have made an allocation of Rs.62 cr. for the cooperative sector in the State. Assistance from NCDC to the tune of Rs.35.40 cr. is expected this year.

ROADS

92. I have made a provision of Rs.136.71 cr. for Roads and Bridges under Plan and Rs.309.50 cr. under Non Plan in my budget. Rs.22 cr. has been earmarked for State Highways, Rs.33 cr. for Major District Roads and Rs.14 cr. for Other District Roads. In addition to these, Rs.7 cr., Rs.9.71 cr. and Rs.2.5 cr. have been allocated for bridges and culverts on State Highways,

Major District Roads and Other District Roads respectively.

93. Government will commence re-constructing 400 km. of State Highways and major district roads during this year under the Kerala State Transport Project taken up with the assistance of the World Bank. I am setting aside Rs.27.75 cr. for this. The Roads and Bridges Development Corporation, with the involvement of Indian Railways will construct a chain of Railway Over Bridges in the State. 20 railway overbridges will be taken up and completed during this year. The much-delayed Aluva Angamali four-laning project will commence this year.
94. Given the massive investments needed in the road sector, Governments whether central or state - cannot finance these through their budget alone. Therefore, the private sector will be involved actively in the construction and maintenance of roads.
95. The blueprint of a High Speed Access Controlled Motorway running along the State will be presented to the people of Kerala shortly. This will serve as a central axis for the transport network of the State. I am setting aside a token provision of Rs.2 lakh for the preparation of the vision document.
96. I am aware that the roads leading to Sabarimala have to be repaired urgently to ensure the convenience of the pilgrims visiting the holy place. I am providing an allocation of Rs.5 cr. for repairs of these roads.
97. I would like to inform this House that I intend to increase allocations for Rural Roads from the RIDF

schemes of NABARD to Rs.100 cr. in keeping with the flow of funds for such projects.

TRANSPORT (INCLUDING PORTS AND AIRPORTS)

98. The overarching vision in the transport sector that shall guide Government is to create a well-integrated transport network encompassing roads, inland water transport and other transport system. I have provided an amount of Rs.36.24 cr. for the development of the transport sector other than Roads, Bridges and Inland Waters.
99. It is Government's intention to develop the ports of Kerala with infusion of funds from the private sector. An amount of Rs.25 lakh is set apart for the investigation and preparation of master plans for ports at Vizhinjam and Azheekal. I have set apart an amount of Rs.7.79 cr. for the development of ports.
100. I have already referred to the computerisation plans of Motor Vehicles Department. Measures will be taken to rationalise permit and fees levied by the Department. To check over speeding and pollution from vehicles, I am providing Rs.21 lakh for radar systems and Rs.40 lakh for exhaust gas analysers. KSRTC proposes to augment its fleet of buses by induction of more buses consistent with availability of resources. The State Water Transport Department will be revamped, modernised and provided with energy efficient boats to enable the department to reduce its annual losses substantially.

101. I have included Rs.10 cr. for the Thiruvananthapuram International Airport in my budget.

INLAND WATER TRANSPORT

102. I have provided an amount of Rs.12.33 cr. for the Inland Water Transport sector in this revised budget. Ongoing works of Kotti-Kottappuram waterway, Sultan Canal project, and improvements to Kotti-Valapattanam-Parasinikadavu Boat route will be completed.
103. An amount of Rs.60 cr. is expected as World Bank assistance for the Alappuzha-Kottayam, Alappuzha-Changanachery and Kottayam-Vaikom water routes.

IRRIGATION

104. The essential elements of the water policy of Government built on a "demand responsive approach" encompassing both water conservation and watershed penetration was clearly spelt out in the address of the Governor to this house. An "Irrigation and Water Management Bill" that will build on the framework of the Unified Irrigation Bill prepared in 1994 will be brought out this year.
105. The Irrigation Sector has been provided an outlay of Rs.361.26 cr. in my budget under both Plan and Non Plan. The emphasis will be on completing the works in progress. Muvattupuzha Irrigation Project is expected to get assistance from Government of India under the AIBP programme. I have earmarked an outlay of Rs.45 cr. for expediting the project. Kallada Irrigation Project will be completed by availing

assistance under the AIBP programme also. An amount of Rs.38 cr. has been set apart for this. To expedite the Idamalayar Project, I have included a provision of Rs. 16 cr. in my budget.

106. Other ongoing projects viz. Pazhassi irrigation project, Karapuzha project and Kanakkankadavu Project. Banasurasagar project and bridge cum regulator at Chamravattom and Attappady Valley Projects, work on the Trithala Bridge cum Regulator will be expedited.
107. Maximum financial assistance from NABARD will be availed for taking up Lift Irrigation schemes and Class I and II Minor Irrigation Works. An outlay of Rs.27 cr. is budgeted for the development of surface water schemes.
108. Emphasis will be given to the proper maintenance of Irrigation projects. To this end, I have earmarked Rs.8 cr. for the "Water Resources Revamping and Consolidation Programme" in the major irrigation projects of the State. The construction of regulators at Manjummel and Pathalam for providing water to Cochin Refineries will also be completed.
109. I have pleasure in stating that Government will give the utmost attention to ensure clean hygienic environment to the millions of devotees who flock to the Sabarimala Pilgrimage centre. This is certainly a responsibility of Government. A two-year project focused on conservation and sanitation measures in River Pamba will be commenced this year. This year,

I am setting apart an amount of Rs.1 cr. for the project.

110. A project on building a network of check dams and sub surface dams across the state for a total outlay of Rs.25 cr. will be submitted to NABARD in the next three months.
111. Government of India will be requested for assistance of Rs.38.75 cr. for the side protection of 20 rivers of Kerala under the Anti River Erosion Scheme. The Eleventh Finance Commission has already recommended an amount of Rs.50 cr. for anti-sea erosion schemes in the State. In addition to this Government of India will be requested to assist in a project for sea wall construction and re-formation as part of protection of national boundaries. Rs.17 cr. has been budgeted for flood and coastal zone management under the Annual Plan in my revised budget.
112. I am happy to announce that a special project will be prepared for cleaning and restoring the historic canals of Alappuzha. This will give a fillip to tourism and to the economic development of the region. I am including a token provision of Rs.50 lakh for this.
113. I have also provided Rs.13 cr. under the Annual Plan for the development of ground water resources.

WATER SUPPLY AND SANITATION

114. An amount of Rs.137 cr. has been earmarked for this sector under Plan. In all, this sector receives Rs.208.27 cr. in my budget. A provision of Rs.32 cr.

has been set aside exclusively under the scheme of providing 'drinking water for all'. Government shall work with determination towards the goal of providing drinking water to all our people. We intend to extend coverage of water supply to 80% of the rural population and to 90% of urban population from the current levels of 55% and 78% respectively in the next five years.

115. Towards this end, we shall utilise all the resources available to us through Centrally Sponsored Schemes, Accelerated Rural and Urban Water Supply schemes, Technology Mission schemes, LIC and HUDCO. For co-financing LIC and HUDCO schemes, an amount of Rs.27.50 cr. has been provided in the budget. Negotiations with both Government of Netherlands and the World Bank for supporting community based water supply and sanitation schemes are in progress. The principles of participatory community schemes experimented in the World Bank Assisted Rural Water Supply Scheme in four districts will be refined and extended. I have provided Rs.5 cr. for the expenses of the Kerala Rural Water Supply Project. I also intend to set apart counterpart funds to the tune of Rs.20 cr. in the budget to facilitate receiving the assistance from these agencies as soon as the negotiations with these agencies are completed.
116. The water supply scheme of Kochi City will be completed in a time bound manner. New schemes for community-based water supply will be implemented in the districts of Kollam and Kasargode with the assistance of Government of India. It is

Government's avowed intentions to revive the OECF assisted water supply projects that have been drawn into protracted controversies. This will be through a transparent framework for the implementation of this project. I shall additionally set apart Rs.20 cr. for this project towards initial expenses including land acquisition.

117. I have provided Rs.21 cr. for major sewerage schemes under Plan of which Rs.15 cr. is for completing the sewerage improvement works in Thiruvananthapuram. Government intends to effectively prevent the persistent problem of flooding of the interior areas of the capital city around Thambanoor and Kizakkekottah during the monsoon season.

EDUCATION

118. The total outlay for Education in my revised budget is Rs.2958.55 cr. The provision under the Annual Plan for General Education is Rs.78.77 cr. The much touted delinking of Pre-Degree through the Plus Two system, without finding resources for it, has become one of the many liabilities handed to this Government for implementation. I have included Rs.40 cr. for the Plus Two system in this budget. We are aware of the magnitude of the requirements needed to do justice to the thousands of students who rely on the higher secondary system. But Sir, I am confident that we shall overcome the problem of raising the resources for this.

119. Self-financing institutions at Higher Secondary and Collegiate level will be encouraged to help Government realise the goal of Universalisation of Higher Secondary education as a key element of its strategy to achieve economic and social growth. In my budget, Rs. 1.33 cr. has been provided for newly started courses.
120. This Government is aware that consistent efforts are needed to improve the quality of technical education in the State, in the context of the fast pace of development of all branches of technology. Government therefore, intends to explore the feasibility of setting up a Technological University in the State with private sector participation.
121. The College of Engineering, Thiruvananthapuram and College of Engineering, Thrissur will be declared centres of excellence for IT with assistance from Government of India and external agencies. A new Engineering College under the management of L.B.S. Centre will be started this year. Technical Education has been allocated an amount of Rs.46.65 cr. under the Annual Plan. This includes Rs.10.77 cr. for the development of the five newly started engineering colleges also.
122. Accreditation from AICTE will be sought for all B.Tech and M.Tech courses of College of Engineering, Trivandrum, Thrissur, Kannur and Rajiv Gandhi Institute of Technology, Kottayam.
123. Centres of excellence in selected Polytechnics will be opened with the assistance of the World Bank under

the 3rd Technical Education Project. Infrastructure in eight technical high schools upgraded in 1993-94 as polytechnics will be strengthened this year.

124. The new school curriculum introduced in the context of DPEP in the past four years will be reviewed through an Expert Committee consisting of academicians, teachers, social scientists and public men. The idea of this exercise would be to make education more socially relevant and acceptable. Rs.3.30 cr. has been provided for DPEP in my budget.
125. A "Total School Improvement Plan" to be implemented within five years for providing minimum facilities and decent amenities in all the schools in the State will be chalked out. I am making an allocation of Rs.2 lakh for preliminary expenses in the Directorate of Public Instruction.
126. A state level "Vocational Educational Council" will be set up to advise Government on policies relating to vocational education. For the constitution of this Council, I am providing Rs.2 lakh in my budget.

HEALTH

127. The thrust in the health sector shall be on improving the delivery of health services to the common man. The infrastructure at the District, Taluk hospitals and Community Health Centres has to be improved. Assistance from external funding agencies will also be used for this purpose. I have earmarked Rs.753 cr. in my budget for the health sector. This includes Rs.55.53 cr. under the Annual Plan.

128. I am providing an amount of Rs.19.16 cr. for improving facilities in the Medical Colleges of the State. Medical Colleges will be gradually converted into referral hospitals to broad base their services to the people. I am providing a provision of Rs.15 lakh for the Indian Institute of Diabetes, which will start functioning this year. For the new drug-testing laboratory proposed to be set up in Thiruvanthapuram, I am allocating a token provision of Rs.5 lakh.
129. In view of the growing threat that the State faces from the spread of non-communicable diseases, a public health intervention will be launched in selected local bodies for early detection, prevention and management of non-communicable diseases. I am earmarking Rs.10 lakh for the initial expenses of this effort.
130. Health Card System will be introduced to patients, suffering from serious diseases. I am setting apart Rs.10 lakh for starting this scheme.
131. The Ayurveda Medical Colleges at Trivandrum and Kannur will be converted into centers of excellence by providing them with the necessary infrastructure. I am happy to announce an allocation of Rs.50 lakh for this.

FOOD AND CIVIL SUPPLIES

132. I am sure that all of us here would be united in unequivocally denouncing the policy of Government of India to restrict distribution of food grains and sugar. The very irrational basis that they have

adopted for identifying people below the poverty line is unacceptable to us. What causes concern is that Government of India, removed as they are from the people of the country, have failed to recognise the importance of the Public Distribution System for the welfare of the poor. Now, wild notions of even privatising the food security system and leaving the procurement of food grains to State Governments resonate in the utterances of policy makers in Government of India. We should resolve to collectively oppose this lack of sensitivity to the problems of the teeming millions of people in our State and elsewhere in the country.

133. Notwithstanding our financial constraints, I have provided an amount of Rs.161 cr. in the revised budget for maintaining the PDS and for market intervention operations of the Kerala State Civil Supplies Corporation. Sir, let me reiterate here our resolve to find additional resources needed to sustain the public distribution system in our State.
134. The Civil Supplies Corporation plans to open 20 more Maveli medical stores during the year as part of strengthening its market intervention operations. It will also open 17 new LPG outlets in different parts of the State. The allocation for the Corporation is Rs.50 cr. out of the Rs.161 cr. set apart in the Civil Supplies demand presented today to this house.

POLICE

135. All talk about social and economic growth becomes mere rhetoric, if the people of our state are not

assured of their inalienable and fundamental rights. This will not be possible without an impartial, efficient and modern police force. The use of technology in crime investigation and prevention will have to keep pace with the times. The thrust this year will be on modernising the Police Department with this perspective in mind.

136. I have included an amount of Rs.20 cr. for Modernisation of the Police Force. I have also earmarked an amount of Rs.1.84 cr. for purchase of equipment under the scheme of upgradation of standards under the Eleventh Finance Commission Award. In addition, I have also provided Rs.72.50 lakh for the purchase of computers and telecommunication equipment for the Police Department. Under the Eleventh Finance Commission Award, I have also provided Rs.2.78 cr. for the construction of police station buildings and improving facilities in police stations.

REVENUE ADMINISTRATION

137. This year, districts will prepare comprehensive District Disaster Management Plans to improve the preparedness of the State to face natural calamities. The plan will cover identification of hazard prone zones, monitoring, prediction and warning and protection measures. This assumes importance in the light of the earth tremors experienced in different parts of the State last year.
138. The computerisation of the district and taluk revenue administration will be expedited. For this,

Government will attempt to secure all possible assistance from Government of India also. 100 villages will be covered in the first phase of grass root level computerisation this year. Quick updating of records, speedy disposal of requests for records and transparency of information relating to land records will be ensured through this.

139. Facilities in the Institute of Land Management will be upgraded and Induction Courses and training in computers to all newly recruited persons and other officers will be conducted. An amount of Rs.15.24 lakhs has been provided in my Budget for the Institute.
140. Necessary changes in the Kerala Land Assignment Rules will be made and Government will carry out a crash programme to issue pattas to all eligible cultivators who have occupied forestland prior to 01/01/1977. One lakh Pattayams will be distributed this year under other categories also.

SOCIAL WELFARE

141. I am happy to announce an amount of Rs.3 cr. towards clearing pending arrears of grants to orphanages and old age homes.
142. I am also allocating an amount of Rs.5 cr. for clearing pending arrears of disabled, widow and old age pensions.

LABOUR

143. A comprehensive labour policy will be prepared and published within six months. I am including a

provision of Rs.1 lakh for expenses involved in conducting meetings with trade unions, employers, academicians and people from other walks of life.

144. I am also providing a token amount of Rs.1 lakh for setting up regional professional employment exchanges at Cochin and Calicut.

NON RESIDENT KERALITES

145. I am also allocating Rs. 2 lakh for the administrative expenses of the cell to be set up under the Department of NORKA in Kerala House, New Delhi for Non Resident Keralites.

GENERAL ADMINISTRATION

146. Government of India has announced a Welfare Fund for Journalists. I am happy to announce that Government intends to start a Welfare Fund for Journalists of the State. I am setting apart an amount of Rs.5 lakh for this.
147. For the newly created Parliamentary Affairs Department, I intend to set apart Rs. 5 lakh for its expenses.
148. I am setting apart a token provision of Rs.10 lakh for the construction of an office complex for the Commercial Taxes Department at Thiruvananthapuram.
149. It is only a contented work force in Government that can work for the weal of the common man. We will eschew the policy of dividing and discriminating between sections of employees. They will be given

the freedom to work in a fair and impartial environment. We shall enlist the full cooperation of the employees in every action of ours including resolving the financial crisis that we are in today. The previous Government did not pay the arrears of four instalments of DA to our employees. We are determined to pay the benefits accruing to our employees and pensioners at the earliest. This shall be a priority for us, even as we battle the financial crisis.

SPECIAL DEVELOPMENT FUND FOR MLAs

150. I am very happy to announce a new initiative in the development of the State in each of the Assembly constituencies. This will be on the pattern of the MP Local Area Development Scheme. I intend to allocate Rs.25 lakh for each MLA and am setting apart an amount of Rs.35 cr. for this.

CAPITAL INVESTMENT THROUGH PUBLIC-PRIVATE PARTNERSHIP

Legislation for private-sector participation

151. Government firmly believes that our State's economy stands to benefit from an explicit public initiative to facilitate investment through the private sector. Private sector involvement will be particularly welcomed in public infrastructure strengthening and industrial growth.

152. The Government's objectives of private sector participation would be first of all to increase the overall scale of investment in the state through attracting more investment into various sectors. Secondly, a private-public partnership would considerably improve the Government's ability to deliver new assets and replace worn out ones viz. physical regeneration projects. Thirdly such a partnership would also enhance efficiency of public services related to infrastructure. Projects will be taken essentially along three lines:
- Build, Operate (BO) projects; and
 - Build, Operate and Transfer (BOT) projects.
 - Operating/management contracts;
153. The effectiveness of private sector involvement in development depends on the regulatory/sanctioning mechanisms relevant to the process. Therefore, Government intends to enact a Private Sector Participation (PSP) Act that will be a framework for BO/BOT. The proposed legal framework will, no doubt, provide for reasonable profit to service providers, and fair apportioning of risk. At the same time, it will also ensure accountability to the people served, sustainability of the infrastructure and equitable coverage of services so that disadvantaged sections of people are not excluded from the benefits. While doing so, Government will actively experiment with variants of this framework that have emerged from international practice. Particularly this would involve ensuring minimum contributions from the

private sector through these projects and through a 'claw-back' arrangement through which some share of the profits will be ploughed back into the exchequer.

154. Each infrastructure, service-providing Department in Government will be asked to draw up a plan for public-private partnerships in the next three months.

Investment Growth Fund

155. Government will start an Industrial Growth Fund through mobilisation from Non Resident Keralites. The Department of NORKA will play a vital role in this venture. This Industrial Growth Fund will be managed through Financial Institutions to ensure that the funds are used for capital investment alone. To begin with, this Growth Fund will be made available for financing private sector investments in the State to restructure loss-making Public Sector Units. The Fund will be in the nature of an "on-tap" facility for financing viable projects in the State.
156. The efforts of the Kerala Infrastructure Investment Fund, which was started with the objective of financing infrastructure projects, did not take off, as a result of the diversion of funds borrowed for ways and means support. Necessary changes will be made in the character of the Fund to enhance its role to that of a support organisation for facilitating the Industrial Growth Fund.

Educational Centres of Excellence

157. It is the policy of this Government to encourage educational centres of excellence in various professional areas, particularly emerging fields like information technology and biotechnology. This year, we shall invite "Expressions of Interest" from the private sector in starting a Centre for Management for MBA/BBA Education in the State, a Law Institute that will evolve into a legal University and an Institute of Para Medical Studies which will cover many areas including Nursing and Medical Colleges. Government will issue all necessary sanctions for these institutions without any delay. Participation of private companies will be invited to set up a wing for biotechnology under the umbrella of the Rajiv Gandhi Centre for Biotechnology and offering support in viable biotechnology projects. These centres will be of standards prescribed for national and international accreditation in their respective areas.
158. KSIDC will set up Centres of Excellence in various fields in the State. As the first step, it proposes to set up a Centre for Excellence in Engineering and Medical Education.

Labour Legislation

159. While protecting the legal rights and welfare of labour, Government intends to enact a legislation to protect investors and households from the unfair labour practices that have emerged in the form of "Attimari" and "Nokkukoolie". This legislation will

go a long way in making Kerala an investor friendly State and will dispel the feeling of insecurity perceived by many potential investors in the State.

REVENUE PROPOSALS

160. While releasing the White Paper on the State's financial position it was announced that appropriate measures, which will not burden the common man, would be taken to augment revenue to tide over the financial crisis. The following are my revenue proposals.
161. In the conference of Chief Ministers held at New Delhi on 5th July it was decided that Value Added Tax will be implemented throughout the country w.e.f 1.4.2002. On the basis of that, we too have to initiate steps to introduce VAT in the State. In this context it is proposed to augment and broad base the activities of the Centre for Taxation Studies. VAT is a system of multi point levy of tax, giving set off for the tax paid at the earlier points. It is assessed that on account of the set off there is likely to be fall in revenue collection during the initial years of implementation. In order to make good this loss, the tax base needs to be widened.
162. At present, all dealers having an annual turnover of Rs.1 (One) lakh or above are required to get registered and those having an annual turnover of Rs.2 lakh or above are liable to pay tax. But so far only about 1,25,000 dealers have got themselves registered. The Department of Commercial Taxes has

found that many dealers paying income tax on their business income are evading sales tax. Failure to register and pay tax is illegal and liable to penal action including prosecution. It is proposed to implement a scheme to encourage such dealers to get themselves registered. A new scheme of "Fast Track Registration" is proposed to be implemented for the benefit of those dealers who are liable to register themselves as on 1.4.2001. Special camps will be conducted at different parts of the State where applications will be received and registration will be given speedily. Such dealers should pay tax relating to the previous years as per returns furnished by them. No penalty or interest or registration fee for the previous years will be levied. A minimum registration fee of Rs.1000 will be realised. Apart from this a security deposit of Rs.2,000 will be required. Additional revenue of Rs.5 cr. is expected.

163. I intend to raise the rate of tax on foreign liquor from 85% to 90% and that on beer and wine from 55% to 60%. I expect additional revenue of Rs.74 cr.
164. I propose to levy an Additional Sales Tax of 15% on rates of Sales Tax applicable to all goods other than petroleum products (Petrol, Diesel and LPG) and liquor (including beer and wine) till 31.3.2002. Additional revenue of Rs.225 cr. is expected through this measure.
165. Turnover tax of 1.5% will be levied on the turnover of all goods other than petroleum products, goods included in Schedule III of the KGST Act and goods included under S.14 of the CST Act, at the non

taxable points till 31.3.2002. This will be applicable to assesseees having a turnover of Rs.30 lakh or more. I expect to mobilise additional revenue of Rs.90 cr. This will not be applicable to items on which turnover tax is already being levied.

166. It is proposed to tax coffee sold in auction at the point of auction itself.
167. The compounded tax payable by a dealer in jewellery, who has opted for payment of tax at the compounded rate, for a newly opened branch is only 25% of the tax payable in respect of the principal place of business. Many dealers are misusing this, causing substantial revenue loss to the State. In order to prevent this, branches will be treated as independent units for the purpose of compounding under Section 7 of the KGST Act i.e. a branch will not be eligible for payment of tax under Section 7 of the Act during the year in which it is started. Further, the rate of compounded tax will be increased from 120% to 150%. Additional revenue of Rs.5 cr. is expected.
168. It is proposed to levy a sales tax of 4% on silk sarees. Additional revenue of Rs.5 cr. is expected.
169. The compounded tax presently being levied on granite metal crushing units is not commensurate with the capacity of the Crushers. Taking this into account, the compounded rate of tax is proposed to be revised as follows:

Machine size not exceeding 30.48 cm. X 22.86 cm.	Rs.75000 annum machine	per per
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Machine size exceeding 30.48cm X 22.86cm but not exceeding 40.64cm. X 22.86 cm.	Rs.150000 annum machine	per per
Machine size above 40.64 cm. X 22.86 cm.	Rs.300000 annum machine	per per

Primary crushers will also be reckoned for the purpose of this calculation. Additional revenue of Rs.5 cr. is anticipated.

170. Medical practitioners are exempted from tax in respect of medicines dispensed to their patients. Many hospitals are not paying tax on the medicines sold to their patients, under the above exemption. In order to prevent this loss of revenue, necessary clarification will be made in the notification. Additional revenue of Rs.5 cr. is anticipated.
171. I propose to withdraw the exemption available to printing presses undertaking printing on contract basis. Additional revenue of Rs.50 lakh is expected.
172. Bread and bun are taxable in the neighbouring States. I propose to impose a tax of 4% on branded bread and bun. I am anticipating additional revenue of Rs.5 cr.
173. In order to remove the ambiguity in S.5 (2 c) of the KGST Act [previously S.5 (2A)] with regard to the liability of distilleries selling liquor to the Beverages Corporation on the turnover of such liquor, necessary explanation will be added to Section 5 (2C). This will be given retrospective effect. I expect additional revenue of Rs.25 cr.

174. To remove the ambiguity regarding the definition of organic manure, necessary explanation will be added to the relevant entry in Schedule III of KGST Act.
175. Evasion of sales tax is rampant. This has an adverse impact on the legitimate interest of honest traders and also on the State's revenue. This needs to be curbed in public interest. Computerisation of the offices of the Commercial Taxes Department, including checkpoints, with a view to facilitate collection and proper utilisation of information relating to trade and to render better services to registered dealers, is in full swing. It is expected that the pilot project could be commissioned by August this year. The working of the Intelligence and Investigation Wings of the Commercial Taxes Department will be intensified and tax evasion will be effectively curbed through investigations. Shops and godowns will be regularly inspected ensuring that no trader is harassed.
176. Sales without bills and without realising tax are against public interest. They also take away the legitimate rights of customers under the various consumer protection laws. Abetment of tax evasion will therefore, be made a specific offence under the KGST Act. A provision will be made to make the consumer responsible for retaining purchase bills relating to specified high value goods in which there is sizable tax evasion at present.
177. The procedure for remittance of sales tax will be simplified. Chalan forms will be made quadruplicate and the requirement of countersignature of the chalan by an officer of the Commercial Taxes Department

will be dispensed with. The traders will be informed of the heads of account under which different taxes are to be remitted.

178. In order to bring down the quantum of arrears of Sales Tax and Agricultural Income Tax and also the pendency of the cases in the Courts and Tribunals, a Settlement Commission will be constituted under the respective statutes for one year. A Judicial Officer not below the rank of a District Judge will head the Commission.
179. Government is encouraging the development of Information Technology in the State. Rate of tax on all goods included in the IT policy of the Government of India will be reduced from 8% to 4%. A loss of revenue of Rs.5 cr. is anticipated.
180. Court fee stamp of Rs.25 will be insisted for all authorisations filed under the Kerala AIT Act, KGST Act, Luxury Tax Act, Entry Tax Act and the Kerala Money Lenders Act. Additional revenue of Rs.15 lakh is expected.
181. In the case of goods imported from foreign countries and transported to other States, Transit Passes will be issued either from the first check post or from the office of the C.T. Department nearest to the Port. Necessary provision will be made in the law for this. Provision will also be made to ensure that the name of the Exit Check Post is also noted in the transit pass.
182. In order to help the farmers to tide over the crisis faced by the agricultural sector it is proposed to exempt all agricultural income tax assesses other than

companies from agricultural income tax for one year. This will be applicable for the accounting year 2001-02. A loss of revenue of Rs.8 cr. is anticipated.

183. The powers of the Appellate Assistant Commissioner under the AIT Act and the KGST Act to set aside the order under appeal and to remand the case for re-examination will be withdrawn. In the case of stay orders issued by the Tribunal, it will be provided that such appeals should be disposed of within six months and where the appeals are not so disposed of, the stay orders will be automatically vacated.
184. Provisions will be included in the Kerala Money Lenders Act for forfeiture of interest levied by a moneylender in excess of that permitted by law and also to refund the same to the loanee. The revisional powers against the orders of the Deputy Commissioner, presently vested in Government will be given to the Commissioner of Commercial Taxes. The maximum penalty of Rs.5000, leviable for various offences under the KML Act will be raised to Rs.25000. Additional revenue of Rs.25 lakhs is expected.
185. There is at present no provision under the Luxury Tax Act to levy interest on belated payment of tax. A provision similar to S.23 (3) of the KGST Act will be incorporated in the Luxury Tax Act.
186. Turnover tax on bar hotels is proposed to be raised from 5% to 10%. Additional revenue of Rs.10 cr. is expected. License fee for bars will be enhanced.

from Rs.13 lakhs to Rs.15 lakhs. I expect to raise additional revenue of Rs.9.5 cr.

187. There is at present provision in the KGST Act requiring audit of accounts of dealers having a turnover of Rs.40 lakh or more. Verification and certification of the returns submitted by dealers having a turn over above Rs.15 lakh but below Rs.40 lakh, by Sales Tax Practitioners or Chartered Accountants will be made mandatory. Necessary provision in the KGST Act will be made for this.
188. I intend to levy a license fee on distributors and stockists of lotteries in the State.

1.Daily Lotteries	Rs.10,000 per draw
2.Weekly Lotteries	Rs.20,000 per draw
3.Bi-weekly Lotteries	Rs.25,000 per draw
4.Monthly Lotteries	Rs.50,000 per draw
5.Bumper, Super/Festival Bumper	Rs.1,00,000 per draw
6.Mega Bumper	Rs.3,00,000 per draw

I expect additional revenue of Rs.5 cr.

SUMMARY OF FINANCIAL POSITION

189. Sir, while beginning my budget presentation I explained the financial realities that we face today. The revenue deficits in the interim budget presented to the Tenth Legislative Assembly was Rs.2532.42 cr. for 2001-02 and Rs.3231.77 cr. for 2000-01. Clearly, Government was unable to raise resources to cover the deficit as is evident from the financial breakdown

that occurred after February 2001. Therefore, prudence only demands that I should begin pruning the deficit to levels that can be realistically accommodated. I shall, with the support of all my colleagues in the Council of Ministers, control expenditure avoiding all wanton spending. Every rupee I spend shall be directed towards the benefit of our State and the weal of its citizens. I am also hoping that there will be a strong recovery in the revenue collection. That is our safest bet for a financial recovery. I shall also reduce the excessive reliance of our State on debt financing and shall bring levels of our public debt to sustainable levels in the coming year.

190. I have pegged the revised estimates for revenue receipts at Rs.10626.17 cr. and the revised estimates for revenue expenditure at Rs.12991.26 cr. This brings down the revised revenue deficit to Rs.2365.09 cr. Government began the year with an opening overdraft with RBI of Rs.585.37 cr. Of course, this only reflects the fiscal crisis of the year 2000-01. There is an overall deficit of Rs.140.68 cr. in my revised budget. I have announced Rs.178.26 cr. by way of additional expenditure. I envisage an additional Resource Mobilisation of Rs.456.40 cr. through the revenue proposals contained in my speech. I will still be left with a closing cash balance of Rs.447.91 cr. Government has laid a series of options before the people of Kerala through the White Paper on State Finances. Several suggestions have been received from various sections of society on steps to ameliorate the fiscal distress that the State

is facing now. I am confident that a fair deal of consensus will emerge on many of these options. I hope to bridge the overall deficit and also meet the pressing liabilities that I have presented in the White Paper, through selective resource mobilisation and economy measures in the coming months.

191. The overall position is given below:

REVISED BUDGET ESTIMATES 2001-02 (Rs. Cr.)

Revenue Receipts	10626.17
Revenue Expenditure	12991.26
Revenue Deficit	-2365.09
Capital Expenditure	680.01
Loans and Advances (Net)	-192.19
Public Debt (Net)	2346.72
Public Account [Net]	749.89
Overall Deficit	-140.68
Opening Cash Balance	-585.37
Additional Expenditure now announced	178.26
Additional Resource Mobilisation announced	456.40
Closing Cash Balance	-447.91

192. Democracy is undoubtedly, a system, which should redound to the economic welfare of the common man. Its greatest strength, no doubt, is that it is a self-correcting form of Government. The correcting mechanism is set into motion primarily through the electoral process. It is this that has brought our Government to power. And it is this very same

process that enjoins on us the duty to live up to the expectations of the people of Kerala.

193. No doubt, the economy of the State is under siege today. But, we have to move beyond the fragmented and broken finances of our State. We have to usher in a transformation. I am aware, that for this I have to move towards my goal with an unwavering disposition characterised by an abounding optimism that is so eloquently summed up in Kumaran Asan's words:

*As there are luminous stars even in eerie
darkness and islands in oceans, so shall we
find a way to lead us out of these dire straits.*

I shall draw strength from the guidance of the Honourable Chief Minister and the unstinting cooperation of my colleagues in the Council of Ministers. No doubt, past follies of the last five years will have to be redressed and lost opportunities made up. But all this will have to be done in the least possible time. We shall embrace a confident and dynamic vision - of determination and hope - of intelligent choice not helpless resignation to fate. We shall restore the pride of every citizen in government and establish the supremacy of good governance.

194. This is the hope that I would like to hold out to each of us as I present this revised budget for the year 2001-2002, and the Vote on Account for the four months from August 1, 2001 to November 30, 2001.