



**2002 – 2003
BUDGET SPEECH**

BY

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MINISTER FOR FINANCE**

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Sir,

I rise to present the Budget for the financial year 2002-03.

2. It is with a great sense of optimism that I stand before this august house to do this duty. There is a silver lining of hope shimmering in the dark clouds of the Indian political horizon. The recent popular verdict is a clear pointer to the emerging environment. This is in stark contrast to the present situation in the socio-economic arena. We are witnessing a historic and positive consolidation of secular forces. In the process, the diabolic conglomeration of retrograde and divisive forces is being driven back relentlessly. This should certainly give the Indian people the much-needed respite from the unsavoury events of the last few years. Vicious threats still loom large with the potential of tearing apart the secular fabric of the nation, threatening peace and communal amity. The tragic and sordid developments in Gujarat that played havoc with the lives of the people there and shocked the conscience of the entire nation in recent days amply testifies to this. Eternal vigilance is the need of the hour.
3. Winds of change and liberalization are strongly blowing across the globe offering immense opportunities for growth and prosperity. It is a pity that, instead of grabbing those opportunities, we are engaged mindlessly in the game of hatred and animosity. While this is the sad picture at the national level, here in our own state, mindless agitations, wilful spreading of canards with the vicious intention of maligning the government and blocking the very development of our State has been the favorite hobby of divisive forces here. It is time we resolved with steely determination to face these challenges.
4. Members of this august House would recall that my first budget had been specifically mentioned as a corrective budget. That was presented at a time when the State was facing an acute fiscal and financial crisis. We had analysed the situation and brought out a white paper on state finances that examined in depth all dimensions of the problem. But no sooner than we stepped out to implement the considered suggestions in the white paper, did uneasiness and intolerance appear.

Unending liabilities on the one side, people with high hopes on the other and a helpless government with empty coffers in the middle, this was the beginning. Are we to plunge in to the abyss of despair or lead the people to the heights of hope; these were the thoughts that churned our minds then. Should Kerala quietly die and fade away from the social and economic map of the country or are we to lead the state boldly forward? Inspired as we were by the exhortation 'Do or Die'- this has been the most important question before us. Drawing inspiration from this thought, we had to decide with determination to take hard decisions. The steps that we took were, in fact, the only available remedy for tackling the real disease that had gripped the state namely the irreconcilable gap between revenues and expenditure.

5. Ever since we assumed office, we have been severely constrained in our operations by the lack of resources and the heavy debt burden of the Government. We have made all possible efforts to maintain the services provided by Government, by improving revenues, by economy in expenditure and by making a concerted effort to obtain financial assistance from the Government of India and financial Institutions. We have also initiated several economy measures, to identify and redeploy surplus staff, to reduce a number of higher level posts, to reduce expenditure in government departments and PSUs, and to close uneconomic schools, among other things. By systematic management of liquidity we were able to maintain the operations of the treasuries and also release of funds in certain critical areas such as Centrally Sponsored Schemes, Tribal Sub Plan, purchase of medicines and Plan expenditure within specified limits. But the gap between requirement and availability is so large that incremental corrections are not effective. We have therefore had to look at more basic changes.
6. The Eleventh Finance Commission had proposed an incentive fund from which State Governments will be provided assistance when they draw up their medium term fiscal reform programmes. State Governments are required to achieve a minimum improvement of 5 percent in the revenue deficit as a proportion of revenue receipts each year from 2001-02 to 2004-05. The reform programme is monitored jointly. State Governments have considerable flexibility in designing the programme, in keeping with each State's specific needs. Members of this august house would be interested to know that nine States, viz. Andhra Pradesh, Karnataka, West Bengal, Orissa, Manipur, Nagaland, Himachal Pradesh, Arunachal Pradesh and Kerala have finalized their reform programmes. Of these, Orissa, Karnataka and Nagaland have signed Memoranda of Understanding with the Union Ministry of Finance. Our Government has exchanged letters on shared goals with the Government of India.
7. We have given shape to a medium term fiscal reforms programme (MTFRP). Through this programme, we intend to bring down the fiscal deficit, to regulate the revenue deficit, to limit the increase in interest payments, wages and salaries and to eliminate subsidies. MTFRP is also aimed at comprehensive fiscal reforms including implementation of Value Added Tax, and recovery of costs for services. The reform package also includes comprehensive budget reforms to ensure fiscal transparency. My Government will also bring in substantial reforms in the power sector with the objectives of ensuring accountability, losses, effective regulation, full recovery of costs, and encouraging private sector participation.

We will also undertake substantive reform of the public sector to ensure viability and accountability of PSUs. Private sector participation will be encouraged in the public sector and future of the loss making units will be considered seriously.

8. Sir, fundamental fiscal and financial reforms are indispensable for restoring the health of the public exchequer. These reforms will restore the fiscal balance, ensure fiscal and financial accountability and transparency in governance and delivery of services. We are sure that these in turn will create an environment that is conducive to development of the economy, generation of employment and improvement of income levels.

TENTH FIVE YEAR PLAN

9. I had mentioned in my first Budget that the 10th Five Year Plan presents a golden opportunity to realign our strategies for development, and that we need to focus on the social and economic rationale of projects and schemes before selecting them. We have since drawn up guidelines for the 10th Plan, which focusses on reduction of revenue deficits, limiting borrowing to projects with satisfactory returns, pooling resources of different sectors to integrate projects, multi-level planning to meet the needs of local governments, etc. The main objectives of the plan will be reduction of unemployment and elimination of poverty. We have identified certain specific sectors such as Agriculture, Information Technology, Health, Education, Tourism, Bio-technology, Social Security, Local Self Governments etc. as thrust areas for development during the 10th Plan Period. The outlay for the first year will be Rs.3750 crores. Effective implementation of the fiscal reform programme will enable us to increase the size of the plan to Rs.4031.62 crores.
10. The Government intends to strengthen and facilitate decentralization by improving the planning process and enhancing the capacity of local governments to implement schemes and provide services. 10% of the plan allocation for the development of scheduled castes has been earmarked for the Special Component Plan and 2.25% for the development of Scheduled Tribes Tribal Sub Plan.
11. The focus of the plan is on reforms. Our objective is to improve efficiency and productivity so that optimum results are obtained with the available resources. Similarly, resources have been allocated on the basis of the relative importance of different sectors, rather than by making incremental additions. Also, a much higher allocation has been made for the infrastructure sectors, so as to accelerate the development of the State's economy. We have also included a time bound programme for improving facilities and services for the public in sectors such as Education and Health.
12. Gandhiji once said, "Real change in India will come when women begin to affect the political deliberations of the nation". Women comprise more than half of the State's population. Government views the political and economic empowerment of women and facilitating their social, educational and economic development as important social objectives. In order to be sensitive to the gender dimensions of development, Government will be refining the women's component plan of local

governments. In addition, Kudumbasree will consciously aim at empowerment of women. This year we intend to monitor the schemes beneficial to women with a view to achieving convergence. We intend to move to gender sensitive budgeting in two years. During the 10th Plan, we propose to focus on the training and capacity building of elected women representatives of local bodies--particularly at the Grama Panchayat level. We also intend to ensure that women are fully involved in formulation and implementation of schemes at the Panchayat level.

13. For the economic empowerment of women and for creation of jobs a comprehensive scheme will be formulated with financial assistance of the central and state governments and banks with a view to create sources of income for women I set apart Rs. 101 crores for this scheme.

OBJECTIVES OF THE BUDGET

14. So far, I have been dealing with the need for Government to restore fiscal balance and financial discipline as well as streamline implementation of Plan schemes. It is important to mention the main objectives underlying the Budget proposals, so that the values, priorities and goals of the Government are defined clearly.
15. Our foremost objective is to improve the quality of governance by improving efficiency and productivity in Government departments and organizations, so that they deliver services effectively and are responsive to the public. I am sure that this will help in creating an environment conducive to growth and development. For improving the quality of services provided by the Government, we propose to improve the skills and knowledge - base of employees. We also propose to implement a scheme of E-governance on priority, in all departments that deal with the public on a regular basis, as well as in local governments. It is also our objective to improve the transparency of Government departments by making available all relevant information to the public.
16. Employment generation is another important objective. The present conditions are such that it is unrealistic to expect Government to be a main source of employment in future. There has also been a slowdown in the economy as a result of which there is not much growth in employment generation in the private sector. The agriculture sector is in a severe recession. We therefore need to address this problem urgently. Kerala has a lot of potential for development in the tertiary sector, considering the high levels of literacy, education, social infrastructure and communication and transport facilities. As a matter of fact, the highest growth has been in the sector in the last few decades. To achieve a significant increase in employment generation, we have to improve our working environment substantially. Apart from improving the quality of governance, we have to improve our infrastructure so that entrepreneurs and companies can run their businesses without hindrance. We have also to ensure that unhealthy labour practices are eliminated, so that the State will no longer have an anti-investor image. My Government has already started working on this, and will shortly bring in comprehensive changes in labour laws and procedures. We will also be

taking steps to attract private sector investment in industry, infrastructure and other suitable areas.

17. For accelerating employment generation, we have also given shape to a special scheme, to generate employment for 500,000 youth in the next five years. The basic objective will be to develop job-oriented and marketable skills through institutions of repute so as to create sustainable employment for unemployed youth. Unemployed persons below the prescribed income limit registered in employment exchanges will be selected for skill development under this scheme through a competitive process. Appropriate financial assistance will be given to institutions selected for implementing the scheme, for developing essential infrastructure and facilities. Efforts will also be made to integrate existing employment generation schemes, to optimize results. I set apart Rs. 201 crores for this scheme.
18. Another thrust area is poverty eradication. Kerala has one of the best records of achievement in this area. However, we still have to cater to about 25 lakh families that are below the poverty line. Our objective is to achieve a paradigm shift in this sector, by converging various poverty alleviation schemes and formulating an anti poverty sub plan. I am sure that this will help us to eradicate poverty more effectively and speedily.

EXTERNALLY AIDED PROJECTS

19. There has, of late, been much controversy on this subject, and I would like to make clear the Government's stand. Kerala had been selected as the third focal State for assistance by the Asian Development Bank a few years ago, on the basis of the willingness expressed by the then Government to undertake substantive reforms in the fiscal sector, public sector enterprises and the power sector, inter alia. While presenting the budget last year, the former Finance Minister had stated: "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 crores 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".
20. Sir, It is high time that we realized that technical and financial assistance from international financial institutions is not an anathema. We have to get rid of the inhibitions and the negative approach that some quarters have been building up consciously on this issue. One of the main advantages of the ADB package is that it will help us to restore fiscal accountability. The analysis made in the White

Paper brought out last year establishes beyond doubt that the main reasons for our present plight are the reckless borrowing and spending indulged in the past. As we move forward on the path of reform, it is imperative that we create a legal and administrative framework to ensure that the follies of the past are not repeated. To this end, we propose to bring in a Fiscal Accountability Bill shortly. The ADB package will also enable us to improve the quality of governance substantially, by streamlining administration, ensuring accountability and transparency and by reducing or eliminating deficits and subsidies.

21. The package will bring in substantial investments in the power sector, public enterprises and fiscal reforms. ADB has earmarked 600 million dollars (Rs. 3000 Crores) for the period 2002-2004. They have also expressed their intention to double the quantum of assistance to 1200 Million dollars. We have to bear in mind that this is a concessional form of assistance, and that the rate of interest is only 7%. Considering the magnitude of financial assistance and the other advantages of the package mentioned earlier, it will be very much in our interests to carry out the reforms required and avail of the assistance.

SOCIAL SAFETY FUND

22. There has been much vociferous criticism that when less developed countries open up their economies and liberalise their policies, the problems of the weaker sections tend to get aggravated. I have already stated that poverty eradication and employment generation will be two focal points of our policies. There are also various schemes aimed at improving the income levels of the poor and the weaker sections. Sir, I am happy to announce that as part of the fiscal reform package, we are formulating certain schemes exclusively aimed at social services for the poor . Under another scheme, a Social Safety Fund will be set up as a mechanism to aid the poor in times of hardship. The objective of this scheme is to take care of the minimum needs of the poor and to improve availability of basic services for them. I am happy to year mark an amount of Rs.25 crores as the initial corpus for this Fund.

ASSET RENEWAL FUND

23. We also plan to set up an Asset Renewal Fund to ensure that adequate investments are made for the maintenance of institutions that predominantly provide services to the poor, such as primary health centers, primary and secondary Government schools, and rural water supply and Panchayats, Village Office and Anganwadi buildings. Both these funds will be structured so as to attract contributions from various financial institutions and agencies that will supplement Government contribution to these funds. We intend to launch both these schemes by August 15, 2002. I am providing an amount of Rs.25 crores for the initial corpus of the Asset Renewal Fund.

AGRICULTURE

24. There has been a steep decline in the price of major agriculture commodities in the last few years, mainly as a result of trade liberalization and removal of quantitative

restrictions on imports. We fully recognize the fact that no country can go back on trade liberalization, in view of the WTO agreement. The Government has therefore to give shape to alternative policies for the development of agriculture. At the present stage of our country's development, agriculture contributes a large part of the national income and provides employment to a significant part of the population. It is therefore important that their interests are protected. Government has set up a high level Commission under the chairmanship of Dr. M.S. Swaminathan to study the whole range of concerns emerging from the WTO Agreement on Agriculture. The Commission's report is expected shortly and will help Government to formulate long term policies.

25. Next year, Plan schemes with a total outlay of Rs.319.28 crores will be implemented in agriculture and allied sectors. The thrust in the future will be on development of infrastructure and enhancement of productivity, while traditional measures like production incentives and low cost power for cultivators would also continue. The Plan schemes are being redesigned for improving the productivity of major crops.
26. Government has been making efforts to promote the export of rubber, so as to improve demand and prices. We propose to continue the scheme during the next year. The food for work programme is proposed to be extended, to plantation laborers who are facing serious difficulties due to the fall in the prices of plantation crops.
27. I am happy to inform this august House that Government of India has accepted our demand for a Coconut Technology Mission, which will play an important role through productivity improvement, product diversification, technology transfer and development of market infrastructure.
28. For developing the horticulture sector, we propose to set up an Agriculture Export Zone in Association with APEDA. The six markets set up with assistance from the EEC will be developed on commercial lines to give a thrust to marketing of agricultural products. House hold farming schemes and the organization of women for increasing horticulture production will be another major initiative.
29. The High level Committee under the chairmanship of Dr. V.L.Chopra, and including other eminent experts will study the important areas where advanced technology can make critical improvements. Tissue culture and biotechnology development schemes will be implemented through self- help groups of women.
30. In future, the Government's focus will be on disseminating information and technology rather than providing material inputs. The present extension system will be revamped to make the Krishi Bhavans at the panchayat level the focal delivery points.
31. Children are the wealth of any Nation. It is in fact only through all round mental and physical development of the children that we can bring up a healthy generation. The crisis in the agricultural sector and the acute unemployment adversely affect the overall development of the Children in the state. A new scheme " *A cup of Milk*

and a Hand Shake" for the children below poverty line in the age group of 6 months up to primary level is proposed to be implemented from the next year. I set apart Rs. five crore for this Scheme.

INDUSTRIES

Sir,

32. The basic objectives of the Government in the field of industries are to create an environment that is trouble-free and conducive for development, to develop quality infrastructure, to provide speedy and effective clearances and to reform public sector enterprises in such a way that they can function viably without depending on government. It is a matter for deep regret that for a long time, Kerala has been perceived as a State with an anti- investor climate. Even a recent study conducted by the Confederation of Indian Industry gives a very poor rating for Kerala as an investment location. We have to bear in mind that in the post- liberalization era, states are competing with each other to provide infrastructure, speedy clearances and other incentives, to attract investors. If we do not make ourselves competitive, we stand to lose a great deal. We are already far behind other South Indian States in this respect.
33. Government proposes to give a high priority to the development of infrastructure. Four new industrial zones will be set up at Thiruvananthapuram, Kochi, Palakkad and Kozhikode with active participation from the private sector. These zones will have the status of "public utility services" under the Industrial Disputes Act. I set apart Rs.1 crore for the new industrial zones. We will also introduce a new scheme to enable the private sector to set up industrial estates in the State. Infrastructure for development of biotechnology industries of international standards will also be established. A tool room-cum-training centre will be set up for electronic and information technology industries at Aroor at an estimated cost of Rs.15 crores. The industrial parks of KINFRA at Kalamassery and Kakkanad will be developed on priority, in view of the high potential for new investment. I set apart Rs.4 crore for this purpose, The implementation of the joint sector industrial infrastructure development project of KINFRA and the Western India Group("WISEPARK") will be accelerated and completed on priority.
34. Steps will be taken to restructure the operations of the Kerala State Industrial Development Corporation, the premier promotional agency of the Government to take up new challenges in industrialization. The Directorate of Industries will also be restructured to act as a facilitator and a promotionally agency, in the context of dismantling of the licensing system. The DIC will bring about a self certification system for SSI in a phased manner.
35. Government attaches a high priority to regular interaction with investors and entrepreneurs for attracting investment. A "Global Investors Meet" is being organized for showcasing Kerala's comparative advantages to attract investment in industries, tourism, infrastructure, health, education, urban development, agriculture and services. I set apart Rs.5 crores for this purpose.

36. Public Sector reforms are, as I mentioned earlier, one of the focal points of our policies. Over a period of time, we have to make our PSUs viable, so that they can mobilize resources independently without burdening Government. We will also welcome participation of the private sector. A committee on Enterprise Reforms has been set up to study the whole issue. We propose to bring in a comprehensive package for public sector reform including financial re engineering, asset restructuring, manpower rationalization and human resources development.
37. Government proposes to set up a food processing mission to promote food processing industries, which have considerable potential to enhance rural employment and income . We also propose to set up specialized infrastructure for food processing industries.
38. We have accorded a high priority to the promotion and development of traditional industries. Government intends to revive the functioning of the Cashew Development Corporation and CAPEX, to ensure production and generation of employment in the cashew sector. We will also set up E-commerce facilities shortly to promote the marketing of products of traditional industries. The rebate arrears in the handloom sector will be cleared in a phased manner. A comprehensive development project to promote handloom exports from Kannur will be set up, with an outlay of Rs.40 lakhs, with central assistance.
39. The State does not have adequate facilities for cosmetising woven fabrics, for which a wet processing facility is essential. We propose to set up such a facility in Kottayam district in the co-operative sector with NCDC assistance.Rs.50 lakhs is set apart for this purpose.
40. An intellectual property facilitation centre will be set up to provide counseling to those interested in registration of patents, copyrights and trade marks.

INFORMATION TECHNOLOGY

41. Sir, Government have recently announced an innovative and investor friendly IT policy, which focuses on the creation of an enabling environment for the accelerated growth of the IT industry in the State. With the objective of positioning Green Kerala as a leading destination for IT, Government have formulated a pioneering regulatory framework for promoting employment in IT enabled services. The package of innovative financial and other incentives and initiatives have evoked significant interest from the IT investor community and Government would endeavour to convert this interest into investment decisions.
42. A major focus in the coming year would be on enhancing the existing infrastructure in Technopark and other upcoming parks in the State. For upgradation of infrastructure and creation of new capacities in the State. I have set apart Rs 7 crores in this budget.
43. Sir, leveraging on the unique advantage of Kochi as the country's second international digital gateway Government intends to develop Kochi as the premier IT investment location in the South Asia.. Govt will shortly launch a project, which

will directly link the international gateway with the State's broadband network presently under construction. This high-speed infrastructure will constitute the basic platform for delivering a range of IT enabled services to the citizen including e-Governance, Health and Educational services. I am confident that this infrastructure will significantly spur the development of new IT enterprises catering to both international and domestic clients. I have set apart Rs 4 crores for commencing the preparatory work on this project.

44. The Government have prioritized key areas for total IT induction over the next two years. One of the primary goals in e-Governance would be to establish an integrated citizen's database which would enable a single point access to a variety of services including welfare benefits, Public Distribution System, revenue certificates and other commonly rendered Government services. Govt therefore proposes to take up computerization of the Revenue and Registration Departments in an integrated manner, thus ensuring that computerized records of land transactions and land status are available to citizens electronically. To facilitate greater access to employment opportunities both domestically and internationally, the State Govt's database would be computerized to enable both public and private sector access for job opportunities. I have earmarked an amount of Rs 15 crores for undertaking the above projects.

Sir,

45. Since the creation of broad band employment opportunities is one of the primary thrust areas of our Govt, we propose to launch focussed skill development programmes in IT enabled services in the coming year. I have earmarked an amount of Rs 1.5 crores for this purpose.
46. We have long taken pride as a 'knowledge based society'. But we are yet to transform the knowledge based society into a knowledge based economy. Success in a knowledge based economy requires a change in attitude and work culture- a move away from conventional ways of thinking and dysfunctional traditional ways of imparting education.
47. Sir, in order to enhance the quality of Higher Education in the State, utilizing the potential of the new technologies, Government proposes to establish a State wide educational grid linking 100 colleges. I have provided an amount Rs 6.75 crores for commencing the work on the Grid project as well for the creation of a media and information Centre at the HITM-K which will function as the State level resource centre for this project.
48. Two major initiatives that this Govt have recently launched are the 100% digital Kerala initiative which aims to ensure the IT access to all citizens in the State and the total IT literacy campaign covering all sections of the populace. The objective of these initiatives is to make Kerala the first State in the country to take concrete steps to bridge the digital divide by disseminating IT know-how and its benefits to the masses. While these programmes are proposed to be implemented primarily with the private sector and community resources, I have provided an amount of Rs 1 crore for commencing the preparatory works for these programmes.

49. To enable the local IT industry to tap wider markets and to spur technological innovation, a special package for market support programmes, creation of an Intellectual Property Rights Cell and Technology Incubation Fund is proposed to be created. I have set apart an amount of Rs 50 lakhs for the initial corpus.

TOURISM

50. Sir, happily Kerala is fast emerging as a leading global tourism destination. Our vision is to make Kerala an up market, high quality tourist destination, through optimum utilization of resources. The focus will be on integrated development of infrastructure, and conserving and preserving our heritage and environment. This year I have set apart Rs. 50 crores in the annual plan for Tourism and in addition I have also earmarked Rs. 30 crores for undertaking various infrastructure projects which are related to tourism development and prioritised by Tourism Department through other departments like PWD, Water Authority, KSEB, local self governments Sir, this is a new attempt in inter departmental coordination for tourism development.
51. Government proposes to enact a new legislation to provide for conservation and preservation of tourist areas and for the approval of agencies, institutions and persons dealing with travel and tourism trade offering quality services for sustainable tourism development and regulating courses in subjects related to hospitality studies. I have also set apart Rs. 12 crores for upgradation and creation of infrastructure for tourist centers all over Kerala. I have set apart Rs. 10 crores for the promotion and marketing efforts including use of information technology. We will continue to promote Backwaters, Ayurveda and eco tourism as our thrust areas. Government will strengthen District Tourism Promotion Council. I have set apart Rs. 3 crores for taking up local level projects through District Tourism Promotion Council. 2002-2003 being a eco tourism year I have also set apart Rs. 1 crore for starting a new scheme for taking up new eco tourism projects. In view of the high tourism potential of Varkala, we propose to integrate the various services provided by government agencies, so as to optimize results and attract more tourists.

HEALTH

52. Though Kerala has one of the best public health care systems, lack of health care facilities for families below the poverty line has been a serious concern. Government hospitals are often not able to provide diagnostic services and medicines for the poor. Government will therefore explore the feasibility of introducing a health insurance scheme for people below the poverty line.
53. With the changes in the food habits and lifestyle, heart disease has emerged as one of the major killers of our state. For the poor and the middle income groups, the facilities for cardiac treatment in the state are quite inadequate. In the circumstances, the government proposes to setup a Heart Foundation at the Medical college, Thiruvananthapuram. I have set apart a sum of Rs. One crore for the

purpose. The balance fund required for the purpose is sought to be raised from international donors.

54. To ensure quality in para-medical training and services, a Council for Paramedical Services is proposed to be established. Government also propose to set up a Medicinal Plant Board so as to ensure availability of quality medicinal plants and extracts for preparation of indigenous medicines. Existing establishment facilities and manpower in the department will be made use of in both cases, so as to avoid additional expenditure.

FISHERIES

55. **Government proposes to introduce a comprehensive** legislation to ensure effective regulation of various factors in the fisheries sector such as rights to fishing implements, fishing resources, right to sale of fish, infrastructure, markets, consideration, protection of the rights of consumers and producers etc. The fishing net factory of Matsyafed will be expanded with Japanese assistance with an outlay of Rs.66 crores. A new prawn hatchery will be set up at Odayam in Thiruvananthapuram District with an installed capacity of 15 Million PL. A new scampi/ fish culture programme will be launched in an area of 5000 hectares in the Kole lands in Thrissur District.
56. Government will focus on a community-oriented approach for development of fisheries during the 10th Plan. The Agency for Development of Aquaculture will implement a programme for enhancing inland fish production, in association with local bodies, FFDA's and BFDA's.
57. An Aqua park will be set up in Ernakulam with facilities for breeding and rearing of ornamental fish which have potential for exports

EDUCATION

58. The needs of the society in the sphere of Higher education are changing fast. It is necessary to provide a forum for delivery of quality education in subjects of relevance and interest to any section of society irrespective of their location without confining them to classrooms and without forcing them to go through a rigid formal system. The Government proposes to set up an Open University.
59. Quality improvement in Higher Education would continue to receive paramount attention. The curriculum in respect of the existing courses will be modified and substantial vocationalisation would be ensured. The administration of colleges and universities will be moderised. A major campaign will be made to attract foreign students to join the technical educational institutions thereby developing a cosmopolitan atmosphere and improving the resource base.
60. Government have decided to implement the IT @ School project for introducing IT into the high school curriculum beginning with Std VIII from the next academic year. An amount of Rs 4 crores has been provided in the State Plan.

61. Sarva Shiksha Abhiyan is an intensive and comprehensive scheme for the universalisation of elementary education and it will be funded on 75:25 sharing arrangement between GOI and State Government. A provision of Rs 13.94 crores has been made in the plan

CIVIL SUPPLIES

62. With a view to arrest the price rise in the market, Kerala State Civil Supplies Corporation will be strengthened to have an effective market intervention. I am setting apart an amount of Rs. 50 crores for the market intervention scheme.
63. I have also provided Rs 5 crores under plan for total computerisation of the Civil Supplies Department.

SAINIK WELFARE

64. An Ex-Servicemen Development Corporation has been formed recently to provide various welfare assistance to the ex-servicemen and their family members. I have provided Rs. 50 lakhs in the budget for share capital contribution.

WATER RESOURCES

65. Reflecting a new approach and a shift in vision, the Department of Irrigation and Water Supply has been renamed as Department of Water Resources. This change is not only cosmetic, but indicates a change in perception and the realization of new challenges and potential. The Department will henceforth will dedicate itself to the holistic conservation and sustainable utilization of water resources in the state.
66. The Department proposes to give top priority to complete ongoing major irrigation projects. The major irrigation projects in the state have a history of time and cost over -runs. It is more important to make available the benefits of major irrigation projects to the farmers than dragging them on. Accordingly, the Kallada Irrigation Project will be closed during the last financial year. by 31.03.2002. Pazhassy project will be fully commissioned during this financial year, while the Muvattupuzha Irrigation Valley project which has been unduly delayed in the past few years, will be completed and commissioned in 2003.. The investigation on new projects at, Chaliyar, Kabani and Manimala will be expedited.
67. The question of protecting our interests in matters of inter - state waters has commanded a great deal of attention. The dispute regarding the attempt to raise the water level in the Mullapperiyar reservoir has been ably resisted by the state. Similarly Government has taken effective measures to safeguard its interests in the dispute over Kaveri waters.

68. Coastal protection is an area of serious concern , especially after the Central Government started withdrawing from the scene.. It is an expensive activity and the State government proposes to initiate new steps to tap external funding and employ new technologies for coastal protection. Two pilot projects will be launched this year in Alappuzha and Kollam districts.
69. Kerala Engineering Research Institute at Peechi has, in the past few years fallen from its place of being a premier institution. It is proposed to be re – organized and strengthened as an autonomous. institution with state-of-the-art technology.
70. The safety of dams is a major concern for all. The existing Dam Safety Committee will be converted into a full fledged *Dam Safety Organisation* with greater expertise and skill, through redeployment and without any additional expenditure.
71. The operations of Kerala Water Authority will be streamlined by bringing in better managerial efficiency and project discipline. It will also be equipped to negotiate on behalf of Government, large water supply schemes with private participation. The activities of the Kerala Rural Water Supply Agency will also be strengthened to make them the nodal agency to undertake and implement rural water supply schemes with the help of funding agencies. It is the commitment of the Government to make Kerala self – sufficient in clean drinking water by 2007.

LAND REVENUE

72. The Kerala Land Reforms Act will be amended to provide for exemption of cashew and vanilla plantations from the ceiling provisions under the Act to encourage higher productivity in the agriculture sector and to support the cashew industries sector. With a view to ensuring the economic and social development of the tribal families in the State, particularly the landless, a concerted, massive programme for identification and distribution of over 50000 acres of cultivable land to tribal families will be taken up and the same will be completed during the next year jointly with the other related departments.
73. Computerisation of Revenue Department will be taken up in two phases, starting in selected districts during the fiscal year. Digitization of survey records at the village level will also be taken up in a phased manner and will be completed in 113 villages in the next six months. In the villages where the resurvey has not been completed, the same will be taken up in a phased manner with modern computer supported technology to ensure the accuracy and transparency of survey records. Global Positioning System and Geographical Information System will be made use of in land survey for better efficiency.
74. I have set apart Rs 50 crores for providing compensation to the cooperative societies on interest loss for agricultural loans during the moratorium period of six months envisaged under the Agricultural Debt Relief Act, 2001.
75. Sir, Government will intensify its efficiency for disaster preparedness through effective district level planning for disaster management. The threat to the biophysical environment system posed by unregulated sand mining will also be

effectively checked. The Institute of Land Management will take up the task of training human resources for disaster mitigation and management. The public grievance redressal forums of Taluk Sabha and Grama Sabha will be further strengthened through legislation.

76. The Legal Metrology Department will be modernized by intensive use of Information Technology. The construction of tanker lorry calibration unit will be completed during the year and additional units of flying squads will be put into operation for the expeditious disposal of consumer grievances. A new laboratory will be set up at Kakkanad for testing the purity of gold ornaments.

LOCAL SELF GOVERNMENT

77. As I have already mentioned, the effective functioning of local bodies is of the highest importance in ensuring the success of decentralization. Government is committed to ensure that one third of the entire plan is devolved to the local bodies for implementation of plans formulated by them. Rs.1250 crores has been earmarked for this purpose in the budget. The Government's objective is to facilitate the process of decentralization so that the local Governments are equipped to deliver the services earmarked for them.
78. Government proposes to take up, as a sustainable development programme, the "Kudumbasangamam" scheme, to promote social and civic values and to harness the energies of organized local communities for development.

MOTOR VEHICLES DEPARTMENT

79. For improving delivery of services and to enhance tax revenue, the department will be modernized and operations will be computerized. Govt. have approved the issue of driving licenses on Smart cards, and registration certificates on smart optical cards.
80. Road safety has become an issue of serious concern, considering that on an average, 8 persons die and 130 persons sustain injuries every day in road accidents. This accident rate, which is the highest in the country, is something that our state cannot afford. Government proposes to bring in a legislation for establishing a Road Safety Fund and for setting up a Road Safety Authority. The Road Safety Fund will be mobilized by imposing a surcharge on motor vehicles tax as a one-time measure.

PUBLIC WORKS DEPARTMENT

81. The Kerala Road Transport Project with a World Bank assistance of Rs. 1250 crores is to commence in April 2002. I have set apart Rs. 180 crores for the project. A Road Fund Act has been enacted with a view to attract private participation in road sector. A few projects have been identified and they would be soon offered for private participation. Government proposes to avail

much higher levels of financial assistance from NABARD for constructing roads and bridges.

RURAL DEVELOPMENT

82. Within the anti poverty sub plan, Government would implement special projects under SGSY, and other Centrally Sponsored Schemes for poverty alleviation. Special projects for copra processing and development of Food Processing and Nutrition center at Balussery will be implemented. Government would also create a consortium for providing creative services for design and value addition to support self help groups. The coverage of Pradhan Manthri Grama Sadak Yojana will be extended to 37 more blocks.

URBAN DEVELOPMENT

83. Urban sector will receive Rs 42.83 crores under the Annual plan. I have set apart Rs 9.50 crores for the Cochin Urban Poverty Reduction Project.
84. I have also included Rs 13.33 crores in my budget for Valmiki Ambedkar Awas Yojana which is a 50% Centrally Sponsored Scheme aimed at solving the housing problems of the slum dwellers below the poverty line. This scheme will be implemented by the urban bodies under the auspices of the State Poverty Eradication Mission.

FORESTRY AND WILDLIFE

85. I have included a provision of Rs 42 crores in the Annual Plan. Under the externally aided Kerala Forestry Project I have set apart an amount of Rs 23 crores in my budget.

SCHEDULED CASTE DEVELOPMENT

86. In order to overcome the present shortage of post-matric hostels, six new hostels, one each for boys and girls at Ernakulam, Thiruvananthapuram and Kozhikode will be constructed on the model of University Hostels with minimum 250 rooms. Rs. 4 crores, including central assistance, is earmarked for this purpose. To enable scheduled caste youths to obtain required training in various fields of computer application and software development, the Government would sponsor a training programme through national level institutions like IITs and IIMs. I have earmarked Rs. 30 lakhs for the purpose. Considering the success of model residential schools, selected ITCs under the control of SC department would be changed to model residential ITCs. Existing 3 production cum training centres will be converted into Industrial Training Centres. With the objective of spotting talented children for better education, Ayyankali Memorial Talent Search & Development Scheme would be taken up.
87. In order to encourage merit, outstanding students selected through competitive examinations at the levels of Standards IV and VII will be given all possible assistance for continuing their studies, including hostel facilities, personality

development programme, parental counseling and career development. I have provided an amount of Rs. 50 lakhs for the purpose.

88. Government intends to set up a corpus fund under special component plan for implementation of schemes through a project - based approach. The new approach will ensure human resource development of scheduled castes including their education and training, provision of minimum needs like housing, electricity, health care and economic development. Rs. 72.40 crores has been earmarked for the corpus fund during the year.
89. In pursuance of the policy of poverty eradication the Special Component Plan share has also been increased by 0.26% and it is now 10% of the State's Plan size.

SCHEDULED TRIBES DEVELOPMENT

90. Sir, Government is committed to ensuring that every tribal family has at least one acre of cultivable land and, wherever possible, raise this to five acres. To achieve this, landless tribal families will be given the available extent of land and those having land less than one acre will be given the required land so that they have at least one acre. This massive resettlement covering more than 20,000 tribal families is being done through a mission approach which will develop fully habitable and cultivable tribal settlements. We propose to set apart 2.25% of the State Plan Outlay for development of tribals including resettlement. This is 0.27% more than the IXth Plan share.
91. I have set apart Rs 4.5 crores for the tutorial scheme for school going students and SSLC failed students.
92. In order to assist tribal families in the marriage of their girl children, financial grant upto Rs 5000 is proposed. The grant would be given to daughters of widows, unwed mothers and incapacitated parents. I have provided Rs 10 lakhs for the purpose.

SOCIAL WELFARE

93. At present a programme for street children is being implemented in Thiruvananthapuram, Ernakulam and Kozhikode. Government will constitute a City level Forum in all district headquarters and the scheme would be implemented with the active involvement of NGOs. A scheme benefiting widows, divorced women and unmarried mothers will be implemented to make them self reliant through Kerala State Women's Development Corporation. For early identification and for rehabilitation of disabled children, Government would establish referral centers in the District Hospitals and Medical College Hospitals. Marriage assistance to the daughter of the widows will be enhance to Rs. 5000/- from the present Rs2500/-.
94. There is woeful lack of awareness among the youth on issues of Health & Hygiene and environment. A new scheme will be introduced with the assistance of Non-

Governmental-Organisation and local bodies to train the youth on Hygiene & Environmental issues. I provide Rs. One Lakhs for this scheme.

HOUSING

95. Sir, I have to bring to the notice of this august house that Kerala State Housing Board had borrowed Rs.1012 crores from HUDCO for various housing schemes during 1996-2001 out of which Rs.712 crores were for loans under the Maithri Housing Scheme for the construction of 3,74,614 houses. However, only Rs 439 crores were disbursed to 2,30,841 beneficiaries as loans. The diversion of funds received from HUDCO created hardship for the beneficiaries of the Maithri scheme who had demolished their huts anticipating release of loan by KSHB and also resulted in HUDCO suspending the release of funds to the KSHB. A default resolution package was finalized with the HUDCO to resolve the pending issues.
96. As many as 13309 beneficiaries under the Maithri Housing Scheme were awaiting release of the second and third installments as on 1.6.2001. Rs. 32 crores been disbursed to these beneficiaries to complete their houses. Government would ensure that the KSHB fulfills its commitments to the remaining eligible beneficiaries under the scheme.
97. A new Eco-Township as Cochin Marine Drive Extension and another by the side of the backwaters of Veli at Akkulam with commercial as well as residential zones will be developed on BOT basis, which will be fully funded through Foreign Direct Investment (FDI) and investment from NRIs at a cost of Rs 80 crores and Rs 100 crores respectively. An Industrial Township will also be set up on similar lines at Kalamassery.
98. The Kerala State Nirmithi Kendra will provide machinery free of cost to unemployed youths for manufacturing cost effective and environment-friendly (CEEFF) building materials. The KESNIK will also extend building materials and services of trained masons free of cost for the construction of houses for the economically weaker sections of the society. Training in CEEFF technology will be given to 1500 artisans in the construction sector during the year. The above schemes will be implemented with full financial support from the Swiss Agency for Development and Co-operation
99. Special thrust would be given for housing to weaker sections. Sir, I am hopeful that under the corpus fund of Special Component Plan, housing programme of tribal sub plan, housing programmes under the centrally sponsored Indira Avas Yojana and Valmiki Ambedkar Avas Yojana, housing programme of local governments at least 100,000 houses would be taken up during the year.

SELF EMPLOYMENT

100. Multiple strategies and programmes will be undertaken to enhance the skills and create job opportunities. IT and Tourism are expected to generate substantial employment. Through Watershed Management at local government

level, local production potential will be fully exploited. Kudumbashree would be focusing on micro enterprises for women below poverty line. I expect Kudumbashree to start 50,000 micro enterprises during the year. The existing self employment programmes like SGSY and PMRY would be implemented through a different approach. Local Governments also would be guided in taking up self employment programmes using their plan funds. I am confident of creating at least 100000 sustainable self employment ventures.

WATER SUPPLY AND SANITATION

101. Sir, an amount of Rs 175.35 crores has been earmarked for this sector under Plan.
102. I have provided Rs 13 crores for the Thiruvananthapuram sewerage scheme.
103. For the improvement and rehabilitation of existing Urban Water Supply Schemes an amount of Rs 6 crores has been provided in the budget.
104. I have also provided an amount of Rs 17 crores for matching assistance to LIC and HUDCO assisted Urban Water Supply Schemes and an amount of Rs 7 crores for the Rural Water Supply Schemes.
105. Under the World Bank assisted Schemes implemented by the Kerala Rural Water Supply and Sanitation Agency, I have provided Rs 27 crores in the budget.
106. Dutch assisted Participatory Rural Water Supply and Sanitation Project will be implemented in the districts of Idukki and Alappuzha with the full involvement of Village and District Panchayats. I have set apart Rs 10 crores for this purpose in the budget.

LAW

107. Sir, the need for standards enhancement in legal education has been felt for a long time. Government proposes to establish a law university of international standards, with active involvement of eminent jurists, on a self-financing basis.
108. The Fast Track court has been already established at Kottayam. 25 other courts will be established in phases during the next 2 years.

LABOUR.

109. Sir, I have already referred briefly to the fact that Government has brought out a comprehensive new Labour Policy which attempts to address issues facing the large mass of the labour force, especially in the unorganised sectors, and to streamline social security measures. One of the most important priorities of the Government's labour policy is to create an enabling environment for rapid employment generation with a target of 15 lakh jobs to be created over the next five years.
110. Government will introduce a new legislation during the current session of the Legislative Assembly to regulate and control certain unhealthy practices that have

crept into the loading and unloading sector. It is expected that this enactment will go a long way in changing the popular perception of the State and facilitate enhanced investment.

111. In the realm of social security for labour force, the attempt will be to rationalise and streamline the delivery of welfare services. Instead of starting separate Welfare Funds for new categories of work force, the emphasis will be on reorienting existing administrative mechanisms to cater to the requirement of workers in the unorganised and vulnerable sectors.
112. Government will set up an expert body to advise the Welfare Fund Boards regarding effective management of their funds with a view to maximising income. A comprehensive membership verification drive has been initiated in the Building and Other Construction Workers Welfare Board to eliminate fraudulent memberships. This programme will be extended to cover all the Welfare Fund Boards. New Welfare schemes would be introduced for domestic workers, women workers and other identified vulnerable categories. Government have recently started two more Professional & Executive Employment Exchanges at Ernakulam and Kozhikode. A major project will be launched this year to fully computerise employment exchanges in the four districts of Thiruvananthapuram, Kollam, Ernakulam and Kozhikode. Other districts will also be computerised subsequently. This computerised database will be made available on-line to prospective employers in any part of the world.
113. The State Government will enact the long pending Trade Union Recognition Bill on the basis of recent amendments by the Union Government in the Trade Unions Act. The minimum wages fixation mechanism will be streamlined for ensuring timely revision of wages and uncovered sectors will be brought under the ambit of the minimum wages fixation machinery.
114. Tripartite Committees will be set up in the districts for ensuring effective implementation of labour laws and a voluntary compliance mechanism will be introduced. A body of experts will be set up to revamp moribund labour legislation and rules.
115. The Kerala Institute of Labour and Employment will be upgraded into a Centre of Excellence for research and training in the labour sector.

POLICE DEPARTMENT

116. Sir, the safety and well being of the people of the Kerala are absolutely essential both for their socio-psychological security and economic development. The Government are committed to accelerate the modernization programme of the State Police Force. I therefore, propose to allocate Rs.80 crores during the year 2002-2003 for modernization of Police Force under the 50% Centrally Assisted Programme. Adequate provision has also been made to complete the construction of the Kerala Police Academy at Thrissur.

117. Sir, policemen work under very difficult conditions throughout the year and the welfare of policemen is uppermost in the priorities of the Government. I therefore propose to allocate Rs.50 lakhs to the Kerala Policemen Welfare Fund for Welfare Schemes for the policemen. The Government are also committed to increase the representation of the women in the State Police Force and to raise this to 10% in a phased manner over the next 3 years. Direct recruitment of women SIs would also be undertaken with a view to provide greater representation to women police officers at the cutting edge.
118. The computerization of State Police Department will be accelerated. This year, the Police Headquarters, District Police Headquarters, CB CID and SB CID will be computerized. The State level network connection of all Police Districts will be established as a part of the modernization of Police Force. The modernization of jails would be undertaken expeditiously availing of the funds received from 11th Finance Commission.
119. Sir, the Kerala Fire Force has been badly neglected in the last decade. I propose to rectify this neglect in a phased manner. I propose to allocate Rs.5 crore for modernization of Fire Force including purchase of new vehicles, fire fighting equipment etc. Adequate funds would also be provided for the construction of the new Fire Service Training Institute at Viyyur. The construction of new Fire Station Buildings at Thrikkariapur, Pathanamthitta, Thiruvalla and Thiruvananthapuram will be completed this year. Three new fire stations would be made operational at Perinthalmanna, Idukki and Ottappalam.

POWER

120. Government has fully realised the fiscal impact of power sector reforms undertaken by a few States in the country and the cost to the annual budget in providing subsidies to the KSEB. Government's present strategy consists of measures to significantly improve the efficiency of power generation, invest in system up-gradation, refocus on Hydel Projects, minimize T& D losses, ensure 100% metering, conduct energy audit and restructure the KSEB. Government has signed an MOU with GOI on power sector reforms and a statutory regulatory authority is expected to be in position shortly.

EXCISE

121. Government is committed to ensuring strict enforcement of excise laws and intends to curb illicit liquor with iron hand. Strengthening of the Excise Department and to ensure its functioning as a vigilant enforcement machinery, Government proposes to take up modernization of Excise Department. I have provided Rs. 500 lakhs. The Departmental personnel will be trained adequately for performing enforcement activities and they will be provided with required communication and other infrastructure facilities.
122. We view with serious concern the increasing spread of alcoholism in the state. It is a matter of deep regret that Kerala has one of the highest rates of per capita consumption of alcohol in the country. The Government proposes to bring in a

scheme for reducing alcoholism and promoting temperance, with appropriate involvement of non-governmental agencies.

COMMERCIAL TAXES

123. In the field of Commercial taxes, we are at a historic juncture. The new system of value added tax is going to be implemented from April 2003. The implementation of the new system is being monitored by a Committee of State Finance Ministers, headed by the Finance Minister of West Bengal. After detailed interaction between the States, a uniform pattern of tax rates has been arrived at, it has been implemented by the majority of states, including Kerala.
124. When value added tax is introduced, we will have to widen the tax base considerably so that the benefit of tax set off is made available to all concerned. The new system will also require systematic scrutiny of a great deal of data and documents. We propose to complete computerisation of the Commercial Taxes Department in the coming financial year so as to enable it to cope up with the increased volume of work. I am setting apart Rs.2.57 crores for this purpose.
125. Many of the offices of the Department do not have adequate built up area or facilities to store documents and files. There is also a severe lack of modern office equipments. When we move over to the new system, these facilities will be essential. I propose to provide essential facilities in all offices of the department during the next 6 months. Rs.3 crores will be set apart for this purpose. I also set apart Rs.50 lakhs each for construction of a new office complex at Thiruvananthapuram and for additional construction in the existing office complex at Ernakulam.

PORTS

126. Steps will be taken to develop some of the minor and intermediate ports through private participation in view of the growing traffic demand and to encourage coastal shipping. Vizhinjam, Azhikkal, Beypore and Alappuzha ports are proposed to be developed through private participation. Ports sector receives Rs. 8 Crores under Plan in my budget

INFORMATION & PARLIAMENTARY AFFAIRS

127. The Public Relations Department proposes to expand the operation of its website to offer more services to the public, by way of providing information, receiving applications and complaints through E-mail, etc., to facilitate speedy communication and improve transparency. I set apart Rs.25 lakhs for this purpose.
128. The Centre for Development of Imaging Technology will be developed into a centre of excellence in selected fields of information technology. In the field of education informatics, C-DIT will implement development schemes in software education and training, as well as in multimedia animation.
129. I am very happy to inform that the Kerala Journalist's Health Scheme implemented in association with the United India Insurance Company and expiring on 31-3-2002

will be continued for three more years. I am setting apart Rs. 15 Lakhs for the purpose.

SPORTS AND YOUTH AFFAIRS

130. Kerala has always been among the leading States in the field of sports. In order to encourage young sportsmen and sportswomen, we have enhanced the quota for appointment in Government service from 20 to 40
131. We would like to promote a two-tier system of sports, viz. school sports and rural sports with a new concept "Health for all through Sports for all". An expert committee has been set up to prepare a project report for this purpose.
132. The youth of the state, who constitute 37% of the population, represent our future. Their development and welfare has a very high priority.. The Youth Welfare Board will act as a nodal agency for all youth activities in the State. It will also act as an Information Centre for the Youth. My Government also proposes to institute an award at the District and State Levels for the best youth activists and youth clubs. Nehru Yuvak Kendras in the State will be fully activated.

COOPERATION

133. We propose to bring in a new Co-operative Societies Act after detailed studies with the objective of making co-operative societies financially and operationally independent. A Court of Arbitration to adjudicate non-monetary disputes in the co-operative sector will also be setup.
134. Integrated co-operative development programmes are being implemented in Kollam, Alappuzha and Ernakulam districts. The scheme is proposed to be extended to Thiruvananthapuram also. One of the important objectives of the department is to improve the working of the District Co-Operative Banks, for which an expert committee has been setup. The Government intends to enable the co-operative sector to play an effective role in poverty alleviation.
135. We propose to start three more Engineering Colleges in the co-operative sector in Thiruvananthapuram, Alappuzha, and Pathanamthitta districts. An expert committee has been appointed for preparing an alternative pension scheme for employees of the co-operative sector.

CULTURE

136. For the development of Mahakavi Kumaranassan Memorial, Thonnakkal and S.K. Pottakkadu Memorial, Kozhikode an amount of Rs.25 lakhs and Rs.5 lakhs each provided

M.L.A SCHEME

137. I had announced an Area Development Scheme for MLAs on the same pattern as MPs in my budget this year with an outlay of Rs.35 crores per annum. As the scheme could take off only late in the year due to administrative reasons, I have been able to order the transfer of only Rs.17.5 crores to the District Collectors. The balance of Rs.17.5 crores from this year's allocation shall be released to the District Collectors before the end of the current financial year. The provision of Rs.35 crores for the next year will be released to the District Collectors in April 2002, so that these schemes can progress without being impeded by lack of funds.

TAX PROPOSALS

138. I shall now come to my revenue proposals for the next financial year. This Government is acutely conscious of the very difficult times that the people of Kerala are going through. I would like to assure the people of Kerala that this Government intends to share their burden all the way. We have therefore, despite the constraints on us, taken a conscious decision not to impose any new taxes that will impose any burden on the common man. The only change in the tax structure that I propose is for gold and jewellery. The thrust of revenue administration in the State in the years to come will be based on one simple precept. We shall consciously encourage and reward tax compliance and at the same time come down heavily on those who breach the laws and exploit the loopholes in the system. I have proposed various measures in the tax statutes to achieve this objective.
139. The rate of compounded tax payable by dealers in jewellery, who have opted for payment of tax at the compounded rate, will be increased to 200 per cent of the tax payable by him in the preceding year. Additional revenue of Rs. 15 crores is expected.
140. In the budget for 2001-02, an additional sales tax of 15% on the rate of sales tax had been brought in on all goods other than petroleum products (petrol, diesel and LPG) and liquor (including beer and wine), which is applicable till 31/3/2002. In view of the continuing financial constraints of the Government, I propose to extend the levy of the additional sales tax till 31/3/2003. Additional revenue of Rs. 225 crores is expected through this measure.
141. We propose to recognize and reward tax compliance for dealers who satisfy certain prescribed criteria, in terms of regular and timely payment of tax, submission of correct and satisfactory returns and absence of turnover suppression and tax evasion. Annual prizes will be introduced for such dealers at the State and district levels. We also propose to introduce a fast-track clearance scheme for such dealers at the checkposts and salestax offices..
142. It has come to the notice of the Government that a number of high value goods are brought into the state without paying tax. In order to prevent this and augment

revenue, it is proposed to levy entry tax under the Kerala Tax on Entry of Goods into Local Areas Act, 1994, on the following goods:

i. Electrical goods	8%
ii. Water supply and sanitary equipments & fittings	12%
iii. Oil, edible and inedible, including refined and hydrogenated oil and margarine	4%
iv. Timber	12%
v. Granite metal, chips and powder	8%
vi. Light diesel oil, ie , low speed oil	37%
vii. Ready mix concrete	8%
viii. Fans, Grinders, Cooking ranges, Water heaters, Electrical wiring cables & ACSR conductors	12%
ix. Live chicken and meat	8%

The additional revenue expected is Rs.30 crores.

143. The rate of tax on bullion and precious stones is proposed be raised from 1% to 4%. The additional revenue expected is Rs.5 crores
144. The importance of widening the tax base cannot be overemphasized, in the context of implementation of Value Added Tax .We propose to organize a special campaign for registering unregistered dealers. The registration procedure will be simplified and the process will be made as customer-friendly as possible.
145. A provision will be included in the Kerala Tax on Entry of Goods into Local Areas Act for disposal of detained goods, on the same lines as in the KGST Act.
146. The Kerala Tax on Luxuries Act, 1976 will be amended in such a way that the tax will be levied on the charges for residence and other amenities and services in hotels on the rent rate per room, instead of per person.
147. An amendment had been made in the KGST Act last year under which verification and certification of returns submitted by dealers having a turnover above Rs. 15 lakhs but below Rs.40 lakhs by Chartered Accountants or Sales Tax Practitioners had been prescribed.Several representations have been received from registered dealers that this provision causes avoidable hardship. I therefore propose to dispense with this provision.
148. The maximum permissible time for completion of assessments under the KGST Act is proposed to be enhanced from 4 years to 5 years. This will be applicable from 31/3/2002 to 31/3/2003. Similarly, a provision will be made in the Agricultural Income Tax Act to increase the maximum permissible time for completion of assessments from 5 years to 6 years, with effect from 31/3/2002 to 31/3/2003.
149. There are a large number of chitty firms in the State, the majority being in the private sector. Many of the private chitty firms try to keep out of the regulatory mechanism prescribed in the Kerala Chitty Act by registering themselves outside

the State and continue to operate in Kerala. There have been many complaints that because of this, investor protection often becomes difficult.

I therefore propose to amend the Kerala Chittys Act 1975 so as to require all operators in the field, including those registered outside the State to open a branch in Kerala and operate the chitties in accordance with the provisions of the Act, in all cases where at least 20% of the subscribers are residents of Kerala. The procedure for obtaining prior sanction and audit will be simplified. The limit for the chitty amount will be removed, considering the demand for high value schemes.

It is expected that these changes will enable Government to improve investor protection and to earn additional revenue of Rs. 50 lakhs by way of stamp duty and registration charges.

150. Sale of IMFL through CSD canteens has gone up considerably in the recent past, due to liberalization of quantity restrictions for defense personnel. Retail prices charged by CSD canteens are much lower than those of the State Public Sector outlets. It is proposed to bring some parity between the prices. Excise Duty on IMFL supplied to CSD canteens will be increased from Rs. 7/- per proof liter to Rs.21. Sales Tax on these supplies will be increased from 45% to 70%. Even after this, the retail prices of CSD canteens will be much lower. An additional revenue of Rs. 6 crores is expected from this measure.

Quantitative restrictions on import of liquor were removed in 2001. In the recent Union Budget, Customs Duty and Countervailing Duty have also been reduced substantially. The quantum of import of liquor is therefore expected to increase considerably. Considering the operational and revenue angles, it is necessary to bring in some regulation of such imports. It is proposed to make the KSBC, the sole channelising agency, for import of foreign liquor. The relevant provisions of the Abkari Act and Rules will be amended to this effect. Additional revenue of Rs. 1 crore is expected from this measure.

Due to various legal problems, the punitive provisions could not be implemented in respect of variations in the strength of IMFL from the prescribed limits. It is proposed to introduce compounding provisions for such cases of variations. Similarly, violations and changes in the reconstitution of the partnership of FL3 licensees will be brought under compounding provisions. Additional revenue expected is Rs. 1 crore.

151. Government of India have decided to dismantle the Administered Pricing Mechanism (APM) for petroleum products with effect from 1.4.2002. They have also restructured the pricing and excise duty, which has resulted in a reduction in the prices of petrol and diesel and an increase in the price of kerosene and LPG.

In order to protect the State Sales Tax Revenue, we also have to make some changes in the tax structure. Some of the South Indian States have recently introduced entry tax for some petroleum products, which has made it difficult for refineries from other States to maintain their present supply pattern. Kochi

Refineries Limited (KRL) a major Central Public Sector Undertaking in the State is likely to be adversely affected on account of some of these factors. I propose to introduce the following changes in the tax structure of petroleum products:

- a. A double point taxation system will be introduced for all petroleum products and they will be included in the Fifth Schedule of the KGST Act.
- b. The first point tax will be 4 % for sale by an oil company to another oil company. The present turnover tax (4%), which is applicable only to Kochi Refineries Ltd., will be converted into sales tax.
- c. Tax at the second point will be applicable to sales within the State by any oil company, and the rates range from 8% to 40%.
- d. If there is only one point of sale in the State, special rates ranging from 12% to 44% will apply.
- e. Entry tax will be imposed on all petroleum products to provide a level playing field to producers in the State.

These changes will be made in such a way that there will be no significant increase in the retail prices. The exact rate applicable for each product will be notified later after analyzing price trends during this month. Our objective will be to safeguard revenue and at the same time ensure that retail prices are not materially affected, considering their socio-economic importance.

OVERALL FINANCIAL POSITION

152. On account of the severe financial crisis, particularly in the agricultural sector, there has been some adverse effect on the revenue collection this year. But what has hurt this Government most is that almost Rs.300-350 cr. of the revenues that should have accrued this year for financing development efforts of this Government was collected in advance before 31.3.2001 itself. Sir, I have stayed away from committing any such impropriety, which ultimately violates the sanctity of the budgetary process.
153. Similarly, as the figures, which I have included in the Budget Summary would show there has been a detention in the Public Account of Rs.1907 cr. as on March 2001. Out of this, nearly Rs.1000 cr. has been on account of transfers of amounts to the deposit accounts of various departments in a wilfully wrong attempt to record expenditure. I shall not take recourse to any such measures to hoodwink the people of Kerala. On account of the persistent fiscal crisis, we have announced a cut in the plan expenditure by 25%. Naturally this has led to a drastic reduction of the revenue expenditure this year. Unlike in the past year when the previous Government did not reflect the cut in the plan in the Budget, I am indicating the reduction in my revised estimates. In spite of this reduction in plan expenditure, I am left with a yawning overall gap of Rs.649.09 crores. This indeed should poignantly bring home the magnitude of the fiscal crisis that the state is experiencing.

154. Here are the figures for the overall financial position in the current financial year.

(Rs. in crores)	Revised Estimates 2001-2002
Revenue Receipts	9972.59
Revenue Expenditure	11859.03
Revenue Deficit	-1886.44
Capital Expenditure	804.44
Public Debt (Net)	1924.37
Loans and Advances (Net)	-121.63
Public Account (Net)	824.42
Overall Deficit	-63.74
Carry over Deficit	-585.37
Cumulative Deficit	-649.09

155. I consider this budget momentous at this juncture in our financial history. I have attempted to tackle the twin problems of rising fiscal deficit and growing interest payments through a balanced approach to raising revenues as well as pruning expenditure. As compared to the revenue expenditure in the modified budget that I presented before this august house in July 2001, I have allowed for only a growth rate of 7.61% on my revenue expenditure. At the same time, I am attempting a growth rate of 10.04% over the revenue receipts in the revised budget. Something that has to be emphasised even more, is that I have set quite ambitious targets for all major earning revenue departments and propose to achieve a growth rate of 17.25% over the revised estimates for the current year. Government expects all revenue earning departments to gear up their operations and help the State to tide over this financial crisis that has been persistently crippling Kerala's development in the last three years.

156. Now let me present the overall figures for the next year.

(Rs. in crores)	Budget Estimates 2002-2003
Revenue Receipts	11692.91
Revenue Expenditure	13893.17
Revenue Deficit	-2200.26
Capital Expenditure	667.91
Public Debt (Net)	2724.11
Loans and Advances (Net)	-84.79
Public Account (Net)	844.83
Overall Surplus	615.98
Carry over Deficit	-649.09
Additional Expenditure now announced	-523.81
Additional Resource Mobilisation (ARM)	283.50
Cumulative Deficit	-273.42

157. Even though there will be an overall surplus of Rs.615.98 crores in 2002-2003, this will completely go for bridging the backlog of the year 2001-2002. Together with the new expenditure I have now announced I expect the year to end with a closing deficit of Rs.273.42 crores. I hope to bridge this gap through better revenue realisation and improved expenditure management during the course of the year. By the end of the next financial year it is my earnest intention to put financial management back on track.
158. The path forward is by no means easy. The road ahead is difficult. But collectively we can move forward. This, no doubt, will call for some sacrifice from almost all sections of people. This Government hopes that this support should come first and foremost from the employees who have more than a perfunctory interest in the financial well being of the State. Let me use this opportunity to once again exhort all Government employees and teachers to appreciate the gravity of the times in which we are functioning and return to their posts of duty in the larger interests of the State. Government and Government employees are the same side of the same coin and it is together that we should persevere for the welfare of the common man.
159. At this moment as we stand besieged by fiscal crisis trapped in deep debt, bold and determined steps are inevitable. When the vital sectors of the State's economy struggle for survival, we cannot remain as silent spectators. We cannot afford to leave the unemployed youth and the poor farmers of the State to their destiny to languish in despair and frustration. The only way out is to prune the expenditure and hike the revenues. The need of the hour is fiscal prudence; not externally induced but self-imposed. We have already embarked on the path of fiscal reforms, which are given shape keeping in mind the poorest of the poor in the State. This alone can ensure a human face to our reforms.
160. We now require the rare kind of devotion to duty and the spirit of sacrifice that such duty demands, which is so beautifully described in the elegant verse in the Bhagavad Gita.

“യജ്ഞശിഷ്ടാമൃതഭൃജുജ്ജ്വാ യാന്തി ബ്രഹ്മ സനാതനം
നായം ലോകോ *f* സ്ത്യ യജ്ഞസ്യ കൃതോ *f* ന്യ: കുരു സതതമ

Our country has always given the highest priority to right effort (യജ്ഞം) as the only means to achieve the noble goals of life. In the right kind of life all except right effort is secondary and even what one takes from life is limited to what one needs to keep making one's efforts. It is in this spirit that we should move forward in charting our course to growth and prosperity.

161. Committed as this Government is to protect the teeming millions of suffering people, I reiterate that we will forge ahead unwaveringly with a strong will.
162. Seeking the unstinted co-operation and support of the people of Kerala to redeem the State from the debt trap, and the poor from their sufferings and tears, I present

this budget before the people of Kerala waiting expectantly for a new sunrise of economic prosperity.

163. I am greatly benefited by the unflinching support and guidance of the Hon'ble Chief Minister and encouragement of my colleagues.
164. I commend the Annual Budget 2002-03 to this august House and move the Vote on Account for expenditure for the four months from 1st April 2002 to 31st July 2002 for approval.

Thank You