



Government of Kerala

BUDGET SPEECH

2005 - 2006



By

VAKKOM PURUSHOTHAMAN

Minister for Finance



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Sir,

It is my proud privilege to present the budget for the year 2005-06, the 5th year of the UDF Government.

1. The year just gone by has witnessed some historic changes at the national level. A Government steeped in communalism, trying in vain to consolidate through purely divisive strategy, has been rightly thrown out by the politically mature public of this country through the democratic process. Much to their dismay and the surprise of the communal elements and divisive forces, a united progressive alliance headed by a party which has deep roots in the heart and mind of every Indian has been brought back to power. In a way, I must compliment my friends in the opposition for giving their support to defeat the communal elements at the national level although, here in God's own country, they continue to play the role of the opposition by always opposing everything.

2. The UPA Government at the Centre has embarked upon a policy, not only of consolidating our position as one of the largest economies of the world, expected to be next only to USA and China in another 30-40 years, but also to carry with us the poor and suffering millions so that the fruits of development reach not just the elite but every common man.

3. Even here in Kerala we had a change of a different type. A change in Government and a change in leadership in a politically conscious State like Kerala raises curiosity and excitement in all Keralites; but when the change involves a seasoned political leader of the masses, rich in principles, giving way to a younger leader of equal repute, trying to take Kerala Fast Forward, the people of Kerala can look up only with expectations. It is not a change of politics and fundamentals; it is one of style and individuality. This Government of which I am a part, is in every respect a continuation of the former Government in which our able and illustrious leader Shri. A.K.Antony has laid some solid foundations for a resurgent Kerala and brought back our derailed economy on the right track. We shall build on that rock a solid foundation of economic growth, fiscal reformation and social justice. When the citizen of this State looks back with expectation at a Kerala Fast Forward, he shall see with equal satisfaction people who are proud of their achievements. On behalf of my colleagues and our Chief Minister I promise the people of this State that we shall not disappoint you.

Tsunami Disaster and Relief Measures

4. Transformations at a political level are something which the people of Kerala are used to; but large parts of Kerala are still reeling from something totally unexpected from our Arabian sea, a Tsunami. Arabian sea, our own sea, which has always been humming sweet melodies in our ears, singing soothing rhymes in our minds and giving a rich haul of fish in the nets, showed its fury for a moment. Those moments passed reminding us of her right to protect and punish us. The sea has started humming her melodies again, but the sons of the sea still have not got over from the shock of the tragedy.

5. We have seen in Kerala arrangements for relief operations, that have surpassed any other Tsunami affected area. The public in the coastal areas were the first to respond. In the blink of an eye the sons of the sea ran all over with helping hands. Even though a number of lives were lost, many more were saved. On behalf of the Government, I thank the people, their leaders who have helped our brothers and sisters affected by tsunami, and our own social and cultural organizations within and outside the country.

6. The timely intervention and firm leadership extended by the State Government, coupled with the untiring efforts of our officers and people's representatives made this task inherently different. This Government is giving utmost importance for the organisation of relief camps, reconstruction of the area and other relief operations. We cannot regain lost lives but in order to wipe the tears of the disaster stricken people and to give them a new life, the Government has already taken steps to reconstruct lost houses, roads, bridges, sea-walls and to create new infrastructure facilities in the affected areas. I also thank the Government of India for releasing Rs.100 crore within days. We also expect that another Rs.100 crore will be released shortly. This Government has taken all necessary steps for spending the amount for relief operations urgently. I greet the millions within and outside the State who have contributed and are still contributing liberally to the Chief Minister's Distress Relief Fund. The wailings and the numbness of death have not subsided in this coast of the Arabian Sea, disturbed in the most unexpected manner. Together we shall build a new sea-coast here.

7. I now go on to my basic task of presenting the Budget. Kerala has forgotten the days when we saw a full budget at the beginning of a year. I

am exercising my privilege of presenting and getting passed, with your whole hearted support, a full budget for the first time after a gap of three decades. We intend to prove that even when we have to follow the legislative requirements of discussions in Subject Committees and detailed discussions and demand-wise voting thereafter, we can still get through a full budget before the beginning of the year. I seek the support of the House, its Members and the Hon'ble Speaker (particularly when that Chair on which you are sitting, Sir, is so dear and emotional to me), to bring back the budgetary process to normality not just this year but in the coming years as well.

P A R T - A

STATE FINANCES

8. Kerala's economy has been improving in the last three years. The inflation rate has fallen compared to last year. In spite of drought in the first quarter, agriculture is on rebound and the prices of some major cash crops are steady. Despite many adverse circumstances, the SDP growth rate is likely to be 6.5 percent in real terms.

9. Reforms put in place for creating an enabling environment after the Global Investor Meet is making a steady and firm progress. Private investment has picked up. Investor confidence is growing. After a long gap, investments through public, private and public-private partnership initiatives are taking place. Projects in roads, water supply, urban infrastructure financed by multilaterals, Vallarpadam Project, LNG Petronet and IT parks are now being transplanted from the paper to the ground.

10. Worsening fiscal space inherited by UDF Government in May 2001 has shown perceptible improvement due to the concerted efforts of the Government and the deterioration in revenue deficit as percentage to GSDP has been arrested. The sharp increase in total liabilities as a percentage of GSDP has also been halted. The fiscal correction is on the right path and we are in the initial phase of fiscal consolidation. The fiscal deficit in the revised estimate has come down to 5.28% from the budget estimate of 5.33%. The revenue deficit is expected to decline to 4.55% compared to the budget estimate of 4.69%.

11. According to the figures of the Accountant General the State's total public debt as on 31-3-2004 is Rs.37452 crore. This is a 20.6% increase over 2002-03. This additional borrowing was used mainly to finance Plan

Expenditure and the revenue deficits of the Electricity Board, to take over their debts and to pay 11 percent dearness allowance to Government employees. The increase in debt was 15.2 percent in 2002-03 and 12.7 percent in 2001-02. It needs to be highlighted that the rate of growth of debt was 18.6 percent in 2000-01, 28.6 per cent in 1999-2000 and 22 per cent in 1998-99.

12. The Annual Plan Outlay for 2005-06, the 4th year of the Tenth Plan is Rs.5369.81 crore, an all time high for Kerala. The Central Assistance available for this is expected to be Rs.1935.27 crore. Schemes worth Rs.750 crore will be implemented in the Power Sector. Rs.1375 crore will be given to Local Bodies for Plan implementation. Prime importance is attached to Kerala State Transport Project being implemented with World Bank Assistance. An amount of Rs.575 crore is provided for this project.

13. The budget estimates for 2005-06, particularly the tax revenues (post VAT regime), are projected upon a healthy macro economic environment. The fiscal adjustment proposed in the budget in terms of reductions in non-plan revenue expenditure growth is secured on a benign interest rate regime and moderate inflation. Higher investment in public infrastructure in fiscal and social sector should underpin the dynamic growth momentum.

14. Four years ago, the fiscal crisis looming over the State as described in the white paper was unprecedented and the worst ever. Today, many including my colleagues feel that this is the beginning of the good old days. Even in the bureaucracy many think that we are well on the road to recovery. But we must admit that none of the vulnerabilities that we faced in 2001 has totally disappeared. I believe that if we do not stick to the reform path chosen, the long-term prospects will be less promising.

15. Revenue Deficit as a percentage of GSDP roared to an all time high due to decompression of revenue expenditure during 2002-03 under both plan and non-plan. However, in 2003-04 the growth of revenue expenditure was restricted to 17.2% of the GSDP. In 2003-04 for salary, pension and interest alone a sum of Rs.5067 crore, Rs.2409 crore and Rs.3328 crore respectively (total Rs.10804 crore) had to be spent. This is 91% of the total revenue receipts and 70% of the total revenue expenditure for 2003-04. According to the last ten years figures, salary has been increasing at an annual rate of 11%, pension at 18% and interest at 17% (compounded annual growth rate). If this position continues, the pension will exceed salary in the next 10 years. The Central Government and many

State Governments have already switched over to Contributory Pension Scheme. In Kerala, the contributory pension scheme will be extended to those employees joining after 1-4-2005.

16. After the U.D.F. Government assumed office, the outstanding loans to Government of India bearing interest of more than 13% amounting to Rs.2717 crore have been swapped by debt at lower interest. By this, it has become possible to bring down the interest burden of the State Government.

17. Government is committed to fiscal consolidation in line with its fiscal sustainability strategy enshrined under the Kerala Fiscal Responsibility Act (KFRA), 2003. Under the Act, the fiscal deficit is to be lowered to 2% of GSDP and the revenue deficit to zero by March 2007. Given the current growth rate, this target appears too ambitious. In line with the Central Act, I propose that in the Kerala Act also the target date be changed to March 2009. Even the target date of 2009 will be possible only if sustained cross-sectoral reform effort takes place.

18. Agenda of development oriented fiscal adjustments is feasible only if there is a consensus across the political parties in the State on the direction of the reform path. Regrettably, parties have taken different positions based on the common perception that reforms are costly. We must think 'outside the box' and see certain important policy changes taking place even in China and West Bengal.

AGRICULTURE AND ALLIED SECTORS

AGRICULTURE

19. The agricultural development schemes for 2005-06 have been formulated with the objectives of increasing employment opportunities in the rural sector by attracting unemployed youth to agriculture through modern techniques of science and technology, improving production and productivity in agriculture, maintaining the quality of agricultural products, producing value added products through diversified processing, capable of competing in the market and thereby ensuring enhanced income to cultivators. The small and marginal farmers have been given more importance in this scheme.

20. A massive programme for reintroducing rice cultivation in 10000 hectares of barren rice fields will be taken up in 2005-06 under the scheme

for providing employment to one lakh youth. Another objective of this scheme is to reverse the trend in falling area under rice cultivation.

21. As our agricultural produce, mostly commercial crops, depends mainly on international markets, fluctuations in the international markets adversely affect our cultivators. Government intends to implement schemes to ensure reasonable prices to cultivators by strengthening the local markets and by utilizing the benefits of Information Technology. **Rs.330** lakh has been provided in this budget for this.

22. The scheme formulated for promoting coconut cultivation is mainly intended to increase production by adopting scientific cultivation, by cutting down disease affected trees and by planting disease resistant seedlings. The scheme also envisages producing value added products for increasing the income of coconut cultivators. An amount of **Rs.64.55** crore has been earmarked for this scheme.

23. I have set apart **Rs.20** crore for the development of pepper cultivation which is one of the main spices earning foreign exchange for the country. For rejuvenating the pepper gardens destroyed due to the severe drought during the previous years, a very extensive scheme has been submitted to Government of India.

24. A new innovative scheme called 'Nagarathil Oru Nattinpuram' will be launched this year for promotion of agriculture in the urban households. Distribution of planting materials, establishment of vermi compost units, establishment of polyhouse units and publicity and awareness are the programmes proposed to be taken up under this scheme. I have provided **Rs.200** lakh in my budget for this scheme.

ANIMAL HUSBANDRY

25. A number of schemes have been formulated in 2005-06 for improving the services of the Animal Husbandry Department for implementation during 2005-06. These include upgradation of three District Veterinary Centres to model District Veterinary Centres with all modern diagnostic facilities like X-ray, Ultra Sound Scan etc. and making them functional round the clock to cater to all emergency services.

26. The buffalo population in our State is on the decline. In order to promote buffalo rearing on a pilot basis a new scheme will be implemented. I provide **Rs.32.50** lakh for this in the budget.

27. I am providing **Rs.200** lakh for the development of basic facilities at the Pookkod Veterinary College of the Kerala Agricultural University.

DAIRY DEVELOPMENT

28. A Milk Products Manufacturing Centre will be set up in Aroor for providing assistance to prospective entrepreneurs for producing value added products.

29. Fifteen Grama Panchayats have been selected for implementing the new scheme 'Pashugramam'. Under this scheme, 50 selected beneficiaries will be assisted to set up 'two cow dairy units'.

CO-OPERATION

30. At a time when the co-operative centenary is being celebrated, the Government is going ahead with several action packed programmes. The Government will launch a crop insurance scheme for agricultural products and a Risk Fund Scheme to write off debt liabilities of farmers who die during the period of loan repayment. The credit limit of agricultural loans will be enhanced and distribution of loan will be doubled. The Self Help Programme with the assistance of NABARD will be extended to all Districts. Government intends to provide loans with low interest to encourage rainwater harvesting projects. The SC/ST co-operative societies will be restructured on project basis. Housing loans through the co-operative societies will be made more transparent. Steps will be taken to obtain more assistance from NCDC and the Central Government. This Government is committed to ensure that the co-operative sector is controlled by its own members.

ART AND CULTURE

31. The history of the freedom struggle in Kerala which has been officially written only upto 1938 will be updated to cover the subsequent period also.

32. The State Institute Encyclopaedic Publications will review and publish 10 volumes of Encyclopaedia this year. I set apart an amount of **Rs.10** lakh for this. It is proposed to publish a book on buildings of antique value and historical importance under the auspices of the Vastuvidya

Gurukulam. Mural arts will also be popularized. I set apart an amount of **Rs.5** lakh for this.

33. Combining the placid beauty and elegance of Kerala the Culture Department in association with the Tourism Department will re-create a Kerala Heritage Village. I set apart **Rs.50** lakh for its preliminary work.

ARCHIVES

34. The Department of Archives is responsible for the custody, care and management of the records of the State Government. Various activities including preservation of the palm leaf manuscripts will be taken up this year.

CAPITAL REGION DEVELOPMENT

35. The development of the capital city had been neglected for a long time. A fresh impetus in this respect was given only when the UDF Government assumed office in 2001. I am committed to complete the developmental activities initiated by the Antony Government and to implement new schemes for improving facilities. The schemes taken up by the Government under the Capital Region Development Programmes on a priority basis are progressing satisfactorily. The Kerala Road Fund Board has taken up the Capital Development Project under which work on 42 Kms of road, fly-overs and under-pass have started. The works on the Palayam underpass and the widening of the Palayam-Airport road are progressing as planned. It is hoped that many of these schemes will be completed within 6 months.

36. The construction of the lakeside walkway between Veli tourist village and Akkulam is also nearing completion. This will give a facelift to the tourist centre.

37. The IT corridor at Thiruvananthapuram announced two years ago will materialize soon. This new knowledge campus along with the proposed international convention and expo centre at Akkulam are expected to impart a significant boost to the growth prospects of the capital region in the coming years.

38. A ten storied super speciality block with facilities for all kinds of expert treatment will be constructed in the Thiruvananthapuram Medical College Hospital. For this purpose, **Rs.200** lakh is provided in the budget

for 2005-06. More amenities will be provided in the Thiruvananthapuram Medical College and all efforts will be made to improve cleanliness in the wards and surroundings. The construction of the proposed Civil Station at Kudappanakkunnu will commence immediately. I am setting apart **Rs.100** lakh for the preliminary works in this respect.

39. The sewerage and sanitation schemes in the city will be extended to cover more areas. A Northern Ring Road connecting Anayara, Sreekaryam and Vattiyoorkavu will be constructed in order to ease the traffic congestion in the city. I am providing **Rs.200** lakh for this purpose.

40. A comprehensive scheme will be drawn up to clean and beautify the rivers like Karamana, Killiyar and Parvathy Puthanar in the city.

41. Non-availability of sufficient parking space is a very serious problem faced by the public visiting the Secretariat, nearby offices and commercial areas. Facility for parking vehicles will be provided after an expert study on the parking requirements, space availability, etc.

REGIONAL DEVELOPMENT PROGRAMMES

42. The other two most important cities in Kerala whose urban infrastructure needs to be upgraded urgently are Kochi and Kozhikode. The existing arrangement for the Capital Region Development can be replicated in these two cities also, with suitable modifications. In order to transform these three cities into centres of economic growth and to upgrade the urban infrastructure facilities, a system with public-private partnership has to be put in place. Steps for this will be started this year itself.

43. I am providing **Rs.75** lakh to meet the expenditure on the conduct of a study for the introduction of Metro Railway in Kochi.

44. Alappuzha has a glorious past with a harbour brimming with activities. The town was a prosperous industrial and commercial centre having trade even with far flung countries. The beautiful canals earned it the name 'Venice of the East'. The recently introduced tourism promotion activities initiated by the UDF Government have given a facelift to Alappuzha. As part of the efforts to restore its glorious past, the Government has undertaken a number of developmental activities. This will be carried forward further. I am setting apart **Rs.100** lakh for the beautification of canals, **Rs.25** lakh for widening of the bridge near the District Court and **Rs.50** lakh for improvement of roads in the town. I also

propose to give **Rs.25** lakh for the development of Municipal stadium in Alappuzha.

45. The Hill Area Development Agency and the Coastal Area Development Agency have both started functioning. Their activities will be speeded up next year.

FOOD AND CIVIL SUPPLIES

46. Due to the vigilant activities of the Food and Civil Supplies Department and the Civil Supplies Corporation, price rise and hoarding in the open market could be contained to a great extent.

47. People living below the poverty line are given 35 kilogram of rice per month at Rs.3/- per kilogram under the scheme "Anthyodaya – Annayojana". There are 3,57,400 families now under this scheme. The rice required for the scheme is being allotted by the Central Government. The handling charges and transportation charges have to be borne by the State Government. I am providing **Rs.200** lakh in my Budget for 2005-06.

48. As per the Centrally sponsored scheme Annapoorna which is in operation since 2000-01 destitutes above 65 years of age have been given rice at the rate of 10 kg per month free of cost. Since 2002-03 this scheme has been continuing as a State Scheme. A sum of **Rs.334** lakh is earmarked for this scheme which has 44,980 beneficiaries.

49. The Consumer Welfare Fund of the Central Government will provide funds in the ratio 50:50 to the State Government to be utilized for consumer welfare activities. A Consumer Welfare Fund will be constituted under the State Government utilizing the Central Fund and providing matching contribution of the State Government. I set apart **Rs.15** lakh for the Scheme.

50. For the improvement of the quality of service to the public, particularly the poor, **Rs.750** lakh is provided for the implementation of the service delivery improvement programme of the Civil Supplies Department under the Modernising Government Programme.

EDUCATION*GENERAL EDUCATION*

51. This Government gives top priority for education. 2004-05 is a turning point in the history of Secondary Education in the State as in this year a more scientific method is being introduced for assessing the ability of the students who pass out from Secondary Schools. I am providing **Rs.35.10** crore for Secondary Education for the overall improvement of the educational system during 2005-06. In addition to this, **Rs.300** lakh is also provided under MGP for service delivery improvement in Primary and Secondary Education.

HIGHER SECONDARY EDUCATION

52. Government intends to impart training in management, accounting, auditing etc. to the non-teaching staff of the Directorate. Computerisation of the Directorate will be completed this year. In order to provide better facilities to Higher Secondary students, Government has been providing computers to Government Higher Secondary Schools having Computer Application/Computer Science as one of the optional subjects. For these schemes and for upgradation of infrastructure facilities in upgraded Higher Secondary Schools, I set apart **Rs.150** lakh.

53. In most of the Government Higher Secondary Schools, the laboratory facilities require improvement. An amount of **Rs.5** crore is provided in the Budget 2005-06 for this purpose.

54. For the service delivery improvement, **Rs.8.50** crore for Higher Secondary Education and **Rs.300** lakh for Vocational Higher Secondary Education have been provided under MGP.

55. An amount of **Rs.20** lakh is provided for 2005-06 for the purchase of computers in Technical High Schools.

HIGHER EDUCATION

56. Our performance in the various competitive examinations conducted on an all India basis is poor compared to other States. In order to achieve this goal, a Training Centre with modern facilities will be established in Thiruvananthapuram. Admission to courses in this centre will be based on merit with reservation and stipend for S.C./S.T. and fishermen community students.

57. In the Higher Education Sector henceforth priority will be given for vocational courses which will help our youth to get employment outside the State and abroad. In this background the courses in Government Colleges will be restructured.

58. It is also proposed to establish a Technical University in the State this year in view of the increasing number of Engineering Colleges and other technical institutions. All steps will be taken for converting Kerala as a centre of attraction for higher education at the national and international levels.

EXCISE

59. The process of modernizing the Excise Department which started in 2002-03 is expected to be completed by 2005-06. The establishment of an Excise Academy is envisaged under this Scheme. I have provided Rs.100 lakh in this budget for the completion of the modernization programme. The activities of various organizations working for prohibition will be encouraged and they will be given financial assistance.

FISHERIES

60. The objectives of the schemes formulated by the Department of Fisheries for implementation during 2005-06 are optimizing off-shore and deep-sea fishing, intensification of inland fisheries, conservation and management of aquatic resources, promotion of micro enterprises and social and livelihood security to the poor fishermen.

61. Sea-rescue operations will be reoriented with community participation. Existing wireless communication network will be extended to the Northern Districts. Marine Enforcement will be made more effective with the active participation of the Coast Guard. ADAK will be reorganized as the State Nodal Co-ordinating Agency for developing aquaculture activities in the State. A master plan for the development of aquaculture in the State will be drawn up and implemented by ADAK.

62. Mangrove afforestation will be popularised as a environment and the means of conserving the environment and the coastal eco-system in Kerala. Steps to allay the apprehensions in coastal areas following the tsunami will be initiated on a long term basis.

63. Twenty reservoirs will be taken up with the co-operation of Forests, Irrigation, Power and Fisheries Departments under the Reservoir Fish Culture Programme. Another project for integrating aquaculture with agriculture is also under consideration. This project envisages utilization of selected irrigation ponds and check-dams for fresh water fish culture integrated with agriculture.

64. All non-functional fisheries co-operatives will be liquidated and 'Matsyafed' will be reorganized and strengthened.

FORESTRY

65. A new scheme called 'Habitat Forestry', which is intended to promote planting of trees in private land and within the compounds of residential houses, will be implemented in 2005-06. Another scheme called "Vanamala" will also be evolved. Formation of eco-villages by co-ordinating schemes of various Departments and by participation of voluntary organizations will be the focus of its objective. Special focus will be given to protect the Mangalavanam at Kochi.

66. A new system will be evolved for detection of forest fire through satellites with the assistance of National Remote Sensing Agency for the close monitoring of occurrence of forest fire. In addition to this, with the assistance of Advance Data Processing Research Institute, Secunderabad, VSSC, C-DIT, etc. systems will be evolved for controlling forest smuggling, detection of ganja cultivation, etc.

67. About 7693 hectares of forest land will be distributed to tribals with the help of Revenue and Scheduled Tribes Development Departments after getting necessary approval from the concerned authorities.

68. A training Centre will be set up at Kodanad for mahouts. This will be the first of its kind in the country. It will train 20 mahouts in a batch. The Kerala Forest Development Corporation will promote orchid cultivation in high altitude areas.

69. An amount of Rs.459 lakh has been included as State share of the Centrally Sponsored Scheme, Management of Sanctuaries and National Parks, for the maintenance of Wildlife Sanctuaries and National Parks.

FINANCE

70. The Government is committed to work towards Treasury Reforms which include on-line computerisation and redressal of grievances of the people who visit treasuries for various purposes. In order to provide on line connectivity and purchase of computer equipments Rs.5.26 crore has been provided in my budget.

71. The Finance Department will implement a new scheme called Prudent Financial Management (PFM) to ensure that the amount cleared by the Government will be paid by the treasuries without delay. Substituting the old debts of the Government carrying high rate of interest with lower rate of interest through Debt Swap, easing of temporary treasury restrictions in the case of absolutely essential items of expenditure in a phased manner, scientific revamping of expenditure control, rationalization of classification of expenditure under various heads of accounts etc. are some of the other activities to be taken up under the scheme.

72. Considering the need for accessibility of rural people and pensioners to services rendered by the treasuries I propose to open new sub treasuries at Alakkode in Kannur District, Wandoor in Malappuram District, Kanjani in Thrissur District, Mannar in Alappuzha District, Chavara and Chadayamangalam in Kollam District and Kadakkavoor in Thiruvananthapuram District. For the convenience of the pensioners Teller system will be introduced in important treasuries.

73. Development works are being undertaken throughout Kerala under the Regional Development Fund Scheme of MLAs. Several MLAs have complained to me that Rs. 50 lakh per year is not sufficient. Given the present financial position of the Government any major increase in this allocation is impossible. Nevertheless, I propose to increase the amount from Rs.50 lakh to Rs.60 lakh. I set apart Rs.14.10 crore for this.

GENERAL ADMINISTRATION

74. Kerala is currently implementing important projects worth about Rs.10,000 crore with close co-ordination with the various Departments of the Government of India. In order to implement these projects effectively, close co-ordination between senior officers of the All India Service working for the State Government with those working in the various Government of India offices in Kerala is required. It is also necessary to maintain good relations between them. In order to achieve this, a new All

India Civil Service Institute will be established in Thiruvananthapuram. An amount of **Rs.20** lakh is set apart as one time grant for this.

HEALTH & FAMILY WELFARE

75. Government intends to seek permission of Government of India to increase 50 seats each in Kottayam, Alappuzha and Thrissur Medical Colleges. This will increase the present strength of 700 seats to 850 seats.

76. Government propose to complete and commission a Super Speciality Complex at Medical College, Kozhikode during 2005-06. The increase in the incidence of cancer in the State warrants immediate intervention. Keeping this in mind, the Oncology Department of the major Govt. Medical Colleges in the State will be strengthened. Each Medical College would cater to neighboring two Districts.

77. The suicide rate in the State is 31 per 1,00,000 population. Nearly 72,000 people in the State suffer from some mental illness or the other. In the circumstances, all out efforts will be made to strengthen the Psychiatry Departments of the Medical Colleges in Thiruvananthapuram, Thrissur and Kozhikode at an outlay of **Rs.150** lakh. The Mental Health Centres in Thiruvananthapuram, Thrissur and Kozhikode will also be strengthened. In addition to 10 bedded psychiatry wards in District Hospitals, it is proposed to open psychiatry units in 15 selected Taluk Hospitals. The Trauma Care Units in Thiruvananthapuram and Kozhikode Medical Colleges will become functional during 2005-06. A Tele-Health and Education Programme will be implemented with the active support and collaboration of ISRO, Bangalore.

78. A Regional Institute of Ophthalmology will be developed at Kozhikode at an estimated cost of **Rs.25** lakh to serve the Malabar area.

79. Regional Laboratories will be established at Ernakulam and Kozhikode under the Drugs Control Department.

80. Out reach clinics will be conducted with the help of specialists from Medical Colleges in order to cater to the health needs of tribal population.

81. Rain Water Harvesting measures will be taken up in Medical Colleges and District Hospitals by the KHRWS which will also start an I.V. fluid manufacturing unit in Malabar area. The Society, in collaboration with the Scheduled Tribes Development Department, will establish an Ayurveda Treatment Centre in Wayanad District.

82. The Kerala State Pollution Control Board will establish Bio-medical Waste disposal plants at Pariyaram, Koratty and Nooranadu.

83. A Cardiology Cath Laboratory will be set up in the Kottayam Medical College. I am providing Rs.25 lakh in my budget for this. Another Rs.5 lakh is earmarked for starting of a Community Ward in the Kottayam Medical College. Works costing Rs.90 lakh have already been started there to counter the problem of jaundice etc. Projects to find a permanent solution to this problem will also be implemented.

84. I am also providing Rs.20 lakh for the construction of a new building for Vythiri Hospital and Rs.100 lakh for the construction of a building for Waynad District Hospital. The Government Hospital, Aluva has completed 100 years. I am providing Rs.70 lakh for the construction of a Centenary Block in this Hospital.

HOME

POLICE

85. The Government accords the highest priority for the maintenance of law and order. It will be the aim of the Government to have a modern and humane Police, which will provide security to all the people in the State. The Government will continue its efforts for the modernization of the Police Force under the Centrally Assisted programmes. I am happy to inform the House that the Government of India has approved the Action Plan of the State Government for an amount of Rs.61.65 crore for the year 2005-06.

86. As part of developing infrastructure facility, Traffic Training School, Aquatic Training Centre and Indoor Training Centre will be started in the Kerala Police Academy during 2005-06. A Marine Police Force will be established in the State with Central Assistance. I am providing Rs.50 lakh for the modernisation of Chandrasekharan Nair Stadium under the control of the Police. An amount of Rs.15 crore has been included under MGP for the improvement of quality of services rendered by the Police Department to the public.

FIRE AND RESCUE FORCE

87. New buildings for Fire and Rescue Station will be constructed at Uppala and Kodungalloor. Sky Lift and Hydraulic Rescue equipments will be procured for the effective functioning of the Department.

JUDICIARY

88. Construction of the High Court Complex will be completed this year itself.

PRISONS

89. Government will be introducing Video Conferencing System in Central Prisons at Viyyur and Kannur during 2005-06. Government is also taking action for revamping and codifying parole and premature release rules in the Kerala Prison Rules 1958.

HOUSING

90. The Rural Housing Programme jointly implemented by the Nirmithi Kendra and the Swiss Agency for Development and Co-operation will be extended to 27 more Grama Panchayats.

91. The 'Suraksha' Housing Scheme and 'Karunya' Housing Scheme, are the two most important schemes announced to be implemented through the Kerala State Housing Board for the economically backward homeless people. These schemes could not be implemented due to various reasons. These two schemes will be implemented by KSHB this year itself with the participation of Local Self Governments, Scheduled Castes & Scheduled Tribes Development Departments and various voluntary and social organizations.

*INDUSTRIES**DEPARTMENT OF INDUSTRIES & COMMERCE*

92. Infrastructure development is essential for promoting Small Scale Industrial units. During 2005-06 priority will be given for acquisition of land for establishing development areas and development plots and to provide infrastructure facilities and common amenities to existing and new development areas. I set apart **Rs.90** lakh for this alone.

93. In order to strengthen the facilities for information management in the Directorate of Industries and the District Offices for giving awards to entrepreneurs of SSI units and for providing grant in aid for acquiring ISO certification, I am providing **Rs.120** lakh.

94. It is necessary to establish a mechanism for revitalizing industry and investment so that they can restore economic activity and contribute to industrial growth. In order to achieve this, the Government proposes to organize a pilot programme of reviving and strengthening weak or sick industrial units all over the State. It is expected that about 40000 employment opportunities can be created as a result of this programme.

95. A Spinning Mill at a cost of **Rs.26** crore will be established in Pala. The financial assistance for this will be made available from NCDC. I am providing **Rs.100** lakh for this as initial allocation of Kerala Government.

K.S.I.D.C.

96. Kerala State Industrial Development Corporation (KSIDC), the premier promotional and financing agency of the State has been restructured and its focus has been changed to promotional activities rather than financing new units. The Corporation has evolved various measures to revive sectors such as seafood, cashew, wood, Ayurveda, coir, etc.

KINFRA

97. In line with the initiative taken up by the Ministry of Food Processing Industries, Government of India, KINFRA, as a nodal agency in Kerala has been playing a key role in promoting the Food Processing Industry. KINFRA has taken steps to set up food parks at Kakkanad in Ernakulam District and at Adoor in Pathanamthitta District.

MINING AND GEOLOGY

98. The Department of Mining and Geology intends to make a survey programme to identify new resources of minerals based on indications from earlier studies.

TRADITIONAL INDUSTRIES

99. The Coir Department has evolved certain schemes aimed at increasing production and productivity. In order to promote production and marketing of coir and coir products by Co-operative Societies and

Public Sector Undertakings, an amount of **Rs.150** lakh is included in the budget as production and marketing incentives. About 30000 women will be given the benefit of Self Help Group Scheme in spinning and geo textile during 2005-06. It is also proposed to set up a National Coir Research and Management Institute to cater to the Research and Development needs of the coir industry. I am providing **Rs.45** lakh for industrial infrastructure upgradation of Coir Cluster Scheme in Alappuzha to meet the State Share.

100. In order that the factories of Kerala State Cashew Development Corporation and CAPEX open and function this year also, financial assistance will be provided to these institutions.

101. The entire sericulture activities in the State will be restructured and re-oriented as recommended by the Central Silk Board. Silk weaving will be intensified and extended to more areas. Marketing mechanism for "KERAL SILK" fabrics will be streamlined.

102. A Craft Development Training and Marketing Centre at Kochi and Indigenous Craft Development Villages at two strategic locations will be set up. A State award for Handicrafts Master Craftsman will be introduced during 2005-06.

103. A revival fund for the languishing Handicraft industries will be introduced. For this, an amount of **Rs.40** lakh is earmarked.

104. In 2005-06 the Kerala Khadi and Village Industries Board proposes to export readymade apparels such as shirt, churidar, parda etc., to Gulf countries. These items will be produced in the readymade garment units located at Kollam, Alappuzha, Changanasseri and Payyannoor. The Board also proposes to manufacture paper cups and paper bags in the production centres in Thrissur and Payyannoor.

105. This year action will be initiated for development of Khadi Cluster at Payyannoor. I have provided **Rs.25** lakh for meeting the expenditure towards preparation of a Detailed Project Report.

106. The Silver Project at Ettukudukka in Kannur District will be modernized with the objective to produce silver for all the varieties of yarn being used in the production centres.

107. An amount of **Rs.100** lakh is earmarked for meeting the State commitment towards development of a National Institute of Handloom

Technology by availing Central assistance on the lines of the Indian Institute of Handloom Technology, Salem.

INFORMATION TECHNOLOGY

108. After completing the network connecting all the 14 Districts with Thiruvananthapuram, the network will be extended up to the Block and Panchayat levels. This infrastructure will provide the facility for transmitting data, voice and video among key Government Offices/Agencies, educational institutions including Medical Colleges.

109. The Akshaya Scheme implemented very successfully in Malappuram District will be extended to 7 more Districts with the assistance of District Panchayats. I set apart **Rs.100** lakh in my budget for the ICT infrastructure being created in the State Wide Area Network together with citizen access points through the Akshaya centres controlled by the Integrated Government Service Gateway.

INFORMATION & PUBLIC RELATIONS

110. As a permanent arrangement for redressal of public grievances a new programme called "Sutharya Keralam" will be implemented. Under this programme, the Chief Minister will answer the grievance calls of the public through a phone-in programme on "Dooradarsan" once a week for 45 minutes. This programme will be implemented jointly by Information and Public Relations Department.

111. The Malayalam films, documentaries and still photographs which are preserved from 1950s will be digitalized.

IRRIGATION

112. Protection measures for the dams at Kanjirappuzha, Chimmini, Malampuzha, Meenkara, Chulliyar, Vazhani and Periyar Valley will be taken up during 2005-06.

113. Government will construct 52 Kms of new sea wall and take up restoration work on 59 Kms of old sea wall with Central Assistance during 2005-06.

114. Kerala Rural Water Supply and Sanitation Agency is the nodal agency in the State for the rain water harvesting campaign. District

Committees have been set up under the Chairmanship of the respective District Collectors in all the 14 Districts for this scheme. During the year 2005-06 it is proposed to implement the projects in 39 new Panchayats as well.

KUDUMBASREE

115. Kudumbasree has provided regular income earning employment to 27477 women in urban areas and 207279 women in rural areas through micro finances by drawing up and implementing new programmes in the poverty alleviation sector. I consider it appropriate to promote self help projects during the year 2005-06 which is being observed as Micro Finance Year.

116. In the year 2005-06 a massive scheme will be implemented to provide employment to 50000 educated youth through self employment enterprises, besides giving employment to women belonging to poor families.

117. The 'Asraya' scheme which is meant for rehabilitation of the poorest of the poor destitute families was implemented in 117 Panchayats after this overnment came into power. In 2005-06 'Asraya' will be extended to additional 350 Grama Panchayats.

118. Kudumbasree Enterprise Groups have already commenced functioning in 15 Urban Local Bodies to solve the solid waste problem in urban areas. Women employment groups will be started in this sector in all interested urban local bodies during 2005-06. It will be possible to provide employment to at least 10000 persons additionally through this.

119. In order to increase the number of high quality goats, aimed at Kerala's domestic meat market, Kudumbasree and the Animal Husbandry Department will jointly start 350 breeder nurseries and associated goat rearing units. Through this, 20000 more people will get employment with regular income.

120. When there were difficulties (on account of court orders) controlling online lotteries and lotteries of other States which were functioning unlawfully in Kerala and inorder to ensure that they function only lawfully, the Government was constrained to ban all lotteries in the State and declare Kerala as a lottery free State. Government firmly believes that due to this, Kerala has been saved from a social malady. The Government will take all necessary steps to resume the State lottery lawfully. Nevertheless, the

Government has great concern for the poor and the physically handicapped people in the lottery field. Government has prepared a new employment programme for them. Government will make available Rs.10,000 as grant and upto Rs.40,000 as loan from financial institutions to each of them for this. It is expected that 20000 people can be rehabilitated in this way. The physically handicapped and the diseased among them will be given priority. Rs.20 crore is provide for this. Apart from this , the Government will extend all help for setting up self employment facilities like phone booth, coffee vending machine in Government Offices and public places, etc.

121. An innovative scheme called Santhwanam will be implemented under Kudumbasree for creating employment opportunity for educated women in the field of health. The aged and other patients who require periodical check-up of blood pressure and blood sugar can get it done in their own houses by availing the services of trained personnel engaged for this purpose at a reasonable fee. I am providing Rs.100 lakh for this programme.

LABOUR

122. The District Employment Exchanges will be upgraded as Model Employment Exchanges by providing facilities for rendering better services to the job seekers.

123. Government will launch several schemes for the welfare of Labourers especially in the plantation sector. This includes introduction of scholarship to the children of plantation labourers, starting a model housing scheme for plantation labourers with the co-operation of Local Self Governments. etc.

124. The Government I.T.I. at Kasaragode under the Labour & Employment Department will be upgraded as a First Grade I.T.I.

125. The Factories and Boilers Department will conduct a survey on labour health during 2005-06.

126. As a result of the modernization of the automobile industry sector, there area large number of new generation vehicles with advanced technology on the roads in Kerala. The educated young people who come out of the I.T.I.s and Polytechnics after completing technical education do not have enough experience in repairing these new generation vehicles. I have discussed this with the representatives of automobile service centres.

Those interested in this will be given opportunities for familiarizing them in handling of such vehicles and modern equipments. And a scheme will be prepared and implemented to give them training with the help of industrialists in this field in selected automobile service centres. Opportunities will be made available to them to start workshops of their own or to get employment in the modern service centres as soon as they complete the training.

LOCAL SELF GOVERNMENT INSTITUTIONS

LOCAL SELF GOVERNMENTS

127. The untied plan grant-in-aid for Local Self Governments has been enhanced to **Rs.1375 crore**. A significant feature is that for the first time since decentralization began LSGs will be completing preparation of their plans before the financial year begins. This means, that for the first time, they will get full twelve months for implementation of Plan Schemes.

128. The quality of service delivery through the institutions transferred to local governments needs special attention. Therefore over and above the grant-in-aid, I am providing **Rs.40 crore** for improving service delivery in Village Panchayats and **Rs.10 crore** for implementing the service delivery project in Municipalities and Corporations.

129. To complete the institutionalization initiatives taken up during the current year, 23 schemes under Modernising Government Programme are being taken up at a cost of **Rs.38.34 crore**. It is hoped that when the newly elected LSGs assume office in early October, most of the new systems and procedures will be ready for application.

130. Kerala has the unique distinction of implementing both rural and urban anti-poverty programmes through the elected local governments. **Rs.82.16 crore** is being set apart for 7 Centrally Sponsored Anti-poverty Programmes mainly SGRY, SGSY, IAY, IWDP, CRSP-TSC, SJSRY and VAMBAY. It is expected that matching central share of at least **Rs.234 crore** will flow into these schemes.

131. Meeting of administrative cost and maintenance expenditure has been a long-standing problem of local governments. To mitigate this problem, **Rs.255.59 crore** is being set apart as General Purpose Grant which the LSGs can put to any other use and **Rs.401.64 crore** is being set apart as maintenance grant which the local governments can use for the

maintenance of the public assets under their control including those which have been transferred to them.

PANCHAYATS

132. NABARD has assisted 103 Panchayats to set up 108 rural markets under the Rural Infrastructure Development Fund-VII. The work is in different stages of progress. The completion of this project will stimulate the growth of agriculture and allied activities in the rural areas. I expect that an amount of Rs.7.50 crore can be utilized during 2005-06 for this project.

133. The Scheme for computerizing all the Grama Panchayats is being implemented by Information Kerala Mission. The pilot scheme in the selected 5 Panchayats will be completed during this year.

134. The officers of the Panchayat Department need training in order to provide better service to the public. The Kerala Institute of Local Administration in Thrissur is imparting training to the officers and staff of Panchayat Department to achieve this goal. I am providing Rs.231 lakh to KILA as special grant.

URBAN AFFAIRS DEPARTMENT

135. This Government gives top priority for infrastructure development in Urban Local Bodies. A new project called the Kerala Sustainable Urban Development Project (KSUDP), with assistance from the Asian Development Bank, is being designed to provide financial and technical assistance to 5 Municipal Corporations and eligible Municipalities to develop and expand urban infrastructure, implement poverty alleviation measures and to improve governance. An initial provision of Rs.30 crore is set apart for this project in my budget.

LOCAL FUND AUDIT

136. For improving the quality of Local Fund Audit, auditors will be given training on modern techniques with the help of experts in the field.

MODERNISING GOVERNMENT PROGRAMME

137. A major programme that will be implemented during 2005-06 under MGP will be the Service Delivery Project. Recommended as a Fast Track Project under Modernising Government Programme it seeks to improve the

quality of services delivered by the Government to the people of Kerala, particularly the poor. Government assigns top priority to provide high quality services to its citizens in an equitable and fair manner. For the implementation of the Modernising Government Programme during 2005-06 I have provided **Rs.285** crore. Out of this, **Rs.5** crore will be for the improvement of Service Delivery in Government Secretariat.

NORKA

138. A NORKA Centre will be set up at Thiruvananthapuram for providing all kinds of facilities to Non-Resident Keralites at a cost of **Rs.400** lakh. The official and business needs of the Non-Resident Keralites who visit the State will be taken care of by this Centre.

139. The Government accords special consideration to the non resident Malayalees within the country and those who have returned from abroad. For the welfare of the economically weaker sections among these categories in distress, Government intends to introduce a health insurance scheme through NORKA-ROOTS under the Norka Department. In the first phase, 25000 people will be given membership in this scheme. A specific amount will be given as subsidy for this.

PORTS

140. Development of a Deepwater International Container Transshipment Terminal at Vizhinjam is at the stage of receiving bids from the private investors. The BOT agreement is expected to be concluded during 2005-06. Reiterating its commitment and priority to the project Government has already set up a special purpose company to facilitate the effective and timely implementation of the project.

PRINTING

141. The Printing Department will be appointed as the Nodal Agency for implementing the proposed Print Village Scheme. The scheme is intended to provide all infrastructure facilities required for undertaking printing requirements of the State as well as for taking orders even from foreign countries.

PUBLIC WORKS

142. During the current year NABARD has sanctioned 26 bridge works costing **Rs.92.82** crore and 12 road projects costing **Rs.14.15** crore.

During 2005-06 **Rs.350** crore is expected to be availed from NABARD for execution of road and bridge works.

143. The Union Minister for Surface Transport has recently announced a project totaling to **Rs.3053** crore for the four-laning of NH 47 and NH17 in Kerala. Government has set up a fast track system for ensuring speedy acquisition of land for this purpose.

144. The World Bank aided Kerala State Transport Project will be implemented vigorously during 2005-06. An all time high allocation of **Rs.575** crore is made for this project.

145. The Government has already sanctioned nearly **Rs.300** crore for payment of arrears to contractors in respect of works of P.W.D. and Irrigation.

POWER

146. The Government is committed to providing electric connection to all the households in the State by the end of the 10th Five Year Plan. During the year 2005-06 the Kerala State Electricity Board will make available electric connections to 5 lakh households. The Board has prepared specific schemes for electrification of hilly areas, coastal areas and to SC/ST colonies.

147. Government lays great importance for completion of the ongoing hydel projects. An investment of Rs.170.54 crore is proposed for generation projects during the year 2005-06 in addition to the investment of Rs.42 crore for renovation and modernization of Sabarigiri and Neriamangalam projects.

148. KSEB proposes to commission two 220 KV Substations, seven 110 KV Substations, four 66 KV Substations, thirty-two 33 KV substations during 2005-06 in order to improve the voltage profile and reliability of the transmission and distribution networks. Also 50 Km of 220 KV lines, 120 Km of 110 KV lines, 25 Km of 66 KV lines and 400 Km of 33 KV lines are proposed to be commissioned during 2005-06. The proposed outlay for transmission for 2005-06 is Rs.297.53 crore. Distribution works targeted for 2005-06 with a total investment of Rs.393 crore include construction of 2000 Km. of 11 KV lines, 550 Km. of LT lines and installation of 2000 numbers of distribution transformers. Voltage improvement schemes in 26 Municipalities will be executed with the Central Assistance under APDRP Scheme. Special Projects for Thiruvananthapuram at a cost of Rs.163

crore and for Kochi at a cost of Rs.200 crore are also proposed to be implemented under APDRP Scheme.

149. Government has announced policy guidelines for development of wind energy farm through private participation. It is proposed to exploit the wind energy potential of Ramakkalmedu in Idukki District during this period. ANERT proposes to install biomass gasifiers in unelectrified colonies of the State.

150. The Energy Management Centre (EMC) will take up 3 Model Micro Hydel Project to give electricity to remote off-grid areas. In order to exploit small hydel potential available in the State, EMC will prepare detailed investigation reports for 30 projects intended for private participation. EMC will also initiate energy efficiency studies and implementation of pollution free production technologies in rubber, tea, brick and tile industries.

REVENUE

151. There are 15745 applications for Pattas under Kerala Land Assignment Rules 1964 and 1995. The Pattas will be issued to all the eligible applicants during 2005-06. Out of 7731 applications for the assignment of forestland in Idukki, Kollam, Pathanamthitta, Ernakulam and Thrissur Districts pattas will be issued to all the eligible applicants after obtaining necessary clearances from the concerned authorities.

152. The work of identifying land for distribution to the landless tribals is expected to be completed during 2005-06.

REGISTRATION

153. For the completion of computerization of Registration Department, I set apart Rs.400 lakh in my budget. Besides, Rs.7.50 crore is included under MGP for improvement of service delivery in the Registration Department.

154. Out of 308 Sub Registrar Offices in the State, 178 are housed in Government buildings and 130 offices in rented buildings. Administrative Sanction has already been accorded for construction of 17 office buildings and they are at different stages of construction. Construction of 10 more buildings will be taken up during 2005-06. I have provided Rs.105 lakh in my budget for the construction of office buildings.

SCIENCE & TECHNOLOGY

155. Kerala State Council for Science, Technology & Environment co-ordinates science and technology activities in the State carried out by various Research & Development Institutions in the State and provides leadership and momentum to such activities. An amount of **Rs.30.5** crore has been set apart in the budget for the various activities of the Research & Development Institutions under the Council apart from **Rs.7.07** crore earmarked for schemes and programmes undertaken by the Council.

156. Considering the importance of Bio Technology an amount of **Rs.100** lakh has been set apart towards expenses for the functioning of the Kerala State Bio Technology Board and Kerala State Bio Technology Commission.

SCHEDULED CASTES AND SCHEDULED TRIBES DEVELOPMENT

157. The Scheduled Tribe Development Department has undertaken a watershed based development study of tribal hamlets in 5 Southern Districts through the CESS. As part of the study a development project in one hamlet in each of the five Districts was started in August 2003 as a pilot project. The Scheme will be extended to all hamlets where sufficient land is available in a phased manner. In the first phase, 45 settlements will be taken up for implementation of the scheme within a period of two years at an estimated cost of **Rs.225** lakh.

158. The Scheduled Castes Development Department has evolved certain schemes for the educational, economic and social upliftment of Scheduled Castes. Targeting the poorest of the poor Scheduled Caste women, micro enterprises will be set up to give a lift from their current pathetic condition to a self sustainable level through a mass movement with the assistance of Scheduled Caste Promoters for introducing self help groups to start micro enterprises with the technical support of Kudumbasree.

SOCIAL WELFARE

159. The facilities available for the education of physically and mentally challenged children, especially those belonging to financially weak families, are inadequate at present. Government intends to promote starting of special schools in the private sector in Panchayat areas under the initiative of Grama Panchayats. 40 Panchayats which come forward to

implement the scheme will be given **Rs.5** each lakh by the Government. I am providing **Rs.200** lakh during 2005-06 for this purpose.

160. Geriatric care is an area which requires immediate attention of the Government. A suitable scheme will be drawn up and implemented for the welfare of the aged. Special training will be given for geriatric care as part of the courses on nursing and physiotherapy. Geriatric wards will be set up in selected Medical Colleges, District and Taluk hospitals and Ayurveda hospitals for the health care of the aged.

161. Old Age Homes will be started with private participation at Panchayat levels under the private sector for rehabilitating the old people who remain isolated in their houses. Forty panchayats which undertake to implement this scheme will be given a one time grant of **Rs.5** lakh or 25% of the expenses whichever is less. I am providing **Rs.200** lakh for this.

162. A process of sharing the knowledge and expertise of the senior citizens with the youth and children will be started in all Districts under a new scheme called 'caring and sharing'.

163. The social welfare pensions granted by Government are special pension for mentally and physically challenged, destitute pension, old age pension, pension for agriculture labourers and pension to unmarried women above 50 years of age who are not in receipt of any other social welfare pension. The fund required for payment of pension for agricultural labourers till 31-03-2003 and for all other pensioners till 31-03-2005 have already been sanctioned in 2004-05 itself. The balance amount required will be provided in 2005-06.

SPORTS & YOUTH AFFAIRS

164. Shooting is one of the Olympic events which have been placed in priority list by Government of India. If shooting ranges are started in different parts of the State, it will enable the State to gain laurels at national and international level. For the establishment of the shooting range and for procurement of training equipments during 2005-06, I set apart **Rs.50** lakh.

165. There are 5 Sports training centres in Kerala which are run by Sports Authority of India. As per agreement between the State and the Sports Authority of India the infrastructure such as buildings etc. and the maintenance thereon vests with the State Government. I am providing **Rs.50** lakh for the development of these training centres.

166. A swimming pool is proposed to be constructed in Ernakulam District during 2005-06 for which I set apart Rs.25 lakh. A provision of Rs.50 lakh is earmarked for renovation of Jimmy George Indoor Stadium during this year. I am also providing Rs.25 lakh for the construction of the 2nd stage of the indoor stadium at Nattika.

167. I set apart Rs.200 lakh for procuring an aircraft for the Aviation Training Centre at Thiruvananthapuram.

168. A sports school will be started at Wandoor in Malappuram District for promoting sports activities.

TRANSPORT

169. The increase in the volume of road traffic in recent years has caused increase in road accidents resulting in loss of life and property. A scheme will be launched for giving publicity for creating awareness among all types of road users through the media and for educating school children on road safety aspects.

170. KSRTC will put on road 600 new buses during 2005-06. In addition to this 25 air-conditioned express buses will also be introduced for long distance routes. Other developmental activities planned for 2005-06 include modernization of the workshop, introduction of e-governance stage by stage, introduction of electronic tickets in all schedules, etc.

171. Water Transport Department will purchase 6 new boats during 2005-06. A passenger lounge will be constructed at Vaikom station.

TOURISM

172. Kerala Government has recognized tourism as one of the important sectors for the development of the State. Kerala is one of the States which set apart the maximum plan allocation for Tourism development. During 2005-06 focus will be on completing all the ongoing projects. Water sports and adventure tourism will be given priority.

173. Focus will be given for the comprehensive development of at least one tourist centre in every District to attract more tourists. Rural tourism will be extended throughout the State in line with the Kumbalangi Tourist Village and Coir Village in Alappuzha. Pilgrim circuits will be developed connecting pilgrim centres.

174. Kerala Tourism will extend marketing efforts to South East Asian Countries and United States. Tourism Department and DTTCs equipped to take care of the technological and professional advancements in the field of tourism.

175. Steps will be taken to get approval of the University and the AICTE for all the courses conducted by KITTS. New courses for human resource development in the field of Tourism, courses for promoting culinary tradition of India will also be started under KITTS.

PART - B

176. I shall now come to the proposals regarding taxation. As I mentioned earlier, we are now on the threshold of a major reformation of the system of taxation. With the introduction of VAT, taxation of sale of goods is said to undergo a sea-change. Determination of tax liability will be mainly through self-assessment by assesseees, the number of tax rates will be reduced to five, the numerous concessions and exemptions will be withdrawn and the system of tax will be as transparent as possible. Adoption of VAT has been found to be highly beneficial to assesseees as well as Governments in about 130 countries. In our State with its high levels of consumption, we can expect similar results.

177. The VAT Bill was passed by this august House in February 2003. Though the implementation of VAT was postponed shortly thereafter, State Governments and Government of India have been continuously interacting on various features of the new system to reach a consensus on as many issues as possible. Based on these discussions, the Empowered Committee of State Finance Ministers has decided on a number of changes in the structure of VAT for which we now have to make provisions in our legislation. I propose to make certain amendments in the VAT Act for this purpose.

178(i) One of the most important decisions mentioned above is regarding self-assessment. State Governments are unanimously of the view that there must be an explicit provision in the VAT legislation to enjoin that assessment of tax liability will be mainly through self-assessment made by assesseees. This will make it clear beyond doubt that the present practice of departmental assessment will no longer be there, except in cases where irregularities or tax evasion are detected.

- (ii) When the new system is introduced the rate of tax on raw materials used for manufacture will come down to 4%. The consequent reduction in the cost of production will be very beneficial for the development of the industrial sector.
- (iii) With the introduction of VAT, the tax exemption given to industrial units will be discontinued. But it has been decided that in the interest of promoting investment and employment generation, industrial units that have exemption at present should be allowed that benefit till its expiry, without breaking the VAT chain. I propose to include a provision in the VAT Act to allow such units to collect tax and defer its payment till the period of exemption is over; thereafter, the deferred tax will be paid in equal monthly instalments over a period of five years.
- (iii a) It has been decided at the national level to allow input tax credit and set off for capital goods used not only by manufacturers but also by traders. Such input tax credit will be set off over a period of three years in equal monthly instalments against the output tax of the assessee. The provisions regarding definition of capital goods and input tax credit and set off will be amended for this purpose.
- (iv) There are many items that are now exempted from sales tax due to various reasons of local importance in different States. The Empowered Committee has decided that States may be allowed to exempt ten such items in their VAT legislation out of a given list of 46 items. I propose to include the following items which have special significance for Kerala in this category:
- 1) Pulppaya
 - 2) Thazhappaya
 - 3) Products notified by the Khadi and Village Industries Commission.
 - 4) Green or soaked husk coconut fibre, coir and coir products other than rubberized.
 - 5) Printed forms of Court and PSC application forms
 - 6) Rice issued from Central /State Government depots for sale by authorised ration dealers.
- (v) In tune with the decisions of the Empowered Committee, I propose to amend the penal provisions in the VAT Act so as to

ensure that they are not more stringent than the provisions in the KGST Act.

- (vi) In accordance with internationally accepted practices, all States have been exempting exporters from Sales Tax. As exemptions will be withdrawn when VAT is introduced, tax paid by exporters on their inputs will be refunded within a maximum period of three months, for which a provision will be included in the VAT Act. This will be applicable to 100% export-oriented units, units in the Special Economic Zones, software technology parks, hardware technology parks and other similar schemes. The same provisions will apply to foreign diplomatic missions.
- (vii) It is important to ensure that trade and industry are allowed input tax credit and set off for the closing stock available with them at the time of introduction of VAT. A provision will be included in the VAT Act to allow these benefits for goods procured during the financial year 2004-05.
- (viii) If input tax credit claimed during a particular financial year remains to be adjusted at the end of the year, assesseees will be allowed to carry it forward and claim set off by the end of the succeeding financial year. If there is any unadjusted balance even after that period, such input tax credit will be refunded.
- (ix) In view of the serious problems faced by the tea industry, the rate of tax on tea will be retained at 4%.
- (x) The rate of tax on rice and wheat, which are staple food items, will be retained at 1%.
- (xi) States have given compounding facilities to certain segments of trade in cases where normal assessment of tax liability would be cumbersome and rather impractical. In Kerala we have been allowing such a facility for works contracts, metal crushing, cooked food, jewellery, video cassette libraries and lotteries. The consensus at the national level is that in view of the wide divergence in local conditions in different States it may not be practical to insist on a uniform rate of tax or an upper limit of turnover in such cases of composition. I therefore propose to include provisions in the VAT Act to continue the composition scheme as it exists in the KGST Act. This will not be applicable

to importers and those dealers who are first sellers within the State. The compounding scheme for jewellery will be withdrawn, as the rate of tax has been reduced to 1%. The compounding provision for lotteries will be discontinued, as they have recently been banned in Kerala.

- (xii) It is an important principle of VAT that export of tax should be eliminated. Full input tax credit will therefore be allowed for interstate sales. For stock transfers input tax credit will be provided for local taxes paid in excess of 4%. For this, section 12 of the VAT Act will be amended.
- (xiii) In order to ensure uniformity and transparency, the Empowered Committee of State Finance Ministers has decided that the schedules in the VAT Act will be standardized. The schedules under the VAT Act will be recast aligning the commodity classification with the internationally accepted Harmonized System of Nomenclature, to facilitate sharing of data with other States and the Government of India. It has also been decided that there need not be a separate schedule for goods coming under the 12.5% category; exempted goods, goods taxable at 1% and 4% and goods outside VAT will be specifically listed out, and all other goods will be taxable at the rate of 12.5%. This change will help to make the new system simple and transparent and also eliminate ambiguity and disputes.
- (xiv) At the time when the VAT Act was passed by this august House, all petroleum products had been placed outside VAT, in accordance with the consensus at the national level. The Empowered Committee of State Finance Ministers has since decided to place only petrol, diesel and aviation turbine fuel outside VAT, as many other petroleum products are used for further processing or manufacture. The fourth schedule of the VAT Act will be amended to incorporate these changes.
- (xv) The VAT Act passed by this august House contains a provision for repealing the KGST Act. As certain high revenue yielding commodities will continue to be taxed at the rates prescribed in the KGST Act and the State will continue to need a system for tax assessment and collection, I now propose that the KGST Act may continue as such to this limited extent. The consequent

amendments required in the K.G.S.T. Act and Rules will also be made.

- (xvi) Government have received several representations that the rate of interest for delayed payment of tax, which is now 24%, is excessive. I propose to reduce the rate to 12%, adopting the rate of interest under the Income Tax Act as the benchmark. A similar change will be made in the KGST Act and the Kerala Tax on Luxuries Act also.
- (xvii) The use of modern technology is indispensable for improving the efficiency of tax administration. When VAT is introduced, regular cross-verification of returns and documents filed by dealers will become crucial. I therefore propose to include a provision in the VAT Rules to the effect that all dealers claiming input tax credit and set off shall file returns and other documents electronically. A provision will also be included for issuing electronic identity cards to registered dealers.
- (xviii) Sections 16 and 19 of the VAT Act will be amended in such a way that the fees for renewal of registration, for taking salesman permit, for getting permission for exhibition, exchange mela etc. will be the same as that applicable at present under the KGST Act.
- (xix) The Empowered Committee of State Finance Ministers has decided to set up an information exchange system between the States to facilitate transparency and improvement of tax compliance. The Empowered Committee also intends to establish a similar system of exchange of information with the revenue earning departments of the Government of India. An enabling provision will be included in the VAT Act for this purpose.
- (xx) Regular periodical audit of the records and accounts of assesseees is an important feature of VAT, not only for improving tax compliance, but also for giving proper advice to assesseees and to enable them to rectify defects. I propose to include a provision in section 23 of the VAT Act to empower the Government to notify the procedures for audit from time to time.

- (xxi) But for small traders, who account for about 60 per cent of all registered dealers, a differential treatment is required, as the sales will be to consumers and no input tax credit can be claimed. It has been decided that for such dealers who have an annual turnover of Rs.5 lakh to Rs.50 lakh, they need pay tax only at the rate of one per cent of the turnover.
- (xxii) Anxiety has been expressed by many that introduction of VAT will be detrimental to small traders. To remove such anxieties, and in order to ensure that small traders do not have any operational difficulties, I propose to introduce the following measures.
- (a) Registration requirements will be simplified, and VAT registration will be given across the table, to dealers paying @ 1% of the turnover if acceptable proof of identity and proof of address of the place of business are furnished.
 - (b) No security deposit will be required for dealers in the above category who take new registration.
 - (c) Such dealers will not have to produce accounts for verification. They will be subject to inspection or verification of accounts only if tax evasion or material irregularities are detected.
 - (d) Small traders will be required to file returns only once a quarter, and pay the tax due on the turnover declared.
- (xxiv) During the first quarter of the coming financial year I propose to launch a special drive for registration of dealers under VAT. Dealers who have a valid registration as on 31-03-2005 will be given registration under the VAT Act without any further conditions or additional security. Dealers will be allowed to use the current registration numbers till 30.6.2005.
179. Some amendments are necessary in the KGST Act also, mainly for protecting revenue and for removing ambiguities.
1. In the Finance bill 2004 some commodities had been included in the 5th schedule of the Act for mobilizing additional revenue. This was later dispensed with, in view of the introduction of VAT. But

some dealers had collected tax under the double point system, and to enable completion of assessments in such cases a new sub section (i)(a) will be added in section 5 of the Act.

2. A provision will be included in the act to provide for rectification of errors apparent on the face of the record in cases where clarifications are issued under Section 59A..

3. Several disputes have been raised regarding the liability of Government Departments to pay sales tax on goods sold by them. I propose to amend Section 22 of the KGST Act for removal of doubts in this regard.

4. The definition of civil work in Section 7 of the Act will amended to include "supply and laying of pipes".

5. Section 32 of the Act will be amended to include courier agencies also among transporting agencies so as to enable the department to obtain data on movement of goods on a regular basis.

6. It has come to the notice into the Government that a lot of clandestine transport of goods is taking place, making use of certain loopholes in Section 30B (4) and 30(E) of the Act. The sections will be suitably amended to prevent such tax evasion, and the amendment will be effective from the dates on which the sections came into force.

7. Sales tax dues in several cases have come under attachment by civil courts on applications moved by parties to whom amounts are due from other Government Departments. As this affects mobilisation of revenue adversely, I propose to amend section 49 of the Act to bar such attachments. A similar provision will be included in the VAT Act also.

8. Section 17 of the Act will be amended to provide one more year's time to complete time-bar assessments pending as on 31-3-2005 including cases where assessments have to be revised in accordance with the orders of appellate or revisional authorities.

180. Some amendments have been found necessary in the Kerala Tax on Entry of Goods into Local Areas Act. The consensus at the national level is that entry tax may continue to be levied after introduction of VAT, and that dealers should be allowed to set off the entry tax paid against their VAT liability, for which amendments will be made in section 4. A similar provision will be included in the VAT Act also. Government had earlier granted certain exemptions from entry tax for public sector companies and manufacturers, which could not be effected for want of a provision in the Act to give retrospective effect. Suitable amendments will be made in section 12 for this purpose. Government have received a number of representations from dealers to allow payment of entry tax to the respective assessing authority instead of at the point of entry into the State, for removing operational difficulties. An amendment will be made in the Rules to provide for advance payment of tax in such cases. Section 15 of the Act will be amended to provide for levy of interest @ 12% in cases of delayed payment. In order to prevent evasion of tax on bodies of vehicles built outside the State, section 18 will be amended to provide for the issue of a tax clearance certificate as a pre-requisite for registration of motor vehicles. The time for disposal of appeals and revisions pending as on 31-12-2004 will be extended by one year, for which section 14 will be amended. The following commodities will be added to the Schedule of the Act.

- (a) Scientific and lab equipments
- (b) Electronic goods
- (c) Machineries
- (d) Fireworks including coloured matches
- (e) Glass
- (f) Motor vehicles spare parts.
- (g) Linoleum and flexible flooring materials

181. White Cement will also be included in entry "Cement" in the schedule of the Act. The entry "Caddappa Stone" will include Kotta Stone, other similar stones and slabs.

182. The main objective of levying Luxury Tax is to discourage extravagance and avoidable expenditure. It is a well known fact that a lot of ostentation accompanies marriages, receptions and other similar functions and that as a result many families get into debt traps. As a disincentive for such expenditure, I propose to levy a luxury tax of 10 per cent on the rent received by hotels, clubs, auditoria, kalyana mandapam and other similar places and the payment received for other services provided. In respect of rent the tax will be levied on rent in excess of

Rs.3,000/- per day. Halls located within the premises of places of religious worship will be excluded from the levy. The definition of luxury in section. 2 of the Kerala Tax on Luxuries Act will be amended to bring the services provided in such venues within its purview. Sec 4 (b) of the Act will be amended to provide for registration of such venues under the Act. Additional revenue of Rs.10 crore is expected. The rate of tax on house boats will be increased to 10 per cent, as a result of which additional revenue of Rs.2 crore is expected. Sections 2 and 7 of the Act will be amended to provide for a second appeal on assessments made under the Act, to the Sales Tax Appellate Tribunal.

183. The registration fees and compounding fees prescribed under the Kerala Tax on Luxuries Act were fixed several years ago and some revision is required, taking into account the growth of the tourism sector and the consequent increase in income. I propose to amend section 4B of the Act as follows, to revise the registration fees.

- | | | | |
|-----|--|---|--|
| (a) | Star hotels | : | Six thousand two hundred and fifty rupees. |
| (b) | <u>Hotels other than star hotels</u> | | |
| | (i) within the local area of a
Municipal Corporation | : | one thousand two hundred and fifty rupees |
| | ii) within local area of a
Municipal Council or township,
by whatever named called | : | One thousand rupees |
| | (iii) within the local area of a
Panchayat | : | Seven hundred and fifty rupees |

184. For a revising the rates of compounded tax for Hotels, I propose to amend section 5A of the Act as follows :

- | | | | |
|-----|--|---|---|
| (a) | Within the local area of a Municipal Corporation | | |
| | (i) per air conditioned room | : | One thousand eight hundred and seventy five rupees. |
| | (ii) per other room | : | One thousand two hundred and fifty rupees |

- b. Within the local area of a Municipal Council or Township by whatever name called:
- (i) per air conditioned room : one thousand eight hundred and seventy five rupees.
 - (ii) per other room : one thousand rupees
- c. Within the local area of Panchayat or other areas
- (i) per air conditioned room : one thousand rupees
 - (ii) per other room : seven hundred and fifty rupees

185. Sometime ago, the Income Tax Rules were amended to make liable to income tax, 35 per cent of income from rubber and 40 per cent of income from coffee plantations. Till then the entire income was being assessed under the Agricultural Income Tax Act. As double taxation of income is not in accordance with constitutional principles, I propose to amend the Kerala Agricultural Income Tax Act to provide that only that part of the Agricultural Income Tax which is not liable to Income Tax will be subject to agricultural income tax. A revenue loss of Rs.2 crore is expected on account of this amendment. I would like to make it clear that the proposed amendment will not change any of the other features of the statute, especially the compounding provisions. Taking into consideration various representations received that the rate of tax on Agricultural income needs to be rationalized, I propose to modify the rates of tax as follows:

1. In the case of persons other than a company or co-operative societies:
 - a. Where the total Agricultural income does not exceed Rs.40,000/- Nil
 - b. Where the total Agricultural income exceeds Rs.40,000 but does not exceed Rs.60,000 10% of the amount by which the income exceeds Rs.40,000
 - c. Where the total Agricultural Income exceeds Rs.60000 but does not exceeds Rs.1 lakh Rs.2000 plus 20% of the amount by which the total agricultural income exceeds Rs. 60000/-
 - d. Where the total Agricultural income exceeds Rs. 1 lakh Rs. 10000 plus 30% of the amount by which the total agricultural income exceeds Rs.1 lakh.

2. In the case of a firm, 35% of the Total Agricultural Income.
3. In the case of a domestic company or a cooperative society.
 - a. Where the total Agricultural income does not exceed Rs. 25000. -- 35% of the total Agricultural Income.
 - b. Where the total agricultural income exceed Rs.25000 but does not exceed Rs.1 lakh. -- 40 % of the total agricultural income
 - c. Where the total agricultural income exceeds Rs.1 lakh but does not Rs.3 lakh. -- 45% of the total Agricultural Income.
 - d. Where the total agricultural income exceeds Rs.3 lakh. -- 50% of the total agricultural income.
4. In the case of the foreign company -- 80% of the total agricultural income.

186. Sec 37 (4) of the Act will be amended to reduce the rate of interest for delayed payment to 12 per cent, in tune with the similar reduction in the KGST Act. Sec 91 will be amended to provide that in cases of delayed payment, the payments made will first be appropriated towards interest.

187. In the amendment made to the Kerala Stamp Act in December 2003, the rate of Stamp duty had been reduced from 8.5% to 4% and the rate of surcharge from 5% to 2%. This was on the expectation that the fare value for land will be fixed by the Government through a notification and that levy of duty and surcharge can thereby be rationalized. Although a fare value notification was issued, it was later kept in abeyance. The delay in issuing a revised notification is causing substantial loss of revenue to the Government. In order to eliminate this, I propose to amend the Kerala Stamp Act to restore the rates of stamp duty and surcharge to those prevailing before December 2003.

PART - C

188. My predecessor while presenting the budget in this House had indicated that the revenue deficit for the year would be Rs.4707.13 crore and the Cumulative Deficit would be Rs.751.34 crore. Accounts so far available indicate that during the current year there will be a slight fall in

the Revenue Expenditure than what is anticipated. It is expected that the favourable trends in tax collection will help to marginally improve revenue income of the State. As a result, it is estimated that the Revenue Deficit and Cumulative Deficit will come down to Rs.4565.31 crore and Rs.837.90 crore respectively. I hope that during this year the revenue income will be Rs.14310.35 crore in the Revised Estimates. I also expect that the efforts of the State Government to reduce the pressure of Public Account in the State Finances will yield good results. The consolidated position of the Revised Estimates for the current year is summarized as follows:

Item	<u>Rupees in Crore</u>
	R.E.2004-05
Revenue Receipt	14310.35
Revenue Expenditure	18875.66
Revenue Deficit	(-)4565.31
Capital Expenditure	619.76
Loans & Advances (Net)	(-)114.00
Public Debt (Net)	4280.80
Public Account (Net)	744.05
Overall Deficit	(-)274.22
Carry over Deficit	(-)563.68
Cumulative Deficit	(-)837.90

189. Efforts to improve the revenue collection will be vigorously pursued in the coming year also. The VAT regime which will come into effect on 01.04.2005 gives optimism that the tax assessment and remittance will become transparent and simple. The restructuring of the rates of conveyance of land transactions will accelerate the revenue from that sector. Government will seriously continue its efforts to control the growth in revenue expenditure.

190. In the coming year also, Government will take effective steps to contain the pressure of Public Account in State Finance. After considering the expenditure proposals and Additional Resource Mobilisation measures included in this speech the Cumulative Deficit during 2005-06 will be Rs.997.18 crore. The summary of the Budget Estimates for the financial year 2005-06 is given below:

Item	<u>Rupees in Crore</u> B.E.2005-06
Revenue Receipts	16623.97
Revenue Expenditure	20696.24
Revenue Deficit	(-)4072.27
Capital Expenditure	590.19
Loans & Advances (Net)	(-)508.92
Public Debt (Net)	4744.48
Public Account (Net)	321.56
Overall Deficit	(-)105.34
Carry over Deficit	(-)837.90
Additional Expenditure now announced	63.94
Additional Resource Mobilisation (ARM)	10.00
Overall Deficit	(-)997.18

191. There is no doubt that the ongoing fiscal reforms will prove beneficial to the State's economy. I firmly believe that the fiscal discipline and sustainability achieved through this will help to make up the deficiencies in the resources expressed as cumulative deficit.

Sir,

192. I have completed my main task. I believe this first venture of mine has certain special features. A budget is a success if the receipts and expenditure are estimated in its reality. This budgeting exercise of mine has become easier since more funds have been provided in the previous and current year for clearing the arrears of different items accumulated over a number of years. The arrears on the important remaining items are being wiped off through this budget.

193. The success of the 2005-06 budget also rests on its ability to cope with unexpected developments. The uncertainty over the introduction of VAT, not knowing anything about the award of the 12th Finance Commission, the likely fluctuations in interest rates are all very important factors which, I firmly believe this budget will be able to withstand.

194. Eventhough we have to control expenditure through fiscal reforms, I firmly believe through this budget the large number of poor and destitute among us also can be brought to the main stream of development of our State and of our country. If additional expenditure has been provided

anywhere, it is for the development of infrastructure or the welfare of the weaker sections.

195. The main humanitarian problem faced by Kerala today is unemployment. The most essential requirement for equitable economic growth is employment generation. We are successful in our efforts if we are able to equip our educated youth for self-employment. I have sincerely attempted to enhance its possibilities through this budget.

196. The future development of our little Kerala can be ensured only if we move forward unitedly forgetting our differences. We have come a long way, but we have to travel a lot more. As in the life of human beings, a nation's progress too has its ups and downs. The success depends upon how we negotiate these hurdles. I hope that this humble effort of mine is a little step in the road for progress of Kerala.

I submit for the approval of this august House, the budget of 2005-06.

JAI HIND