



**ADDRESS  
TO  
THE LEGISLATIVE ASSEMBLY  
KERALA**

**16<sup>TH</sup> JUNE, 2006**

**BY**

**SHRI R. L. BHATIA**  
**GOVERNOR OF KERALA**

*Hon'ble Speaker, Hon'ble Members,*

1. I have immense pleasure in warmly welcoming and greeting the members of the 12<sup>th</sup> Legislative Assembly to its first session. The new Government has just assumed office and I congratulate the members of the Government and place on record my best wishes to them. I am confident that you have the capacity and commitment for the development of this beautiful State, which is uniquely poised for growth in spite of the present problems and challenges.
2. The people of Kerala have given a very clear and unambiguous mandate to the Left Democratic Front (LDF) with much hope and expectation. It has been a verdict against the globalisation policies, rampant corruption, deterioration of law and order, atrocities against women, caste and communal based sectarian strife that made the life of the people miserable during the last five years. Under UDF rule, sectors such as agriculture, traditional industries and fisheries on which the majority of people depend for livelihood have been stagnating and even deteriorating as revealed tragically by the farmers' suicides. I pay homage to the memory of these victims of the mindless globalisation policies. People have elected their new

representatives to this August House with a desire and conviction that the above trends will be reversed and that there will be all round development.

3. My Government is committed to strengthen the foundations on which the unique and globally acclaimed achievements of the Kerala model of development are built. The Government is also determined to address and remove the weak links in the Kerala experience of development. As you are aware the neo-liberal turn in government policies, both at the centre, and at the level of the State Government, has done a lot of damage to the welfare state apparatus nurtured carefully over many decades by our predecessors. In fact, it is such deviations from the welfare-oriented path of development that prompted the people of the state to vote for a change in government. My Government, therefore, is determined to correct the deviations of the recent past and put back the state on its path of all round progress and prosperity that would augment the welfare of even the least privileged.

4. I do not have any doubt in my mind that you all are aware of this responsibility and will live up to the expectations of the people of the State. However, we are severely constrained by the acute fiscal crisis that the new government has inherited. The UDF government that

assumed office declaring a fiscal adjustment programme to resolve the fiscal crisis and reduce the debt burden has vacated office with the budget currently under the consideration of the legislature, showing a yawning resource gap and a near doubling of debt burden. The revised revenue and fiscal deficits of the state government as per the 2006-07 budget proposal of the UDF government, taking into account the uncovered committed revenue expenditure, would be the highest ever in the history of the State. The Rs. 6450 crore proposed as Annual Plan is facing an unparalleled resource crunch both from the receipt as well as non-plan expenditure sides. On the expenditure side, it is nearly Rs. 2000 crore of committed expenditure including payments due to salary revision, the much publicised three rupee rice scheme, arrears of welfare pension and dues to the contractors for works done. The last item alone is estimated to be around Rs. 1200 crore. On the receipt side, the main threat is from Union Finance Ministry that has communicated to the Kerala government its intention to reduce the State's borrow-ceiling by Rs. 2500 crore, because of the heavy debt burden of the State. Kerala has been declared as a Debt Stressed State. The total debt of the State has increased from Rs. 23,919 crore in 2000-01 to Rs. 45,637 crore in 2005-06. The ratio of debt to State Domestic Product, which is a true measure of debt burden, has risen from 34% in 2000-01 to 41% in 2005-

06. If additional resources are not found for the uncovered committed non-plan expenditure and the borrow limit restored, the State, faces a situation of virtual plan holiday with development expenditure coming to a stop.

5. There is however a more basic issue here which we have to recognise and that has to do with the recent evolution of Centre-State relations in our country. The trend can be illustrated with reference to the agrarian crisis of Kerala. The immediate factors underlying the crisis have been largely outside control of the Kerala state itself and are a fall-out of the neo-liberal measures which were thrust on the state without any consultations whatsoever. They include the removal of the protection of farmers from the vicissitudes of the world market, and the rise in a range of costs for the farmers, including the cost of credit, owing to the elimination of Central subsidies and the abandonment of development banking which was introduced through Bank nationalisation in 1969.

6. This is a new and disturbing trend in our economy and polity, whereby the federal system envisaged in our Constitution is being converted into a virtually unitary one. This tendency shows itself not just through the fact of states being at the receiving end of policies in whose making they have had no say, but even directly through an encroachment

on the financial powers of the State Governments. At the moment for instance, State Governments hardly have much leeway in raising tax revenue, since their main revenue source, the sales tax, has been replaced by VAT with rates fixed for them; additionally, states' borrowing limits too have been fixed by the Centre. The role of the National Development Council in our nation's economic life has been reduced and successive Finance Commissions have not been even-handed in their dealings with the Centre and the states.

7. Even more disturbing at present is the evolving policy regime on food management in the country. States like Kerala, which produced cash crops, could do so in the confident belief that there was a public distribution system that would take care of their food needs. This public distribution system in turn was fed through the procurement operations of the Food Corporation of India. This entire system is now being progressively wound up. The allocations for states like Kerala under the PDS are being cut. Food prices through the PDS are also reportedly being jacked up. States like Kerala would be hit extremely hard by any whittling down of the Public Distribution System. Food policy and the food management system of the country is too important an issue to be left to the discretion of the Central Government alone. It must be decided for

the nation as a whole by the only body where the states are represented together with the Centre, namely the National Development Council.

8. In the days and months to come our Government will make serious efforts to unite with other state governments to rectify some of the imbalances that have crept into Centre-State relations in recent years.
  
9. My Government is committed to the growth of this State with equity, where the needs of the disadvantaged sections of society including the physically and mentally challenged will be accorded the highest priority. My Government responding to the unequivocal verdict of the people with a sense of responsibility and humility, will strive to remove the stumbling blocks that have hampered Kerala's development and unleash a process which is positive, people oriented and geared to bring about perceptible improvement in the socio-economic conditions, enhancing the quality of life of the people and fulfilling the dreams of Keralites. I am sure under the able and collective leadership of this Government, the real but untapped potential of Kerala will be fully realized and this will go down in history as one of the brightest phases in the development of Kerala.

10. My Government attaches the highest importance to a corruption free government upholding transparency and integrity in public life. I am happy to assure you that the affairs of the Government will be conducted in a manner, which is transparent, and decisions taken in a manner that is free, fair and equitable. It will be my Government's resolve to weed out the menace of corruption from public life. Most stringent action will be taken to book corruption in all its forms and manifestations. My Government will extend full cooperation for the implementation of the Right to Information Act so as to ensure accountability and remove arbitrariness.

11. My Government is committed to accelerating the economic growth so that we can make a dent into the problem of educated unemployment in the state. In order to accelerate the economic growth, there must be a major step up in investment, improvement in efficiency of resource use, and greater focus on sectors that have the potential for faster growth. Knowledge industries such as IT and Biotechnology and service industries such as tourism have been identified as new growth sectors. This is a re-orientation that was initiated by the previous LDF government. We are committed to setting up the necessary infrastructure and developing the human resource and

creating an investor friendly climate in order to ensure that the state rapidly advances towards the new horizons of growth.

12. But, unlike the UDF, we will not neglect agriculture, traditional industries and fisheries upon which the majority of our people depend for their livelihood. Programmes will be drawn up to revive these sectors and strengthen them to withstand the onslaught of globalisation and to enhance the well being of the work force. We are also committed to strengthening the public infrastructure in education, health and welfare and to improve the quality of services. Special attention will be paid to those social groups that have been left out of the mainstream development process like adivasis and dalits fisher folk. It must also be ensured that development process strengthens gender equality.

13. Democratic Decentralisation will play a central role in increasing the productivity of agriculture and other small scale sectors, in improving the quality of public services, in eradicating poverty and in improving the quality of public administration through involvement of the people in decision making and implementation of development plans.

14. It was this understanding which informed the People's Plan Campaign during 1997-2001. The success of People's Plan

Campaign had taken Kerala to the forefront of the decentralisation process in the country. However, during the last five years many of the initiatives such as district plans, micro watershed programme, linking of Neighbourhood Groups to Grama Sabhas and so on were shelved, rights of the Local Self Governments encroached upon, popular participation not encouraged and the planning process became routine and even got trivialized.

15. Let me solemnly affirm the commitment of my Government in revitalizing decentralization. Already the first steps have been taken to translate this commitment into reality. The Rural Development and Local Self Government Departments have been integrated and as the next step the process will percolate downwards to various institutions and agencies up to the cutting edge level so that a seamlessly integrated professional support system emerges for the Panchayats of Kerala. In the last decade local governments have performed creditably in providing minimum needs infrastructure and in reaching out to the poor and reducing their poverty mainly through the Kudumbashree programme. As the next step, my Government intends to concentrate on three important areas – namely local economic development, human resource development and responsive administration.

16. For local economic development it is necessary to rejuvenate traditional agriculture. For this, the focus would be on integrated watershed management. Government would implement the centrally supported National Rural Employment Guarantee scheme sanctioned in the backward districts of Palakkad and Wayanad to improve the agricultural situation in these two districts even while providing much needed employment to the poor agricultural labourers especially the Scheduled Castes and Scheduled Tribes. It would be our earnest attempt to showcase the scheme as a national model. To complement development of agriculture, it is proposed to develop rural business hubs to reap the advantages of clustering and to improve marketing. In this respect the quality upgradation and improved marketing of Kudumbashree products would be a priority item.

17. As local governments are the owners and managers of all public institutions related to human development like anganwadis, schools and hospitals, a policy shift towards improving the quality of the service delivery through these institutions is envisaged. For making the local governance more responsive, a radical restructuring of procedures and management systems is intended. A critical component of this would be to re-launch computerization of local governments by giving freedom to them to purchase

computers on their own with government providing software, training and technical support.

18. Though Kerala's decentralized planning has become a national model my Government intends to take it further and go for the preparation of well-integrated District Plans. Simultaneously measures will be initiated to prepare micro watershed master plans, which together with the district plan would constitute the basis of the 11<sup>th</sup> Five Year Plan of the Local Self Governments. The methodology of watershed master plan preparation and the 11<sup>th</sup> Five Year Plan will be such as to ensure maximum popular participation, transparency and scientific objectivity in the planning process. Preparation of maintenance plans for all the public assets owned by each local government to be implemented using the Maintenance Grant would also be given priority.
19. Kerala has not yet tapped the potential of the national urban development initiative through the Jawaharlal Nehru National Urban Renewal Mission. My Government would immediately develop City Developments Plans and investment projects for Thiruvananthapuram and Kochi and also develop comprehensive plans for the smaller towns as well as for a crosscutting urban poverty reduction project

to avail maximum benefit from the new national programme. The services of the Town and Country Planning Department will be fully utilized for this purpose.

20. The Kerala Panchayat Raj Act and the Kerala Municipality Act were restructured and updated in 1999. Now, based on the practical experience and in the light of the recommendations of three State Finance Commissions, a series of amendments to these two Acts are planned. As part of implementing the recommendations of the State Finance Commission, plinth area based property taxation would be given immediate priority and implemented from the current year onwards. This simple and transparent system would enable the citizen to self-assess property tax and remove altogether possibilities of manipulation and corruption.
21. The Kerala Institute of Local Administration (KILA) has already attained national recognition. It will be further strengthened through integration with the network of extension training centres and the State Institute of Rural Development (SIRD) – to realize the objective of enhancing its status into a Centre of Excellence on local governance in South Asia.
22. My Government intends to give highest priority in tackling the agrarian crisis in the state even though it has no control

over the import policies and other globalisation measures adopted by the Central Government. Within the limits set by the federal framework, our attempt shall be to improve the productivity through watershed based planning, better provision of credit, reform of land and water management institutions, adoption of better technologies for cultivation and post harvest operations and value addition through agro processing. Adoption of biotechnology, promotion of organic farming and other innovative farming methods will be popularised. The Agri-export Zones for Medicinal plants and Fruits and Vegetables will be made fully functional.

23. My Government have already decided to write off the loans taken by the farmers who have committed suicide. The Government has already initiated dialogue with financial institutions regarding measures that could be adopted for reducing the existing debt burden such as one time settlement, reduction of interest burden, re-scheduling of loan and so on. In addition, my Government is considering the setting up of a Debt Relief Commission with quasi-judicial powers, which will go into cases of debt owed by farmers to private moneylenders. It will arbitrate on the appropriate level at which the debt contracted at exorbitant interest rates in the past should now be fixed, get banks to take over the debt wherever possible, with the government

coming in as a possible guarantor, and decide on cases of debt write-off for destitute farmers where the government can settle the entire debt on the farmers behalf.

24. The co-operative sector, which accounts for nearly half the agriculture credit has been in the forefront of the ameliorative measures for the indebted farmers. Moratorium on repayment of agricultural loans taken from co-operative institutions has been declared. The government is also considering schemes to provide interest relief on agricultural loans. Recovery steps on agricultural loans availed from co-operative societies will be postponed for one year and liquidity support arranged from NABARD or other sources for credit co-operative societies to the extent of agricultural loan recovery foregone for one year. Arrears payable to agricultural loans under the Agricultural Production Cost Relief Scheme will be released at the earliest.

25. 50,000 new Kissan Credit Cards will be issued through Primary Agricultural Credit Co-operative Societies during the year. Effective steps will be taken to ensure that all eligible applicants for educational loans through co-operative credit institutions are sanctioned without undue delay. In Wayanad district, which has already successfully completed the first phase of the NCDC assisted ICDP project, the second phase will be implemented.

26. My Government also proposes to revamp the Krishi Bhavans and transform them as effective Service Centres, for meeting all the service needs of farmers at one point. In order to ensure that the assistance reaches the most deserving among the small and marginal farmers, Government would launch a drive to identify these farmers and provide them with proper identification documents to enable access to quick relief, particularly in times of calamities.
27. The decline in the area under paddy cultivation and conversion of paddy lands for non-agricultural and commercial purposes are serious problems, which need to be tackled immediately. Paddy fields have an important role in the preservation of environment through maintenance of water balance and therefore, rather than implementing the paddy programmes merely as programmes aimed at increased production of paddy, these programmes will be recast with the involvement and participation of communities, local governments and other institutions aimed at environmental protection and conservation with focus on increased rice production. To co-ordinate these activities a Paddy Board will be constituted.
28. In order to address the crisis faced by the coconut farm economy in a holistic manner, it is proposed to constitute

'Kera Groups' in every Panchayat. To deal with the problem of root wilt on a lasting basis, a Project for Management of Root Wilt Disease with an outlay of Rs.1924 crore, which was approved by the Planning Commission, will be implemented on a cluster basis with the direct participation of farmers.

29. Our effort, in the animal husbandry and dairy sectors would be to evolve schemes to retain the existing livestock farmers in the animal husbandry sector and to promote livestock farming among the rural poor. This is of paramount importance as livestock plays an important role in providing economic and nutritional security. My Government, would, therefore strive to augment the livestock population of the State both in terms of number and quality. Increasing the production of milk, egg and meat can be achieved by integrating the production process at the homestead level. This would go a long way in generating more self-employment opportunities and help the weaker sections in enhancing their income levels.

30. To further this objective we would, therefore, like to complete the process of adopting Panchayats for Intensive Poultry Rearing and developing marketing network involving the Kudumbashree network. With the aim of promoting trade in livestock and dairy products, disease -

control programmes will be undertaken so as to promote Kerala as a Disease Free Zone. The quality of milk distributed, including that from outside the state will be monitored in order to ensure quality. The Government also proposes to strengthen the welfare fund scheme for dairy farmers.

**31.** Fisher folk are a vulnerable section of the society and have been increasingly marginalized from the development process. Their historical backwardness has been compounded by resource depletion on the one hand and rising cost of fishing on the other. An integrated programme for costal development would be drawn up for implementation by the different line departments and the Local Governments. The most important component would be a programme for providing universal housing, sanitation, drinking water and electricity to every household. Livelihood restoration programme in Tsunami affected areas such as sea-food kitchen units, integrated fish processing units for value addition with the help of common facilities, clusters of ornamental fish breeding units, mussel culture, clusters of value added coir products, community resource centres in selected Panchayats, improved fresh fish vending units and similar other schemes which could be implemented through a community-based system will be encouraged. Participatory coastal afforestation, coastal