

PART I

INTRODUCTION

Sir, I rise to present the Budget of the Kerala Government for 2008-09. This is a full budget. There is a reason for stressing this point. There were several controversies on whether the full budget or even a budget of any kind at all would be presented this year. Any how, with this all these controversies are being fully set at rest. Whatever be the drawbacks, it is healthy to have a public debate on the financial situation and the finances of the State. However, what we need is a dialogue and not controversy. As my contribution to such a dialogue let me dispel some of the prevailing myths about the financial situation of Kerala.

Debt trap

2. Myth No.1: "Kerala is in a debt trap". This is wrong. As on 31.03.2005 Kerala's debt was Rs.41,878 crore, which was 39.1 percent of the Gross State Domestic Product (GSDP). As on 31.03.2007, the State's debt grew to Rs.49,875 crore; but taken as a percentage of the GSDP, the debt burden of the State came down to 37.6 percent. The debt burden which was 317 per cent of the State's revenue receipts in 2003-04, has come down to 274 per cent at present. The GSDP is increasing at the rate of around 12 percent. The average interest on the total debt of Kerala is only 8.75 per cent. Simple economics teaches us that only when the interest rate on debt is more than the rate of growth of GSDP, can it be said that the State is in a debt trap. In fact, Kerala is not falling into a debt trap, but is coming out of it.

Internal Debt

3. Myth No.2: "The State Government is free to borrow from the surplus funds of co-operative and commercial banks of the State". This is a widespread misconception. Actually the borrowing limit of the State from banks and other internal agencies is fixed by the Central Government at the beginning of the year itself. The Constitution does not allow the State Government to borrow beyond this limit. Borrowal of the State Government from external agencies is above the internal borrowal limit. If we decide not to borrow from external agencies, it will not be substituted by alternative domestic sources. Moreover, the Government of India has taken the stand that other than the existing external loans Kerala is not entitled to go for fresh borrowings from external agencies. In this context, while taking decisions regarding external loans the State Government has exercised extreme caution about the possible strings attached to borrowals from external agencies.

Tax Revenue

4. Myth No.3: "The tax revenue of Kerala is not increasing." Some people have recently gone even to the extent of interpreting that this is a deliberate ploy to keep the State within the debt trap. The facts present an entirely different picture. In 2006-07 the State's Own Tax Revenue increased by 22.1 per cent. The increase expected in 2007-08 is 17.8 per cent. This is against the average annual increase in the SOTR of 9 to 11 per cent during the three preceding years. In 2006-07, VAT collection increased by 52 per cent. In the current year, the expected increase is at least 13 per cent. For a few years, Kerala's Tax buoyancy has been less than 1.1, which means that for every increase of one per cent in GSDP, the Tax revenue increases by 1.1 per cent or less. But during 2006-07, the tax

buoyancy rose to 2.1. Put simply, the rate of increase of tax collection has risen to a higher plane altogether.

Tax Arrears

5. Myth No.4: "Tens of thousands of rupees of tax arrears remain to be collected in the State; if collected the financial crisis can be solved". This is exaggerated. The tax arrears of the State are only Rs.4280 crore, out of this Rs.1600 crore constitutes the dues of public sector institutions. Of the remaining amount, Rs.1900 crore is covered by court and other stays. The immediately collectable arrear will come to only Rs.773 crore. Efforts are on to intensify tax collection by getting the court cases decided speedily and by reducing Government stays. These have also started showing results. In 2005-06, Rs.103 crore was collected by way of arrears. This increased to Rs.148 crore during 2006-07. An intensive arrear collection drive will be launched next year.

Interest Burden

6. Myth No.5: "Day by day the State is being crushed by the increasing interest burden". Many people are not aware of the recent changes in this regard. The share of interest in total revenue expenditure rose continuously till 2003-04 when it touched 21.48 per cent. It has however shown a decline thereafter. The budget estimate 2007-08 shows that it would come down to just 17.9 per cent. Above all, the primary revenue deficit of the State has turned into a primary surplus now. Primary deficit or primary surplus is obtained by reducing the interest from the revenue deficit. We have already seen that interest burden is around one-fifth of the revenue expenditure. For borrowings made in the past, interest has to be paid; there is no other way. That is why interest is deducted from the revenue deficit.

Only then can we see the real burden of the revenue receipts and expenditure of the current year. For the last two decades, the State had been under primary deficit. In 2006-07 there is a primary surplus of Rs.1552 crore.

Deficit

7. Myth No.6: "The deficits in Kerala are increasing". This is not true to facts. In 2002-03 the revenue deficit was 4.77 per cent of GSDP. But during 2006-07 it was only 1.99 per cent. Also, the fiscal deficit came down to 2.88 per cent in 2006-07 from 5.78 per cent in 2002-03. As late as in 2004-05, as much as 82 per cent of the additional borrowings was used to meet the revenue deficit. This has declined to 69 per cent in 2006-07. But during 2007-08, this ratio will rise. This is part of a deliberate policy. We have tried to clear maximum old arrears during the current year. This will do good in the future. The document on the Medium Term Fiscal Framework makes it clear that by 2010-11 revenue deficit will disappear and fiscal deficit will be fully under control.

Plan Expenditure

8. Myth No. 7: "Plan expenditure is declining in Kerala". This is also a misconception. Earlier, grants to Local Self Governments used to be devolved as part of the Plan; now they are being given as non-plan grants. Taking into account the Plan expenditure of KSEB and LSGIs, Rs.4785 crore was the Plan expenditure during 2006-07, against Rs.3911 crore in 2005-06. At the same time, it is true that the increase in Plan size of Kerala is less than that of many other States; but this also needs to be analysed realistically. The expenditure on social welfare is very high in Kerala as compared to many other States. Funds spent for such development purposes are mostly shown

in the accounts as non-plan. It makes no sense to artificially inflate the Plan by cutting down essential recurring development expenditure.

Restrictions on Expenditure ?

9. Myth No. 8: "The Plan allocations included in the Budget are not spent either due to non-availability of funds or due to their non-release". Many people criticise the Finance Department on this count. There is no shortage of funds for implementing the approved Plan. The total Plan outlay during 2006-07 was Rs.6690 crore, out of which Rs.1905 crore could not be spent. (This is not an isolated instance; in fact, during Xth Plan period, the actual expenditure was about 30 per cent less than the outlay). Out of this unspent amount of Rs.1905 crore, 79 percentage relates to loan or grant for externally aided projects. Only if expenditure is incurred can reimbursement be claimed from these agencies. The fact is that our administrative mechanism is not able to spend funds effectively. During 2007-08, there was no treasury restriction whatsoever on utilisation of plan funds. Problems arise only in respect of schemes not included in the budget. Certainly, such schemes warrant close and critical examination. Of course, this is not to deny that there is red tape and weaknesses. To solve these, certain administrative reforms are sought to be implemented through this budget, to which I will come later.

Financial Management

10. Myth No.9: "Financial management of the State is not efficient. On majority of days, the treasury was on ways and means advance; that is, for day to day expenditure, the treasury had to borrow temporarily from the Reserve Bank. Kerala had to resort to

overdraft several times. Only a handful of States were in such a plight". But critics miss this important fact. During 2006-07 the State was on overdraft for just 52 days. This is very low compared to previous years. It has also been possible to reduce the daily deficit when compared to previous years. At the same time, I wish to make one thing very clear. Kerala does not intend to create a surplus in the treasuries to invest in Government of India securities like many other States are doing. The aim of the Government of Kerala is to provide maximum benefits and reliefs to its people. Therefore, as distinct from other States, Kerala continues to operate with relatively higher treasury ways and means deficit. This is part of a conscious financial management strategy. However, to ensure that the treasuries do not come to a sudden standstill, in 2007-08 Kerala has managed to get its ways and means limit raised from Rs.360 crore to Rs.615 crore by investing in the Consolidated Sinking Fund.

11. Sir, such a detailed explanation does not mean that the Government of Kerala's financial position is now sound. It only indicates that the financial management is capable of achieving the existing budgetary objectives. Of course, we are not able to do all that needs to be done. In order to realize the development potential of Kerala, substantial financial investments are needed. The Plan size has necessarily to be bigger. But if we attempt that, the different trends of the fiscal situation explained so far would become adverse. In this context, how can we achieve the goal of a bigger Plan ?

Central Assistance

12. The most important step would be to ensure higher assistance from the Central Government. While Kerala received 3.9 per cent

from Central Tax Revenues as its share during the Xth Finance Commission, the XIIth Finance Commission provided just 2.7 per cent. Due to this reduction Kerala has been losing nearly Rs.2100 crore per year currently. The State has already started preparations to get a higher share through the XIIIth Finance Commission. While trying to increase Kerala's share, it is also necessary to enhance the share of the States put together. There is also a growing tendency to convert the Central Finance Commission as an instrument to impose conditionalities to promote Central policies regarding financial issues. It is against this background that we have decided to host a meeting of State Finance Ministers on 5th and 6th of May at Thiruvananthapuram.

13. The Planning Commission has just completed preparation of the XIth Five Year Plan. Though the Plan size has increased substantially, the States have lost out comparatively. While during the Xth Five Year Plan 26.4 per cent of the Central Plan Budget was given as assistance to the States, this has come down to 22.8 per cent during the XIth Five Year Plan. While the States had together received 35.1 percent of their total Plan outlay as Central Assistance during the Tenth Plan, the share has declined sharply to 21.8 percent during the XIth Plan. Above all, what troubles us is the emphasis given to the Centrally Sponsored Schemes during the Eleventh Plan. While nearly Rs.1.2 lakh crore is to be provided as direct Central Assistance to the States, nearly Rs.2 lakh crore is being spent through Centrally Sponsored Schemes.

14. Another problem thrown up by the proliferation of Centrally Sponsored Schemes is related to Local Governments. A good number of such schemes fall within the functions devolved to Local Governments. It is a paradox that, while waxing eloquent on the need

to decentralize, activities which have to be performed by Local Governments are being planned at New Delhi. It is estimated that such schemes would cover Rs.60,000 crore. At the same time, grants given to Local Governments by Government of India comes to a paltry Rs.5000 crore. The new Finance Commission probably wants to give even this grant directly to Local Governments. The Ministry of Rural Development is in fact preparing to overlook Local Governments altogether and implement its huge annual plan schemes through Non-Government Organizations. The Central Government is following extremely deleterious policies. It is necessary to raise strong protest against these nefarious moves against federalism and decentralization.

Alternative Approach

15. We are in agreement with the Central Government stand that revenue deficit should be eliminated. All that we seek is some more time to reach that goal. But, when there is no revenue deficit, ie., when borrowing is not to meet day to day recurring expenditure, then why should borrowing for other purposes be stopped? There should be permission for borrowing for development purposes. We do not agree to limit fiscal deficit at an arbitrary level. Considering all these and at the same time accepting the limitations of fiscal federalism in the country, the Fiscal Responsibility Act will be urgently amended.

16. But we do not expect that the Central Government will give any concession in the fiscal deficit limit. For the ideology which the Central Government upholds is that the role of the Government should shrink in the economic sphere. There is no need to borrow for development; limit development expenditure to available funds is their thinking. Even though the Fiscal Responsibility Act allows 3

per cent fiscal deficit, the Central Budget for 2008-09 has decided to restrict it to 2.5 per cent. In this context for pushing developmental activities it is necessary to strengthen the performance of financial institutions under the control of the State Government. Likewise, the public sector undertakings need to be enabled to borrow more by cleaning up their balance sheets for which active initiatives need to be worked out. I will outline initiatives in this regard later.

17. So far I have explained the left democratic alternative in the fiscal domain even while working within the general financial framework of the Central Government. Likewise, the Left Democratic Front Government is seriously attempting to develop viable alternative approaches and strategies in all development sectors from a left perspective. Fiscal policies of globalization are not only pauperizing majority of people but also transform us into puppets in the hands of international finance capital in the long run. This financial dependence has already started influencing even our foreign policy. It is at a time when anti-American tide has gathered strength in West Asia, anti-imperialist movement is on the upswing in Latin America and China and Russia have challenged the uni-polar world order, that India is bent on forging a strategic alliance with America. Things have reached such a stage that India is to launch a spy satellite of Israel, which will be utilized to crush the legitimate nationalist aspirations of the Palestinian people. The communalist bourgeois opposition is in full agreement with their policies. It is in this background that the attempt by the Left Democratic Front Government in Kerala to forge alternative policies assumes importance.

Development Strategy

18. This Government has a clear vision about Kerala's development. It is necessary to substantially increase the economic production of the State. The high level of growth now seen is mainly fuelled by consumer services. It is necessary to link economic growth with increase in production. For this, there is need for a shift in our development strategy. It is necessary to encourage sectors in which we have comparative advantage like technology intensive industries like IT, service based sectors like Tourism and skill based areas like light engineering. In these sectors, it is necessary to develop high quality infrastructure which can attract substantial private investment. The previous government also had accepted this. But they ignored agriculture and traditional industries on which depends the livelihood of the majority of people. The collapse of these sectors led to widespread suicides and mass protests. We have rectified this policy. It is absolutely clear that any policy, which ignores the development of the poor, is socially unacceptable to Kerala. The distinguishing feature of the 2008-09 Budget is the total support extended to this stance.

PART II

DEVELOPMENT ACTIVITIES

Welfare Activities

Welfare Pensions

19. Sir, I have a dream. We have inherited the legacy of sizeable welfare achievements. We have been able to ensure, health and educational amenities, shelter, welfare pensions and, till recently,

minimum food for a large majority of our citizens through popular interventions. We have to take forward these achievements. We should not allow them to be destroyed under any pressure from globalisation. We should be able to ensure access to all these welfare entitlements for the most deprived sections and destitutes in the State. The quality of social welfare services have to be enhanced. All these are to be integrated into a total social security programme. We should emerge as a new model for social security to the world.

20. The most crucial link of the existing social security system is the system of social welfare funds and the pensions made available from them. If I am asked, which is the achievement I am most proud of as Finance Minister, it is that I have been able to clear the arrears of pensions. Sir, during the last two years, Rs.686 crore has been spent for paying pensions to the poor. We have cleared all arrears now. Now what next? In the last two decades the pension amount has been stagnant in the range of Rs.110 to Rs.130. Now we have to raise the pension amount.

21. Sir, I am raising the pension of nearly one million workers in the un-organised sectors working in all sectors like fisheries, coir, cashew, handloom, reed, beedi, artisan, building construction and agricultural workers to Rs.200/month.

22. No one will be eligible for two pensions. The Government will put in place a mechanism for preparing an integrated list of individual pensioners after removing duplications. The pensions will be disbursed at the beginning of each month to the beneficiaries through banks. By the time the beneficiary lists are finalised the scheme will be given final shape. The additional amount required for the new pension scheme will be specially made available after

assessing the amount required. This Government will pay what is due to the poor however tight the financial position is.

23. Pension at the rate of Rs.250 will be paid to old age people below poverty line under the Government of India's Pension Scheme, Traditional pre-school teachers 'Nilathezhuthasans' will be included in the Artisan and Skilled Workers Welfare Fund Scheme and pension sanctioned to them. Workers involved in lime shell collection will be given membership in Fishermen's Welfare Fund Board and pension sanctioned to them. Rs. 5 crore is additionally provided for the welfare schemes of the Agricultural Workers Welfare Fund Board.

Health Insurance

24. Providing effective and free health care to the poorest 30 percent families by strengthening the public health system is the approach in the Eleventh Five Year Plan of the State. For that we must examine how to utilise the Health Insurance Programme for BPL families announced by the Central Government. Sir, this year, we will launch a health insurance scheme for all families below the poverty line, as approved by the Government of India. I set apart Rs.20 crore for this.

25. Health Insurance shall not be limited to those below the poverty line alone. We should include everyone interested in this scheme. For the purpose, the State Government will launch a scheme called the 'Kerala Comprehensive Health Insurance Scheme'. This will be implemented on an experimental basis in Kollam and Alappuzha districts. It is those two Districts that are included in the Rashtreeya Swasthya Beema Yojana scheme of the Government of India. The

special feature of the health insurance programme is that it shall be extended to all the families. Those who come under Central Government Poverty Line need pay only Rs.30/- as registration fee. The premium amount of Rs.750/- will be met by the State Government and Central Government as subsidy. Those who are under the poverty line fixed by State Government have to pay Rs.100/- as beneficiary share. The balance premium will be met by State Government as subsidy. Those families above the poverty line but which do not have a single member employed in the organised sector and have less than one hectare land will have to pay Rs. 500/- as beneficiary contribution. The others have to pay the full premium. The most significant aspect of this health insurance scheme, is that it will be based on the public health system. Consultation fee, diagnostic charges, room rent and hospital bed charges, medicine etc will be all formulated based on the practices in the public health system. Private hospitals agreeing to such rates can also be part of this scheme. Apart from the various benefits included in the Government of India scheme, we will try to cover under this scheme outpatient care, maternity care, accident insurance, etc. I am setting apart an amount of Rs. 20 crore for the 'Kerala Comprehensive Health Insurance Scheme'.

For the Physically and Mentally challenged

26. Sir, even though the State is well known for schemes of social welfare and security, we have been totally neglecting the lot of the physically and mentally challenged. The physically challenged children with disabilities below forty percent can join normal schools for their learning. Special provisions are being made for these children under the SSA programme. Special schools exist for children who are having hearing-visual disabilities above 40 per cent.

However, the facilities available for those with mental challenges are extremely limited. Formal facilities are available only for such of the 308 institutions which provide care and training for just 16000 mentally challenged children. Out of these, only 162 institutions are approved by the Education Department. Among these only 50 are covered under the Central scheme. I am setting apart an amount of Rs. 10 crore additionally for providing support to all the recognised institutions providing care to mentally challenged children.

27. The mess allowance of students in Government and aided special schools will be enhanced from Rs.500 to Rs.750. The annual dress allowance is increased from Rs.500 to Rs.750. The pension for physically challenged and mentally challenged are to be enhanced from Rs. 160/- to Rs. 200/-. An amount of Rs. 10 crore is set apart for this additionally. An amount of Rs. 50 lakh is set apart for construction of a new building for the Blind School in Thiruvananthapuram, celebrating its golden jubilee. An amount of Rs.25 lakh is set apart as one time assistance for the professional course being started in NISH for the those differentially abled. Rs. 50 lakh is additionally provided for ICON.

28. The 'Karunya Deposit Scheme' announced in the last year's budget was aimed at providing financial assistance to children facing physical and mental challenges. The Government will provide a financial assistance of Rs. 15000 to every lakh of rupee deposited in the treasury to the institution proposed by the depositor. It is proposed to include orphanages also under the purview of this scheme. An amount of Rs.15 lakh will be given as financial assistance by the Government to any institution which deposits Rs.1 crore in the treasury. I am making an earnest request to all those concerned to effectively utilise this scheme. I am also enhancing the

monthly assistance given to children in orphanages by Rs.50. I am setting apart an amount of Rs.3 crore for meeting the additional expenses.

Social Security Mission

29. The Government will provide assistance for medical care of children affected by cancer. The amount set apart for children's cancer care scheme in the last year's budget was inadequate. An amount of Rs.15 crore shall be deposited as corpus fund in the treasury, for this purpose during the current year.

30. There shall no longer be wards like 'Ward Number 9' in Government hospitals. In order to ensure this, voluntary agencies shall be given assistance to offer special care to those who are discharged from hospitals with chronic incurable diseases. To start off this scheme, at least one institution of this kind shall be recognised, linked to every Medical College Hospital.

31. A novel scheme shall be implemented in Kozhikode town. Making use of the base kitchen in the Medical College Hospital, it is proposed to launch a scheme offering lunch to anyone in need at Rs.2 a meal. This will be initiated with the participation of voluntary agencies and industrials. A similar programme is run in Udaipur. If so, why not in Kerala? If the programme succeeds in Kozhikode, this will be extended to other towns in the State next year.

32. These schemes will be implemented by the Social Security Mission. Rs.60 crore is the total Mission Fund. Out of this, Rs.20 crore shall be provided to support the Ashraya programme. Mission will give financial assistance to destitute Ashraya families where health care is an important problem. The financial assistance for

'BUDS' schools started by Panchayats can also be met from this scheme. An amount of Rs.5 crore will be spent for renovating 48 institutions covering destitute centres, old age homes and juvenile houses under the Social Welfare Department.

Asraya Programme and the Social Security Mission

33. Sir, around two percent families in Kerala are destitutes. A novel development scheme which has evolved in the State to address their problems is 'Asraya Scheme'. The programme aims at creating micro level intervention initiation for addressing the poverty issues of each and every family in this category. The response so far has been exciting. The 'Asraya' programme has to be extended to all Local Governments. I am setting apart Rs.10 crore additionally for this.

Kudumbashree

34. The Kudumbashree will be the grass root level social organisation for implementing health insurance, Asraya and other poverty eradication programmes. Kudumbashree is being geared up to face its new challenges in a campaign mode from April onwards. The amount of loans made available to Kudumbashree from financial institutions shall be enhanced to Rs.1500 crore by March 2009. Out of this, Rs.250 crore shall be for self employment enterprise groups. My enquiry at Ernakulam district shows that banks are levying interest ranging from 9 percent to 15 percent from Kudumbashree units. At the same time, interest as low as 8 percentage or even below is being extended to self help groups run by voluntary institutions. Banks are subjecting Kudumbashree to unfair discrimination. The interest rates applicable to loans made available by banks should be

reduced to 8 percent and refinance should be made available from NABARD. A conference of financial institutions will be organised immediately for this purpose.

35. Rs.30 crore has been set apart for Kudumbashree. I would like to put on record that lack of resources would not be a constraint for the smooth functioning of Kudumbashree. During this year, the emphasis will be on streamlining accounts and for strengthening enterprises. There would be specific interventions for improving the quality of products of micro enterprises and for ensuring their marketability. Among the new initiatives the most significant one will be 'Samagra'. This will aim at building up clusters of small scale enterprises and put in place mechanisms for continued technical support, training and supervision for their functioning. The monthly fairs which have already become operational will be replicated widely. For marketing Kudumbasree products, a marketing network will be operationalised.

Comprehensive Social Security

36. Sir, the basis of the Comprehensive Social Security scheme is the universal pension scheme, Health Insurance scheme and the package for destitutes and the differentially abled. The social security structure will be complete if safe drinking water, sanitation, nutrition and shelter are also ensured. State wide Employment Guarantee Programme will be implemented with these schemes. Sir, it is an exciting dream, to come up with an integrated social security package to meet all the basic needs of the poor in the State as a whole. A major step towards this is being taken in the budget for the year 2008-09.

Public Distribution System

37. In real terms, price hike is an economic mechanism by which the pocket of the poor is siphoned off in favour of the rich. Government is committed to give maximum protection to the poor from the effects of price rise. Kerala is one among the states which is badly hit by rising prices which is a result of the policy of the Central Government. The primary reason is that we are a State with 85 percent food deficiency. Being in one corner of the country, we will be the worst affected from increases in the petroleum prices. The public distribution in this State which had become a model even internationally, has collapsed totally under the impact of various policies of the Central Government.

38. In this background, besides the rationing system, the strengthening of Market intervention efforts by agencies like Civil Supplies Corporation and Consumer Fed, etc has become extremely significant. Their marketing network will be strengthened. During the current year, an amount of Rs.119 crore has been given as ration subsidy. In addition to this, an amount of Rs.38 crore to Civil Supplies Corporation and Rs.13 crore to Consumerfed has been given as financial assistance for market intervention. This is not yet the complete picture. The loss due to market intervention will be made good after verification of accounts. There is no resource constraint for the drive to curtail price hike. Rs.177 crore is what was given to Civil Supplies Corporation during the period from 2001-02 to 2005-06. Against this, Rs.311 crore has been expended already during 2006-07 and 2007-08.

Agricultural and Traditional Sectors

Agriculture

39. The most effective mechanism for eradicating poverty is to ensure that the means of livelihood of the poor remain intact. A large section of the poor are working in agriculture and traditional industries. As soon as this Government came to power, special emphasis was given to these sectors. The confidence and hope it has created in the agriculture sector is reflected in the steady decline of suicides of debt ridden farmers. The Government has already taken over the liabilities of farmers who committed suicide. An amount of Rs.180 crore has been/is being spent for providing interest relief to farmers. For the first time in the country, a Commission with powers to write off loans, the Debt Relief Commission, has come into existence. The Government has accepted the award declared by the Commission for Wayanad District. But, the Government of India has announced a debt relief scheme at the national level. This is a welcome step. Once the details of the Government of India scheme are available, a decision will be taken as to how to go ahead with the debt relief measures. An amount of Rs.50 crore is provided for debt relief during the year 2008-09.

40. In many fronts, Kerala has attained pioneering achievements as compared to other States. Debt relief is the last example for this. The agrarian scenario has been devastated by the liberalisation policies of the Central Government. In this context, a price stability scheme will be implemented for the stability of agricultural produce. Balance amount available in Debt Relief Scheme will be utilised for this. Other funds meant for the procurement of agricultural products will be integrated with this fund. The details of this scheme will be finalized after deliberations with agricultural organizations. Price stability fund

will be a milestone in the history of agricultural development in Kerala.

41. A welfare fund will be created for farmers in the State. An amount of Rs.1 crore is provided for implementing a pilot scheme. Kisanshree will be expanded during the current year. The policy of the Government is to give attention to welfare of farmers also while focusing on improving agricultural production.

42. An amount of Rs.365 crore has been provided in the plan for agricultural and allied sectors. But this does not include the allotment for 'Rashtriya Krishi Vikas Yojana'. Nearly Rs.150 crore is likely to be allotted to us in this scheme, based on the discussions with the Planning Commission. Besides this, there is Vidarbha Package for Rs.765 crore and Rs.1840 crore package for Kuttanad prepared by the Swaminathan Commission. It is not clear as to how much amount the State will get for this Scheme during 2008-09. State share will be made available as and when the Government of India makes available their share of the resources.

43. It is proposed to implement the National Employment Guarantee Programme at the State level as a programme for rejuvenation of the agrarian sector. Integrated Watershed Development Programme has to be implemented in association with the National Employment Guarantee Programme. Through this change, soil and water conservation in private lands of farmers can also be taken up under the National Employment Guarantee Programme.

44. Rs.20 crore is set apart as interest subsidy for paddy, group farming, making wasteland cultivable, mechanization, etc. Considerable amount from the Rashtriya Krishi Vikas Yojana and the

Kuttanad Swaminathan Commission package will be expended for the promotion of paddy cultivation. The support price of Rs.9 announced for paddy is the highest anywhere in the country. An amount of Rs.48 crore has been given to Civil Supplies Corporation in 2007-08. We will be in a position to push the procurement programme more effectively.

45. An amount of Rs.15 crore has been set apart for the integrated coconut development programme. A considerable amount will be set apart from the Rashtriya Krishi Vikas Yojana for cutting of diseased coconut trees. Floor price of Rs.4 has been declared on an experimental basis for coconut. This will be replicated based on an evaluation of the experience. The 'Haritha Sree' programme will be strengthened through establishing 1000 vegetable villages. An amount of Rs.3 crore will be made available as State component to the Horticulture Mission.

46. The financial assistance for the Kerala Agricultural University is enhanced from Rs.20 crore to Rs.30.25 crore. Funds available for the National Agricultural Innovation Project funded by the World Bank and financial assistance from the Kuttanad Special package will also be made available to the Agricultural University.

Animal Husbandry

47. A special emphasis is being given for commercial dairy development considering the aggravating shortage of milk in the State. An amount of Rs.6 crore is set apart for this. An amount of Rs.20 crore has been set apart for extension works and for strengthening the service delivery mechanism. Rs.8.25 crore has been set apart for Special Livestock Breeding Programme. 2000 integrated homestead

units covering dairy, poultry, goat rearing, quail and fodder development are envisaged as part of the integrated live stock development programme. An amount of Rs.10 crore has been set apart for this. An amount of Rs.2 crore will be set apart for modernising the Institute of Animal Health and Veterinary Biologicals at Palode. A total amount of Rs.70 crore is set apart for Animal Husbandry and Dairy Development.

48. Right now, the Government is not making any contribution to the Welfare Fund for dairy farmers. Hence, only very limited concessions can be extended to the members of the Dairy Farmers Welfare Board. The bye laws of the welfare fund board will be amended to facilitate contributions from the State Government. An amount of Rs.2 crore is set apart for this purpose.

Fisheries Sector

49. Government is making an all out effort to give a new life to the fisheries sector. The legislation providing pelagic fishing rights to country boats during monsoon, legislation facilitating cess collection from exporters and other intermediaries for the Fisherman Welfare Fund and the Fishermen Debt Relief Bill, soon to be passed by the Assembly, the Tsunami relief programme, etc., have all raised huge expectations. It is for the first time in the country that a Debt Relief Act is being passed for fishermen. This will be a major step to release the poverty stricken fisheries sector from the entanglement of debt trap. Funds for this purpose will be made available from the Tsunami Rehabilitation Fund. Rs.10 crore will be the additional amount for debt relief programme for the fishermen in areas outside the Tsunami area.

50. The provision for the fisheries sector is enhanced from Rs.51 crore in 2007-08 to Rs.89 crore in 2008-09. The amount of Rs.375 crore spent by various Departments under the Tsunami Rehabilitation scheme is in addition to this. One of the novel schemes initiated during the current year is the scheme for interest free loans. A subsidy of Rs.50 lakh has been provided for this purpose. A comprehensive insurance programme will be implemented covering fishing crafts, implements and fishermen. An outlay of Rs.16 crore is set apart for establishing livelihood support units in the Fisheries sector. An additional amount of Rs.1 crore is set apart for land acquisition by Kinfra in Beypore for a marine park. At Kadungallur, near Aluva, an Aqua Technology Park will be established with private participation. The park shall give priority to promoting ornamental fisheries.

51. The work of Chethi, Kasaragod, Chettuva and Cheruvathur fishing harbours will be taken up. Small fishing harbours will be developed at Chellanam and Arthungal on a priority basis under the TRP programme.

Coir

52. The most effective intervention in the traditional industries segment is in the area of coir. The decadent state of Coirfed is creating hurdles to the re-organisation of coir sector. In this context, priority is accorded for re-organisation of Coirfed. A package is being finalised for this. The minimum amount required for restructuring Coirfed will be provided for. Since the total resources required for this has not been estimated, I am setting apart a token provision of Rs.2 crore. An amount of Rs.5 crore is set apart for the modernisation of the coir industry. Sufficient funds will be provided after the preparation of detailed renovation scheme. In addition to this, an amount of Rs.5

crore is set apart for activities such as transport subsidy and common facility centres for small-scale coir manufacturing co-operative societies. An amount of Rs.2 crore is earmarked for establishing new common facility service centres. An amount of Rs.4 crore is set apart for revitalisation of coir co-operative societies. The Kerala State Coir Corporation has been asked to take steps for eliminating depot owners and make available products of small scale coir manufacturing co-operatives to exporters. 10 per cent rebate will be given on coir products to exporters who buy products from the Corporation at authorised rates. An amount of Rs.5 crore is additionally provided for this purpose.

Cashew

53. The average allocation for the cashew sector during the previous UDF Government was only Rs.3 crore. An amount of Rs.28.50 crore is provided in the Plan for 2008-09. A one time assistance of Rs.25 crore was set apart for Cashew Corporation and Capex in 2007-08. An additional amount of Rs.16 crore is set apart for this during the current year. The outstanding arrears payable to banks is a major bottleneck in the operation of these institutions. After discussions with the banks, a Scheme for one time settlement will be chalked out. The repayment burden will be borne by the Government. Another large outstanding due is the gratuity and retirement benefits to be paid to cashew workers. A portion of this will be settled during the current year. An amount of Rs.5 crore is additionally set apart for this purpose. It had been a practice during the previous Government that the losses incurred by Capex and the Cashew Corporation every year used to be more than the total wages disbursed to workers. There will be a change for this state of affairs.

Handloom

54. The plan outlay for the handloom industry during the last year was around Rs.25 crore. This has been enhanced to around Rs.40 crore during the current year. An outlay of Rs.5 crore has been set apart as Government share participation in primary handloom weavers' co-operative societies. The rebate arrears that have to be given to the handloom co-operative societies will be given at the beginning of 2008-09 itself. As the rebate claim from certain districts seems inflated, detailed examination is necessary for admitting such claims. Excluding these districts, the rebate arrears of the remaining districts will be given urgently. An amount of Rs.6 crore was set apart for spinning mills under Texfed during the last year. Rs.2 crore is set apart for the programme during 2008-09. The scheme envisages establishing hank yarn units at Kollam, Kannur and Thrissur.

Khadi and Bamboo

55. Development of bamboo based products is an area for which special emphasis is given. A one time assistance of Rs.7 crore is provided to the Kerala State Bamboo Corporation for undertaking a comprehensive development programme in this area. An amount of Rs.5 crore is allotted to the Khadi & Village Industries sector. This year, the innovative programme focused is to establish a Khadi cluster at Payyannur. An outlay of Rs.3 crore is provided for Serifed in the current plan.

Public Sector and Small Industries

Public Sector

56. The sector in which the alternative programme for the Left Democratic Front Government was effectively implemented was in the reorganisation of the State public sector. During the last Government's regime, based on the recommendations of the Choudhari Committee Report, an all out effort to privatise the major public sector units in the State was made. This was subsequently dropped due to very strong resistance from various corners. However, the strategy of the old Government was to push these public sector units to natural death by starving them of resources for restructuring. In 2005-06 the public sector units incurred a total loss of Rs.90 crore. During 2007-08 however, the Public Sector Undertakings will have a net profit of Rs.20 crore. Despite the shortfall in the profit of Titanium Factories due to import policy it should surely be an achievement that the Public Sector Undertakings could make profit. The number of profit making public sector units have increased from 12 to 24. Sir, I am confident that during the tenure of this Government the cumulative loss of public sector units could either be drastically reduced or even nullified. An amount of Rs.50 crore is set apart for modernisation and restructuring of the public sector units.

57. A non conventional energy products park will be established during the current year. An amount of Rs.14 crore has been set apart for KINFRA for this and other programmes. An industrial park will be established at Kodakara for coconut based industries. I am setting apart Rs.1 crore additionally.

Private Small Scale Industries

58. Restructuring of the sick private sector in the State is as important as the restructuring of the sick public sector, especially in the small scale industrial sector. An institution on lines of the Bureau for Industrial Finance and Restructuring of the Government of India will be established in Kerala.

Kerala Financial Corporation

59. It is proposed to transform the KFC into an agency capable of providing financial assistance to small scale industrial units in the State. The main hurdle for KFC is to mobilise capital for this as the non performing assets coming to 55 percent of its total assets. I am planning to reduce this to 35 percent through a one time settlement. Through increase in share capital, it is proposed to bring down the non performing assets to below 10 percent. Once this is achieved, KFC will be in a position to raise resources through bonds and other means for effectively intervening in the small industries sector. An outlay of Rs.20 crore is set apart for this.

Kerala State Financial Enterprises

60. The KSFE like KFC, is another important institution under the ownership of the State Government. The effort is to use the instrument of chitty, so familiar to the Malayalee as a means of resource mobilisation. It is proposed to extend the share capital base of KSFE. An amount of Rs.10 crore is set apart for this. 41 new branches will be opened this year. The new branches to be opened during the year are at Vellarikkundu, Kannur evening branch, Thalassery second branch, Peravoor, Vythiri, Pulpally, Vadakara second branch, Ayancheri, Kozhikode Civil station, Malappuram evening branch,

Changaramkulam, Pulamanthol, Kozhinjampara, Parali, Thrissur Medical College, Varantherapally, Nattika, Athani, Alangatt, Shanmugham Road, Aluva second branch, Kuruppumpadi, Chellanam, Painavu, Nedumkandam, Kumily, Erumeli, Thenganna, Manarkkad, Kumarakom, Uzhavoor, Kalavoor, Kodumon, Oyoor, Karunagapally second branch, East Kallada, Attingal evening branch, Vattappara, Mangalapuram, Kudapanakunnu and Pravachambalam.

61. KFC and KSFE have entered the path of growth. Next is the turn of the Insurance Department. During 2008-09, the Insurance Department will be completely restructured on commercial lines.

The Kerala State Road Transport Corporation

62. The Transport Department has come up with a package for the renovation and restructuring of KSRTC. I wish to provide support to this package in the budget. I am writing off the tax arrears of KSRTC to the tune of Rs.700 crore. I am also foregoing the interest and penal interest amounting to Rs.153 crore. The loans given by the Government shall be converted as share capital. Title records will be given to land under the possession of KSRTC, their value fixed and added to the asset and liability statement. The KSRTC will be in a position to raise commercial loans in this manner.

63. Through loans with Government guarantee, 1000 buses will be commissioned every year. This will improve the mileage significantly. This alone will reduce the annual expenditure by Rs.100 crore. As the number of buses increases parallel services should be stopped on nationalised routes. Only if a collection of Rs.26 per kilometer is realized, can the KSRTC run on a no loss no profit basis. However, the KSRTC is now running buses in routes where even half the collection

is not possible. We have to find a solution to these problems. The dues to the oil companies have to be cleared. If this is done, the oil companies have promised that concessions will be given in the oil price. Commercial complexes shall be established on a BOT basis in prime locations owned by the KSRTC on revenue sharing basis, right from the start. Several reform measures have already been initiated by the KSRTC for reduction in expenditure. I am not going into the details due to time constraint.

64. An amount of Rs.25 crore has been set apart for the KSRTC in the current year's plan. During the previous Government's regime, KSRTC was given Rs.5 crore on an average. The non-plan funds granted to KSRTC during that five year period was only Rs.20 crore. This Government, on the other hand, has given an assistance of Rs.166 crore already to KSRTC for the years 2006-07 and 2007-08. A tripartite MOU has to be signed between the trade unions, KSRTC management and the Government which shall contain monitorable targets. If everything progresses as per target during the restructuring phase, I put on record that nothing will stand in the way of clearing operational losses of KSRTC through budget support. Sir, this will be a model of the Left Democratic alternative.

Kerala Water Authority

65. It is proposed to implement a comprehensive restructuring package for the Kerala Water Authority during the silver jubilee year of KWA. The financial restructuring package will be implemented during this year itself. I am writing off the interest on loans drawn by the Kerala Water Authority to the tune of Rs.1006 crore. The loan amount of Rs.839.60 crore as on 31.03.07 will be converted as an interest free fund. By cleaning up the balance sheet of KWA in this

manner, they will acquire the capability of raising loans on a commercial basis. Through improving collection of arrears on a war footing, through measures like enhancing the efficiency of personnel and management and reducing distribution losses from 35 percent to 15 percent, building up a healthy interface with clients, improving the quality of water supply, the performance of KWA can be improved substantially and eventually KWA must be able to function on a no profit no loss basis

66. This is the platinum jubilee year of the Wellington water supply scheme. This is also the silver jubilee year of the Peppara dam. An amount of Rs.1 crore is set apart for the renovation of these projects. An amount of Rs.4 crore is additionally sanctioned for carrying water from the Cochin water supply scheme of KWA, commissioned with HUDCO assistance, to Thevara and Kadavanthra and to improve the overall functioning of the project. Projects involving works in progress to the tune of Rs.2000 crore are in various stages of completion. Like the Rameswaram Tonsure these projects taken up simultaneously are remaining incomplete. Steps are being taken to complete these projects raising additional loans and through financial assistance from the Government of India. Projects worth Rs.288 crore including Ancharakkandy, Cheekode, Parassala, Kundara, Puthur, Edarikode and Arikcode have been submitted to NABARD. Already an amount of Rs.40 crore has been expended for Ancharakandy Project. An amount of Rs.4 crore is additionally provided to ensure that the Ancharakkandi project is not disrupted due to delay in NABARD releases. An amount of Rs.2 crore is sanctioned additionally for continuing the activities of the Cheekcode project. For the bottled drinking water project, announced in the last year's budget, an amount of Rs.1 crore is set

apart. An outlay of Rs.1 crore is provided for opening the PVC pipe manufacturing facility at Chavara.

Infrastructure Development

Irrigation

67. An outlay of Rs.257 crore is set apart for irrigation and for sea wall construction. The Karappuzha Irrigation Project which was started in 1978 with an initial estimate of Rs.7.6 crore has not been completed in spite of a total expenditure of Rs.235 crore. In 2008-09, an amount of Rs.31 crore is set apart for this. The Idamalayar project with an estimate of Rs.17.80 crore in 1981 has a cumulative expenditure of Rs.223 crore as on date. An amount of Rs.8 crore is set apart for the completion of the project. An amount of Rs.11 crore has been set apart for the Banasura Sagar project. The Scheme Chamravattom Regulator cum Bridge that started in 1999 is also getting relieved from the curse. An amount of Rs.21 crore has been set apart for this. With the support of the Government of India, the renovation and completion of Chittoorpuzha, Kanjirapuzha, Malampuzha Irrigation schemes has been taken up. Rs.29 crore has been set apart for this. Rs.12 crore is allotted to the Muvattupuzha Valley Project. NABARD is making available Rs.58 crore in 2008-09 for small irrigation projects. An amount of Rs.58 crore is sought to be spent on building of sea walls. An outlay of Rs.1 crore is provided as special assistance to the KERI during its Golden Jubilee year.

68. The Meenachil Project prepared presently is not feasible technically and financially. It is therefore proposed to recast the Meenachil river basin plan. A master plan shall be prepared on a war footing. An amount of Rs.5 crore shall be set apart for this.

Energy

69. Almost equal importance is given in the Plan for raising the generation capacity and strengthening the transmission and distribution network. The major project going to be started during 2008-09 is the Athirappally Project. An amount of Rs.60 crore is set apart for this. The following are the new projects-Chimoni, Achancoil, Chinnar and Peechi. An amount of Rs.196.50 crore has been set apart for the existing 21 schemes. The Pallivasal Extension is one project among this that has got the highest allocation. An amount of Rs.37.75 crore has been set apart for this project. For transmission lines and for 41 substations a provision of Rs.160 crore has been made. A target of 4 lakh service connections and 3 lakh street lights has been aimed. An amount of Rs.210 crore has been set apart for transformers, lines and meters. An amount of Rs.102 crore is sought to be spent on two Centrally Sponsored Schemes relating to distribution. Rs.60 crore has been set apart for projects linked to Tsunami rehabilitation. The most important project in the power sector is the major leap made towards establishing of the Pit head thermal coal based generation station in Bhaitharani West Coal block in Orissa. An amount of Rs.20 crore is set apart as share capital for the Company being established for this purpose. An amount of Rs.9 crore has been set apart for development programme in the non-conventional energy sector. Emphasis has been given for generation of electricity from wind. An amount of Rs.10 crore is set apart for the Integrated Rural Energy Development Programme.

Ports

70. The biggest among the joint ventures in ports being taken up is the Vizhinjam Deep Sea International Container Transshipment Terminal. The Government has taken steps to establish Vizhinjam International Seaport Limited, a public company for the purpose. The Company will be responsible for establishing the rail-road connectivity, water supply, power and other infrastructural facilities. An outlay of Rs.25.70 crore has been provided for this. Global tenders have been floated and offers received for the port. The company being launched for operationalising the port shall also be a joint venture company.

71. Global tenders have been invited for the consultancy project for developing a Cargo port and a marina at Alappuzha. The sea bridge at Alappuzha will be renovated. An amount of Rs.10 lakh is set apart for this. Rs.2.80 crore for Azhikkal harbour and Rs.1.10 crore for the cargo berth at Thankassery have been provided. An amount of Rs.1 crore is set apart for the Kerala Maritime Institute at Manjeswaram.

72. Rs.1 crore is set apart for the hangar for the Rajiv Gandhi Centre for Civil Aviation. The Kochi Metro Rail programme will be initiated.

Roads and Bridges

73. The precipitous deterioration of the condition of roads in this State during the previous monsoon raises two questions.

- What is the quantum of expenses required for the construction and maintenance of roads?
- How much effectively this amount is being expended ?

In 2007-08 an amount of Rs.530 crore has already been allotted against the arrear payments of road contractors. I would like to disburse arrears for another two months before March 31st. This will be an all time record. The payments for Rs.223 crore against NABARD works and Centrally Sponsored Schemes and payments made from Local Self Government Institutions will be in addition to this.

74. The Department has taken some very important steps relating to the implementation of public works: The most important among these is that rates for public works will be revised at the beginning of every year. The total expenditure on road works will be limited to a maximum of 150 percent of the budget estimate. Tender procedures will be strictly followed. For facilitating this, delegation to officers at all levels has been revised. The issue of long-term agreement for heavy maintenance of roads is under discussion for the last two years. We can start operationalising this in respect of Sabarimala roads. Additional resources required for heavy maintenance as per long term agreement will be made available to the PWD.

75. Out of the total plan outlay of Rs.705 crore for 2008-09, Rs.350 crore is from KSTP, Rs.140 crore from Tsunami Assistance and Rs.147 crore from NABARD. An amount of Rs.47 crore will be available from the Central Road Fund. An amount of Rs.12.26 crore shall be made available for major district roads and bridges.

76. An amount of Rs.50 lakh is set apart for the preliminary work to prepare tender documents for the flyover at Nagambadam in Kottayam on BOT basis. Work on the Thrissur Kanjani – Vadanapally road estimated at Rs.16 crore, will be initiated during

the year. Construction of Malayattoor-Kodanad bridge towards Malayattoor Pilgrim Centre will be started.

Water Transport

77. The plan outlay for Water Transport during 2008-09 has risen to Rs.109 crore from Rs.71 crore in 2007-08. Rs.5 crore is for the Water Transport Department. Rs.6 crore has been set apart for Kerala Shipping and Inland Navigation Corporation. Rs.56 crore has been set apart for construction of National Water Way, Rs.2 crore is set apart for construction of feeder canals and other canals.

Tourism, Education, Science, Culture and Sports Sectors

Tourism

78. The total plan outlay for Tourism has been increased from Rs.83 crore to Rs.98 crore. In this year's plan, special emphasis has been given for coastal tourism. Rs.9 crore has been set apart for the Kerala Tourism Development Corporation. The scheme for which higher allocation is set apart in the current year compared to 2007-08 is tourism marketing. Rs.15 crore is earmarked for this. The State contribution for the Pathiramanal Project sponsored by the Central Government, Eco Tourism Project, Musiris Project and for tourist centres in Malabar comes to Rs.3 crore. An additional allocation of Rs.7 crore is set apart for this programme.

79. The archaeological excavation being done at Pattanam as a part of Musuris Project has attracted international attention. A palace at Kodungallur Kovilakam will be renovated and conserved by Government as a memorial to Kunjikutty Thampuratty by taking it over with their consent or by retaining the rights of the existing

holders. The Paliyam Palace will be renovated on similar lines. Steps to take over the birth home of Abdurahiman Sahib at Eriyad will be completed this year.

80. Additional allocation of Rs.2 crore is set apart for the Bekal Resorts Development Corporation. The guest houses at Kannur, Sulthanbatheri and Munnar are being renovated on the lines of Ernakulam Guest House so as to utilise them partially for commercial purpose. An amount of Rs.2 crore is set apart for this.

81. An additional amount of Rs.50 lakh is set apart for establishing a centre for protection of elephants on lines with Pinnaveli in Sri Lanka. This will be implemented in co-operation with the Forest Department. Elephant calves straying away from wild herds shall be looked after at this centre and old aged tame elephants would be rehabilitated. An amount of Rs.10 lakh shall be set apart for establishing a rubber check dam across the Pamba river for the smooth management of Aranmula boat race.

82. An amount of Rs.50 lakh is sanctioned to Vayalar Panchayat for acquiring two acres of land for the project for establishing the Vayalar Martyrdom Square and Vayalar Swaramandapam with the support of the Tourism Department of Government of India. An amount of Rs.50 lakh is set apart for undertaking a feasibility study for tourism in the Canoly canal and the coastal areas in Kozhikode. An amount of Rs.25 lakh is set apart for developing the Kuthuparamba Town Square and Rs.50 lakh for developing the Trichur Sakthan Square.

83. The Grand Kerala Trade Fair will be continued in 2008-09. The objective of the programme is to convert Kerala into an international

shopping destination and also to link tourism industry with Kerala's traditional production centers. This is not merely a scheme to give away prizes in a few selected shops. There were certain limitations during the first year. The process of organization of the trade fair will be discussed with the traders and manufacturer organisations. To preserve the vision and continuity it is proposed to establish a Trade Fair Authority. I am setting apart Rs.20 crore additionally for this programme. The trade fair will be linked to tourism and wide publicity in this regard will be given in foreign countries. In 2008-09, the trade fair fund would be utilised for protecting and expanding ancient commercial centres like Mitai Theruvu at Kozhikode, Fort Kochi, Chalai Market in Thiruvananthapuram and Ernakulam Broadway and for providing trade fair infrastructure in industrial centres like Kannur (for handloom), Alappuzha (for coir) and Mannar (for bronze).

IT Industries

84. Laying of foundation stone for the Smart City was a very significant turning point in Kerala's IT development. The total allocation for Information Technology sector has increased from Rs.44 crore in 2007-08 to Rs.78 crore. The largest chunk is the allocation of the Kerala State Information Technology Mission, which remains at Rs.18.40 crore. The Mission is functioning as a nodal agency for IT industries in this State. The mission is giving leadership to Akshaya, the Kerala State Wide Area Network, FRIENDS Service Centres and providing training facilities apart from facilitating investment. An amount of Rs.20 crore set apart would be spent by the Mission as part of the National e-Governance plan. An infrastructure company will be established for the development of infrastructure facilities in the IT

sector. An amount of Rs.5 crore is set apart as share capital of this company.

Unemployment

85. Priority has been given in the Plan for protecting employment in the traditional sectors. Besides, the effective implementation of National Rural Employment Guarantee Scheme will be a relief to unemployed in these sectors. At the same time, the growth of new sectors like IT and Tourism will gainfully employ the educated in these sectors. Such a dual strategy is followed in this Budget.

Science and Environment

86. The Kerala State Council for Science, Technology and Environment is the nodal agency for research and development in science and technology. An amount of Rs.22 crore is set apart as grant-in-aid for the various research and development centres under this agency. An additional amount of Rs.19 crore is allocated for schemes directly implemented by the Council. Rs.10 crore is set apart for the Regional Cancer Centre, Thiruvananthapuram. An amount of Rs.1 crore is provided for the Post Graduate Course in Economics and other programmes of the Centre for Development Studies. An amount of Rs.5 crore is set apart for the Malabar Cancer Research Centre.

Forestry

87. An amount of Rs.17.70 crore has been set apart for forest protection and eco-restoration, including the provisions of the Finance Commission Award. An amount of Rs.7.25 crore is set apart for protection of wild life and maintenance of parks. An amount of Rs.2 crore is set apart for protection of Sasthamcotta, Ashtamudi and

Vembanad wetlands. Rs.5 crore is set apart for Periyar River Action Plan and Rs.1.50 crore for Bio-Diversity Conservation.

Education

88. The financial assistance to the higher education sector has been substantially increased in the budget for the year 2008-09. In 2007-08 the total assistance to the universities was Rs.11.90 crore. This is being increased to Rs.31.50 crore in the Plan for 2008-09. The provisions for Kozhikode and Kannur Universities have been substantially enhanced. The Universities have requested for increasing their Non-Plan provisions sizably. I am putting forward a proposal. The Government is willing to provide 50 per cent of the additional resource mobilised in 2008-09 over and above 2007-08 through fees and grant from the various agencies including the UGC. This will be in addition to the increase in grant provided in the budget.

89. An amount of Rs.2.80 crore has been set apart for improving hostel rooms and class rooms in Government Colleges. An amount of Rs.80 lakh is allotted for Law Colleges. The provisions for Fine Arts Colleges has been increased from Rs.58 lakh to Rs.1.50 crore. Rs.90 lakh is set apart for construction of an Auditorium cum Guest House and compound wall for John Mathai Centre. The major works undertaken during the year relate to the Academic blocks in Manjeswaram, Govindapai College, Elarithattu Nayanar Memorial College, Perinthalmanna Government College, Manathavadi Government Engineering College, buildings for Polytechnics at Nandanmukku, Vechuchira and Meenangadi, educational office complexes at Alappuzha and Kottayam and Pre-matric hostel at Nedunkandam. An additional amount of Rs.50 lakh is set apart for renovation of the Kerala University Senate hall.

90. In 2007-08 an allocation of Rs.4.50 crore was made for Engineering Colleges including the IHRD. This has been enhanced to Rs.19 crore in 2008-09. An amount of Rs.8 crore is set apart for Polytechnics. An amount of Rs.25 lakh is sanctioned for the new building in Memorial of E.K.Nayanar at Polytechnic, Kalliassery.

91. The ban on appointments which was imposed in the light of the surplus in teaching positions arising out of de-linking of pre-degree has started seriously affecting the academic environment in colleges. The policy has been changed ever since this Government came. Sanction is being accorded to fill up 642 vacant positions in 130 Arts and Science Colleges. A part of this has already been sanctioned. 31 Government High Schools have been upgraded to Higher Secondary Schools during the current financial year. 292 additional batches have been sanctioned in 201 Higher Secondary Schools. 1700 posts of Higher Secondary teachers would be sanctioned before the new academic year starts. 14 new Vocational Higher Secondary Schools have been started and 72 additional batches begun in 34 schools. For this, about 400 posts will be created afresh. It might not be possible to accomplish all the pending tasks given the massive commitments. However a step-by-step approach would be taken to find a solution to the problems in the education sector.

92. It is true that major steps are being taken for improving physical infrastructure and quality of education under SSA. Around Rs.175 crore will be spent during 2008-09 under the scheme. Apart from this programme the most prominent activity is the programme for strengthening laboratory and library facilities in Government Higher Secondary Schools. An amount of Rs.25 crore has been set apart for this. An amount of Rs.7 crore has been set apart for Vocational Higher Secondary Schools. Rs.20 lakh is additionally sanctioned to M.S.P.

Higher Secondary School in Malappuram, under the Home Department which is celebrating its centenary.

93. An amount of Rs.5 crore is set apart for Scholarships to students of High Schools and Rs.4.60 crore for Scholarship in the Higher Education sector. Apart from this a special programme has been prepared by the Higher Education Council for scholarships to the students of Higher Secondary Schools and Colleges, based on talent test. The resources for this programme will be mobilized primarily through donations. Government will be providing 50 percent of the total amount mobilized in this manner as grant-in-aid. An amount of Rs.3 crore is set apart additionally for this.

94. The monthly allowance of Preraks in Continuing Literacy Programme will be increased by hundred rupees. An amount of Rs.48 lakh is set apart additionally for this.

Industrial Training Institutes

95. An amount of Rs.4.20 crore is set apart for establishing new ITIs. An amount of Rs.2 crore has been set apart as the State component for the Government of India programme for upgradation of ITIs as Centers of Excellence. For attaining eligibility for the Centre of Excellence programme of the Government of India, the ITIs at Kayyoor, Kozhikode (Women), Areekode, Kattappana, Mala, Chenneerkkara, Kazhakuttom (Women) need to be upgraded. An additional amount of Rs.4 crore is set apart for this. An additional amount of Rs.4.25 crore is earmarked for modernization and upgradation of ITIs.

96. An additional amount of Rs.10 lakh is sanctioned for the Kerala Institute of Labour and Employment.

Sports

97. An amount of Rs.3 crore was set apart for the Sports Council during the last Annual Plan. This will be enhanced to Rs.9 crore in 2008-09. An amount of Rs.25 lakh is set apart for establishing a museum and a circus academy at Thalassery. An amount of Rs.25 lakh is sanctioned for purchase of racing boats and rowing oars for the Kerala Race Boat and Amateur Rowing Association. Rs.25 lakh is sanctioned for the G.V. Raja Sports School and Rs.20 lakh for the Usha Sports School. An amount of Rs.1 crore each is provided additionally for the construction of Stadium at Nedunkandam, Moovattupuzha and Alappuzha. Rs.20 lakh will be sanctioned for organising the South Asian Athletics Championship being organised at Ernakulam. Rs.10 lakh is additionally set apart for the Martial Arts Academy at Badagara. The programmes for Total Efficiency in Games, Operation Olympia Programme, and Insurance Scheme for Sports Stars, shall be implemented during the year.

98. The financial assistance to Kerala State Youth Welfare Board is enhanced to Rs.5 crore.

Art and Culture

99. I would like to provide additional support for the Art and Culture sector. In 2007-08 an amount of Rs.14.30 crore was provided in this sector. This is enhanced to Rs.23 crore this year. Rs.20 lakh each is provided additionally for the Thunchan Memorial Trust, Sivagiri Convention Centre, Thakazhi Memorial at Sankaramangalam, the memorial to the national poet Govinda Pai at Manjeswaram and the memorial for A.R. Raja Raja Varma at Mavelikkara. An amount of Rs.20 lakh is additionally sanctioned to the Sangeetha Nataka

Academy for organizing Asian Theatre Fest. An amount of Rs.25 lakh is sanctioned for construction of a new building as Golden Jubilee Memorial for the Sahitya Academy. An additional amount of Rs.50 lakh is provided for air conditioning and modernizing the KSFDC studios. The studio shall henceforth be known after Shri.Devarajan Master. An amount of Rs.10 lakh is set apart for completing Moidu Moulavi Memorial at Kozhikode. An amount of Rs.10 lakh is set apart for the development plan of Panmana Ashramam. An additional amount of Rs.5 lakh each is set apart for the Sahodaran Ayyappan Memorial in Cherai and the Academy of Magical Science as grant-in-aid. A grant of Rs.10 lakh is sanctioned to the Unnai Warriar Memorial Kalanilayam at Irinjalakkuda.

100. In this birth centenary year of Vaikom Muhammed Basheer, a cultural complex would be established in his memory at Kozhikode. A Committee will be formed for preparing detailed outline and estimate. Initially, an amount of Rs.50 lakh is set apart for this. An amount of Rs.80 lakh is set apart for establishing a centre for alternative building technology and for heritage studies in memory of Laurie Baker at Thiruvananthapuram. An amount of Rs.50 lakh is set apart for establishing the Indian Institute of Aesthetics.

Service Sectors

Health

101. The primary and secondary health centres are depending on the National Rural Health Mission for financial assistance. In 2008-09 an amount of Rs.133 crore could be spent in the health sector from this scheme.

102. An outlay of Rs.30 crore is provided for health education and research in 2008-09 as against Rs.13 crore in 2007-08. The provision made for systems of Indian Medicines has been enhanced from Rs.5 crore in 2007-08 to Rs.16.50 crore in 2008-09.

103. An amount of Rs.2 crore is additionally allocated for immediate operationalisation of the Speciality Block in Kozhikode Medical College. An additional amount of Rs.1 crore is set apart for constructing a Golden Jubilee Memorial Auditorium and Seminar Complex in Kozhikode Medical College. The construction of buildings for community health centre at Panangad, Pinarayi and Taluk hospitals at Quilandy, Kottarakkara, Ranni and Perumbavur and PHCs at Kalavur, Koothali, Konni and Mattathur and new buildings for hospitals at Pudukkad and Airanimuttam shall also be started during the year. The construction work for the nursing school at Mananthavadi shall be also started during the year.

104. A provision of Rs.70 lakh is made for starting a public laboratory in Kannur and an amount of Rs.1 crore for setting up the Indian Institute of Diabetes and the Indian Institute of Sports Medicine at the Kozhikode Medical College. A provision of Rs.50 lakh is made for the Para-medical Council to be established this year. An amount of Rs.3 crore is provided for construction of new medical college hostels and for modernization of existing ones. Rs.50 lakh each is sanctioned for the Kozhikode Regional Institute of Ophthalmology and the Spine Surgery Unit at Thiruvananthapuram.

105. An amount of Rs.10 lakh was sanctioned to the EMS Memorial Co-operative Hospital in Padanna in 2000-01. No money has been made available so far. This amount is additionally sanctioned. The Model Community Health Hospital announced in memory of late

K.R.Narayanan at Uzhavoor has not started functioning so far. An amount of Rs.25 lakh is additionally provided for this.

106. It is proposed to strengthen the Public Sector Undertakings engaged in the manufacturing of drugs in the State for making available quality medicines. A Rs.20 crore plan for modernisation of KSDP will be taken up. An amount of Rs.7 crore is allotted this year. An amount of Rs.2 crore is additionally set apart for renovation of Oushadhi. An amount of Rs.50 lakh has been provided for the construction of factory building of HOMCO in Alappuzha and an amount of Rs.20 lakh for establishing a pharmacy college. An amount of Rs.20 lakh is sanctioned for the Drugs and Pharmaceutical Industrial Co-operative Society at Ernakulam.

Shelter

107. If a realistic and integrated approach is adopted, housing for all is a practically achievable target in this State. The Local Govt. Institutions have set themselves a target for constructing about 50000 houses in this State during 2007-08. An amount of Rs.17.50 crore has been set apart for renovation of houses constructed under One Lakh Housing Scheme through supplementary demands for grants. The resources available from the One Lakh Housing Renovation Lottery shall also be made available for the scheme. An amount of Rs.5 crore has been set apart for the renovation of the One Lakh Housing Scheme in 2008-09. Another very important programme in the housing sector is Rs.103 crore housing programme taken up under Tsunami Rehabilitation Programme. A package is required to be formulated for restructuring of Housing Board. But this is not an easy task. The Housing Board has to pay nearly Rs.2,200 crore to various financial

institutions. We should be able to arrive at a liberal one time settlement with these institutions. Efforts will be made to achieve this.

Local Self Government

108. An amount of Rs.1,671 crore has been set apart as Development Fund, Rs.398 crore as Maintenance Grant and Rs.363 crore as General Purpose Grant for LSGIs. This devolution of funds started with the advent of People's Campaign is still progressing without parallels.

109. The main responsibility in 2008-09 is to restore people's participation and voluntary work in decentralized planning. Several positions which were put forward during the previous Left Democratic Front Government and set aside subsequently, would be re-activated vigorously. Making Kudumbashree neighbourhood groups active sub components of Gramasabhas, District Plan, Watershed Development Programme, Study of Status of Women, Solid Waste Disposal Programme, Computerisation, Re-deployment of employees, Improvement of Quality of Service, Intensified Training Programmes would be some of such activities. Voluntary activists shall be mobilized for this.

110. Keeping in mind the experience of the current year, the campaign programme would be initiated only after the Annual Plan for the next year is prepared. The planning process would be initiated in April and completed in June and sanction accorded for the Plan projects by the end of July. Plan implementation can be started from the month of April onwards. Spill over projects, maintenance of schools, housing, share of Centrally Sponsored Schemes, agricultural

projects etc can be implemented even before the Plan projects get approved. An order to this effect would be issued this month itself.

111. LSGIs have been permitted to carry over 20% of the fund allocated to them to the next year. This is enhanced to 30% considering the special circumstances of this year. Special sanction is given to Local Self Government Institutions to settle outstanding arrears of Electricity Board and Kerala Water Authority from the Plan funds.

112. 'KILA' at Thrissur has now achieved international recognition. KILA is functioning as a centre for People's Plan Campaign and for imparting training thereon. A massive people's campaign for preparing watershed development programme has to be started immediately after the plan project gets ready. District Plan has to be formulated. An additional amount of Rs.5 crore is set apart for KILA for this.

113. Rs.79 crore has been set apart as the State component for various Centrally Sponsored Schemes. Among these the most prominent is the National Employment Guarantee Scheme. Even though there was some delay in starting the programme in Palakkad and Wayanad, the implementation of the programme has brought us acclaim at the national level. The implementation of SGSY programme for self employment is integrated with Kudumbashree. An amount of Rs.30 crore has been set apart for the Attappadi Hill Area Development Project.

114. An amount of Rs.307 crore has been provided for Jawaharlal Nehru Urban Renewal Mission Programme being implemented in Thiruvananthapuram and Kochi Corporations. Out of these Rs.107 crore is the State contribution. For Thiruvananthapuram Corporation

the amount received as ADB Loan is shown as the contribution of the Corporation. However, the Kochi Corporation has to find its contribution from its own funds. Therefore, the contribution of the Kochi Corporation would be lowered from 30 percent to 20 percent. Similarly, the contribution of Grama Panchayats will be lowered from 30 to 10 percent. The commitment arising from the reduction will be borne by the State Government. It is sought to spend Rs.200 crore from the Kerala Sustainable Urban Development Programme during 2008-09. The progress in implementation of both the programmes is not up to the mark. This should be rectified immediately.

115. An amount of Rs.100 crore is to be spent this year under the Integrated Housing and Slum Development Programme. Another major Centrally Sponsored Scheme is the Urban Infrastructure and Development Small and Medium Scheme for Towns. An amount of Rs.60 crore will be spent during 2008-09. The Alappuzha Drinking Water Programme is covered under this scheme. But however we cannot mobilise central support for the water distribution component in rural areas. This will not impede the implementation of the project. If the resources are not available from the Government of India, programme support would be provided for the project from the State budget. The construction work of Attukal Township will be started this year.

116. The Kerala Rural and Urban Development Finance Corporation shall be restructured as a financial agency for providing loans to Local Government Institutions. The agency shall start functioning in 2008-09.

117. An additional amount of Rs.2.50 crore shall be provided for preparing master plans and detailed town plans.

Package for Northern Kerala

118. A special package shall be prepared for the region extending from Kozhikode to Manjeswaram considering the backwardness and the development potential of the region. The highly capital intensive projects like the Kannur Airport, Petroleum Complex and Industrial Park etc would be taken up mainly with private investments. Huge capital mobilization would be necessary for infrastructure development. They cannot be financed completely from the Budget. Additional resources would have to be located for that. The acquisition of land for Kannur and Karippur airports would be completed in a time-bound manner. Acquisition of land for the Kozhikode City Improvement shall be also taken up vigorously. An amount of Rs.20 crore is set apart for this.

Litter Free Kerala

119. Her Excellency the President of the Indian Union had inaugurated the Litter Free Kerala programme on the Kerala Formation Day. An amount of Rs.4.50 crore has been set apart for this programme. During the month of April and May it is sought to launch a major sanitation campaign mobilizing the masses substantively.

Social Welfare

Special Component Plan

120. It was with the People's Plan Programme that the system of notional flow in developmental expenditure relating to the Scheduled Caste and Scheduled Tribes was put an end and separate funds were provided. But however during the previous Government, the resource provided by the Local Government Institutions under the Special

Component Plan and Tribal Sub Plan was lapsed. This comes to 30 per cent of Special Component Plan and Tribal Sub Plan during the 10th Plan period. This entire amount has been transferred from general fund and provided as compensation under Special Component Plan and Tribal Sub Plan LSGI wise during 2007-08. From 2008-09 onwards the system of notional flow in state plan is also being discontinued. This marks a new chapter in the history of implementation of the Special Component Plan and the Tribal Sub Plan.

121. An amount of Rs.179 crore is set apart for Scheduled Castes under the Special Component Plan. The major emphasis is given for education. If we exclude the corpus fund, around 50 percent of the Tribal Sub Plan amount is for projects relating to education. Rs.7.50 crore in the Special Component Plan is set apart for educational concessions for students in self financing colleges for the first time. Rs.10 crore is set apart for Model Residential Schools. An amount of Rs.21.50 crore is set apart for housing programmes including the State share of Indira Awaas Yojana. There is emphasis in the plan on employment diversification. An amount of Rs.20 crore shall be set apart for this.

Tribal Sub Plan

122. An amount of Rs.60 crore has been set apart as the outlay under the Tribal Sub Plan. 35 percent of this is for the Education Sector. A sum of Rs.14 crore has been set apart for Model Residential Schools during 2008-09. 6,851 acres of lands have already been given to 4,696 landless tribal families. An amount of Rs.15 crore has been set apart for their rehabilitation. An amount of Rs.5.30 crore is set apart for shelter including the State contribution under Indira Awaas Yojana.

Development of Backward Classes

123. An amount of Rs.16 crore is set apart for the development of backward classes. A sum of Rs.3.50 crore is set apart for Converted Christians Corporation and Rs.7 crore for the Backward Classes Development Corporation. An amount of Rs.3.70 crore has been set apart for scholarship.

124. The Sachar Committee report has brought to light the socio-economic backwardness of the Muslims. A committee under the Chairmanship of Shri.Paloli Mohammed Kutty, Hon'ble Minister for Local Self Govt. was constituted to arrive at a practical working plan on the Sachar Committee recommendations after giving due consideration to the special conditions within the State. I am providing an amount of Rs.10 crore for implementing recommendations of the Committee. A welfare fund shall be established for the teachers of Madrasas. An institute shall be started in the Kozhikode University for Arabic and Mappila studies. Special scholarships meant for higher education of poor Muslim girls will be introduced.

Empowerment of women.

125. The marginalization of women in this State in the development process has to be rectified. We should be in a position to earmark at least 10 percent of the projects under the State Plan on projects which bring benefits to women directly. Because of lack of statistics on the gender impact of projects, it is very difficult to arrive at an estimate of the extent of projects in the State Plan bringing benefits for women exclusively. Undoubtedly, the proportion should be much less than ten percent. It is in this context that gender audit becomes very important. A system for gender related statistics will be framed by Finance

Department. From the next year onwards a special statement on gender impact would be submitted to the legislature along with the Budget as is done at the Centre.

126. A Gender Board shall be established with the Gender Adviser as Convener and the Social Welfare Minister as the chairperson. Unofficial members, Directors of Kudumbashree, Coir and Cashew and Secretaries of Women Development Corporation and like departments implementing Social Welfare, Local Self Government, SC-ST Development, Fisheries shall be members of the Board. A cell shall be established in the Social Welfare Department to support the Board.

127. Even though a bill on domestic violence has been passed by the Assembly, practically not much could be done in the absence of a regulatory system. Probationary officers in all districts have been given charge of this. In addition to them Women Protection Officers will be appointed in all Districts. D.V Act will be implemented effectively during 2008-09 in Kerala. Rs.2.25 crore for gender awareness and Rs.2 crore for Special Finishing School for women will be set apart in this year. Rs.1 crore will be provided for implementing women status study programme in selected Panchayats under the auspices of Kudumbasree.

Co-operation

128. The agrarian crisis has impacted the co-operation sector significantly. This has seriously affected repayments. Concessions of around Rs.3,100 crore has been provided as interest relief, moratorium and through writing off loans of farmers in the co-operative sector. Our major opposition to the Vydyanathan Commission's Report was that it

would restrict the scope of intervention of co-operatives in various sectors. This will also seriously affect mobilization of deposits. We are trying to negotiate a special concession under the co-operative package. We had launched the 'Sahakarana Vipananm Keraleyam' Campaign for controlling price rise. The number of professional colleges in the co-operative sector has increased from six to fourteen. A special package shall be launched in 2008-09 for promoting paddy cultivation. More Neethi medical stores shall be established in the background of comprehensive health insurance programme and more co-operative clinical laboratories will be started along with primary health centres.

129. Kerala has a large number of co-operative societies which have become a matter of pride for the co-operative movement. A special fund of Rs.10 crore is set apart for promoting existing co-operative institutions which have growth potential and also those institutions which are weak can't have scope for revival. Kerala Co-operative Transport, Kayamkulam, District Printing and Publishing Co-operative, Kannur; Pinarai Industrial Co-operative Society, Vadakara Co-operative Dyeing Centre and Paddy Co will be given financial assistance in the current year. The money will be sanctioned based on a detailed project report and financing plan. An amount of Rs.10 crore shall be set apart for this. An amount of Rs.1 crore will be set apart as one time assistance for Lime Shell Co-operative Societies. An amount of Rs.5 crore will be provided for completing the building of the Engineering College at Punnapra under CAPE. An amount of Rs.55.76 crore will be mobilised for Rubco from NCDC. Rs.5 crore will be provided as one time assistance for State Co-operative Consumer Federation.

NRI

130. The long standing demand for welfare fund for NRIs shall be operationalised in 2008-09. A draft bill is under the consideration of Government. I set apart an amount of Rs.3 crore additionally for the Non Resident Indian Welfare Fund. The first International Youth festival is going to be organized for NRI children and youth. An amount of Rs.20 lakh is set apart for this. Rs.25 lakh will be given to Norka as financial assistance to bring the dead bodies of those who die abroad to Kerala.

Administration and Administrative Reforms**Revenue**

131. The Government is planning to take over nearly fifty thousand acres of land which is under unauthorized possession. This land, purambokku land, revenue land and excess land shall be all brought under the purview of a State Land Bank. The land under the purview of land bank shall be made available for distribution to the landless and for industrialization. An amount of Rs.5 crore is provided during the current year for the Land Bank. New mini civil stations will be started at Attingal, Kothamangalam, Piravam, Alathur and Hosdurg. Kannur and Palluruthi Government office complexes and mini civil stations at Perambra, Perumbavoor, Ranni, Kunnamkulam and Nedumkandom and government servants quarters at Sulthanbatheri are the new major civil works. Provision has been made for the first phase of the Kozhikkode Bi-centenary Memorial Building.

Treasury

132. New sub treasuries shall be opened at Kudappanakunnu, Nuranad, Thrissur Medical College and Kozhikode Medical College, pension treasury at Thalassery and stamp depots at Kasaragod and Idukki. New buildings will be constructed for Dwaraka, Kothamangalam and Sasthamkottah Sub Treasuries. The interest of Treasury deposit has been raised to 10 percent. An intensive effort has been launched to increase deposits in Treasuries.

Home - Jail

133. An amount of Rs.9.50 crore shall be set apart for court buildings and quarters of judges. Funds for modernization of Police is mainly from the Central Government. Therefore only Rs.1.50 crore is set apart under the State Plan. Five new Police Stations will be started at Chombaal, Iravipuram, Pariyaram Medical College, Nedumbaserry and Karippur. Activities relating to video conferencing at Jails at Thrissur, Ernakulam and Kottayam will be completed during this year. Chemical Examination Laboratories will be established for improving the crime investigation. An amount of Rs.5.40 crore is set apart for jail modernization. A vigilance court will be opened at Kottayam.

134. The Fire Service Academy at Viyyoor would be strengthened. Seven fire stations will be started this year at Paravur, Vadakancherry, Mannarkkad, Nadapuram, Peravoor, Peringom and Poovar. New buildings will be constructed at Pattimattom, Puthucaud, Kuttikol and Kodungalloor.

135. The construction of judicial complexes will be started this year at Perumbavoor, Ottapalam and Punalur.

Registration

136. An amount of Rs.2.50 crore has been set apart for computerization in the Registration Department. The draft notification for fair value fixation is being prepared. This will be published without delay and opportunities will be given to the public for filing complaints. An amount of Rs.4.50 crore is earmarked additionally for modernization of fourteen Registration Offices.

Government Press

137. An amount Rs.4.50 crore is set apart for the construction and modernization of new buildings for Government presses.

Lottery

138. The state lottery is on the path of modernization. Orders have been issued giving new delegation of powers to the Lottery Directorate. In the month of February 5 weekly lotteries and a monthly lottery were started additionally. It is expected that the collection in the month of March will increase to Rs.65 crore. During 2008-09, a target of Rs.1000 crore is fixed. A number of reforms have been taken up to make lottery attractive. Welfare funds for lottery agents shall come into being within two months. Own printing facilities will be started for lotteries. Along with this we are continuing with the litigations in the Supreme Court for re-enforcing the rights of State Government for taking punitive measures against the unlawful activities of inter state lotteries. Even though the case has been listed for the last one year it has not been taken up for hearing. It is therefore proposed to file a special petition in this context. It is expected that the case would turnout to be favourable to the State Government. With this, along with

the expansion of the lottery the State Government would be in a position to curtail the illegal activities.

Excise

139. The Excise Department would be modernized providing additional vehicles and equipments. The establishment of 11 new ranges and the creation of 278 posts have helped in improving the activities of this Department. The Excise Department will take over the Chittoor Sugar Mill and restructure it as an in-house distillery.

Commercial Taxes Department

140. The functioning of the Department has not been re-oriented to suit the demands of the new VAT system. However the scrutiny of returns has not been very effective. This is seriously affecting audit. An intensive programme is being taken up as a pilot project in Ernakulam district. This shall be extended to other districts based on the experience. Modernization and expansion of office facilities is necessary for inculcating a new work culture. New buildings have been taken on rent at Ernakulam. Steps have been taken for sorting and filing invoices and bills which have been kept in abeyance for the four years. Scrutiny will be undertaken based on this.

141. All the recommendations of the Subject Committee on modernization of the check posts are being implemented. Weigh bridges will be established in all the important check posts in 2008-09. Facilities in the check post will also be expanded along with this. This is the 50th anniversary of the Walayar Check post. Foundation stone will be laid for check post plaza covering 40 acres of land on this occasion.

Gulati Institute of Public Finance and Taxation

142. In the last year's budget a proposal to restructure the Centre for Taxation Studies as the Gulati Institute of Public Finance and Taxation (GIFT) was put forward. An amount of Rs.20 crore has been sanctioned by the Government of India to GIFT. A master plan has been prepared and land identified. Activities of GIFT will be started with out waiting for the new building.

Public Relations

143. In 2007-08 an amount of Rs.2.86 crore was set apart for the activities of Public Relations Department. This has been increased to Rs.7.65 crore in 2008-09. A provision of Rs.1.60 crore has been set apart for the C-DIT. The outlay for Sudhariya Keralam has been enhanced from Rs.20 lakh to Rs.95 lakh.

144. An amount of Rs.20 lakh is additionally sanctioned for health insurance of journalists. An amount of Rs.25 lakh is provided as one time grant for modernizing the Journalism Departments of Kerala and Kozhikkode Universities and for starting short term courses in journalism. A scholarship programme will be implemented through the Press Academy. An additional amount of Rs.10 lakh is sanctioned to the Press Academy for the purpose.

Employees

145. Sir, a provision for 15 percent DA was made in the Budget. However we have already cleared 32 percent DA announced by the Government of India. 10 percent of the DA relates to the period before this Government assumed office. An amount of Rs.2948 crore had to be paid additionally as DA to employees and pensioners this year.

These steps were taken for ensuring healthy labour relations in the State.

146. The pension revision shall be completed by 31st August. As on date we are clearing 800 applications daily. It is proposed to raise this to 2000.

147. Steps have been taken to resolve the grievances on pay revision raised by employees organizations during the discussions on the last budget. The promotion posts for last grade employees have been increased from five percent to ten percent. The wages of casual sweepers have been increased from Rs.600 to Rs.750. This will be increased to Rs.1000 in this Budget. Large sections of employees have responded positively to this proactive attitude of the Government. I request whole hearted support of the employees in creating a corruption free and efficient civil service.

Administrative Reforms

148. Building up a corruption free and efficient civil service is closely related to Administrative Reforms. Efforts have been going on for the last fifty years. Several issues raised by the administrative reforms committee headed by EMS remain unimplemented even now. Majority of the decisions of the 3rd Administrative Reforms Commission also have met with the same fate. It is necessary to bring about a change in this situation. Let us start with the Finance Department.

149. First of all it has to be stated that more than half of the files reaching the Finance Department today need not have come there. In the month of February around 4000 files reached the Finance Department. On examination it is seen that half of them need not have

come to the Finance Department as per rules. A detailed order elaborating the various aspects of this shall be issued. Another aspect is to look at the mechanisms for reducing the delay in processing within the Finance Department. Since the routine circulation of files is likely to take time the system of financial advisors similar to that in the Govt. of India will be examined.

150. The Delegation of Powers of Directorates and Development Departments shall be increased substantially. Detailed orders shall be issued by the Finance Department enhancing the delegation of powers in three months.

151. Corruption is a cancer eating into our public life. Generally the attitude is to approach this problem with helplessness and callousness. It has been established that a corruption free civil service is realizable through the wiping out of corruption at the Walayar Commercial Tax Check post which was one among the symbols of corruption in this State. The corruption free Walayar programme would be entering a new phase in April with the integration of various Departments. With this, bottlenecks in traffic can also be eliminated. I am sanctioning Rs.5 crore, for the second phase of Corruption Free Walayar.

152. The social audit undertaken at Walayar has caught national attention. Citizens Charter has been published in the State Treasuries based on Walayar model. Social audit would be conducted on the implementation of the Citizen Charter in the month of May and June. A pre-requisite of such experiments is that the citizens have to tide over the callousness and helplessness and come up with creative criticisms. Please forward the complaints on performance of the treasuries through the complaint box in the Treasury or forward them by e-mail. Replies for this would be printed at the time of social audit.

If the replies are not satisfactory, you would have the right to question them. An independent jury will resolve the dispute. Sir, we are moving into practical action on Administrative Reforms beyond rhetoric.

Part III

Resource Mobilisation

Tax Arrears

153. Sir, may I come to taxation proposals.

154. Khadi and Village Industries Units with turnover less than Rs.50 lakh had been exempted from KGST while Units with turnover exceeding Rs.50 lakh had been given a concessional tax rate of 4% from 1-4-2000 to 31-3-05. However, these concessions had not been given to them in respect of CST dues. It is proposed to waive interest on all pending arrears of CST and KGST dues of such units for this period and to permit them to remit the outstanding arrears in 60 equal monthly instalments.

155. Sir, as per figures of 31-12-2007 the Commercial Taxes Department has around Rs.4,280 crore of arrears. Of this around Rs.1,900 crore are stayed by various courts and other appellate forums and around Rs.1,600 crore are dues of various PSUs. As per the present state of affairs it would take at least ten years to collect all these dues. One is not even sure whether Government will ultimately win all those cases. It is essential to dispose off all these cases if officers are to be able to give all their attention to VAT. Hence I propose to announce an amnesty scheme as in Tamil Nadu, Andhra Pradesh, Maharashtra and Bengal. This will be a scheme for disposing off arrears of all taxes collected by the Commercial Taxes Department.

- For arrears of the assessment years up to 1990-91, if 75% of the principal is remitted, all interest and penalty and 25% of the principal amount shall be waived.
- For the arrears of the assessment years between 1991-92 and 1995-96, if 100% of the principal is remitted, all interest and penalty shall be waived.
- For the arrears of the assessment years between 1996-97 and 1999-2000, 100% of the principal and 5% of the interest and penalty will have to be remitted.
- For the arrears of the assessment years from 2000-2001 to 2004-05, 100% of the principal and 10% of the interest and penalty will have to be remitted.
- In cases where principal has already been remitted and only interest remains, 10% of the interest only need be remitted.

Defaulters desiring to settle their cases under the scheme will have to apply in the prescribed form to the assessing authority before 30-6-2008. They will have to remit 25% of the amount within 15 days of receipt of orders from the assessing authority and the balance in three equal monthly instalments from the next month. Revenue Recovery action will be withdrawn in these cases and collection charges shall be waived. The benefit under the scheme will also be available to defaulters with cases in appeal and revision in the courts and other appellate forums. Both Government and the defaulters shall withdraw the appeals, revisions and other cases relating to these matters before final orders are passed under the scheme in respect of their case. However, where assets of the defaulters have been attached under the Revenue Recovery law, the settlement shall not be at a lower value than that of the asset attached.

Assessment Arrears

156. Hon`ble Members will recall that a fast track assessment adalat system had been brought in to settle the arrear cases. We have been able to complete assessments in 23,550 cases and collect Rs.11.80 crores under the system. As part of this we had disposed off 4,188 cases and collected Rs.4.34 crores at a Mega Adalat in Ernakulam on 22-11-2007. There is a balance of 27,800 cases remaining to be disposed off. It is proposed to dispose off these cases this year itself on the Ernakulam model by further simplifying procedures. The following norms shall be adopted for assessment in these cases:

- Where statutory forms have not been submitted, or forms misused and tax not remitted or only partially remitted, tax due will have to be remitted.
- In cases where compounding fee or penalty has been imposed in cases of tax evasion, amount equal to tax evaded, or where pattern of suppression has been proved, amount not exceeding three times the tax evaded with reference to the period of suppression shall be levied.
- Where the tax evaded cannot be quantified, assessment will be completed on an addition equal to 5% of the taxable turnover conceded in the return. This shall be subject to a minimum tax of Rs.5000/- and a maximum of Rs.1 lakh.
- In case of Works Contract which have been compounded where returns and TDS Certificate are produced, assessment will be completed accepting the awarder's certificate.
- In Works Contract cases not under compounding, where returns and statement of accounts have been filed, the assessment will be finalized determining additional tax liability at 20% of tax paid subject to a minimum of Rs.10,000/-.

Interest and penalty will be waived in all these cases as per pre-Para.

157. The period for completion of assessments, including re-assessments and modified assessments on the basis of appellate orders, under KGST Act for the period up to 2003-04 is proposed to be extended by one more year.

158. The period for completion of CST assessments for the year 2005-06 is proposed to be extended by one year.

Simplification of Procedures

159. The VAT Act does not permit amendment in VAT rates with retrospective effect. Consequently it has not been possible to give effect to some of the promises made by Government. It is therefore proposed to amend Section 93(1) of the KVAT Act to permit reduction of rates through notification with retrospective effect.

160. The Sales Tax Appellate Tribunal has five benches in different parts of Kerala. It is proposed to provide this facility to the VAT Tribunal also.

161. It had been declared on 13-11-07 that dealers who voluntarily come forward to take registration between 15-12-07 and 31-12-07 would be given some benefits with retrospective effect. It is proposed to give statutory cover for this declaration and also to extend the validity of the scheme till 31-3-08.

162. It is proposed to clarify in the statute that the exemption given on 1.5.2007 will apply to all types of coconut oil.

163. There is some disquiet among trade regarding the treatment of credit notes. It is proposed to amend the KVAT Act to make it clear that credit notes that do not affect input tax credit will be permitted. It will be further clarified that reimbursement of expenses in the trade through credit notes will not affect the tax liability of the dealer.

164. The KVAT Act requires option for composition of tax and applications for refunds to be filed by certain dates. It is proposed to effect necessary amendments to permit the District Deputy Commissioners to condone delays for good and sufficient reasons. In the case of refunds, delays may be without time limit, while for compounding, delays may be condoned up to 31-12-08 for pending cases.

Compounding

Gold

165. Efforts are being made to increase the contribution from the Gold Jewellery sector. Rs.97 crore has been collected in 2006-07 as against Rs.21 crore in 2005-06. This is a record increase. This figure of Rs.97 crore has been exceeded in January itself of this financial year, but this has to increase further. It is proposed to further simplify the compounding scheme to attract more dealers to compounding.

166. Dealers who have not yet compounded till now will be permitted to compound at 150% of the highest tax paid or payable by them as per return or accounts for the last three years. In case a dealer has not been in existence for three years, he may compound at 150% of the highest tax paid or payable for a financial year he has transacted business. In case a dealer has transacted business for less than a year, he may compound at 150% of the tax paid or payable for the period duly annualized. Dealers opting for compounding shall compulsorily compound all their outlets excluding branches started in the current year. Compounding for branches started in the previous year after the commencement of the financial year will be done after annualizing the tax paid or payable. Compounding for a branch commenced in the current year shall be additionally determined as the average of the

compounded tax payable for the principal business place and branches existing in the previous year. However, option to compound shall not be rejected on the ground that a dealer has not opted for compounding a branch commenced in the present year. Where a dealer has compounded for the first time in 2007-08 and if the tax payable in 2006-07 as per return or accounts is less than the output tax, the compounded tax liability for 2007-08 will be notionally re-determined on the basis of output tax as stated above for determining the compounded tax liability for 2008-09. Dealers under compounding last year will be permitted to compound at 115% of the tax paid last year, or on the basis of the re-determined tax as stated above.

167. Applications for compounding may be rejected and orders given for compounding may be cancelled for good and sufficient reasons with the prior approval of District Deputy Commissioners. Good and sufficient reasons will include shifting of place of business, holding of stock exceeding double the quantity held in the previous year, failure to submit information demanded, furnishing false information. These orders will be appealable to the Tribunal. It is proposed to introduce amendments for the same.

Works Contract

168. It is proposed to simplify the provisions for compounding for Works Contracts.

- The negative list will be omitted.
- It is proposed to permit contractors with CST registration to compound at 8% and those without such registration to compound at 3%. They will be exempted from paying purchase tax under Section 6(2). These rates will not be applicable to works awarded by Government of Kerala, KWA and Local Bodies. The existing rates will continue for them. It

is estimated that this measure will fetch us an additional Rs.10 crore.

169. It is proposed to permit deduction of sub contract amount of registered sub contractors from the turnover of the registered contractor.

170. It is proposed to stipulate the rate of tax deducted at source by awarders for works contractors as below:

- a. As per the tax liability certificate, if produced.
- b. 4% for contracts awarded by Government of Kerala, KWA and Local Bodies.
- c. 8% in case of registered contractors and 10% in respect of unregistered contractors.

171. It is proposed to extend the facility of set off VAT paid against Stamp Duty to the tax paid by the sub contractors also.

Bar Hotels

172. Bar Hotels have been permitted to compound tax on cooked food, but this facility is available now only to foods and beverages prepared by them. It is proposed to bring packaged water and soft drinks procured from registered dealers also within the ambit of compounding.

173. Compounding of tax for cooked food for Bar Hotels is linked to their sales turnover of liquor. However, even dealers paying tax at compounded rates on liquor have not opted for this scheme. Hence it is proposed to allow these dealers to compound at 125% of the highest tax paid or payable in the immediately preceding three years without any link to the turnover of liquor.

Tax Concessions

174. Some States have reduced the tax rate on ATF to 4%. Therefore it is proposed to reduce the tax rate on ATF to 4%. It is hoped that this concession will be passed on by the airlines to passengers.

175. Sir, I share the concern of this august House for a sustainable environment. It is proposed to exempt paper bags from tax. It is also proposed to increase the tax on plastic carry bags to 12.5%.

176. The rate of tax on generators, computer peripherals and certain hospital equipment had been reduced to 4% through executive instructions from 22-10-2007 to prevent trade diversion. It is now proposed to effect amendments in the statute accordingly. It is also proposed to extend this benefit to all kinds of hospital equipment.

177. It is proposed to exempt works contract by way of sculpting statues of National Leaders and Social Reformers from tax.

178. It is proposed to exempt the sale of Prasadam and sale of goods received as offerings from devotees by the Devaswom Boards from tax.

179. It is proposed to amend the provisions of the statute to align it with the stipulation that tax rate on declared goods shall not exceed 4% and exclude declared goods from the purview of Section 6(1)(f).

180. Hon`ble Members will recall that Khadi & Village Industrial Units processing lime shell had been exempted from tax. But this has brought tax liability on subsequent purchasers from them. It is proposed to exempt the subsequent purchasers from purchase tax liability for the period up to 31-3-05 subject to the condition that goods manufactured out of this are liable to tax under KGST Act or CST Act.

181. With reduction of CST rate, manufacturing units in Kerala supplying items to KSEB, KWA, KSRTC will face tough competition from interstate dealers. Hence it is proposed to reduce the tax on all items supplied to KSEB, KWA and KSRTC manufactured in Kerala other than petroleum products to 4%. The concession already given to the Railways last year will be aligned with this.

182. It is proposed to extend the reduction in tax rate to 4% for cashew to roasted and salted cashew nuts, cashew soup, cashew vita, cashew powder, and cashew bits.

183. Used Cars are being taxed at 4% on their value. This is driving the trade back into the unorganized channels. Hence it is proposed to reduce the tax rate on sale of used cars to 0.5%.

184. It is proposed to reduce the tax on the following items to 4%:

- d. *Aldrops*, pulley and clamps
- e. Rainguarding compounds
- f. Flavours and Aromatic compounds
- g. Tarpaulin including silpaulin
- h. Machine tools
- i. All Printing Machinery and Lathes, and parts thereof
- j. Municipal Solid Waste Management Equipment and Plant
- k. All Cycle Parts, with effect from 1-4-05
- l. Rugs, mats and carpets made of handloom and cotton
- m. All types of hangers

185. Restaurants other than bar hotels, star hotels and flight kitchens used to enjoy a basic exemption of up to Rs.5 lakh under the KGST Act and had to pay a licence fee of only Rs.500 per lakh without limit

on the turnover. There was no option required for this facility. But under the KVAT Act these dealers are liable to be assessed at 12.5% or compound at 0.5% subject to liability under Section 6(2). For compounding these dealers have to file option in April every year. But small hoteliers had not filed their options in time. To protect their interests, Government had given an opportunity to them to file option for compounding with retrospective effect. It is proposed to amend the Act to give statutory cover to this scheme. It is proposed to permit hoteliers eligible for compounding to file option with retrospective effect up to 31-12-2008.

186. It is proposed to reduce the tax rate for dealers in cooked food eligible for compounding to 4%.

187. Mobile Recharge Coupons are proposed to be exempted from tax with effect from 1-4-05.

188. It is proposed to exempt items manufactured by Kerala Federation of Blind like chalk, umbrella, candles and book binding from tax at the point of sale by such manufacturing units.

189. It is proposed to exempt the film industry from levy of VAT on right to use and on copyrights with effect from 1-4-2005. Some other States are levying these taxes. There is widespread concern that such a levy may adversely affect the film industry in Kerala. It is to protect the industry here that this proposal has been put forward.

190. The loss of revenue estimated on account of all the above tax concessions is Rs.25 crore.

New Tax Proposals

191. Sir, the social security schemes announced in this Budget will create a huge financial commitment. There is every likelihood that this will increase in the next three years. To meet this expenditure it is proposed to impose a 1% cess on sales taxes and value added tax levied by the State Government. It is hoped to raise Rs.100 crore through this measure.

192. Imposition of additional levies on the big chains coming into the retail sector has been demanded by almost all sections of society. It is proposed to impose a surcharge of 10% under the Kerala Surcharge on Taxes Act on the big retail chains, including on direct marketing chains, who import more than 50% of goods from outside the State, whose turnover exceeds Rs.5 crore per annum and 75% of whose sales are directly to consumers. Purchases from first sellers who are sister-concerns will be deemed to be an import of such retail chain. It is expected to raise Rs.2 crore additional resources through this measure.

193. It is proposed to impose 10% tax under the Kerala Tax on Luxuries Act on rooms in hospitals where the daily rent is Rs.1,000/- or more, regardless of the manner in which the amount is billed. This measure is expected to generate additional resources of Rs.1 crore.

194. It is proposed to increase the tax on ordinary draws to Rs.7 lakhs and on bumper draws to Rs.17 lakh under the Kerala Tax on Paper Lotteries Act. This is expected to generate an additional Rs.25 crore.

195. It is proposed to amend the KVAT Act to limit the set off of input tax and refund given on interstate stock transfers to the amount in

excess of 4%. This measure is expected to generate an additional revenue of Rs.50 crore.

Incentives to Trade

196. Action is being taken to finalize the awards for assesseees that had been announced in the last Budget. The awards will be announced shortly, and the awardees will be given green cards.

197. Computerization is proceeding apace in the Commercial Taxes Department. It is proposed to provide for assesseees filing returns electronically to download statutory forms subject to conditions.

198. I look to the trade organizations and Chambers of Commerce for co-operation in helping assesseees to file returns electronically. It is proposed to initiate a scheme to provide a computer each to these organizations who run kiosks for this purpose.

199. The Traders Welfare Board is being re-constituted. All pending compensation claims in respect of deceased members have been settled.

200. The Traders Welfare Board will be launching a drive to increase its membership and to extend better facilities to all its members.

201. The State-level VAT Consultative Committee will be reorganized. To make its functioning more effective it is proposed to have an Executive Committee which can meet more frequently.

202. I am happy to inform the House that the District Level Advisory Committees are meeting regularly on the 2nd Wednesday of

the month. Any issues not sorted out at their level will be taken up at the State Level Committee for a solution.

203. It is proposed to introduce a fast-track provisional registration procedure for industrial units in the State.

Miscellaneous

204. The KVAT Act permits an assessee to revise his return five times. Whereas the Act in Tamil Nadu does not permit even a single revision. Several cases have been reported where the assessee revises his return on detection of any irregularity to avoid penal action. Hence it is proposed to bar revision of returns by assesseees in cases where tax evasion has been detected. Such revised returns that have been filed are liable to be rejected.

205. Full time employees authorized by the dealers come within the definition of Sales Tax Practitioners. However, their part time employees are not considered so. It is proposed to include part time employees holding Diploma Certificates issued by Centre for Taxation Studies also within the definition of Sales Tax Practitioner.

206. Hon`ble Members will be aware that presumptive dealers under the KVAT Act is a privilege given to those with turnover of less than Rs.50 lakh a year subject to certain conditions. Unfortunately some dealers have been misusing this status to evade tax. It is therefore proposed to introduce a penal provision of thrice the tax effect as in Section 17(5A) of the KGST Act to deter presumptive dealers from misusing their special status.

207. It is proposed to amend the KVAT Act to clarify that the disposal of seized goods will be only after confiscation.

208. A number of cases have been detected where dealers have set up sister-concerns to indulge in circuitous trading to inflate input tax credit and reduce the net tax payable. It is proposed to take stringent action in such cases. No input tax credit will be allowed in respect of purchases by a dealer from his sister-concern in case of bogus transactions. Where the goods have actually moved, the disallowance will be limited to 10% of input tax credit claim. Necessary amendments will be made for the purpose.

209. A rampant form of tax evasion increasingly noticed is stocking of goods in undeclared godowns. Registration of dealers giving addresses of all their business premises is already mandatory, but this provision is not being complied with. Hence I propose to treat stock in undeclared godowns as stock outside their regular books of accounts. However, it will be sufficient to give prior written intimation to the concerned assessing authority. Further, all registered dealers will be required to display their TIN / PIN on their signboards at all their premises, including on godowns. Necessary amendments will be made for this purpose.

210. There is a provision in the KVAT Act to issue clarifications on disputed issues. The intention is only to clarify the position as per the statute and not to legislate, which is the sovereign prerogative of this House. It is proposed to amend the statutes to reflect this position.

211. Planters have been given eligibility for input tax credit under the KVAT Act on purchases of fertilizers, pesticides, etc. Since they can deduct these expenses under the Kerala Agricultural Income Tax Act also, it is proposed to remove this facility and amend the statute accordingly.

212. It is proposed to make both penalties and assessments under KGST Act appealable as in the case of the KVAT Act.

213. It is proposed to effect necessary amendments to the statute to clarify that the maximum compounding fee collectable against a single offence spread over several return periods in a financial year will be two lakh rupees.

214. Taxing statutes usually provide for freezing of bank or similar accounts of defaulters. However, this is missing in the Kerala Tax on Luxuries Act. It is proposed to introduce a provision for the same.

215. When dues to Government are reduced on appeal or in any other proceedings, it is not necessary for the taxing authority to serve a fresh demand notice upon the assessee, if the Act is brought within the purview of The Kerala Taxation Laws (Continuation and Validation of Recovery Proceedings) Act, 1967. It is proposed to include the KVAT Act and the Kerala Tax on Luxuries Act within the purview of this Act.

216. The border check posts have been a rich source of data on goods flowing into Kerala, for taxation purposes. However, as more and more goods are coming in as coastal cargo, through air and through the Railways, it is proposed to insert enabling provisions in the statute to collect data.

217. Billing and accounting systems of dealers are progressively getting computerized; this presents both opportunities as well as threats to Government. I propose to lay down a legal framework for regulation of this new area by suitably amending the statute.

218. It is proposed to permit all compounded works contractors other than metal crushing units and those undertaking works for Government of Kerala, KWA & Local Bodies, to collect tax.

However, excess tax collected, if any, shall be forfeited to Government. Necessary amendments for the purpose will be made.

PART IV

219. I have already indicated our approach towards expenditure during 2007-08. But the Revised Estimates of 2007-08 show that the fiscal indicators will be better when compared to the Budget Estimates. The estimated Revenue Deficit and Fiscal Deficit for 2007-08 are of the order of Rs.4644 crore and Rs.6900 crore respectively, which will be 3.1% and 4.6% respectively of the GSDP. These were 3.4% and 4.8% respectively in the Budget Estimates of 2007-08.

220. In 2008-09, Gross Revenue Expenditure will increase by 8.1% while Revenue Receipts increase by 15.8%. Hence in the fiscal year 2008-09, the Revenue Deficit and the Fiscal Deficit will come down to Rs.3367 crore and Rs.5625 crore respectively. Assuming that the GSDP will grow by at least by 12%, the Revenue Deficit and Fiscal Deficit will reduce to the level of 2% and 3.4% respectively. In 2007-08, the Primary Revenue Surplus will be Rs.113 crore, while during 2008-09 it will rise to Rs.1777 crore. The Debt stock will reduce from the level of 37.8% of GSDP to 37.6%. Debt as a percentage of Revenue Receipts will also come down from 261% in 2007-08 to 249% in 2008-09.

221. The Plan outlay in 2007-08 is Rs. 6950 crore. As per the Revised Estimates of 2007-08, the State Plan expenditure this year will be Rs.6693 crore which shows an increase of 40 % over the actual expenditure in the previous financial year. The Plan outlay of 2008-09 is Rs. 7700 crore, which shows an increase of 15 % over 2007-08.

222. A summary of estimates for the fiscal year 2007-08 and 2008-09 is as follows:

REVISED ESTIMATE – 2007-08*(Rupees in Crores)*

Revenue Receipts	-		21496.98
Revenue Expenditure	-		26141.28
Revenue Deficit	-	(-)	4644.30
Capital Expenditure	-		1499.20
Loans and Advances (Net)	-	(-)	757.04
Public Debt (Net)	-		4529.97
Public Account (Net)	-		1489.87
Overall surplus / Deficit	-	(-)	880.70
Carry over Surplus	-		201.36
Cumulative Deficit	-	(-)	679.34

Budget Estimate 2008-09*(Rupees in crores)*

Revenue Receipts	-		24935.72
Revenue Expenditure	-		28302.77
Revenue Deficit	-	(-)	3367.05
Capital Expenditure	-		1561.93
Loans and Advances (Net)	-	(-)	696.69
Public Debt (Net)	-		4968.94
Public Account (Net)	-		851.57
Overall surplus	-		194.84
Carry over Deficit	-	(-)	679.34
Additional Expenditure Announced	-		305.78
Concessions announced	-		25.12
Additional Resource Mobilisation	-		188.00
Cumulative Deficit	-	(-)	627.40

Conclusion

223. Let me conclude this Budget, which is presented on the eve of the birth centenary of Vaikom Muhammed Basheer with memories of the great man. There is an economic concept behind 'Pathuma's Goat'. A situation where Basheer is being looked upto by everybody for money. Basheer wants to give them all what they want. Only that there is no money for that.

224. His mother only has this to say to Basheer: "You can say all that. You are single, quarter of a belly; You give me some money. Hey, you give me ten rupees. Abdul Khader need not know; Haneefa need not know. Aanumma and Pathuma need not know".

225. This is Basheer's reply: "How much money have I given after I came? In this house..... how much money have you taken? I will tell you a secret, Umma; all told, I have just a five rupee note. Not a paisa more.....". Umma said immediately. "You give me that".

226. There is a scene where the postman comes with a rupees hundred money order for Basheer. Even before that money reached, it had been fully apportioned. The economics behind 'Pathuma's Goat' is to distribute the available money judiciously and generously for the purpose of meeting the needs of each and every one. There is a void here. One also hears the voice of love and trust. Basheer himself is seen breaking the glass by throwing. But all are within boundaries. Pathuma's Goat is not just a description of the happenings in a small house in Thalayolaparamba. It is a story of prioritisation and decisions in a state of limited supply and unlimited demand. I cannot but think of the financial position of our State when reading the 'Pathuma's Goat'.

227. At any rate the situation has been improving. Sir, I declared in this House last year that the year 2007-08 would lay the foundation for bringing the financial position of Kerala to normalcy. When I said this in the context of a tight financial position, many took this as mere chattering. I face this House today with a sense of pride of having kept my words.

228. Finally, I have only one thing to say. We do not have unlimited money. If we spend it cautiously, without being lavish, we can make a somewhat big plan next year. As I said in the beginning, we should invest more for development. The emphasis of this budget is again on welfare. But we have already started constructing a bridge. Only a larger plan size can enable us to complete this bridge from the past of economic justice to the future of accelerated economic growth and modernization. Sir, I declare firmly in this House, we will build this bridge.

229. **I present this budget for the approval of this House.
I also present the Vote on account for the first four months
of the financial year 2008-09 before the House.**

// Jai Hind //