



Government of Kerala

BUDGET SPEECH

2003-2004

By

K.SANKARANARAYANAN

Minister for Finance

On

14 th MARCH 2003

TABLE OF CONTENTS

PART A	4
THE FISCAL POSITION	4
Sinking fund for debt management.....	6
Growth of the State's economy.....	6
ANNUAL PLAN 2003-2004	7
External assistance for development.....	7
Fund releases to local self governments.....	9
AGRICULTURE	9
Agricultural Price Stabilisation Fund.....	10
INDUSTRIES	11
TRADITIONAL INDUSTRIES	12
Traditional Industries Support Fund	12
SPECIAL SCHEMES FOR FAMILIES BELOW POVERTY	
LINE	13
Social Safety Net Scheme	13
Service delivery for poor	14
Special Scheme for One Lakh Housing Colonies	14
Payment of arrears on Welfare Schemes.....	14
INFORMATION TECHNOLOGY	15
TOURISM	15
ANIMAL HUSBANDRY	16
BIOTECHNOLOGY	17
FISHERIES	17
EDUCATION	17
HEALTH	18
LOCAL SELF GOVERNMENTS	19
CAPITAL CITY DEVELOPMENT PROGRAMME	21
SCHEDULED CASTE DEVELOPMENT	22
SCHEDULED TRIBE DEVELOPMENT	22
New Basic Needs Package for tribals.....	23
Resettlement of landless tribals.....	23
OTHER BACKWARD CLASSES	24
PUBLIC WORKS	24
TRANSPORT	25
IRRIGATION	25

WATER SUPPLY AND SANITATION.....	26
POWER SECTOR.....	27
CIVIL SUPPLIES.....	27
FORESTRY.....	28
COOPERATION.....	28
SCIENCE AND TECHNOLOGY.....	28
SOCIAL WELFARE.....	29
LABOUR, EMPLOYMENT AND TRAINING.....	30
REVENUE.....	30
HOUSING.....	30
MODERNISATION OF PUBLIC OFFICES.....	31
LAW.....	31
CULTURAL AFFAIRS.....	32
SPORTS AND YOUTH AFFAIRS.....	32
HILL AREA AND COASTAL AREA AUTHORITIES.....	33
INFORMATION AND PUBLIC RELATIONS.....	33
NORKA.....	33
LOTTERIES.....	33
REGISTRATION.....	33
TREASURIES.....	34
COMMERCIAL TAXES.....	34
EXCISE.....	35
POLICE AND VIGILANCE.....	35
GENERAL MEASURES.....	36
New House Building Scheme for Government Employees.....	36
Enhanced Medical Reimbursement Scheme for Employees.....	36
New Medical Insurance Scheme for Pensioners.....	37
New Insurance Scheme for the disabled.....	37
Better deal for Anganwadi Workers and Helpers.....	37
MLA Local Area Development Scheme.....	37
PART B.....	38
TAX PROPOSALS.....	38
PART C.....	42
SUMMARY OF BUDGET PROPOSALS.....	42
Revised Estimates for 2002-2003.....	42
Budget Estimates for 2003-2004.....	43
CONCLUSION.....	44
Development Year 2003-2004.....	44

Sir,

It is with a deep sense of satisfaction and a great deal of confidence that I rise to present the Annual Budget for the year 2003-2004.

2. The people of our great nation have yet again done Indian democracy proud in the recent state elections. India has boldly declared that any attempt to display any irreverence to its nationhood - be it through unleashing sinister communalism or inciting any form of divisive sectarianism - will only be in vain. These elections have once again sent a reverberating message to the farthest nook and corner of our country, that Indian democracy is wise, mature and resilient enough to reject any onslaught on her oneness and unity and alert enough to see through dangerous designs and boldly reject what is not good for the country.
3. At home, in our own State, disparaging voices are heard among us - from those who enjoy the freedom of expressing opposition to all and sundry, without being able to suggest viable alternatives - from those who can only destroy but never build - from those who can only perceive cynicism and despondency everywhere, without seeing the rays of hope that flood in and urge us to move forward. And the latest attempt by some, to divide our people and distract attention from their own failure to respond to fundamental issues of growth and development, is by pretending to espouse the cause of our tribal people. But ironically, when this drama is enacted by those who have never

raised a little finger to help our tribal population when they very well could have, it acquires comic dimensions.

PART A

THE FISCAL POSITION

4. Sir, when I presented my first budget in July 2001, I did so with some trepidation, and mustered courage to make a promise to this august house - that, we as a State would emerge from the deep morass of the fiscal crisis that this Government found itself in May 2001. Sir, with your support, and with the support of this august house, together, we have done much to fulfil that promise. Today, as I look back, I realise with humility that over the last two years we have indeed come a long way on the road to fiscal recovery. Twenty-two months ago, we were in serious fiscal and economic trouble. Government spending had increased, year after year — far outpacing revenue growth and had created too massive a deficit and debt burden for us to overcome. The very relevance of State Government schemes was jeopardized by the imprudent and reckless fiscal choices we made in the past. Above all, this had drastically reduced not only our ability to provide the kinds of services our people want and need, but also our ability to make any meaningful development plans for the future.
5. Sir, my first budget was a corrective budget to undo the wrongs of the past. In my second budget, the accent was on stabilisation of our fiscal systems. The budget I am presenting before this House today is about rapid social and pro-poor economic growth built on the distinct themes of efficiency and modernisation. Honourable members would, I am sure, realise that we are progressing along a well thought out trajectory with a clear vision guiding our financial policies. We have addressed the pressing need to restore good fiscal management. We have ensured that government policies do not suffer for want of money. Sir, I am happy to report that our often, hard decisions and tough choices are beginning to bear fruit. What I have attempted over the last two years has been to put in place a policy that has two dimensions to it — on the one hand proactive financial management where the goal of development gets satisfactorily implemented and economic activity gets expanded and encouraged in the State, - and on the other hand, a public expenditure management that resolutely combats profligacy and extravagance in using public money and leaves no room for fraud and waste.
6. This Government had promised that we would restore the lost public confidence in our exchequer. Today, the treasuries of our State are in a far better position to honour bills and cheques submitted to them.

People do not have to wait for agonisingly long months to get their claims honoured. Local Governments do not have to wait in animated suspense not knowing when they will be able to get funds for their schemes. The frightening uncertainty and chaos around development expenditure has given way to greater order through better financial management systems. While, the State was on overdraft with the Reserve Bank for over 210 days each year during the period 2000-01 to 2001-02, we will be able to curtail this significantly by the end of the current year.

7. This Government had promised that we would control government spending, increase our revenues and put our fiscal house in order. Today, every decision on new expenditure is taken after due deliberation and care and never taken frivolously. Despite an increase in development expenditure, we have been able to contain revenue deficits in 2002-03 at Rs.1898.67 crores which is significantly well below the previous year's levels. I can proudly say that we have successfully reduced the deficits over the last two years and kept our debt under control. In 2001-2002 alone, our fiscal deficit came down by nearly 16%. We have contained the growth of total debt at 12.68% in 2001-02 as against the growth of 18.55% in 2000-01 and 28.51% in 1999-2000. The latest indications are that we would be achieving over 20% growth in our sales tax revenues alone by the end of March 2003. I have to mention here that this is indeed very significant because all this is happening when many other states are registering growth rates of only between 5 to 14%. I am happier that this has been achieved without any significant new tax measures in my previous budget!! What could be a better measure of this Government's commitment to improving financial management through better revenue administration with the support of our taxpayers?
8. This Government had promised that the sanctity of the budget would be restored and accountability increased so that the budget that this august house debates and approves is honoured throughout the year. We have put in place several important reform initiatives. As one well-known public finance expert said we do not want piecemeal measures where "the solutions of one era become the problems of another era." That is why Government is in the process of placing a State Fiscal Responsibility Bill before this House. This legislation will bind us to a new code that emphasises prudential financial management in the State and make it mandatory for elected Governments to abide by it. We are taking this momentous step so that future generations do not have to face the threat of irresponsible Governments pawning away their legitimate rights and entitlements. We do not transfer money to the Public Account to whitewash our accounts and record notional expenditure, but the expenditure that we report to this house will be real expenditure. We

have completely stopped the practice of transfer crediting to the TP Accounts of Departmental Officers. A bill to cap guarantees is already before this house so that we can avoid the pitfall of excessive borrowings in future. We are participating in the Debt Swap Scheme announced by the Government of India, to help reduce our high cost debt in a phased manner and have already retired such debts to the tune of Rs.258 crores.

Sinking fund for debt management

9. As a measure of ensuring that the accumulated debt burden of the State will not bring our financial systems to a grinding halt in the future, I am happy to announce the creation of a Sinking Fund for redeeming outstanding Open Market Borrowings. Government shall contribute an amount of 1.5% of outstanding Open Market Borrowings to the fund annually. The fund shall be made operational in the next three months.
10. All this is not to say that the fiscal position allows us any room for lulling ourselves into a sense of complacency. The debt of the State, accumulated over the years, continues to be among the highest in the States. Our revenue deficit as a percentage of the gross fiscal deficit is again among the highest among the States in the country. But we have turned the corner. The worst is definitely behind us.

Growth of the State's economy

11. Members of this august house have heard with some concern that the Union Government has had to revise the assessment for economic growth drastically downward to 4.40% for the year 2002-2003 in the Economic Survey. We are fortunate that despite the sluggishness that defines the national economy today, we have registered a growth rate in real terms of 4.82% this year exceeding the national growth. That is why I firmly believe that the proactive side of our financial policy has paid rich dividends. This has played an important role in containing the impact of the crisis in the agricultural sector, particularly in relation to some of our major crops. This has also helped to protect us from the influence exerted by the slowdown in the growth of the national economy.
12. We have conducted the Global Investors Meet successfully, despite the worst of predictions by our detractors. But more importantly GIM was an eye-opener. The excitement that pulsated in the veins of the vast majority of the people of Kerala as we went through GIM, confirms our hope that we can be a land of opportunity. Our people have decided that we cannot forever have a situation where investors flee from our state with businesses closing down and our own youth compelled to leave their homes and lands and build their future elsewhere. I believe that

this is a Budget to help the economy of Kerala emerge stronger and vibrant in the wake of the optimism and self-confidence that our people have displayed. The Budget I am presenting now is designed to meet the continuing challenges of today, and to set for us a path that will adequately address the challenges of the future.

ANNUAL PLAN 2003-2004

13. This Government is well on its way to achieve the ambitious Tenth Plan size of Rs.24000 crores at constant prices, approved by the Planning Commission. We have an impressive annual plan of Rs.4350 crores for the year 2003-2004. Modernising Government Programme (MGP) gets Rs.513.35 crores under the various sectors. In my budget, I have allocated Rs.1317 crores for Local Governments. A significant portion of the MGP outlay is to be spent at the level of Local Governments. I am happy to assure this august house, that in reality, this would mean that we would surpass the tradition of allocating a third of the total budget to Local Governments. I should specially mention here that SCP and TSP have been allocated over 12.25% of the total Plan outlay excluding the MGP outlay. But even here, I have great pleasure in informing this house, that by giving priority to schemes that benefit Scheduled Castes and Scheduled Tribes under MGP, we would be exceeding the usual share of their allocations. Another notable initiative under the Annual Plan, apart from the several new sector specific schemes, is that Government intends to avail more funds under Rural Infrastructure Development Fund Scheme of NABARD, in view of the attractive interest rates at which the funds are available now. We intend to avail Rs.400 crores and shall direct this for investment in priority projects in creating rural infrastructure, particularly those that benefit people below the poverty line.
14. Under the Tenth Five Year Plan, a new focus has been given to local economic development to reduce poverty, generate jobs and income at the local level. Kerala is the first State to prepare an Anti-Poverty Sub Plan. Several initiatives have been launched under the umbrella of the Kerala Development Programme. The focus is on creating viable governance systems, building capacity, ensuring accountability and guiding local governments to move towards faster and better development.

External assistance for development

15. We have received Rs. 601.30 crores from the Government of India, as the first tranche of the Kerala Modernising Government Programme and Fiscal Reforms Package, financed by the Asian Development Bank and the Government of Netherlands. We have made available the relevant

papers pertaining to the ADB Loan to the honourable members of this house. You will now realise that at no stage in our negotiations have we agreed to anything that is detrimental to our public interest. Parts of the funds under this package were meant to provide immediate fiscal relief to the exchequer. Some ask the question as to who will benefit from this Loan from ADB and Government of Netherlands. This Government has beyond doubt, demonstrated its commitment to schemes that benefit the oppressed and the downtrodden. MGP will also reflect this enduring policy of ours. MGP is a well-designed set of over a hundred initiatives to be implemented in different departments. Each of these initiatives will address critical deficiencies of governance that have crept in, over the past decades. Over the next three months they will be discussed in public forums, seminars and workshops, before Government takes a final decision on them. Let me assure this august house – at the end of the process, there will be one and only one goal: better service delivery to the people of our State. But, while this process is on, it is appropriate to state here that this Government has some clear expectations from MGP, which you would appreciate as I announce the various schemes now.

16. Many in this august house may not be aware that during the Ninth Five Year Plan, out of a total of Rs.36159 crores, which was disbursed under external aid, Kerala received only an amount of Rs.295 crores. This is 0.8% of the total external fund flow into the country as aid. Thus Kerala, which accounts over three percent of the total population of the country, received only less than one percent of the external funds that have come into the country as aid. On a per capita basis, Kerala received an amount of Rs.18.55 as against a national average of Rs.70.42. The corresponding figures of Andhra Pradesh and West Bengal were Rs.221 and Rs.89 respectively. Sir, I am sure that members of this house will agree that this situation calls for change. We intend to remedy the situation through the assistance that we are availing from multilateral agencies like the World Bank and the Asian Development Bank and through bilateral assistance. In addition to the remaining tranches of the MGP and Fiscal Reform package, the Power Sector and the Urban Sector packages from ADB for a total of US \$450 million (Rs.2250 crores approx.) are in the pipeline. The Japanese supported project for water supply has been revived for implementation. We also intend to seek World Bank Assistance to strengthen local governments particularly to equalise differences among them in infrastructure and service capabilities. The World Bank assistance for the Kerala State Transport Project and the Rural Water Supply Agency will continue. The Dutch assisted Water Supply Programme of Rs.222 crores is expected to begin in 2003-04. Around the next year, the Decentralisation Support Programme, another Dutch assisted

Programme will enter into a major implementation phase. The next phase of Swiss assisted programme for supporting local governments is expected to commence in the coming year. Government has also submitted two very important project proposals in the health sector to the World Bank, one for strengthening Government medical colleges at an outlay of Rs.127 crores and another for Rs.814 crores for strengthening our Secondary Level Hospitals.

Fund releases to local self governments

17. In managing the exchequer of our State, I have, as diligently as I could have, ensured that money included in the budget and released to Local Governments actually go to them. As I had mentioned earlier, this year, I have exceeded the usual practice of setting apart a third of the total Plan size for Local Governments. For the first time since decentralised planning began, Local Governments have finalised the Annual Plan for 2003-2004 before the beginning of the financial year. This will leave a full twelve months for Local Governments to implement their annual plan.
18. I realise that Local Governments have problems in maintaining assets and in meeting establishment costs. In order to surmount these problems, Government will expedite a final decision on the First Report of the Second State Finance Commission. I am happy to announce that a new monthly entitlement system will be in place for the next financial year to enable local governments to access their allotments on a regular basis instead of lumping them in four instalments.
19. Budgets are almost always about numbers, but my goal here is not to simply work for better numbers alone. As you will realise, in this budget, I have aimed at improving the chances for a better life for as many people as possible. Having given you an overview of the strong position of growth that we are in now, let me now briefly explain the salient schemes under the various sectors for the year 2003-04.

AGRICULTURE

20. The agriculture sector in Kerala constitutes 20.13% of the State's economy. Our rural economy and the well being of our rural population in particular, depend on its vibrancy. After more than two years of price instability and production losses, the State's agricultural sector has started looking up - thanks to improvement in prices and the timely interventions of this Government. This opportunity would be utilized to give a new thrust to agriculture to improve its productivity and competitiveness and make it remunerative to farmers. The Committee headed by Dr. Swaminathan has made several recommendations. Government intends implementing them so that we are in a position to

anticipate and hedge the adverse impact of the WTO regime even while making full use of the new opportunities.

21. In order to exploit the export potential of fruits and vegetables an Agri-Export Zone covering nine districts has been approved. Two more export zones are being proposed to Government of India. I have provided Rs.2.87 crores for this purpose and expect this amount to serve as a nucleus fund to avail of assistance from the National Horticulture Board, APEDA, Ministry of Food Processing and financial institutions like NABARD.
22. In order to preserve and multiply the precious herbal resources of Kerala the Silent Valley Biosphere Reserve, up to Wayanad and portions of Western Ghats around Agasthyakoodam will be developed into a world's first Herbal Bio Valley. For the preliminary activities I set apart a token provision of Rs.10 lakhs.
23. In a knowledge-based society it is necessary to provide the latest information to farmers particularly on agricultural trade. Towards this objective, I propose to set up a Virtual University for Trade networking various Television Channels and Radio Stations as well. I am earmarking Rs. 1 crore for this purpose
24. For integrated coconut development, I am providing Rs.10.50 crores. I intend to use this money to leverage substantial assistance from Government of India so that a major programme to rejuvenate the coconut gardens of the State can be implemented. To extend the scheme of participatory development of vegetables and fruits to backward areas of Wayanad and Pathanamthitta, I have provided Rs.2 crores in my Budget.
25. I am setting apart Rs. 93.75 crores for the crop husbandry sector. Since a substantial portion of the sector has been transferred to local governments I expect a flow of at least Rs.150 crores from the local governments into this sector. Unlike in the Ninth Plan, a strong partnership has been forged between the Agriculture Department and the Local Governments.

Agricultural Price Stabilisation Fund

26. I am very happy to announce the creation of a Price Stabilisation Fund of Rs.50 crores from 2003-04 onwards to provide income stability for our farmers engaged in the cultivation of coconut, tea, coffee, arecanut, rubber, pepper, ginger, cardamom and other spices. This Fund is similar to the one proposed in the recent Union Budget. It will be in the form of a revolving fund, which will be recouped every year. The criteria and rules for availing support of this fund will be worked out and linked to an index of agricultural prices and cultivation costs. This will

be yet another bold initiative of Government to reach out to our farmers in distress and prop up our rural agricultural economy whenever it faces a threat from any debilitating decline in agricultural prices.

INDUSTRIES

27. Government has made significant strides in improving the industrial and investment climate in the State. The Global Investors Meet (GIM) is a landmark in the history of industrial promotion in the State. GIM has undisputedly put Kerala on the investment map of the country. The consequent flows of investment, will spur economic growth and employment opportunities in the State and help us realise the vision that was envisaged in the Industrial Policy announced by this Government in December 2002. Government has already set up an Industries Promotion Board chaired by the Chief Secretary as a fast track mechanism for expeditiously processing investment proposals. I am very happy to declare an allocation of Rs.100 crores for KINFRA for financing Government participation in GIM projects where required. This is in addition to the regular provision of Rs.13 crores for KINFRA in the budget. I have also provided Government support of Rs.25 crores to KSIDC in my Budget this year.
28. Government proposes to undertake a systematic professional campaign to make Kerala a major destination for food processing industries in India, leveraging on the strength that Kerala already has in the food-processing sector. Besides, efforts are also being made to make Kerala a transshipment base for fruits, vegetables and processed food for Middle East and other countries. Food Park at Adoor, Herbal Parks at Wayanad and Aralam, Cold chain facility, warehousing facility, Quality testing Labs, strengthening of facilities for HACCP certification are some of the facilitating projects, which the Government proposes in this sector during the next year. We will avail of all possible assistance from Ministry of Food Processing Industries. I have provided Rs.2 crores for this purpose to supplement these efforts.
29. I have provided an amount of Rs.84 crores for public restructuring of our PSUs this year on the basis of plans drawn up by the Enterprise Reforms Committee and approved by Government. I have allocated an amount of Rs.10 lakhs to provide assistance to potentially viable sick units for using services of professional agencies to prepare projects. I have also set apart Rs.5 lakhs for another new scheme planned to set up a Proficiency Interface Cell, which will impart reorientation and training on new technologies and modern management to personnel of the Industries Department In order to equip Industries Department with up-to-date data on resource, product technology, new business and project

ideas, I have also allocated Rs.5 lakhs for an Industries Resources Locator Services scheme.

TRADITIONAL INDUSTRIES

Traditional Industries Support Fund

30. This Government is aware that traditional industries very often get a raw deal in the process of globalisation. Clearly, piecemeal measures over the last several decades with little cohesion or convergence, have failed to alleviate the distress faced by the traditional sector. I am happy to announce that Government intends to constitute a **Traditional Industries Support Fund**. This Fund will be used to finance a **comprehensive revitalization plan** for traditional industries. This plan will be developed jointly through the Departments of Industries, Agriculture, Fisheries, Coir, Animal Husbandry and Science & Technology and implemented in partnership with Local Governments and Neighbourhood Groups. It will integrate the needs of various sectors like coir, handloom, cashew, fisheries, handicrafts and khadi and village industries identified through high quality inputs based on discussions with the people employed in these sectors. It will include support and welfare measures for workers in this sector, upgradation and infusion of new technology, building on our brand equity in products supplied by traditional industries as well as cost reduction techniques. The fund will be set up before July 2003 so that implementation can begin in September 2003. The scale of resources required for this novel plan for the traditional sector is expected to be over Rs.500 crores spread over the next three years, and these resources will be raised from both national and international agencies. The Fund will have a minimum corpus of Rs.50 crores. I intend to provide Rs.50 crores for the first year 2003-04 as contribution to the corpus of this fund. This will be met out of the Rs.100 crores in my budget set aside for financing selected initiatives under MGP.
31. Let me now briefly touch on some of the other initiatives that we have for the traditional industries this year. Special studies will be done through expert institutions to upgrade the technology and design new products in the Coir Sector. In all, I have set apart Rs.12.10 crores for the coir sector this year. The focus shall be on strengthening of R&D, technology upgradation, mechanisation, marketing incentives and welfare measures for the vast section of our population who depend on this sector for their livelihood.
32. It is a measure of this Government's commitment to traditional industries that that we have created the conducive conditions for the cashew factories under CAPEX to start functioning again. We shall

shortly complete our discussions with the Consortium of Banks and draw up a program to re-open the factories under the Kerala State Cashew Development Corporation also. I have provided an amount of Rs.2 crores for cashew industry. The Law Reforms Committee has recommended granting plantation status to cashew cultivation. This major step will give a boost to the growth of the domestic cashew production in the State and greater employment opportunities for cashew workers.

33. This Government is aware that the products manufactured by our 2.5 lakhs workers employed directly the Handloom Sector in the State face a serious threat from the mill-made Indian and imported fabrics that are flooding the market. The thrust in this sector shall be on the development of new designs, imparting training in latest techniques of weaving, introduction of modern looms and accessories and support for value addition to handloom products. The Marketing and Export Promotion Scheme under the Handloom sector will help us enhance the brand equity enjoyed by our products internationally. I have provided Rs.24.97 crores for the Handloom and Powerloom sector in my budget including a share of Rs.12.77 crores under Centrally Sponsored Schemes.
34. Co-operative Spinning Mills under Texfed, which provide employment to thousands in the powerloom sector, are facing acute problems at present. I intend to provide necessary funds as soon as the Enterprises Reforms Committee constituted by Government, works out a package for them.
35. NCDC has assured assistance for increasing the capacity of the Priyadarsini Co-operative Spinning Mill, Kottayam from 6000 to 25000 spindles. In view of this, I am happy to provide Rs.1 crore additionally as share capital contribution from Government for this expansion.
36. I have allocated an amount of Rs.260.08 crores for the Industries Sector in my Budget. I am particularly happy to inform this house that the outlays for traditional industries of Handloom and Coir for the year 2003-2004 have been enhanced by 52% and 20% respectively.

SPECIAL SCHEMES FOR FAMILIES BELOW POVERTY LINE

Social Safety Net Scheme

37. I am very pleased to announce a new **social safety net scheme** for the destitute section of our population. This unique scheme will include a comprehensive care package for every destitute. Through this programme, every person who has no one to look after him or her will be cared for through well-designed community care systems. This will

form the core of a State Level plan for destitutes. Kerala will lead the way by ensuring that no destitute in our State will be left uncared for in their loneliness and deprivation. The endeavour shall be to sincerely take our humanism to higher and more ennobling levels. This scheme will be launched on July 1, 2003. I have set apart a provision of Rs.48 crores for a pilot scheme under MGP this year.

Service delivery for poor

38. Yet another major initiative that I have included in my budget this year is a scheme for **better service delivery in selected institutions**. Government will prepare a list of institutions rendering health, education and social services in each district accessed by the maximum number of the poor and the needy. We will have a service delivery policy for these institutions, which will reflect what level of service each person coming to this institution, particularly those from BPL families, is entitled to. We will take up maintenance work in these institutions and upgrade their standards. Service delivery in each of these institutions will be improved with the cooperation of the employees who work there. This scheme will be ready for implementation in June 2003. I have set apart Rs.83.25 crores in four different heads of account under MGP in Health, Education and Local Self Governments, for this purpose.

Special Scheme for One Lakh Housing Colonies

39. The One Lakh Housing Scheme of the seventies reflected the commitment of our people to the welfare of the homeless and the poor. However successive Governments, largely due to severe resource constraints have not been able to set apart resources for the renewal of these assets of the poor. I am happy to announce a new scheme for the repair and maintenance of houses in OLH colonies occupied by families below the poverty line. I set apart an amount of Rs.10 crores for this. The intention shall be to complete the repair of all such houses over the next two years.

Payment of arrears on Welfare Schemes

40. Sir, it is a singular achievement of this Government that in assiduously pursuing the goal of stepping up our development expenditure, it has not, for a moment lost sight of the need to be responsive to the needs of the most deprived sections of the Society. To ensure that the widows, destitute, handicapped and mentally retarded, elderly, fishermen and coir workers eligible to get pension, are able get their pension on a monthly basis without delay from 1st of April 2003, I am clearing their pension arrears up to 31.3.2003. In the case of Agricultural workers pension and assistance to unemployed, there are arrears of sixteen months pending to

be cleared. I am pleased to announce that I am providing Rs 150 crores additionally in the budget to clear these arrears.

INFORMATION TECHNOLOGY

41. This Government's initiatives in the IT Sector have begun yielding rich and encouraging fruits that indeed open up exciting possibilities for future generations of our State. Through concerted efforts, this Government has been able to bring all round development in the IT sector. A major initiative of the IT policy is the launching of a focused marketing campaign to showcase the state as an attractive IT destination. Major IT companies have evinced keen interest to start their operations in our State at the earliest. Kerala is poised for an unprecedented takeoff in IT. For the year 2003-04, an amount of Rs.31.60 crores has been included in the Annual Plan for development of IT Industry.
42. The State Government has begun implementing a very novel and ambitious project entitled "Akshaya" designed to bridge the Digital Divide in the State. The project will be implemented in Thiruvananthapuram and Malappuram districts in the first phase. The stress in this project will be on developing digital content on a large number of issues and themes relevant and beneficial to the people of the State. Given the fact that IT Enabled Services represent the fastest growing IT segment, part of the allocation in this budget will be used to launch major training programmes for preparing the people of Kerala to use the emerging opportunities in this area. This year, it is expected that many vital e-governance initiatives in government departments and agencies will be completed.
43. The Techno Park at Thiruvananthapuram is today an acknowledged IT hub and has emerged as a key growth catalyst in the region. The Techno Park and surrounding environs will be developed and upgraded to a true knowledge campus providing a unique enabling environment for IT and knowledge based industries in the State. Rs.2 crores is provided for this purpose in the Budget under the Annual Plan.

TOURISM

44. This Government accords the highest priority for tourism, which has emerged as one of the core competency sectors in our State. Thanks to the innovative and entrepreneurial spirit of the tourism industry, it has become a critical sector for development given its potential for generating income and employment. Kerala is now widely acknowledged as a leading global tourist destination. The World Travel and Tourism Council (WTTC) and Oxford Economic Forecasting (OEF) group study has forecast that Kerala would triple its current level of travel and tourism in 2012. This is of enormous significance for the

State. Tourism will play a lead role in creating more job opportunities in the State, and will be a crucial weapon in this Government's armoury in its fight against unemployment. Increase in travel and tourism would also have enormous spin off benefits for the economy. The tourism sector has been allocated Rs.74.25 crores under the Annual Plan.

45. Tourism Vision 2025, the policy document of the State envisions the objective of developing Kerala into an upmarket high quality tourist destination through the optimal utilisation of resources while conserving and preserving our heritage and environment.
46. This year Government will take up major infrastructure development works for roads and water supply projects, cleaning of canals, solid and liquid waste management systems etc. in major tourist destinations for which an amount of Rs.22.55 crores is provided in the Budget.
47. DTPCs will be further activated and their role will be made more specific to Tourism Promotion activities like *Building Tourism Awareness, Information Dissemination, Signages, Pay and Use Toilets, Boat Jetties, etc.* Convention and Visitors Promotion Societies will start functioning in the year 2003-04 in all the five municipal corporation areas to promote tourism. An outlay of Rs.1.50 crores is provided for this purpose in my budget under Plan.
48. Department of Tourism will step up efforts to market Kerala as the number one destination in the country, through a well-designed marketing strategy. An amount of Rs.10 crores is set apart for this purpose.
49. Government will continue to give emphasis to Eco-tourism and eco-friendly practices in tourism reflecting our commitment to ecologically sustainable development. A Master Plan for developing Eco-tourism in the wild life sanctuaries and forest area will be ready this year and new eco-tourism products will be developed accordingly. An outlay of Rs.1 crores has been set apart for this purpose.

ANIMAL HUSBANDRY

50. Thousands of marginal farmers and their households in Kerala depend on animal husbandry activities for their livelihood. In order to improve the quality of veterinary care I set apart Rs.17.55 crores to upgrade existing institutions to minimum standards, improve quality of service delivery, procure the latest equipments and enhance laboratory facilities. The very successful special livestock development programme will be continued this year covering 17,000 calves for which I am allotting Rs.7.39 crores. As part of our efforts to provide self-employment opportunities to women, assistance would be given for manufacturing

and marketing milk products, I set part Rs.28 lakhs for this purpose, which will be supplemented by assistances from Banks.

51. For the animal husbandry and dairy development sector I have earmarked Rs.46.32 crores. Here again, I expect substantial resource inflows, at least to the tune of Rs.50 crores from the local governments.

BIOTECHNOLOGY

52. This Government will endeavour to make our State a frontrunner in Biotechnology. As part of this, a Biotechnology policy for the State will be announced shortly. The work for setting up Biotechnology Park at Trivandrum will be completed during the year 2003-04. This Park will have facilities for Technology Incubation Centre, Pilot Plant and facilities for walk in and manufacture and will provide a significant impetus to biotech-based industry in the State. Biotechnology based industrial development will be on a 'Mission based approach'. The initiatives contemplated include the setting up of Bio-Resources Bank, Bio-informatic centres and a Wide Area Network for research institutions. I set apart an amount of Rs.1.50 crores for this purpose in the budget to meet the expenditure for the first phase of activities.

FISHERIES

53. The fisheries sector provides livelihood to at least a million people in our State. It generates exports to the tune of Rs.1000 crore. The focus of this year's development in the fisheries sector is upgradation of the social infrastructure facilities in the coastal areas like housing, sanitation, drinking water and roads for which a massive project has been prepared for investing Rs.505 crores. I am providing a core support of Rs.2.28 crores for this purpose to enable access of funds from various funding agencies including Government of India. In addition I am providing Rs.4 crores for the ongoing works in fishing harbours as part of the State's share. A special scheme for poor fisherwomen to be implemented through self-help groups will be operationalised at a cost of Rs.1 crore.
54. For the fisheries sector as a whole, I have earmarked Rs.21 crores in my budget.

EDUCATION

55. In education, our policy shall be, as always, to put students first before all else. After having achieved universal literacy and cent percent enrolment it is only appropriate that we now concentrate on the quality aspects of education and on the expansion of higher education facilities. Our initiatives will help to make higher education more accessible to

students in our State — and ensure that Kerala has enough of highly skilled professionals to give us the human resource base necessary to build a stronger economy and assure a better quality of life for our people. I have earmarked Rs.105.25 crores to the education sector with Rs. 46.26 crores for school education, Rs. 31.65 crores for higher education and Rs.52.30 crores for technical education. In General Education, the emphasis is on upgradation of infrastructure and improvement of quality mainly through the centrally sponsored Sarvasiksha Abhiyan for which I provide Rs.4.3 crores. Additional funds would flow from local governments to whom schools have been transferred.

56. The prestigious IT@ School project would be continued this year for which I provide Rs.4.2 crores.
57. To improve the facilities in Universities in the field of Higher Education, I set apart Rs.4.5 crores to Kerala University; Rs.3.5 crores to Calicut University; Rs.5.5 crores to Mahatma Gandhi University; Rs.1.5 crores to Sanskrit University and Rs.8 crores to Kannur University. Departing from past practice, this money would be given to the Universities on preparation of a project by them for components prioritized by the Universities themselves.
58. It is proposed to establish an Educational Grid connecting colleges and research institutions. For the current year's activities I intend to set apart Rs. 3 crores.
59. In the field of Technical Education, it is intended to further develop Cochin University of Science and Technology as a major Centre of technical excellence. I am happy to set apart Rs.4 crores for this purpose. The Engineering Colleges of Kerala have to be properly equipped to develop into high quality technical institutions. I am providing Rs.18.25 crores for the development of Engineering Colleges of which Rs.13.50 crores is earmarked for the five engineering colleges started during the Ninth Plan period. In addition, I am providing Rs.10 crores for the Technical Education quality improvement programme to be implemented with World Bank assistance. This project, which has been sanctioned to six States in the country, is for upgrading the existing facilities so that world-class engineering professionals can be trained in these institutions.

HEALTH

60. Health care is often reckoned as the most essential of our public services and represents the greatest challenge for government in its delivery. This year the emphasis is on upgrading our tertiary care institutions under the control of the state government and facilitating local

governments to achieve minimum standards of infrastructure and quality of services in the primary and secondary health care institutions in all the three systems of medicines transferred to local governments. Studies show that the poor in Kerala spend a considerable part of their income on health care. In order to assist people below poverty line, Government plans to introduce a Health Insurance Scheme in partnership with local governments. I am happy to set apart Rs.1 crore for the scheme.

61. To assist the poorest of the poor among our people, who need support for treatment and health care, a Fund has been constituted. I set apart Rs.25 lakhs as the State share of this Fund.
62. Of late there has been a threat of several diseases reappearing. It is necessary to exert utmost vigilance against breakout of communicable diseases. As a part of our efforts in this direction, I am happy to introduce a new programme of Surveillance and Control of communicable diseases for which an outlay of Rs.1 crore is made. This is over and above the existing Centrally Sponsored Schemes.
63. From the Tenth Plan a new method has been introduced for development of Medical, Dental, Nursing and other professional colleges. To provide the much needed autonomy and flexibility to our major health care institutions, lump sum allocations are made for which each institution has to prepare a detailed action plan according to its needs and priorities. Accordingly I set apart Rs.26.30 crores for the Medical Colleges – Rs.4.70 crores for Thiruvananthapuram – Rs. 4.90 crores for Kozhikode – Rs.5.50 crores for Kottayam – Rs.5.70 crores for Alappuzha and Rs.5.50 crores for Thrissur. The three Dental Colleges get Rs.2.40 crores and Nursing Colleges would together get 1.05 crores.
64. Similarly the Ayurveda College, Thiruvananthapuram is allotted Rs.2.25 crores, Ayurveda College, Thrippunithura Rs.2.50 crores and Ayurveda College Kannur Rs.3.30 crores. The Homoeo Medical College Tiruvananthapuram gets Rs.2 crores and the Homoeo Medical College Kozhikode get Rs. 1 crore in my Budget.
65. The Malabar Cancer Centre is allotted Rs. 1 crore to improve its facilities.
66. The alarming increase in suicide in Kerala, particularly in the past decade is of great concern to all of us. In order to assist in suicide prevention, I am happy to announce a Pilot Project for which I set apart Rs.5 lakhs.

LOCAL SELF GOVERNMENTS

67. I had mentioned at the outset, that the local governments would be getting Rs.1317 crores for preparing their own decentralized plans. In addition they would be directly benefited by over Rs.200 crores from

MGP. In this Development Year, local governments would be assisted in preparing and implementing high quality programmes. The priority would be on local economic development for poverty reduction, improvement of quality of services, natural resources management on a watershed basis and improve Anti-poverty Sub Plans. From the Tenth Plan onwards, local governments have to set apart 5% of their Plan allocation for the benefit of children, aged and disabled. This is part of the institutionalization process under the Kerala Development Programme.

68. I am also happy to inform you that I am restoring Tribal Sub Plan funds to the local governments – and 50% of TSP would be implemented by local governments.
69. A large number of assets transferred to local governments, which are of direct use to the poor, are in a bad state of repair. A good portion of the Asset Renewal Fund would be utilized for these assets. One-third of the funds would be used for assets directly benefiting Scheduled Castes and Scheduled Tribes.
70. To bring in the culture of service quality, it is proposed to draw up Citizen's Charters for local governments and the Primary Health Centres and Schools, which have been transferred to them. Rs.3.25 crores is set apart for this purpose. With the specific objective of improving service delivery in local governments, a service delivery policy will be operationalised for which Rs. 5 crores is set apart.
71. An action Plan for strengthening local governments has been prepared as part of the Kerala Development Programme. This includes updation of accounts and registers, introduction of new accounting and budgeting systems and e-governance. I am happy to provide Rs.73 crores for this important scheme, which will go a long way in strengthening decentralization in the State and enabling genuine institutions of local self-governments to emerge.
72. In addition to systems and procedures there is need for capacity of local government staff and elected members to be developed, I set apart Rs.4 crores exclusively for capacity building of local governments. This is in addition to the normal allocation of Rs. 1 crore to KILA.
73. Fighting poverty while reconciling the need for economic development and social justice is a basic objective of local governments. To enable the local governments to develop meaningful anti-poverty sub plans an Expert Poverty Co-ordination Unit would be set up in the State Planning Board and a dynamic poverty database would be developed.
74. Social audit is the basis of citizen empowerment. Social Audit promotes transparency, encourages participation of citizens and induces

efficiency. To introduce effective social audit in local governments and schools and PHCs transferred to them, I set apart Rs.5.70 crores.

75. In order to tackle the problem of solid waste management a Clean Kerala Project will be implemented through the Urban Local Governments, initially in five Corporations and 26 Municipalities. In order to provide technical assistance to prepare projects I set apart Rs. 25 lakhs.
76. We have made allocations for the Central Share as well as the State Share wherever necessary under the Rural Development Department for implementation of the Centrally Sponsored Schemes like Swarna Jayanthi Grama Swarozgar Yojana (SJGSY), Sampoorna Grameen Rozgar Yojana (SGRY), Indira Awas Yojana (IAY) and the Pradhan Mantri Grama Sadak Yojana (PMGSY) for the rural poor. I intend to set apart Rs.62.71 crores for rural roads under the NABARD funded RIDF scheme implemented by the Department.
77. Kudumbashree, our unique poverty eradication project, that has already brought into its fold 22.25 lakh poor families, continues to scale greater heights of excellence in its commitment to and delivery of services to the poor. The Planning Commission under an UNDP Project has selected the project among the twenty best practices in governance. I have provided an amount of Rs.18.50 crores for various activities under the programme.
78. The re-designated Department of Urban Affairs will coordinate the implementation of all the state sector and central sector schemes of urban development. Major budgetary allocations that I have set apart are the outlays of Rs.10 crores for the Cochin Urban Poverty Reduction Project, Rs.4 crores for the Swarna Jayanthi Shahari Rozgar Yojana as the State's share in a total of Rs.16 crores and Rs.20 crores to meet the state share in a total of Rs.40 crores Valmiki Ambedkar Awas Yojana (VAMBAY) and Rs. 10.25 crores on the National Slum Development Programme.
79. A "Habitat Plaza" at a cost of Rs 35 crore is proposed to be constructed in Thiruvananthapuram on the model of Delhi Habitat Centre with HUDCO collaboration.

CAPITAL CITY DEVELOPMENT PROGRAMME

80. Government proposes to launch the Capital City Development Programme designed to restore the socio-economic vitality of Thiruvananthapuram and help the city take her rightful place among the growing metropolises of our country. This project will combine schemes for improvements of city roads, water supply augmentation, solid waste management, bus terminus, sewerage and surface water

management, Theerapatham and several other critical urban renewal components. The total project outlay is estimated to be around Rs.250 crores over three years. Rs.15 crores and Rs. 10 crores have been provided for this programme in the outlays for Urban Development and Power respectively. I am very happy to enhance the provision for the activities of the first year of this vitally important project to Rs.75 crores for 2003-04. Let us move a step closer to realising our dream for our capital city - where once was a resplendent past but long faded into oblivion - now hope kindled anew, heralding the dawn of a prosperous morrow.

SCHEDULED CASTE DEVELOPMENT

81. While we are proud that people belonging to the Scheduled Castes in Kerala are better off than in other parts of the country, the fact remains they are still relatively poor and deprived. They need proactive support from Government. Development and the welfare of Scheduled Castes is a priority item for the State Government. Local governments will implement two-thirds of the Special Component Plan for Scheduled castes for Rs.273.34 crores, which leaves Rs.136.67 crores for implementation through the State Government.
82. This year Human Resource Development is the prime focus of the development efforts of Government for Scheduled Castes. Twenty-three out of the 43 Plan schemes are aimed at improving the educational level of Scheduled Caste students. During the current year upgradation of hostel facilities is given special importance. I have set apart Rs.15.35 crores under five schemes for this. For upgrading the Model Residential Schools I am providing Rs. 8 crores. I am happy to announce a self-employment scheme for Rs. 3 crores, which allows maximum governmental assistance of Rs. one lakh per beneficiary for viable self-employment programmes besides an additional institutional finance component. In order to assist Scheduled Caste entrepreneurs to market their goods, market complexes/Haats will be set up in prime locations for which I am providing Rs. 5 crores. In order to rehabilitate landless Scheduled Castes I am setting apart Rs. 10 crores.
83. I am happy to announce the setting up of a multi-purpose complex at Mannamthala in the name of Dr. Ambedkar for housing a Library, Dalit Museum, Art Gallery, and a Training Centre. I have set apart Rs.5 crores for this in my Budget.

SCHEDULED TRIBE DEVELOPMENT

84. Scheduled Tribes are the poorest people in Kerala, badly exploited in the past and sidelined by the mainstream developmental process. If the process of development in the State has to be complete and not lopsided,

they need to be brought in to the main stream very carefully without harming their cultural identity or affecting their traditional strengths and capabilities. The focus of tribal development in this budget is, and rightly so, on their education and training. I set apart Rs.8 crores for Model Residential Schools and Rs.2.65 crores for Tribal Hostels under four schemes. Special coaching scheme is envisaged for school going students through an innovative tutorial system for which I am earmarking Rs. one crore. In order to nurture leadership among tribals and foster community initiatives in accessing development the scheme of Tribal Promoters is under implementation. For utilizing the services of 1000 tribal youths for this purpose I am allocating Rs.1.8 crores. To foster community participation in development matters "Oorukootams" are to be strengthened for which I am setting apart Rs.40 lakhs.

New Basic Needs Package for tribals

85. I am happy to announce a new basic needs package for tribals in my budget. This package will have three components:

- a. A Health Insurance Scheme for poor tribal families covering treatment of general, grave and existing illnesses, maternity care and accidents in both Government and selected private hospitals will be implemented. I set apart an amount of Rs.10 crores for the expenses towards premium for this.
- b. A comprehensive scheme guaranteeing quality education for tribal students from Standard I to XII for tracking and monitoring educational levels of these students and giving remedial education in good schools will be launched this year. I am providing Rs.5 crores for this.
- c. A scheme for providing housing, sanitation and water supply in their habitats for primitive tribal families numbering about 5000, without detriment to the environment, will be planned and implemented in consultation with their "Oorukootams" over the next three years. For this year, I provide Rs.10 crores.

Resettlement of landless tribals

86. Sir, I would like to affirm here that the resettlement of landless tribals is top priority on the agenda of this Government. Five decades have gone by since independence, many Governments have come and gone, but nothing beyond lip service has been done to this cause. This is the only State Government in the country that has sincerely committed itself to the challenging goal of resettling all our landless tribals. I have already earmarked Rs. 4 crores for this in the budget. I am happy to announce an amount of Rs.10 crores additionally for this purpose. In addition, funds required for this can be drawn from the corpus fund of Rs.14.85

crores kept aside under TSP. Let me assure this august house, that in the matter of honouring the solemn understanding that this Government had given to our tribals, budgetary constraints will be overcome. Resources will be identified and provided for fulfilling our promise to resettle all landless tribals during the tenure of this Government.

OTHER BACKWARD CLASSES

87. In order to assist people belonging to Other Backward Classes to take up self-employment programmes, I set apart Rs.4.09 crores for the Kerala State Backward Classes Development Corporation and Rs.3 crores for the Kerala State Development Corporation for Christian Converts from Scheduled Castes and Recommended Communities.

PUBLIC WORKS

88. Development of transport infrastructure is a sine-qua-non for the economic development of Kerala. The share of Rs.273.87 crores that I have set apart under the Annual Plan in my budget for this sector reflects the importance that Government attaches to this. The road projects through the State budget as well as the National Highway projects will be expeditiously implemented. Of special mention is the Kerala State Transport Project with World Bank Assistance - a prestigious project of this Government. During 2003-04 the project implementation is expected to gather further momentum. An amount of Rs.155 crores is provided in the Annual Plan for this project.
89. An important project that we are confident of launching shortly is the 58 km. road stretch from Mannarakulanji to Pampa at a total outlay of Rs.125 crores, with the financial and technical assistance of the Malaysian Government. The Roads and Bridges Development Corporation is expected to continue its fast-track execution of its projects including the 23 Railway Over Bridges taken up on the basis of an MOU with the Railway Board.
90. The final report on the first phase of the Hill Highway between Kasargode and Palakkad has been prepared by NATPAC. For the first stage I am providing a sum of Rs.1 crore for meeting the initial expenses for this.
91. The Buildings Division of the Public Works Department will complete the construction of the High Court Complex at Ernakulam, Super speciality block of Kozhikode Medical College, Model Residential School at Chalakudy. For completion of office buildings I have provided an amount of Rs.26.43 crores under a Common Pool Office Building Construction programme. For completing buildings and

quarters for judicial officers, I have set apart Rs.5.40 crores as the State's share in my budget.

TRANSPORT

92. The Motor Vehicles Department will complete the computerisation needed to support better services through the Department. Fully Automated Services of Transport Department (FAST), on the lines in Andhra Pradesh will be implemented in the offices of the Department, for which I set apart Rs.13 lakhs in my budget.
93. Drivers training institute would be set up in Kozhikode in partnership with the Government of India at a total cost of Rs.50 lakhs. I have allocated Rs.15 lakhs as State's share for this in the budget. Transport Nagars will be set up in six locations under BOT basis. KSRTC proposes to commission 700 buses by availing loan of Rs.100 crores from HUDCO.
94. The boat tragedy at Muhamma, largely a consequence of the long years of neglect of the water transport sector, is still fresh in our memories. I have therefore provided a special allocation of Rs.6.25 crores to the Water Transport Department exclusively for the purchase of new boats to enhance passenger safety and convenience.
95. I have provided Rs.5 crores for the Kotti Valapattanam-Parssinikadavu boat route and Rs.2.25 crores for strengthening inland waterways. I have also included a token provision of Rs.5 lakhs for the World Bank assisted project for modernising inland waterways at a total outlay of Rs.55 crores for the Alappuzha-Kottayam, Alappuzha-Changanacherry and Kottayam-Vaikom canals.
96. I am happy to set apart Rs.10 crores in my budget for continuing the work on construction of the passenger terminal at the Thiruvananthapuram International Airport.
97. Government desires to exploit the opportunities of public-private partnerships that are available in the transport sector. For developing feasibility studies, I am setting apart a provision of Rs.53 lakhs.

IRRIGATION

98. There are 11 major and medium irrigation projects under implementation in Kerala. The Government had announced the policy of faster completion of long pending infrastructure projects. I set apart an enhanced allocation of Rs.48 crores for the completion of the Moovattupuzha Valley Irrigation Project, which was begun way back in 1974. I am setting apart Rs.8 crores for the Karappuzha project, which started in 1975, and I hope that most of the works would be completed this year. In order to accelerate execution of the Bridge-cum-Regulator

at Thrithala I provide Rs.10 crores. Out of the Loan that we have availed through ADB, I set apart Rs.20 crores exclusively for the fast track completion of long pending projects.

99. A major problem in the irrigation sector is the upkeep and upgradation of the canal systems of old projects. I set apart Rs.4.75 crores for rehabilitation schemes of projects completed before 1970.
100. Management of rivers is an area of great importance to the State. The first river action plan in the State will be taken up in the Pamba river with central assistance. I have provided a token provision of Rs.5 lakhs for this purpose, which will be suitably enhanced according to the flow of central assistance.
101. Coastal Zone Management in our State calls for affordable, appropriate technologies. I set apart Rs. 7.65 crores for coastal zone management works. This will be used to conduct studies on appropriate technologies besides completing the ongoing works. Water Resources management cannot be effective without taking care of local level water resources which are in plenty in our State. A pilot project will be initiated through CWRDM for which I allocate Rs.1.50 crore.
102. Irrigation sector gets Rs.141 crores in all, in my budget.

WATER SUPPLY AND SANITATION

103. Even though Kerala has an excellent system of drinking water wells, protected water supply coverage is lowest in the State. While sanitary toilets coverage is highest in the State, new problems are emerging due to poor solid waste management. From the point of view of sustaining Kerala's health achievements, I have accorded special priority to these sectors. For the water supply and sanitation sector I set apart Rs.186.88 crores.
104. I am providing Rs.20 crores for the Japanese assisted Water Supply Scheme, which is expected to take off this year. I propose to implement a participatory Rural Water Supply and Sanitation Project in the backward districts of Idukki and Alapuzha with Dutch assistance. A provision of Rs.2 crores is set apart initially for this purpose which will be enhanced according to the pace of implementation.
105. The World Bank assisted Rural Water Supply in the four districts of Thrissur, Palakkad, Malappuram and Kozhikode is progressing well and I set apart Rs.40 crores to this project for the current year. Considering the success of this project we intend to approach the World Bank for assistance to expand it to other districts.
106. Though Government has taken a policy decision to transfer 1050 single panchayat water supply schemes to the village Panchayats, it

could not be implemented as many of the water supply schemes were found to be in need of repair. In order to facilitate a smooth transition it is necessary to rehabilitate the schemes before they are transferred to the local governments. For this purpose I earmark Rs.20 crores for the current year.

107. Total sanitation projects are under implementation in eight districts of the State. We have proposed projects for the remaining six districts to Government of India for support. I am providing Rs.5.35 crores as the State share of this project, which will be extended to cover the whole of the State in a phased manner.

POWER SECTOR

108. The Power Sector outlay in the Annual Plan has been fixed at Rs.630 crores. Our strategy in the Energy Sector in the Tenth Plan will be to attain an optimal energy mix of thermal and hydel power with special priority for tapping the small hydel power potential in the State. Priority will be given for completion of all ongoing/spill over projects. The major thrust is for strengthening of transmission and distribution system, needed to support the additional installed capacity in power generation.
109. The monsoons that played truant in the State almost the whole of last year brought in its wake, considerable water shortages in our hydel reservoirs. This has further worsened the financial position of the Electricity Board, as more power had to be purchased from other sources. Government is aware that it has to do a fine balancing act in supplying electricity to all sections of society at a reasonable rate while keeping Electricity Board financially sound enough to take up this challenge. Government has already constituted Electricity Regulatory Commission, which will help reconcile these two objectives. During 2002-03 Government has given Rs.200 crores as grant to bring down the revenue deficit of KSEB. For 2003-04, an amount of Rs.175 crores is provided for this purpose. Under Accelerated Power Development and Reforms Programme, Government of India has sanctioned a scheme for strengthening the distribution system in Pathanamthitta, Kasaragod and Malappuram with an estimated cost of Rs.181.58 crores.

CIVIL SUPPLIES

110. We are proud of Kerala's Public Distribution System, which provides both food security as well as helps hold the price line of essential commodities. In spite of challenges faced due to change of national policy we are committed to continuing the system. The total allocation for this in the budget is Rs.111 crores. I set apart Rs.54 lakhs to continue the Annapoorna scheme for people below poverty line even though Government of India has withdrawn the centrally sponsored

scheme and instead has decided to make it a part of the Additional Central Assistance. Civil Supplies Department, which interacts with every family in the State, will be made more responsive with the completion of computerisation this year. I am setting apart Rs.10 lakhs to complete this work for which I had set apart Rs.5 crores last year.

FORESTRY

111. This Government's approach to forestry and wild life management in the State recognises the rich bio-diversity of our forests and their place in the ecological balance as well as the economic life of the State. I have set apart an amount of Rs.4.20 crores for forest protection and regeneration in partnership with NGOs and peoples' groups like Vana Samrakshana Samithis (VSS). An amount of Rs. 40 crores has been earmarked under the Plan for Externally Aided Kerala Forestry Project in my budget. In addition, I have provided for an amount of Rs.3.60 crores as Government share in the central scheme for forest resource conservation. In all, the Forestry Sector gets an amount of Rs.57.90 crores for 2003-04 under Plan.

COOPERATION

112. Our State is acclaimed for its widespread and well-established cooperative movement. We are committed to strengthening the movement to make it both modern and more democratic. I am setting apart Rs.15 crores for the co-operative sector of which Rs.5 crores is for supporting the Kerala State Co-operative Agriculture and Rural Development Bank, Rs.3.25 crores is for the rehabilitation of weak but potentially viable co-operatives, another Rs.3.25 crores for the co-operatives for expansion and diversification. I provide Rs.2.6 crores for administrative reforms in the Co-operation Department.
113. The Government has been able to secure full recognition of Pariyaram Medical College through its sincere efforts. We intend to start a Dental College, Nursing College and Nursing School in the Pariyaram Medical College.

SCIENCE AND TECHNOLOGY

114. One of the major reforms successfully carried out by this government is the radical restructuring of the Science and Technology sector. With the objective of providing co-ordination, leadership and momentum to Science and Technology activities in the State, the State Council for Science, Technology and Environment has been created. This important reform, initiated almost after a quarter of a century after many of our S&T institutions were founded, will certainly give a direction to the efforts in this area. In tune with this Government's

commitment to deepening the reforms here, I am enhancing the outlay to the S&T sector by 50% to Rs.37.50 crores.

SOCIAL WELFARE

115. Kerala is a model to the rest of the country in its efforts to provide social security to the disadvantaged sections of society. A humane government cannot reduce its responsibility for ensuring the welfare of its most deprived citizens what ever be the fiscal compulsions. This year, Government intends to reorient our social welfare institutions to combine their present custodial role of inmates with the very important role of care and rehabilitation. We intend to constitute District Level Empowered Committees for arranging professional medical examination of inmates, tie up with NGOs and other care organisations and assessment of quality of service in these institutions. For this year, I am allocating an amount of Rs.1 crore for this unique scheme. For clearing the arrears under grant to the social welfare institutions I am providing Rs.2 crores additionally.
116. As I have stated earlier we have taken the pioneering policy decision of setting apart 5% of local government Plan allocation for the benefit of children, aged and disabled. We are in the process of developing a shelf of projects for these groups of people, which can be implemented by local governments. The ensuing census to identify families below poverty line will be utilised to get full data on the disabled which will be later used as a base for generating development schemes for them. I am setting apart Rs.15.75 crores for the social welfare sector in addition to the Rs.48 crores set apart exclusively for the development of the destitute plan.
117. I am providing Rs.2 crores over and above the budget provision for clearing arrears of grant to social welfare institutions in the State. Among the important schemes in the social welfare sector are - assistance to Kerala State Women Development Corporation for which Rs.2 crores is set apart, support to Kerala State Physically Handicapped Persons Welfare Corporation which gets Rs.70 lakhs, assistance to CH Mohammed Koya Memorial State Institute for Mentally Retarded Children which is given Rs. 50 lakh and grant-in-aid to National Institute for Speech and Hearing to the tune of Rs.75 lakhs. In addition, a package scheme of social security initiatives for the disabled and those cured of mental illness will be continued for which Rs.1.65 crores is provided. I have also set apart Rs.1.50 crores for renewal of existing social welfare institutions. The innovative scheme to provide milk to malnourished children and pregnant and nursing mothers will be continued for which a provision of Rs.8 crores is made. Sir, ours is truly

a wide social safety net and I am pleased to set apart the necessary resources for it.

LABOUR, EMPLOYMENT AND TRAINING

118. The Labour Department proposes to carry forward its forward-looking labour policy that carefully reconciles the objectives of ensuring the rights of workers while creating an environment for growth. It now proposes to implement a 'presumptive compliance regime' where establishments can opt for 'self-certification' declaring compliance with labour laws.
119. I am aware that a large number of medical reimbursement claims under ESI scheme, of the workers in our State are pending for want of budgetary allocations. Sir, in addition to the sum of Rs.36.96 crores that I have provided in my budget under non-plan, I am happy to announce an additional provision of Rs.5 crores now to make the claims of our workers up to date.
120. For the modernisation of the ITIs, I set apart Rs.4 crores in my budget.
121. For the computerisation of the employment exchanges to improve the quality of services provided by them, I have allocated an amount of Rs.50 lakhs in my budget.

REVENUE

122. This year, the computerization of revenue records will be finalised. This will enable the Department to issue certificates within a month. Training schemes for employees will be introduced throughout the State. The Revenue Department will play a vital role for providing "pattas" to people belonging to Scheduled Tribes and hill area cultivators and for ensuring that the Government follows up on its promise to landless tribals. For strengthening the revenue machinery and updation of land records, I have provided Rs.3.08 crores in my budget as plan provision.
123. Government intends to revise the rent of public properties on lease this year. A legislation is proposed for according proprietary rights to those who purchased properties declared as surplus land in good faith. 'Adalats' etc. under the auspices of the Department will be activated. A scheme of financial assistance for aged people in indigent circumstances will be introduced for medical treatment of serious diseases and surgical procedures. I am happy to announce an amount of Rs.25 lakhs for this.

HOUSING

124. The HUDCO decision to suspend assistance to the Housing Board following the failure of the previous Government to make payments in

time had shattered the dreams of thousands of poor beneficiaries of building a house for themselves. One of the notable achievements of this Government is that it has been able to negotiate an MOU with HUDCO for resumption of the assistance to the Housing Board. Government intends to bring in an enactment for granting loans from the State Housing Board without need to mortgage the property under the "Gahan Law". A "Bhoomythri" scheme is proposed to be launched for the construction of houses for weaker sections. I have set apart an amount of Rs.60 crores for the Maithri Housing Scheme in my budget.

MODERNISATION OF PUBLIC OFFICES

125. Another notable initiative in my budget is a phased plan to modernise public offices like the Secretariat, the Collectorates and major departmental offices. Employees will be given sufficient general and professional training. People visiting these public offices will be treated with the respect due to them and allowed quick and easy access to information without having to wait indefinitely. The first phase of the scheme will be implemented in the Secretariat and Commercial Taxes Department, from July 2003. I have set apart Rs.15 crores under MGP for necessary capacity building and infrastructure creation in my budget.
126. One difficulty experienced in the management of human resources in Government and in accurately forecasting expenditures on them is the absence of a database on personnel and payroll of our employees. To build an integrated payroll and personnel management system, with supporting hardware and software for all Government offices, I have set apart Rs.18.20 crores under MGP for this ambitious project.
127. I am also setting apart an amount of Rs.1 crore for the computerisation of the offices of the Kerala Public Service Commission for faster processing of applications received from our youth seeking Government employment.

LAW

128. One very significant initiative proposed in 2003-04 to ensure public access through the web site of the Law Department to the laws and rules in force and those enacted from time to time. The State Law Department, office of the Advocate General, the Law office at New Delhi, offices of District Public Prosecutors and Government Pleaders will be computerized and Internet facilities will be provided. This will enable Government to effectively conduct and monitor cases. I intend to provide Rs.25 lakhs for this.

CULTURAL AFFAIRS

129. Government is committed to nurturing the rich cultural heritage of our State embodied in our language, literature, fine arts, dances, folklore, and handicrafts. I am raising the annual nonrecurring grants for these institutions from Rs.10 lakhs to Rs.15 lakhs.
130. The major allocations that I have provided in the Budget for the next year are Rs. 90 lakhs for the activities of the Kerala Kalamandalam in Thrissur, Rs.70 lakhs for the Vyalopilly Samskarika Bhavanam in Thiruvananthapuram and Rs.25 lakhs for the Vasthu Vidhya Gurukulam in Aranmula.
131. An award will be introduced for indigenous instrumental music performers. This award will be designed on the lines of "Swathi - Kathakali Award". I am setting apart an amount of Rs.1 lakh for this. I am also happy to announce separate provisions of Rs. 1 lakh each for the Swathi, Kathakali and Raja Ravi Varma Awards
132. To raise the level of awareness among our youth as well as the segment of non-resident Malayalees who have not been exposed to the Kerala way of life, on the richness of the Malayali culture and language, I am allocating Rs.15 lakhs for launching a well-designed campaign.
133. I am announcing a special grant of Rs.5 lakh for the 125th birth anniversary celebrations of Mahakavi Sri. Ulloor S Parameswara Iyer to the Mahakavi Ulloor Memorial Library and Research Institute.
134. I also intend to provide a one-time grant for the activities of the Mahakavi Moyinkutty Vaidyar Smaraka Committee of Rs.5 lakhs.
135. I propose to give a grant of Rs.5 lakhs for setting up a Research and Study Centre for Language and Literature as a memorial in honour of the renowned scholar Dr. K. M. George.

SPORTS AND YOUTH AFFAIRS

136. For the development of Sports in our State, I have set apart Rs.7.35 crores for the Kerala Sports Council. In addition I have provided Rs.1.25 crores for continuing schemes under the Directorate of Sports and Youth Affairs. The major schemes envisaged for the next year are the construction of a State Level Sports Complex at Kannur and establishing a National Sports Academy.
137. An amount of Rs.2.39 crores has been provided for the activities of the Youth Welfare Board.
138. I am happy to provide a grant of Rs.10 lakh for the P.T.Usha Sports School to support its praiseworthy efforts in nurturing sports talent in the State.

139. I am also providing an amount of Rs.1 crore as Government Share for laying a synthetic track in the University Stadium in Thiruvananthapuram and another Rs.2 crores for laying synthetic track in one stadium in Kochi city, additionally.
140. I am also pleased to provide an amount of Rs.25 lakhs for the construction of the stadium in Alappuzha.
141. I am also allocating Rs.20 lakhs as Government support for the construction of the Municipal Stadium Complex at Kasargod.

HILL AREA AND COASTAL AREA AUTHORITIES

142. Government could not complete the administrative arrangements last year for establishing the Hill Area Authority and Coastal Area Authority. I am providing a token provision of Rs.1 crore each for completing the arrangements needed for establishing this.

INFORMATION AND PUBLIC RELATIONS

143. I am happy to announce a grant of Rs.15 lakhs to the Thiruvananthapuram Press Club for the construction of a new building for the proposed Journalism Institute.

NORKA

144. The Department of Non Resident Keralites will step up its implementation of welfare measures for our Non Resident Keralites. The new company "ROOTS - NRK Development Initiative" will boost these efforts. For Government participation in this endeavour, I am providing Rs.1 crore.

LOTTERIES

145. In the Lotteries Department, I propose to introduce the Online Lottery System as a measure to increase Non Tax Revenues in the State. At the same time, we will continue to encourage the existing scheme of lotteries in the State, which is a mainstay of income to two and a half lakhs of people.

REGISTRATION

146. I am happy to observe here, that the quality of services in registration offices, which have been computerised, has significantly improved. Government intends to complete the work of computerising 60 sub registrar offices this year. I am providing an amount of Rs.4.46 crores for this. In order to prevent under valuation of land transactions, Government intends to fix the fair value of lands in the State and publish the fair values immediately.

TREASURIES

147. Our treasuries play a critical role in the financial management of the State. We intend to reorient the department as an agency that provides efficient services to the public, shifting away, in the process, from the general perception about it being largely a regulatory department. To improve the working conditions in the Treasuries and to complete the process of renovating the old buildings that house many treasuries of the Department, I set apart Rs.1 crore.
148. The computerisation of the Treasuries department is progressing satisfactorily and is slated to be completed this year. I am providing an amount of Rs.1 crore for this additionally. This is in addition to the funds of nearly Rs.8 crores already available with us from the Additional Central Assistance received for this from Government of India.

COMMERCIAL TAXES

149. As part of Government's earnest efforts to improve the finances of the State, we had laid a heavy responsibility on the shoulders of our revenue earning departments. The Commercial Taxes Department, in particular, was assigned the challenging target of achieving 26% increase over the collections in the previous year. I am happy to inform this house that the Department has made commendable efforts and is forging steadily ahead to achieve this goal. It is especially heartening to note that the Department has been able to achieve a 100% increase in the additional demand brought to books this year. Through the efforts of the intelligence wing of the Department, the amount realised by detecting cases of tax evasion and suppression has increased by 40% over that of the previous year.
150. In April 2003, our State will be entering a new era in the history of taxation by switching to the Value Added Tax (VAT) regime. I am sure that members of this august house share our common concern as to how this may affect our tax revenues. As you will hear, in the latter part of my speech, we have designed our legal provisions in the VAT bill carefully to mitigate any possible loss of revenues. However, the promise of the Union Government to help States who are likely to suffer revenue losses encourages us to take this bold step to conform to the national policy. Our emphasis shall be on promoting voluntary compliance through simple and transparent systems taking our taxpayers into confidence. The Department will be modernised in keeping with the functional requirements of the new system. I set apart Rs.2 crores for this.

EXCISE

151. Government proposes to appoint a Committee for making recommendations for revamping the Excise Act of 1077 - various provisions of which have been constantly challenged in Courts of Law and impede effective enforcement. The Government remains committed to its declared policy of phased prohibition in the State. Simultaneously, concerted efforts will be continued to create awareness among the public about the evil effects of alcoholism. The Government is examining reports and recommendations of various commissions including that of the "Justice Mohan Kumar Commission".
152. Modernizing the Excise machinery and improving professionalism in the department are two areas, which have been the focus of attention of this Government. The excise department will be fully equipped to enforce the Excise Laws strictly and check the use of illicit liquor. I am providing Rs.5 crores for continuing the modernization of the excise department. I set apart Rs.2.85 crores for the construction of the Excise Complex at Thiruvananthapuram.

POLICE AND VIGILANCE

153. Safety in our homes and on our streets can alone facilitate the social and economic progress envisioned in our grand designs for Kerala. I am happy to observe here that the law and order situation in the State has commendably improved - despite attempts by some quarters to foment trouble at every pretext, with scant regard for established democratic processes of dialogue and reconciliation. Government firmly believes that its achievement on the law and order situation validates the approach that it has adopted for building an efficient, disciplined and committed police force. This Government has taken concrete steps to modernise the police force, and the process will be vigorously continued. By the end of 2003-04 computerisation of the Police Department will be completed. Most modern equipments required for Crime investigation and telecommunications are being procured. I am providing an amount of Rs.80 crores for the modernisation programme in the police department for 2003-2004.
154. Construction of 17 police stations taken up this year will be completed and construction of 37 more will be taken up next year. Two new wings viz., a fully equipped highway police for national highways and tourism police for various tourism centres have already been constituted. Government intend to form a Marine Force next year.
155. The call to duty requires most of our policemen and women to be on duty for long hours without rest. Basic amenities available in most of the police camps are often totally inadequate and Government is very

conscious of the fact that they need substantial improvement. Construction of 1104 quarters for the constabulary and 272 quarters for the officers is under way. Construction of 620 quarters for the constabulary and 160 quarters for the officers will be taken up during the next year. Additional rest rooms and toilet facilities exclusively for the women constables are being provided at 300 more locations in the next year.

156. This Government has always taken keen interest in the welfare of the police personnel. As a gesture of this enduring commitment, I am very happy to raise the annual provision to the Police Welfare Fund from Rs.50 lakhs to Rs.1 crore.
157. The strength of the police force including that of women police is insufficient to meet the demands of law and order maintenance. It is in this background, that Government have taken a conscious decision to strengthen the police force. 600 posts of drivers have been created and there is proposal to create 600 posts of women constables. The Government intends to newly induct more than 400 Sub Inspectors into the department. This step that would result in the induction of fresh blood into the department will help further tone up the standards of service rendered by the police force.
158. This Government recognises the need to sustain its fight against corruption and thereby build a clean and honest government. The need for a clean administration derives from the fundamental and guiding principles for this government. While the Government is sworn to protect honest and committed public servants in the discharge of his or her duties, it shall redouble its efforts to root out corruption and to bring the corrupt to book. The Vigilance Department is being fully geared up to meet this important task. I set apart an amount of Rs.3 crores for the modernisation of the Vigilance Department.

GENERAL MEASURES

New House Building Scheme for Government Employees

159. I am pleased to announce that the Finance Department has formulated a scheme for extending House Building Advance through loans from participating banks like SBI, SBT and Canara Bank at terms far more attractive than what Government has been able to offer its employees. It is my expectation that at least Rs.150 crores can be additionally channelised for our employees thereby.

Enhanced Medical Reimbursement Scheme for Employees

160. I am equally happy to inform this House that the Finance Department is now drawing up an attractive scheme for enhanced

medical reimbursement for our employees through leading Insurance Companies. This new scheme will go a long way in helping our employees and their families who are in need of medical care. Here again, I expect benefits to our employees of the tune of Rs.50 crores over and above the levels now available through the budget.

New Medical Insurance Scheme for Pensioners

161. I am pleased to inform this house that we propose to launch a new Medical Insurance Scheme for Pensioners jointly with leading insurance companies. It is my intention to launch this scheme on July 1, 2003.

New Insurance Scheme for the disabled

162. I take pleasure in announcing a new insurance scheme for the disabled to be implemented through the State Commissionerate of Persons with Disabilities. I expect a recurring expenditure of Rs.10 lakhs annually for the payment of premium for this scheme.

Better deal for Anganwadi Workers and Helpers

163. In recognition of the dedicated services of our Anganwadi Workers and Helpers, we have decided to implement the increase of Rs.300 per month announced by Government of India in their honorarium. Anganwadi Workers and Helpers now contribute Rs.20 and Rs.10 per month to their Welfare Fund with a 10% contribution from the State Government. Keeping their longstanding request in view, I intend to raise this contribution of the Anganwadi Workers and Helpers to Rs.30 and Rs.15 per month respectively and am pleased to increase the State's share from the present level of 10% to a full matching contribution of 100% every month. An additional outflow of Rs.2 crores is expected for this.

MLA Local Area Development Scheme

164. I am pleased to observe that MLAs have been able to intervene very effectively in filling up the development lacunae in their constituencies using the Rs.25 lakhs that I had allocated in my last year's budget. I am extremely happy to increase the allocation for each MLA from Rs.25 lakhs to Rs.50 lakhs.
165. Needless to say, the wholehearted participation of our employees is a pre-requisite for the success of our developmental agenda. UDF Government has, despite the fiscal crisis, placed utmost emphasis in taking a supportive stand on the needs and demands of our employees. That is borne out by the fact, despite our challenging fiscal situation, we have already granted two instalments of Dearness Allowance to our employees. I am very happy to announce Government's intention to

sanction two DA instalments due on 1.7.2000 and 1.1.2001 to our employees. Employees will be able to avail of this increase with their salaries for the month of June 2003. The arrears up to May 2003 will be merged in their Provident Fund. It is this Government's earnest wish that our employees should continue to participate in the development of the State with their utmost sincerity and commitment.

PART B

TAX PROPOSALS

I shall now come to the proposals regarding tax revenue

166. While presenting the last budget I had emphasized that the government does not propose to introduce any new taxes, that we will encourage tax compliance and that we will come down heavily on tax evasion. I am happy to inform this House that this approach has yielded excellent results. It gives me great pleasure to announce that this year also we do not intend to bring in any new taxes and that we will focus on improving mobilization of revenue
167. As I mentioned earlier we will be entering a new era in the history of taxation with the introduction of VAT. In the new system, the focus will be on simplicity of structure and operation, and promotion of voluntary compliance by taking the tax payer on trust. As this August House is aware, a number of changes have been made in the provisions of the VAT Bill, after discussions in the Subject Committee, before it was passed for achieving this objective, some changes were also made for adapting the new system to the requirements of our State
168. The VAT Bill provides for a flat rate of presumptive tax for small traders. Trading is perhaps the most important economic activity in the State, and retail trade is a very important segment in terms of the service it provides as well as employment and income generation. My government would like to ensure that retail trade comes into the tax base of the State, by making available to them a trouble free registration procedure and to make their tax liability affordable. I therefore propose to reduce the rate of presumptive tax to 1%.
169. A concessional rate of 4% provided for industrial raw materials and packing materials in the VAT Bill is an important incentive that will accelerate industrial growth. I propose to include provisions in the VAT legislation that this benefit will be available for goods purchased as industrial raw materials and packing materials only if they are used for the production of taxable goods within the State.

170. Thermal Power Units now have a concessional rate of 4% for petroleum products they use as fuel. I propose to include provisions in the VAT legislation for continuing this incentive.
171. According to the consensus reached by the State Governments, individual State Governments may decide the actual rate of tax for any commodity in such a way that it is not less than the floor rate and that the rate adopted is one of the approved VAT rates. There are a number of commodities that now have a rate higher than the VAT floor rate. For these commodities, I propose to fix higher rates as given below:

Sl.No.	Commodity	Floor rate in VAT - %	Present rate - %	Proposed rate - %
1.	Aquatic feed	0	4	4
2.	Poultry feed	0	4	4
3.	Cattle feed	0	4	4
4.	Firewood	0	10 + 2.5	12.5
5.	Garlic & Dried Ginger	0	4	4
6.	Poultry	0	8	12.5
7.	Seeds (Branded)	0	4	4
8.	Telecommunication equipments	4	12	12.5
9.	Copyrights, patents, REP licences etc.	4	8	12.5
10.	Beltings & Hosepipe	4	12	12.5
11.	Industrial cables	4	12	12.5
12.	Plastic footwear	4	8	12.5
13.	Skimmed Milk Powder	4	12	12.5
14.	Solvent oil other than organic oil	4	8	12.5

I also propose to amend section 93 of the VAT Bill, when enacted, to empower government to modify the rates in this manner for protecting revenue.

172. In the compounding provisions in the VAT Bill, works contracts involving interstate purchase of goods have not been included. I propose to include such a provision with compounding rates as given below:

- (i) Civil works - 6%
- (ii) Other works - 10%

In the compounding provision for lotteries, the expression "licence fee" is proposed to be replaced by "compounded tax".

173. Liquified natural gas (also known as compressed natural gas) and automotive LPG are petroleum products that are likely to find considerable use in future. I propose to add them to the IV schedule of the VAT Bill, the rates of tax being 28% and 20% respectively.
174. There are a number of goods that have not been included in the first four schedules of the VAT Bill, and which will therefore attract tax at the rate of 12.5%. By and large, these are manufactured products and are used or consumed by people who can afford them. However, there are certain specific goods that need to be handled differently, considering the overall social impact. Keeping in this view, I propose to include the following goods in the exempted category in VAT:
- i) Life saving drugs
 - ii) PSC application forms
 - iii) Candles
 - iv) Pulpaya and Thazhapaya
 - v) Articles of daily use by students, such as pencils, pens, writing ink, pencil sharpeners, instrument boxes, blackboards, chalk and dusters.

I also propose to include honey, lime and lime shells in the 4% category.

175. While preparing the schedules in the VAT Bill, we have made a concerted effort to ensure that our rates of tax do not vary significantly from those of the neighbouring States. I am sure that this will enable us to remove the distortions in the present system and have much greater simplicity and transparency. But a similar rationalization may not be immediately possible in respect of goods outside VAT. However, as a first step, I propose to reduce the rate of tax on Aviation Turbine Fuel from 34% to 25%, in view of certain reductions made by other South Indian States in the recent past.
176. Certain legal and administrative issues that have come up recently have necessitated the inclusion of a provision in the Abkari Act to enable government to make amendments with retrospective effect to protect public interest and revenue. I propose to include such a provision in the Abkari Act. Similarly, certain amendments will be made in Sections 3, 14, 17 and 18 of the Act for making the object of the legislation as well as certain additional terms clear and unambiguous. These amendments will have effect from 1-4-1984.
177. In order to protect revenue and encourage local taxable sales, I propose to make entry tax applicable to the following additional items:
- i) Computer paper.
 - ii) Caustic Soda.
 - iii) Battery other than dry cell and button cell.

- iv) Medical equipments, Hospital equipments, Surgical equipments including Dental Chair.
- v) Readymade garments and hosiery goods.
- vi) Weighing Machines, Weighing Bridges, parts and accessories thereof..
- vii) Automatic Teller Machines.
- viii) Automotive LPG.
- ix) Liquefied Natural Gas (Compressed Natural Gas).

The definitions of "entry of goods into local area" and "importer" will be amplified to include goods brought from outside for consumption and transfer also. Similar changes will be made in Section 3 of the Act. Appeals under the Act will be limited to the level of Deputy Commissioner. Section 9A of the Act will be amended to include a provision for giving the owner of the goods a reasonable chance of representation before orders to pay tax are passed. I also propose to include a provision to enable the government to amend the schedule to the Act prospectively or retrospectively. A new Section will be added to enable the Commissioner of Commercial Taxes to exercise powers vested in him under the Act. Certain specific administrative functions will also be vested in the Commissioner. Provisions will also be included to enable persons to remit taxes and fees under the Act in any bank notified by the government, besides the treasury. References in the Act to the KGST Act will be replaced by references to the relevant Sections of the Kerala Value Added Tax Act, from the date on which it is enacted.

The rates of tax under the Entry Tax Act will be the same as those applicable under Value Added Tax. I would like to emphasise here that Entry Tax is allowed to be set off against VAT and is not an additional levy.

- 178. In the Kerala Tax on Luxuries Act, 1976, as well as in the Kerala Tax on Entry into Local Areas Act, 1994, provisions will be included to allow cost accountants also to conduct cases before different authorities. References in the Kerala Surcharge on Taxes Act, 1957 will be replaced by references to the relevant provisions of the Kerala Value Added Tax Act, from the date of its enactment. Luxury Tax will also be allowed to be paid through banks notified by the government, in addition to the treasury.
- 179. Government have received a large number of representations, especially from SSI units that manufacture centrifuged latex and crumb rubber of the liability unexpectedly cast upon them to pay substantial amounts of salestax that has not been collected, due to certain ambiguities in the way in which the process of manufacturing is defined under the law. This is likely to jeopardize the existence of a number of

such units and will have a highly adverse impact on employment and income generation in the State. To solve this problem, I propose to exempt manufacturers of centrifuged latex and crumb rubber from the liability to pay purchase tax in respect of the raw rubber latex used for such manufacture, up to 9-10-2001.

180. As a result of the amendment of the Central Sales Tax Act, CST has had to be levied on arecanut, ginger, pepper, rubber, caprolactum, coconut oil, coconut oilcake and dessicated coconut from 1-6-2002. As the notification in this regard was issued only on 21-11-2002, a large number of representations have been received that if the demand for tax during the intervening period is enforced, it will have a very adverse impact on the agriculture sector. I therefore propose to exempt registered dealers from the liability to pay CST from 1-6-2002 to 20-11-2002 in respect of interstate transactions in these goods, provided tax had not been collected.
181. Under VAT, the national consensus is to levy tax at the rate of 1% on Jewellery made of Gold, Silver, and Platinum etc. Taking this into account, and the expectation that tax compliance will improve significantly, I propose to reduce the rate of tax on these items to 1%.
182. Government have received several representations that the 'stone crusher industry is facing serious difficulties owing to the imposition of tax on primary crushers, especially since the product manufactured by them is not a saleable commodity. Since this is found to be a genuine grievance I propose to reduce the rate of compounded tax for primary crushers to 50 % of the present rate.
183. It is an accepted fact that implementation of VAT will lead to significant revenue losses. However there are a few items, where the losses will be very substantial and therefore need special mention. We have made some computations of the likely losses. I expect losses on account of reduction of rate of CST to be Rs.150 crores, loss on account of refund for exports to be Rs.30 crores, loss on account of set off of taxes Rs.100 crores, and the fuel rebate proposed for industries of Rs.100 crores. These figures are clearly approximations at this stage and the loss is likely to be more than Rs.500 crores.

PART C

SUMMARY OF BUDGET PROPOSALS

Revised Estimates for 2002-2003

184. I had anticipated a Fiscal Deficit of Rs.2953.08 crores as on 31.3.2003. I am happy to inform this house that I have been able to hold

this down to Rs.2845.03 crores through appropriate expenditure management and rationalisation. As Finance Minister, I have given priority for discharging the huge accumulated liabilities in the Public Account against budgeted plan and non-plan expenditure, piled up imprudently over the past. I have determinately abided by this to set right the imbalance in our financial accounts and to avoid committing the same costly mistakes of the past. Sir, I am sure that this august house will be happy to learn that the actual cash outflow for development expenditure is nearly double that of last year despite an expected fall of 14% against this year's budgeted plan outlay.

185. The figures for the overall financial position in the current financial year are as follows.

(Rs. in crores)	Revised Estimates
	2002-2003
Revenue Receipts	11451.33
Revenue Expenditure	13350.00
Revenue Deficit	(-)1898.67
Capital Expenditure	802.33
Public Debt (Net)	3000.23
Loans and Advances (Net)	(-)144.03
Public Account (Net)	3.66
Overall Surplus	158.86
Carry over Deficit	(-)128.76
Cumulative Surplus	30.10

186. I expect to close this year with revenue receipts of Rs.11451.33 crores and revenue expenditure of Rs.13350 crores leaving a revenue deficit of Rs.1898.67 crores lower by 14% than what I had budgeted for.

Budget Estimates for 2003-2004

187. In the budget estimates for 2003-2004, the total revenue expenditure is estimated at Rs.15364.64 crores and the total revenue receipts is Rs.12699.61 crores.

188. The overall financial position for 2003-04 is as follows:

(Rs. in crore)	Budget Estimates
ITEM	2003-2004
Revenue Receipts	12699.61
Revenue Expenditure	15364.64
Revenue Deficit	(-)2665.03
Capital Expenditure	592.64
Public Debt (Net)	2910.24
Loans and Advances (Net)	(-)49.26

Public Account (Net)	799.92
Overall Surplus	403.23
Carry over Surplus	30.10
Additional Expenditure now announced	453.21
Additional Resource Mobilisation (ARM)	----
Revenue losses on account of introduction of VAT	500.00
Cumulative deficit	519.88

189. Revenue and fiscal deficit in 2003-04 will be Rs.2665.03 crores and Rs.3306.94 crores respectively. These will be 2.92% and 3.62% of the expected State Domestic Product respectively.
190. Together with the closing surplus of Rs.30.10 crores from the current year, and the expected surplus of Rs.403.23 crores for 2003-2004, there would be a total surplus of Rs.433.33 crores. Sir, with the items of additional expenditure of Rs.453.21 crores for the different development measures in my budget that I have now announced, and revenue losses on account of introduction of VAT of Rs.500 crores, the deficit has risen sharply to Rs.519.88 crores. However, I intend to continue my emphasis on efforts for enhancing revenues and better expenditure management through which I am confident of bridging this deficit.

CONCLUSION

Development Year 2003-2004

191. Gandhiji, the father of our nation, once powerfully wrote:

“True economics stands for social justice.”

What better example could be there for me than to humbly emulate through my own belief that true budgeting like true economics also stands for social justice?

This budget reaffirms a great hope for our people. It unequivocally declares that we can achieve the goal of providing a better quality of life for them. This budget will be a launch pad for our concerted efforts towards this. We have laid the foundations. The stage has been set. In the next three years of this Government, we will collectively strive to put Kerala in the forefront of development in all activities be it in agriculture, in Industries, in tourism, in IT, in Biotechnology or in poverty alleviation. We will open up new vistas for our people, for them to pursue their dreams. There is an unmistakable air of optimism and excitement everywhere.

192. It is in this backdrop that I am pleased to announce Government's decision to declare 2003-2004 as a **Development Year**. The central idea behind this is to get all government departments and agencies engaged in development work to complete existing schemes and take up new schemes announced in the budget and finish them on a war footing. During this development year, we will march ahead on three crucial fronts:

Firstly, we shall preserve the laudable achievements of the past in our social sector by investing in education, health and on measures for the poor and the disadvantaged.

Secondly, we shall ensure that the State moves further along the path of decentralisation and consolidates its achievements.

Thirdly, we will build a stable investment climate conducive to sustainable economic growth.

193. My budget builds on our design to open up Kerala to new investments, new opportunities, and new ways of providing better service. It is a blueprint for us to move forward confidently towards a brighter future without losing sight of the need to live within our means. The road ahead may not be easy. But our people have abundantly displayed an irrepressible desire for growth and an indomitable will to succeed, all backed by a great capacity for hard work. This indeed, invigorates our efforts and impels us forward.

194. The success story of Kerala's development has to be written by many hands. It has to be a script conceived, developed and enacted by the hardworking people of this State. It is their efforts, their commitment and dreams that will help us realise the grand future - once nearly written off as beyond our imagination but now so much within our reach. To these men and women who unstintingly give their very best to Kerala, I dedicate the budget for this development year 2003-2004.

195. I place on record my sincere gratitude - to our honourable Chief Minister who has inspired me, given me his invaluable guidance and stood by me through this often arduous journey - to my esteemed colleagues in the Ministry who have given me their unstinting cooperation and to each member of this august House for their unfailing encouragement.

196. Let me conclude - our economy is on the rebound - our government machinery stronger than it has ever been before to take up the task of rapid development. We have drawn up an ambitious roadmap to a more prosperous Kerala and, let me sincerely say that my budget is yet another bold step to lead us there.

197. I commend this Budget for the year 2003-2004 to this august house and move the Vote on Account for the first four months of the year 2003-2004 from April 2003 to July 2003 for your approval.

JAI HIND
