Speech of Thiru C. Ponnaiyan, Minister for Finance and Food, Government of Tamil Nadu, presenting the Budget for 2004-2005 to the Legislative Assembly on 11th February 2004.

Honourable Speaker Sir,

இடும்பைக் கிடும்பை படுப்பர் இடும்பைக்
கிடும்பை படாஅ தவர்.

(A person who does not meekly succumb to adversity but who faces it with unfailing heart will be able to cause the adversity itself to suffer its own weakness and quietly depart.)

I rise to present the Revised Estimates for 2003-2004 and the Budget Estimates of 2004-2005 with the blessings of my leader Hon'ble Chief Minister Puratchi Thalaivi J Jayalalithaa, who, with great vision, grit, foresight and dynamism, has put Tamil Nadu back on the highroad to development and prosperity.

2. The people of Tamil Nadu voted the Hon'ble Chief Minister Puratchi Thalaivi J Jayalalithaa back into office with a landslide victory in May 2001 in the fervent hope that their State will see a return to its erstwhile glory, all round development and prosperity. Today, their hopes and dreams stand fulfilled. Tamil Nadu has left behind its troubled past of the late-1990s characterized by a debilitating fiscal decline leading to a total development collapse. The Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa, has made a supreme effort to set right the Government's finances with firm resolve, total dedication and absolute clarity in the face of extreme adversity. The results of this effort have been spectacular. Tamil Nadu has made a remarkable fiscal turnaround. The development agenda has been brought back to the centre stage. This has been achieved in a short span of less than three years. This is a remarkable

achievement of this Government under the able and dynamic leadership of our leader, the Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa.

3. Hon'ble Members may recollect the seemingly intractable fiscal situation prevailing in May 2001. Failure of Monsoons for three years in succession leading to the drought in 2002-2003 made the fiscal adjustment process even more difficult. The Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa, like a true leader, led the State from darkness to light overcoming these crippling adversities.

4. The Hon'ble Chief Minister has always believed that ensuring real improvements to the quality of life of the people is the ultimate purpose of governance. The Chief Minister's 15 point programme incorporates this vision and outlines the development goals of the State. These are being achieved through a comprehensive economic reforms programme consisting of fiscal reforms, improvements to the investment climate, good governance leading to better service delivery and reduction of poverty.

5. New growth momentum cannot be generated without an assurance of perfect maintenance of law and order. It is only due to the strong leadership and the personal attention to every aspect of law and order administration by our Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa, that the State is rightly hailed as a haven of peace and tranquillity. This has provided an excellent foundation enabling us to set right the financial position and restructure the economy.

Medium Term Fiscal Plan

6. Tamil Nadu's experience during 1996-2001 shows that unless the Government is committed to proper

management of its public finances, the attainment of development goals of the State and welfare of the people will be jeopardized. From being a financially well-managed State till the mid-1990s, Tamil Nadu found itself going down by the end of 2000-2001 mired in a deep-rooted fiscal crisis. It is often thought that a fiscal crisis is nothing new. Unfortunately, this is not true and the crisis we had to face was like something never experienced before. The debt burden was alarmingly high. There was no scope for borrowing more to tide over the crisis. This Government had to act fast and decisively to prevent a total collapse. This was done, intelligently, without burdening the poor.

7. Hon'ble Members of this House may recall that this Government was forced to scale down the annual Plan outlay of 2001-2002 from Rs. 6040 crores to Rs. 5200 crores. We had to reckon with unpaid expenditure liabilities of over Rs. 4000 crores, which the previous Government had failed to meet. In addition, pay and pension arrears of Government employees amounting to about Rs. 1800 crores had been impounded by the previous Government for payment beyond 31st March 2003. The previous Government had drawn in advance, in March 2001, the future revenues upto November 2003 accruing from lignite royalty to Tamil Nadu amounting to Rs. 250 crores. The rationale of governance was lost and the credibility of the State in meeting even the basic development needs of the people was called into question.

8. In less than three years, the Hon'ble Chief Minister has successfully tackled the unprecedented problems witnessed in 2001. An altogether new, bold and visionary development agenda has been forged. This is currently under implementation and is now taking Tamil Nadu forward to its well-deserved *numero uno* position. This turnaround has been possible only because of the Hon'ble Chief Minister's commitment

to proper management of public finances. I take this opportunity to thank our visionary leader for setting right what was a hopeless situation.

9. Hon'ble Members of the House may recall that this House enacted the Tamil Nadu Fiscal Responsibility Act, 2003, in the last financial year. This legislation, as amended on 10th February, 2004, is a landmark step to ensure fiscal transparency and accountability. It enjoins upon the Government to prepare and present to the Legislative Assembly a Medium Term Fiscal Plan outlining a roadmap of reforms and development of Tamil Nadu.

10. In pursuance of the aforesaid obligation, a Medium Term Fiscal Plan has been prepared and is appended to the Budget Speech. This Budget is based on the reform and development targets enumerated in the Medium Term Fiscal Plan. Its salient features are as follows:

- This plan intends to wipe out the revenue deficit by 2008-2009. This is to be achieved by controlling unproductive revenue expenditure and by ensuring enhanced revenue receipts.

- The fiscal deficit, which represents the net borrowings of the Government, shall be contained to a level below 3% of the Gross State Domestic Product (GSDP) by the year 2008-2009 as a means to ensuring sustainable progress.

- This Government will seek to ensure a continuous step-up in its capital outlay from a level of Rs. 1891.50 crores in 2002-2003. This prioritization will enable building infrastructure such as roads, bridges, water supply, sewerage systems etc.

- Operation and maintenance will receive higher priority to ensure proper maintenance of assets created.

- This Government's commitment to providing a comprehensive social safety net forms an integral part of the reform plan.

- On the whole, the Medium Term Fiscal Plan, together with a growth oriented economic reforms programme, will facilitate the attainment of a higher economic growth rate, while ensuring that the disadvantaged and the needy are protected and empowered to participate in the growth process.

- "Growth for all" is the motto behind this reform programme.

11. During the year 2002-2003, the Indian economy and the Tamil Nadu economy were severely affected by drought. The economic growth in Tamil Nadu was 3.46% in 2002-2003 over that in 2001-2002 at current prices. The reason for this slowdown in the State's economy was the sharp decline in the output of the primary sector affected by the drought and Karnataka's intransigence in not releasing our legitimate share of water in the Cauvery and the global economic downturn affecting all sectors.

12. The growth prospects in 2003-2004 are encouraging. It is now expected that Gross State Domestic Product (GSDP) in 2003-2004 will grow at 7.17% over that in 2002-2003 at current prices. Clearly, the economy is now recovering from the debilitating effects of the drought in 2002-2003. Even though the seasonal conditions in 2003 have not been entirely satisfactory, the economy has revived due to deft handling of major issues.

Development Imperatives for 2004-2005

13. The Hon'ble Chief Minister's commitment to provide "opportunities for healthy and productive life for all" to be achieved through the Hon'ble Chief Minister's 15 point programme forms an integral part of the development agenda for 2004-2005. This development agenda includes:

- The economic recovery seen in the primary sector in 2003-2004 will be consolidated with emphasis on crop diversification with new value addition, efficient use of water, precision farming, capital investment in agriculture to promote new irrigation, thrust to homestead farming, fisheries development and comprehensive rural infrastructure upgradation.

- Reforms to improve the investment climate, particularly for manufacturing, will be pursued. This will include a new thrust to infrastructure development, quality power supply, taxation reforms, labour reforms and administrative deregulation.

- Tamil Nadu's core competence in the emerging sectors such as Information Technology, Tourism etc. will be strengthened.

- Emphasis will be placed on improving service delivery in 10 key areas with a high public interface as a key element of good governance supported by e-governance initiatives.

- Maximum emphasis will be placed on human resource development going forward to realize the "Millennium Development Goals".

- The Comprehensive Social Safety Net will be strengthened.
- A new Poverty Reduction Strategy will be implemented.

Annual Plan

14. The Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa, has secured the clearance of the Union Planning Commission for implementing a development Plan outlay of Rs. 40,000 crores during the Tenth Plan Period (2002-2007). This is a splendid achievement given the perilous position of public finances in 2001-2002. This has been followed by the spectacular performance of the Government in obtaining real increases in the annual development Plan outlay from Rs. 5200 crores in 2001-2002 to Rs. 7000 crores in 2003-2004. I am very happy to inform this House that the Plan target of Rs. 7000 crores for 2003-2004 will be fully achieved.

15. This Budget includes a Plan outlay of Rs.8,001 crores which is a record outlay. We will approach the Union Planning Commission for approval to implement this enhanced development Plan outlay of Rs. 8001 crores during 2004-2005. This constitutes a major step-up in the development expenditure of the State Government, when compared to the outlay of Rs. 5200 crores in 2001-2002.

Twelfth Finance Commission

16. The Twelfth Finance Commission has a crucial role to play in recommending the principles that should govern the transfer of Union resources to the States during 2005-2010. Significant changes have taken place in recent years in resource availability and development responsibilities of the Union

Government and the States. While there is a pronounced shift towards increased development responsibilities of the State Governments, there has not been a concomitant increase in the resources available with them. The tax on services, which should legitimately come to the States, has been taken to the Union list. We have opposed this. This brings to fore the issue of ensuring a real and substantial enhancement in the size of the divisible pool of Union taxes for transfer to the States. The second issue relates to deciding the principles that should govern the *inter se* shares of the States in the divisible pool of Union Taxes.

17. Tamil Nadu suffered very badly at the hands of the Eleventh Finance Commission, which reduced the State's Share in Central taxes from 6.637% to 5.385%. This meant a reduction of 1.252% or a reduction of 18.86% on a year-to-year basis. Consequently, in 2001-2002, Tamil Nadu suffered a loss of Rs. 781 crores. In addition, the actual receipts of the Share of Central taxes in that year were lower by Rs. 512 crores than even the promised reduced share. Totally, the reduction was Rs. 1293 crores. No State can withstand this kind of fiscal shock. We have tried to overcome this major setback.

18. We have furnished a detailed Memorandum, forecasts and other information sought by the Twelfth Finance Commission. We have spelt out the principles that should govern Union resource transfers to States during the period 2005-2010.

19. The meeting between the Government headed by the Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa and the Chairman of the Twelfth Finance Commission, the eminent economist, Dr. C. Rangarajan and other Members, took place on 2nd February, 2004, at Chennai. The Hon'ble Chief Minister called for a complete restructuring of the principles governing resource sharing between the Union and the States. I take this opportunity

to highlight the salient features of the submissions made by this Government to the Twelfth Finance Commission.

- Vertical Sharing of Union Taxes: This Government has sought an enhancement in the shareable pool of Central taxes made available to the States from the present level of 29.5% to 50%.

- Sharing of the pool of Central taxes amongst States: The Twelfth Finance Commission has been requested to ensure that distribution of Union taxes among States is done based on the following criteria.

  - 40% for population as per 1971 census.

  - 40% for Tax effort (Taxation as percent of GSDP).

  - 10% based on per capita State Domestic Product on a distance basis computed using the 1971 population.

  - 10% based on the State's contribution to Central taxes.

- The Twelfth Finance Commission has been requested to evolve a comprehensive debt reduction package to provide substantial relief to the State both in loan repayments and in the interest burden.

- A substantial enhancement in the quantum of the Calamity Relief Fund has been requested to enable the State Government to take effective action and provide relief and succour to the people during times of natural calamities.

- Support to the extent of Rs. 4881 crores has been sought for improving and upgrading the quality of services rendered by local bodies.

- The Twelfth Finance Commission has been requested to provide grants amounting to Rs. 1856.80 crores for upgrading critical sectors such as district administration, police, fire and rescue services, prisons and e-governance initiatives among others.

- The Commission was apprised of the special problems confronting Tamil Nadu. A grant assistance of Rs. 6167.69 crores has been sought to enable the State Government to tackle special problems including restoration of water bodies such as tanks, ponds, ooranies, solving Chennai's chronic water scarcity by setting up desalination plants, comprehensive slum resettlement etc.

20. This Government hopes that the Twelfth Finance Commission will chart a new course in federal fiscal relations and that its recommendations will be in tune with the needs and aspirations of the people of Tamil Nadu.

Drought Relief Measures

21. Notwithstanding the fiscal constraints, this Government headed by the Hon'ble Chief Minister responded to the three years of extremely adverse seasonal conditions leading to the unprecedented drought of 2002-2003 by launching relief measures on a scale never seen before.

22. As soon as this Government assumed office, the Hon'ble Chief Minister announced a scheme of waiver of interest and penal interest dues of farmers amounting to Rs. 310.50 crores. This Government sanctioned income support to 47.83 lakh farmers to the tune of Rs.324.32 crores. This was to enable them to take up planting of the next crop. A scheme of waiver of interest dues of small and marginal farmers on loans obtained

from the co-operative banks was implemented at a cost of Rs. 20 crores. A further amount of Rs. 41.05 crores is being provided to meet the requirement.

23. We have ensured food and employment security for the needy households in the rural areas by taking up a massive Food for Work Programme with an outlay of Rs. 341.92 crores. A special programme to ensure food security was implemented where every needy rural household was given 30 Kg rice free of cost every month from February to August 2003. This benefited 9.71 lakh families and was implemented at a cost of Rs. 115.94 crores. During 2002-2003, this Government released Rs. 163.11 crores for taking up water supply works in the drought affected districts. An amount of Rs. 84.48 crores has been sanctioned in 2003-2004 to ensure provision of drinking water in the affected districts including Chennai.

24. The Monsoon in 2003 has been better than the previous year but again, not quite satisfactory. Some districts have again been affected and a detailed assessment has been made. This Government has given a detailed Memorandum to the Government of India. It includes a request for an urgent sanction of Rs. 1584 crores from the National Calamity Contingency Fund and also 10.8 lakh MT of rice for the Food for Work Programme. We have sanctioned Rs. 50 crores to provide drinking water supply in various districts to mitigate the problem of water scarcity that may arise in the summer. A Central team has been constituted and this team will visit the State shortly. Based on their detailed assessment, further relief measures will be sanctioned.

25. Chennai City has been in the grip of chronic water scarcity. This year the position is even more serious. The storage levels in the City's reservoirs are the lowest in the last

55 years for which recorded data is available. We have launched a massive programme to ameliorate Chennai's immediate water scarcity problems. Supply of water is being made by tapping water from acquifers in Araniar-Koratalliyar and hiring private agricultural wells in Poondhamalli, Mamandur and Palur. Nearly 8500 lorry loads of water are being supplied to meet the City's needs everyday. Expenditure of Rs. 80 lakhs is being incurred daily to meet the water supply needs of Chennai city. A sanction of Rs. 700 crores from the National Calamity Contingency Fund has been sought to help tide over the immediate water crisis. An immediate release of Rs.50 crores has been made from this Fund pending assessment by the Central team.

26. The Chennai Water Supply Augmentation Project-I (New Veeranam Project) being implemented at a cost of about Rs. 720 crores is making rapid headway and will be completed by May 2004. We believe that a long-term durable solution to recurrent water shortages in Chennai lies in setting up desalination plants. An initial provision of Rs. 10 crores has been made in the Budget Estimates for this purpose. We welcome the recent announcement in the Union Budget to implement a comprehensive drinking water supply scheme for megacities including Chennai. We shall utilize this to find comprehensive long-term solutions to Chennai's chronic water scarcity problem.

27. I would like to assure this House that this Government will spare no effort in tackling the situation posed by the failure of the North East Monsoon. A provision of Rs. 200.98 crores has been made in the Budget to enable the State Government to continue with various relief measures in the next financial year.

Police

28. Professional crime prevention, effective law enforcement, prison reforms, proper prisoner rehabilitation and a speedy judicial process are critical inputs in the perfect maintenance of law and order. This Government has comprehensively tackled all these issues.

29. The provision for the Police Department for 2004-2005 is being enhanced to Rs. 1327.15 crores as against Rs. 1262.60 crores provided in the Revised Estimates. It includes a provision of Rs. 112 crores for Modernization of the Police Force. A provision of Rs. 20 crores has also been made for the construction of a new office complex for the Director General of Police at an estimated cost of Rs.30 crores.

Prisons

30. A provision of Rs. 117.05 crores has been made for the Prisons Department in 2004-2005 as against Rs. 76.80 crores provided in the Revised Estimates.

31. The construction of a new prison complex at Puzhal at a cost of Rs. 77.09 crores is making rapid progress. A provision of Rs. 47.09 crores has been made for this purpose. The scheme for Modernization of Prison Administration would be continued in 2004-2005 and a provision of Rs. 11.19 crores has been made for this purpose.

Judiciary

32. There has been a substantial step-up in the outlay for Administration of Justice during the tenure of this Government. From Rs. 140.99 crores provided in 2001-2002, the

provisions have been increased to Rs. 171.89 crores in 2004-2005.

33. We have made available, resources for computerization of the High Court and provision of basic infrastructure in other Courts. This Government has implemented the revision in the scales of pay of the subordinate judiciary in Tamil Nadu based on the directives of the Supreme Court. The High Court Bench at Madurai will be inaugurated on 13th April, 2004.

Towards a Resurgent Primary Sector

Agriculture

34. This Government is implementing a bold multi-pronged development strategy that aims at infusing a new growth momentum to the primary sector. This strategy comprises:

- Crop Diversification.
- Comprehensive Wasteland Development.
- Encouraging water-use efficiency.
- Precision Farming.
- Adoption of new technologies.
- Information Technology for quick knowledge dissemination.
- Free markets for best prices.
- Attention to rural non-farm sector.
- Revitalizing the co-operative credit structure.

35. This Government is making a major effort in encouraging farmers to shift from environmentally unsustainable water-intensive cultivation to high value/ low-water consuming

crops. Horticulture and floriculture are being popularized in a big way. Emphasis is being given to cultivation of hybrid vegetables, biofuel trees and medicinal plants. Model Horticultural Villages will be established in the next financial year to provide on-field training to farmers in the adoption of precision farming and latest agronomic practices.

36. This Government is setting up Agri-Export Zones (AEZ) across the State. An AEZ for cut flowers is being established at Hosur at a cost of Rs. 25 crores. Another AEZ for flowers is coming up at The Nilgiris at a total cost of Rs.16 crores. A Mango AEZ is being set up at Theni covering six Southern districts at a cost of Rs. 25 crores. A Food Park will be established in Nilakkotai, Dindigul district, at a cost of Rs.13 crores. A turmeric marketing complex will be set up at a total outlay of Rs. 36.32 crores near Erode. The total provision for agriculture in the Budget Estimates 2004-2005 has been fixed at Rs. 882.41 crores as against a Revised Estimate of Rs. 707.95 crores in 2003-2004.

37. The Comprehensive Wasteland Development Programme is progressing well. In the coming agricultural season, it is proposed to take up 1.50 lakh acres of new planting with tree crops and fodder. The outlay for this programme is Rs. 34 crores in 2004-2005.

38. This Government will implement an efficient water-use strategy, including the use of drip and sprinkler irrigation, with an outlay of Rs.57 crores in 2004-2005 with funding support from NABARD. In addition, a pilot programme will be implemented covering farm pumpset owners with a focus on crop diversification, installation of drip and sprinkler systems, energy efficient pumpsets, and precision farming. This will

ensure better incomes for pumpset owning farmers. This will be implemented in 2004-2005 with an outlay of Rs. 50 crores.

39. This Government will ensure that 45,000 farm pumpsets will be provided with electricity connections in 2004-2005. This will include a special quota of 15,000 connections for farmers in the districts of the Cauvery delta region with a special emphasis on the tail-end districts of Nagapattinam, Tiruvarur, Cuddalore and Thanjavur. This programme will provide a fresh impetus for new irrigation and also in tiding over the problems posed by not getting our legitimate share of water in the Cauvery.

Animal Husbandry

40. Livestock development is critical for increasing supplementary income for rural households. Nearly 9,432 animal health camps have been organized in the last two years under the Special Livestock Protection Programme. Tamil Nadu has been ranked first in India during the last two years for carrying out a record 64.62 lakh artificial inseminations for improving the genetic potential of cattle and buffalo in the State.

41. The DANIDA-funded Livestock Development Project on training link worker couples is being extended to cover 6 more districts from the present 17 with an outlay of Rs.1.41 crores. Members of the House will welcome the scheme to upgrade 75 Veterinary Sub-Centres into Veterinary Dispensaries at a total cost of Rs.3.87 crores. The emphasis on homestead farming will be continued in the next financial year.

Fisheries Development and Welfare of the Fishing Community

42. This Government proposes to set up a fishing harbour at Thengaipattinam in Kanyakumari district at a cost of Rs. 40 crores. A diversified programme for encouraging marine-culture covering farming of oysters, lobsters and crabs will be taken up at the Pulicat Lake to improve the livelihood of fishermen living in that area. A provision of Rs. 29 crores has been made for the relief scheme to support marine fishermen during lean seasons. Construction of 4,000 houses for fishermen will be taken up in 2004-2005. A provision of Rs. 15.65 crores has been made in the Budget Estimates for this scheme.

Irrigation

43. Tamil Nadu has completely exhausted its entire surface water potential and even the limited ground water is depleting fast. Hon'ble Members are well aware of the obstinate stand adopted by Karnataka in not releasing Tamil Nadu's legitimate share of water from the river Cauvery. We will not relent in our efforts to obtain our legitimate share of the Cauvery water. Nationalization of all water resources and implementation of the programme for interlinking rivers seem to be the only viable long-term solution. The Hon'ble Chief Minister has requested Mr. Suresh Prabhu, the Chairman of the Task Force on Interlinking of Rivers, to expedite preparation of the project for interlinking Mahanadhi, Godavari, Krishna, Cauvery, Vaigai and Gundar under the Peninsular Grid scheme. He has also been requested to finalise other smaller links which can provide some immediate solutions. This Government will insist that this project should be implemented in the Tenth Plan.

44. In order to encourage the participation of farmers in irrigation management and efficient water-use, elections to 1566 Water Users Associations have just been completed. It reflects our continued commitment to empower farmers and enable them to participate in the operation and maintenance of irrigation systems across the State. We hope to obtain the clearance of the World Bank for a new river basin-based comprehensive water resources management project in the coming year at a total cost of Rs.2900 crores.

45. This Government will undertake a massive scheme for desilting and upgrading of tanks with an ayacut of more than 100 acres in 2004-2005 with an outlay of Rs.100 crores as a part of the Food for Work Programme. The total outlay for Irrigation in 2004-2005 is Rs. 967.45 crores as against Rs. 912.45 crores in the Revised Estimates.

Environment and Forests

46. Hon'ble Members are aware that the externally aided Tamil Nadu Afforestation Project is coming to a close in the current financial year. This programme has been an enormous success in joint forest management. The Phase-II of this project titled 'Tamil Nadu Natural Resources Management Project' has been formulated with an outlay of Rs. 779.33 crores for implementation over five years and posed to Japan Bank for International Co-operation for funding. Pending its approval, a provision of Rs. 65.63 crores has been made in the Budget Estimates. This Government has sanctioned a massive scheme for planting teak in the river padugais (beds) over a period of five year with a total outlay of Rs. 21.40 crores.

Namadhu Gramam

47. I take the privilege of announcing the launch of a new programme, Namadhu Gramam, named and conceived by the Hon'ble Chief Minister, with the objective of ensuring all round development of our villages across Tamil Nadu. This bold initiative will be implemented with an outlay of Rs. 200 crores. An initial provision of Rs.52.21 crores has been made in the Budget Estimates for this purpose. We shall obtain the support of NABARD for funding this programme.

48. Namadhu Gramam embodies the principles of democratic decentralization and participatory approach to foster comprehensive development of every village in Tamil Nadu. Under this programme, the Gram Sabha will meet to draw up an action plan to ensure specific improvements in areas such as drinking water, sanitation, drainage, health, women's empowerment, nutrition, cleanliness and hygiene, elementary education, environmental improvement, management of water resources, village roads and street lights. The Gram Sabha will be assisted by officials from every Department to render all necessary assistance. Specific monitorable indicators will be spelt out to enable the Gram Sabha to monitor the performance of its action plan. This includes attention to drop-out rates in local schools, village cleanliness and general health and hygiene. The purpose of this programme is to enable the Gram Sabha to focus on issues, which confer real benefits on the people and improve their quality of life and the living environment.

Empowerment and Poverty Reduction

49. The Hon'ble Chief Minister has decided to launch another bold initiative with a focus on accelerated poverty reduction in the rural areas of the State. Under this new

programme, in the first phase, twenty-five of the poorest of the poor households in each village will be identified through the Gram Sabha based on specific criteria. We will seek to address the basic lifetime concerns of these beneficiaries, which includes, concern for livelihood security, nutrition security, shelter security and health security. These beneficiaries will be trained in new and supplementary avocations for improving their household incomes. Access of the beneficiaries to the public distribution system, rural housing programmes and quality health facilities will empower them to satisfactorily address their basic lifetime concerns. This revolutionary empowerment scheme will be implemented in 2004-2005 with an initial outlay of Rs.6.50 crores under Social Welfare and Rs.5 crores in Rural Development totalling Rs.11.50 crores. This programme will be further expanded into the Tamil Nadu Empowerment and Poverty Reduction Project (TNERP) to be taken up with assistance from the World Bank in 2004-2005. This project will be implemented over a period of 6 years with an outlay of Rs.650 crores.

Comprehensive Rural Infrastructure Development

50. The Government has launched a comprehensive rural infrastructure development plan to not only improve living standards in the rural areas but also to provide adequate rural employment. It lays an unprecedented emphasis on providing housing, total rural connectivity, drinking water security, total sanitation and uninterrupted electricity supply for people living in the rural areas. The total provision for rural development in 2004-2005 has been stepped up to Rs. 1952.61 crores as against Rs. 1898.76 crores in the Revised Estimates.

Housing for the Rural Poor

51. Housing for the poor will continue to receive high attention from the Government. Since May 2001, 1.04 lakh new houses have been constructed at a cost of Rs. 379.11 crores. Another 50,678 kutcha houses have been upgraded at a cost of Rs. 52.05 crores. A provision of Rs. 79.66 crores is being made under schemes for construction of new houses and upgradation of kutcha houses for rural families living below the poverty line in 2004-2005. A total of 36,426 new houses will be taken up for construction and 18,691 kutcha houses will be upgraded in 2004-2005. We shall also work out a new programme of rural housing with financing from commercial banks so that rapid progress can be made in this sector.

Development of Rural Roads

52. This Government has laid an unprecedented emphasis on upgrading rural roads. A massive programme to improve rural roads in the State has been launched. It consists of the following main components:

- The Highways Department maintains a total of 41,125-Kms of Other District Roads, out of which a length of 4273-Kms has been upgraded in 2003-2004. A special programme for relaying 6492-Kms of Other District Roads covering in particular, all bus routes, has been sanctioned at a total cost of Rs.336.05 crores. The work on this programme has already commenced. Hon'ble Members of the House will see visible results before April, 2004.

- I am happy to announce that construction of 150 new small bridges in Other Districts Roads will be taken up at a total cost of Rs. 15 crores.

- Another major programme for upgrading, relaying and special repairs of 5850-Kms of Panchayat and Panchayat Union roads has been taken up at a cost of Rs. 300 crores. Under this programme, priority will be given to Panchayat Union roads taken up earlier by the Highways Department and not maintained thereafter, Panchayat Union roads where buses ply and other Panchayat and Panchayat Union roads, which were black-topped earlier, but have fallen into disrepair.

- Under the Prime Minister's Gram Sadak Yojana (PMGSY), 1216.57-Kms of village roads have been taken up at a cost of Rs. 164 crores. Thus, a comprehensive programme of providing good all-weather roads in rural areas has been taken up.

Drinking Water Supply and Sanitation in Rural Areas

53. This Government has provided protected water supply to 13,365 rural habitations during 2001-2004. A total of 14,449 hand pumps have been converted into mini-power pumps. Water supply facilities have also been provided to 14,550 Government schools and 1226 Primary Health Centres in rural areas. The Sector Reforms Project for provision of water supply is being successfully implemented in 6 districts. About 9900 water supply schemes have been taken up under this programme at a cost of Rs. 223.16 crores out of which 8877 schemes have already been completed.

54. This Government will take up schemes to ensure provision of drinking water supply to 6500 rural habitations in

2004-2005 at an estimated total outlay of Rs. 600 crores. The Government is also ensuring comprehensive coverage under the Total Sanitation Campaign in 28 districts at a project cost of Rs. 327.32 crores. We are in discussions with the World Bank to implement a comprehensive rural water supply and sanitation sector project over a period of six years at an estimated cost of Rs.3,500 crores. We propose to take up this project in 2004-2005 for implementation.

Rural Employment

55. The self-help group movement launched by the Hon'ble Chief Minister in 1992 has evolved into a major rural empowerment and self-employment programme. A total of 1.52 lakh self-help groups have been formed covering about 25 lakh beneficiaries with savings estimated at Rs. 393.64 crores. The credit linkages of the self help groups exceed Rs. 564 crores. In 2004-2005, we shall focus on credit linkages under various programmes such as SGSY, TAHDCO-based schemes, NABARD-supported schemes etc.

56. This Government is providing wage employment, food security and creation of durable assets in the rural areas under the Sampoorna Grameen Rozgar Yojana (SGRY) with the assistance of the Union Government. An estimated 10.75 crore mandays of work has been generated under this programme during 2003-2004. A total of 7.08 lakh MT of rice is being utilized under this scheme. The total outlay on this programme in 2003-2004 is Rs. 392.13 crores towards wage and material components. This programme will be further stepped up in 2004-2005 with a focus on maintenance of water bodies.

57. Another revolutionary initiative of this Government is the New Anna Marumalarchi Thittam. This

scheme aims at giving a fresh impetus to the rural non-farm sector. A total of 695 projects covering 369 blocks have been cleared for implementation. As many as 73 units have already commenced production. The outlay under the Scheme is being enhanced to Rs. 20 crores in 2004-2005.

Rural Electrification

58. The Tamil Nadu Electricity Board (TNEB) is implementing schemes for upgrading the quality of rural electricity supply with an outlay of Rs. 150 crores in the current year. This will be stepped up to Rs. 192.58 crores in 2004-2005. The TNEB will install 12 new sub-stations, enhance transformer capacity in 22 stations and erect 2172 new distribution transformers to improve the quality of energy supply in rural areas.

MLA's Constituency Development Scheme

59. A sum of Rs. 82 lakhs is allocated to every Member of the Legislative Assembly under the MLAs' Constituency Development Scheme. This programme is being implemented with an annual outlay of Rs. 192.70 crores. In view of the completion of certain on-going programmes, a revised pattern, given below, will be adopted from 2004-2005 for distribution and utilization of the funds under this programme.

	(Rs. in lakhs)
Drinking water supply Works	15.00
Namadhu Gramam Thittam	15.00
Construction of BC/MBC Hostels	5.00
Construction of SC/ST Hostels	5.00
Village Panchayat Roads including cement roads and street lights.	10.00
Untied outlay	32.00
Total	**82.00**

Detailed guidelines on the revised pattern will be issued separately.

Towards a Vibrant Secondary Sector

60. The Hon'ble Chief Minister has outlined a New Industrial Policy, 2003, for Tamil Nadu. This policy sets out the roadmap for improving the investment climate of the State with particular reference to the manufacturing sector. The key reforms being undertaken are:

- Provision of quality infrastructure.
- Quality energy supply.
- Simplification of procedures and deregulation.
- Reforms in State level taxation.
- Labour reforms.
- Technological modernization and upgradation.

Infrastructure Development

61. Infrastructure development requires restructuring of public finances so that the capital outlay can be enhanced. We have also to encourage public-private partnerships. Presence of a large deficit in the revenue account of the State Budget does not allow adequate capital expenditure on roads, urban infrastructure, water supply, sewerage, drainage etc. A determined effort has been made to correct this situation through fiscal reforms and this will ensure greater public investment flows for creation of world-class infrastructure. Detailed consultation, including cross-country expertise, is being taken up to evolve a suitable public-private partnership policy on infrastructure development.

Highways Development

62. Development of highways is now being taken up in a planned manner. The Union Government is upgrading the National Highways in Tamil Nadu. Under a special programme launched by the Hon'ble Prime Minister, the Golden Quadrilateral project connecting the four metropolitan cities including Chennai is making rapid progress. In Tamil Nadu, 341-Kms of National Highways are being covered under this programme. Recently, the Hon'ble Prime Minister and the Hon'ble Chief Minister inaugurated the work on the North-South corridor connecting Kanyakumari with Kashmir. Under this project, 851-Kms of National Highways are being developed in Tamil Nadu. In addition, 507-Kms of National Highways covering other areas in the State are also being upgraded.

63. The Tamil Nadu Road Sector Project has been launched with an outlay of Rs. 2160 crores. This will enable the construction of 393-Kms of State Highways between Arcot and Tiruvarur and 330-Kms linking Nagapattinam to Tuticorin. Nearly 2000-Kms of State Highways and Major District Roads will also be upgraded. An amount of Rs.500 crores is being provided in 2004-2005 for the Tamil Nadu Road Sector Project.

64. Proper maintenance of existing assets is equally important. This has been neglected in the late 1990s. In the Revised Estimates, provision for maintenance of roads has been increased to Rs. 314 crores from Rs. 248.56 crores in the Budget Estimates of 2003-2004. The provision for maintenance of roads in the State has been further enhanced to Rs. 413 crores in the Budget Estimates 2004-2005. Hon'ble Members of the House will welcome this specific intervention being made by the Government to ensure proper maintenance of roads.

65. Tamil Nadu has a total of 14,576-Kms of State Highways and Major District Roads. Nearly 723-Kms from this total is being covered under the Tamil Nadu Road Sector Project. A new project to upgrade a part of the balance length of State Highways and Major District Roads will be drawn up and posed to the Asian Development Bank/ World Bank for assistance. We will also take up a new programme to improve the high traffic density corridors of State Highways and Major District Roads on a public-private partnership model. Pending formulation of these new projects, this Government has launched a special programme to relay and upgrade 2149-Kms of State Highways, Major District Roads and Sugarcane roads at a total cost of Rs. 221.32 crores.

Water Supply and Sanitation

66. This Government has launched the following major Combined Water Supply Schemes since it assumed office.

- Combined Water Supply Scheme for 674 rural habitations in Tiruchirapalli District at a cost of Rs.69.20 crores.

- Combined Water Supply Scheme for Thiruvarur, Thiruthuraipoondi Municipalities, 3 Town Panchayats and 642 rural habitations in Nagapattinam, Thanjavur and Thiruvarur Districts at a cost of Rs.133.05 crores.

- Combined Water Supply Scheme for Usilampatti Municipality, 4 Town Panchayats and 406 rural habitations in Madurai and Theni Districts at a cost of Rs.74 crores.

- Combined Water Supply Scheme for Dindigul Municipality, 7 Town Panchayats and 816 rural habitations of Dindigul and Karur Districts at a cost of Rs.85.04 crores.

- Combined Water Supply Scheme for Sankarankoil and Sivakasi Municipalities, 2 Town Panchayats and 401 rural habitations in Tirunelveli and Virudhunagar Districts at a cost of Rs.78.70 crores.

- Combined Water Supply Scheme for Nagapattinam Municipality, 2 Town Panchayats and 890 rural habitations in Nagapattinam District at a cost of Rs.98.85 crores.

- Combined Water Supply Scheme for 6 Town Panchayats and 1399 rural habitations in Namakkal District at a cost of Rs.126.85 crores.

67. We will take up 50 water supply improvement schemes covering 8 Municipalities and 42 Town Panchayats in 2004-2005 at an outlay of Rs.200 crores. These measures will go a long way in providing safe and potable drinking water to an estimated 14-lakh people. This Government is taking appropriate action to take up the Avinashi-Athikadavu Drinking Water Project. Comprehensive sewerage schemes for 3 municipal corporations and 4 municipalities are under implementation at a cost of Rs. 575.30 crores. The Government proposes to take up a massive project for providing sewerage facilities to all remaining district headquarters at a total cost of Rs. 844 crores.

Power Sector

68. The focused attention by the Hon'ble Chief Minister towards adding new generating capacity and improving distribution efficiency in the power sector has ensured supply of quality electrical energy without any load shedding. The Tamil

Nadu Electricity Board (TNEB) has ensured an improvement in the quality of energy supply by changing over to the availability-based tariff system and as a result, the frequency of the supply has been stepped-up from 48 hertz to the stipulated 50 hertz.

69. The Hon'ble Chief Minister has taken several initiatives to ensure that Tamil Nadu consolidates its electricity generating capacity. A Memorandum of Understanding (MoU) has been signed between the National Thermal Power Corporation (NTPC) and the Tamil Nadu Electricity Board (TNEB) to set up a 1000-MW plant at North Chennai. Likewise, progress is being made in establishing a 1000-MW Thermal Power Plant in Tuticorin based on an MoU between the Tamil Nadu Electricity Board and the Neyveli Lignite Corporation. Work on setting up the 2000-MW Atomic Energy Power Plant at Koodangulam is progressing well. A prototype fast breeder reactor with a capacity of 500-MW is being established at Kalpakkam. The Tamil Nadu Electricity Board will be investing Rs. 1305.46 crores on transmission and distribution in 2004-2005 to ensure improved quality and reliability in energy supply.

70. The Union Government has enacted the Electricity Act, 2003. A roadmap for the future has to be drawn up. We will undertake due consultation and discussions on how to proceed further in the matter. A policy framework for encouraging private investment in the power sector will also be drawn up.

Ports

71. This Government plans to take up the development of Cuddalore Port on a Build-own-operate-share-transfer (BOOST) basis at a project cost of Rs.250 crores. A new jetty has been constructed at the Nagapattinam Port at a

cost of Rs. 56 crores. This is now enabling the movement of 5 lakh MT of oil. We are examining in detail the project concept of the Colachel Port so that its development can also be taken up. The Hon'ble Chief Minister had requested the Hon'ble Prime Minister on 2nd February, 2004, to implement the Sethu Samudram Project at the earliest. I am happy to inform you that the Hon'ble Prime Minister has agreed to take it up for implementation as part of the Sagar Mala Project.

Simplification of Procedures and Deregulation

72. This Government has outlined a simplified system for obtaining clearance for industries with an investment above Rs. 25 crores. Under this system, a common application form integrating 10 different forms has been introduced. The processing of the applications for new investments is being done at a single point, namely, the Guidance Bureau. The investor is not required to go to multiple agencies for obtaining clearances. The processing of the application is being done in parallel by different agencies so that the total time taken is reduced. We propose to introduce a similar system on a pilot basis to cover investments in small-scale units in two districts. This will be subsequently scaled up to cover all districts in Tamil Nadu.

73. At present, industries in Tamil Nadu are saddled with registers and forms totalling 53. This is an irksome burden involving loss of considerable managerial time and energy. The process of rationalizing these registers and forms has been taken up. The total number of forms and registers will be brought down to the minimum absolutely required. They will also be simplified so that they become user-friendly.

Tax Reforms

74. This Government had constituted the Tax Reforms and Revenue Augmentation Commission under the eminent economist, Dr. Raja J. Chelliah. In the Budget for 2003-2004, based on the recommendations of the Commission on the structure of Electricity Duty and Tax on Consumption of Electricity a new legislation was enacted. Though the Commission recommended against granting of exemptions from the levy of this tax to any category of consumers, this Government with the intent of protecting small consumers granted exemption to farm pumpsets, hut services and domestic consumers.

75. The Hon'ble Chief Minister has taken a bold decision to rationalize and reduce the stamp duty and transfer duty on conveyance of property based on the recommendations of the Commission. Thus, the rate for stamp duty and transfer duty totalling 13% for urban areas has been reduced to 8%. The total rate for other areas, which was 12% has also been brought down to 8% with effect from 21.11.2003. This reduction and simplification of rates is aimed at ensuring better compliance and transparency in the process of registration. Despite this substantial reduction in the rates, the revenues to Government have actually increased since its implementation.

76. We are aware that some modifications and rationalization of the Sales Tax structure will have to be undertaken. The Tax Reforms and Revenue Augmentation Commission has made certain recommendations including those on Value Added Tax. We have already taken the necessary initial steps. We shall take further preparatory measures to keep in readiness when a national consensus emerges. Based on the discussions at the national level on the roadmap for the future, a

final view on this subject will be taken. Our whole approach will be to make taxation simple and transparent in Tamil Nadu.

Labour Reforms

77. This Government is taking steps to review labour laws, regulations and rules applicable to Tamil Nadu based on the Second Labour Commission Report. A detailed roadmap of labour reforms will be drawn up after due consultation. We will seek to enhance employment potential in the State, while protecting the genuine interests of labour.

Technological Modernization and Upgradation

78. Tamil Nadu has emerged as the hub for manufacturing in India. The quantum of investments committed in the manufacturing sector is the highest in the case of Tamil Nadu. This highlights the State's pre-eminence in this sector and also the need for consolidating this comparative advantage. Individual manufacturing units in Tamil Nadu have to become efficient for being able to compete in the global market place. This requires technological upgradation and modernization. As indicated in the New Industrial Policy, 2003, new working groups will be constituted to facilitate technological modernization and upgradation in consultation with industry associations.

Development of the Small and Medium Industrial Sector

79. The policy of according preferential treatment to small-scale industries in Tamil Nadu in Government procurement has helped several units to revive. A new policy for Small Scale Industries is being evolved and will be announced shortly. A Technology Development Centre for small and medium

enterprises will be opened in collaboration with the Confederation of Indian Industry (CII) in 2004-2005. The Budget Estimates 2004-2005 include a provision of Rs. 75 lakhs to establish this Centre on a public-private partnership model. This project will encourage private entrepreneurial investments across the State, thus, creating new jobs and opportunities for the people.

80. Hon'ble Members of the House will be glad to know that an Industrial Infrastructure Upgradation Scheme is being launched to cover clusters where industries are concentrated. This will provide essential infrastructure and market links. This programme will cover a garment and knitwear cluster, motor pump and foundry cluster, leather products cluster, automobile component cluster, Mango pulp and coir cluster and food grain cluster in Tamil Nadu. The scheme to support SSI units in obtaining ISO certification and undertaking research and development has been very well received. We have already launched a scheme to support technology upgradation and modernization of small-scale industries and this will be continued in 2004-2005.

Chennai Metropolitan Development Plan

81. The Hon’ble Chief Minister's vision is to re-establish the pre-eminence of the Chennai Metropolitan Area in all spheres. The beautification of the Marina Beach has been widely welcomed. Provision of quality infrastructure and healthy living environment in Chennai is the highest priority for this Government. As soon as the on-going sewerage project is completed, the remaining roads will be re-laid and brought to standard in phases. A Comprehensive Traffic Management Plan for Chennai is being drawn up. Meanwhile, investments in improving the road network for cutting down travel time are underway. These initiatives form an integral part of the Chennai

Metropolitan Development Plan, which is being implemented over 10 years at an outlay of Rs. 18,000 crores. I am happy to inform you that investments will exceed the original outlay of Rs. 1780.95 crores set out for 2003-2004 under the Chennai Metropolitan Development Plan. We are targetting an enhanced investment outlay of Rs. 2010 crores in 2004-2005 for Chennai in sectors such as power supply and distribution, traffic and transportation, drainage, water supply and sewerage, housing, slum resettlement and solid waste management.

Welfare of Weavers

82. The welfare of weavers has received the highest attention from the Government. The scheme for providing free uniforms to school children has been restructured to ensure that the cloth is purchased from handloom weavers. Similarly, the free sarees and dhoties, which are being distributed among old age pensioners are also being procured from handloom weavers. This has enabled the provision of continuous employment to handloom weavers in the State. The scheme for free distribution of high quality polycot sarees and dhoties among 1.11 crore women and 1.11 crore men has been widely welcomed. This scheme not only provides continuous employment to the handloom and powerloom weavers but clothing security as well to 2.22 crore people in Tamil Nadu. The Budget includes a provision of Rs.173 crores for continuing this scheme in 2004-2005.

83. Members of this House will be pleased to know that in the Chennimalai area of Erode district, a housing scheme with work-sheds to benefit 1010 weavers has just been constructed at a cost of Rs.6.87 crores. This is one of the biggest housing colonies in India. The emphasis on construction of house-cum-work-sheds for weavers will be continued in the next financial year.

84. This Government proposes to restructure Co-optex at a cost of Rs. 73 crores with funding support from the Government of India. Four shuttleless Weaving Parks at Palladam, Tiruchengode, Erode and Andipatti are also being established. The outlay on Handlooms and Textiles in Budget Estimates 2004-2005 has been stepped-up to Rs. 304.51crores.

Information Technology

85. The Hon'ble Chief Minister's visionary "IT Policy 2002" has enabled Tamil Nadu to reach new heights in the Information Technology sector. The share of Information Technology/ Information Technology Enabled Service exports from Tamil Nadu has shown remarkable growth from 11% in - 2000-2001 to 17% in 2002-2003. This Government will take further action to build on these strengths.

86. The Knowledge Industry Township (KIT) at Sholinganallur on the road to Mamallapuram will take shape in 2004-2005. The Hon'ble Chief Minister has initiated the IT Expressway project, which will link Madhya Kailash junction to Mamallapuram at a total cost of Rs. 127.41 crores. This will provide a world-class road to connect the IT enterprises located on the proposed Expressway. A larger area in this zone will be taken up for planned development and will be called the IT Bay area. Apart from Chennai, Coimbatore will also be developed for Information Technology/ Information Technology Enabled Service investments. In a major effort to consolidate Tamil Nadu's comparative advantage in Information Technology Enabled Services, an ITES module is being introduced in the higher secondary school computer science syllabus to prepare our youth for the employment potential in this sector.

Tourism Development

87. Thanks to the professional and visionary tourism development policy of the Hon'ble Chief Minister, Tamil Nadu has earned a place of pride as an enchanting tourism destination. This has given a major boost to the local service industry apart from generating new avenues of employment. The Budget outlay for Tourism development has seen an impressive step-up from Rs. 5 crores in 2000-2001 to Rs. 30.35 crores in 2004-2005. New infrastructure is being created through public and private sector participation. The hotel industry in Tamil Nadu is now growing fast with the reduction in luxury tax rates by this Government. The Tamil Nadu Tourism Development Corporation has been turned into a profit-making company.

e-Governance for Good Governance

88. Good governance entails efficient, transparent, participatory administration. This Government is adopting e-governance in a big way to improve administrative efficiency and service delivery. The State Secretariat has already been linked to district headquarters through video-conferencing. We are also linking prisons with Courts through video-conferencing.

89. Ten departments and agencies with extensive public interface will be taken up under the e-governance programme to improve service delivery. The Budget includes a provision of Rs.23 crores for e-governance initiatives in Commercial Taxes, Registration, Treasuries and Accounts, Transport and Survey and Settlement Departments. A provision of Rs. 8 crores for establishing the Tamil Nadu State Wide Area Network (TNSWAN) has been made in the Budget for 2004-2005 to enable easy inter office communication and data transfer.

Comprehensive Social Safety Net

90. In the early 1990s, when the stabilization of the economy and structural adjustment were initiated by the Union Government, it was our Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa, who propounded the concept of a comprehensive social safety net to protect the disadvantaged, the marginalized and the needy in the context of the structural adjustment process.

91. Fiscal reforms in Tamil Nadu have been put through without adverse effects on any section of the public. This has not been possible in any other State. This is a very significant achievement. The credit for this goes only to the Hon'ble Chief Minister who insisted that notwithstanding the nature and gravity of the fiscal crisis facing the Government, there would not be any compromise in providing a comprehensive social safety net for the poor. In fact real improvements to the safety net have been made during this process. The total outlay on the comprehensive social safety net in the Budget for 2004-2005 is Rs. 5329.28 crores.

Human Resource Development

Education for All

92. Tamil Nadu has attained the unique distinction of having a Primary School within a radius of 1-Km from every habitation in the State in 2003-2004. This Government will upgrade 364 Primary Schools into Middle Schools in 2004-2005. This will ensure that all villages in Tamil Nadu have easy and comfortable access to a Middle School. We will also upgrade 30 Middle and 30 High Schools into High and Higher Secondary Schools, respectively in 2004-2005.

93. This Government has provided Rs. 506.13 crores during 2002-2003 and 2003-2004 for upgrading infrastructure facilities in schools under the ‘Education for All' Scheme. 600 High and Higher Secondary Schools are being provided with English Language Teaching Laboratories. Computer Science will be extended as an optional elective subject in 400 more Government Higher Secondary Schools in 2004-2005. With this, 1597 Government Higher Secondary Schools will be covered. Computer Literacy Programme will be taken up in 500 High Schools in the next financial year at a cost of Rs. 5.30 crores. The total outlay for school education has been increased from Rs. 3937.29 crores in the Revised Estimates to Rs. 4202.77 crores in the Budget Estimates for 2004-2005.

94. Members of this House will be pleased to know that Tamil Nadu has obtained the approval for funding under the World Bank-assisted Technical Education Quality Improvement Programme. This programme will be taken up at an estimated outlay of Rs. 300 crores over 5 years. I am happy to inform you that Chennai will soon have a National Institute of Science on the lines of the Indian Institute of Science to foster excellence in basic sciences. This will be set up as a joint initiative of the University of Madras and Anna University. The total provision for Higher Education in 2004-2005 has been fixed at Rs. 649.81 crores as against Rs. 614.70 crores in the Revised Estimates.

Sports Development

95. I am happy to announce that a major step-up is being made in the Budget outlay for Youth Welfare and Sports from Rs. 27.27 crores in the Budget Estimates for 2003-2004 to Rs. 48.14 crores in the Budget Estimates of 2004-2005. The focus in the next financial year will be towards upgrading the sports infrastructure across the State, talent identification and

motivational training and hosting of sporting events in Tamil Nadu. A University of Physical Education and Sports will be set up in Tamil Nadu.

Tamil Development

96. Promotion of Tamil language, has received the highest attention of this Government. Scientific Tamil, the brainchild of our Hon'ble Chief Minister, has been introduced in all schools from LKG to standard XII from this academic year. We have also provided free textbooks to students on Scientific Tamil at a cost of Rs. 5.42 crores. The Tamil Virtual University will take up projects to develop a universal Tamil search engine, web content for commercial Tamil and virtual Tamil classrooms in 2004-2005.

Health and Family Welfare

97. Tamil Nadu has made remarkable strides in making available accessible and quality health facilities to the people. This is reflected in improvements in core health indicators. The Infant Mortality Rate (IMR), which was 51 per thousand live births in 2000, has come down to 44 per thousand live births in 2002. Similarly, the Crude Birth Rate (CBR), which was 19.3 per thousand population is down to 18.5 per thousand population in the same period.

98. Since this Government assumed office, 746 Health Sub-Centres have been provided with new buildings and 93 Primary Health Centres have been upgraded to 30-bed hospitals at a total cost of Rs. 86.25 crores. Seven Regional Diagnostic Centres with facilities such as MRI, CT Scan, ECG, EEG, ultrasound and X-Ray are being established at a cost of Rs. 21 crores. Special focus has been given towards reducing

casualties in road accidents and 73 Accident and Trauma Service Units have been established across the State.

99. A total of 571 Speciality Health Camps benefiting 11.38 lakh people have been organized to take quality medical services to the doorsteps of the people at a cost of Rs. 9.34 crores. The School Health Camp Programme has been implemented in 2003-2004 to cover 56.65 lakh students.

100. In a determined bid to reduce the Maternal Mortality Rate (MMR), which has remained at 1.3 per thousand live births, this Government proposes to operationalize 24-hour Comprehensive Emergency Obstetric Care, including caesarean services, in at least two health institutions in every district. To reduce the Infant Mortality Rate further, these institutions will also provide Comprehensive Emergency New Born Care round the clock.

101. We have made good progress in developing a Health Systems Development Project to be supported by the World Bank. This Rs. 500 crore project will be started in 2004-2005. The primary health care infrastructure in Tamil Nadu will be considerably strengthened once the externally aided Reproductive Child Health Project is taken up for implementation at a total outlay of Rs. 300 crores over 5 years.

102. We welcome the announcement by the Union Government to upgrade one medical college in Tamil Nadu to the level of the New Delhi based All India Institute of Medical Sciences under the Pradhan Mantri Swasthya Suraksha Yojana. The outlay under Health and Family Welfare has been increased from Rs. 1304.31 crores in the Revised Estimates of the current year to Rs. 1387.77 crores in the Budget Estimates.

Empowerment of Women

103. The personal example of the Hon'ble Chief Minister has been the inspiration for lakhs and lakhs of women in the State. Women's empowerment in Tamil Nadu is a reality thanks to the shining example of the Hon'ble Chief Minister. This new dynamism has spread to every nook and corner of the State. Women who were denied opportunities earlier are now marching ahead in every walk of life.

104. Tamil Nadu is one of the very few States in the country, which has taken steps to ensure 33% representation of women in all statutory and non-statutory Committees of the Government. Top posts such as Chairperson of the Tamil Nadu Public Service Commission and Chief Secretary of the Government of Tamil Nadu are held by women. The constitution of an All Women Commando Force and the raising of the First Women Police Battalion have further established that women can not only participate on an equal footing with men but also do better.

105. The Self-Help Group movement, which was launched by the Hon'ble Chief Minister in 1992, has grown rapidly and become a massive movement for empowerment of women. We have provided Rs. 20 crores for the Mahalir Thittam in the Budget Estimates 2004-2005. This will enable taking up training programmes, entrepreneurship development programme and the formation of new groups. We hope to form 25,000 new self-help groups in 2004-2005 covering an additional 5 lakh women.

Nutrition

106. The coverage and quality of food under the comprehensive supplementary nutrition programmes has been

considerably enhanced because of the concerted action of this Government. Totally 77 lakh children are benefited under this programme. This Government has taken special efforts to sanction pay arrears to noon-meal staff as assured by the Hon'ble Chief Minister. The total provision for the nutritious noon meal programme in 2004-2005 is Rs.685.41 crores.

Welfare of the Scheduled Castes and the Scheduled Tribes

107. This Government's strategy to empower people belonging to the Scheduled Caste and Scheduled Tribe Communities by enabling access to quality education, credit, training for self employment and houses has been very well received. The process of development planning for the advancement of members of the Scheduled Castes and Scheduled Tribe communities has been decentralized. Under the Poverty Alleviation Action Plan, nearly 1.43 lakh people have been given assistance to the tune of Rs. 65.99 crores. A new scheme to provide land to the landless has just been launched to benefit 7000 landless women members of these communities with a total outlay of Rs. 70 crores.

108. Members of the House may note that 100 new hostels at a cost of Rs.31.50 crores will be built in 2004-2005. The Budget includes a provision of Rs.8 crores for the scheme of providing free bicycles to Scheduled Caste and Scheduled Tribe, and Scheduled Caste Convert girls in Standard XI. The total outlay for the Welfare of Scheduled Castes and Scheduled Tribes goes up from Rs. 429.09 crores in the Revised Estimates of the current year to Rs. 448.91 crores in 2004-2005.

Welfare of Backward Classes, Most Backward Classes, Denotified Communities and Minorities

109. The outlay for the welfare of people belonging to these communities has been enhanced to Rs. 159.79 crores in 2004-2005. This Government will continue its efforts to facilitate socio-economic and educational empowerment of the people from these communities.

110. 100 new hostel buildings will be built at a cost of Rs.31.50 crores in 2004-2005. An amount of Rs. 4.25 crores is being earmarked to enable free education in professional courses to children belonging to these communities. The scheme for providing incentives to girls belonging to these communities will be continued with a provision of Rs. 6 crores. An amount of Rs. 2.25 crores is being earmarked to provide house sites and other infrastructure facilities to the members of these communities living below the poverty line.

FISCAL PROJECTIONS

111. The Revised Estimates for the year 2003-2004 have been placed before this August House. We have been able to keep the revenue deficit in the Revised Estimates of the current year at Rs.3699.51 crores as against Rs.3933.47 crores in the Budget Estimates 2003-2004. The overall deficit has also been reduced in the Revised Estimates of the current year to Rs.245.52 crores, from Rs.1295.15 crores in the Budget Estimates 2003-2004 . The total revenue receipts in Revised Estimates 2003-2004 is Rs.22,850.53 crores as against Rs.22,665.90 crores in the Budget Estimates 2003-2004. The overall revenue expenditure in the Revised Estimates 2003-2004 is Rs.26,550.04 crores as against Rs.26,599.37 crores in the Budget Estimates 2003-2004.

112. The revenue deficit in the Revised Estimates in the current year has been kept below the Budget Estimates. We can legitimately take pride in the fact that from the chaotic condition that we inherited when we assumed office, we have brought order to the situation today. The ways and means position of the Government has improved and bills presented are being honoured immediately. All these have taken extraordinary effort and Members of the House will appreciate the significant achievement of the Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa in restoring fiscal balance in Tamil Nadu.

113. The Budget Estimates for 2004-2005 are before this House. The total revenue expenditure of the Government in 2004-2005 is projected at Rs.28,128.73 crores as against the receipts of Rs.24,792.30 crores, leaving a deficit in the revenue account of Rs.3336.43 crores. The revenue deficit still constitutes 13.5% of the total revenue receipts. The overall deficit at the end of 2004-2005 is estimated at Rs.590.47 crores. The fiscal deficit of the Government for the year 2004-2005 is estimated to be Rs.6921.77 crores. The policy of fiscal consolidation will be continued in 2004-2005 by further enhancing revenues through better compliance and by controlling non-productive expenditure.

Land Revenue

114. The seasonal conditions have been adverse in three successive years leading to the drought in 2002-2003. While the overall Monsoon in 2003 has been better, the North East Monsoon has again failed in 2003. Ground water levels have also gone down. The Hon'ble Chief Minister has announced, on 10th February, 2004, that the land revenue payable by the farmers for Fasli 1413, that is, from July 2003 to June 2004, will be completely waived in all districts. In addition, the Local Cess and Local Cess Surcharge will also be waived. This has been

done to provide relief to all farmers. The loss of revenue on account of this support extended to farmers is estimated at Rs. 60 crores.

Agricultural Income Tax

115. Over the last few years, the plantation industry has been continuously incurring losses due to falling prices and increasing production costs. Consequently, the Agricultural Income Tax, which contributed Rs.39.40 crores to the State Exchequer in 1997-1998, dropped to Rs.1.6 crores in 2002-2003. In 2003-2004, the estimated tax yield is Rs.1.35 crores, while the expenditure on the tax collection machinery is Rs.1.6 crores. Thus, the collection costs now exceed the tax yield.

116. Taking into consideration the need to revive the plantation industry, giving the tea growers better prices and taking stock of the fact that collection costs now exceed the collections, the Government has decided to abolish the Agricultural Income Tax with effect from 1st April 2004.

Commercial Taxes

117. At present, if any Sales tax payment is in default, an interest on the tax amount due at 2% per month, that is, at an annual rate of 24% is being levied. This rate was fixed at a time when interest rates were very high. Since interest rates have come down, it is proposed to change the interest rate to a new pattern which shall be 1.5% per month on the tax amount due for the first 90 days and 2% per month thereafter. This will enable prompt payment. Necessary amendment will be made to the TNGST Act 1959 to give effect to this change.

118. Wet Dates are taxed at 12%. Generally food products are classified under the 4% rate schedule. Other items,

which are in the 4% slab are milk powder, sweets, confectionery, pickles, chocolates etc. It is therefore proposed to bring the sales tax rate on wet dates down to 4% as it is a food product.

119. The Sales Tax rate for computer peripherals and spares is 4% and the Central Sales Tax rate is also at 4%. As part of our plan to establish Tamil Nadu as a hardware base, the rate under CST will be reduced from 4% to 2%.

120. A problem has arisen because of the amendment to the Central Sales Tax Act in 2002, which has made filing of 'C' form mandatory. Under this, if sales are made to unregistered dealers, C.S.T. at 10% has to be compulsorily collected. This has caused problems to the hosiery industry in Tamil Nadu which despatches goods to small buyers up country. The Hon'ble Chief Minister has also addressed the Union Finance Minister to find a solution. As this requirement is now statutory, we have decided to introduce a scheme by which tax will be collected at 10% and 9% will be refunded on inter-state sales of hosiery products as a specific industrial incentive so that the effective rate will be 1%. This will be subject to the condition that there will be no branch or consignment transfer of Hosiery goods by the dealer in a year.

121. Life Saving drugs have already been exempted from tax. It is proposed to include Continuous Ambulatory Peritoneal Dialysis (CAPD) fluids used for treatment in renal failure cases in the list of life saving drugs and exempt it from tax. The following 10 drugs are used for the treatment of AIDS patients.

i. ZIDOVUDINE
ii. LAMIVUDINE
iii. STAVUDINE
iv. DIDANOSINE

v. NEVIRAPINE
vi. EFAVIRENZ
vii. NELFINAVIR
viii. INDINAVIR
ix. SEQUINAVIR
x. RETONAVIR

We will include these drugs in the list of life saving drugs and exempt them from Sales Tax.

122. Natural gas is produced in Tamil Nadu from gas wells by ONGC, which is a Government of India organisation and then sold to Gas Authority of India Limited (GAIL), which is also a Government of India organisation for marketing. As per the current practice, the gas will suffer tax at the first sale that is between the ONGC and GAIL at 8% and then between GAIL and TNEB at the second sale at 1%. The TNEB is, however, specifically entitled to pay tax at 4% on all its purchases. However, in the case of Natural Gas, this is not possible as TNEB pays tax only at the second point as gas has already suffered tax at the first point at 8%. It is therefore proposed to allow a reduced rate of tax of 4% on the sale made by ONGC to GAIL for supply to TNEB alone. Further, the resale tax payable by GAIL on the sales to TNEB will be exempted. This will be applicable to sales to TNEB only.

123. In order to provide an incentive to install pollution control equipment, it is proposed to rationalise the tax rate on equipment used for Pollution Control measures and bring them to a common rate of 4%. The list of such items obtained from the Pollution Control Board will be modified separately..

124. As an incentive to artisans producing handicrafts, it is proposed to reduce the rate of tax on handicraft articles from 4% to 2%.

125. As a gesture to artistes, I propose to fully exempt the tax on Indian Musical Instruments. The present rate of tax is 4%.

126. At present, poultry feed is exempted from tax. Limestone is mixed in a very small proportion in the manufacture of poultry feed. Limestone is charged at 12%. The tax on limestone used in the manufacture of poultry feed will be reduced from 12% to 4%.

127. Resale tax at 1% is being levied on sales of consumer goods effected by co-operatives. In order to benefit consumers who make purchases of consumer goods from co-operatives, exemption will be granted to the co-operative stores functioning under the control of Registrar of Co-operative Societies, which are dealing in purchase and sale of consumer goods from the resale tax under section 17 of the TNGST Act. 1959.

128. All the changes that I have proposed except those requiring amendments to the Acts will take effect from the date of notification.

STAMP DUTY

129. This Government has already brought down the rates on stamp duty and transfer duty for conveyance of properties based on the recommendations of the Tax Reforms and Revenue Augmentation Commission headed by Dr.Raja J.Chelliah. This has been widely welcomed. This Commission has also recommended simplification and reduction of rates in respect of several other instruments in order to facilitate better compliance and easier transactions. We have examined these recommendations in detail. We propose to introduce the following measures.

130. At present property transactions within the family take place through the following instruments, namely, Settlement, Release, Partition, Dissolution of partnership. In respect of Settlement and Release between family members, the stamp duty is charged at 4% on the value set forth in the document. In the case of partition, the stamp duty is 2%. In the case of partition on the dissolution of partnership, the stamp duty is 3% on the market value of the separated share. In addition, the registration fee in each case is 1% without any ceiling. The Commission headed by Dr.Raja J.Chelliah has recommended the reduction of the stamp duty rate to 1% subject to a ceiling of Rs.2 lakhs. Based on these recommendations, we have decided to make certain changes. I am glad to announce that the stamp duty on all these instruments will be reduced to 1% on the market value of the property subject to a ceiling of Rs. 10,000. The registration fee will be 1% with a ceiling of Rs. 2000. In the case of partition, the ceiling will be applicable to each share. In case of partition involving agricultural lands, the present concessional rates will continue.

131. Mortgage is widely used as an instrument for advancing and availing of loans. Most of the financial institutions and commercial banks resort to mortgage for securing their loans. We have decided to thoroughly simplify the process in order to facilitate such transactions. The Commercial Banks have also requested the simplification of the levy of stamp duty and registration charges. It is therefore proposed to reduce the stamp duty on simple mortgage without possession from 4% to 1% with a ceiling of Rs.20,000. The registration fee will be 1% subject to a maximum of Rs.5000.

132. In the case of mortgage deed with possession, it is proposed to reduce the stamp duty from the existing rate of 6% on the loan amount to 3% on the loan amount. The transfer duty

will be reduced from the present rate of 2% on the loan amount to 1% on the loan amount. The total rate will thus be 4% on the loan amount. The registration charges will continue to be at 1% of the loan amount subject to a maximum of Rs. 2 lakhs.

133. Another important instrument of transaction with the financial institutions is the deposit of title deeds. In order to encourage the proper registration of these transactions, we propose to include Note or Memorandum or any other instrument to be also dealt with as deposit of title deeds. The present rate is 0.5% stamp duty and 1% registration fee on the loan amount. The present rate will be continued. However a ceiling of Rs.5000/- for stamp duty and Rs.1000/- for registration fee will be introduced. This will enable registration of these documents quite easily.

134. Lease is another widely used instrument. A duly stamped and registered document will be of great help in making the transaction clear and transparent. The existing system is very complex with many slabs. It is proposed to rationalize the duty structure as follows. This will be on the total rent and premium or fine or advance, if any, payable.

Period of lease	**Proposed rate**
Below 30 years	1%
Between 31 years and 99 years	4%
100 years and above	8%

The registration fee will be a common rate of 1% of the total rent and premium or fine or advance, if any, payable subject to a maximum of Rs.5000/-.

135. Another popular instrument is the Power of Attorney for Consideration. The existing rate of 6% stamp duty is

high and because of this Power of Attorney is not generally registered. Consequently, this can be misused causing hardship to gullible buyers. This can be corrected by buyers insisting on registered Power of Attorneys. To facilitate this, it is proposed to bring down the rate from 6% to 4% as recommended by the Tax Reforms and Revenue Augmentation Commission. The registration fee will continue to be at 1%.

136. Hon'ble Members of the House may recall that the Patta Pass Book scheme has been introduced in 9 districts. One of the conditions is that the Patta Pass Book has to be produced if documents have to be registered. This has caused some hardship. We have now introduced a new system of computerization of taluk offices through which it is possible to give the requisite chitta extracts on an updated basis. Hence there is no more any need to insist that the Patta Pass Book be produced at the time of registration. This condition will therefore be relaxed. This will greatly benefit farmers in getting their documents registered.

137. All the changes that I have proposed, except those requiring amendments to the relevant Sections of various enactments, will take effect from the date of issue of notification under the Indian Stamp Act, 1899 and the Registration Act. 1908 and various Local Bodies Acts.

Overall Fiscal Position

138. I have outlined several measures for the benefit of the public in my proposals on taxes. Hon'ble Members of the House will note that this is a tax-free Budget and in fact on the orders of the Hon'ble Chief Minister, this Government has proposed several concessions. Even though we have to consolidate the fiscal situation further, this Government has

decided to extend these concessions to benefit the public and improve the investment climate. I am sure the Hon'ble Members of the House will greatly welcome the measures that I have just announced.

139. The revenue loss to Government on account of waiver of land revenue, abolition of Agricultural Income Tax, and other concessions to benefit the public is estimated to be about Rs. 140 crores. This will be bridged by stepping up collection of revenue arrears and control of non-productive expenditure. Consequently, the final closing deficit in 2004-2005 will remain at Rs. 590.47 crores. We expect to tackle this by proper cash management and by greater resource flows from the Union Government.

140. The road map for the future has been spelt out in the Medium Term Fiscal Plan, which is set out in the Annexure to the Budget speech. This may be taken as read as part of the budget speech. The effort of this Government will be to consolidate the good progress already made in achieving fiscal balance. The process of fiscal adjustment has been quite complex. Hon'ble Members of the House will be glad to know that the measures we have already taken will provide the framework for further progress towards the goals we have outlined in the Medium Term Fiscal Plan.

141. I have outlined at length the plans and programmes of this Government to be implemented in the coming financial year 2004-2005 based on the rapid strides that we have made in 2003-2004. Some States which started on an economic reform programme much earlier have had the benefit of substantial assistance from various institutions. In Tamil Nadu, it is solely due to the untiring and dedicated hard work of the Hon'ble Chief Minister Puratchi Thalaivi J Jayalalithaa that we

have covered so much ground on the road to growth and prosperity in so short a time with virtually no assistance. Had it not been for the unwavering and totally dedicated work of the Hon'ble Chief Minister Puratchi Thalaivi J Jayalalithaa, Tamil Nadu could not have been rescued from the fiscal morass that it had sunk into in the period 1996-2001. A true leader stands out only in the face of adversity. Our leader, the Hon'ble Chief Minister Puratchi Thalaivi J Jayalalithaa has led us from the front, overcoming every obstacle, leaving no stone unturned in the quest for the well being and prosperity of the people of Tamil Nadu.

142. The reward for such hard work and total commitment in the cause of the people of Tamil Nadu will surely find expression shortly. People who are our real judges always unerringly discern the true leader who will stand by them through every adversity and take part in their joys and sorrows. The very fact that Tamil Nadu has marched ahead so resolutely under the leadership of the Hon'ble Chief Minister Puratchi Thalaivi J Jayalalithaa is now a matter of appreciation the world over. It is for this reason that institutions like the World Bank are now willing to come forward to assist the State in its development programme. All these have been made possible in so short a time due to the incandescent and inspiring leadership of the Hon'ble Chief Minister Puratchi Thalaivi J Jayalalithaa.

143. I welcome any constructive suggestion on the Budget for 2004-2005 which will help us to serve the people better. I take this opportunity to convey my heartfelt gratitude to Mr. N. Narayanan, IAS, Development Commissioner and Finance Secretary, for his assistance in the preparation of this Budget.

144. With these words, Honourable Speaker Sir, I commend the Budget Estimates 2004-2005 for the approval of the House.

Vanakkam

C. PONNAIYAN,
MINISTER FOR FINANCE & FOOD

Chennai,
11th February 2004,
Thai-28,
Thiruvalluvar Aandu 2035.

APPENDIX

MEDIUM TERM FISCAL PLAN

1. The present Government of Tamil Nadu assumed office in May 2001. At that time, the Government was in the grip of a major fiscal crisis. This fiscal crisis also had very serious effects on the economic growth prospects of the State. After a careful analysis, the Government of Tamil Nadu determined that a higher level of economic growth was essential to bring all round prosperity to the people of Tamil Nadu. In order to achieve a higher level of economic growth on a sustained basis, public finances of the State had to be put in order. A new economic reforms programme has been drawn up, which includes fiscal correction and sustainability, improvements to the investment climate, good governance leading to improvements in service delivery and a poverty reduction strategy.

2. The New Economic Development Programme (NEDP) can take off only on the basis of fiscal correction and sustainable public finances. It has therefore become imperative to undertake a medium term fiscal plan leading to better outcomes in terms of higher capital outlays, improved allocations for operations and maintenance and protection of social sector outlays with better results. As the fiscal crisis which engulfed Tamil Nadu in 2000-2001 was deep rooted and problematic, a Medium Term Fiscal Plan has become a necessity.

3. In view of the seriousness of the fiscal crisis, the Government presented a White Paper on Tamil Nadu Government's Finances in the Legislative Assembly on 18th August, 2001. This document brought out in great detail the complex nature of the fiscal crisis, the deep-rooted structural problems

affecting the State's public finances and the need for a fiscal reform programme. The summary of the fiscal position over a period of more than a decade is set out in Table-I below

Table-I : Fiscal Performance in the past decade

Accounting year	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
	(Rupees in crores)									
Revenue Deficit	553	1904	1526	692	416	311	1104	1364	3436	4400
Fiscal Deficit	1126	1375*	1824	1433	1496	1255	2445	2122	4777	5382
	(Percentage)									
Revenue Deficit over Total Revenue Receipts	10.88	28.1	21.75	8.58	4.51	2.93	9.23	10.04	24.09	26.95
Revenue Deficit over Fiscal Deficit	49.13	138.47*	83.67	48.3	27.77	24.78	45.15	64.28	71.93	81.75
Fiscal Deficit over Gross State Domestic Product	3.59	3.72	4.24	2.49	2.18	1.60	2.73	2.05	4.01	4.22
Interest payments over Total Revenue Receipts	8.95	8.22	9.81	11.86	11.82	12.20	12.34	12.98	14.88	16.60
Capital Expenditure (Rs. In crores)	222.49	279.09	322.37	550.51	679.95	590.94	919.65	1467.79	1153.32	644.93
(Based on Finance Accounts by CAG)										

(* The fiscal deficit in the year 1991-1992 is less than the revenue deficit because of adjustment of Rs.1109.99 crores towards repayment of loans from the Tamil Nadu Electricity Board.)

4. The consequences of not attending to proper fiscal management are extremely serious. It has resulted in a collapse of capital expenditure. It has also resulted in a continuous deterioration in the allocation for operations and maintenance. This has resulted in the deterioration of existing assets. The lack of adequate capital expenditure has

considerably slowed down building new infrastructure. In a globally integrated world, the lack of adequate world-class infrastructure can be a major factor affecting the investment climate in the State. Public investment in infrastructure has to be maximised. Unfortunately, the unstable fiscal situation leading to a major crisis has crowded out investment in infrastructure. Likewise, the outlay on operations and maintenance has been badly affected.

5. In an earlier fiscal crisis which affected the State in the period 1990-91, the State had adequate capacity to mobilize new debt to tide over the crisis. Further, it was possible to undertake fiscal reforms to set right the fiscal position from 1991-92 onwards. The results can be seen in 1995-96 when the fiscal position had improved dramatically. This was a good launching pad for increased investment in infrastructure and operations and maintenance.

6. Unfortunately, the fiscal position deteriorated sharply in 1998-99 and by 1999-2000 serious fiscal instability had already set in. The revenue deficit over total revenue receipts had shot up to 26.95%. The share of the revenue deficit in the total fiscal deficit was as high as 81.75%. Interest payments over total revenue receipts went up to 16.6%. Consequently, there was no possibility to significantly mobilize new debt. The fiscal deficit over Gross State Domestic Product had surged to 4.22%.

7. This was followed by a full blown crisis in 2000-2001 when payments could not be made. The reduction in the State's share of the Central Taxes following the Eleventh Finance Commission's recommendations compounded the problem. The fiscal crisis became so serious that by the end of 2000-2001 payments to the tune of Rs.700 crores on the State

account itself could not be honoured. There was a major fiscal collapse.

8. The consequences of such fiscal unsustainability were serious. First of all, it affected the very basis of governance. Secondly, the belief that the Government would be a model in making prompt payment was shaken. A credibility gap was clearly emerging. Thirdly, a clear collapse of capital outlay occurred leading to serious effects on the medium term economic growth prospects of the State. Fourthly, the adverse effects on maintenance of existing assets were very serious. Assets would be lost totally if the provisions for maintenance were not improved. Above all, even the social safety net meant for the poor was seriously threatened and real cuts were a reality.

9. Inheriting this situation fraught with the grave danger of total chaos, this Government realised that fiscal sustainability has to be ensured through proper planning and implementation. The State Legislative Assembly has enacted the Tamil Nadu Fiscal Responsibility Act, 2003 (Act No. 16 of 2003). According to Section 3 (1) of this Act, the State Government is required to place before the Legislative Assembly a Medium Term Fiscal Plan (MTFP) along with the Budget. Section 3 (2) of this Act requires that the MTFP shall set forth a multi-year rolling target for the prescribed fiscal indicators while specifying the underlying assumptions.

10. Accordingly, a Medium Term Fiscal Plan has been prepared and it is placed before the Legislative Assembly. Table-III which is annexed sets out the MTFP for the period ending 2008-2009.

OBJECTIVES OF THE MEDIUM TERM FISCAL PLAN

- Strive to reduce the revenue deficit as a % of the total revenue receipts to a level below 5 % by 2007-2008 and to make the State revenue surplus by 2008-2009. This is to be achieved by controlling non-productive revenue expenditure and enhanced receipts through various reform measures;

- The fiscal deficit as a percent of Gross State Domestic Product (GSDP) is to be brought down to a level of 3% by 2007-2008;
- Revenue deficit as a percent of fiscal deficit will be progressively reduced to below 35 % by 2006-2007 to enable use of borrowings for generating useful assets with a positive impact on growth;
- The outstanding guarantees for each year will be capped to be at a level below 100 % of the total revenue receipts in the preceding year or at 10 % of GSDP, which ever is lower. The outstanding risk weighted guarantees for each year will be capped at a level below 75% of the total revenue receipts in the preceding year or at 7.5% of GSDP whichever is lower.
- The Medium Term Fiscal Plan seeks to ensure that resource allocations in the State Budget are re-prioritized towards development and growth-oriented sectors while ensuring real improvements in the comprehensive social safety net for the poor.
- The Plan seeks to ensure greater fiscal transparency better accountability and clear reporting.
- Reforms in public utilities such as Tamil Nadu Electricity Board, State Transport Undertakings and other Public Sector/Co-operative Sector undertakings to ensure that they are self sufficient and do not affect public finances.

11. The fiscal situation in the recent past is captured in Table-II. This is indicative of the extreme stress and how the State is slowly emerging out of the severe crisis.

Table II- Recent fiscal situation

Accounting year	2001-02	R.E. 2002-03	2002-03	B.E. 2003-2004	R.E. 2003-04	B.E . 2004-05
	(Rs. in crores)					
Revenue Deficit	2739 *	5917#	4851#	3933	3700	3336
Fiscal Deficit	4739	8105	6742	6944	7696@	6922
	(Percentage)					
Revenue Deficit over Total Revenue Receipts	14.56 *	28.60 #	23.28 #	17.35	16.19	13.46
Revenue Deficit over Fiscal Deficit	57.80 *	73.00 #	71.95 #	56.64	48.07	48.20
Fiscal Deficit over Gross State Domestic Product	3.24	5.14	4.39	4.07	4.64@	3.86
Interest payments over Total Revenue Receipts	18.67	20.30	19.84	20.06	20.46	21.09
Capital Expenditure (Rs. In crores)	1777.91	1727.18	1627.54	2556.59	3782.33@	3335.01
Source: Finance Accounts by CAG and Annual Financial Statement						

(* The revenue deficit in 2000-2001 and 2001-2002 was artificially compressed because the State Government was unable to clear all its expenditure commitments before the close of the financial year)

(# The revenue deficit in 2002-2003 is high due to the conversion of arrears owed by TNEB to Central utilities amounting to Rs.1962.14 crores as a subsidy to the TNEB. Correspondingly the debt of the Government goes up as the Government has to discharge these liabilities. Excluding this, the revenue deficit over Total Revenue Receipts in 2002-2003 is 13.86%.)

(@ The fiscal deficit in R.E.2003-2004 is high due to adjustment of prior period capital expenditure amounting to Rs. 1423.38 crores met from bonds raised by TIDCO. Correspondingly the debt of the Government goes up as the Government has to discharge this liability. Excluding this, the fiscal deficit over GSDP in R.E.2003-2004 is 3.78%.)

STRATEGIES

12. The guiding principle of the MTFP is to correct the fiscal imbalance without affecting the interests of the poor and the disadvantaged sections of the society. This would be achieved by adopting the following strategies:
    - Reducing the pace of growth of non productive revenue expenditure by controlling salary, pension liabilities, commitments on interest payments, grants-in-aid and subventions through appropriate measures;
    - Increasing the revenue receipts of the Government by restructuring and modernizing the tax collection system with the use of e-governance to achieve better compliance and reduced collection costs;
    - Reprioritising resource allocation in the Budget to priority sectors with a view to achieve the Millennium Development Goals for the State well before the target date.
13. The central objective of the Medium Term Fiscal Plan should be to achieve a sustainable level of public finances with a focus on building new infrastructure, the proper maintenance of assets and real protection to the poor. From a broader analysis of the entire fiscal situation, the Government of Tamil Nadu is convinced that a correction programme has to be implemented over the medium term. This correction programme will mainly consist of a progressive reduction of the revenue deficit. The revenue deficit has to be reduced if the stated objective of increasing the capital expenditure is to be met. The demand for capital expenditure in the public domain is immense. Investment on roads has to increase substantially. Investment on other infrastructure such as urban infrastructure, water supply, sewerage have all to be stepped up. All these point to the necessity of using

borrowed funds for growth generating activities and curbing the tendency to employ borrowing to meet current expenditure. It is for this reason that the Medium Term Fiscal Plan places the highest emphasis on correcting the revenue deficit.

14. The revenue deficit is the excess of revenue expenditure over revenue receipts. The revenue receipts broadly consists of the following items: -

    1. Share of Central taxes
    2. State's own tax revenue
    3. Non-tax revenue
    4. Grants-in-aid

15. The share of Central taxes is based on the recommendations of the Finance Commission. Once the recommendations are adopted, they remain firm for a period of five years. The next revision is due for the period 2005-2010. At the time of the last revision covering the period 2000-2005, there has been a sharp reduction in Tamil Nadu's share of Central taxes. Consequently, the State faced serious fiscal stress from the year 2000-2001. A forceful plea to correct this trend has been made. It is anticipated that a reasonable enhancement of Tamil Nadu's share of Central Taxes will be available in the period 2005-2010. The Medium Term Fiscal Plan assumes only a reasonable forecast.

16. Tamil Nadu has done extremely well in raising tax revenues. State's own tax revenues as a percentage of the Gross State Domestic Product in the case of Tamil Nadu is among the highest in the country. The focus on States own tax revenues will be on simplification and transparency leading to better compliance. With this effort, the projection for the future can be robust. The Government of Tamil Nadu has already undertaken several measures on tax

rationalization and simplification with a view to ensure that there is adequate growth of revenue while at the same time strengthening the competitive position of the State as an investment destination. It will be the endeavour of the State to act on the recommendations of the Tax Reforms and Revenue Augmentation Commission headed by Dr. Raja J. Chelliah. These recommendations cover all State taxes. So far, the recommendations relating to Agricultural Income-tax, Electricity Duty and the Tax on consumption of electricity, Stamp duties and Registration fees have been acted upon. Preparatory work has also been undertaken based on this report to move towards a VAT system. Sales Tax, Entry Tax, Central Sales Tax, Additional Sales Tax and Surcharge on Sales Tax will all be dealt with comprehensively based on the national consensus relating to the implementation of VAT. The projections in the Medium Term Fiscal Plan in respect of Sales taxes is on the basis of existing rates and existing structure.

17. In the case of non-tax revenue, there is some potential to raise resources by levy of adequate charges for the services rendered by the Government. In the case of economic services rendered by the Government progressive increase in user charges can be considered to cover operation and maintenance costs and yield some surplus to meet capital costs. In the case of social services the levy of user charges or their enhancement have to be carefully calibrated so that there is no adverse effect on the poor. It may be possible to undertake dynamic solutions with wide public consultation so that some headway can be made.

18. Grants in aid are determined by allocations by the Union Government. This Government does not have much control over such grants in aid which are formula based. However the State will endeavour to obtain more project based

assistance which will enhance the flow of grants-in-aid based on the current scheme of flow of Central assistance for externally aided projects.

19. The success of the MTFP depends critically on compressing expenditure with a focus on reducing quickly unproductive expenditure. A Expenditure Review Committee will be constituted to review on an ongoing basis the expenditure in respect of each department assessing the value of the outcomes and cost of delivering services. This will enable identifying potential savings in costs.

20. One of the main issues in making the fiscal correction is the overall expenditure on salaries and pensions. The expenditure on salaries alone is 39.03 % of total revenue receipts in the Revised Estimates 2003-2004. Expressed as a percentage of the State's own tax revenues, commitment on salary is 55.95% in the Revised Estimates 2003-2004. Right sizing the Government is an integral part of the medium term fiscal plan. This will be accomplished by not filling up vacancies except in certain essential categories and maintaining strict control over creation of new posts. The possibilities of accelerated exit of employees on their own option can also be explored. Restraint in total emoluments with reference to market rates for comparable categories is also predicated to restore fiscal balance. A determined effort can ensure the MTFP goal of reducing the incidence of salaries as a percentage of total revenue receipts to 31.58% by 2008-2009. Expressed as a percentage of the State's Own Tax Revenues, the incidence of salaries will be corrected downwards to 43.99% by 2008-2009.

21. The expenditure on Pensions is not sustainable in the context of the revenue deficit. Accurate estimation of the retirement profiles indicates that there will be further stress on account of the outgo on Pensions. Certain major changes have been

made to arrest this trend. A defined contributory pension fund has been introduced for all new employees with effect from 01/04/2003. This will ensure long term sustainability but will not confer any fiscal relief even in the medium term. Parametric changes have been introduced in the existing defined benefit scheme to control the burgeoning costs. Certain of these parametric changes have not been put into place as they have been contested. It will be our endeavour to resolve these issues. Cost of living indexation alone will be provided in future and improvements to pensions of previous retirees will not be entertained. The outgo on Pensions which is currently estimated at 15.91 % of total revenue receipts in the Revised Estimates of 2003-2004 is expected to stabilize at 18.01 % by 2008-2009. Expressed as a percentage of State's own tax revenues, pension outgo is likely to move up from 22.80 % in the Revised Estimates 2003-2004 and is expected to stablilize at 25.09 % by 2008-2009. While the total outgo continues to be high and is responsible for the slowness of the fiscal adjustment process there is not much more which can be done in the medium term.

22. The interest burden is another key expenditure item. A two pronged approach will be adopted. The interest on existing debt will be brought down by retiring high cost debt or getting the interest rates reset. The second approach is to limit new borrowings consistent with growth. The sustainability of debt will be constantly monitored. The Fiscal Responsibility Act, 2003 indicates that the medium term goal for fiscal deficit should be 3 % of GSDP and that will be reached by 2007-2008. This will be sustained thereafter. Thus by carefully controlling new borrowings in tandem with the GSDP growth the interest burden will be held in check. The interest burden expressed as a percentage of total revenue receipts edged up from 12.2 % in 1995-1996 to 19.84 % in 2002-2003. The

MTFP seeks to slow down and stabilize it at 22 % before moving southwards.

OUTCOMES

23. The outcomes of the MTFP will be very positive. It will reallocate scarce resources to priority sectors. It will eschew non productive expenditure. The main outcomes are set out below:

- With the correction in the fiscal situation, the emphasis will be on reallocating the available funds to priority sectors such as education, health and family welfare, nutrition, drinking water and sanitation, maintenance of roads and irrigation systems.
- The capital outlay which was almost stagnant will increase from a level of Rs. 1627.54 crores in the year 2002-2003 to Rs. 5050.14 crores in the year 2008-2009. With this the capital expenditure as a percentage of total expenditure (excluding net loans and advances) will increase from 5.96 % in the year 2002-2003 to 12.64 % in the year 2008-2009.
- The allocation for non-wage operation and maintenance as a percent of total revenue expenditure will be stepped up from 7.8 % in the year 2001-2002 to 10.6 % in 2008-2009. This will ensure better maintenance of public assets.

24. Overall the MTFP projects a gradual reduction in the revenue deficit and it projects to make the State revenue surplus in the year 2008-2009. It is anticipated that the state will become primary surplus in the year 2006-2007. This shows that the State will be generating enough resources by 2006-2007, to take care of its interest commitments. The debt stock/GSDP (including off budget borrowings) increased from 16.3 % in 1996-1997 to 28.8 % in 2002-2003. This ratio will be stabilized at 29.9 % in the year 2008-2009 through prudent

borrowing within the MTFP period. The Fiscal deficit will be brought down from 4.5 % of GSDP in the year 2002-2003 to below 3 % % in the year 2008-2009.

25. Given the trend in the last two years when major fiscal reforms have been undertaken, the targets set out in this MTFP are achievable and the assumptions are realistic.

TRENDS IN 2003-2004

REVENUE RECEIPTS

26. The Budget for 2003-2004 estimated total revenue receipts of Rs. 22,665.90 crores. According to the pre-actuals for the quarter ending December,2003, the total revenue receipts of the State Government have been Rs. 15,867.26 crores. This is 70 % of the Budget Estimates. The following table provides details of the components of the total revenue receipts.

TRENDS IN TOTAL REVENUE RECEIPTS OF GOVERNMENT OF TAMIL NADU UPTO 31.12.2003				
		B.E.2003-2004	**PRE-ACTUALS TILL 31.12.2003**	**% OF BUDGET ESTIMATES**
		(Rs. in crores)		
1	Share in Central Taxes	3435.01	1831.88	53.33
2	States Own Tax Revenues	15832.94	11956.17	75.51
3	State's Non-Tax Revenues	1506.14	1167.38	77.51
4	Grants-In-Aid from Government of India	1891.81	911.83	48.20
5	Total Revenue Receipts	22665.90	15867.26	70.00

27. The above table clearly shows that except transfers from the Government of India, State’s own revenue (tax and non-tax) is doing well and is keeping to the target. There has been a shortfall in the last two years in the actual transfer of the

State's share of central taxes as against that indicated by the Union Government. Current indications are that in 2003-2004, there may not be any shortfall.

EXPENDITURE

28. The Budget 2003-2004 provides Rs.29155.96 crores towards Revenue Expenditure and Capital expenditure (excluding net loans and advances). The total Revenue and Capital expenditure till end-December 2003, according to the pre-actuals, is estimated at Rs. 17,886.21 crores. This is 61.35 % of the total Budget provision for Revenue expenditure and Capital expenditure. By controlling revenue expenditure, the budgeted level of Revenue Deficit and Fiscal Deficit has been reduced in the Revised Estimates. Overall the latest fiscal trends in 2003-2004 indicate that the goals set out in the MTFP will be met for the year.

TABLE - III : MEDIUM TERM FISCAL PLAN

February 11, 2004	2002/03	2003/04(proj.)	2003/04(RE)	2004/05(proj.)	2004/05(BE)	2005/06
Rupees Crores in current prices						
Total Revenue Receipts (TRR)	20456.32	22148.49	22567.30	24038.94	24538.35	26608.78
State's Own Revenues (SOR)	15821.91	17052.67	17470.40	18585.28	19084.59	20283.29
Tax (SOTR)	14341.71	15832.94	15941.67	17159.12	17438.65	18788.36
Non- Tax	1480.21	1219.73	1528.73	1426.15	1645.95	1494.93
Central Transfer	4634.41	5095.83	5096.90	5453.67	5453.76	6325.50
Shared Taxes	3047.57	3435.01	3435.01	3709.81	3709.82	4407.26
Grants-in-aid	1586.84	1660.82	1661.89	1743.86	1743.94	1918.24
Total Revenue Expenditure	25106.26	25880.92	26084.38	27433.86	27688.01	29505.33
Non- Interest Expenditures	23314.82	24291.19	23985.80	25532.18	26046.16	27252.21
Salaries (incl. GIA for education)	7980.69	8676.65	8919.68	9145.03	9478.63	9611.40
Pensions & Retirement Benefits	3337.25	4021.23	3634.61	4520.21	4414.43	5213.42
Non- Wage Operation & Maintenance	2143.89	2498.07	2664.36	2741.54	2874.64	2912.58
Subsidies and Transfers	7513.92	6008.94	6184.14	5727.75	5683.79	5940.76
Other Revenue Expenditures	23.15	26.76	9.51	28.10	9.33	29.51
Capital Outlay	2051.95	2555.14	2358.95	2945.14	3335.01	3275.14
Net Lending	263.96	504.40	214.55	424.40	250.33	269.40
Fiscal indicators						
Primary Surplus (+)/ Deficit (-)	-2858.50	-2142.69	-1418.50	-1493.24	-1507.81	-643.42
Interest Payments	4107.35	4649.28	4672.08	5271.22	5227.19	5797.66
Interest Payments over TRR	20.1%	21.0%	20.7%	21.9%	21.3%	21.8%
Revenue Surplus (+)/Deficit(-)	-4649.93	-3732.43	-3517.08	-3394.92	-3149.66	-2896.55
Revenue Surplus (+)/Deficit(-) over TRR	-22.7%	-16.9%	-15.6%	-14.1%	-12.8%	-10.9%
Revenue Surplus (+)/Deficit(-) over Fiscal Deficit	66.8%	55.0%	57.7%	50.2%	46.8%	45.0%
Fiscal Surplus (+)/Deficit(-) (Adjusted)	-6965.85	-6791.97	-6090.57	-6764.46	-6735.00	-6441.09
Fiscal Surplus (+)/Deficit(-) (Adjusted) over GSDP	-4.5%	-4.1%	-3.7%	-3.8%	-3.8%	-3.3%
Gross State Domestic Product (GSDP)	153728.71	166027.01	166027.01	179309.17	179309.17	194550.45
Annual Growth -GSDP	3.5%	8.0%	8.0%	8.0%	8.0%	8.5%
CONSOLIDATED ACCOUNTS *						
Consolidate Revenue Surplus (+) / Deficit (-)	-3690.80	-3654.21	-3438.86	-3239.08	-2993.82	-2535.70
Consolidated Fiscal Surplus (+)/ Deficit (-)	-7397.07	-8020.19	-7318.79	-7944.45	-7914.99	-7352.73
Consolidated Fiscal Surplus (+)/ Deficit (-) over GSDP	-4.8%	-4.8%	-4.4%	-4.4%	-4.4%	-3.8%

** This includes financial performance of the Tamil Nadu Electricity Board along with the State Budget..*

These estimates and actuals will not tally with the Finance Accounts and The Annual Financial Statement as these are adjusted num