



BUDGET SPEECH FOR 1999-2000

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18th March 1999

Sir, I rise to present the budget for the year 1999-2000

As I do so, I am aware that the responsibility cast on my shoulders is enormous. I have to provide a budget that meets the aspirations and hopes of our people, as we march into the twenty-first century. At the same time, I realise my duty to balance the sound fiscal perspectives of budget making with our massive requirements as we prepare together for a new century.

MACRO ECONOMIC SCENARIO

1. Before I present my budget proposals before the House, it is important for the honorable members to appreciate the macroeconomic scenario against which I have to perform my task. The past year has been one of very depressed economic activity in the country. The Economic Survey of the Government of India is hopeful of only a 5.8 percent growth in the economy during the current year. Inflation in 1998-99 registered very high levels bringing untold misery to the ordinary citizen. India's performance on the export front has been extremely, poor and there has been negative growth for the first nine months of the year. The performance on infrastructure till December 1998 in the current year has also fallen from 4.1 percent in the corresponding period in the previous year to 2 percent. This does not augur well for economic recovery in the future, either. Industrial production, which had briefly showed signs of improvement in 1997-98, was down to 3.3% growth for April

1998-January 1999, from a figure of 6.9% for the corresponding period in 1997-98.

2. Economic reality as seen and felt by the teeming masses of the country belies the hopes of those who blindly argue in favour of foreign capital and big business. These policies have only compromised the economic sovereignty of the nation and the well being of the vast majority of our society who continue to live in appalling conditions of poverty. Several years after the banner of liberalisation was first raised in our country by some quarters, we realise the futility of the mindless liberalisation and craze for foreign inflows into the capital markets of the country. All this- without a rational assessment of whether we need it and if so for what purpose is it that we have to take recourse to it – has taken us nowhere.
3. The numbers speak for themselves. For all this talk of liberalisation and unleashing of market forces, economic growth continues to be reined in at absurdly low levels. This would convince even the die-hard votaries of liberalisation and the market place, that markets seldom provide solutions to the problems of a nation like ours. Taking care of the needs of our people does not end with taking care of the balance sheet of the nation alone. A nation is not a corporate entity-and indeed it should not be treated as one. Markets may be relevant in some things. But there are too many things they cannot do. Markets cannot either provide quality health care to the sick or help build a roof for our homeless. They cannot prevent the gap between rich and poor from becoming an unbridgeable gulf dividing the human race. They cannot deal with the root causes of homelessness, insecurity, oppression and violence. Markets deal, as they should, in services and goods. They do not, and cannot, deal with the common good; but as a nation, we must. This is the stand that this Government has been consistently arguing for. We are not here to sit back and implement IMF prescriptions of keeping our gross fiscal deficit below so the arbitrary figure. Our purpose is not to juggle numbers. Our purpose is to develop our people and through them build a stronger nation.

CENTRE STATE FISCAL RELATIONS

4. This depression and volatility in the macroeconomic scenario has hit the state badly. For the first time the state's own tax revenue has fallen by as much as 10% from the amount budgeted in the current year. The country is a long way from having the kind of politico-economic architecture that will insulate the states from recurring economic crises. Centre-State fiscal relations are grossly unequal. Despite the collective efforts of the states to rectify this, it has almost become an inescapable fact of life for the country. States have little or no ability to shape macroeconomic policies that impact employment, price levels and growth. States simply absorb the effects of the kind of economic policies of the Central Government-be it good or bad.
5. Many states had expressed reservations about the Alternative Devolution Formula recommended by the Tenth Finance Commission. Most of them felt that the alternative formula of sharing 29% of Central tax revenue with the States was inadequate. Nevertheless the recommendation that all the significant tax revenues should be taken into the divisible pool was hailed as a milestone in the history of Centre-State Financial Relations. Under the new scheme, the states would have been able to share the aggregate buoyancy in all Central taxes. This would have been of particular advantage in a period of fiscal consolidation when relative buoyancy of central taxes tends to vary. It is with a great sense of frustration that I have to report to this House that in spite of the fact that four years have gone by since the Tenth Finance Commission has given its recommendations, the devolution formula has not been implemented by the Central Government. For the past two years, our annual plans, approved by the Planning Commission have been prepared taking our share of arrears also into account. This has meant that for the last two years, the state has not got the share of taxes legitimately due to it. This has denied us more than Rs.400 core of real resources to finance our development efforts.

6. The state is getting ready to present its Memorandum before the Eleventh Finance Commission. The task of the Eleventh Finance Commission in correcting distortions that have crept into Centre-State Fiscal Relations is by no means enviable. Nevertheless we are hopeful that the Commission will show the required degree of boldness and ingenuity in reducing the inherent inequity in federal-state financial relationships.

THE FINANCES OF THE STATE

7. The State Government had set up a Pay Revision Committee in February 1997. The Committee has submitted its report in May 1998. I am happy to state that the Government processed the report in record time and in November 1998 issued orders implementing the recommendations of the report. The annual outgo on account of this was expected to be Rs.904 crore. Even larger and economically stronger states have not been able to provide pay revision for their employees.
8. The State Government has responded to its overriding concern to adequately compensate its employees. Indeed, it has done so to the best of its ability. Only if we are able to forge a bond with them and create a constructive environment for our employees can we collectively ensure a prompt, responsive, transparent and corruption free administration. But it has to be appreciated that the pay revision to Government employees and teachers has imposed a very heavy burden on our state exchequer. The current provision for salaries has increased by about Rs.1200 crore in my budget that I present to you now over the figures in the budget last year. This hike of over 30% is unprecedented in the fiscal history of the State. As the honourable members would see from my budget proposals, it has made my job as Finance Minister extremely hard.
9. Despite the odds of having to contend with a highly debilitating macroeconomic environment in the last two years, the state did reasonably well and registered a growth rate in State Domestic Product of 6.6%. All the three sectors, viz. the agriculture sector, the manufacturing sector and the

service sectors registered modest growth. The agriculture sector in particular fared better than the other two. This Government has focused its efforts on higher plan expenditure. It has also sent out clear signals for growth through its Decentralisation, Information Technology, Power, Industries and Tourism policies. This is bound to sustain and improve the levels of economic growth of the previous year through this year and into the future.

PART-I

10. *Notwithstanding, the difficulties that this Government has had to bear for the last two years, I intend to place before this honourable House, a budget that acts strongly on the foremost priorities of the state. It is a budget that I am confident, will equip our state to succeed in the 21st century. Among the development initiatives that will herald the break of the new millennium, let me begin with the developments in the infrastructure sectors. I shall now give a brief summary of major development initiatives in my budget in the sectors of Decentralisation, Information Technology, Power, Industry, Roads, Irrigation and Water Supply, Transport and Communications and Tourism.*
11. This Government continues to lay emphasis on a planned development strategy as reflected in the Annual Plan. The outlay proposed in the budget estimates for 1999-2000 is Rs. 3250 crore. The programmes included in the Annual Plan are formulated in line with the objectives and thrust areas identified in the Ninth Five Year Plan. Out of the total Plan allocation, grant-in-aid to the local bodies will be Rs.1020 crore. In addition, State sponsored Schemes for Rs. 87.9 crore will also be implemented through local bodies. The outlay that has been provided for the annual plan for local bodies is Rs. 1107.9 crore. Including the Centrally Sponsored Scheme, the gross Plan outlay of the state comes to Rs.3776 crore.

DECENTRALISED PLANNING

12. Decentralised Plan implementation is completing its second year. A quick assessment of the Plan performance in 1997-98 of the local bodies reveals that the achievements have been phenomenal. Substantial investments have been

made in construction of houses and sanitary latrines, provision of water supply, improvement of connectivity in rural areas and rehabilitation of water bodies among others. Preliminary figures show that 44,380 houses, 1.24 lakh sanitary latrines, 25464 wells 10413 taps and 379 bridges have been constructed besides rehabilitation of 9418 ponds. Indeed, these figures proclaim aloud the success of this movement. They truly bear the banner of the decentralisation campaign and justify its objectives.

13. This year we have been able to make tremendous improvements in the quality of the projects and in the selection of eligible beneficiaries for various schemes. In 1999-2000 local bodies will finalise their Plans by June, so that they get full nine months for the implementation. This will be further improved and by the year 2000-2001 Plan preparation for the next year will be completed in the previous year itself.
14. Kerala is a model to the other states in truly and fully implementing decentralisation adhering to the letter and spirit of the Constitution. With the state going in for transfer of several of its development functions to the local bodies with institutions, assets and staff, the resource requirements of local self-governments have gone up. It is necessary to have a new look at the share of resources that should go to them in keeping with the present functions and to explore ways of their resource raising and resource management capabilities. I am happy to announce that Government will constitute the Second State Finance Commission in April 1999 in accordance with the provisions of Article 243-I and Articles 243-Y of the Constitution.
15. Our efforts in decentralisation have come in for high praise from Governments abroad and international agencies. The Swiss Development Corporation, which undertook an exploratory mission of our activities, has agreed to supplement Government's efforts and assist the Kerala Institute of Local Administration under a three-year programme. We hope to receive Rs.12 crore under this package.

INFORMATION TECHNOLOGY

16. This Government lays great emphasis on information Technology for very valid reasons:
 - It is a powerful instrument for the empowerment of the common man.
 - It ensures transparency and accountability in Government and helps realise the goal of providing a corruption free society.
 - It aids rapid economic development.
17. Government of Kerala has declared a comprehensive IT Policy encompassing a wide range of sectors. This policy which envisions an empowered and “Intelligent” Kerala in the new millennium aims to establish the state as a major IT destination in the country. A separate Department of IT has also been set up directly under the Chief Minister to coordinate initiatives for this purpose.
18. Government have taken a bold and unparalleled step to facilitate implementation of IT in the State. Starting from this financial year, Departments will be allowed to set apart up to on computerisation.
19. We will shortly commence the implementation of an ambitious project, which will interconnect all the 990 Panchayats in the state through a dedicated information network. Kiosks on the pattern of what has been established in Vallikunu will be set up in all the Panchayats at a total costs of approximately Rs.300 crore, generating direct employment for around 20,000 persons.
20. Activities in the State Government departments, which have a high degree of interaction with the public, have been identified. These will be taken up for computerisation on a priority basis.
 - Pilot computerisation project in these prioritised departments will be completed by March 2000.
 - The Treasury Information project is in an advanced stage. District Treasury at Thiruvananthapuram will be fully computerised by July 1999. This will be extended to the other treasuries of Thiruvananthapuram and all the treasuries of Pathanamthitta by September 1999. The Treasury

network will be extended to all the treasuries in the state by November 1999.

- IT will be used to augment Government revenue collection and improve functioning of departments like Commercial Tax and Registration. The tender for the Commercial Tax Computerisation has been finalised. The Project will be completed in 1999-2000.
- Thirteen sub registrar offices in the three cities that account for the largest volume of registrations in the state will be computerised in 1999-2000. This will be then extended to all the 308 Sub Registrar Offices.
- A proposal to computerise the Government Secretariat and major departments with the assistance of the National Informatics Centre (NIC) has been approved by Government. This will be completed in six months time.
- The first phase of the State Information Infrastructure will in place by September this year.

21. Government proposes to set up a School for Information Technology and Management as a joint venture. This will be set up through KSIDC and will function as a centre for excellence for providing quality education in IT. It is expected that the project will cost **Rs. 30 crore**.
22. KFC will also invest in the corpus of Rs.20 crore to be raised through contribution from KSIDC AND SIDBI for setting up a Venture Capital Fund for Information Technology. I am providing **Rs.13 crore** for the Kerala Financial Corporation to help it support promotional institutions and foster industrial development.

POWER

23. Let me now outline the key developments in the Power Sector. This Government clearly recognises that no progress is possible without the state being fully able to cater to the industrial, commercial and domestic demands for power. The demand for power is growing at an annual rate of 10%. The developmental issues in the power sector in the country are too complex to

allow any simple prescription. But Kerala has quietly seized the initiative and forged ahead to meet the burgeoning demand for electricity in the state.

24. I am happy to say that after this Government assumed office, 406 MW of installed capacity has been added to the power grid. We have withdrawn load shedding from all District headquarters and we shall withdraw load shedding from the rest of the state in a phased manner. Our state was the only one in South India, which had no power cut during the year 1998.
25. I list below some of the projects that will be completed this year:
 - Kakkad 50 MW Hydroelectric Project
 - Kuttiyadi Extension 50 MW
 - Azhutha diversion scheme
 - Peringalkuthu Left Bank Extension.
 - Kuttiar, Vazhikkadavu and Vadakkepuzha diversion schemes
 - 128 MW Kozhikode Diesel Power Plant.
 - Thermal Power Plant by BSES in Kochi.
26. Eighteen small/mini hydroelectric projects will be implemented by 2000 AD using Chinese technology. Four of these will be taken up for implementation in 1999-2000. Thirty-four Mini Hydel Projects have been identified for implementation through local bodies, public sector and co-operative societies. Detailed project reports will be prepared for 100 projects within one year.
27. The Athirappally 163 MW hydroelectric project will be implemented without compromising on efforts to preserve the natural beauty of the region. Sengulam, Panniar and Pallivasal Hydroelectric Projects, will be modernised and uprated. Our Government shall seek central clearance of major hydel projects like Pooyamkutty, Karappara-Kuriyarkutty and Mananthody in the light of the new hydel power policy of Government of India.
28. Government has taken a very crucial decision to restructure the balance sheet of the Electricity Board. It has converted the loan amount of Rs. 1025 crore and Rs.528 crore of the interest portion as equity.

29. The Liquefied Natural Gas (LNG) project at Kochi is a highly important project for the development the state. Government will participate in the equity capital of this project, which is estimated to cost Rs.1600 crore. I shall provide Rs. 10 crore as part of our commitments to the successful implementation of the LNG project. Cochin Refineries Ltd(CRL) has initiated steps for setting up a mega power project of 500 MW capacity. I am setting aside Rs.13.3 crore as Government contribution to KSIDC which is the nodal agency for these two projects.

ROADS AND BRIDGES

30. A number of major initiatives, which would greatly impact the future, are proposed in the next year, in this vital infrastructure sector. Reconstruction of approximately 1000 kilometers of state highways and district roads with World Bank funding will commence this year.
31. Government has decided to set up a Corporation for the development of Roads and Bridges for availing of institutional finance. I have provided for **Rs.10 crore** for this Corporation.
32. We hope to receive an allocation of not less than **Rs. 90 crore** this year for rural bridges and roads under RIDF scheme of NABARD
33. I have proposed an amount of **Rs. 4 crore** for railway safety works and over bridges. This will include 9 level crossings in Kozhikode-Kannur rail line and one level crossing in Palghat town on the Palghat-Dindigul rail line. Over and above what has been included in my budget proposals, I am happy to announce **Rs. 50 lakh** for construction of a flyover at Quilon to relieve traffic congestion in the central business area of the town. The Kannur-Kozhikode reach of the Expressway will be taken as the first phase of the State Expressway.
34. For improvement of roads in the three metropolitan cities of Thiruvananthapuram, Kochi and Kozhikode, I have included an amount of **Rs. 7 crore**.

IRRIGATION

35. This year, the focus shall be to complete the schemes now in progress. An outlay of **Rs.183 crore** has been provided for the major and medium irrigation sector. The Pazhassi project is expected to be completed by July 1999. A sum of **Rs. 11 crore** has been provided for this.
36. Projects like the Muvattupuzha Valley Irrigation Project for Central Assistance under the Accelerated Irrigation Benefit Programme (AIBP). An allocation of **Rs. 40 crore** has been provided for this project in my budget.
37. Karapuzha project, which has been receiving assistance from NABARD will be completed this year. There is a provision of **Rs. 12 crore** for this. The execution of the Idamalayar project will be accelerated. **Rs 16 crore** has been provided for this.
38. I am glad to inform that the initial works on the bridge-cum-regulator at Thrithala have been commenced. NABARD assistance will also be sought for this project. I propose an allocation of **Rs. 3 crore** for this. I am also setting aside **Rs. 5 crore** for the Kanakkankadvau bridge-cum-regulator.
39. Construction of the Chamravattom Regulator will be taken up through a consortium of local bodies and other agencies. I have provided a sum of **Rs 2 crore** in this budget as Government contribution to the funds of this consortium. The existing institutional set up for handling inter-state water issues will be modernised and strengthened for safeguarding the state's interest.
40. In the coming year, the department proposes to bring 2000 hectares under lift irrigation. For completing the NABARD assisted Lift Irrigation Schemes, I have provided an amount of **Rs. 7 crore**. For Minor Irrigation Class I and II works, an amount of **Rs. 9 crore** and **Rs.6 crore** have been provided respectively. The EEC assisted Kerala Minor Irrigation Project will be expedited in the coming year. A sum of **Rs. 8 crore** is included for this purpose.

41. Flood and coastal zone management will be accorded importance this year also. A provision of **Rs. 8 crore** has been kept for the preparation of a contingency programme to reduce the gravity of floods and control flood damages. In the light of the coastal zone regulations of Government of India, a different perspective based on eco-preservation of the coast is called for in anti-sea erosion works. I have included an amount of **Rs. 15 crore** for coastal zone management in my budget.

WATER SUPPLY

42. The Kerala Water Authority is focusing on the implementation of certain priority schemes by 2000 AD with a view to extend piped water supply coverage in the State.
43. Matching assistance of **Rs.28 crore** for LIC and HUDCO assisted water supply schemes in the Urban Sector has been provided. I have provided **Rs.12 crore** for taking up Rural Water Supply Schemes not eligible for ARP assistance from Government of India.
44. Government intends to provide adequate quantity of water to all by 2000 AD by enhancing water supply to 40 litre per capita per day (lpcd) in rural areas and 70 lpcd in urban areas. I am happy to announce that **Rs.15 crore** has been provided this year to help achieve this objective.
45. Government have enhanced the outlay for the optimal utilisation of existing infrastructure and for the rehabilitation of existing water supply schemes to **Rs.14.5 crore**.
46. This Government has given an increased thrust to providing adequate sewerage in major cities and towns. The provision for this has been enhanced to **Rs. 20 crore** in my budget.

TRANSPORT

47. During 1999-2000 **Rs.8 crore** will be provided to KSRTC to procure 100 new buses as part of its efforts to expand and modernise its fleet. **Rs. 1.5 crore** is also set apart to Kerala Transport Development finance Corporation.

This will help KTDFC to raise resources to the tune of an additional **Rs.20 crore** for KSRTC.

48. The Kochi International Airport Society is successfully completing the construction of the International Airport at Kochi. The Airport will be ready for inauguration in May this year. I have provided Rs. **3 crore** by way of equity participation in the Society. Further, a provision of **Rs.50 lakh** has been set apart for meeting the initial expenses in connection with the Kannur Airport.
49. I am happy to announce a sum of **Rs.5 crore** for the land acquisition expenses for Thiruvananthapuram Airport expansion.
50. I have also provided an amount of **Rs.1.6 crore** for completing the remaining works at Azheekal Port. I am happy to announce that an amount of **Rs. 10 lakh** has been included as preliminary expenses for setting up three minor ports at Kayamkulam, Manjeshwaram and Neeleshwaram.
51. A sum of **Rs. 4 crore** has been provided for acquiring a dismountable dredger during 1999-2000. This will help improve navigation facilities in inland waterways significantly.

TOURISM

52. Tourism is undoubtedly a strong point of the state. As a tourist destination, Kerala continues to grow in popularity. Government will consolidate on the initiatives taken to develop tourism as a thrust sector.
53. Our backwaters offer unlimited potential for tourism development and the promises for economic growth that this holds out. This year the Pamba-Kuttanad backwater stretch will be developed with modern tourism infrastructure of houseboats. Boat terminals will be constructed at Alappuzha, Kumarakom and Thaneermukkom. I have set apart a sums of **Rs. 2 crore** for backwater tourism schemes.
54. The first phase of the Bekal Tourism Project will be completed this year. I have included an outlay of **Rs. 2 crore** for the Corporation in my budget. The

first phase of the Thenmala Eco-Tourism project will also be done this year. An outlay of Rs.1 crore has been provided under Plan for this project.

55. An Amusement Park and an Oceanarium will be developed at Veli. An amount of **Rs. 1.5 crore** has been provided for this. Construction of Wayside Amenities Centers at Malayattoor, Guruvayoor, Kozhikode, Changanasserry, Kalady, Peerumed, Nelliampathy, Kayamkulam, Allumkadav and Aranmula will be completed . An amount of **Rs. 2 crore** has been provided for infrastructure facilities. Tourism has been declared as an industry. Therefore, in addition to other initiatives in this sector, a sum of **Rs. 2.1 crore** have been kept apart for providing incentives and subsidy for creation of tourism infrastructure in the private sector.
56. Construction of the Kerala Bhavan at Mumbai will be started and the guest houses at Palakkad, Pathanamthitta and Alappuzha will be completed. A sum of **Rs. 3 crore** has been provided for this purpose.
57. Kerala Tourism Development Corporation (KTDC) will complete their major ongoing schemes viz. the construction of the Hill Resort at Munnar, Ethnic Tourist Village at Kumarakom, Upgradation of Bolgatty Palace hotel. The up gradation of Mascot Hotel at Thiruvananthapuram will be expedited. The Corporation will also start construction of its hotel projects at Chennai and Bekal this year. KTDC will also take up construction of the corporate office and conference facilities at Hotel Samudra, Kovalam. A sum of **Rs. 6 crore** has been provided for the activities of the Corporation.
58. Investments in the Joint Venture Companies, Veli-Akkulam Project, Land Bank Project, Golf Course at Vagamon and Resort Development Projects at Bekal and Thekkady are envisaged by Tourist Resorts(Kerala) Ltd this year. This company has been provided **Rs. 3 crore** for their projects.
59. *Having briefly outlined the investments planned in the infrastructure sectors, let me quickly take this august House through the activities planned by this Government in major productive sectors like Industry, Agriculture, Animal Husbandry and Fisheries.*

INDUSTRIES

60. A new Industrial Policy has been announced. A White Paper on Public Sector Undertakings has also been placed before this august House. The Government is confident that there will be greater capital investment as a result of the many incentives that have been proposed for industries. The number of SSI units in the state has grown over 17% in the last two years. SIDCO will be provided **Rs. 2.5 crore** for discounting of bills against items supplied by Small Scale Units to Government departments under a Factoring Services Scheme.
61. The maximum amount of margin money provided to new industrial units set up in the state under Margin Money Loan scheme has been enhanced from Rs.1 lakh to Rs. 2.50 lakh. I have set apart an amount of **Rs. 4.50 crore** for this,
62. **Additional investment subsidy** of 5% of the value of fixed capital investment subject to a ceiling of Rs. 1 lakh will be offered for Tiny and SSI Units set up by entrepreneurs belonging to Scheduled Castes and Scheduled Tribes, women, physically handicapped persons and ex-servicemen.
63. 100 power looms under Integrated Village Project, 100 handlooms and 50 readymade garment units for rehabilitation of the Adivasis in Wayanad district will be commissioned with an investment of **Rs. 5.28 crore**. I have set apart **Rs. 3.25 crore** in this budget for the for supply of looms and accessories, revival of weavers societies, subsidy for hank yarn, working capital for primary handlooms weavers coo-operative societies among others. For the development of the handloom sector through HANTEX, HANVEEV and for the operations of the Raw Material Bank, I have provided for **Rs. 3.50 crore** in this budget. As the state's share, an amount of **Rs. 2 crore** has been allocated for a special project package for handloom. I have also provided an allocation of **Rs. 12 crore** under the Market Development Assistance scheme in the handloom sector.

64. The interest subsidy scheme will be continued in the state. An amount of **Rs. 12.90 crore** has been set aside for this purpose in my budget. Other important schemes that have been provided in the budget are interest subsidy, exhibition grant, assistance for market development to primary handloom weavers co-operative societies and bridge loan to primary handloom weavers co-operative societies through Hantex.
65. COIRFED and Kerala State Coir Corporation will set up an effective dealer network of sales depots within the country. COIRFED will be given **Rs. 1.3 crore** as share capital contribution for assisting their market development programme. An amount of **Rs. 2 crore** has been set apart for rehabilitation of viable sick coir co-operative societies. In addition, an amount of **Rs. 50 lakh** has been provided for giving grants to coir co-operative societies for the repairs and replacement of coir spinning ratts and meet the expenditure towards cost escalation of defibering machine. Coir geo-textiles will be popularised. Eco-coir villages will be set up in different raw material centres for the production of fibre and coir-based value added products. In this budget, an amount of **Rs. 1 crore** is being assigned for giving interest subsidy to coir co-operative societies. For the publicity and propaganda efforts in this sector, I have provided **Rs. 74.8 lakh**. For providing rebate and discount on the sale of coir and coir products, **Rs.3 crore** has been included. Government contribution of **Rs.1.1 crore** has been earmarked for the Kerala Coir Workers' Welfare fund and Welfare Measure assistance to coir co-operative societies. As part of encouraging diversification and modernisation of the coir industry, I have provided an amount of **Rs. 1.25 crore** in this budget to assist industrial units for the manufacture of new products using coir.
66. Government recognises the importance of the cashew sector to the economy of the state. Kerala State Cashew Development Corporation will take up cashew cultivation in about 10000 acres of land. I have earmarked an amount of **Rs. 5 crore** for this in my budget. I have also set aside **Rs. 50 lakh** for

support to the operations of the Cashew Workers Apex Industrial Co-operative Society (CAPEX).

67. 2500 acres of new Mulberry plantation will be raised during 1999-2000. Supporting schemes of supplying mulberry cuttings and saplings to farmers, plantation subsidy and irrigation subsidy will be extended. An amount of **Rs. 2.5 crore** has been earmarked for the Sericulture development programme.
68. The Kerala State Industrial Development Corporation (KSIDC) will continue to provide share capital and loan assistance to 195 manufacturing/industrial projects during 1999-2000. KSIDC is also taking a lead role in implementing three power projects (162 MW) in the state besides several major infrastructure projects. It is also setting up Industrial Growth Centres in the state with Central Assistance. An amount of **Rs. 34 crore** has been earmarked in the plan for the activities of the Corporation.
69. Kerala Industrial Infrastructure Development Corporation (KINFRA) will be in the vanguard of providing quality infrastructure to industry in the state. The thrust activity of the Corporation will be setting up of sector specific industrial parks in the state. The Integrated Infrastructure Development Centre at Thumba, the Export Promotion Industrial Park in Kochi and the Techno-Industrial Park at Malappuram are nearing completion. There are a dozen infrastructure projects, which this corporation is currently designing and implementing. I have provided for an amount of **Rs. 19 crore** for the activities of the Corporation.

AGRICULTURE

70. The results of the emphasis provided by the Government on Agriculture in the state hardly needs any highlighting. The productivity of our paddy lands has risen to 2203 kg/hectare in 1997-98 from 1937 kg/hectare in 1994-95. This development holds out great promise for us. To strengthen this trend, I have provided **Rs. 10.62 crore** as production incentive to paddy growers in my budget.

71. The rice development programme will be primarily concentrated in the major rice growing tracts of the state. The ultimate objective would be to augment the area under rice cultivation and increase the average productivity to more than 2500 kg. per hectare. I have set apart an amount of **Rs.10 crore** for development of paddy cultivation in the state. Recent attacks of paddy and mite in coconut reminds us of the importance of an effective pest surveillance system on a state wide basis. I have earmarked an amount of **Rs.1 crore** for integrated pest management approaches.
72. We have already a Crop Insurance Scheme in operation covering 25 major crops in the state. Government proposes to revamp the crop insurance programme to make it viable to cater to risk coverage of small and marginal farmers in particular. An amount of **Rs. 1 crore** has been provided for this. Besides such a protective cover, I have also kept a provision of **Rs. 50 lakh** for creating buffer stock of seeds of paddy and other crops for distribution to affected farmers.
73. Economic development of the state is intertwined with the fortunes of coconut agriculture. **Rs.8.5 crore** has been provided for the development of coconut agriculture. In addition a Coconut Board Scheme for Integrated Farming in small holdings of coconut farms with an outlay of **Rs. 10 crore** will also be implemented with assistance from Government of India.
74. The state has made notable progress last year in the matter of achieving self-sufficiency in vegetable production. Six hundred and two 'Harita Societies' involving more than 27,000 farmers been in the forefront of this public movement. It is estimated that the state has been able to raise Rs 230 crore of vegetables additionally through this ambitious programme. Approximately 13.5 lakh man-days of employment have also been created as a result. This year, the Department expects to achieve additional production of vegetables to the value of Rs. 600 crore through 1000 Harita Societies. I have set apart an amount of **Rs. 7 crore** for programmes for improving vegetable production in the state. Out of this **Rs. 3 crore** will be earmarked for vegetable cultivation

programmes implemented in association with local bodies. The externally aided Kerala Horticulture Development Programme will be continued. An amount of **Rs. 5 crore** has been provided for operational expenses of the programme. An amount of **Rs. 1 crore** will be provided as share capital contribution of the Kerala State Horticulture Development Corporation.

75. I have allocated an amount of **Rs. 1 crore** for the development of floriculture in selected locations. The department proposes to introduce a 'Flori-Card' system for arranging institutional credit to growers. Kerala Agro Industries Corporation will provide the required input and infrastructure support to prospective growers organised into flori-clubs.
76. The National Watershed Development Project for the sustainable development of selected watersheds in the rainfed areas will be implemented as a Centrally Sponsored Scheme. An outlay of **Rs. 5 crore** has been provided.
77. The Technology Mission on Pepper is a comprehensive seven-year project with a total outlay of Rs. 221.62 crore. The scheme is implemented in major pepper growing areas. An amount of **Rs. 4.5 crore** has been provided for this apart from an outlay of **Rs. 16 crore** received under Centrally Sponsored Schemes.
78. We are advocating a mission approach for the development of cashew cultivation in the state. A project called the 'Technology Mission on Cashew' is under preparation. The thrust will be to propagate high yielding clonal varieties. An amount of **Rs. 2.3 crore** has been provided. In addition a centrally sponsored scheme for the integrated development of cashew with an outlay of Rs. 50 lakh will also be implemented in this year.

RUBBER

79. It is important that I reflect the concern with which Government views the plight of rubber farmers of the state, while presenting my budget. They have had a very traumatic time for the last two years. Rubber prices, under the severe strain of recession and compounded by the import policy of

Government of India, slumped to an all time low. With the limited means available with the state Government, we took prompt measures to help the rubber growers of the state. By way of exemptions on purchase tax and sales tax for rubber, the state Government has foregone Rs. 25 crore of revenue. The Co-operative Rubber Marketing Federation, RUBCO and Warehousing Corporation were instructed to purchase Rubber at Rs. 2 per kg above the prevailing market price from rubber farmers. Besides, Government provided Rs. 40 paise per kilogram as handling charges. An amount of **Rs. 5 crore** has to be provided to these agencies. In addition Government also undertook to subsidise losses on account of exports by these agencies. I propose to set apart funds for this commitment also during the course of the year when the claims are received. RUBCO will start rubber-based industries this year with Government participation.

- 80.** Government recognises the difficulties of Rubber Cultivators and the severe losses suffered by them. We think it is necessary to support them further. I therefore announce an Agriculture Income Tax holiday for one year from April 1, 1999 for all rubber growers in the state who own plantations up to 20 hectares. The loss on this account is expected to be **Rs. 2 crore**.

ANIMAL HUSBANDRY AND DAIRY DEVELOPMENT

81. The Animal Husbandry and Dairy Development Sectors have played an increasingly greater role in the economic development of the state. In keeping with this role, several major initiatives in the sector have been accommodated in the budget. I shall touch upon some of these.
82. An integrated poultry development project will be started to make Kerala self sufficient in poultry products. For the expansions of poultry farms and poultry production I have set apart **Rs. 1.5 crore**. In addition financial assistance of **Rs. 65 lakh** has been provided for the Kerala State Poultry Development Corporation.
83. 10000 more calves will be enrolled under the Calf Feed Subsidy Scheme. Panchayats will be permitted to utilise their funds additionally for enrolling

more calves. I have included an amount of **Rs. 5 crore** for the purpose. The Kamadhenu Insurance Scheme commenced this year will be extended to cover more cattle. The limit on 4000 crossbred cows set for each Panchayat will be removed, giving the discretion to the concerned Panchayat.

84. Two hundred more Artificial Insemination Centers will be started during 1999-2000. MILMA will be given additional grants to 30% for their new projects. An amount of **Rs. 1 crore** will be provided as assistance from Government. I have also included a provision of **Rs. 75 lakh** for the modernisation of dairy Co-operatives.
85. Kerala Livestock Development Board has the responsibility of providing inputs such as frozen semen and fodder seed to the livestock sector. I have provided a sum of **Rs. 4 crore** for the activities of the Board.
86. The recent outbreak of Foot and Mouth Disease in cattle in a few border districts is an eye opener to the dangers lurking in the form of this disease. Free vaccination is being provided to prevent the spread of this disease. A project costing **Rs.12 crore** has been drawn up for implementation during 1999-2000.
87. I have made a provision of **Rs. 3.5 crore** for the establishment of a Veterinary College in Wayanad under the Kerala Agriculture University.

FISHERIES

88. The importance of adequate attention to the fisheries sector in a coastal state like Kerala cannot be over emphasised. Let me now give you a broad picture of our efforts in this sector.
89. We intend to bring 10000 ha. under fish farming over the next two years. Janakeeya Matsyakrishi, which has been launched as a massive people's programme, will be continued on the same participatory basis. For meeting the expenditure at the State and District levels, I have proposed a sum of **Rs. 1 crore**. Resources of the local bodies and voluntary labour will be also used to supplement this.

90. For prompting integrated prawn culture in Pokkali Lands in Ernakulam district, an allocation of **Rs. 2 crore** has been made.
91. The impetus given to aquaculture through the Janakeeya Matsyakrishi has led to an increased demand for the fish seeds and fingerlings. I propose an amount of **Rs. 2.5 crore** for establishing new hatcheries and renovating existing hatcheries in the state.
92. The saving-cum-relief scheme of the fishermen is directed to encourage saving habit among fishermen and to form a relief fund for their support during off-season. An amount of **Rs. 3.25 crore** has been provided as the state's contribution to the scheme. The Housing Scheme assisted by NFWF is a scheme designed to provide subsidised housing to fishermen. I am happy to include a provision of **Rs. 3 crore** as the state's share.
93. The State Government had decided to introduce a Welfare Fund for allied workers engaged in the fishery-related activities. This scheme will benefit poor workers in the fishery sector such as fish vendors, beach workers, peeling workers. I am providing a sum of **Rs. 3.5 crore** for this.
94. Fishing Harbours and Fish Landing Centres form part of the basic infrastructure facilities for fishermen. Over time, these facilities have deteriorated for lack of proper maintenance. An amount of **Rs. 3 crore** has been kept for the renovation of Neendakara and Beypore fishing harbours, Thottapally fish landing centre.
95. I am happy to announce that I shall be providing an amount of **Rs. 1 crore** for the initial expenses for the construction of Thalai (Tellicherry) and Ponnani fishing harbours.
96. Recognising the need to develop infrastructure facilities including water supply and sanitation at important fish marketing centres and to promote self-employment activities in the sector, I have proposed Rs.1 crore for the purpose. Six thousand houses of fishermen will be electrified under the Theera Jyothi Scheme of Government. **Rs. 60 lakh** has been provided for

this. In addition **Rs. 60 lakh** has been provided for improving sanitation facilities of fishermen houses.

97. In line with the Ninth Plan objectives of completing ongoing fishery harbour projects, a sum of **Rs. 64 crore** has been provided for work on fishery harbors with 50% central assistance.
98. Another major investment in the fisheries sector is proposed through the NCDC assisted Integrated Fisheries Development Programme. The project is now in its fourth phase. A sum of **Rs. 18.55** crore has been included.

FOREST AND WILDLIFE

99. The thrust of development in this sector will be around promoting sustainable management practices. The main credo of development shall be the rational use of forestry and wildlife. I shall outline a few of the interventions in this sector.
100. Natural forests are our irreplaceable resources. A sum of **Rs. 14.27 crore** has been provided for the conservation of forests. In addition there is a centrally sponsored scheme for forest resources conservation. An outlay of **Rs. 10.15 crore** has been included for this scheme.
101. There is little scope for expanding the forest coverage in our state. The optimal solution would be to improve the forest resource base and enhance productivity of existing forestlands. An amount of **Rs. 5.45 crore** has been provided for realising this objective.
102. The Kerala Forestry Project is a World Bank Assisted project with a total outlay of **Rs. 175.33 crore**. The project primarily seeks to improve the management of natural forests and conserve the rich bio-diversity of our forests through a participatory approach. An amount of Rs. 15 crore has been earmarked for this.

HEALTH

103. Health care to the people has been a key concern for the State Government. Out of a total development expenditure of Rs. 7123 crore an amount of Rs. 919.35 crore is for the Health Sector.

104. In addition to continuing and improving existing health care delivery, several new schemes are also proposed in this budget. Pain and Palliative Care Centres will be started in District Hospitals. An amount of **Rs. 10 lakh** has been provided for this. Seven super-specialty services will be introduced in five-district hospitals viz. Kollam, Ernakulam, Malapuram, Palakkad and Kasargod. A sum of **Rs. 50 lakh** has been set apart for this.
105. This year a total amount of **Rs. 11.5 crore** has been provided for constructions works in Medical Colleges. A sum of Rs. 50 lakh has been provisioned for various construction in Medical College, Thiruvananthapuram in 1999-2000. For completing the Post Graduate Hostels, a super-specialty building and finishing ongoing works a sum of **Rs. 2.5 crore** has been provided for capital works in Medical, Kozhikode. Capital works with an outlay of **Rs. 2.5 crore** to complete Pre-clinical Departments, Obstetrics and Gynecology block, hostels and staff quarters have been provided in this budget for Medical College, Kottayam. To complete the ongoing construction works at Medical College Hospital Complex in Vandanam an amounts of **Rs. 3 crore** has been provided for Medical College, Alappuzha. **Rs. 3 crore** has been earmarked for completing on going works in Medical College, Thrissur.
106. Increased emphasis has been given to medical education. A sum of **Rs. 1 crore** for improvement and modernisation of Central Libraries in Medical and Dental Colleges. I have included an allocation of **Rs. 50 lakh** for the starting new courses in Medical Colleges.
107. I am happy to announce that **Rs. 3.5 crore** has been provided for Ayurveda College, Kannur of which **Rs.2.3 crore** is to be devoted exclusively for construction.
108. During 1999-2000, it is proposed to start 50 new Ayurveda dispensaries in the state. A provision of **Rs. 1.35 crore** has been included for this.
109. An amount of **Rs. 1.4 crore** has been included for completing the new Homeopathy College Complex at Thiruvananthapuram.

110. The Super-specialty hospital at Pariyaram will be completed. I have set apart **Rs. 10 crore** for this in my budget.

EDUCATION

111. Education has always received the major share of Government expenditure. This trend continues in the budget that I present before this august House. In this budget, Education accounts for **Rs. 2816 cores** in the total development expenditure – a share of 40% of the development budget of the state.
112. In addition to the existing schemes, several new areas have been taken up for activities in this sector in 1999-2000. The allocation for computer education has been fixed at **Rs. 1.5 crore** in my budget.
113. A provision of **Rs. 3.5 crore** has been set apart for the Kannur Engineering College of which **Rs. 1 crore** is for capital works.
114. A provision of **Rs. 4 crore** has been included in my budget for the Rajiv Gandhi Institute of Technology, Kottayam of which **Rs. 1.95 crore** is for construction.
115. Keeping in view the increase demand for professional education in the state, I am happy to announce that three new Engineering Colleges will be started in Pathanamthitta, Palakkad and Kozhikode. I have provided **Rs. 2.5 crore** for this. Five new polytechnics will also be started in 1999-2000.

HOUSING

116. I am proud to point out in this House, that never before in the history of the state, has any Government given so much thrust to housing activities in the state, This will be continued with increased vigour. Five lakh houses will be built for weaker sections in the next two years.
117. As part of this initiative in the housing sector, Government intends to provide all Scheduled Tribe families in the state with houses in the next two years. **Rs. 20 crore** will be set apart for providing special incentives to local bodies to take up housing programmes for benefiting Scheduled Caste and Scheduled Tribes.

118. I have great pleasure in announcing that Government proposes to evolve a housing scheme with the help of HUDCO to provide dwelling houses to poor workers in Cashew, Coir, Handloom, Beedi, Khadi and Village Industries, Small Plantations (not covered by the Plantations Labour Act) sectors and poor fishermen in a phased manner. As this has not been provided for in my budget proposals, I intend to set apart a sums of **Rs. 15 crore** for the purpose.
119. To overcome the problem of inadequate accommodation of Government employees, it is proposed to construct NGO quarters at Malappuram, Palakkad, Thiruvananthapuram Bachelors Hostel at Idukki and Wayanad and Senior Government Officers Quarters at Thiruvananthapuram. For this I have included a provision of **Rs.3 crore**.

COMMUNITY DEVELOPMENT

120. All rural development schemes like IAY, JRY, CRSP will be continued with greater vigour and at increased allocations. Government has an ambitious goal of assisting 1 lakh rural unemployed by integrating self-employment programmes of various agencies at Block level.
121. This Government has initiated a comprehensive programme to achieve total sanitation in the state through the local bodies. This year 150-200 panchayats will be brought under the total sanitation programme;
122. The Rural Development Department will propose rural roads for assistance under the rural infrastructure (RIDF) scheme of NABARD. We hope to receive **Rs. 80 crore** for rural roads in 1999-2000. The innovative irrigation scheme of Chittumala Chira in Quilon District will be developed with people's participation through NABARD assistance.

WELFARE OF SCHEDULED CASTES AND SCHEDULED TRIBES

123. In the Annual Plan 1999-2000, a provision of **Rs. 360 crore** has been earmarked for the development of Scheduled Castes and Scheduled Tribes. This is 11.08% of the State's Annual Plan of Rs. 3250 crore. The system of pooling funds for development of Scheduled Castes and Scheduled Tribes will

continue. **Rs. 70.81 crore** has been set apart as pooled funds under the Special Component Plan and **Rs. 6.35 crore** under Tribal Sub Plan.

124. **Rs. 1.5 crore** is provided as the state's share for the construction of pre-matric and post-metric boy hostels in the state. For the Model Residential Schools at Palakkad and Ernakulam, I have included **Rs.3.9 crore** in my budget. I have also included **Rs. 40 lakh** for completing the construction of the Girls' Hostel Complex in Thiruvananthapuram. For the construction of a sports complex at Vellayani in Thiruvananthapuram and for upgradation of sports facilities for Scheduled Caste Students, I have kept a provision of **Rs.3.1 crore** in my budget.
125. I have included **Rs. 10 crore** for the rehabilitation for the landless and houseless Scheduled Caste Families and **Rs.1.24 crore** for most backward scheduled castes. I have also provided **Rs.1.5 crore** for the rehabilitation of Scheduled Caste and Scheduled Tribe Puramboke dwellers.
126. Under the Tribal Sub plan, this year's allotment is **Rs.60 crore**. I am happy to point out that a sum of **Rs. 6.3 crore** has been provided under various schemes for hostels and residential schools for the children from Scheduled Tribe families of our state. This includes the provision for Model Residential School at Nallooradu in Wayanad, at Neelpuzha in Wayanad, at Kattela, Thiruvananthapuram, in South Wayanad among others.
127. I have included **Rs. 1 crore** as share capital contribution of Government for the Kerala State Development Corporation for Scheduled Castes and Tribes.
128. I am happy to announce that the preparatory steps for the Attapady Eco restoration project assisted by OECF have been completed. This year I have included an outlay of **Rs.15 crore** in my budget.

CONTROLLING PRICES OF ESSENTIAL COMMODITIES

129. In a period of economic recession like this price rise makes the life of the common man unbearably difficult. What makes it worse is the indifferent attitude of the Central Government in their policy formulations. Relevant and useful subsidies, which materially affect the life of the common man, are

ruthlessly cut down without considering their impact on the poor and the deprived. It is in times like this, that Government's effectiveness in controlling prices is put to the test. I am proud to state that Government has done its best in combating price rise in the state. We have set apart **Rs. 111 crore** for ration subsidy programme and **Rs. 50 crore** for the Market Intervention Programme through Kerala State Civil Supplies Corporation. Neethi Stores have also played an important role in controlling prices. These operations of various agencies will be further strengthened in the current year. Government will ensure a Maveli store in every panchayat.

WELFARE MEASURES

130. Government recognise that it is its sacrosanct duty to care for the disadvantaged and unprivileged sections of our society. The many welfare schemes now in vogue for different sections of people in the state will be continued with sincerity and all commitment. I am happy to point out that this Government has found the resources to pay the arrears of Old Age Pensions and Agricultural Workers Pension from time to time.
131. In addition, to the existing allocations for welfare measures, Government intends to bring those head load workers not employed in the organised sector (by an employer or contractor) under a welfare scheme. I announce an additional provision of **Rs. 50 lakh** for setting up such a scheme for such scattered workers in the unorganised sector.
132. Government have also not so far provided any contribution to the Agricultural Labourers Welfare Fund after it was established originally in 1990. I am happy to announce **Rs. 10 crore** as the initial corpus for this Fund.

CO-OPERATION

133. The Co-operative movement in Kerala has a long history and hoary traditions behind it. This Government believes that it is important to foster and strengthen the co-operative movement in the state. We shall continue to consolidate on the gains of the sector through the proposals that I outline lay before you.

134. I intend to provide an allocation of **Rs. 1.2 crore** for the Kerala State Consumer Federation to strengthen the activities of Neethi Stores in the distribution of quality consumer items and medicines.
135. A sum of **Rs. 4 crore** has been included for rehabilitation packages and for expansion and diversification of co-operative societies.
136. For share capital assistance to housing co-operative **Rs.1.3 crore** has been included in my budget.
137. I have also provided an amount of **Rs. 6 crore** for supporting the Kerala State Co-operative Agricultural and Rural Development Bank, in its activities.

SCHEMES FOR JOURNALISTS

138. I also propose to increase the house-building subsidy for journalists to **Rs.50000** per head.
139. The Press Club at Thiruvananthapuram and Palakkad are rendering yeoman service in the field of conducting Postgraduate Courses in Journalism. I am happy to announce **Rs. 5 lakh** each to them for improving the educational facilities here.
140. I also intend to raise Government contribution to the Press Academy at Kochi to **Rs. 25 lakh.**

POLICE

141. No development is possible in the state without a peaceful and conducive environment. The law and order situation in the state today is the best anywhere in the country. This is possible only through a happy and contented police force. To improve housing for policemen, Government proposes to launch a Rs.200 crore housing programme for the police force.
142. This year Government will set up a Health and Welfare Fund for our police force. I am happy to announce an initial contribution of **Rs. 50 lakh** in 1999-2000.
143. This year a Regional Forensic Science Laboratory shall be opened in Kozhikode. I propose to give **Rs. 60 lakh** for this.
144. Flying squads will be set up in all the 54 Municipalities of the state.

GENERAL

145. I am providing a sum of **Rs. 10 lakh** for fire protection and preservation of Padmanabhapuram Palace under the Archaeology Department.
146. The building in Government Press, Ernakulam is now being constructed. I propose to set apart **Rs. 50 lakh** for this purpose.
147. I also intend to provide a grant of **Rs. 2 crore** to PADICO, the Modern Rice Mill at Elappully.
148. I take this opportunity to announce **Rs. 10 lakh** as Government contribution for a memorial in honour of the famous Mappilapattu poet Mahakavi Moyinkutty Vaidyar at Kondotty.
149. Last but not the least, I would like to announce our resolve that Kerala will not be found wanting in welcoming the birth of the new millennium. Government intends to launch a year of celebrations and gaiety from November. The celebrations and rightly named Manaveeyam, will focus on the great events and achievements of this century in the field of art, science, technology and culture. I intend to provide an amount of **Rs. 1 crore** for Manaveeyam.

PART III

FINANCING THE BUDGET

150. I had earlier referred to our commitments on account of Pay Revision. Despite the severe drain on resources of the state we have disbursed pay to our employees as per the new scales. In my budget proposals for this year, I have assessed salary requirements for the year 1999-2000 at Rs. 4851 crore. Needless to reiterate, the difficulties in finding resources given the economic scenario in the country have been enormous. At the same time, I have continued Plan spending in the budget at a higher level this year consistent with our development strategy. We are handicapped in our ability to raise further resources in the short term, given the fiscal deficit, the present levels of per capita tax realisation and the need to check unbridled growth of our debt.

151. In the current year Government has had to incur additional expenditure on several items. The more significant ones among these are listed in the Appendix.
152. Therefore, I have had to adopt a strategy of raising resources that would not add to the citizen's burden in a recessionary year like this. At the same time, I realise that my duty demands that I find adequate resources to finance a development oriented budget like this needed for us to face the next century boldly and confidently. However, challenging times like this call for difficult solutions.

COMMERCIAL TAXES

153. Let me now explain my Revenue proposals.
154. In a meeting of State Chief Ministers and Finance Ministers convened by Union Finance Minister in September 1998, it was decided to set up a Committee of Chief Ministers to formulate the modalities for introduction of uniform floor rates for Sales Tax and to suggest a time frame for introduction of Value Added Tax. The Committee has submitted its report. It is recommended, *inter alia*, that all the States and Union Territories adopt uniform floor rates for Sales Tax at an early date. Our Government has expressed its approval of this recommendation and suggested a time frame by which such rates should be adopted. In fact some northern states have already adopted uniform floor rates. This will end a tax rate war among the states and will improve our tax recovery consequently.

AGRICULTURE SECTOR

155. I had announced my proposal to give relief to rubber growers earlier. In the case of growers who have already opted for compounding for three years, this year, for which exemption is granted, will not be reckoned for the calculation of the said period.
156. I propose the following further concessions in the matter of Agricultural Income Tax.

157. At present compounding facility is available to individuals holding an extent up to 20 hectares, partnership firms holding an extent up to 100 hectares and to charitable institutions. I propose to extend this facility to all assesseees including companies holding extent up to 500 hectares on slab rates. But this facility will not be allowed to new companies formed by splitting up existing companies holding an extent more than 500 hectares. Partnership firms will also be allowed compounding facility on slab basis.
158. Tenants-in-common will be treated as a separate status and the rates applicable to Individuals will be made applicable to it.
159. Reductions are proposed in the rates of compounded tax for all crops, excluding tea and coffee. Slab rates will be applied to land extending to 500 hectares out of which the first three hectares will be exempted. The present rates will continue in respect of tea and coffee. Schedule is given in Annexure I. A loss of revenue of Rs. two crore is expected.
160. Coconut and copra will be treated as a single commodity under the sales tax law. Goods purchased within the state will be taxed at the point of last purchase in the state and others will be taxed at the point of first sale within the state. The rate of tax will continue to be 4%.
161. Seeds will be included in the Schedule III and exempted from Sales Tax.
162. Cardamom sold in auction will be taxed at the point of sale in auction. In respect of cardamom sold outside auction, the present tax structure will continue.

Trade & Industrial Sector

163. Presently, the concessional rate, of 4% allowed to small-scale industrial units is not available above the Rs.50 lakh limit. Thereafter the entire turn over attracts the high rate. This provision adversely affects the development of SSI Units. It is therefore proposed to revise the revise rate structure. Instead of the existing provision the rate of tax in respect of all products manufactured by SSI units within the state, which attract tax at rates exceeding 6% will be reduced to 6% irrespective of the turn over. This rate of 6% will apply to all

rubber based small scale industrial units manufacturing products except tyre, tube and flap. In respect of products, which attract rates less than 6%, the respective rates will continue. The loss of revenue consequent on this is expected to be made good through increased production.

164. In order to encourage Information Technology Units, Software will be completely exempted from sales tax.
165. Newly started Hardware units will be exempted from Sales Tax for a period of seven years subject to a ceiling of 150% of the Fixed Capital Investment. Software parks and software units set up in such units will be exempted from registration fee and stamp duty required for such registration.
166. The list of electronic goods eligible for the concessional rate of 6% will be revised by including more items. Details are given in Annexure II.
167. Rate of tax on bamboo mat sold by co-operative societies for the manufacture of Bamboo Ply and that leviable under Section 5A on the purchase of Bamboo mat from Bamboo workers will be reduced from 10% to 3%.
168. Rate of tax on cement paint manufactured by Small Scale Industrial Units will be reduced from 12.5% to 6%.
169. In order to promote construction of low cost houses, the rate of tax on concrete door and window frames and grills will be reduced from 12.5% to 6%. A loss of 10 lakh is anticipated.
170. Solar energy devices will be exempted from Sales Tax. A loss of Rs. 10 lakh is anticipated.
171. Rate of Tax on diesel generator sets manufactured by SSI Units within the state will be reduced from 10% to 5% and that on inter state sales to 2%.
172. Rate of Tax on inter state sales of push button telephones will be reduced to 2%.
173. Rate of tax on bullion and specie sold to jewelers for the manufacture of ornaments will be reduced from 1% to half percent.
174. Rate of tax on paraffin wax will be reduced from 12.5% to 4%.

175. Rate of tax on lemongrass oil purchased for use in the manufacture of goods within the state will be reduced from 8% to 3% provided that the local or interstate sale of the product is liable to tax.
176. Rate of tax on cotton will be reduced from 4% to 2% and that on hank yarn from 2.5% to 1%. Additional revenue of Rs. 5 crore is expected through increased production and sale.
177. Rate of tax on ammonia gas sold within the state or inter-state for use in the manufacture or processing of goods for sale will be reduced from 10% to 3%.
178. Rate of tax on biscuits and confectionery manufactured by S.S.I. Units within the State will be reduced from 10% to 6%.
179. Exemption from sales tax available to ready made garments manufactured by SSI units within the state will be extended for a further period of one year. A revenue loss of Rs.3 crore is anticipated.
180. In order to help film making, distributing and exhibiting sector in the state, which is facing a crisis, it is proposed to grant an exemption in respect of the tax payable on transfer of right to use films under Section 5(I) (iii) of the KGST Act. A loss of Rs. 10 lakh is expected.
181. Towels, pillow covers and bed sheets will be exempted from sales tax. A loss of Rs. 15 lakh is anticipated.
182. Ball tamarind taxable @ 10% is included along with tamarind and subjected to tax @ 4%.
183. Rate of tax on alcoholic drinks, other than those manufactured by SSI Units within the state will be raised from 20% to 25%. Additional revenue of Rs. one crore is expected.
184. Rate of Tax on cooked food served in star bar hotels (item included in item 40 of the first schedule) will be raised from 6% to 8%. Additional revenue of Rs. 2 crore is expected.
185. Fees of Rs.100 and Rs. 250 for appeals and revisions under the KGST Act, Agricultural Income Tax Act, Tax on Luxuries Act and Tax on Entry of

- Goods into Local Areas Act are to be raised to Rs.200 and Rs.500 respectively. Additional revenue of Rs.10 lakh is expected.
186. The minimum registration fee payable by Casual Traders will be raised to Rs.1000. An additional income of Rs. 5 lakh is expected.
187. Rate of Tax on Aviation Gasoline will be raised from 12.5% to 20%. Additional revenue of Rs. 25 lakh is expected.
188. Rate of Tax on coconut oil cake, other than those produced and sold by oil mills within the state will be raised from 3% to 6%. Rate of tax on coconut oil cake produced and sold by oil mills within the state will be fixed at 3%. Additional revenue of Rs.2 crore is expected through increased production.
189. Tea will be completely exempted from the purview of Section 5(2) of the KGST Act relating to tax liability of branded goods. By this tea will be taxed at the point of first sale.
190. I propose a new and simplified scheme for compounding of tax for jewelers. The compounded tax payable for a year will be 120% of the compounded tax paid or the tax payable as per the return or accounts for the immediate previous year. If the actual tax payable for a month as per accounts is more than the proportionate compounded tax payable, the additional amount will be paid along with the monthly return. If the actual tax liability is less than the compounded tax payable, the compounded tax will be deemed to be the actual tax liability. No appeal or revision will be allowed in a case in which compounding has been opted. If a dealer who has opted for compounding opens new branches the compounded tax payable in respect of each new branch for the first year will be 25% of the compounded tax for the principal place of business.

Luxury Tax

191. An annual luxury tax of Rs. 2000 will be levied on all residential houses and flats having a plinth area of 3000 sq.feet or more completed after 1.4.99. Additional revenue of Rs. 20 lakh is expected.

Collection of Arrears.

192. Public sector undertakings, private undertakings and individuals are in arrears of tax to the tune of Rs. 750 crore. This will include arrears involved in appeals and revenue recovery. In the interest of state revenue these arrears have to be collected on top priority. The following steps are proposed to be taken by announcing certain concession in interest.
193. Arrears up to 31.3.1997 will come under the purview of this scheme. Assesseees, other than companies will be permitted to settle the arrears by paying the outstanding principal amount along with 40% of the interest. Maximum interest payable will be limited to an amount equal to the principal amount outstanding.
194. If the tax or other amounts payable by assesseees, who remit amounts under this scheme, is later reduced in appeal or revision, the amount so reduced will be refunded to the assesseees with interest. The period of this scheme will be up to 30.9.99. I hope that traders and other organisations will come forward to settle the arrears by utilising this scheme to the maximum extent.
195. It is expected that an amount of Rs. 200 crore can be collected through this measure. An amount of Rs. 50 lakh is set apart for publicity.
196. I also propose certain administrative measures to make the tax collection effective. Details are given in Annexure III.
197. The measures proposed by me are expected to yield **Rs. 247 crore.** The concessions I have announced amounts to **Rs.5.45 crore.**

REGISTRATION DEPARTMENT

198. The Committee appointed by Government on recommending methods to fix the fair value of land has submitted its report. Government have decided to accept this report and issue orders accordingly. This will help us garner a fair share of the revenue due to us from land and real estate transactions in the state. I expect to raise **Rs. 95 crore** additionally from registration and stamp duty.

LEASE FROM LAND

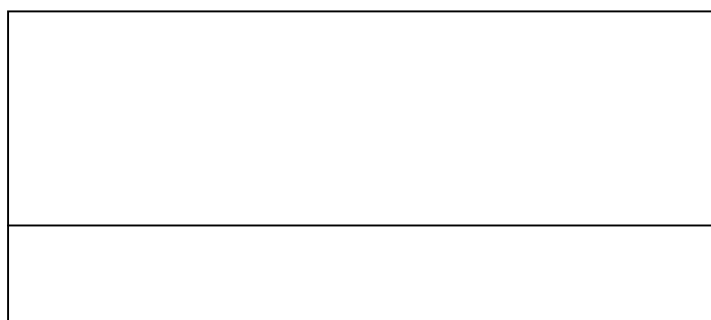
199. The Non Tax Revenue Cell in the Finance Department is now engaged in the task of mobilising resources by increasing fees and user charges for services rendered by various Government agencies. Across the state, Government have leased out substantial areas of land and trees for various purposes. A comprehensive assessment of these rates is not being completed. This exercise is expected to yield **Rs. 60 crore** additionally this year.

SUMMARY OF FINANCIAL POSITION

200. I had estimated while presenting the Budget for 1998-99, that the year would end with an uncovered gap of Rs. 360.13 crore. I had proposed to reduce this gap to Rs. 115.73 crore by additional resources mobilisation announced in the Budget Speech 1998-99. But it is now estimated that this gap at the end of the year would be Rs. 142.60 crore.
201. I had expected Revenue Receipts of Rs.8677.79 crore. However, my current assessment shows that I may be able to raise only Rs. 8174.62 crore. I have already explained to this august House, the factors that account for this shortfall of Rs. 503.17 crore.
202. The revised estimated of revenue expenditure shows that as against the budget figure for 1998-99 of Rs. 9623.78 crore, the actual expenditure may be Rs. 9778.65 crore. There will be a difference of Rs. 154.87 crore.

The summary of the position for the current year is shown below





203. My budget proposals shows revenue receipts of Rs. 9455.97 crore. I seek to raise Rs. 396.55 crore through my revenue measures outlined above.

204. I had provided an expenditure of Rs. 11686.37 crore in my budget. Over and above this I have announced additional revenue expenditure of Rs. 17.90 crore out of a total additional expenditure of Rs. 53.50 crore.

205. Hence after taking into account the overall position, the revenue deficit is **Rs. 1851.75 crore**. The revenue deficit excluding the measures that I propose in my speech would have higher. Not withstanding the difficulties I had explained earlier and the compulsions of financing a higher plan outlay and the demands on account of pay revision, I have attempted to contain revenue deficit for the year 1999-2000, at practically the current year's level.

BUDGET ESTIMATE (Rs. Crore) 1999-2000	
Revenue Receipts	9455.97
ARM measures announced	396.55
Revenue Expenditure	11686.3
Additional Revenue	17.90
Expenditure proposed	----- -
Revenue Deficit	1851.75
Capital Expenditure	674.95
Loans and Advances(Net)	-208.00
Additional Capital Expenditure and Loans	35.60
Public Debt(Net)	
Public Account (Net)	1757.48
Overall Surplus/Deficit	1026.42
Opening Cash Balance	13.60
	-142.60
CLOSING CASH BALANCE	-129.00

206. Along with the Public and Capital Accounts, and the additional expenditure I have proposed in my budget speech, the state will end up with a marginal current year surplus of Rs. 13.60 crore. Taking into account the opening deficit balance of Rs. 142.60 crore, the next fiscal year is expected to end with a closing deficit balance of **Rs. 129 crore.** I hope to meet this by effecting further economy in expenditure.

207. Before I close, I would be duty bound to inform the House that our efforts in resource mobilisation over the last two years holds out great promises for the future of the state. Two developments are pertinent in the context of a discussion of the budget.

ASIAN DEVELOPMENT BANK

208. The share of Kerala in external aid is abysmally low. Such aid is the cheapest source of funds. 30% of this assistance is disbursed as grant and 70% as loan. The weighted rate of interest would only be around 9%. The terms of repayment are easy and spread over a longer duration. We have guided our energies towards availing such assistance. The Asian Development Bank is in the process of finalising the inclusion of Kerala in its scheme for state assistance. The Bank has selected only two other states viz. Gujarat and Madhya Pradesh as yet for such financing. Assistance would forthcoming for schemes in the Power Sector, Road Sector, Decentralised Planning and reforms in Public Finance and Administration including the Public Sector. We expect an assistance of not less than **Rs.4000 crore** in the next few years. We are indeed hopeful that we will be able to get **Rs. 500 crore** as grant for Technical Assistance in 1999-2000 itself.

ONLINE TREASURY BANKING SYSTEM

209. I had, while discussing the developments in Information Technology referred to the computerisation of the Treasuries in the state. Once the project is completed we will have fully networked banking operation in Government. Kerala will be the only state to have such a comprehensive network. For the first time Government will have facility for retail-banking operations. This will help the state tap the burgeoning deposits and remittance and utilise them for development of the state. We shall soon be working out details in consultation with the Reserve Bank of India. I am confident that this would give us a powerful solution to the problem that we have always faced about our declining credit deposit ratio.

210. In presenting the figures in this budget, I have not used either the expected inflows from Asian Development Bank assistance or the amount expected from Treasury Banking Operations. I am confident that these will help me find resources to supplement Government's development efforts during the course of the year.

211. The optimism notwithstanding, I am aware, that given our Government's deficit we have to pay foremost attention on frugality in Government expenditure. Our deficit has had to be financed by the Public Account and Public Debt of the state. Given the high plan outlay of the state, this expenditure will be focused on schemes, which will prime up the engine of economic regeneration of the state. Let me assure this august House, that there will be no letup in our efforts to rein in reckless spending of public money. We must – and we will – govern as if every rupee that we raise counts – because every rupee collected does matter to us.

212. As we sculpt a plan of action for development, it is important to restate and reconfirm the principles that underline it, the values we seek to sustain and strengthen. The story of this millennium will soon be over, and one more epic chapter in the history of time would have been completed. But the story of our state and our country has to unflinchingly go on. Our goal must be to forge a stronger partnership, a fairer society built on mutual respect, trust and support for one another. It is time to build upon a new perspective, a new vision for ourselves—a vision anchored in the good sense of each of us individually and rooted in our collective appreciation of the common good.

213. So let us come together to make a pledge of common purpose – that we will do everything in our power today so that the generations of tomorrow are able to say that Kerala has crossed the gateway of time into the 21st century and that the 21st century truly belongs to us.

214. I am also presenting the Vote on Account for expenditure for four months from 1st April to 31st July 1999.

THANK YOU

APPENDIX
LIST OF SIGNIFICANT ITEMS OF ADDITIONAL
EXPENDITURE DURING 1998-99
(in Rs. Crore)

1.	Clearance of Contractors' arrears bills	
(a)	Roads and Bridges	60.83
(b)	School Building	7.00
(c)	Hospital Buildings	2.12
(d)	Anti-Sea erosion works	1.75
2.	Execution of Works under RIDF Scheme	34.00
3.	NABARD Assisted Works	10.00
4.	Construction of Legislature Complex	11.00
5.	KSRTC	23.12
6.	Agricultural Loan written of	21.40
7.	Power Subsidy – Industries	11.00
8.	Incentive under Small Savings Scheme	10.00
9.	Cashew Development Corporation	8.44
10.	Basic Tax to Panchayaths	8.41
11.	Cost of fodd material supplied to Primary School pupils	2.50
12.	Kerala Saksharatha Mission	4.95
13.	Photo Identity cards to Voters	2.75
14.	World Bank Project for Modernizing	6.57
15.	Kerala Film Development Corporation	2.05
16.	Old Age Pension Scheme	2.31
17.	Tackling sudden pest attack	1.29
18.	Freedom Fighters Pension	1.50
19.	Promotion of Oil Palm Cultivation	2.28
20.	Afforestation and Eco-Development	1.76
21.	Rural Sanitation Programme	3.11
22.	Contribution of Coirfed	2.25
23.	Sitaram Textiles	2.30
24.	Thanneer Mukkom Bund	1.90
25.	Widening of Karamana –Killimppalam Road	1.50
26.	Bakel Resort	2.00
27.	Kallada Irrigation Arbitration Case	1.00
28.	Tele Therapy Unit, MCH Kozhikode	1.80

ANNEXURE I

Name of Crops	First 3 hect.	On the next 5 Hects. (Rate per Hect.)	On the next 5 Hects. (above 8 Hects. but not exceeding 13 Hect.) Rate per Hect.	On the next 5 Hects. (above 13 Hects. but not exceeding 18 Hect.) Rate per Hect.	On the remaining extent (upto 500 Hects.)
1	2	3	4	5	6
Cardamom C Zone cashew, Clove, Cinchona, Nutmeg, Cinnamon and other crops not specifically included in this tale (other than Tea and Coffe)	Exempted	300	450	800	1400
Pepper	”	400	600	1000	1750
Coconut, Coca & Rubber	”	500	1000	17000	2500
Cardamom ‘B’ Zone	”	550	1000	2000	2800
Cardamon ‘A’ Zone	”	750	1200	2700	3500
Arecanut	”	750	1200	2700	3500
Tea	”	350	500	900	1500
Coffee	”	700	1000	1800	3000

ANNEXURE II

(See Para 167)

COMPUTER AND ALLIED PRODUCTS which are proposed to newly added to schedule VI to notification SRO 1728/93.

Computers peripherals:

Mono Monitor, color monitor, LCD, External drives, Dotmatrix printers, Inkjet Printers, Laser Printers, Scabbers, Digitizers, Modem, ISDN Products, LAN Products, Hubs, Switches, Mouse, Key Board, Digital Imaging Systems, Net work, Cables, Net work cable Information outlets, Information outlet Face Plates, Patch Panels, Routers, Router cables.

Computer Components:

Floppy Drive, CD Drive, DVD, Hard Disk, Motherboard add on cards, SMPS Cabinet, Memory Modules, Internal Modems, LAN Cards, Multimedia Products, Central Processing Unit(Processors and Processor boards, Processor Assemblies), Signal Cables, Connectors, Back up Drives.

Computer Consumables:

Floppy Diskettes, Super Disk, CD, Printer Ribbon Cartridges, DAT Data Cartridges, Inkjet Cartridges, Drivers cleaning Kit, Refill Kits, Storage boxes, Computer Cleaning Products, Computer Covers, Mouse pads.

Computer Power Supply:

UPS, Electronic Stabilizers, CVT, Servo Stabilizers, SMPS, Spike Buster, Line Fitters, DC Power packs and Power Cords.

NOTE:- All types of Computers will be clarified to be included in item 12(c) of Schedule II to notification SRO 1728/93.

Annexure III
(See para 197)
Administrative Measures

- (1) In order to remove ambiguity, motor coolant will be included as a separate item and subject to 15% sales tax.
- (2) Appeals will be provided for against order under Section 19 C and 43 of the KGST Act.
- (3) Construction of railway track and sea will be classified as civil contracts under section 7(7) of the KGST Act.
- (4) (a) works contractors who have not so far taken out registration, filed returns or paid tax will be given one more opportunity for the same. If such contractors remit the tax due for the respective year on or before 31.12.99, they will be exempted from payment of interest under Section 23(3) and penalties and registration fee for the period up to 1998-99.
(b) For the speedy completion of assessments of such contractors, provision will be incorporated for the completion of assessment in respect of each contractor for the period upto 1998-99 in one block.
An additional revenue of Rs. two crore is expected.
- (5) Amendments will be made in the related Laws to make Sales Tax and Agricultural Income Tax first charge on the property of the defaulters.
- (6) Provision will be incorporated in the KGST Act to make directors of private companies liable for arrears of Sales Tax due from such companies.
- (7) Provision will be incorporated in Section 22 of the KGST Act. To make Directors, Managers and Partners of the organization which fail to pay to the tax collected by them to Government personally liable for such tax collected and retained.

- (8) Entries in the III Schedule to the KGST Act relating to Sugar, Tobacco and Textiles will be amended in tune with the changes in classification made in the Central Excise Tariff.
- (9) In order to effectively curb evasion through under valuation, an amount of Rs. One crore is provided for the purchase of the undervalued goods under Section 28A of the KGST Act.
- (10) Provision will be made to empower a bench of the Appellate Tribunal consisting of two or more members with the Chairman or Judicial Member as one of the Members to hear and dispose of cases where the amount of tax or penalty disputed in appeal is above Rs. One lakh.
- (11) Provision will be made in the AIT Act and KGST Act for filing direct appeal to the Appellate Tribunal against original orders on questions of law which had already been decided by the High Court of the Supreme Court.
- (12) Section 3 of the Kerala Tax on Entry of Goods into Local Arrears Act will be amended to empower Government to fix rate of entry tax rates not exceeding the rate in the related entries in the schedule to the KGST Act.
- (13) Provision to forfeit of Surcharge illegally collected will be incorporated in the Surcharge on Taxes Act.
- (14) In order to remove the ambiguity in the entries in the schedule to the Entry Tax Act relating to Refrigerator, Iron and Steel, Air Conditioners and Invertors and to curb evasions, the relevant entries will be amended as follows:
 - “Refrigerators, their parts and accessories
 - 9. Iron and steel falling under item 2(ii) of the second schedule to the KGST Act.
 - 11. Air conditioners, their parts and accessories.
 - 20. Inverter, including UPS”

- (15) In order to remove ambiguity non-stick cookware and utensils will be included under item 104 of the first schedule to the KGST Act.
An additional revenue of Rs. 10 crore is expected through these measures.
- (16) The time limit for completion of assessments for the year 1994-95 will be extended till 31.3.2000.
- (17) In order to enable detection of more cases of major contracts and so complete the assessments in such cases, the works contract office in Ernakulam will be upgraded to the office of the Assistant Commissioner and necessary staff and other facility will be provided. A amount of Rs. 5 lakh is set apart for this.
An additional revenue of Rs. 5 crore is anticipated.