

**Speech of Thiru C. Ponnaiyan, Minister for Finance,  
Government of Tamil Nadu, presenting the Revised  
Estimates for 2002-2003 and the Budget for 2003-2004  
to the Legislative Assembly on 21<sup>st</sup> March, 2003.**

**Honourable Speaker Sir,**

I rise to present the Revised Estimates for the year 2002-2003 and the Budget proposals of the Government of Tamil Nadu for the year 2003-2004 before this august House. The people of Tamil Nadu have once again reaffirmed their immense faith and trust in the dynamic leadership of our visionary leader Puratchi Thalaivi J Jayalithaa. The resounding victory in the recent Sathankulam by-election amply demonstrates that our people stand solidly behind our Hon'ble Chief Minister, Puratchi Thalaivi J Jayalithaa in her bold efforts to set right complex and seemingly insurmountable problems and forge a brand new development path, which will take the State to the Number One position in the country.

2. Hon'ble Members are well aware of the difficult problems that this Government had to face after it assumed office in May, 2001. We have had to contend with an extremely serious fiscal situation with no easy solutions and widespread drought conditions, following successive failure of monsoons and non-release of water by Karnataka, leading to the failure of crops in the Cauvery delta region. These adverse conditions would have broken the will of any other Government and completely paralyzed the entire development process. It is only because of

the steely resolve and indomitable will of the Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa that despite extreme odds, this Government has been able to chart out a new development agenda and take resolute steps for achieving the development goals.

### **DROUGHT RELIEF MEASURES**

3. Tamil Nadu is reeling under one of the worst droughts in its history. The State experienced a deficit rainfall of (-)45.8% during the southwest monsoon season. Though the northeast monsoon began well, the rainfall deficit in this monsoon by December 2002 was (-) 14.7%. The overall deficit in the year 2002 was (-) 25.4%. The successive failure of monsoons has created conditions of severe scarcity of water for irrigation and drinking purposes. Non-release of Tamil Nadu's share of water from the Cauvery river to the Mettur Dam by Karnataka Government has further compounded the problems. Having left the Kuruvai crop unsown, the farmers have now lost the Samba and Thaladi crops as well.

4. This Government responded promptly to the emerging situation by declaring 28 districts, except Chennai district, as drought-affected. Relief measures aimed at providing gainful employment through construction of durable community assets, provision of supplementary nutrition, drinking water and relief to farmers among others, have been taken up. I may be permitted to briefly touch upon the specific measures undertaken by the Government to provide succour to the affected people.

- ❖ Just as the impact of the drought and non-release of Cauvery water for the standing Kuruvai crops in the delta districts began to be felt, the Hon'ble Chief Minister convened a special meeting in Thanjavur in June, 2002, and announced a special relief programme for the three delta districts at a cost of Rs. 164.18 crores. This has been successfully implemented.
- ❖ The Government sanctioned a total of Rs. 149.48 crores to combat the problems of drinking water supply in all the districts in the State. This has been utilised for deepening existing bore wells, installation of mini-power pumps, deepening and desilting of wells, extension of water pipelines to uncovered areas etc. Supply of drinking water through lorries is also being made in badly affected municipalities.
- ❖ Coconut farmers in Tamil Nadu have been badly hit because of the failure of the monsoons and the consequent drying up of trees. The Government has sanctioned Rs. 30.50 crores to the eligible beneficiaries as relief to undertake replanting.
- ❖ The Hon'ble Chief Minister's scheme for providing gift hampers to about 10-lakh households of landless agricultural labourers in the Cauvery delta districts at the time of Deepavali in 2002 at a cost of Rs. 210 per hamper was very well received. This was implemented at a total cost of Rs. 21 crores.
- ❖ The Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa also launched a Special Noon Meal Programme for families of landless agricultural labourers in the delta districts with the objective of ensuring food security. Based on

representations that provision of free rice would be better than giving a cooked meal, the Hon'ble Chief Minister announced that 30 Kg. of rice will be given free of cost to every family registered under the Special Noon Meal Programme from 1<sup>st</sup> February 2003. This has been implemented and will be continued till the Food For Work programme is fully operationalised.

- ❖ A special programme for employment generation in 9 districts of the Cauvery delta has been launched at a total cost of Rs. 217.09 crores following the failure of the Samba crop.

I am glad to announce that this Government will now implement a massive employment generation programme at a cost of Rs. 341.92 crores in all the 28 drought affected districts. This special Food For Work programme would have cash and rice components to be given as wages. The total allocation for the cash component is Rs. 85.48 crores. Rice valued at Rs.256.44 crores would also be given to the beneficiaries. The estimation of crop loss and area affected is underway. We shall announce shortly a relief package for farmers who have been affected based on the pattern and amount to be announced by the Government of India.

5. The Government presented a detailed Memorandum in September, 2002, to the Union Government giving the details of the failure of southwest monsoon, its impact and the relief assistance required. This Memorandum requested the Government of India for a total cash assistance of Rs.1434 crores and an allotment of 5.5 lakh tonnes of rice to be given as wages for drought relief works. The Government of India

sanctioned Rs.228.30 crores before setting off the opening balance in Calamity Relief Fund at the beginning of 2002-2003. The net amount actually released by the Government of India was only Rs.133.06 crores along with 50,000 tonnes of rice.

6. Following the failure of the northeast monsoon, the Hon'ble Chief Minister brought the gravity of the drought situation in the State to the notice of the Hon'ble Prime Minister. In response to the Hon'ble Chief Minister's request, the Union Government deputed another four-member Central Team to assess the severity and extent of the drought in February, 2003. In a detailed drought Memorandum presented by this Government, we have requested the Union Government to sanction an assistance of Rs. 2093.92 crores to Tamil Nadu along with Rs. 54.69 crores for water supply in Chennai. An additional 9 lakh tonnes of rice was also sought for the State to mitigate the effects of the drought. From this, we have received an allotment of 75,000 tonnes of rice so far from the Union Government. Thus, the total allotment of rice so far is 1.25 lakh tonnes, The other sanctions are still awaited. Thus, this Government has made a request for a total amount of Rs. 3527.92 crores as cash assistance and 14.5 lakh tonnes of rice in both the Memoranda given to the Government of India. We are providing Rs. 276 crores in the Budget for 2003-2004 so as to enable the State Government to continue with various relief measures in the next financial year.

### **FISCAL SITUATION**

7. The details of the complex fiscal problems inherited by this Government, the bold reforms package implemented by us

along with further improvements planned, have been outlined in the Appendix to this Speech, which may be taken on record. I would like to inform this august House that had it not been for the extremely bold and far-reaching reforms initiated and carried through by the Hon'ble Chief Minister, Tamil Nadu would have slid irrevocably into the abyss of fiscal ruin and development-neglect.

8. The unprecedented nature and extent of erosion in the public finances of Tamil Nadu being witnessed today is the result of non-recognition of the gravity of the problem and absence of timely remedial action by the previous Government. Therefore, there are no easy and quick-fix solutions to the problems. This Government has the onerous responsibility of integrating the reform priorities with the development imperatives of the State. The interests of the poor and the needy have to be protected. Investments and equitable growth have to be promoted to enhance opportunities for employment and a better life for the people. There are also major problems relating to public debt management, controlling debt service costs and pension commitments of the State Government. The issue of payment of salary and pension arrears to Government employees impounded by the previous Government poses a formidable challenge to the process and pace of fiscal recovery. The reform programme has necessarily to be carried through a medium term.

9. Given the fact that a stable fiscal situation is an essential pre-requisite for enabling the Government to implement its development agenda, we have decided to bring forth a legislative enactment on Fiscal Responsibility in the current session of the Legislature. This legislation will incorporate basic

principles of State level fiscal management and financial discipline that needs to be observed in the future. It will also save future Governments from experiencing the serious fiscal problems that we have had to confront.

10. Hon'ble Members may recall that external funding agencies like the World Bank had moved away from Tamil Nadu in the absence of any effort at fiscal reforms by the previous Government. Meanwhile, all neighbouring States have benefited by such assistance and have been able to go in for larger Plan outlays while Tamil Nadu was left behind. This Government has shown the will to undertake the reforms necessary for restoring the fiscal health of Tamil Nadu and taking the State forward on a higher growth trajectory. I am happy to inform the Hon'ble Members that the World Bank has now evinced keen interest in supporting our development programmes. The Union Government has backed our request to the World Bank for the sanction of an economic restructuring loan. We have assumed the release of Rs.1000 crores as the first tranche of this support in this Budget. The World Bank has also come forward to process our development projects pending sanction for a long time. They include the Tamil Nadu Road Sector Project (Rs.2118 crores), the Water Resources Consolidation Project-II (Rs.2900 crores), the Poverty Alleviation Project (Rs.1156 crores), Tamil Nadu Health Systems Development Project (Rs.650 crores), the Tamil Nadu Water Supply and Sanitation Project for Rural Areas (Rs.2300 crores) and the Tamil Nadu Urban Development Project-III (Rs.750 crores). We also have, on the anvil, other new projects such as the Chennai Metropolitan Transport Project and the Tamil Nadu Primary Sector Development Project, which are to be taken up with the World Bank. We are developing schemes

and projects, which will be posed to other external agencies such as the Asian Development Bank (ADB) and the Japan Bank for International Co-operation (JBIC). Posterity will recall that it is only because of the decisive action and firm vision of the Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa that Tamil Nadu has been brought back on the development path.

### **TWELFTH FINANCE COMMISSION**

11. This Government welcomes the constitution of the Twelfth Finance Commission. The serious fiscal situation faced by most States is because of the total inadequacy of the dispensations of the Eleventh Finance Commission. We hope that the Twelfth Finance Commission will redress the grievances of the States.

12. The chronic financial stress being faced by most States requires serious attention. The Twelfth Finance Commission will have to enlarge substantially, the States' share of the divisible pool of Central taxes from the present level of 29.5%. This definitely needs to be done as most developmental responsibilities have now devolved on the States. In making its recommendations on horizontal distribution between States, the Twelfth Finance Commission will have to chart out a bold new course of action. Successive Finance Commissions in the past have indulged in the exercise of taking away the share of better-performing States and giving it to the laggard States. This has to stop. The Hon'ble Chief Minister has made a forceful plea for a complete change in the thinking on the subject in her speech before the National Development Council in December 2002. Emphasis has to be placed on economic efficiency and

performance, including proper fiscal management. The Twelfth Finance Commission has also to come out with a meaningful debt relief plan with special incentives to States that have ensured prudent financial management. We shall be making a detailed forecast and also present the State's Memorandum to the Twelfth Finance Commission, when scheduled.

### **TENTH FIVE-YEAR PLAN**

13. Members of the House will be glad to know that our Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa has secured an outlay of Rs. 40,000 crores for Tamil Nadu for the Tenth Five Year Plan Period (2002-2007). This has been made possible due to the untiring efforts of the Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa following discussions with the Deputy Chairman of the Union Planning Commission in June 2002. This has also been confirmed at the meeting of the National Development Council at New Delhi in December 2002. At a time when Tamil Nadu's Annual Plan outlay was already low and slipping further, the Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa actually ensured that Tamil Nadu goes forward on a new development path with an emphasis on poverty alleviation, accelerated growth in the primary sector, restoration of growth momentum to the manufacturing sector and a new buoyancy in the services sector. The Hon'ble Chief Minister's 15-point programme, which I set out in my last Budget Speech, has been incorporated in the State's Tenth Plan. The Tenth Plan targets an overall growth rate of 8%. To achieve this target, fiscal consolidation and accelerated development is a must.

## **ANNUAL PLAN 2003-2004**

14. Members of the House are aware that the Government was forced to scale down the approved Plan outlay in 2001-2002 from Rs. 6040 crores to Rs. 5200 crores. It is to prevent this kind of a situation that fiscal reforms were undertaken during 2002-2003. This has now enabled us to declare firmly that the approved Plan outlay of Rs. 5750 crores in the current year will be achieved in full. It is with this new confidence that we propose to embark on a much larger Plan outlay for the year 2003-2004. Members of the House will be glad to know that we are targeting to reach a Plan outlay of Rs. 7000 crores for the year 2003-2004. This will be confirmed after discussions of the Hon'ble Chief Minister with the Deputy Chairman of the Union Planning Commission.

## **POLICE, PRISONS AND FIRE SERVICES**

15. Perfect maintenance of law and order is a *sine qua non* for rapid socio-economic development. The Hon'ble Chief Minister has taken extraordinary efforts to impart a new vision, direction and purpose to the State Police.

16. An outlay of Rs. 271.84 crores was allocated under the Modernization of Police Force (MPF) programme over the two-year period (2001-2003) for purchase of arms and ammunition, equipment, vehicles, communication facilities, construction of police quarters and other buildings. In pursuance of our commitment to opening 188 All Women Police Stations, 148 new All Women Police Stations have already become functional.

17. The morale of the State Police stands considerably enhanced because of the welfare measures initiated by the Hon'ble Chief Minister. In an unprecedented effort, the Hon'ble Chief Minister spent five full days to hear and solve specific grievances of officers and men and women of the State Police. The grievance redressal machinery has been completely revamped and made meaningful to improve the morale of the Police. A grant of Rs. 1.38 crores in the current year was provided from the Tamil Nadu Police Benevolent Fund to enable the children of police personnel to pursue higher studies apart from monetary relief in special cases. A sum of Rs. 1.75 crores was spent under the Tamil Nadu Police Health Scheme to provide the best medical facilities to police personnel and their dependents in 2002-2003. The Government has also opened crèches in six Police Commissionerates for the benefit of women police personnel to ensure proper care of their infants. The Police Housing Programme in Tamil Nadu is clearly among the best in the country. As a result, the satisfaction rate of housing amongst the constabulary in Tamil Nadu is among the best in the country, and much above the national average.

18. The total outlay for the State Police goes up to Rs. 1391.14 crores in the Budget Estimates for 2003-2004 from the Revised Estimates of Rs. 1291.49 crores in the current year. We have accorded the highest priority towards Modernization of the Police Force (MPF). An allocation of Rs. 130.98 crores has been made under this programme during the next financial year.

19. Conducive living conditions in prisons are crucial for facilitating reform and rehabilitation of inmates. Under an ambitious plan approved by the Hon'ble Chief Minister, the

Central Prison in Chennai would be shifted to a sprawling complex in Puzhal with the latest facilities. A provision of Rs. 10 crores has been made in the Budget for 2003-2004. We are awaiting the clearance of the Union Government for implementing a perspective plan for comprehensive prison reforms in the State.

20. The Government proposes to gear up the facilities available with the Fire and Rescue Services Department. A Fire and Rescue Services Commission has been constituted under the chairmanship of a retired Judge of the Madras High Court to study and make recommendations on improving service delivery. New procurements such as purchase of fire tenders among others, at a cost of Rs. 4.20 crores, have been approved for implementation in the next financial year.

#### **DEVELOPMENT IMPERATIVES FOR 2003-2004**

21. This Government has drawn up an ambitious and bold development agenda, which will be the focus of this Budget for 2003-2004. Its main themes include the following:

- ❖ Reinvigorating the primary sector comprising agriculture and allied activities such as horticulture, floriculture etc., animal husbandry, fisheries, irrigation and rural development.
- ❖ Special thrust to the manufacturing sector with the implementation of second-generation reforms.
- ❖ Accelerated infrastructure development with a special focus on the Chennai metro area.

- ❖ Special emphasis on the development of information technology and tourism in the services sector for generation of new employment opportunities.
- ❖ Renewed emphasis on human resources development.
- ❖ Building a comprehensive social safety net and social security cover for the poor and the needy.

These basic themes form the core of the Budget for 2003-2004. It is in this broad context that I would like to spell out the specific plans and programmes of the Government.

### **PRIMARY SECTOR**

22. While the contribution of the primary sector to the Gross State Domestic Product has declined from over 50% in the 1960's to 17% in 2001-2002, the percentage of the population depending on the primary sector for livelihood remains as high as 62%. The stagnation in the agriculture sector witnessed in the Ninth Plan period (1996-2001) followed by the successive failure of monsoons calls for a new development strategy. This would include adequate emphasis on reclamation of wastelands, improvements in the irrigation potential through judicious use of available water resources, conjunctive use of water, introduction and absorption of latest yield enhancing and pest control technology and quick transition to high value crops through development of horticulture, floriculture etc.

23. With the objective of infusing a new growth momentum to this sector, the Hon'ble Chief Minister has announced a Comprehensive Wasteland Development

Programme. This programme consists of three components. The first component relates to bringing fallow lands, both current and permanent, owned by individual farmers under productive economic activity through an agri-clinical approach. This programme will be intensified in the year 2003-2004. The second component comprises getting Corporate houses and federations of self-help groups to undertake development of wastelands along with an associated rural industry. The third component focuses on promoting agro-based food-processing industries with a minimum investment of Rs.1 crore in each of the 385 blocks of the State under the New Anna Marumalarchi Thittam. We plan to push ahead in all three components in the coming year. The Budget provides for Rs. 25 crores for the programme for improvement of wasteland based on the participatory and agri-clinical approach. The Budget also makes a provision of Rs.10 crores for capital subsidy to new units under the New Anna Marumalarchi Thittam. Under this programme, so far 320 proposals covering 220 blocks with a project cost of Rs.267 crores are under process. Sanctions for 33 units with an outlay of Rs.23.14 crores have been accorded.

24. New technology absorption is emerging as a key issue in agriculture development. Precision farming will have to be the new watchword. Based on the success of the water efficient agriculture practices in Israel, we propose to launch a similar programme for Dharmapuri district in the coming year with an outlay of Rs. 2 crores. Based on this experience, similar modules will be developed for other districts by the Tamil Nadu Agricultural University.

25. Horticulture development will be the engine of growth for the primary sector. As a follow-up to the Horticulture Development Mission, this Government has decided to constitute Crop-specific Missions to enhance the production and productivity of mangoes, bananas, cashews, hybrid vegetables, medicinal and aromatic plants and cut flowers in the State. We will have a special Mission for biofuel plants such as Jatropha, Paradise tree etc. Members of the House are aware that we are establishing three Agri Export Zones at Hosur, Nilgiris and Theni. In The Nilgiris district, the project will be taken up at a cost of Rs.15.89 crores and in Theni district at a cost of Rs. 24.60 crores.

26. We need to have a new strategy for expanding the net irrigated area as we have exhausted our surface water resources. Even maintaining the existing level of assured irrigation is becoming a serious problem. This Government has approached the World Bank for financing the Water Resources Consolidation Project-II with an outlay of Rs.2900 crores for basin based improvement of reservoirs, tanks and distribution systems. As the sanction from the World Bank for this project is likely to take some more time, we have requested for the extension of the on-going Water Resources Consolidation Project-I by a year with an outlay of Rs.100 crores. We hope to get the approval for this soon.

27. The Budget for 2003-2004 gives very high emphasis to enhancing the irrigation potential in the State. The provision for the scheme for drip irrigation has been stepped up from Rs.11.79 crores in the current year to Rs. 30 crores in 2003-2004. A new programme for improving the energy efficiency of farm pumpsets and providing a technology package to these farmers in order to

increase the area under irrigation with better yield, will be implemented in the coming year with an outlay of Rs. 10 crores. In pursuance of the announcement made by the Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa a special scheme envisioning direct cash support to small and marginal farmers will be implemented in 2003-2004 to enable them to pay their dues to the Tamil Nadu Electricity Board based on the tariff announced by the Tamil Nadu Electricity Regulatory Commission. The Budget for the coming year makes a provision of Rs.100 crores for this purpose. This Government will ensure that the interests of small and marginal farmers are always protected.

28. The Government has launched a special Food For Work programme as a part of the drought relief operations. A special scheme for desilting and renovating system and non-system tanks under the control of the Public Works Department will be implemented in 2003-2004 with a total outlay of Rs. 100 crores. The cash support of Rs. 25 crores has been provided in the Budget. This will be combined with the allotment of rice valued at Rs. 75 crores. A similar programme for desilting and improving small village ponds and tanks with an ayacut of less than 100 acres under the control of Village Panchayats and Panchayat Unions, respectively, will also be implemented in the coming year with an outlay of Rs. 50 crores. This programme includes a rice component valued at Rs. 37.50 crores. The cash component of Rs. 12.50 crores has been provided in the Budget. Another programme for desilting tanks and other water bodies will be implemented in Ramanathapuram district at a total project cost of Rs. 24.36 crores during 2003-2004.

29. The Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa has placed the highest emphasis on rain water harvesting both in urban and rural areas. In the context of the extreme water shortage being faced by the State, we have to ensure that rain water is properly utilised. The Tamil Nadu Agricultural University has suggested that rain water harvesting structures for irrigation can be promoted. There are totally 1.59 lakh unused wells which can be utilised as rain water harvesting structures. We will implement a programme to do so in the coming year. This will be a joint effort between the departments of Agriculture, Rural Development and the farmers. Likewise, the programme of farm ponds, which the Hon'ble Chief Minister initiated during the last Kuruvai season in the Cauvery delta districts will be expanded to other districts.

30. In the Cauvery delta area, particularly in the tail end area, we will implement a programme of rehabilitation of irrigation control structures so that there can be better regulation of the on-farm irrigation. Simple practices developed by the Tamil Nadu Agricultural University will be popularised in the delta districts to enable farmers to manage the available water better and get better yield. Pumping schemes in the tail end region will be made to function more effectively.

31. The Budget for 2003-2004 provides for a total outlay of Rs.748.00 crores for irrigation as against Rs.668.94 crores in the current year's Budget Estimates.

32. Animal Husbandry is an integral part of rural life and a key activity to provide sustainable growth in the rural economy. The Hon'ble Chief Minister has indicated that homestead farming

that involves integrating agriculture with animal husbandry should be given a new thrust in the coming year. The Budget makes an initial outlay of Rs. 1 crore for promoting agriculture together with animal husbandry in an integrated manner. A pilot scheme for homestead farms together with goat-rearing will also be launched during the coming year.

33. Hon'ble Members will be pleased to know that the Government has sanctioned Rs. 20 crores in the current year to mitigate the adverse effects of the drought on the livestock in the State. This is being used for providing water supply, purchase of vaccines and medicines, upgradation of infrastructure and for ensuring availability of fodder. Under the on-going Livestock Protection Scheme, 4494 health camps have been held in 2002-2003. This programme will be continued in 2003-2004 and an allocation of Rs.2.14 crores has been made for this purpose.

34. Under the DANIDA-assisted Livestock Development Project, 45 Panchayat Unions are being covered. In this project, link worker couples are trained along with selected farmers in various animal husbandry practices with the objective of getting all farmers to increase their income and for providing veterinary health care. This will be replicated in 6 more districts. The assistance of veterinary science graduates will be enlisted in a self-employment scheme for expanding veterinary health care services in the State.

35. I am happy to inform the House that the Government of India has cleared the implementation of the National Programme for Cattle and Buffalo Breeding for our State at a total cost of Rs. 20 crores. This project aims at improving the

quality of livestock and conservation of indigenous breeds. We have set up the Tamil Nadu Livestock Development Agency to spearhead the implementation of this project.

36. Members of the House are aware of the Fisheries Development Mission launched by the Hon'ble Chief Minister on 18.7.2002 with the objectives of increasing marine and inland fish production, preserving their biodiversity and improving post-harvest storage and marketing. The activities under the Mission will be further intensified in the coming year.

37. The Budget for 2003-2004 makes a provision of Rs. 25.13 crores towards the relief being provided to marine fishermen during the lean season. The housing programme for fishermen is set to get a tremendous boost in the next financial year and an allocation of Rs. 10.21 crores has been made for this purpose. Proposals for the construction of a fishing harbour at Rameswaram at a cost of Rs.48.84 crores and a fishing harbour at Pazhayar Stage-II at a cost of Rs.10.60 crores have been posed to the Government of India for funding. Construction of 10 fish landing centres at total cost of Rs.13.23 crores has already been approved and works have commenced at six places.

### **COMPREHENSIVE RURAL DEVELOPMENT**

38. This Government accords the highest priority to comprehensive rural development, besides promoting gainful economic activity through accelerated development of the primary sector. We shall concentrate on providing essential rural

infrastructure not only to improve the quality of life but also to provide additional avenues for employment.

39. In 2003-2004, we shall obtain loan assistance from NABARD to the tune of Rs.400 crores for financing various components of rural infrastructure development. This will include laying of rural roads and bridges, improvements in the facilities in rural schools, upgradation of rural health infrastructure, irrigation schemes, rainwater harvesting structures, rural electrification and others. This programme will go a long way in promoting avenues for rural employment and creation of adequate infrastructure.

40. Rural electrification will receive a special thrust in 2003-2004. Schemes for improvement of power system networks will be taken up in the coming year in rural areas with a total outlay of Rs. 232.30 crores. This investment will go towards the establishment of 35 new sub-stations, enhancement of power transformers in 39 sub-stations and erection of 2313 new distribution transformers. Hon'ble Members of the House will be pleased to know that a special programme for providing solar energy-based electric connections to 149 remote and small habitations would be implemented in a phased manner from 2003-2004. These massive investments will give a tremendous boost to the quality and reliability of energy supply in the rural areas. The Budget also makes a provision of Rs.14 crores for assistance to hut dwellers to enable them to pay their dues to the TNEB.

41. The Sampoorna Grama Rojgar Yojana (SGRY) is the main programme for rural works, which is supported by the Government of India. In 2002-2003, a total of 79,111 works were

taken up under this programme. In 2003-2004, we plan to take up 100,000 works in rural areas. The Budget includes an outlay of Rs.55.05 crores as the State's cash support for this scheme and it will be implemented along with the rice component in the next financial year.

42. This Government is implementing the Village Self-Sufficiency Scheme as a participatory and rural demand-driven innovative programme. The Budget includes an allocation of Rs.20 crores for this programme.

43. Upgradation and maintenance of rural roads would receive special attention in 2003-2004. The funds available under the Prime Minister's Gram Sadak Yojana (PMGSY) would be utilized to upgrade 2937 Kms. of rural roads at an estimated cost of Rs.367.22 crores. The Government has announced an ambitious plan to provide rural road connectivity in all habitations with the population of 500 and above. An estimated 2102 habitations are yet to be covered. We will ensure that these villages are linked by all-weather roads within the Tenth Plan period.

44. There are an estimated 12,000-km of unclassified roads in rural areas which are not being maintained either by the Highways Department or by the Panchayat Unions. The Government has decided to entrust the maintenance of such unclassified roads with the Panchayat Unions. During 2003-2004, Rs. 50 crores will be utilized for the maintenance of such roads from within the devolution share of Panchayat Unions.

45. The Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa is a strong votary of sanitation, cleanliness and hygiene. This Government has initiated a massive programme for the construction of 12,618 Integrated Sanitary Complexes for women and children in rural areas. The first phase comprising 6309 sanitary complexes has been completed and in the second phase in 2003-2004, we propose to take up construction of the remaining 6309 such complexes and a provision of Rs. 104.42 crores has been made for this purpose. We shall endeavour to extend the Total Sanitation Programme, now operational in 16 districts, to the remaining 12 districts in the State. A "Clean Village Campaign" has been launched and village-level solid waste disposal will be given special attention in the coming year. A provision of Rs. 75 lakhs for the Clean Village Campaign has been made to reward the best villages.

46. Rural housing will receive special attention in the forthcoming year. During 2003-2004, 31,453 houses will be built under the Indira Awas Yojana( IAY). The Budget includes a provision of Rs. 28.37 crores towards the State's share in this programme. An estimated 16,164 Kutcha houses will be upgraded during 2003-2004. The Budget includes a provision of Rs. 4.11 crores for this programme.

47. A new survey of the status of rural drinking water supply in the State, as on 1.4.2002, shows that out of the total of 80,421 habitations, 28,623 habitations have an assured supply of drinking water and 51,294 habitations are only partially covered. 504 habitations still did not have reliable sources of drinking water. I am glad to inform the House that out of these 504

habitations, 465 habitations have been provided with an assured drinking water supply in the current year. The remaining 39 habitations will be covered in 2003-2004. There has also been an impressive increase in the number of habitations which were earlier in the partially-covered category but now have assured water supply. The total outlay for Rural Water Supply under the Minimum Needs Programme for 2003-2004 is Rs. 411 crores.

48. The new Swajaldhara Programme introduced by the Government of India in December, 2002, will be implemented with vigour in the coming year. Under this programme, drinking water facility will be provided. Members of the House will be glad to know that we hope to get the clearance of the World Bank for implementing the Tamil Nadu Water Supply and Sanitation Project for Rural Areas from the World Bank at an estimated cost of Rs.2300 crores in the coming year.

49. Members of the House are aware that Rs.82 lakhs is being provided to every Member of the Legislature for the Constituency Development Scheme. In 2001-2002, due to the extreme financial distress it was not possible to release 50% of this amount. During the current year, we have ensured that the full amount of Rs.82 lakhs for each Constituency has been released. We shall try to release 50% of the arrears of Rs. 96.35 crores before the close of the current financial year and the remaining 50% can be drawn in 2003-2004 along with the regular provision. The Budget makes an allocation of Rs. 240.88 crores under MLACDS for the coming year.

## THE SECONDARY SECTOR

50. The secondary sector mainly comprises manufacturing, electricity and construction industry. The manufacturing sector in Tamil Nadu performed poorly during 1996-2001. Except in 1999-2000, the growth rate has either been negative or very low. This Government proposes to address the structural constraints restricting growth in this sector through second generation reforms. These include:

- ❖ Reduction of transaction time and costs at Ports & Customs.
- ❖ Interest rate corrections.
- ❖ Global integration.
- ❖ Labour reforms and labour productivity.
- ❖ Simplification of procedures and deregulation.
- ❖ Provision of quality infrastructure.
- ❖ Quality Energy Supply.
- ❖ Technological modernization & upgradation.
- ❖ Reforms in State level taxation

51. The first four issues have to be dealt with by the Government of India. We would urge the Union Government to take all measures necessary to eliminate impediments that constrict growth in the manufacturing sector. This Government proposes to address all other issues falling within its ambit. The Hon'ble Chief Minister, in her recent speech at the CII conference, has delineated the blueprint for the second generation reforms to

be undertaken in Tamil Nadu. I would like to briefly touch upon them.

52. As part of our efforts to simplify administrative processes, a common application form has been designed to meet the information requirements for pre-project clearances and infrastructure support, except in respect of the pollution clearance by the Tamil Nadu Pollution Control Board (TNPCB). A Common Return Form integrating 51 different items is also being attempted to eliminate paper work and save managerial time. A High Level Committee under the Hon'ble Chief Minister will monitor the progress of clearances by the TNPCB.

53. This Government proposes to facilitate establishment of new power generation projects in order to meet the growing energy demand. Energy availability will be guaranteed. Due attention is also being paid to improve the quality of energy supply. With the introduction of the availability based tariff system from 1.1.2003, the operating frequency in the system is being maintained between 49.5 hertz to 50.5 hertz. This is a major improvement. We shall continue to invest in transmission and distribution to further improve the quality of energy supply.

54. Technology absorption, modernisation and upgradation will be encouraged. We shall initiate a new policy to help units, which are planning to upgrade. This will be with emphasis on improving their competitiveness in the global market.

55. Reforms in State level taxation are being examined by the Tax Reforms and Revenue Augmentation Commission headed by Dr. Raja J. Chelliah. It has recommended transition to a system of State VAT. We shall do so based on the national consensus. Though this system entails substantial revenue loss for the Government, it surely will be a boon for the manufacturing sector as the tax on inputs will be set off and the ill-effects of cascading removed completely. We are taking stock of other recommendations made by the Commission and they have been covered in other sections of this Budget.

56. Provision of quality infrastructure is another focus area. I am dealing with this separately as we are taking several new initiatives to provide quality infrastructure. This Government will take particular care to ensure that the infrastructure is upgraded to world class standards where export-oriented units are located. At the same time, the general infrastructure consisting of highways, ports, power and urban infrastructure will receive special attention. In addition, there will be a new thrust on the development of the Chennai Metropolitan Area.

57. The ASIDE programme of the Government of India will be utilised to improve the infrastructure where export-oriented units are located. The Industrial Infrastructure Development Programme of the Union Government will also be utilised for development of other clusters such as leather, textiles, pumps and motors, automobile components, machine tools, household appliances etc., for improving their productivity.

58. Tamil Nadu being a coastal State has to set out on an export-led growth strategy. The Hon'ble Chief Minister has

recently approved the State's policy on Special Economic Zones. This will enable the formation of Special Economic Zones at Tuticorin, Ennore and Chennai, adjacent to the existing ports.

59. The Government has identified leather, textiles, automobile, automobile components, rubber and agro-processing as thrust areas for rapid growth. We propose to establish separate missions to take up accelerated development of these segments of industry. This will be done in partnership with the industry groups.

60. Work will commence in the coming year to establish a Biotechnology Park in technical collaboration with Cornell University. An Eco-enterprises Park will be established in Dindigul district.

61. Small and medium entrepreneurs in Tamil Nadu have to be encouraged. The lesson from China is that a vibrant small and medium enterprises sector is vital for the robust growth of the economy and for increasing employment opportunities. The Budget includes a provision of Rs.2 crores for Technology Upgradation and Modernisation Scheme. Under this scheme, the Government will provide back ended interest subsidy in order to enable SSI units to upgrade their units and compete in the market. Likewise, for SSIs started under the National Equity Fund Scheme, back ended interest subsidy will be extended. The Budget provides Rs.1 crore for this purpose.

62. For the tiny sector, a similar scheme will be launched. A provision of Rs.25 lakhs is made in the Budget. The Budget also includes a provision of Rs.25 lakhs to support

SSI units to obtain ISO certification and engage in research and development initiatives. These measures will go a long way in giving a fillip to small scale and tiny industries in Tamil Nadu.

63. It is necessary to upgrade Industrial Estates such as those at Guindy and Ambattur. After detailed deliberations, we have worked out an investment plan of Rs.6 crores for each of these Estates. This will enable provision of quality infrastructure such as roads, lighting, sewerage, drainage etc. They will be restored to their premier position in the coming year. We would like to encourage new units to be established in these Estates. These projects will be executed on a public-private partnership model. A revenue sharing arrangement between the local body and SIDCO together with the Estates' Association will be worked out to facilitate the investment plan.

64. I would now like to turn to the textile industry. We will have a separate Mission for the textile industry. Tamil Nadu is traditionally very strong in this industry. This industry, both knitwear and woven, is passing through very difficult times. The Hon'ble Chief Minister believes that we should look forward and reorganise ourselves to avail of the opportunities in the future. The new Textile Mission will examine all aspects of the industry and undertake programmes to facilitate the revival of the industry. This would include the following initiatives.

- Focus on quality cotton production to improve availability and ensure backward integration of the industry.
- Establishment of a Textile Industrial Training Institute in association with SIMA, to focus on training programmes and

techniques in modern upgraded production systems. This facility will also be used to retrain labour so that they can be absorbed again in the industry.

- Making arrangements with technical institutions to launch a retraining programme so that trained labour are available for the modernised industry.
- Encouraging entrepreneurs to go in for new technology based weaving capacity.
- Modernisation of the existing spinning capacity.
- Encouraging power loom complexes with shuttleless weaving looms.
- Establishing Apparel Parks near Chennai and Tiruppur.

65. I am confident that in the coming year we will be able to address most of the issues relating to the textile industry in a satisfactory manner to give a big push to this industry as it prepares itself for the year 2005, when the WTO regime will come into operation.

66. Hon'ble Members are well aware of the efforts made by the Hon'ble Chief Minister to ameliorate the condition of weavers in Tamil Nadu. The innovative market based scheme of low priced sarees and dhotis has helped to reduce the stocks considerably. We shall implement in 2003-2004 a major scheme to modernize the production processes employed by these weavers and shift them to better value added products. The Budget 2003-2004 has a provision of Rs.83 crores for marketing incentives and handloom rebate.

67. Members of the House are aware that the construction industry is a major contributor to growth. Easy availability of building materials will greatly facilitate the growth of this industry. The Hon'ble Chief Minister has issued instructions for improving the availability of building materials and this will control costs and spur demand. There are still some difficulties relating to availability of sand and other materials. We shall constitute a High Level Committee headed by the Chief Secretary to go into all aspects regarding the supply of building materials and proper regulation of the industry. The Committee will be required to give its report in a period of 3 months and suitable action will be taken thereafter.

68. This Government firmly believes that the quality of life of labour has to be improved. This has to come through enhanced labour productivity and through better incomes. During the year 2002-2003, the Tamil Nadu Construction Workers Welfare Board has disbursed Rs.2.56 crores to 4889 beneficiaries. We shall undertake training programmes, in partnership with industry, to retrain labour for modernised production systems. Members of the House will be glad to know that we plan to ensure that at least 2000 new houses for Beedi workers are constructed in the coming year. Tamil Nadu has been a haven of industrial peace. We shall ensure that good industrial relations prevail in Tamil Nadu during 2003-2004. We have constituted a Special Industrial Tribunal to go in to the wage issues of textile workers.

### **INFRASTRUCTURE DEVELOPMENT**

69. One of the major thrust areas in the Budget for 2003-2004 is the accelerated development of quality infrastructure. It is widely accepted that provision of quality infrastructure helps in the growth of the entire economy. Without

compromising on the quality standards of infrastructure, we have to ensure that they are made available at affordable costs. This calls for looking at the whole issue of infrastructure development and its financing in a holistic manner. In my last Budget Speech, I had indicated that the surcharge on sales tax will be used for an Infrastructure Development Fund. In a State VAT System, there is no place for a surcharge. We have, therefore, decided to constitute the Infrastructure Development Fund with a specific allocation from the Budget. A provision of Rs.200 crores has been made in the Budget for establishing this Fund.

70. Provision of quality infrastructure requires massive capital investment. It is not possible for the Government alone to undertake this stupendous task. Earlier, private capital was unavailable for infrastructure development as returns on investments were very inadequate. This issue has now been addressed world over through the concept of public-private partnerships based on concession agreements and user participation through levy of affordable user charges. In the Union Budget for 2003-2004, the Government of India has unveiled the concept of viability gap funding to facilitate a higher level of investment in infrastructure development. After examining this and other mechanisms available, we propose to enact a new law providing for public-private partnerships in infrastructure development in Tamil Nadu, in the current session of the Legislature. This legislation will provide the basis for developing concession agreements, sharing of risks, and procedures for project development and implementation.

71. Hon'ble Members of the House are aware of the special emphasis we have placed on the development of the energy sector. The Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa has taken special steps to promote the development of new generation capacity in the State.

A Memorandum of Understanding (MoU) between TNEB and the National Thermal Power Corporation for setting up a 1000 MW plant was signed in July 2002. The project cost is estimated to be Rs.4000 crores and this will come up in the North Chennai area. The detailed project report is under preparation. Upon completion, it will be a major new addition to the generation capacity in the State. I am also glad to announce that the Neyveli Lignite Corporation and the TNEB will promote a joint venture to establish a new 1000 MW coastal thermal power station at Tuticorin at a cost of Rs.4000 crores. We shall urge the Government of India for the early establishment of the 2000 MW power station at Koodangulam. The total cost of this project will be Rs.13,000 crores. We shall also take up with the Government of India the inclusion of 2000 MW of additional capacity at this site. Adequate thrust and attention will also be paid towards promotion of non-conventional energy sources such as wind energy, solar energy and biomass based energy. Together with the availability of energy from the Central grid and the Independent Power Plants (IPPs), Tamil Nadu will continue to be energy self-sufficient in the foreseeable future.

72. Members of the House will be happy to note that despite the failure of two monsoons and a consequent shortage of hydel energy, there have been no power cuts in Tamil Nadu. Our focus is now more on the quality of energy supplied. The frequency of supply has been stepped up considerably. We shall continue to invest substantially in system and grid improvements. The Plan outlay of the TNEB for the year 2003-2004 is Rs.1287 crores.

73. Hon'ble Members of the House may recall that Tamil Nadu achieved 100% electrification of all villages as early as 1992 against the All India target of 2007. This achievement was realised when this Government was in office. We are now

aiming at 100% electrification of all households along with the assurance of stable and quality energy supply by 2007. Tamil Nadu will be the first State to achieve this distinction.

74. I am glad to announce that the long delayed Tamil Nadu Road Sector Project, which was drawn up when this Government was in office in 1995, will now be taken up for implementation at a cost of Rs.2118 crores. It is really unfortunate that the previous Government lost out when other States bagged many externally funded projects including the Road Sector project. Our Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa has taken firm and positive action to bring this project back on track. The project is now at an advanced stage of negotiations with the World Bank and we hope that the agreement will be completed by June, 2003. This project will enable the development of 732 Kms of road network. The major components will be the development of the East Coast Highway from Nagappattinam to Tuticorin, the State Highway from Arcot to Tiruvarur and 14 crucial by-passes.

75. We have also examined how to encourage the public private partnership model in road development. The Union Finance Minister in his Budget speech for the year 2003-2004 has announced that a new viability gap funding model will be adopted for accelerated development of National Highways throughout the country. Basically, this involves the utilisation of private capital in road development in association with Government funding support for the viability gap with minimum toll charges. It is necessary that we take up the development of several State Highways and major district roads on similar lines.

76. Under the Hon'ble Chief Minister's Highway Development Programme, about 1800 Kms. of State highways and Major District Roads will be taken up under an accelerated

development programme and completed in a period of 3 years. The plan is to identify individual sectors and upgrade these roads to a minimum of double lane with paved shoulders together with special services such as accident and trauma services, highway patrolling etc. The estimated cost of this project is Rs.1500 crores. The Government will provide capital support to the extent needed and the balance will be through private sector participation. The Government support will be given as viability gap funding on the model evolved by the Government of India. I am sure that this will give a completely new look to the roads and highways in Tamil Nadu making these comparable to the best in the world.

77. Maintenance of existing road and highway networks will also receive special attention in 2003-2004. The Budget provides a special allotment of Rs.180 crores for relaying 5000 Kms. of roads during 2003-2004. The outlay will be further stepped up in future years. In order to protect the maintenance of the core road networks comprising State Highways and Major District Roads, we have decided to constitute a Road Maintenance Fund in the Public Account with a corpus of Rs. 120 crores. This fund will be utilised only for the maintenance of the core road networks in the State.

78. The Tamil Nadu Maritime Board has worked out development plans for the Cuddalore and Nagapattinam minor ports. The Nagapattinam Port has recently been expanded by Chennai Petroleum Corporation Limited at a project cost of Rs.100 crores. This facilitates the arrival of 0.5 million tonnes of crude oil. Development of Cuddalore Port at a cost of Rs.250 crores is being worked out under the public-private partnership model. We will urge the Union Government to take up work on the Sethu Samudram Project without further delay.

79. We are disappointed that upgradation of Chennai Port and construction of the second airport at Chennai do not figure in the Union Government's Budget for 2003-2004. The operations of the Chennai Port need to be completely modernised in the context of our export led growth strategy. The Government of India will be urged to expeditiously take up the modernisation of the Chennai Port. The Government of India has to urgently take a decision on the construction of a second airport at Chennai.

### **URBAN DEVELOPMENT**

80. The quality of urban infrastructure is crucial for the healthy life of the people and is also an important indicator of the progress made by the State. We have decided to give high priority to this sector through adequate capital investments in city corporation areas, municipalities and urban town panchayats.

81. When our Government was in office earlier, it took steps to establish the Tamil Nadu Urban Infrastructure and Financial Services Limited (TNUIFSL). This agency, which is a unique example of public-private partnership, is engaged in financing urban infrastructure projects such as sewerage projects, road development projects, bus stands etc. In 2003-2004, this agency will fund urban infrastructure development projects with an outlay of Rs.200 crores. A separate fund for financing urban water supply and sanitation projects has also been instituted. The Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO), will be geared up to undertake financing of urban development projects to the extent of Rs.200 crores in 2003-2004.

82. Members of the House will be glad to know that despite the severe financial constraints, the prescribed share of

devolution of State tax revenues to all local bodies has been made on a monthly basis. Urban local bodies have to pay greater attention to improving their own sources of revenues. Public-private partnership model should also be considered in providing urban services. I would like to appeal to local bodies to raise resources to fund their development programmes. Profession tax is due for revision on 1.10.2003 and local bodies can themselves undertake this revision as per law.

83. The Hon'ble Chief Minister had launched a massive water supply project for Tiruppur Municipality and all wayside villages at a cost of Rs.1026 crores. This is a unique model of public-private partnership. I am glad to announce that the financial closure of this project has been achieved and the disbursement of loans by the lending institutions will commence by the end of March 2003. The Budget has a provision of Rs.40.17 crores as grants for the project. This is a major achievement of this Government and this project will be the first one of its kind in the country.

84. Quality energy supply is a must for all round development of urban areas. To achieve this objective, this Government proposes to make an investment of Rs.155.50 crores for establishing 11 new sub-stations, enhancement of power transformer capacities in 8 sub-stations and erection of 696 new distribution transformers in the urban areas of the State.

85. The Hon'ble Chief Minister has emphasized the need for proper and scientific management and disposal of solid wastes in all urban areas. A special drive to undertake clearance of garbage, with particular emphasis on removal of plastic litter at source, has been launched. Urban local bodies will be encouraged to set up land fill sites for proper disposal of the solid wastes.

86. The housing sector, being an important source of employment, will receive special encouragement from the Government. The Tamil Nadu Housing Board will be restructured to undertake housing projects on the basis of public-private partnership. The important need is for proper neighbourhoods to be developed in the Chennai Metropolitan Area and other urban centres. Lands will be acquired in these areas to enable the Tamil Nadu Housing Board to take up early development of new neighbourhoods in association with private sector investors. We shall also in due course review the development control rules in the Chennai Metropolitan Area to step up activities in the housing sector.

87. The Tamil Nadu Slum Clearance Board will take up construction of 2116 housing units at a cost of Rs.20 crores in Chennai, Madurai and Coimbatore, with the special problem grant allotted by the Eleventh Finance Commission. 5000 individual houses at a total cost of Rs.20 crores will be built in urban slums under the Valmiki Ambedkar Housing Scheme with support from Government of India. Based on the directions of the Hon'ble Chief Minister, a comprehensive programme for resettlement of 3000 slum houses on riverbanks in Chennai has already been taken up. This would be completed in 2003-2004. An additional 8164 tenements will be built to resettle the remaining families living on riverbanks.

88. The Chennai Metropolitan Area poses an enormous challenge in view of the neglect in investment over several decades. If this city is to regain its past glory as the premier city of South India, we have to work on a major investment plan on upgrading the infrastructure. The main problems facing Chennai Metropolitan Area include: inundation during heavy rains, poor road maintenance and upgradation, water shortages, problems of solid waste disposal etc. The citizens of the Chennai Metropolitan

Area have been requesting qualitative improvements in the basic services. The Chennai Metropolitan Area is also fast becoming a global outsourcing hub for Business-Process Outsourcing (BPO) services and also for several other manufacturing activities.

89. After field inspections last year, the Hon'ble Chief Minister has directed that a comprehensive infrastructure development plan should be worked out. An official Working Group has now prepared an Infrastructure Investment Plan for the Chennai Metropolitan Area. This plan involves an outlay of Rs.18,000 crores over a period of 10 years. In the Medium Term, that is within a period of 5 years, the investment level required is about Rs.10,000 crores. Tamil Nadu Industrial Development Corporation (TIDCO) has entered into a Memorandum of Understanding with the Infrastructure Development Finance Corporation (IDFC) to develop the infrastructure funding plan. We will enlist their support in converting this investment plan into an Annual Action Plan.

90. The Budget Memorandum includes the Action Plan for the year 2003-2004 involving an outlay of Rs.1780.75 crores. This investment will have to be made not only by the Government the local bodies and public utilities operating in the area but also through public-private participation. It is proposed to constitute a high level apex body, namely, the Chennai Metropolitan Infrastructure Development Committee (CEMID) headed by the Hon'ble Chief Minister, to oversee the implementation of the Action Plan. This will ensure that the Chennai Metropolitan Area is restored to its rightful position as the premier city in South India.

## **SERVICES SECTOR**

91. The services sector contributes nearly 50% of the Gross State Domestic Product (GSDP) and is vital for achieving

the overall growth target and providing employment opportunities. We have to develop appropriate policies to achieve substantial growth in this sector.

92. Information Technology (IT) has completely revolutionised the way we conduct our daily life. Tamil Nadu has been in the forefront of this IT revolution. Members of the House are aware that our Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa launched the State's IT Policy on 19.9.2002. This comprehensive policy covers all the measures, which are being taken to facilitate the growth of the IT industry. The Chennai Metropolitan Area will be developed as a destination of choice for Information Technology Enabled Services (ITES). This would include Business Process Outsourcing (BPO) ventures. Chennai has become the global destination for IT-enabled activities and BPO services. The World Bank and leading Banks such as ABN Amro, Standard Chartered etc., have all located their business process centres at Chennai after a careful choice. We shall build on this strength. We will develop the Chennai Metro Area as a tier one centre with disaster recovery and back up in the tier two cities of Coimbatore, Madurai and Trichy.

93. Members of the House are aware of the IT Park being developed at Siruseri near Chennai. It has been the long-standing request of the IT industry to develop the highway between Madhya Kailash on the Sardar Patel Road (Gandhi Mandapam) to the East Coast Road as an Express way. We propose to constitute a Special Purpose Vehicle (SPV) called IT Expressway Limited (ITEL), to undertake the implementation of this 6 lane expressway project to international standards at a total cost of Rs.70 crores. This project will be taken up in the coming year by the Tamil Nadu Road Development Corporation (TNRDC) on a public private partnership model. This major initiative will ensure the rapid development of this IT corridor.

94. We are also working in partnership with the Confederation of Indian Industry (CII) to develop a Knowledge Industry Township as part of this IT Corridor. The initial presentation on this concept has been completed. CII is engaging a world class consultant firm to prepare the detailed project. We shall proceed after the finalisation of this concept and undertake the implementation of this project in the coming year.

95. Tamil Nadu Industrial Development Corporation (TIDCO) will shortly go ahead with M/s. Ascendas of Singapore to establish the Second Information Technology Park close to the existing TIDEL Park. This will be taken up on an extent of 15 acres and will create 1.5 million sq.ft. of built up space in three phases. We shall also focus on the integrated development of the Siruseri IT Park. It is proposed to create adequate high quality housing in this area as an adjunct to the IT Park. SIPCOT is in the process of tying up with a Singapore consortium group to undertake an integrated business and housing programme and this would facilitate the location of BPO and ITES ventures here.

96. Tourism is a major contributor in the services sector. Marketing of Tamil Nadu as a major tourist destination has to be accomplished. We propose to hire a reputed promotion and marketing agency to undertake the marketing of Tamil Nadu as a tourist destination. The Government has to create proper public infrastructure at various tourist spots and centres. The Budget includes a provision of Rs.26.79 crores for the tourism sector. This provision will be stepped up further based on need.

97. With assistance from the Government of India, we are implementing a Rs.19 crore Master Plan for the development of Mamallapuram. Our plan involves the comprehensive development of identified major tourist destinations such as Mamallapuram, Kanyakumari, Ooty, Yercaud and Kodaikanal.

There will be focused attention on specific tourism circuits. Improvements to all facilities in other tourist spots will also be undertaken.

98. The Government has to mainly play the role of a facilitator. We have reduced the luxury tax paid by the occupants in hotels to a maximum of 12.5% with effect from 31.12.2002. We have also reduced the luxury tax on entrance fee to amusement parks to 10% with effect from 31.12.2002. These measures aim at boosting tourism in Tamil Nadu.

99. For the first time in India, the SKAL International Conference on Tourism will be held in Chennai during 2003. We are confident that with the growth of the Chennai Metro Area as a global outsourcing hub, it will be possible to simultaneously achieve faster growth in the tourism sector.

### **HUMAN RESOURCES DEVELOPMENT**

100. The Hon'ble Chief Minister recognizes that investment in human resource development is crucial for transforming the economy and assuring a productive life for all citizens. Education, skill acquisition and access to information form the basis for creating a knowledge society. Proper and planned investments and convergence of various programmes for education, health, family welfare and social development hold the key to ensuring rapid and quality development of our human resources.

101. We have opened 756 elementary schools and 676 middle schools in the period 2001-2003 to ensure access to all. 356 Education Guarantee Scheme Centres have also been opened to cover small habitations where the number of school going children is below 15. This policy of reaching out to those

who cannot access the school system will ensure complete coverage. I am happy to announce that the goal of a school within the reach of every hamlet and habitation in Tamil Nadu would be achieved in 2003-2004.

102. Secondary education is now receiving high priority. This Government has already opened 220 High Schools and 260 Higher Secondary Schools during the period 2001-2003. 30 new High Schools and another 30 Higher Secondary Schools will be opened in 2003-2004. In the second phase of the programme to upgrade the facilities in High and Higher Secondary Schools, 250 schools in 19 districts will be taken up at a project cost of Rs.80.64 crores in the coming year. Quality improvements in the Secondary School infrastructure would pave the way for higher retention levels in academic institutions.

103. The Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa has a vision of transforming Tamil Nadu into a knowledge driven and digitally literate society. This Government has decided to make computer education compulsory for all students in schools. The Government proposes to cover 200 of its Higher Secondary Schools under the computerization programme in 2003-2004. Science equipment will also be provided to 50 High Schools and 75 Higher Secondary Schools in the coming year. We shall place special emphasis on the teaching of the English language as this is a must for securing new employment opportunities in the sunrise sectors. English language teaching laboratories will be established in 300 High Schools and Higher Secondary Schools in the coming year at a cost of Rs.1.69 crores.

104. As promised by the Government, the Thiruvalluvar University has been established at Vellore. The Tamil Nadu Open University has also commenced work in the current year.

Following the transfer of Government Colleges to various Universities in the State, a comprehensive development programme for these colleges has also been worked out, which includes introduction of new job-oriented courses in the constituent colleges. The University Grants Commission has been approached for necessary assistance in upgrading these institutions.

105. The Government has outlined a clear policy in respect of self-financing colleges following the ruling of the Hon'ble Supreme Court on this subject. Our State has the largest number of engineering colleges and intake of students in the country. It shall be our endeavour to ensure that all technical institutions upgrade their infrastructure and quality of training to increase the demand for our scientific manpower in the global marketplace. It is proposed to network all the 240 engineering colleges in Tamil Nadu.

### **HEALTH AND FAMILY WELFARE**

106. This Government is committed to improving the health status of the people by enhancing their access to health care facilities at primary, secondary and tertiary levels. The outlay on Health and Family Welfare will be Rs.1380.48 crores in the Budget for 2003-2004.

107. At the basic village level, we have 8682 Health Sub-centres. Of these, 6052 Health Sub-centres have already been provided with a building. The construction of 385 new Health Sub-centres has now been taken up in the current year. We shall take up about 300 more buildings in the coming year. Members of the House are aware of the action being taken to upgrade Primary Health Centres as 30-bedded hospitals. So far, 58-PHCs have been taken up for upgradation. It is proposed to upgrade

35 more PHCs in 2003-2004. The ultimate target for upgraded primary health centres is 100. Our objective is to ensure that with the network of Taluk and Non-taluk Hospitals and about 100 upgraded PHCs, all villages in the State will have easy access to hospital facilities.

108. While the focus of our attention will continue to be on Primary Health Care, we shall also work towards strengthening the facilities at the secondary and tertiary levels. The Budget provides for additional infrastructure facilities in identified referral hospitals at a cost of Rs.2.62 crores. Special attention will be paid towards introducing modern diagnostic facilities in tertiary hospitals at a cost of Rs.6.20 crores in the next financial year. This includes the construction of new buildings to accommodate the labour ward at the Institute of Obstetrics and Gynecology and Government Hospital for Women and Children at Chennai at a cost of Rs.2 crores. The Bernard Institute of Radiology at the Government Hospital Chennai, will be completely upgraded at a cost of Rs.50 lakhs. The Budget also includes provision for building a 24-bedded labour ward with operation theatre in the Government Headquarters Hospital, Karur. A 48 bed ward will be constructed at the Government Headquarters Hospital at Tiruvannamalai.

109. The concept of making available quality medical care and services at affordable user charges has been widely welcomed by the people. The popularity and demand for CT Scan and MRI facilities provided by the Tamil Nadu Medical Services Corporation at rates much below the market rate is a pointer to this fact. We will be developing this concept further by introducing pay wards in district hospitals in a phased manner. Our policy is to provide totally free services for those who are below the poverty line. We will also provide affordable services below the market rates to the low income and middle income

groups who desire quality health care at affordable price. Tamil Nadu and Chennai in particular is well known for its health care systems. Chennai is rightly called the health capital of India. We will draw up a plan to involve all these institutions to train personnel for the health care systems throughout the world.

110. The crude birth rate in Tamil Nadu, which was 19.5 per 1000 population in 1996, has stagnated at 19.2 per 1000 in 2000. We have, to therefore intensify the family welfare programmes. Vital health issues such as the Infant Mortality Rate (IMR), anaemia in adolescent girls, and low birth weight babies have to be given priority. The IMR, which was 53 in 1996 dropped only to 51 in 2000. This highlights the need to have special programmes to ensure rapid improvement in our basic health indicators. We hope to obtain approval for the World Bank-funded Tamil Nadu Health Systems Development Project at a total cost of Rs. 650 crores in 2003-2004.

**Welfare of Scheduled Castes, Scheduled Tribes,  
Backward Classes, Most Backward Classes,  
Denotified Communities and Minorities**

111. Development of human resources includes special attention to the welfare needs of particular social groups. It shall be our effort to implement programmes for the benefit of these groups to enable them to participate in the mainstream development process.

112. The outlay for the Welfare of Scheduled Castes and Scheduled Tribes for the year 2003-2004 would be Rs.439.05 crores. Members of the House will be happy to know that the earlier loan scholarship scheme has been replaced by a grant special scholarship scheme to enable the students belonging to Scheduled Castes/Scheduled Tribes to pursue higher education. This has been welcomed widely. The Budget includes an

allocation of Rs.18.28 crores for school education under the Special Component Plan. The Budget also includes provision for construction of 150 new hostel buildings in the year 2003-2004 at a cost of Rs.47.25 crores. The laudable scheme for supplying bi-cycles to Scheduled Caste/Scheduled Tribe students in Higher Secondary Schools, which was introduced by our Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa has been very well received. In the current year 47,980 bi-cycles were distributed to the beneficiaries. A provision of Rs.7.49 crores has been made in the Budget for this scheme to benefit the new entrants to Class XI in the Higher Secondary Schools. A provision of Rs.6 crores has also been made under the special incentive schemes for promoting literacy among Scheduled Caste/Scheduled Tribe girl students.

113. The poverty alleviation Action Plan of THADCO will cover 1.59 lakh beneficiaries in the coming year. This will open up avenues for self-employment for the people living below the poverty line amongst Scheduled Caste/Scheduled Tribe communities. The whole process of implementing this plan has been decentralised with the District Collectors being incharge of implementing the plan. We have also taken up the issue of facilitating credit flow from commercial banks after removing the bottlenecks and we hope to make good progress in the coming year.

114. The Budget includes several special programmes for Backward Classes, Most Backward Classes, Minorities and Denotified Communities. 100 new hostel buildings will be built at a cost of Rs.31.50 crores. Drinking water facilities will be provided in 48 Kallar Reclamation Schools in the coming year.

115. Tamil Nadu Backward Classes Economic Development Corporation has undertaken several programmes

for providing self-employment opportunities to the members of these communities. In the year 2003-2004, we shall enable a large number of persons from Backward Classes and Most Backward Classes communities to be self employed. Those belonging to minority communities have also been extended financial assistance in the current year. These programmes will be intensified in 2003-2004.

### **SOCIAL SAFETY NET**

116. I have referred to six broad themes of development in this Budget. One important theme relates to the provision of a social safety net. The process of liberalisation of the Indian economy began in 1991. Since then many structural changes have taken place in the national economy. It is necessary that we have adequate safety cover to cushion the people from any adverse effects of the process of economic restructuring. The poor and the disadvantaged groups have to be protected. It is with this far reaching vision that the Hon'ble Chief Minister, Puratchi Thalaivi J Jayalithaa initiated the concept of a social safety net during our previous term in office, to protect the poor and the needy during the structural adjustment process. This Government will be taking necessary action to further strengthen the social safety net in Tamil Nadu. The Budget Memorandum includes a special annexure, which highlights the outlays on the social safety net. The total provision in the Budget for 2003-2004 towards the social safety net is Rs.4232.29 crores. It includes expenditure towards protecting basic services for the poor and needy during this period of economic transition and special support for the disadvantaged. It will be our unwavering effort to preserve, protect and enhance this social safety net.

## **WELFARE OF WOMEN, CHILDREN, ELDERLY AND THE DISABLED**

117. The Hon'ble Chief Minister has outlined the 18-Point Programme, which sets out the policy objectives of the Government for the empowerment of women and the advancement of children in the State. The thrust areas include eradication of female infanticide, reduction of maternal infant mortality, early childhood care and development, elimination of child labour, compulsory schooling together with special packages for economic self-sufficiency through skill attainment and Self Help Group formation. We have initiated action under all the 18 points of this programme.

118. I would like to refer to the tremendous progress achieved in encouraging the formation of women Self Help Groups in Tamil Nadu. There are, at present, 1.22 lakh Self Help Groups with a membership of 20.84 lakh women with total savings estimated at Rs. 277.54 crores. It is our objective to facilitate the formation of 25,000 new Self Help Groups in the coming year with an additional enrolment of another 5 lakh women. We have provided Rs.22.50 crores in the Budget for this programme. The programme for Entrepreneurship Development among women will be continued to cover one lakh women in the coming year. Nearly 50,000 women will be given vocational and skill training during the next year.

119. The Cradle Baby Scheme, which is the brainchild of the Hon'ble Chief Minister, has received wide acclaim within and outside Tamil Nadu, and will be continued in 2003-2004. Another innovative and successful scheme, the revised Girl Child Protection Scheme, will be implemented during 2003-2004 with an outlay of Rs.14 crores. The Budget also includes a provision

of Rs.6.17 crores to clear the applications pending under the old scheme.

120. Tamil Nadu is the pioneer in nutrition intervention programmes, which forms an important part of the social safety net. This Government has adopted a life-cycle approach to make Tamil Nadu a hunger-free and malnutrition-free State. It covers beneficiaries comprising pregnant and lactating mothers, infants, school-going children, adolescent girls and elderly beneficiaries. A sequence of programmes, such as the Integrated Child Development Services, Puratchi Thalaivar MGR Nutritious Noon Meal Programme, the National Nutrition Mission, the Annapurna and Antyodaya schemes and the laudable Annadhanam Scheme in temples, are making this a reality. Despite the extremely difficult fiscal situation, the Hon'ble Chief Minister has directed that there should be real improvement in the quality of the nutritious noon meal. With this in mind, the allocation per child for vegetables, condiments etc., has been increased from 23 paise to 35 paise at an additional cost of Rs.20.98 crores. New stainless steel tumblers and plates will be supplied to the beneficiaries under the Noon Meal Programme and a provision of Rs.1 crore has been made for this purpose. We have to involve the village communities in the proper functioning of the noon meal centres, both at the pre-school stage and in schools, and necessary arrangements will be made for this purpose.

121. The Census for 2001 reveals a steady growth in the number of the elderly as a proportion of the total population in Tamil Nadu. We have to take all measures necessary to enable our senior citizens live a life of dignity. In addition to the various old age pension schemes, the Budget for 2003-2004 makes a provision of Rs. 16.80 crores for supply of free sarees and dhoties to Old Age Pensioners. The Government proposes to examine the possibilities of providing a productive engagement to the

elders in our State in the existing nutrition and child care centres. We will continue to encourage voluntary agencies to set up affordable old age homes for the elderly.

122. Welfare of the disabled will continue to receive a high priority. A detailed survey of the physically challenged people in the State is currently underway. A State Resource Centre would be set up shortly. We will focus on training of rehabilitation workers to meet the special requirements of the disabled. Various existing schemes for training of the physically disabled will be restructured and streamlined based on an assessment of potential. The Budget for 2003-2004 makes a provision of Rs. 1.38 crores for maintenance allowance to severely disabled persons. A provision of Rs. 2 crores has also been made under the National Programme for Rehabilitation of Disabled persons.

### **SOCIAL SECURITY**

123. Social security schemes include support for several groups, particularly the unorganised labour. They cover fishermen, weavers, and artisans among others. We have to address the broad issue of providing social security to all these groups. This includes access to minimum pension and adequate health care.

124. The Government's own primary and secondary health care system is available to all those desiring free access to medical care, especially those living below the poverty line. In addition, the Union Government has announced a new Health Insurance Scheme for households living below the poverty line. The Government will study the details of this scheme and extend it to the vulnerable groups. The Government of India has announced a new pension scheme to be launched by the Life Insurance Corporation of India, where the minimum monthly

pension will be Rs.250/- and the maximum will be Rs.2000/- per month. We propose to have a Task Force which will examine how to enroll all the unorganised labour under this pension scheme so that social security cover is made available to the needy.

125. The Government of Tamil Nadu provides pension directly from the Budget to various vulnerable groups. There are an estimated 12.92 lakh beneficiaries under these schemes. The Budget includes a provision of Rs.325.61 crores for this purpose.

### **TAMIL DEVELOPMENT**

126. This Government is committed to protecting and preserving the rich cultural heritage of the State. We will continue to urge the Government of India to adopt Tamil as one of the official languages of the Union. We will work towards protecting our rich historical monuments and the Budget makes a provision of Rs.3.64 crores for this purpose.

### **WELFARE OF GOVERNMENT EMPLOYEES**

127. This Government recognises the important role played by Government employees in implementing development and welfare programmes of the Government. Government employees will have to also recognise that at a time of extreme fiscal distress, they have to come forward to share the distress. It is the policy of this Government to ensure the welfare of its employees. At a time of extreme financial stress, it has been difficult to entertain requests for increases in pay and allowances. Even so, the Hon'ble Chief Minister has decided to provide one additional installment of Dearness Allowance with effect from 1.4.2003. This additional installment of 3% of Dearness Allowance will involve a cost of Rs.200.91 crores per annum. The

Hon'ble Chief Minister has also decided that the earlier installment of 4%, which was sanctioned with effect from 1.10.2002 with the condition that 3% would be paid in cash and 1% would be impounded in the General Provident Fund, will be paid fully in cash with effect from 1.4.2003. Government employees will no doubt welcome this announcement, as despite the difficult financial situation, this Government has come forward to provide fully the additional Dearness Allowance.

128. It is very easy to give tall promises and not keep these promises. I refer to the decision of the previous Government to proudly announce that arrears would be paid after the implementation of the 6<sup>th</sup> Pay Commission's recommendations and then defer 60% of the arrears to be paid by a future Government. We inherited a situation in which we found it difficult to even meet the current commitments and pay the existing entitlements. It is impossible to pay the arrears, which have now mounted, to nearly Rs.1800 crores without completely abandoning all development programmes and cutting the Social Safety Net. We cannot do this. Government employees also are aware that the Government is not at all in a position to pay these arrears. We have carefully examined the position and I wish to announce the following decisions: -

- ❖ Arrears on account of Commutation in respect of employees who retired between 1.1.1996 to 31.3.1998, will be paid in three equal annual installments with interest starting from the financial year 2003-2004.
- ❖ Arrears of the gratuity amount in respect of employees who retired between 1.1.1996 and 31.3.1998 together with interest will be paid to these pensioners in the form of Small Savings Scrips in three equal annual

installments over a period of three years starting from 2003-2004.

- ❖ In respect of those who retired between 1.1.1996 and 31.3.2003, 60% of the arrears of pay and allowances with interest will now be blocked into a non interest bearing account from 1.4.2003 and paid in the form of Small Savings Scrips in three annual installments starting from 2003-2004.
- ❖ 60% pay arrears in respect of those who are still in service will be retained in a non interest bearing deposit account from 1.4.2003 and will be paid at the time of retirement in the form of Small Savings Scrips in three equal annual installments. For example, those retiring during the year 2003-2004, the first installment of the balance arrears together with interest upto 31.3.2003 will be paid in 2003-2004, the second and third installment will be paid in two subsequent years.

129. Government employees are aware that the pay arrears cannot be paid at all given the enormous difficulties faced in balancing the Budget. The Hon'ble Chief Minister has decided, as a goodwill gesture, that the arrears will be paid on the lines that I have outlined. Government employees will no doubt greatly welcome the brave effort made by this Government in paying the arrears and thus, honouring even the empty promise made by the previous Government.

130. Government employees will have to prepare themselves for austerity in expenditure. Administrative reforms will have to be introduced to ensure mobility of employees from one department to another. Thus, if there is a need for persons in one department, it should be possible to retrain and reorient

surplus personnel in other departments. This adjustment process will be attempted in the year 2003-2004.

### **GOOD GOVERNANCE**

131. Open, transparent, corruption-free and participatory governance would remain the guiding principles of this Government headed by the Hon'ble Chief Minister. We believe that good governance holds the key to improving service delivery and responsiveness to the needs of the people. This Government has taken several initiatives to improve the mechanisms for Public-Government and Industry-Government interactions, which will be further strengthened. Efforts have also been made to improve the administrative process at the cutting edge level through the use of IT and simplification of procedures.

132. Now I would like to turn to the concept of e-governance. Information Technology has to be harnessed to make the Public Government interface simple, fast and hassle-free. E-governance broadly comprises understanding of the internal processes of Government and also the Public Government interface and applying information technology to obtain qualitative improvements. Members of the House would be glad to know that in the coming year, we will provide online services in all the 206 taluks of the State.

133. A massive scheme to computerise all the 600 Sub-Registrar Offices and 50 District Registrar Offices has been taken up. So far, 350 offices have been computerised and made operational. The balance offices will be completed in the coming year. The Project STAR (Simplified and Transparent Administration of Registration), an IT-enabled service, has been launched and the process of registration can now be completed in one hour, which earlier used to take several days and weeks.

Across the counter delivery of encumbrance certificates, certified copies etc., has now become possible. The network of REGiNET now enables communication and sharing of data between different registration offices in the Chennai Metropolitan Area as well as in Erode and Thoothukudi districts. It is proposed to expand the online application systems for encumbrance certificates to all Sub-Registrar offices in other parts of the State.

134. Electronic delivery of service is another important facility, which will enable customers to pay their charges to utilities with ease. We propose to launch this service in the Chennai Metropolitan Area with private sector participation in the coming year.

### **FISCAL PROJECTIONS**

135. The Revised Estimates for the year 2002-2003 are before you. Thanks to the fiscal reforms undertaken we have been able to keep the revenue deficit in the Revised Estimates at Rs.5917.31 crores as against Rs.6233.21 crores in the Budget Estimates 2002-2003. We have also been able to bring down the overall deficit from Rs.1359.78 crores in the Budget Estimates 2002-2003 to Rs.254.59 crores in the Revised Estimates 2002-2003. The overall revenue receipts in Revised Estimates 2002-2003 is Rs.20,686.86 crores as against Rs.20,628.32 crores in the Budget Estimates 2002-2003 and the overall revenue expenditure in the Revised Estimates 2002-2003 is Rs.26,604.17 crores as against Rs.26,861.53 crores in the Budget Estimates 2002-2003.

136. It may be seen that while we have been able to keep the revenue deficit within the Budget estimates, the overall situation is still not comfortable. We can legitimately take credit for the fact that from the chaotic condition that we inherited when

we assumed office in 2001, we have brought order to the situation today. We have reduced the huge problem of unpaid bills and made it more manageable. All these have taken extraordinary effort and members of the House will appreciate the significant achievement of this Government headed by the Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa in restoring fiscal balance in Tamil Nadu.

137. Members of the House may recall that the Hon'ble Chief Minister had addressed the Hon'ble Prime Minister for an untied package of grant assistance of Rs.3000 crores. Since then, the Hon'ble Chief Minister had also written to the Union Finance Minister for fiscal support to enable the State to take up fiscal reforms. The Government of India has extended an additional support of Rs.500 crores as open market borrowings in the current year. Unfortunately, this has largely gone only to bridge the shortfall in the revenue from the Share of Central taxes as announced in the Union Budget. The final estimate of Tamil Nadu's share in Central taxes in 2002-2003 has come down by Rs.274.50 crores. This has left us with a small net amount not adequate for covering the deficit. We urge the Government of India to allow us additional market borrowings to make up this loss of revenue in the current year under the State's Share of Central taxes.

138. The Budget Estimates for 2003-2004 are before this House. The total revenue expenditure of the Government in 2003-2004 is projected at Rs.26,599.37 crores as against the receipts of Rs.22,665.90 crores, leaving a deficit in the revenue account of Rs.3933.47 crores. The revenue deficit constitutes 17.4% of the total revenue receipts. The fiscal deficit of the Government for the year 2003-2004 is estimated to be Rs.6944.46 crores. The overall deficit in 2003-2004 is estimated at Rs.1295.15 crores.

139. The Budget supports a total Plan outlay, which has been tentatively arrived at Rs. 7000 crores and will be finalised after discussions between the Hon'ble Chief Minister and the Deputy Chairman of the Union Planning Commission.

140. Both the revenue deficit and the overall deficit for the year 2003-2004 are still a matter of concern. This Government will follow a policy of fiscal consolidation in the year 2003-2004 with a view to further improving the revenues and controlling the expenditure so that the situation can be turned round by the end of 2003-2004. We are hopeful of doing so. I would like to enlist the co-operation of the House in this process of fiscal consolidation. I would now like to turn to some measures that I wish to propose to improve the revenues of the Government.

### **COMMERCIAL TAXES**

141. The introduction of Value Added Tax (VAT) has been on the national agenda for a long time. VAT has been advocated as a part of the economic reforms programme and the need for simplification of the sales tax structure. The ultimate objective is to create a uniform common market within the country that would enable Indian producers of goods to reduce costs and be competitive both in the domestic and international markets. While industry is expected to be more competitive in a VAT regime, the benefit to trade is that the tax has to be paid only on the value added portion. From the point of view of the consumers and the general public, VAT is expected to make the sales tax structure in the country more transparent.

142. After prolonged discussions at the national level, all the States and Union Territories are now in a position to introduce VAT in 2003-2004. In Tamil Nadu, the Value Added Sales Tax

Bill has already been notified in the Government Gazette on 13.3.2003 under Rule 130 of the Tamil Nadu Legislative Assembly Rules. The Bill has also been sent to the Central Government for obtaining the previous sanction of the President for introducing the Bill. The entire text of the Bill has also been put on the website of the Commercial Taxes Department ([www.tnsalestax.com](http://www.tnsalestax.com)). This has been done in order to ensure advance knowledge and preparation among trade and industry. The draft VAT Rules are under preparation and will also be released in the departmental website very shortly. Once the sanction of the President of India is received, the Bill will be taken up for consideration in the Legislative Assembly. On passage of the Bill by the Legislative Assembly, the Act will be notified and the new law given effect to. Tamil Nadu will thus implement the Value Added Sales Tax from 2003-2004 and I seek the co-operation of this august House for its early implementation. To facilitate smooth transition to VAT, the dealer registrations renewed in March 2003 or renewed earlier for five years will be valid under VAT.

143. As a part of our preparation for VAT, the Commercial Taxes Department has undertaken 100% computerisation of the Department. The scheme involves online connectivity from check posts right up to the Office of the Commissioner of Commercial Taxes. Besides, massive training has also been imparted to the departmental staff and several training programmes have also been arranged for industry and trade at various locations in Tamil Nadu. These training programmes have afforded opportunity for industry and trade to interact with the department officials and get the required familiarisation with VAT.

144. The classification of commodities and the tax rates under VAT will be common in all the States and Union Territories.

The list of goods and the tax rates under the various Schedules of the VAT Bill will be placed in the Legislative Assembly at the time of its consideration. As per the agreement at the All India level, there would be broadly two tax rates under the VAT Act, viz. 4% for industrial inputs and items of daily and common use; and 12.5% rate for all other goods. Apart from the above, there will be a list of exempted goods; 1% tax rate for bullion and jewellery; and special rates of taxation exceeding 20% for petrol, diesel, IMFL etc. Items under the 1% rate slab and those under special rates will be outside VAT. Tax on works contract, leasing as well as tax on food and drinks in hotels will also be outside VAT.

145. The Bill contemplates providing tax rebate or set off for goods purchased in Tamil Nadu by paying tax to the State Government. This set off will be available against goods sold in Tamil Nadu by paying the Value Added Tax or the Central Sales Tax up to the extent of tax paid. The set off for capital goods will be spread over three years. As regards exports, the export sales will continue to be exempted while the tax paid on inputs will be refunded. That is to say, exports will be zero rated. No set off will however be available for branch transfers to other States. In order to maintain the VAT chain of tax set off, all units availing of sales tax waiver will be converted into sales tax deferral.

146. Since VAT seeks to simplify the sales tax structure and avoid multiple tax laws, the resale tax, the existing Additional Sales Tax and Infrastructure Surcharge will stand withdrawn with the introduction of VAT. However, the Additional Sales Tax on IMFL and foreign liquor, which are outside VAT, will continue. In the case of petrol, diesel etc., Additional Sales Tax and Surcharge will be merged with the basic tax rate.

147. Hon'ble Members may be aware that Entry Tax on goods was introduced in order to prevent trade diversion and plug

tax evasion. The basic objective was to track the unaccounted transactions in the unregistered route. Since the above problems are likely to continue till the full stabilisation of VAT, it has been decided that entry tax on goods and motor vehicles will be retained. However, full set off will be given for entry tax paid against local VAT sales or CST sales. This will ensure that while the goods entering into Tamil Nadu are monitored through the entry tax, they are not subject to double taxation.

148. It is expected that VAT would eventually result in revenue gain to the State Government. However, in the initial years, there is likely to be revenue loss till the entire value addition in the VAT chain is fully captured by taxation. It has been estimated that the initial revenue loss may exceed Rs.2500 crores per annum. On the insistence of all the States including Tamil Nadu, Government of India has come forward to compensate the revenue loss at the rate of 100% in the first year, 75% in the second year and 50% in the third year. In the case of revenue loss due to phasing out of CST announced in the Union Budget 2003-2004, Tamil Nadu and a few other States had already insisted upon 100% compensation on a permanent basis. The Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa has specifically written to the Union Finance Minister on this. It is heartening to note that the Government of India has accepted our argument that compensation for CST loss should be under a different formula. We urge the Central Government to ensure 100% compensation for CST loss not only in the initial years but on a permanent basis.

149. Among the measures for revenue loss compensation, Government of India has indicated its willingness to amend the legal provisions so as to enable the States to collect and retain the tax on certain services. A Bill to provide for this has been introduced in Parliament. We urge the Government of India

to give a meaningful list of services with good revenue potential for the States to collect and retain. Similarly, the Government of India has also announced that States will be enabled to levy sales tax even on goods subject to Additional Excise Duties like sugar, textiles and tobacco. An assurance has been given by the Government of India that relevant legislation in this regard will be carried through in the current Budget session of the Parliament.

150. In moving towards the VAT system and doing away with Additional Sales Tax and Surcharge, we have decided to correct the rates in respect of certain items. In the case of petrol, the existing tax rate of 29.4% including Surcharge will be rounded off at 30%. For High Speed Diesel and Light Diesel Oil, the current rates of tax are 23.1% and 21.9% including Additional Sales Tax and Surcharge. It has now been decided to charge a common combined rate of tax for both High Speed Diesel and Light Diesel Oil at 25%. In recent months, there have been widespread reports about the use of white Kerosene as a substitute for Diesel Oil. Besides causing more pollution, it can also damage the engines. In order to curb this practice, it has been decided to increase the tax rate for white Kerosene from 4% to 25%. The tax rate for PDS Kerosene i.e. Blue Kerosene will however continue to remain at 4%.

151. A recent judgement of the Supreme Court of India has enabled the States to levy tax on telephone rentals. The Supreme Court has held that telephone rentals satisfy the requirements of transfer of the right to use the goods. Accordingly, the State Government has decided to levy a tax of 12.5% on telephone rentals collected by BSNL and other private operators including the rentals on mobile telephones.

152. The above taxation measures which will come into effect from today are expected to yield an additional revenue of

Rs.200 crores per annum. As regards Entry Tax, I have to state that the measures announced by the State Government in the last two Budgets have yielded good results both in terms of checking unaccounted transactions and mobilising tax revenues. With the same objective in view, it has now been decided to levy Entry Tax on Washing Machines at 12.5% and on Low Density Polyethylene and Polypropylene in all forms including granules, tapes and wastes at 4%. In order to make the process of assessment simpler, it has been decided that the Assessing Officer for individual dealers will be the same both under the Entry Tax Act as well as under the VAT Act. It has also been decided that paper used in job work entrusted to printers in Tamil Nadu by agencies and departments of other State and Union Territory Governments will be exempted from Entry Tax on production of proof for job work.

153. While undertaking this exercise, the Government has taken into consideration the unprecedented drought conditions prevailing throughout the State. Hence, rice will continue to be exempted from tax even upon introduction of VAT.

154. Hon'ble Members are aware that jewellery of gold, silver and precious metals are highly prone to tax evasion. In order to check this trend, 1% Luxury Tax on jewellery was announced in the last Budget. It has now been decided to increase the Luxury Tax on jewellery stocks from 1% to 3% along with the implementation of VAT under which the tax rate on jewellery would come down from 2% to 1%. Further, the Government has also decided that the tax rate of 1% on jewellery under VAT will be applicable to all the dealers irrespective of turnover. Consequently, the existing compounding system of taxation for dealers having annual turnover up to Rs.50 lakhs will be cancelled.

155. Hon'ble Members are aware that the Entertainment Tax on Cable TV connections is being levied and collected by the local bodies at present. It is however noticed that there is large scale under reporting of the number of Cable TV connections with the operators. Local Bodies have not been able to verify and ensure that all the connections are brought into the tax net. There are also practical problems in doing street survey to enumerate all the Cable TV connections. Consequently, the total revenue collected by all the Local Bodies in the State has been very low. In order to get over these problems, the Government has decided to introduce a compulsory compounding system of taxation for Cable TV operators in place of the existing tax on Cable connections. The compounding rate of tax per operator in a year will be Rs.12,000 in Village Panchayats; Rs.18,000 in Town Panchayats; Rs.36,000 in Municipalities; and Rs.72,000 in Municipal Corporations. The power to levy and collect this tax will be transferred from the Local Bodies to the Government. The local bodies will, however, be compensated by way of annual grants equivalent to their actual tax collections from Cable TV in 2002-2003. Simultaneously, the existing security deposit of Rs.10,000 paid by the operators will be reduced to Rs.5,000 per operator in Municipal Corporations and Municipality areas and Rs.2,500 per operator in other areas. Necessary amendments in this regard will be made in the Tamil Nadu Entertainments Tax Act, 1939. A Bill for this purpose will be introduced in the current session. We expect to get an annual yield of Rs.30 crores by this measure.

### **ELECTRICITY TAX**

156. A comprehensive review of the existing legislation on Duties and Taxes on Electricity has been undertaken by the Commission on Tax Reforms and Revenue Augmentation under the Chairmanship of Dr. Raja J. Chelliah. The Commission has

suggested that the Government should adopt a single new legislation for taxation on sale or consumption of electricity based on the provision made in entry 53 of the 7th Schedule of the Constitution. The Commission has suggested that the Tamil Nadu Electricity Duty Act, 1939 and the Tamil Nadu Electricity (Tax on Consumption) Act, 1962 could be rationalised and a single new legislation introduced for this purpose. In its report, the Commission has suggested that a single tax which is payable by all the final buyers and consumers of electricity may be levied at 6% of the tariff and for agricultural users and hut dwellers 5% tax may be levied. While this is to be applicable on sale of electricity by TNEB, the Commission has recommended that in the case of self-consumption of electricity by captive power producers this could be at a specific rate of 25 paise per unit of consumption. The Government has decided to accept the recommendations of the Commission with some modifications. A Bill will be introduced in the current session of the Assembly for enacting a new legislation on Electricity Tax. This will provide for the levy of a minimum rate of tax of 5% and a maximum rate of 10% on the net charge for energy sold by all the licencees including captive power plants. In the case of captive power plants, the Bill will provide for a levy of tax at a minimum of 10 paise and a maximum of 20 paise per unit of energy consumed for their own use. No tax will be levied on the sale of electricity for agricultural purposes and for hut service connections and these will be exempted. The actual rate of tax on sale of electricity will continue to be at 5% as at present. In respect of own consumption by captive power plants the rate will be 10 paise per unit. This rationalisation will bring in an additional revenue of about Rs.80 crores in the year 2003-2004.

### **MOTOR VEHICLE TAX**

157. Members of the House are aware of the higher provision in the Budget for maintenance and upgradation of roads to international standards. I have also announced a Road Maintenance Fund in this Budget. We need to mobilize more resources to facilitate development and proper upkeep of road infrastructure in the State. I propose to revise Motor Vehicle Taxes in respect of certain categories.

158. The Government revised the Motor Vehicle Tax for Goods carriages with effect from 1-12-2001. We propose to revise the tax payable by the large-sized goods carriages having laden weight of 15000 Kgs. and above. The quarterly tax of Rs 2500/- ( plus Rs 400/- per every 1000 Kgs and part thereof in excess of 15000 Kgs. in laden weight) shall be revised to Rs 2500/- plus Rs 75/- per 250 Kgs and part thereof in excess of 15000 Kgs in laden weight. This revision will take effect from 1-12-2001. The arrears from 1.12.2001 will be collected in installments.

159. Multi-axle goods vehicles having laden weight exceeding 15,000 Kgs are proposed to be levied a basic tax of Rs.2300 per quarter plus Rs.50 for every 250 Kgs or part there of in excess of 15,000 Kgs.

160. The rates of the following classes of vehicles are also proposed to be revised as set out in the table below:-

<b>Class of Vehicle</b>	<b>Existing Rate of Tax</b>	<b>Revised rate of Tax</b>
1) Maxi Cab	Rs.250 per seat per quarter.	Rs.500/- per seat per quarter.

2) Metro Buses	Rs.50/- plus Rs.10 (surcharge) totalling Rs.60/- per seat per quarter for sitting and standing	Rs.80/- plus Rs.20/- (surcharge) totalling Rs.100 per seat per quarter for sitting and standing
3) Town Buses	Rs.275/- plus Rs.27.50 (surcharge) totalling Rs.302.50 per seat per quarter for sitting and standing.	Rs.325/- plus Rs.32/- (surcharge) totalling Rs.357/- per seat per quarter for sitting and standing.
4) Moffussil and Express Buses	Rs.360/- plus Rs.90/- (surcharge) totalling Rs 450/- per seat per quarter.	Rs.400/-plus Rs.100/- (surcharge) totalling Rs 500/- per seat per quarter.
5) Rigs, generators compressors	Rs.2500/-per annum	Rs.3500/- per annum
6) Educational Institution buses	Rs.500/- per bus per quarter	Rs.150/- per seat per quarter.
7) Private Service vehicles	Rs.100/- per seat per quarter.	Rs.150/- per seat per quarter.
8) Motor Cycle 50 c.c. to 75 c.c.	Rs.1350/- life tax.	Rs.1500/- life tax
9) Motor Cycle 75 c.c. to 170 c.c.	Rs.2000/- life tax.	Rs.2500/- life tax
10) Motor Cycle 170c.c and above	Rs.2500/- life tax	Rs.3000/- life tax

These rates except item No. (6) above relating to buses for educational institutions will come into force with effect from

1.4.2003. In respect of buses of educational institutions, necessary Bill for amending the Tamil Nadu Motor Vehicles Taxation Act will be introduced in the current Session.

161. Hon'ble Members are aware that life time tax is collected for four wheelers ( non- transport category ) with effect from 1.7.1998. The Government proposes to introduce a uniform tax based on the total value of the vehicle. Accordingly, four-wheelers of non-transport category will be charged a lifetime tax of 6% of the total value of the vehicle hereafter. The bill to amend the Tamil Nadu Motor Vehicles Taxation Act to provide for this will be introduced in the current session.

162. The pollution caused by automobile emissions poses a serious threat to the environment. On the principle that the polluter should pay, it is proposed to introduce a 'Green Tax' covering all classes of old motor vehicles at rates as indicated below:-

<b>Class of vehicles</b>	<b>Date of commencement</b>	<b>Rate of tax and period</b>
1) Two wheeler	After 15 years from the date of registration	Rs.500/- for a period of 5 years.
2) Other than two wheelers (non-transport)	After 15 years from the date of registration	Rs.1000/- for a period of 5 years
3) All transport vehicles	After 7 years from the date of registration	Rs.500/- per annum

This tax will be levied in addition to the normal tax payable. The necessary bill will be introduced for this purpose in the current session.

163. The proposals indicated above are likely to yield an additional revenue of Rs.120 crores in the year 2003-2004.

164. The overall deficit in Budget Estimates 2003-2004 is Rs.1295.15 crores. With the measures to mobilise additional resources that I have outlined, we hope to raise Rs. 430 crores in the coming year. This will bring down the deficit to Rs.865.15 crores. To tackle the remaining deficit, we will continue to implement measures for fiscal consolidation as outlined in the Appendix to my Speech. We hope to bridge the remaining deficit through these measures and with additional support from the Government of India for our Annual Plan and for the economic restructuring that we have undertaken.

165. This Budget represents a major shift to a development agenda. We are now confident of having withstood the worst and can look forward to undertaking the development agenda that the Hon'ble Chief Minister has set.

166. I express my gratitude to the Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa for her unstinted guidance and support in enabling me to present the third Budget of this Government. It would be no exaggeration to say that this Budget itself would not have been possible, had it not been for the bold and far reaching reforms undertaken by the Hon'ble Chief Minister, Puratchi Thalaivi J Jayalalithaa.

167. I also express my sincere thanks to the Development Commissioner and Finance Secretary, Thiru N. Narayanan, IAS., and his extremely dedicated team of officials in helping me to prepare this Budget.

168. I dedicate the Budget for 2003-2004 to the people of Tamil Nadu. With these words, Hon'ble Speaker Sir, I commend the Budget Estimates for 2003-2004 for the approval of the House.

**Vanakkam**

**C. PONNAIYAN,**  
MINISTER FOR FINANCE

Chennai,  
21<sup>st</sup> March 2003,  
Panguni-7,  
Thiruvalluvar Aandu 2034.

## **APPENDIX**

### **FISCAL CONSOLIDATION**

1. Tamil Nadu entered the new millennium with its public finances in complete disarray. The revenue deficit and the fiscal deficit of the State Government had reached unsustainable levels. The State's economy, particularly the primary and manufacturing sectors, had performed very poorly, creating serious doubts and uncertainty about the future growth prospects.
2. Hon'ble Members are well aware of the precarious financial position inherited by this Government after it assumed office in May, 2001. We had to make a choice between complete fiscal collapse and development. This Government has boldly opted for the latter. The Government has gone about the process of correcting the fiscal position with methodical precision so as to empower the Government to redeem the faith reposed by the people of Tamil Nadu.
3. In pursuance of my announcement in the Budget for 2002-2003, a Medium Term Fiscal Reforms Programme had been prepared to lift the State from the fiscal morass and take it on a higher growth trajectory. It includes measures to reduce the pace of growth of revenue expenditure, enhance receipts, reduce revenue deficit and fiscal deficit, and reprioritize resource allocation in the State Budget to growth-oriented sectors while providing for real improvements in social sectors to the poor and needy. It also focuses on Public Sector and Co-operative sector reforms along with reforms in utilities such as the Tamil Nadu Electricity Board and State Transport Undertakings.

4. The finances of the State Government are akin to the finances of any household. The financial security of a family is contingent on its members living within the total income. The financial security of a household is compromised if it chooses to spend recklessly and beyond the total income. We all save a portion of our income for the rainy day or for capital investments such as construction of house, purchase of motorcycle etc. Often, this is supplemented with a loan, which is taken keeping in mind the repayment capacity of the family. A household can choose to ignore these basic principles of financial management only to its own detriment. The same principles apply to the management of public finances of State Governments with hard Budgets.
5. The revenue expenditure of the State Government should generally not exceed its total revenue receipts and even if it does so, it should be for a brief period, not exceeding about 5 percent. Similarly, the fiscal deficit, which represents the net borrowings of the State Government, should be below 2.5 percent of the Gross State Domestic Product or the total value of goods and services produced during the year in the State's economy. Borrowings should be mainly used for capital expenditure with returns which sustain the interest rates. Too much borrowing can result in complete chaos. It is not very prudent if the ratio of revenue deficit over the fiscal deficit exceeds 35 percent. In 1999-2000, this ratio was 82 percent implying that nearly 82 paise of every Rs.1 of net loan taken by the State Government was being deployed for meeting revenue expenditure commitments rather than in capital or asset creating ventures. The debt service or interest costs on loans taken by the Government should be below 15% of the Total Revenue Receipts. A Government can choose to ignore these basic principles of prudent financial management only at its own peril.

Unless we decide to live within our means and channel our receipts towards production-oriented sectors, all round development and prosperity will remain a distant dream.

6. The following table highlights the gravity of the fiscal problems facing Tamil Nadu.

Accounting year	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	R.E. 2002-03	B.E. 2003-2004
(Rs. in crores)									
Revenue Deficit	311	1104	1364	3436	4400	3436 *	2739 *	5917#	3933
Fiscal Deficit	1255	2445	2122	4777	5382	5076	4739	8105	6944
(Percentage)									
Revenue Deficit over Total Revenue Receipts	2.93	9.23	10.04	24.09	26.95	18.76 *	14.56 *	28.60 #	17.35
Revenue Deficit over Fiscal Deficit	24.78	45.15	64.28	71.93	81.75	67.69 *	57.80 *	73.00 #	56.64
Fiscal Deficit over Gross State Domestic Product	1.60	2.73	2.05	4.01	4.22	3.70	3.24	5.14	4.07
Interest payments over Total Revenue Receipts	12.20	12.34	12.98	14.88	16.60	17.06	18.67	20.30	20.06

(\* 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 Revised Estimates 2002-2003 is high due to the conversion of arrears owed by TNEB to Central utilities amounting to Rs.1962 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 R.E. 2002-2003 is 19.12%.)

The aforesaid table clearly indicates the need for fiscal reforms in the medium term to restore fiscal health to the State. Without this, the State cannot undertake any development work.

7. The main fiscal reform objectives of the Government to be achieved by 2006-2007 are as follows:
  - a) We will strive to bring down the revenue deficit as a percent of the total revenue receipts to a level below 5 percent through proper expenditure and receipt management.
  - b) Revenue deficit as a percent of fiscal deficit will be progressively reduced to below 35 percent.
  - c) The fiscal deficit as a percent of Gross State Domestic Product (GSDP) will be brought down to a level below 2.5 percent.
  - d) Interest payments as percentage of total revenue receipts will be progressively reduced to a level below 15 percent .

#### **FURTHER MEASURES FOR FISCAL CONSOLIDATION**

8. I would now like to enumerate the agenda for fiscal and budgetary reforms, which is to be pursued by the Government.

**I. Revenues:**

- ❖ This Government had constituted the Tax Reforms and Revenue Augmentation Commission under the Chairmanship of the eminent economist, Dr.Raja J. Chelliah. The Commission has submitted several reports. We have analysed these reports and decided to adopt the measures recommended. They find place in the relevant sections of the Budget.
- ❖ First and foremost, based on the national consensus and the recommendations of the Commission headed by Dr.Raja Chelliah, we plan to move to the State VAT scheme. This is a major epoch making change in the main tax revenue of the State namely, Sales Tax. In the medium term, there could be a loss of revenue to the State, which will be compensated by the Government of India.
- ❖ On Electricity duty and Electricity tax, the Commission has recommended a single new law with clear provisions on charging. This has been included in the Budget.
- ❖ On TNEB's tariff reform, the Commission's report has been taken note of by the Government and it has been decided to provide a direct subsidy to small and marginal farmers as also to hut dwellers.
- ❖ The State will review all non tax revenues and go by the principle of adequate cost recovery for services.

## **II Expenditure Management:**

### **A) Wage, allowances and pension commitments of the Government:**

- ❖ The basic objective of governance is to ensure planned and equitable development and maximization of the welfare of people. We are today faced with a unacceptable situation where the bulk of the State's own tax revenue goes towards meeting employee compensation and pension commitments of Government employees. There is very little that is left for other current expenditure and nothing for capital and development-related investments. These are invariably funded only through borrowings.
- ❖ The Staff and Expenditure Reforms Commission under the Chairmanship of Dr. A.M.Swaminathan, I.A.S. (Retd.), has made a detailed study of every Department, its staffing needs and has made detailed recommendations. Surplus employees have been identified. We propose to match the recommendations of the Commission on surplus strength with existing vacancies in Government. We shall abolish such identified surplus posts lying vacant. This process of adjustment will facilitate rightsizing of the Government with minimum hardship to existing surplus employees. The controls on employee emoluments and other benefits will have to be continued in 2003-2004 in view of the requirements of fiscal consolidation.
- ❖ The pension commitments of the Government of Tamil Nadu are the highest in the country. No other State has to face such a huge commitment. The pension entitlements of the State Government employees in many aspects have been more liberal than that of the Government of India, which has

unlimited powers to raise resources and also a much larger fiscal capacity. According to experts, the situation in our State is not sustainable. This Government has had to make some corrections in the pension entitlements of employees to ensure that the entire pension scheme does not collapse. We propose to undertake detailed studies and come out with further pension reforms in order to control the unprecedented growth of these liabilities. A Contributory Pension Fund Scheme for all new employees appointed after 1.4.2003 will be introduced.

**B) Restructuring outstanding high-cost debt:**

- ❖ There has been a phenomenal growth in the total debt and debt service commitments of the Government of Tamil Nadu. We have initiated the process of restructuring our outstanding debt to control the debt service costs. In 2002-2003, an estimated Rs.1045.89 crores of outstanding high cost debt with the Government of India has been swapped. This will be continued in the coming years until all the high cost loans are retired. The Government has also gone in for resetting the interest rates of high cost loans obtained earlier from HUDCO to reduce interest payment commitments. This will be continued in the next financial year. We will also keep a strict watch on the total borrowings, and deploy them mainly on schemes and projects, with revenue returns to cover the costs of operation and maintenance and interest payments. The contingent liabilities of the State Government through Government guarantees will be strictly monitored.

**C) Targetting Subsidies:**

- ❖ The subsidy burden of the State Government has to be reduced through proper targetting of benefits to the most deserving sections and through recovery of cost-based user

charges from the ineligible beneficiaries. We will focus on cost recoveries for various services being provided by the Government.

### **III. Budgetary Reforms:**

- ❖ The Government plans to introduce a bill on Fiscal Responsibility in the current session of the Legislative Assembly. Its main objective is to set out the principles of prudent fiscal management and secure its adherence. The Government would also strictly enforce budgetary and fiscal discipline. While the Administrative Departments will have a greater say in formulation and execution of their Budgets, they will have to also ensure proper budgetary and fiscal discipline.

### **IV. Disinvestment and Restructuring Public Sector Enterprises and Institutions in the Co-operative Sector:**

- ❖ This Government proposes to generally withdraw its presence from the manufacturing sector. We have formulated our Disinvestment Policy on the lines set out by the Government of India. The Government will take up disinvestment of its stake in all public sector and co-operative sector enterprises in the manufacturing sector. We shall also restructure all the remaining public sector undertakings to make them efficient and cost effective. We have implemented a Voluntary Retirement Scheme for employees in the State Public Sector Undertakings and co-operative institutions to facilitate such restructuring. Necessary amendments to the Co-operative Act will be introduced in the Legislative Assembly to facilitate the transition.

**V. Restructuring Utilities such as Tamil Nadu Electricity Board and State Transport Undertakings:**

- ❖ The Tamil Nadu Electricity Regulatory Commission has announced its decisions on electricity tariff. It has also indicated measures to reduce costs. The Tamil Nadu Electricity Board will undertake these measures to reduce costs. It will be the effort of the Government to make the TNEB commercially viable. It will concentrate on efficiency improvements, improving quality of energy supply, reduction in costs and prevention of theft.
  - ❖ In public transport, the policy of the Government is to introduce competition and better service. State Transport Corporations will be restructured through amalgamation. The viability of these corporations which was restored by this Government has again been affected by the high diesel prices. Measures to handle this situation will be examined.
9. Fiscal reforms without development have no meaning. The basic objective of correcting the public finances of the Government of Tamil Nadu is to ensure real and tangible development for the people of the State. We shall undertake further fiscal consolidation so that Tamil Nadu can be taken on a higher growth trajectory.

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