

GOVERNMENT OF KERALA

BUDGET SPEECH

2009-2010

by

Dr. T. M. THOMAS ISAAC
MINISTER FOR FINANCE

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PART - I

BUDGET SPEECH 2009-10

Sir,

1. We are now about to witness an economic phenomenon, which does not find a place even in the memory of the present generation Keralites. The Great Depression of 1929 affected India and Kerala, along with the rest of the world. The economic slow down, which is swallowing the world now, will suck in India and Kerala as well.
2. To get an idea of the implications of the depression of those years it is enough to read 'Coir' a work of the Great Malayalam writer, Thakazhi Sivasankarapillai. There is economic history written into 'Coir', covering two and a half centuries of Kerala. Classifiers surveyed the vast stretches of Kuttanad lands and assigned ownership to all of them. Decade's later agriculture began to depend on loans from the Brahmins of Mankombu. When the prices crashed farmers were forced to take the begging bowl. 'Coir' narrates how in the eastern parts, due to fall in prices, small rubber plantations were cut down and other subsistence crops substituted, not for money but to stave off hunger. Yam, Tapioca and Tubers were planted. The big planters seem to have abandoned their plantations. Europeans were carrying out some token work, but spraying of pesticides etc had been given up. At least some of those who went to Malaya had returned, and when asked the reason for the return they said, 'slump' – what is this slump?
3. The then Government of Travancore also did not understand what it meant. Since revenues fell, the policy was to reduce expenditure.

Even a retrenchment committee was set up to lay off employees. The government took pride in preparing a surplus budget during the times of decline. We do not intend to follow this model.

4. Sir, it is intended to develop a new model of budget to combat the economic slow down. In this time of distress, the common man needs to be protected. No it is not enough. It is necessary to convert this disaster into an opportunity. This is what this budget attempts to do. With this objective in mind, I am presenting the Budget of Kerala Government for the year 2009-10.
5. It is now clear that the economic crisis would be at its worst in 2009-10. The production of developed countries is going to decline in real terms. The crisis has demolished the neo-liberal approach that unrestrained play of market forces is the way of the future. There is all-round demand that government should intervene to save collapsing banks and industrial establishments. But it is now evident that the approach which believes that by saving such institutions the people would be saved is not correct. Even though there has been liberal infusion of funds in banks to lend to the people, borrowers are finding it even more difficult to obtain loans. In spite of incentives and tax concessions to exporters and industrialists, unemployment is expanding and poverty is increasing. In this context the Government of Kerala intends to adopt an approach focussing on affording greater protection to the common man.
6. Globalization has created a new situation. It is not possible for one country alone to take effective steps to escape from the crisis. Because of open economy the energy of stimulus packages dissipates to other countries very fast. For the Keynesian medicine to work governments have to have control over national economies. This

control is weak today. Therefore the view that all the nations have to work together is gaining ground.

7. If the international situation is this, in a federal country like India it goes without saying that the centre and the states have to work together to fight the slow down. The reason being, the states are all totally open economies. Only the state governments are in a position to start small-scale construction activities, which are capable of providing immediate employment and income to people. However, in the stimulus packages announced by the central government the states have been totally ignored. While Government of India has permitted the states to borrow half percent of GSDP during the current year to tide over falling revenues, it has not agreed to permit additional borrowing or increasing the fiscal deficit limits for 2009-10, in the context of the economic slow down. Let me openly state that this has severely constrained the formulation of this budget. Even so this budget has been given shape with a clear economic strategy against the slow down.
8. Sir, social security measures form the first key element of this dual pronged strategy.
 - i. As far as the common man of Kerala is concerned, the biggest protection against employment loss and income decline is the restoration of the public distribution system destroyed by the Government of India. Sir, all families below poverty line would be provided ration rice at Rs. 2/- per kilo. Further all SC/ST and fishermen families, beneficiary families under 'Ashraya' will be covered under this scheme even if they do not come within the BPL category. Over and above this rice as required would

be provided through Maveli stores at Rs.14/- per Kilo. Sir, food subsidy allocation under various heads would be Rs.250 crore.

ii. Minimum pension was raised last time from Rs.100/- and Rs. 120/- to Rs 200/- per month. This is enhanced again to Rs.250/- . All persons above 65 years of age belonging to families below poverty line as decided by state government would be given an old age allowance even if they are not members of any welfare fund.

iii. There are around 41500 families in distress unable to release their mortgaged title deeds, following arrears outstanding against house loans for weaker sections, for prolonged periods. The outstanding loan arrears in such cases, prior to 1996 are written off. Their title deeds shall be returned.

iv. The penal interest and loan amounts up to Rs.25000/- in regard to loans drawn by scheduled castes, scheduled tribes and converted Christian communities from government departments, corporations and co-operatives will be waived. The necessary funds would be for this would be met from the corpus fund.

9. Sir, the second key element of the economic strategy is the public investment which would increase employment and income and production and productivity.

i. Rs.10, 000 crore stimulus package is announced. This does not include the welfare programmes mentioned earlier. Only the amount to be spent directly by government and quasi-government organisations for infrastructure development through loan or grant is included under this. The most

important component in this are the schemes for which new administrative sanction would be given in 2009-10, under plan and non-plan amounting to Rs.5000 crore for water supply, irrigation and public works. Another Rs.5000 crore would be through EMS housing scheme, and the direct investment through public sector organisations, promotion agencies for industries, IT and Tourism and quasi-government organisations like KFC, Roads and Bridges Corporation, Housing Board etc.

- ii. Construction works newly taken up in the annual plan shall be also part of the public investment package. The annual plan size for the current year comes to Rs. 8660 crore, not including the KSTP Stage II and Jalanidhi Phase II. If these are also included and if the externally aided projects and centrally sponsored schemes are executed in time the plan expenditure would rise to a five digit plan figure for the year 2009-10.
- iii. A public investment of more than Rs.4000 crore is envisaged as follows. Rs.800 crore for expansion and diversification of State PSUs, Rs.1300 crore in joint ventures with the central government and Rs.2000 crore as direct investment of central PSUs.
- iv. One portion of the package relating to infrastructure is envisaged as joint ventures with private investors for channelling of additional private investment. It is targeted to achieve an investment of Rs.10,000 crore in association with KSIDC, KINFRA, IT Infrastructure Company and Housing Board – of this, projects worth at least Rs. 5000 crore would be initiated within one year.

- v. During 2009-10 private investment proposals to the tune of Rs. 20,000 crore would be approved.

The stimulus package of Rs.10,000 crore to be implemented over two years would come to **5%** of GSDP in contrast to the Rs.20,000 crore stimulus package of the Government of India which constitutes less than 0.5% of GDP.

10. Rs.1500 Crore Malabar package is declared. The investment that may take in northern Malabar is not considered here. What is included here is the direct investment that Government would make on infrastructural development. This inclusion 98 bridges worth about Rs.274 crore, 108 buildings worth about Rs.151 crore, 205 roads worth about Rs.344 crore. Second stage of KSTP will be an additional work. It was in 1957, that Government took a decisive decision to remove the backwardness of Malabar. Important aspect of Malabar package is to improve tourist centres. Importance is given to development of Kannur Airport, Beypore-Azheekkal Ports, improvement to Lift irrigation programme in Malabar will help development of agriculture. It will be understood from my speech that Malabar development has been recorded a special consideration.
11. Sir, the revised estimates of Government revenues and expenditures for 2008-09 are in the budget document. One aspect is very clear. The financial situation is definitely moving towards the targets set by me by presenting my first Budget. The imbalance between the revenues and expenditures of the State is coming down. During budget discussions last year several members had expressed fears about the increase of revenue deficit to 2.3% during 2007-08. As per the revised estimate for 2008-09 revenue deficit has moved down to 2.04%.

12. The most significant increase has been in respect of commercial taxes. The rate of increase of commercial taxes, which was 11% during 2007-08, has shot up to 23% as per the figures available in end January; this is in spite of the economic slow down. This is the result of reforms initiated in the sector and their sincere implementation by the employees of the Commercial Taxes Department. There is significant progress achieved in the collection of excise, registration and motor vehicles tax, if the lean months are set apart. Sir, I hope that the Assembly would join me in congratulating the officials.
13. It was stated that by 2010-11 the revenue deficit would disappear and capital expenditure would increase considerably. In the light of the global slowdown a few modifications are being made in these targets. As a slowdown amelioration measure, attempt is being made to increase capital investments in 2009-10 itself. As I have made clear in my earlier budget speeches that as long as loans are not taken for revenue expenditures there is no need to cap borrowing. It is only because central government insists on a 3% fiscal deficit that the state government instead of borrowing directly is forced to borrow through quasi-government organisations to meet absolutely essential capital expenditures.
14. The target for liquidating revenue deficit is not proposed to be extended. Sir, after a lapse of quarter of century, I hope to introduce a revenue surplus budget in this august assembly next year. The award of the XIII Finance Commission is expected to be more beneficial to the state government. With a clear sense of purpose, right from the day this Government assumed office, we had preparations for the XIII Finance Commission and feel confident that our efforts will bear fruit. The Central Government has to share a portion of the burden of liquidating revenue deficit. Central assistance to the State needs to

increase. If the injustice meted out to the State by the 12th Finance Commission is corrected revenue deficit would automatically disappear. On the basis of this change in policy the Fiscal Responsibility Act would be suitably amended in the next session of the Assembly.

PART- II

Food Security Programme

15. It is a matter of great concern that food grain prices are comparatively on the higher side inspite of global slowdown. The globalisation policy of the Central Government has destroyed the public distribution system in Kerala. In this context a programme to increase food production of the State to the maximum assumes special importance. The experience of the last one year in implementing the food security programme gives a lot of confidence. There has been an increase of 12926 hectares in cultivation of paddy. The productivity of paddy has also increased.

Paddy Cultivation

16. Unlike last year, under the budget head for food security programme itself Rs.64 crore is set apart. Utmost importance is given to paddy cultivation. A package has been prepared for paddy cultivation covering all stages from seed production upto paddy procurement. Utilising NREGS for making fallow land cultivable, providing subsidies for seed, fertiliser, pumping etc., providing interest subsidy for loans, insurance for crops and procurement at Rs.2/- above the national procurement price, are all components of this package. The

direct allocation for paddy cultivation, which was Rs.20 crore in 2008-09, has been substantially enhanced to Rs.56 crore this time. Over and above this atleast Rs.30 crore is additionally expected from the Rashtriya Krishi Vikas Yojana (RKVY). The KFC would prepare a separate loan scheme to support Padasekshara Samithis and paddy farmers to buy machinery for ploughing and harvesting.

17. It is estimated that Rs.125 crore would be required for developing basic infrastructure facilities in Thrissur kole, Ponnani kole, Kozhikode Meppayur, Kannur Kattampally, Wayanad Kabani and Ernakulam Pokkali areas. In order to accord administrative sanction for these I set apart Rs.20 crore. Through this programme it would be possible to cultivate paddy additionally in 20,000 hectares.

Vegetables

18. Innovative systems like providing minimum purchase price, enabling common marketing etc. have been put in place by panchayats like Kanjikuzhi. In order to expand the market assurance programme jointly developed by Mararikulam North panchayat and Horticulture Corporation to the entire State Rs.5 crore is provided to the Horticulture Corporation as revolving fund. As per this scheme, even while vegetable cultivation is started under the aegis of panchayats, the Horticulture Corporation would enter into an agreement with farmers to procure the produce at an assured price. The Corporation would use this for forward contracts for wholesale or export.
19. As soon as decisions are taken on individual complaints received by the Agricultural Debt Relief Commission the required funds would be provided. Rs.25 crore is provided for debt relief to farmers.

Coconut

20. A Rs.500 crore project would be implemented in partnership with Coconut Development Board to cut and remove all disease affected coconut trees and replant them using healthy seedlings in the districts of Thiruvananthapuram, Kollam and Alappuzha. The project would be completed in three years. Rs.10 crore is allotted as State share. We have also separately set apart Rs. 15 crore for integrated coconut development. Besides, Rs.13.5 crore is set apart for the price stabilization fund for cash crops and for commodity safety-net. A portion of this would be utilised for procurement of coconuts.
21. KERAFED would be expanded and diversified. As part of this package dues to Government to the tune of Rs.36.8 crore by way of interest is written off and the loan of Rs.25.9 crore is converted to equity. KERAFED would set up a factory for processing coconut wood. KFC would provide the required loan for this purpose.

Idukki Package

22. The development programmes for cash crops are undertaken by the commodity boards. In the context of the economic melt down we have strongly raised the issue of increasing the subsidy for replantation and replantating a larger area. Discussions are continuing on this issue. The Central Price Stabilisation Fund remains unutilised and therefore needs to be restructured. While working out the details of the Rs.250 crore cardamom price stabilization fund as part of the Idukki package the views of the state government should be given due consideration by the Centre. Approval has been received for schemes upto Rs.401 crore as part of the Idukki package. I set apart Rs. 10 crore as the state share of these Centrally Sponsored Schemes.

Whatever additional funds are needed would be provided as and when required.

Irrigation

23. The major obstacle in expanding paddy cultivation in Kerala is the fact that the lift irrigation and water regulating schemes are in a bad state of repair due to decades of non-maintenance. For renovation of 177 lift irrigation schemes in the Malabar area and Thrissur District Rs.20 crore is earmarked. For rehabilitating the 133 lift irrigation schemes in Ernakulam District Rs. 12.5 crore is needed. For repairing the regulators, VCBs and check dams in the Malabar region Rs. 11 crore is required. For rehabilitation of Kuttiadi project Rs.50 crore is estimated. For these schemes Rs. 66 crore is set apart for these schemes.
24. For the major and medium irrigation projects Rs.134 crore is allocated. As the conventional canal system is not suited to the terrain of Kerala a major portion of the investments since independence has become infructuous. Though decisions have been announced that ongoing projects would be completed or closed at convenient stages, such projects have continued endlessly. There is an urgent need to have a relook. This year Rs.40 crore is set apart for AIBP. For minor irrigation Rs.68 crore is earmarked and for construction of sea walls another Rs.44 crore is set apart.
25. All the procedures for starting the long pending dream project of Malappuram, the Chamravattom project have been completed; Rs.40 crore is allotted for this purpose. For the Chittumala Chira Rs.5 crore is provided.

Kuttanad package

26. There has been widespread concern over the delay in implementation for Kuttanad and Idukki packages. The components for which the state government is responsible have been started. The delay in approval of components to be implemented by the central government is the major issue. There is no justification in delaying implementation under some pretext or the other. The state government has decided to start implementation of some critical components on its own. Accordingly Rs.10 crore is earmarked for construction of a permanent outer bund for CD Block Rani-Chitra Padasekharams; Rs.15 crore for rehabilitation of AC Canal, and Rs.5 crore for making the bund in Kariyar Muttu in Vaikom permanent. These three projects would require Rs. 142 crore in all. An Expert Committee would be appointed to scientifically develop an agricultural calendar to reduce the need to close the Thanneermukkom Bund as much as possible. As soon as the report of the IIT, Chennai is received action would be taken for the renovation of the shutters of Thanneermukkom Bund.

Animal Husbandry and Dairy

27. When this government assumed power (2006-07), the allocation set apart for the Animal Husbandry sector was only Rs.34.9 crore; now it is increased to Rs.74.16 crore. The most serious problem faced by dairy farmers is the cost increase of cattle feed and the decreasing availability of straw and grass. To deal with this problem Rs.2 crore is set apart for raising fodder grass. Sanction has been accorded for starting new cattle feed factory at Karunagappally.

28. Sir, I am extremely happy to positively respond to a major request of the dairy farmers of Kerala and announce a subsidy of 50 paise per kilo of cattle feed supplied to farmers by the milk societies.

Fisheries

29. When it was stated that Rs.3000 crore would be spent for a comprehensive package impacting on the fishermen community, those who declared that it was not possible are now silent. Schemes like fishing harbors bridges, coastal highway, rehabilitation of schools and hospitals, total housing, water supply and similar development schemes are changing the face of the coastal areas.
30. The Debt Relief Scheme declared in the last budget is becoming operational. The debt relief in the tsunami-affected areas would be made from TRP. Rs.10 crore is earmarked for the debt relief scheme in other areas. When the award of the Commission is declared, more money would be made available. Private money lending is still an important source for loans in the coastal area. The Commission has powers to write off such loans prescribed quantum of which has been repaid. A package for restructuring of co-operatives will also be implemented.
31. Just as land reforms were important for the agricultural sector for the fishermen aquarian reforms are very important. The legal framework for this is ready. Other than those belonging to the fishermen community no fishing vessels of new entrants will be given license. Even for their existing units a time limit would be set for the licenses issued already. As soon as inshore fishing entitlements are conferred on the sea, suitable fish breeding and husbandry programmes would be planned and implemented. The first right to sell would be with the

fisher folk. Already the coastal areas are echoing with the conch music of this new revolution.

32. An allocation of 50 crore of rupees was provided in the sector last year, outside the Tsunami programme. During 2009-10 this is enhanced to 70 crore. A comprehensive sea protection scheme would be implemented to rescue fishermen from accidents and natural calamities.
33. Another important intervention in the fisheries sector is the provision of Rs.15 crore as equity for the Coastal Development Corporation which would avail loans and construct 10 fishing harbors – Cheruvathur, Chettuva, Parappanangadi, Tanur, Vellayil, Manjeswaram, Varkala, Valiyathura, Chellanam 2nd phase, and Arthunkal 2nd phase. Further the Coastal Development Corporation would take up construction of Perumathura bridge at a cost of Rs.18 crore and the Nayar Thode bridge across Thirurpuzha at a cost of Rs.28 crore. The total estimated cost of these projects would come to Rs.150 crore. The viability gap of these projects would be provided by the state government. Rs.5 crore is provided under this budget head. In addition Rs.3 crore is set apart for the Chethi harbour which is fully implemented by the state government.
34. Fish landing centres would be constructed by the Coastal Development Corporation in Ori, Kanhangad, Kizhunnappara, Muzhappilangad, Chekkupalam, Ezhome, Azhithala, Peruvanna, Kaippamangalam, Thevara, Chappakkadavu, Malikamukku, Pathiyankara, Aroor, Arukutty, Perumbalam, Muttathumannel, Thanneermukkom, and Pozhiyur. For the Muhamma, Salmbranikkode, Bekkel schemes where the construction is being completed Rs.one crore is provided.

35. Rs. 10 crore is set apart for generating jobs related to fish processing, local marketing, to combat the effects of global economic crisis. Another Rs.1.50 crore is allotted for the Matsya Keralam scheme. Funds for hatcheries would be provided over and above this. An one time grant of Rs. 1 crore would be given to Fisheries College, Panangad. Rs.50 lakh is specially provided for the Thanneermukkom Sampoorana Matsya Grama Project for establishing a modern fish processing cluster.

PART - III

Protection of Traditional Industries

Coir industry

36. The Planning Board has accepted the recommendations made by the commission headed by Shri Anathalavattom Ananthan for all round development of the coir industry. They will be operationalised over the next two years. The allocation for the coir sector is increased from Rs.34 crore during 2008-09 to Rs.64 crore. Rs.9 crore is for procurement of coconut husks and Rs.10 crore for price stabilisation fund for the coir industry. A new factory would be set up in Alappuzha for manufacturing machinery required by the coir industry. 30% capital subsidy would be given for industries related to processing of coir-pith. Rs. 2 crore is earmarked for marketing including that of the Kerala coir marketing consortium which is to be newly created.

Cashew industry

37. For cashew industry the recommendations of Mridul Eapen Committee are under implementation. The plan allocation for cashew industry is increased from 28 crore during 2008-09 to Rs.46 crore. Of this Rs.17 crore is for cashew procurement. A special assistance of Rs.10 crore is provided for clearing the gratuity arrears of cashew workers.

Handloom industry

38. The allocation for the handloom industry is enhanced from the level of Rs.8.7 crore in 2008-09 to Rs.50.9 crore. A portion of this allocation will be for the rehabilitation and revival of Hantex and Hanveev. The components of the package include additional share capital, write-off of interest, conversion of loan into equity and deployment of certain categories of employees to local governments. Rs.6.35 crore are earmarked as rebate.
39. A package shall be implemented for renovation of spinning mills under TEXTFED. The scheme to be implemented with the financial assistance of NCDC requires 120 crore of rupees. Rs. 3 crore is set apart as the state government's contribution to the scheme.

Beedi industry

40. Beedi industry is getting marginalised very fast. In the place of 40,000 workers who once worked for the Kerala Dinesh Beedi Co-operative Society, now only one-fourth remain. Even these people get only a few days work in a month. A new scheme is announced for the protection of workers of Dinesh Beedi. Workers will be allowed to retire at the age of 45 years. Such workers would be granted a monthly pension of Rs.500 per month till they reach the age of 55

years. This concession would be available even to those workers who had retired earlier provided they are less than 55 years old. Once they cross 55 years they will get the normal pension available to beedi workers. I earmark Rs. 5 crore for this purpose.

Other traditional industries

41. Rs.5.70 crore is earmarked for Khadi and Village Industries. Rs. 50 lakhs is allotted for setting up the Golden Jubilee Memorial at Payyannur. It has been decided to redeploy a portion of employees from Khadi and Village Industries Board and a large majority of the employees of Serifed to Panchayats. For the handicraft sector the allocation is increased from Rs.1 crore to Rs.3.75 crore. For development of bamboo industries Rs. 2 crore is earmarked.

Small Industries

42. The allocation for small industries is enhanced substantially from Rs.8 crore to Rs.35 crore. For investment subsidy for small scale industries Rs.13.27 crore is set apart. Rs.4.50 crore is provided for construction of a multi-storied industrial estate at Idayar in Ernakulam district. Another Rs. 3.24 crore is earmarked for the development of existing industrial estates. A provision of Rs.1 crore is set apart for creating a welfare fund for small industrialists in response to a representation from Kerala Small Scale Industries Association.

Kerala Financial Corporation

43. In the background of the economic slowdown, a loan package of Rs.500 crore is announced to be implemented through KFC to support the small and medium industries. Further under the supplementary demand for grant for the year 2008-09. Rs.130 crore is being provided as equity to KFC. Thus the Non Performing Assets of

KFC which stood at 40% when this government assumed office would come down sharply to below 10%. This would enable KFC to access low-interest loans from the market. Subsidies for small and medium industries would be channeled through KFC. With this KFC would be transformed into an important development agency.

Kerala Entrepreneurship Fund

44. A Venture Capital Fund of Rs. 100 crore would be set to support setting up of innovative small and medium industries. The fund will be open for subscription to financial institutions like KSFE and KSIDC and NRKs. This would facilitate commercialisation of new technologies developed by Engineering Colleges, Universities and Research Institutions as well as nurturing of a new generation of entrepreneurs. Rs.10 crore is set apart as equity for the proposed fund. This fund will be professionally managed by a public sector bank.

Kerala State Financial Enterprises

45. KSFE has achieved miraculous growth. An institution which conducted chitti business to the tune of Rs.100 crore per month has targetted Rs.500 crore monthly business for 2009-10. The authorised capital of the company shall be doubled from Rs.25 crore to Rs.50 crore.
46. Further 40 new branches would be opened. Cheruvathoor, Meenangadi, Peringathoor, Edakkad, Mongam, Edavanna, Vengara, Areekkode, Perumbadappu, Koduvally, Naduvannoor, Kakkodi, Orkkatteri, Sreekrishnapuram, Kalladikkode, Erumappetti, Koratti, Olloor, Chavakkad, Moonupeedika (Perinjanam), Thevara, Cherayi, Thodoupuzha, Udayamperoor (Puthiyakavu), Angamali Evening,

Pezhakkappally, Aroor, Thrikkunnappuzha, Bharananganam, Athirampuzha (Priyadarshini Hills), Manimala, Changanassery II, Pathanamthitta Evening, Thevalakkara, Kottarakkara II, Pallichal, Nedumangad Evening, Neyyattinkara Evening, Mandapathinkadavu, Poovar are the new branches sanctioned in 2009-10.

PART - IV

Modern Growth Sectors

Major Industries

47. The biggest achievement of this government has been the successful restructuring of the public sector. While only 12 PSUs were on profit during 2005-06, it is expected that the number of such units would go up to 32 during 2008-09. In the place of Rs.70 crore loss there is going to be a profit of more than Rs.100 crore. The next step is to expand the public sector through an intensive effort. A Rs.883 crore expansion plan has been given shape to. In addition to joint ventures with Central PSUs, the public sector institutions would borrow from banks and implement new projects. The state government would make available Rs.180 crore over the next two years of which Rs.50 crore is provided in this budget; Rs.40 crore would be provided as soft loan by KFC. The repayment by KIRF Board has fallen in arrears. This has to be cleared on top priority. For those industrial units which do not have liquidity to repay loans, KFC would give loan support for this purpose.
48. The important development agencies of the Industries Department are KSIDC, KINFRA and INKEL. KSIDC has taken the lead to set up

Rs.8000 crore super thermal station Cheemeni. The Life Science Park at Thiruvananthapuram, the Electronic Hardware Park at Kochi and Petro Chemical Industries Park near the Cochin Refineries would together bring in an investment of Rs.1550 crore.

49. Steps have been taken to make available 7650 acres of land through KINFRA for industrial development. At present 22 Parks are under construction. This year construction would begin for the Mega Industrial Park at Manjeswaram, Advanced Technology Park at Ramanattukara, Footwear Industrial Park at Pantheeramkavu and Electronic Park at Neeleswaram. KINFRA would invest Rs.360 crore; private investment to the tune of Rs.810 crore is expected. Rs.15 crore is allotted for KINFRA.
50. Gulf Malayalees have participated enthusiastically in the formation of INKEL which is a joint venture enterprise with 26% equity participation from the State Government. This year the company will start functioning in full swing. The Malabar Convention Centre at Kozhikode, Financial Hub at Angamali, International Industrial Park at Ramanattukara and Education Hub at Malappuram are the projects taken up by INKEL with a total investment of Rs.1500 crores. They are expected to be completed in three years attracting a total investment of Rs.2600 crore.
51. In addition to the above the following 10 projects would be newly initiated: Sustainable Development Zone at Eda-Kochi, Medicity at Koratti, Elevated by-pass between Aroor and Edapally, Eco-solution Park at Kozhikode, Helicopter service network, Road network linked to the Kannur Airport, Padmasarovaram complex at Kochi, Health-care Village in Kannur, Handloom Village, and Water Transport network at Kochi. All these projects would be joint

ventures with the partners being identified through a transparent bid process. The total cost of these projects would be approximately Rs.9000 crore. INKEL would structure these projects fully and prepare their detailed plans and estimates. In order to prepare the detailed project reports a grant-in-aid of Rs.3 crore is provided to INKEL.

52. In order to provide connectivity to the six parks under KSIDC to the highways 43 kms of roads at a cost of Rs.163 crore is required. The cost of Kinaloor – Kozhikode alone would come to Rs.88 crore. To enable administrative sanction to be issued for these works Rs.25 crore is provided. Since KINFRA Parks are relatively close to the highways. Only 19 kms of roads are needed. Rs.6 crore is set apart for according administrative sanction to these works.
53. Projects have been initiated through Kochi Refineries, FACT, Railways and the Defence Ministry which together would bring in an investment of about Rs. 10,000 crore. Rs. 2,000 crore worth projects would be initiated in 2009-10. The construction of Vallarpadam Transshipment Terminal is in progress. LNG Terminal, Vizhinjam Port, Beypore and Azheekkal Ports, Kochi Metro and Kannur Airport, Railway coach factory would all begin during 2009-10. In order to ensure time bound implementation of these projects an empowered committee would be set up under the Chief Secretary for holding monthly review meetings. A road map would be developed for each of these projects and the progress published.
54. In addition, applications from private investors to the tune of Rs.20,000 crore have been received by the government. A decision will be taken on all applications in the next three months to ensure maximum investment.

55. A loan of Rs.120 crore from NCDC for revival of TEXFED has been mentioned earlier. The six spinning mills under the State Textile Corporation are in acute crisis with the onset of the economic slow down. A revival package would be implemented for them. Government would guarantee raising of working capital to the tune of Rs.50 crore. In order to provide funds for the margin money and essential repairs a soft loan of Rs.25 crore would be made available.
56. The Kerala Clays and Ceramics, Pappinissery has been functioning continuously on profit. But there has not been any expansion in the last two decades of its functioning. A soft loan of Rs.10 crore would be made available to this unit by KFC.

Information Technology

57. The IT sector is likely to be among the worst hit due to the global economic crisis. Expansion of this sector has been stifled by the slow down. Fifty percent of the rent of firms operating in parks would be deferred to 2010-11. Yet if we plan carefully when the next phase of revival takes place we can be in the forefront. The present crisis should not lead to any decline in the development of IT infrastructure. Now we intend to set up 10 IT Parks under the umbrella of IT Infrastructure Company. They are: Technopark 3rd phase (100 acres), Techno City (450 acres), Techno Park, Kollam (40 acres), Info Park Cherthallai (65 acres), Info Park Ambalapuzha (100 acres), IT Park Koratty (30 acres), Cyber Park Kozhikode (70 acres), Info Park Kochi (150 acres), IT Park Thaliparamba (30 acres), IT Park Kasaragode (100 acres). In order to develop the infrastructure in these places Rs.2115 crore is required of which Rs.385 crore would be met by the state government for roads, water supply and power. Rs.20 crore is set apart for road connectivity in 2009-10.

58. Rs.18.49 crore is provided for different programmes implemented by the IT Mission; Rs.4.9 crore for modernization of State Data Centre and Rs. 3 crore for the Institute of Information Technology and Management. Kerala has already attracted special attention for its efforts to promote free software through its IT policy and practical steps. Rs.1.5 crore is earmarked for setting up an international centre to promote free software and Open Source software.

Tourism

59. The economic slow down has brought about a crisis in the tourism sector. A fall in the arrival of foreign tourists is predicted for 2009-10. In order to attract tourists the industry is forced to reduce prices of its packages. In this situation all registered tourist resorts and house boats will be given deferment of half the tax for one year. When GST system comes into place in 2010-11 the tax burden will come down sharply in the tourism sector.
60. The set back in the tourism sector is purely temporary. In order to capitalise on the growth expected after two years a special package for improving tourism infrastructure is declared. 27 tourist centres would be developed in the Malabar region. In Palakkad 83 Kms of road costing Rs.34 crore are required in Malampuzha, Nelliampathi, Silent Valley and Parambikulam. In Malappuram Rs.54 crore is required for 143 Kms of roads linked to Nilambur, BM Lake, Padinjarekkara, Thirunavaya and Kottakkal – Karippur. 68 Kms of Roads at a cost of 19 crore is required for Beypore, Kappad and Thushagiri in Kozhikode; 69 Kms of roads costing Rs.28 crore are needed in Kuruva Dweep, Pookkod lake, Banasurasagar, Edakkal, and Thirunelli in Wayanad, 43 Kms of roads at a cost of Rs.17 crore is needed in Payyambalam, Muzhappilangad, Dharmadam,

Meenkunnu and Paithalmala of Kannur and 79 KMs of roads at a total cost of Rs.29 crore are required in Bekal, Chandragiri, Ranipuram and Valiyaparamba in Kasaragode. For all these roads Administrative Sanction would be given during the current year for which Rs.52 crore is allotted. Rs.10 crore shall be provided for electricity, drinking water and solid waste disposal project in these centers. A new business model is envisaged for the development of tourism in these places. Instead of government acquiring land and handing it over to tourism developers local land owners would be encouraged to use land as their equity and register special companies. Such locations would be given preference. Nattika beach in Thrissur will be developed as a pilot of this new concept.

61. The Kannur Airport is expected to become a powerful growth pole of north Malabar region. For providing support infrastructure Rs.10 crore is earmarked. In order to four-lane the four roads connecting the Airport namely Thalassery- Mattannur, Bekel - Payyannur - Mattannur, Karnataka border-Mattannur and Wayanad – Mattannur and to six-lane the Kannur Mattannur road and to develop three related roads viz., Mattannur – Anjarakandi - Thalassery, Nadapuram - Thalassery and Mahi - Muzhappilangad by-pass, Rs.259 crore would be required. These roads would be developed as joint ventures. In order to acquire land and for related purposes Rs. 25 crore is earmarked. A provision of 3 crore of rupees is set apart for renovation of the 4 roads 25 Km long to Sivagiri. Rs. 20 crore shall be set apart for long term maintenance contracts of the roads in Sabarimala. For developing Munnar-Idukki Road, Varkala Paravoor Road and Kottayam Kumarakam road Rs.10 crore is set apart for preliminary expenses. In order to upgrade the Alappuzha-Thanneermukkom - Kottayam road into a State highway Rs.15 crore is allocated.

62. According to the opinion of several experts the most innovative and creative tourism project developed in Kerala is the Muziris heritage project.. The objective of this project is to link the historic memories of places like Kodungallur, Chennamangalam, Gothuruthu, Paravur, Pallipuram, Azhikode etc., and provide a cross section of Kerala's history to the visitors. In a sense this can be visualised as a walk through history. This Rs.90 crore project prepared by an expert team led by Shri Benny Kuriakose has been submitted for central assistance as a mega project of Kerala. In order to provide roads, jettis and modernise canals as well as to acquire land Rs.10 crore is earmarked. The heritage development activities would begin in Kottappuram, Paravur and Chennamangalam markets during 2009-10 itself using the funds created for the Grand Kerala Shopping Festival.
63. Over and above the tsunami programme Rs.61 crore has been set up for tourism. To implement the infrastructure development activities under way now Rs.13 crore is provided and for marketing Rs.16 crore is set apart. The Rs.20 crore allocated for Grand Kerala Shopping Festival is spent through the Tourism Department. 10 crore rupees out of this shall be for upgradation of market places. I also earmark Rs.25 lakh each for setting up a museum on Coastal Heritage in the Tourism Facilitation Centre of Poomkavu Palli and for sanitation arrangements related to the Tourism Centre of Kanichakulangara Temple. Rs. 50 lakh is provided for conduct of the Kerala Travel Mart. For developing basic infrastructure facilities for Kadamprayar Rs.one crore is provided.
64. Local governments have an important role to play in tourism development. Based on the identification of local tourism development potential by the local governments a master plan would

be prepared and submitted to the central government for assistance under the Rural Tourism stream. This would be called Sapariya.

Bio-technology

65. Biotechnology would be the scientific basis for next phase of economic development. Government would earmark Rs. 40 crore as equity contribution in KSIDC's venture to set up a Life Science Park in Thiruvananthapuram. Rs.10 crore is provided for strengthening the bio-technology wings of Universities. For the development of Kerala it is necessary that the Rajeev Gandhi Bio Technology Institute becomes a centre of excellence at the national level. All legal obstacles against achieving this objective would be removed.
66. Government would set up an Institute for Pharmaceutical Drugs Research for the purpose of standardisation of Ayurvedic drugs, their clinical trials and for molecular biotechnology. I set apart Rs.1 crore for the initial expenses.

PART - V

Physical Infrastructure

67. The power sector in Kerala is facing an extra-ordinary crisis. Beyond echoing the national energy crisis, the failure of rains has also added to the problem. In order to face this short-term, medium-term and long-term strategies are essential.
68. The basic objective is to increase power production. It is intended to add 103.75 MegaWatts of Installed capacity and production of 17.25 crore units of electricity in 2009-10. Nine new projects would be

started the biggest of which is Athirappally. Rs.8 crore is set apart for this. The Electricity Board would start small hydro projects directly and in partnership with private players. The new small hydro projects are Anakumbayil, Achankovil, Chinnar, Peechi, Pathamkayam, Kandapanchal and Karapuzha. Rs.10 crore is allotted for the Ramakkalmeedu Wind Farm and Rs.20 crore for the thermal power station to be set up in Orissa.

69. For modernising transmission Rs.314.88 crore is earmarked; for strengthening distribution network Rs.333 crore would be spent. For rural electrification Rs.30 crore has been set apart. Five lakh new connections would be provided this year.
70. 2009-10 would be observed as energy conservation year. The most important programme would be to universalise CFL lamps. All the incandescent bulbs would be converted to CFL. For providing CFLs Rs.20 crore is being provided. The Electricity Board would make available CFL lamps and tap the Carbon Credit mechanism for this purpose. The budget provision would be to subsidise the consumers. Akin to the Bachat Lamp Yojana initiated by the Government of India this programme would realise the beneficiary contribution of Rs.15 per lamp as part of the electricity bill. Thus Kerala would be the first State to universalise CFL introduction. It is expected that through this initiative there would be a saving of 780 mega watt peak load which is equivalent to the installed capacity of Idukki dam.
71. In addition to the distribution of CFL lamps it is intended to intervene systematically to promote non-conventional energy sources. ANERT would be restructured. Bio gasifiers upto 20 Mega Watt installed capacity would be set up under the District Panchayats through appropriate business models. Rs.10.9 crore is allotted for this.

Energy-efficient domestic appliances would be promoted. The campaign for energy efficient chulas would be restarted.

KSRTC

72. Rs. 55 crore has been earmarked for KSRTC. From December 2007 till December 2008 KSRTC has been given Rs 179 crore by government. Writing off of interest dues and converting of loan into equity have also been carried out by government. Increasing productivity by introducing new buses and enlisting the cooperation of the workers has been tried out successfully under several schemes. Wage revision has been allowed. Yet even now the financial restructuring of KSRTC has not been completed. The biggest problem KSRTC faces is the monthly repayment burden of Rs. 17.60 crore towards loans of nearly Rs.350 crore borrowed from KTDFC. Unless this is sorted out sustainable improvement is not possible. What is required is to transfer part of the land available with KSRTC at Ernakulam to KTDFC or some other agency and reduce the debt burden. Any delay in restructuring will lead to ruin; there is no doubt about it. Therefore, the restructuring scheme would be implemented fully during the current year. As part of this package Government would pay dues to oil companies to the tune of Rs.100 crore.

Inland Water Transport.

73. I am setting apart Rs.5 crore for the Water Transport Department and Rs.6 crore for the Kerala Shipping and Inland Navigation Corporation. For the national waterways and for the upgradation of canals Rs.98 crore is set apart.

Harbours

74. Harbours should become growth centres of economic activity. The Vallarpadam Trans-shipment Container Terminal of Kochi and Vizhinjam harbor have opened up tremendous possibilities. For land acquisition related to Vizhinjam Harbour Rs. 25 crore is earmarked.
75. Similarly for the development of the Malabar region, the two important harbours are Beypore and Azheekkal. The detailed project report for development of Beypore would be got ready in six months and the work tendered during the current year itself. Simultaneously to develop the required infrastructure facilities Rs.5 crore is provided. Azhikkal Harbour would be the closest to Lakshadweep. In order to provide road and other infrastructure facilities Rs.5 crore is allotted. Both these harbours would be constructed on BOT arrangement. Further to provide initial support for infrastructure development of Ponnani Rs.5 crore is provided.

Roads and Bridges

76. Rs.598 crore has been included under plan for Roads and Bridges of which Rs.350 crore is for the World Bank supported KSTP. World Bank assistance would be sought for the 2nd phase of KSTP expected to cost Rs.2100 crore. Most of these roads are to be constructed in the Malabar region and for which the land acquisition was completed years ago. The road constructions would start this year.
77. There are several bridges which are lying incomplete in different parts of Kerala. In respect of these the existing contracts would be terminated and works retendered at the risk and cost of the defaulting contractor. 31 bridges under construction in this category would involve an expenditure of Rs.165 crore out of which I set apart Rs.40

crore. Rs.5 crore would be required for bridges at Kumbalangy, Mitramadom, Nedumpurakkal, Mattool, Vellappu, Pullappikkadavu, and Parakkadavu bridges.

78. It is intended to complete the coastal highway in two years. Construction of the tsunami roads is almost complete. For constructing the remaining portion including bridges Rs. 500 crore would be required. In order to accord administrative sanction for these works Rs. 80 crore is provided. Hill Highway is a longstanding wish of the people living in the hill areas. Hill Highway would cost Rs.1500 crore. Permission for construction would be given in the six stretches where land has been taken over and alignment finalised. Rs. 40 crore is earmarked for this. We shall explore alternate methods of financing this key infrastructure development.
79. Rs.112 crore would be required for constructing bypasses at the places – Perambra, Nilambur, Karma, Kollamkode, Muvattupuzha, Ettumanur, Thiruvalla, Ranni, Kuttiadi, Kottayam-Kodimatha and Kaduthuruthi-Vadakkumkoor. Rs.25 crore is set apart for this purpose.
80. I am not repeating the names of roads, bridges and buildings which are detailed in the budget documents. A majority of such works have only a token provision. A priority list has been prepared for such works. In order to accord Administrative Sanction under the head ‘Vision 2010 – 2nd Phase’ I am providing Rs. 200 crore. In the priority list the following are the construction works costing Rs.5 crore or more..
81. Kunchithanni-Gap (Muttukdadu Road), Kozhikkode Beach road, Meembara-Thiruvaniyoor, Malampuzha Reservoir ring road IV phase, Ilamkadu-Vagamon Road, Kottiyoor-Ambayathodu-Thalappuzht#m,,

Parippally-Madathara, Guruvayoor outer ring road, Kangarappady Jn. acquisition and development, Thadiyambadu-Vimalagiri-Santhigram, Kunchithanni-Deseeyam-Aattukadu-Pallivasal, Kadapra-Veeyapuram link road, Munnar-Silent Valley, Viyyakkurissi-Vazhopuram, and Athirappally-Malakkappara,

82. The major bridges are: Methanam, Stationkadavu Valiyapazhampillithuruthu, Elookkara-Uliyanoor, Azhimavu kadavu, Chittarikkadavil regulator-cum-bridge, Kozhikode Azheekkalkadavu, Idukki-Periyar, Chambakkulam Canaljetty, Choolakkadavu, Koralaayi Theralayi, Mannoorkkadavu, Thavanoor-Thirunavayakadavil, Beeyyam regulator-cum-bridge, Chikkallur, Cherpunkal, Murikkallu, Chembilavu, Attingal Ayilam, Andhakaranazhi north, Kottayam Cherikara, Parappa-Malom, Panayithodu, Punnathara Companikkavala, Edathara-Kambam, Kannur-Manayithodu, Melloorkkadavu, Moolakkeelkkadavu,
83. The main bildings are the following: Rest house for Sabarimala Pilgrims at Ittipara near Ranni, Vechoochira Polytechnic hostel, Ponnani pre-examination centre building, Computer Science block, heat engine lab and Lecturer Hall for Pambadi R.I.T, Batheri Taluk Hospital development, construction Ranni Taluk Hospital block, construction of Peringom-M.R.S building, Kuzhalmannam MRS Block Building, Moovattupuzha court complex, construction of Palakkad District Hospital Super Speciality Block, Ponnani Taluk Hospital, Ponnani-Nannammukku Govt. Poly Technic building, Ottappalam Taluk Hospital, Hostel, Canteen and Quarters for Vandipperiyar Government. Polytechnic, Thiruvalla Taluk Hospital building.

84. Other important construction activities are the following: Renovation of Chombala Harbour, construction of Kariyar Spillway, Koottukadavu checkdam, Purappallikakvu regulator – cum - bridge across Periyar river, District Stadium at Kappetta (Wayanad), etc.
85. Never in the history of Kerala have so many public works been taken up in a year. Therefore it is necessary to introduce to certain new norms in their implementation which would be applicable to all new works included in this budget above a threshold size.
- a) E-tendering is mandatory
 - b) No work shall be tendered before taking over the required land
 - c) An implementation schedule would be prepared for each work
 - d) The contract would include incentive for early completion and penalty for delay.
 - e) Those who do not discharge their contractual obligation would be blacklisted.
 - f) The new schedule of rates would be made operational from the beginning of April. For works having an implementation time limit of more than one year a cost escalation provision should be included.
 - g) A special mechanism shall be put in place for preparing estimates and for according administrative sanction.
86. It is intended to revise the data without delay. Major roads would be constructed under BM&AC and would include maintenance contract.
87. A high power committee will be constituted to examine the causes for delays in executing the projects and to suggest remedial measures.

Railway Development

88. Kerala continues to be backward in respect of railway development. In order to provide leadership for works other than those directly implemented by railways like suburban railways in Thiruvananthapuram, Kochi and Kozhikode construction of high speed track between Thiruvananthapuram and Kasaragode etc., It is proposed to set up Kerala Rail Development Corporation (KRDC) as a joint venture. Rs.20 crore is set apart to provide the initial capital for this venture. What is envisaged is the inclusion of not only the private sector but also the railways in this company. Rs. 20 crore is also provided for land acquisition of Kochi Metro.
89. Rs.33 crore has already been spent for the rail over bridges at Nandi, Muzhappilangad, Koratti, Athani, Bekkal, Victoria College, Sultanpettah, Kadukkamkunnu, Pulleppady. In order to complete this Rs.20 crore is provided as share capital to Roads and Bridges Corporation.
90. The Roads and Bridges Corporation would start construction of the following 17 rail overbridges during 2009-10. Ponnuruni, Payyannur, Kunjippally, Kainatti road, Quilandy, Parappanangadi, Devadhar, Thirunavaya, Mulamkunnathukavu, Nandikkara, Aloor-Mala Road, Velanchira, Devine Nagar, Puliyanam Road, Kanhangad, Cheruvathur, Amalapuri. The total cost would come to Rs.344 crore. To help the Corporation in leveraging the required loan Rs.38 crore has been provided to the Corporation. These shall be constructed on BOT basis.

91. Central Government has given permission for construction of rail overbridges at Kannur Town, Thalassery, Jaganath Temple, Palakkad Town Commonwealth, Thrissur town, Nedumbassery, Vaduthala, Pachalalm, and Atlantis. For acquiring land Rs. 9 crore is allotted.
92. For acquiring land for the integral coach factory at Kanjikkode, a provision of Rs 20 crore is being made.

Airports

93. Two new air strips would be set up in Idukki and Wayanad allowing small aircrafts to land. These would be set up as joint ventures. For acquiring the land Rs. 5 crore is provided. The expansion of Thiruvananthapuram, Kochi and Kozhikode Airports is under way. Land acquisition proceedings for the Kannur Airport have reached its final stage. completed. This year the next steps related to contracts would be taken.

Forests

94. Forests are to be seen as an essential support system for the physical infrastructure development. Forests have ensured that Kerala is amongst the lowest producers in India of carbon dioxide and green house gases which costs global warming. On this count we expect special assistance from the 13th Finance Commission. During 2009-10 Rs. 49 crore is the amount set apart for this sector, with the largest amount being earmarked for protection of natural forests. A mega scheme would be developed for generating a green buffer zone around the existing forests and for densification of depleted forests using NREGS. For setting up nurseries and other facilities Rs. 3 crore is provided. A beginning will be made for establishing Malabar Tiger Sanctuary.

Construction Corporation

95. The Construction Corporation would be fundamentally restructured. Productivity norms would be developed and included in a package under which Rs.10 crore is set apart as equity. This amount will be released only after the restructuring package is fully approved.

Asset Maintenance Fund

96. Several public assets are in a bad shape due to lack of timely maintenance. It is intended to set up an asset maintenance Fund with a corpus of Rs.130 crore to ensure timely maintenance of assets. This Fund would be basically utilised for the renovation and maintenance of public offices, and government hospitals, schools and colleges etc. The Fund would be managed by a Committee headed by the Finance Secretary. Hostels, Medical College Hospitals and Government College buildings etc will be accorded priority in 2009-10.

PART - VI

Social Infrastructure

General Education

97. This budget gives particular stress for upgrading the quality of education. The allocation for general education is increased from Rs.56 crore to Rs.101 crore. For primary education Rs.220 crore would be spent through the Sarvasiksha Abhiyan including the 35% share of Local Governments.

98. Computerisation of the 3055 High Schools and Higher Secondary Schools is included in the Plan. Rs. 54.28 crore would be spent on this during the year including the State share ($\frac{1}{4}$). Rs. 32 crore is set apart for laboratories, libraries and workshops in the higher secondary and vocational higher secondary schools.
99. Sir, we are bringing the shift system in government schools to an end. This system now exists in 220 schools. In all these institutions new buildings would be constructed and the required teachers identified through redeployment.
100. The ban imposed by the previous government on starting new divisions in schools is lifted. The additional requirement of teachers in aided schools would be met from protected teachers and new recruities in the ratio 1: 1. The district will be the unit for deployment of surplus teachers and protected teachers. However the stipulation that prior permission of government is required for creation of new posts would continue. Detailed government order will be issued later.
101. In several places the noon-meal scheme in schools is implemented in an attractive and effective manner by pooling the resources of local governments, the local area fund of MLAs and contribution from philanthropists. This system would be expanded to cover all schools for which Rs.10 crore is allocated.
102. The minimum wage of those who prepare noon-meals in school is enhanced to Rs. 100. An important feature of the educational policy of this government is the prominence given to merit-cum-means scholarships. Rs. 32 crore would be spent on this covering high schools higher secondary schools and college students. The scholarships given to students belonging to SC/ST and backward communities would be over and above this.

103. The Scheme for the most backward schools would continue this year also. As an incentive for innovative experiments in education Rs.20 lakh each would be granted to the PRISM Project in Kozhikode city to the coastal electronic distance education project of the coastal Education Society in Alappuzha, Autism Park in Kodakara, Deaf and Dump schools in Ottappalam and the Pulari project in Kundara. A provision of 25 lakhs is allotted to the Bala Sahitya Institute for establishing 'Talir Scholarship' for promoting reading.

Higher Education

104. The fact that Universities in Kerala are not able to invest significantly in higher education is affecting the growth of Kerala as an educated society. Government is aware that Universities require more funds for salaries and other day to day expenses than what is provided now. During 2008-09 the seven Universities were together given a non-plan grant of Rs.228 crore. This is now enhanced to Rs.273 crore with the Agriculture University and Kannur University each getting a 30% increase and others a 15% increase. During the last budget I had announced that Government would provide a matching grant for the additional resources mobilised by the Universities but no one has produced the necessary accounts or claimed this assistance.

105. Let me state that additional resource mobilization would be an important criterion in determining the non-plan assistance from the next year onwards. In order to study the present financial situation of Universities and make recommendations for solving the financial problems in a phased manner the finance department would be setting up a Committee under the Chairmanship of Shri K V Rabindran Nair former Chief Secretary. A time-bound programme for financial reforms of Universities shall be formulated.

106. I am increasing the total plan assistance to Universities from Rs.61 crore to Rs.70 crore. In addition Rs. 10 crore is set apart for stepping up inter-state study centres – Centre for Environment and Sustainable Development in Mahatma Gandhi University, Centre for Nano Material Devices in Kochi University and Centre for Bio Informatics in Kerala University. I also set apart Rs.3 crore for the Centre for Intellectual Property Rights Studies in the School of Legal Studies, Cochin University of Science and Technology. To encourage research and co-ordinate research works in Engineering Colleges in Kerala, a Centre for Engineering research and development will be set up in Thiruvananthapuram Engineering College. I provide Rs.25 lakh for setting up an EMS Chair in Kozhikode University publishing Marxist study literature and holding seminars. For translating Malayalam Books into other languages Rs.25 lakh is allotted to the Institute of Dravidian Linguistics and Studies.
107. In order to improve the infrastructure of Engineering Colleges in Idukki, Wayanad, Kozhikode, Thiruvananthapuram (Barton Hill) and Sreekrishnapuram, Rs.12 crore is earmarked. Assistance for Polytechnics would be to the tune of Rs.9.5 crore.
108. To provide opportunities to students to interact internationally recognised scholars and scientists a new scheme costing Rs.3 crore would be formulated. To enable University students to take up, short-term research projects, Rs.1 crore is allotted.
109. Regular posts will be created for 66 courses allowed in 1999 and 2004. In government colleges posts would be sanctioned immediately. In aided colleges verification would be completed and posts sanctioned. In Engineering Colleges the minimum number of posts required as per AICTE norms would be created. Introduction of

UGC scales is under the consideration of Government. It has to be noted that earlier the scale alone was implemented while Kerala failed to implement the scheme. This should be corrected this time.

Employment and Training

110. Rs.15 crore is earmarked for modernising ITIs. Further, to raise four ITIs into Centres of Excellence Rs. 10 crore would be spent including central assistance. Also 10 new ITIs would be started. Madikkai, Kurumathur, Peravoor, Puzhakkattiri, Moovattupuzha, Ottappalam, Parasala Vanitha ITI, Thiruvappu, Maneedu, Kayamkulam.

Science and Technology

111. I set apart Rs.43.9 crore for the Science Technology and Environment Council and Rs.11.2 crore for the Regional Cancer Centre. I also provide Rs.60 lakh as one time grant to IRTC Palakkad. For the Kerala Institute of Labour and Employment Rs.40 lakh is allotted.

Environment

112. For the Bio Diversity Board Rs.1.80 crore is allocated. Bio Diversity registers would be prepared for 100 village panchayats. For the environmental upgradation of water bodies and rivers Rs.6.95 crore is set apart.

Public Health

113. In the field of public health most of the investment is through local governments supplemented by National Rural Health Mission. For 2009-10 the allotment is Rs.490 crore consisting of state and central share. For hospital facilities from Sub Centre onwards Rs.20 crore is

allotted as untied grant. Rs. 29 crore would be spent on District General Hospitals.

114. The Kerala Medical Supplies Corporation has proved to be a big success. There has been 20% savings in the cost of medicines. I set apart Rs. 10 crore for the development of the Corporation and Rs.120 crore for purchase of medicines.

115. Blood banks would be opened in all Taluk Hospitals. Emergency medical services with Ambulances equipped with life saving devices would be initiated on an experimental basis in Thiruvananthapuram District. The School health programme would be further strengthened.

116. 50 lakh rupees is allotted to the Drugs and Pharmaceutical Co-operative Society Ltd (DAPCO) at Paravoor in Ernakulam.

Medical Education

117. I am stepping up the allocation for medical education from Rs.35 crore to Rs.72 crore. The Post graduate residency programme had already been implemented in Medical Colleges. For the construction of new hostel buildings Rs.11 crore is earmarked. I also set apart Rs.10 crore for a new building in Alappuzha Medical College, Rs. 7 crore for Waste Treatment Plant in Kottayam Medical College and Rs.3 crore for setting up a Cardiac Catheterisation Lab in Alappuzha Medical College. Further I set apart Rs.10 crore for constructing a building for the new Medical University. Malabar Cancer Centre would be developed into a 140 bed hospital for which I allot Rs.10 crore for constructing the necessary buildings.

Ayush

118. The allocation for ayurveda is enhanced from Rs.5.5 crore to Rs.10 crore. An additional Rs. 20 crore is expected from the National Rural Health Mission. For Homeopathy Rs.12 crore is provided. Further KFC would provide a loan of Rs.5 crore to support the 14.5 crore expansion plan of HOMCO.

Drinking Water

119. The total allocation earmarked for the water supply sector is Rs.1023 crore of which the share of JBIC project is Rs.900 crore. Though there were serious delays in getting the project started, works are now progressing according to schedule. Rs.2 crore is set apart for Guruvayur drainage scheme.
120. Rs.618 crore water supply project called SPAN being implemented with NABARD assistance is expected to utilise most of the allocation during 2009-10. The additional resources required for UIDSSMT drinking water projects in Alappuzha shall be met by the state government. There is a substantial component of water supply schemes under JNNURM, UIDSSMT and KSUDP under the budget head of local government department. Further the second phase of Jalanidhi is expected to start from this year at a cost Rs.1200 crore. Adding all this, investment in Water Supply sector during 2009-10 would touch Rs.2000 crore.
121. Just as the SPAN project was started to complete the incomplete schemes in rural areas a new package for urban areas would be formulated. Already Rs.112 crore has been invested in 17 such schemes. If Rs.129 crore more is spent it would be possible to provide drinking water to 8.2 lakh people in two years. The schemes

include Chelakara, Puthukkad, Kolazhi, Marathakara, Ollur in Thrissur, Manjeswaram, Kuthuparamba, Patyam, Thalassery, Palakkad Shoranur, Neyyattinkara, Thiruvananthapuram Manvila, Vadakkekara and Pala. The DFID project of Kochi would also be completed. For all these Rs.30 crore is set apart.

122. Due to age and poor quality there is considerable loss during transmission of water. For replacing pipes in six schemes, a Rs.164 crore project would be implemented benefitting Manjeri, Kozhikode, Vadakara, Thalassery, Kannur and Kasargode. Rs. 40 crore is set apart this year for this project which would be completed in about two years.

123. A comprehensive drinking water and sanitation project is under preparation covering the 14 village panchayats of Kuttanad Taluk. This project benefitting 3 lakh people at a cost of Rs.186 crore has been submitted for Japanese aid.

124. There is a widespread discussion about the poor quality of drinking water in Kerala. In order to replace 26 obsolete water treatment plants Rs.10 crore is provided.

Cultural Institutions

125. The total allocation for the cultural institutions is Rs.27.5 crore. Rs.1 crore is set apart for the Jubilee building of the Sahitya Academy. Rs. 20 lakhs each for Alappuzha Punnappa Vayalar Memorial and Vayalar Ramavarma Smrithi Mandapam. Rs.25 lakh for the Drama Festival of the Sangeetha Nataka Academy, Rs.50 lakh for Thakazhi Memorial, Rs.25 lakh each for Kumaran Asan National Institute of Culture and Thunchan Smarakam, Rs.20 lakh each for Kasargode Yaksha Gana Kala Kendram and Kripasanam Pouranika Kala

Peedam and Rs.10 lakh each for the Anglo Indian Cultural Centre in Kochi, Protection of Mamanka Smarakam, Unnayi Warriar School, N Krishna Pillai Foundation, Mundassery foundation, Panmana Ashram, Kunchan Nambiar Smarakam and P Smaraka Kala Samskarika Kendram.

Sports

126. The infrastructure being developed for the national games in 2010 would be of permanent value for the development of sports in the state. For setting up a Sports Village in Thiruvananthapuram as a joint venture Rs.50 crore is earmarked. The Stadia at Kariavattom and Vattiyurkavu Polytechnic and Centre Stadium costing Rs.166 crore would be implemented following the annuity method. A total of Rs.235 crore is anticipated as expenditure. A provision of Rs 20 crore is made for renovation of existing stadium and for construction of the following stadiums: Indoor stadium at Kollam, Water Works Swimming Pool near Jimmy George Indoor Stadium, Thiruvananthapuram, Shooting range, Kannara Indoor Stadium, Mavoor Velodrome, Calicut Corporation Stadium, Calicut Medical College ground, Jawaharlal Nehru Stadium, Punnamada pavilion, Rajeev Gandhi Indoor Stadium. An allocation of Rs. 20 crore is made for organising National Games. Rs. 2 crore is set apart for providing a permanent pavillion at the venue of Nehru Trophy Boat Race. I also set apart Rs. 20 lakh for PT Usha School, Rs. 1 crore for construction of stadium for training students in St. George Mar Basil School in Kothamangalam, Rs. One crore for new track and building in Sports Hostel Kannur and Rs. 1 crore for Alappuzha Stadium. The diet charge of children would be enhanced from Rs.45/- to 65/-. Further Rs.1 crore is earmarked for Football Academy Malappuram and Rs.25 lakh for the Boat-House of Rowing Club Alappuzha.

PART -VII

Welfare Measures

Social Security

127. It is a proud achievement of Kerala that the vast majority of unorganised workers has been brought under social security schemes. Last year a social security mission has also been set up. . But these schemes are not properly integrated. Since welfare funds have been constituted separately for different groups of workers, the cost of administration are very high. In order to get over these weaknesses it is necessary to formulate a comprehensive social security scheme. I am happy to announce setting up of a Committee under Dr. A.V. Jose of Centre for Development Studies to suggest measures to achieve this. Rs. 10 lakhs is provided for this purpose.

128. As the first step an integrated list of beneficiaries under different welfare pensions like Widow Pension, Handicapped Pension and National Old-age pension would be prepared local government-wise. The beneficiaries in the list would be provided with bio-metric identity cards. I am setting apart Rs.5 crore for this purpose. The minimum pension of Rs.250/- would come into effect only from the day this list is finally prepared and cards issued

129. All eligible persons above 65 years who are not in receipt of any pension would be given a monthly pension of Rs.100/-. The eligible groups are Ashraya families, BPL families' traditional fishermen outside BPL, family belonging to SC/ST, families working in the traditional industries, agricultural labourers, plantation workers, and marginal farmers having less than one acre of land. The list of these beneficiaries would be prepared by local governments. The scheme

would come into effect after the Local Governments have completed distribution of the bio-metric identity cards for the existing pensioners.

130. Now a days lakhs of labourers from other states are working in Kerala. They are fully excluded from the social security net of Kerala. I am glad to announce setting up of a welfare fund for this group of labourers who are making significant contributions to the economic development of the State. This fund would provide assistance for health care, education of children and also death benefits. Members of the fund will have to work for minimum period in the state to be eligible for a lumpsum assistance as a gift. An amount of Rs.10 crore is set apart for this.

Social Insurance

131. Rs.7 crore is set apart for the Central Insurance Scheme for landless labourers. For universal health insurance the total expenditure would Rs.83 crore of which Rs.30 crore would be the central share. Being the first year of implementation, several operational problems have cropped up of which the most important is the confusion surrounding the BPL list. The scheme would be fully implemented from 2009-10.

Social welfare

132. Rs.146 crore is earmarked for the Social Welfare Department. An amount of Rs. 1 crore would be earmarked to the Kozhikode Corporation for making Kozhikode HUNGER FREE. Based on experience, this scheme would be extended to a few other towns for implementation under the leadership of local governments with the support of the Social Welfare Department.

Welfare of the physically and mentally challenged

133. Only 50 schools functioning for the benefit of physically and mentally challenged children are now getting assistance. The remaining schools would also be provided assistance at rates fixed by the central government for which Rs.10 crore is provided. The money provided in the last budget would be disbursed in March. Rs.90 lakh is earmarked for Pangappara School and Rs.2.25 crore for NISH. An amount Rs. 1 crore is provided for ICCON.

Civil Supplies

134. Kerala Civil Supplies Corporation is now running on profit. It would be restructured to increase efficiency. In order to diversify its activities on commercial basis additional loans would be borrowed with government guarantee. The total outstanding dues from the corporation to the state government are Rs. 665 crore. Out of this interest dues to the tune of Rs. 532 crore will be written off and the remaining amount will be converted to equity. I set apart Rs.40 crore as subsidy for the Corporation during 2009-10. This would be over and above the subsidy required to make available rice at Rs.14 per kilo.
135. Reforming the public distribution system has already been touched upon. The existing BPL cards holders will get rice at Rs. 2 per kilo. For identification of eligible persons from the APL category, a transparent system would be introduced. This category of beneficiaries under the scheme would get the same quantity of rice to which APL card holders are entitled.

Special Component Plan

136. It was in 1997 that the idea of notional flow under Special Component Plan and Tribal Sub Plan was done away with, as part of their transfer to local governments. However the system of notional flow was continuing in a small manner under state plan. This year that practice also would be stopped. The total allocation under SCP for the current year for the State Plan is Rs.312 crore.
137. I am happy to write off loans outstanding upto Rs.25,000/- as on 31st March 2006 along with interest and penal interest, borrowed by people belonging to SC/ST from government departments SC/ST Corporations and converted Christians corporations and co-operative banks. For loans higher than this amount a one-time settlement would be made under which interest and penal interest would be exempted; a scheme would be formulated for assistance from the existing Corpus Fund.
138. Housing will be given topmost priority. Rs.50 crore is set apart for housing and another Rs. 30 crore for providing house sites to the landless. Further local governments have been instructed to give priority to these schemes under their Plans. Thus by pooling these resources it has been decided to give houses to all houseless and house sites and houses to all landless poor belonging to SC/ST communities.
139. The next priority is for education for which Rs. 44 crore is earmarked. Rs.12 crore is provided for Model Residential Schools and Rs.8 crore for meeting the tuition fees of students in self-financing colleges.
140. I am happy to increase the mess allowance of pre-metric hostels from Rs.700 to Rs.1300/- and post metric hostels from Rs.900 to Rs.1500/-

141. Also the monthly honorarium of SC/ST promoters is enhanced from Rs.2000/- to Rs.2500/-.

Tribal Sub Plan

142. The State share of the Tribal Sub Plan comes to Rs.92 crore. Here the first priority is for education for which Rs.22 crore is allotted. Out of this amount Rs. 17 crore is for Model Residential Schools in which 4200 students are studying. The SC/ST Development Corporation is provided Rs.14 crore.

Other Backward Communities

143. I set apart Rs. 7 crore for the Backward Classes Development Corporation and Rs.3 crore for the Christian Converts Development Corporation. Rs.5 crore is earmarked for scholarships. I am glad to set apart Rs.10 crore for implementing the recommendations of the Paloly Committee which was set up to make suggestions for dealing with the problem of backwardness among muslims. I also set apart Rs.1 crore for the finishing works connected with Haj House.

Welfare of Non-Resident Keralites

144. The Gulf Malayalees play a critical role in the stability of the Kerala economy. The global slowdown has affected the gulf region also. As a result remittances from the Gulf are declining and laid off employees are returning on a large scale. The Government of India has been ignoring this problem. In order to gather the details of gulf returnees a special registration system would be introduced in the district by NORKA. In order to provide at least a small assistance to those returning due to the economic slow down without completing even two years of work, I am providing Rs.10 crore to the Welfare Fund for Non-Resident Keralites. Further KFC will formulate a

package of Rs. 100 crore to support gulf returnees who intend to invest in industrial or commercial ventures in Kerala. Steps will be taken to provide priority to children returning from Gulf for admission in the schools.

Women and Development

145. The gender draft audit report is ready in draft. It has been estimated that 5.23% of Kerala's Plan consist of development schemes directly benefitting women, whereas the figure for the Central Plan is only 4.84 percent. The question is how to increase this amount over the coming years. In order to coordinate and review the women development programmes being implemented by different departments a Gender Advisory Board has been set up. One thing is very clear; the assistance available to women from the budget needs to be stepped up. It is necessary to increase the share of State Plan assistance for the women component, in phases to reach the 10% level maintained in local government plans.
146. Kudumbashree is the most important initiative of government in women and development. While analyzing the women development schemes it is clear that schemes directly influencing the social status of women are relatively fewer in number. Kudumbashree activities need to focus more on building gender awareness. Training would be given to enable more Panchayats to prepare studies on Status of Women.
147. I set apart Rs.4.5 crore for gender awareness and Rs.2.5 crore for social services to adolescents. Further I earmark Rs.2 crore for the finishing school for women and Rs.2 crore each for the short stay home and for rehabilitation of women subjected to atrocities. The

services of voluntary organisations would be used for this purpose. Subsidy for women entrepreneurs has been also earmarked.

148. I am happy to increase maternity leave from 135 days to 180 days. For hysterectomy a special leave of 45 days would be permitted.

PART - VIII

Local Governments

Rural Development

149. It is government's policy objective to increase participation, transparency and efficiency in local governance. To realise this it is necessary to make plan implementation more participatory, institutionalise panchayat governance and make social audit effective. The institutionalization of Panchayati Raj was given special importance in the last three budgets. I am proud of the following achievements:

- Almost all Local Governments have updated their accounts
- Barring 19 Village Panchayats all Local Governments have installed Computers.
- The implementation of NREGS in Kerala emerged as national model.
- The framework for watershed planning is ready
- The Engineering cadre for Local Governments has been set up
- Plinth area based property taxation has been operationalised

150. I am happy to announce that the Fourth State Finance Commission for Local Governments would be set up this year.
151. For the coming year I am happy to set apart Rs. 319 crore as General Purpose Fund, Rs. 349 crore as Maintenance Fund and Rs. 1568 crore as Development Fund for local governments. Over and above this, the major Centrally Sponsored Schemes are implemented through local governments. Sarva Siksha Abhiyan and National Rural Health Mission would be integrated more effectively with the local government planning process. The delays in the implementation of the scheme would be studied and an action plan chalked out for time bound implementation.

Kudumbashree

152. Kudumbashree is an unparalleled self-help system. Efforts are on to universalise the neighbourhood Group – network of Kudumbashree as sub-systems of the grama sabha to ensure that participation in People's planning becomes institutionalized. Nowhere else can one see a widespread neighbourhood Group system working along with local governments. Going beyond micro credit it is an attempt to democratize governance and to integrate women development and antipoverty programmes. Rs.30 crore is earmarked for Kudumbashree.
153. For implementing SGSY through Kudumbashree Rs.48 crore would be made available including central assistance. Government would take over the unpaid dues of Bhavanasree and NSDP housing programmes implemented by Kudumbashree.
154. The interest rates in Kudumbashree would be brought down to 12% from the existing 24%. Banks have agreed to provide loans to

Kudumbashree at 8% interest. For those groups making prompt repayment an interest subvention of two percent would be allowed. Rs.15 crore is earmarked for this.

155. For Ashraya Rs.10 crore is provided.

156. Each CDS would be permitted to hire the services of an accountant at an honorarium of Rs.5000/- per month, to streamline the administration and accounting. Sales outlets would be opened in all district headquarters for Kudumbashree products. It is also intended to start marketing centres for sale of Kudumbashree products in every panchayath. The self-help groups organised by block panchayats and departments like Fisheries would be integrated with the Kudumbashree system.

NREGS

157. Local Governments would implement food security programmes on a campaign mode. For this purpose it is intended to use NREGS in a big way. Now the scheme has been planned for Rs.400 crore; it must be doubled. I set apart Rs.40 crore as the state share of the scheme. I am happy to include the families of all workers under NREGS whose members work for at least 50 days in a year under health insurance programme. Such families would be automatically included and the state would provide their premium irrespective of the economic status of such families.

Redeployment of Staff

158. Let me openly admit that the proposal to redeploy protected teachers to panchayats could not be implemented. The redeployment of staff from departments is getting unduly delayed. Local Governments are badly affected due to shortage of staff. In this context I am happy to

announce the creation of a post of Accountant in all Local Governments. In addition almost all employees from Serifed and surplus employees from Housing Board, Khadi Board, Hantex, Hanveev etc. totaling around 500 in number would be redeployed. The required additional staff would be created to ensure that every Village Panchayat has an Overseer and every three Village Panchayats have an Engineer.

159. All but 19 Village Panchayats and two District Panchayats have been computerised. Information Kerala Mission is enabling Local Governments to provide web based services. This year Front Offices would be set up in 100 Village Panchayats with touch screen facility. All Village Panchayats would be networked.

Urban Development

160. I am glad to set apart for the Municipalities and Corporations, Rs. 80 crore as General Purpose Fund, Rs. 79 crore as Maintenance Fund and Rs. 273 crore as Development Fund.
161. The Urban Local Governments would be spending Rs.800 crore under JNNURM UIDSSMT and KSUDP in the coming year. The excess costs of the schemes will be borne by the state government.
162. I set apart Rs. 20 crore for establishing joint venture of KSRTC with Kochi, Kozhikode and Thiruvananthapuram corporations. Under this joint venture a new scheme for modern city bus service shall be put in operation. At least 200 high quality buses would be introduced under the scheme.
163. Unfortunately the implementation of schemes in the urban areas has not been very efficient. The experience of the past would be analysed and weaknesses remedied. An important initiative in the local

government sector is the setting up of the Kerala Local Government Development Fund for which Rs. 250 crore would be met from KSUDP. Public sector financial institutions would also be part of this Fund. But the ownership and majority share would be with government. The fund would mobilize resources at relatively low interest rate from the market and help local governments implement commercially viable projects.

164. Office buildings would be constructed to house the District Planning Committees, and District Offices of the Planning, Town Planning and Economics and Statistics Departments. Rs. 6 crore is provided for this purpose. Local Governments would be permitted to contribute additional amount.

Housing

165. The EMS Total Housing Programme is the largest housing scheme for the poor in India. It is expected to cost more than Rs.2000 crore. The funds required would be borrowed from co-operative banks and repaid by local governments from their development fund over the next ten years subject to the condition that this amount shall not exceed ten per cent of the development fund in a year. Government would be paying the interest on this loan. I set apart Rs.100 crore for this purpose. We have made two requests to Government of India. The first is to allow Kerala to utilise the future stream of assistance from IAY for meeting a portion of the repayment. Second is to make eligible this scheme for availing loans under the recently announced scheme for housing loans at low interest.
166. People's Plan has inculcated among local governments, the culture of identifying beneficiaries in the order of priority on the basis of clear-cut verifiable norms. Unfortunately there has been a serious erosion

in this. Government have taken a firm attitude to put an end to the politics of nepotism and ensure that the really deserving get the benefits.

167. In order to renovate the one lakh houses, the M N memorial housing scheme would be implemented jointly by the Housing Board and local governments. I allot Rs. 15 crore as the State share.

168. This year Government had instructed local governments to set apart 15% of their Plan Fund for housing especially the EMS Housing programme. Many of the local governments have not utilised this amount as they were waiting for the guidelines. Let me assure that the unspent portion of the earmarked amount would be excluded while reckoning the unutilized funds for the purpose of making cuts in future years.

Kerala State Housing Board

169. The main government agency in the housing sector is the Kerala State Housing Board. When this Government took over the functioning of the Housing Board was moving towards a standstill due to financial crisis. A comprehensive programme has been prepared for the revival of the Housing Board. It envisages setting up of housing and commercial complexes as joint ventures in 17.9 acres at Marine Drive, 14.7 acres at Akkulam, 16 acres at Kozhikode Medical College, Kaloor and Mulamkunnathukavu and 12 acres in different parts. The initiative to attract Rs.2060 crore of investment would begin shortly.

170. Under the Supplementary Demand for Grants, Rs.255 crore has been provided for making repayment to HUDCO. This would be repaid to Government by the Housing Board from the advance to be obtained

under the joint ventures. Once the dues to HUDCO are cleared, the Housing Board will be eligible again to borrow. As part of this revival package the dues to Government from Housing Board would be converted into interest free loan or written off.

171. Another important component of the package is the waiver of long standing arrears to the tune of Rs.117 crore from the twelve schemes implemented for economically weaker sections during 1996; from the schemes implemented through District Collectors Rs.31 crore is overdue; further there are dues to the tune of Rs.23 crore from very sick and destitute people. These amounts coming to Rs.183 crore would be written off. The mortgage documents would be returned to nearly 41,500 people.

PART - IX

Governance and Administrative Reforms

Co-operation

172. The co-operative movement has a most important position in Kerala's development framework. The EMS housing programme alone is enough to understand the magnitude of the role of the cooperative sector. Our criticism against the Vaidyanathan Committee Report is that it seeks to restrict such initiatives. Therefore an agreement could not be reached with the Central Government so far. During 2008-09 the Co-operative sector had an allocation of Rs.15 crore; this is enhanced to Rs.40 crore in this budget. Of this Rs.20 crore is for the revival of sick Co-operative Societies. The detailed scheme would be formulated later. Government have now adopted a liberal approach

by removing the restrictions on borrowing from NCDC. Loans from NCDC will be put to maximum use.

173. Rs.20 crore is set apart as subsidy for Consumerfed to run special markets during festival seasons.

Revenue

174. Rs. 45 crore would be spent on modernisation of land records, by pooling assistance from different Central Schemes; the State share of Rs.8 crore is provided.
175. Modernisation of government offices is essential for improving efficiency of administration and making it more people friendly. An active programme to achieve this is initiated in this budget. I set apart Rs.10 crore for 19 mini-Civil Stations at Pattom, Chavara, Anchal, Pathanapuram, Cherthala Annexe, Haripad, Kuravilangad, Thalayolaparambu, Devikulam, Udumbanchola, Koothattukulam, Kodungallur, Mala, Anthikad, Perambra, Mukkom, Koothuparampu, Kasargode and Attingal (3rd and fourth Floors). Funds have also been set apart for completing 16 other Civil Stations. I also set apart Rs.5 crore for reconstruction of Village Offices.
176. Resurvey of Kerala would be completed in three years as part of Bhoomi Kerala Project. I intend to fully clear the arrears of land acquired for which an amount of Rs. 70 crore is being provided.

Treasury

177. A prominent editor of a newspaper sent me a congratulatory letter stating that in spite of serious search corruption could not be detected in treasury functioning. That was an extremely proud moment for me. Training citizen charter, social audit coupled with full cooperation of the employees helped achieve this status. 8100 persons participated in the social audit, reports of which have been compiled and the suggestions of the jury are under examination. In order to implement suggestions for improving the physical facilities I set apart Rs. 10 crore for the Treasuries Department.

Registration

178. I set apart Rs.6 crore for renovation of office buildings at Kilikollur, Pooyapally, Erumely, Aluwa, Chendamangalam, Agaly, Quilandy, Kodencherry, Sreekantapuram, Neeleswaram, Koorachundu.

Police

179. It is necessary to improve the functioning of the police system especially in the context of the increasing threat from terrorist activities. Action has been initiated to set up the India Reserve Battalion. I set apart Rs.5 crore for the formation of one wing of Home guards, who would be selected from among Ex-service men.

180. This year five new police stations would be set up at New Mahi, Vidya Nagar, Thalayolaparambu, Puthoor, and Aluva East. I set apart Rs.2 crore for the formation of two commando companies. Modern security systems could be put in place in places of worship like Sabarimala and in the Assembly and Secretariat buildings. The Forensic Science Laboratory would be modernised.

Excise

181. Steps to modernise the Excise department are proceeding at full speed. I earmark Rs.5 crore for constructing a Mega Office complex in the campus of the Excise Office near Ernakulam Kutcherry for various departments under the Taxes department and Rs.1 crore for reconstruction of the Kottarakkara Office.

Fire and Rescue Services

182. Fire Services play an important role in disaster situations. They need high quality machinery, good buildings and rigorous training. New fire stations would be set up at Uppla, Seethathodu, and Sasthamkotta. I provide Rs.3 crore for construction of new buildings at Peringome, Thalassery, Perambra, Koduvally, Mannarkad, Kunnamkulam, Pattimattom and Thodupuzha.

Judiciary

183. Rs. 8.5 crore has been earmarked for modernisation of courts including Central Assistance. I also set apart Rs.3 crore for construction of new court complexes at Vaikom, Thaliparambu, Ottappalam, Ponkunnam, Chengannur, Muvattupuzha and Nedunkandom. New courts shall be started as follows Karunagappally Sub court, Thalassery and Vatakara Family court. Family court at Telichery, Sub Court at Karunagappally and Munisiff Magistrate Court at Mannarghat are sanctioned.

Lotteries

184. During 2009-10 lottery sales are expected to touch Rs.750 crore. New lotteries would be started including the golden lottery. Arrangements would be made for the wholesale of lottery tickets at the Taluk level.

Sale of lotteries of other States would be discouraged to support Lottery Sellers who are members of the Welfare Fund. Stringent action would be initiated against illegal Lotteries.

Insurance

185. It has been possible to successfully restructure the financial institutions and Lotteries Department under the control of the Finance Department. Now the focus would shift to the Insurance department. Government is examining the report submitted by the Institute of Chartered Accountants of India (ICAI). The following activities would be take up during 2009-10: State Life Insurance Programme would be made compulsory for Public Sector Units and quasi government organizations. New Products would be developed as voluntary options.

Printing

186. Rs.5 crore is set apart for Government Presses.

Public Relations

187. Long pending dues to News papers in respect of advertisement charges have all been paid. From now onwards, advertisement charges would be paid within six months. Vehicles would be provided to all the district offices of Public Relations Department. I set apart Rs.15 lakh for Press Club Alappuzha and Rs.20 lakh for Press Club Thiruvananthapuram. Rs.20 lakh is earmarked for the Health Insurance Scheme for journalists and Rs.75 lakh is provided for the hostel building of the Press Academy.

Against Corruption

188. Corruption free Walayar is a proud achievement. In the last two years there have been allegations only against two temporary employees at Valara. The main strategy against corruption is the vigilance of people and the press backed up by strong action on this basis with strong political will. Sir, I promise a reward of Rs.25,000 to any journalist or anyone doing social service who can provide clear evidence in respect of corruption in any public office which would lead to punishment of an official. I am setting apart Rs.1 crore for this purpose. The scheme would be supervised by a Committee headed by the Chief Secretary.

Increasing efficiency

189. Let me also announce the setting up of a Monitoring Commission for Administrative Reforms. More powers would be delegated to directorates from the Secretariat. Though effecting promotions and transfers at the beginning of the financial year, contributes to efficiency, the existing retirement system stands in the way of reform. Irrespective of the date in a financial year employees will be allowed to continue in service till the end of that particular financial year. Whenever vacancies arise, the same number of new recruitments will be made at the relevant entry cadre.

190. Induction training would be given to all new employees. I earmark Rs.one crore for this purpose. I also increase the basic pay limit for ex-gratia payment during loss of pay leave availed by employees affected by cancer, TB, Leprosy, Mental illnesses to Rs.12,000/-. I intend to renew the Home Loan for Government Employees which was stopped, a detailed order will be issued in this regard. Service Pensioners' Insurance will be initiated this year.

PART – X

Resource Mobilization

191.Sir, In the background of recession becoming acute, welfare measures investment and capital investments have been substantially increased. The biggest challenge before us is as to we have to find out additional resources. I do not propose to levy any additional tax or increase the existing rate of tax. It is decided to resort to non tax revenue to raise additional resources. In Kerala, the ratio between non-tax revenue and Gross State Domestic Product is not only low when compared with other States, but also declining.

Sand from dams

192.The storage capacity of major dams in Kerala has come down by 30% to 40% due to silt and sand deposits. Removing these deposits would not only increase the storage capacity of the dams but also earn additional revenue measure to the Government. Further, scarcity of the river sand as presently felt will be substantially reduced. The approximate value of sand deposit in the dams is estimated at Rs.12,000 to Rs.15,000 crore. Detailed study is underway as to how it can be removed without causing damage to the dam, the eco-system and also without disturbing the drinking water facilities. Once this study is over, it is proposed to remove the sand of Malampuzha Dam as an experimental measure through open tender for a period of two years. Monthly income from this scheme will be amortized and raised in 2009-10. This may yield a revenue of Rs.300 crore. An expert task force will be appointed to conduct further study

and to operationalise this scheme. An amount of Rs.1 crore will be earmarked.

Lease rent

193. During kings rule, large extend of land were given for plantation on lease for meagre amounts. At the time of land reforms, special concessions were given to estates. Big estate owners are even now paying an average lease rent of Rs.20/- to Rs.30/- per acre as lease rent. This rate is highly unbelievable and unethical. The irony is that the big planters are paying less than Rs.30/- per acre, where as Plantation Corporation is paying an amount of Rs.1300/- per acre. This state of affairs must come to an end. From 2009-10 onwards, lease rent will be revised as follows:

a) Above 100 acres	Rs.1300/- per acre
b) From 25 acres upto 100 acre	Rs.1000/- per acre
c) Below 25 acres	Rs.750/- per acre

194. The lease rent for non-agricultural purposes from persons other than public sector undertakings, institution for educational and health and religious purpose will be rationalized. Even at this meager lease rent, many have not paid this negligible amount over decades. All stay orders issued by Government will be vacated to realize arrears of lease rent. In order to settle the arrears, one time settlement scheme will be implemented. Penalty and interest will be waived and principal amount should be paid in one go. This opportunity is available even to those where there are courts stays.

195. Government has given on lease approximately 1.33 lakhs acres of revenue land and 20,933 acres of forest land. Additional revenue of Rs.20 crore is expected from this measure.

Penalty for illegal conversion of paddy land

196. Conversion of paddy lands is statutorily prohibited in the State. Government is authorized to grant permission for conversion in urban areas and in other areas for compelling reasons. Statute also provides for concession in exceptional cases. While granting such permission, except in cases of small holders, huge fees will be levied. Just before the enactment of law, large scale conversions had taken place. Such conversions will be regularized with stipulated fees. In order to regularize the earlier conversions, comparatively a reduced fee will be levied. The fee will be determined as the percentage of land value. Necessary enactment will be made for this purpose. Rs.25 crore is expected from this measure.

One time settlement of Stamp Duty Cases

197. There are 20,10,969 numbers of stamp duty under valuation cases pending disposal since 1986 and the amount to be realized from these cases is Rs.2,409 crore. Steps for fixing fair value of the land and resultant reduction in stamp duty rates is to be implemented during 2009-10. As a prelude to this, I propose to announce a new scheme as “one time settlement” for clearing all pending under valuation cases as shown below.

Extent	Corporation area	Municipal area	Panchayath area
Transactions upto 5 cents	Rs.2000/-	Rs.1,000/-	Fully exempted
Above 5 cents upto 10 cents	Rs.5,000/-	Rs.3,000/-	Rs.1,000/-
Above 10 cents upto 50 cents	Rs.10,000/-	Rs.5,000/-	Rs.2,000/-
Above 50 cents	6% of the stamp duty already paid or Rs.12000 which ever is higher	4% of the stamp duty already paid or Rs.7000 which ever is higher	2% of the stamp duty already paid or Rs.3000 which ever is higher

198. The scheme will be in operation upto 30-09-2009 or as notified. I appeal to the people to come forward and settle their cases. Stringent action will be initiated against those who fail to avail this opportunity. The Scheme is expected to yield additional revenue of Rs.100 Crore.

Other Non-tax avenues

199. The price of forms and the fee levied by various departments were fixed a decade back. Contractors registration fees, tender form fees, mutation fees, encumbrance fees, explosive licence fees, licence fee for fire arms are few examples. Steps will be taken to sell uprooted trees in forests. They will be individually examined and appropriate enhancements will be made. From these miscellaneous measures, I expect additional revenue of Rs.50 crore.

200. Sir, a special cell will be formed in the Finance Department to monitor non-tax revenue mobilisation measures.

One time settlement of tax arrears

201. An amount of Rs.78.44 crore has been collected so far under Amnesty Scheme in Commercial Taxes Department. Another Rs.49 crore is expected before March 2009. Rs.1031 crore is covered under stays by various Courts and Tribunal. An amount of Rs.304 crore is still outstanding against those, who have not opted for one time settlement. Thus, excluding those of PSUs, existing arrears is estimated at Rs.1335 crore. I intend to grant one more opportunity to settle these arrears. Amnesty scheme will be extended upto 30-06-2009. Even in cases pending in courts, amount can be settled and cases can be continued. Refunds will be allowed in case favourable

orders are passed by courts. It is proposed to initiate stern action against those who fails to avail this last opportunity.

Tax arrears of Public Sector Undertakings

202. An amount of Rs.1936 crore has been pending as arrears from various public sector undertakings for years. Interest and penalty due from such PSUs will be completely waived. Profit making PSUs can settle their arrears by paying 50% of the principal amount. Sick PSUs need to pay only 25% of the principal amount. PSUs which are likely to be dispossessed of their property will not be entitled to this scheme. An application has to be filed before 30-06-2009 to avail them-selves of the benefit under the scheme. The conditions in the present amnesty scheme will apply.

K.G.S.T. Assessment Arrears

203. When this Government came to power, the backlog of KGST and CST assessments pending were 2,95,245. Last two years through adalaths and effective administration, the pendency has been brought down to 10,964 cases, more time needed to finalize these cases. The period for completion of all pending assessment, including re-assessments and modified assessments on the basis of appellate orders, under KGST Act is proposed to be extended by one more year. Time limit for the completion of audit assessments under VAT, pending as on 31-03-2009 will be extended by a year.

204. An amnesty Scheme was announced in the last Budget on the various taxes collected by Commercial Taxes Department. As per the scheme, where full principal amount have been remitted, a reduction of 90% of interest was allowed. But statutory amendment with regard

to the same was omitted in the Agricultural Income Tax Act, 1991.
Necessary amendments will be made.

Tax Concessions

205. Considering the request of Khadi & Village Industries Board and its units, I had announced a package for settling their arrears upto 31-03-2005 by granting 60 interest free instalments. They have requested for waiver of entire dues upto 31-03-2005, both under KGST and CST Act. As large section of people will be benefited, their request is accepted.
206. As per the present statutory provisions, the sale of hand made soaps by dealers whose annual turnover does not exceed Rs.2 crore is taxable at 4%. I propose to clarify that the ceiling for this purpose will include the turnover of hand made soaps only. This will be given retrospective effect from 01-04-2007.
207. I propose to reduce the rate of tax on Light Emitting Diode Lamps (LED lamps) to 4%.
208. I intend to reduce the tax rate of following items from 12.5% to 4% with retrospective effect from 01-04-2005.
- (a) Aluminium Composite Panel
 - (b) Plastic coated kitchen stand
 - (c) Cement paving block
209. I intend to exempt the following items from VAT with effect from 01-04-2005.
- (a) Khadi Sliver / Roving
 - (b) Palm Jaggery and its products
 - (c) Products of Screw Pine

210. I intend to clarify “Brooms and brushes used for floor and toilet cleaning” will include ‘mops’ also.
211. It is clarified that ‘spares and parts of medical equipments and devices’ will also be taxable at 4%.
212. The rate of tax of ‘machines for book binding, gathering machines, saddle sticher, paper cutting, paper folding, perforating and allied activities’ will be made at par with that of printing machinery presently taxable at 4%.
213. Rubber and rubber products are exempted from Central Sales Tax by Notification. Considering the request of Centrifuged Latex Manufacturers Association, centrifuged latex will be exempted from the purview of this Notification.
214. Kattadi is already included in the category of ‘soft wood’ and taxable at 4%. “Silver oak” is also popularly called “kattadi”. To remove the doubts, “silver oak” will also be included in the same entry.
215. Government is committed to encourage coconut farmers, coconut cultivation and other related activities in coconut industry. In order to give impetus to this industry, I intend to continue the exemption granted to coconut, copra, edible coconut oil and coconut oil cake, this year as well.
216. Rationed articles sold through authorized ration dealers are exempted from tax. However, certain confusion exists as to whether dealers who deal in other articles also is entitled for the exemption with respect to rationed articles. They will also be exempted from tax liability in respect of rationed articles. Necessary amendments would be made in Section 6 of the KVAT Act for the above purpose.

217. There is wide gap in the tax rates of registered and unregistered branded biscuits and confectionaries. In order to plug the revenue leakage, rates will be rationalised.
218. Sweets prepared and served in hotels and restaurants to the consumers along with cooked food will be included in the turnover eligible for compounding.

Builders

219. Construction industry in general and flat construction in particular is going through a crisis due to current recession. Hence, I propose to decrease the compounding rate of tax for works contractors having CST registration from 8% to 3%, subject to the condition that the dealer shall pay tax on the purchase value of goods purchased or brought from outside the State at schedule rates. Such purchase value shall be excluded from the total contract receipts for the purpose of applying the compounded rate of 3%. For Government and KWA Contractors the existing compounding provision will continue.
220. I like to clarify that, contractors who had surrendered statutory forms and initiated steps for cancellation of their CST registration and having no closing stock of any materials purchased interstate as on 01.04.2008, will be permitted to opt for compounding at 3% for the year 2008-09. Dealers having closing stock of materials purchased inter-state would also be allowed this rate provided they remit the tax on such closing stock on purchase value at the schedule rates.
221. Contractors have pointed out the difficulties faced by them due to the substantial increase in compounded rate of tax made in the year 2008-09 with effect from 01-04-2008, where they were forced to make payment of tax at higher rate on ongoing works. Their grievance

appears to be genuine. So, I propose to levy the ongoing works which commenced before 01-04-2008, at the existing rate prevalent prior to 01-04-2008 for payment received upto 31-03-2009.

Metal Crusher

222. I intend to reduce the compounded tax rate of metal crusher sector.

The compounded tax rate of machine with 12” x 9” jaw size will be reduced from Rs.50,000/- to Rs.40,000/- and that of machines exceeding jaw size 12” x 9” to 16” x 10” will be reduced from Rs.1,60,000/- to Rs.1,50,000/-. The tax rate of machines above these jaw size will be reduced from Rs.3,20,000/- to Rs.3 lakhs. I propose to make a major concession to dealers having only one machine (other than cone crusher). They will be liable to pay only Rs.25,000/. I propose to clear the doubts regarding the tax rate on primary machines. The primary crushers giving inputs to secondary crushers will hereafter be taxed at 50% of the aggregate tax payable on secondary crushers.

223. I propose to increase the compounded tax payable with respect to cone crusher from the existing slab of Rs.7,50,000/- to Rs.10,00,000/. The explanation under 8(b) of the VAT Act will be rephrased accordingly.

Tourism

224. As per the present provision of the KVAT Act, bar attached hotel (3 star and below) can compound cooked food along with cigarettes, aerated water, soft drinks, packaged water etc. purchased from registered dealers. It is proposed to include all VAT suffered items within the purview of compounding.

225. Considering the request of the House Boat Owners Society, I intend to grant time upto 15-03-2009 for filing option to pay compounded tax for the year 2008-09.

Gold

226. As expected, gold will yield a revenue of Rs.150 crore during this financial year. A target of Rs.180 crore will be fixed for next year. I propose to introduce a more attractive compounding scheme to small dealers so as to bring all of them under compounding net. The compounding rate of tax during the current year is at 150% of the highest tax paid or payable as per return or accounts during the last three years, otherwise they will have to pay VAT at 4%. I propose to reduce the rate of compounded tax as under. Dealers with turnover upto Rs.10 lakhs shall pay tax at 115%, turnover exceeding Rs.10 lakhs and upto Rs.40 lakhs shall pay tax at 120% and turnover exceeding Rs.40 lakhs and upto Rs.100 lakhs shall pay tax at 135%. Dealers whose turnover is above Rs.1 crore will continue to pay compounded tax at 150%.

227. For existing compounded dealers, the percentage will be 115% of the tax paid during last year. The branch which has not opted for compounding during last year, the compounded tax payable shall be on an average basis of the tax paid for the existing principal place and branches opted. Such criteria shall be followed for branches opened this year also. A provision will be introduced in the Act making it compulsory for compounded dealers in gold to opt for compounding with regard to all branches irrespective of the date of commencement of business.

228. There is doubt regarding the rate of tax on gold coins, gold bars of any size, semi manufactured gold strips and gold in any form other than

gold ornaments and jewellery. I propose to include the above items also along with 'Bullion' under Second Schedule. This will have effect from 01-04-2009 only.

e-Return filing

229. Kerala is the first state in India to implement complete electronic filing of returns. Necessary statutory amendments will be made. The complaint is that the hard copy of the returns has to be submitted to the tax office. Hard copy of the return will be insisted till the month of June, 2009 only and there after they need to file a receipt of e-filing only. The difficulty of dealers to visit the offices to remit taxes has also to be addressed. To facilitate this, I intend to introduce e-Payment facility in six months time.

230. Dealers have to approach Commercial Tax Officers to obtain statutory forms. I intend to redress their difficulties. Facilities will be provided to registered dealers to download various declaration forms for their use and this will be implemented in a year's time. It will result in transparent and corruption free procedures in the department.

231. Several Trade Associations have represented to Government to implement a loan scheme for the purchase of computers and other accessories to e-File the returns from their business establishment itself. A loan package will be introduced through KSFE. The loan has to be repaid within two years. If payment is made without any default, interest will be borne by the Government.

Welfare measures

232. Contribution to the Traders Welfare Board will be collected along with the registration renewal fee. A comprehensive welfare package

and pension scheme will be implemented. Rs.5 crore will be earmarked as the contribution of the Government.

Registration

233. In VAT consultative Committee Meeting dealers have represented many a times about the delay in getting registration. Hence, a simplified and transparent procedure will be introduced for registering VAT dealers. The pre-condition of licence from the local bodies will not be insisted for running the business. However, the dealers will have to produce a certificate within a year of commencement of business.

Special package to small traders

234. It is proposed to introduce a simple scheme to attract petty dealers to the tax net without having the fear of filing monthly / quarterly returns. Accordingly, new dealers who anticipate an annual turnover of below Rs.20 lakhs and coming within the presumptive criteria and existing presumptive dealers whose annual turnover for the preceding year was below Rs.20 lakhs, will have an option of paying a compounded rate of Rs.3000/- per annum. The compounded tax Rs.750/- can be paid quarterly with a statement. They need to file an annual declaration at the end of the year. This new scheme will facilitate small traders to take registration without fear of red tapism and maintenance of detailed books of accounts. A campaign will be launched for the same.

Luxury Tax

235. As per the present provision in the Kerala Tax on Luxuries Act, 1976 interest cannot be demanded unless a demand notice is issued. To

plug the loop hole, necessary provisions similar to other taxation statutes would be incorporated in the Act.

236. There is no substantial provision in the Kerala Tax on Luxuries Act to recover luxury tax arrears by revenue recovery. Hence necessary amendment would be made to incorporate the same. As in other taxation statutes, Inspecting Asst. Commissioners will be empowered.

237. The provision relating to compounding fee under Sec.17B of the Kerala Tax on Luxuries Act, 1976 will be made at par with that of KVAT Act.

238. I propose to exempt Railway retiring rooms and dormitories from the purview of Luxury Tax with retrospective effect.

Simplification of procedure

239. Just as I have introduced Amnesty Scheme and met with grand success, I intend to declare a Voluntary Disclosure Scheme to disclose suppressed turnover and pay tax thereon. Every dealer, well before detection by my department, is eligible for above scheme. The dealer will make a statement to assessing officer as to the acceptance of the quantum of suppression by paying 100% tax. He will be eligible for waiver of interest and penalties on such amount. The scheme will be in operation upto 30th June, 2009. e-Filing has made scientific verification of accounts possible. This is a golden opportunity for dealers to rectify omissions in their accounts in previous years and to avoid penal consequences.

240. Following the implementation of VAT, there was ambiguity regarding rate of tax applicable to various commodities. After few years, it was found out that tax already paid was less than actual tax to be paid.

Presently there is no provision to make payment of differential tax and to avail input tax credit by subsequent dealers. Hence, it is decided to make provision for remitting differential tax along with the interest upto 30-06-2009. Accordingly dealers who remit the differential tax will be allowed to issue debit note and the subsequent dealers can take input tax credit on the basis of such debit note up to 30/06/2009.

241. Present provision regarding grant of VAT registration will be suitably amended so as to enable the dealer to obtain registration from the date of commencement of business. They will be permitted to opt for compounding or presumptive tax, subject to eligibility from such dates. But it is made clear that ITC claims, Special Rebate and refunds will be allowed only from the date of application for registration. This facility will be available to the existing dealers as well.
242. As per Section 67(1) of the KVAT Act, the case relating to offence detected shall be disposed within one year from the date of detection unless extension of time is granted by the Deputy Commissioner. It is proposed to increase the time limit to three years. Also the period of retention of seized records shall be increased from 60 days to 180 days.
243. Dealers who compound any offence under the KVAT Act, admitting his suppression and paying tax due with interest will be permitted to file revised return under Section 22 of the Act.
244. Due to ignorance of law, certain dealers have failed to remit tax on closing stock of goods taxable at purchase point as on 31-03-2005. But, they have remitted tax on the said stock subsequently under VAT. To regularize the same, necessary amendments would be made

in the Section 98 of the VAT Act. Interest will be levied for belated payments as per statute.

245. KGST Act will be suitably amended to treat “Ethanol Blended Petrol” at par with petrol for the purpose of taxation.

246. It is understood that certain individuals are bringing goods from outside the State under the guise of own use and utilize the same for commercial purpose. I intend to introduce necessary provisions to prevent abuse of process of law. Necessary amendments will be made in the statute.

247. I propose to include “Company Secretaries” also to represent the dealer in the tax matters before the VAT authorities.

248. Co-operative Societies would be permitted to file audited statements and accounts of the Registrar of Co-operative Societies for purposes of Section 42 of the KVAT Act. They will be granted time upto Dec. 31st next year for filing the same.

249. It is a debatable issue whether confiscated goods can be disposed off through public auction or by public sale. Necessary amendments will be made in Section 47 and Section 49 of the KVAT Act to clarify the same.

250. When cardamom is taken back from the auction centres without effecting auction [vapas], the present statute does not warrant maintenance of necessary records. Hence, I propose to make necessary changes in Section 40 of the KVAT Act for the same.

251. Section 74 of VAT Act provides for maximum compounding fee collectable, for an offence, in a financial year. It is presently fixed at Rs.2 lakhs. Recent field inspections reveal suppression of very high

magnitude involving huge amount. Considering the above aspect, I propose to increase the present monetary limit of Rs.2 lakhs to Rs.4 lakhs maximum.

252. There is provision under KVAT Act, where by dealers can seek clarification regarding the rate of tax etc. by applying before the Commissioner. Under VAT regime so many complicated issues of facts and law will have to be examined before issuing the clarification. It is proposed to delegate this power to a team consisting of three Deputy Commissioners of the Department. Such persons will be nominated by the Commissioner and he will also prescribe the periodicity of sittings in a month. If no unanimous decision is arrived, the matter shall be resumed by the Commissioner. Suo-moto revision against the order of the authority shall lie with the Commissioner. The Commissioner may decide whether such clarificatory orders should be made only prospective in operation.

Reorganization of the Department

253. As I present this Budget, the cumulative tax collection has crossed Rs. 10, 000 crore. This is for the first time in the history of Kerala, tax collection reached five digit. Sir, when compared with the accounts of last year, the growth rate of tax for the period up to 31st Jan., 2009 is 24%. Despite world wide recession, this magnificent result is achieved due to the reforms implemented in the department and also due to the dedicated work of the staff. If we have to maintain 15% to 20% growth next year, the reorganization measures have to be pushed forward strongly. Goods and Service Tax [GST] will be introduced in the year 2010-2011 and this also demands reorganization of the department.

254. The most important steps in this direction is reorganizaton of VAT circles. VAT circle officers are already empowered to dispose of crime files. This has given good results. Therefore it is intended that 80 officers working in the audit assessment wing will be deployed to VAT circles to effectively scrutinize the return files.
255. Part of audit assessment wing will be used for internal audit work. For effective supervision of this work a Joint Commissioner Post will be created in the head quarter. The importance of the internal audit wing has been emphasized by the Accountant General and Public Accounts Committee.
256. It is also proposed to strengthen the existing intelligence squad and to create new squads. For the purpose Sales Tax Inspectors who have statutory powers, are needed. It is not intended to create new posts for this purpose. But, 100 posts of clerks having prescribed qualification will be upgraded. To meet the consequent shortage of clerks necessary post of clerical attenders will be upgraded.
257. It is also proposed to upgrade two Deputy Commissioner posts in the head quarters to that of Joint Commissioner. Apart from this, a new post of Joint Commissioner (Enforcement) will be created.
258. In order to intensify tax collection, an incentive scheme also proposed. Departmental staff who unearth huge tax evasion through checking at check post, scrutiny of VAT circles etc. will be given awards. Additional revenue generated on return scrutiny, railway checking, shop inspection, check post inspection, over checking, vehicle checking, courier and parcel checking, cases detected by I.B. Wing, cases detected in other inspections etc. will be the criteria for giving awards . An amount of Rs.5 crore is earmarked.

259. For speedy disposal of cases in Commercial Taxes Department, a transparent appellate wing is indispensable. The existing appellate / tribunal structure requires re-examination. Considering the number of cases, the number of Tribunal Benches needs to be increased. It is hoped that such measure will result in quick disposal of cases. The existing departmental appellate authorities will be dispensed with and they will be effectively redeployed for other activities of the department. The above changes will take effect as and when it is notified by the Government.
260. Rs.10 crore is earmarked for renovation of check posts and commercial tax offices. GIFT has been granted a central assistance of Rs.20 crore and will be inaugurated shortly. With the assistance of INKEL, integrated check posts will be established in Walayar, Manjeswaram, Muthanga, Amaravila, Aryankavu and Kumily. A head quarters with modern facilities will be built for the Commercial Taxes Department at Thiruvananthapuram.
261. A separate cell will be constituted in the Commercial Taxes Department for undertaking the preparatory work on 'Goods and Service Tax'. Officers in the Cell will have an opportunity to visit other States for study and training.

PART - XI

Conclusion

262. Sir, I am presenting the summary of estimates for the years 2008-09 and 2009-10.

The Revised estimates for 2008-09:

Item	Revised Budget Estimates (Rupees in Crore)
Revenue receipts	25063.26
Revenue expenditure	28792.12
Revenue Deficit	(-) 3728.86
Capital expenditure	1692.01
Loans and Advances (Net)	(-)893.66
Public Debt (Net)	5729.35
Public Account (Net)	405.58
Overall deficit	(-) 179.59
Carryover surplus/deficit	123.27
Cumulative deficit	(-) 56.32

The Budget estimates for 2009-10

Item	Budget Estimates (Rupees in Crore)
Revenue receipts	28153.90
Revenue expenditure	31161.85
Revenue Deficit	(-) 3007.95
Capital expenditure	1709.15
Loans and Advances (Net)	(-) 963.42
Public Debt (Net)	5484.70
Public Account (Net)	113.70
Overall surplus/deficit	(-) 82.13
Carryover surplus/deficit	(-) 56.32
Additional expenditure announced	1369.97
Additional Resource Mobilisation	574.29
Cumulative deficit	(-) 934.13

263. In 2009-10 the total Revenue receipts of the State Government is Rs. 28154 crore and the Total Revenue expenditure is Rs.31162 crore. The Revenue deficit which was Rs.3729 crore in 2008-09 is declining to Rs.3008 crore. As we have already seen, revenue deficit is coming down from 2.04% to 1.49%. This is indeed a commendable achievement however the decline in the fiscal deficit is a paradox. There is only marginal increase in the capital expenditure in 2008-09. The public debt declined from Rs.5729 crore in 2008-09 to Rs.5485 crore in 2009-10 and as a result the fiscal deficit which was 3.46% in

2008-09 will decline to 2.81% in Budget Estimate of 2009-10. This runs against the logic of economic science.

264. As per the FRBM Acts passed by both the Centre and the State. We have to reduce the fiscal deficit upto 3% of the GSDP. In the background of the global recession, even the central government has admitted the fiscal deficit ratio would have to be increased. In contrast, the fiscal deficit of Kerala, instead of rising, is falling. The reason is the refusal of the central government to permit the state to borrow upto its eligible limits. This is not a mere issue of discrimination. It is indeed an expression of basic contradiction of the policy of the Central government. While the Central Government, have the rights to increase its expenditure through the stimulus packages, the State government is forced to reduce its expenditure due to the lack of adequate availability of loans. This is a classic case of one hand not knowing what the other hand is doing. We are being reduced to role of the Princely state of Travancore. We cannot concede to this situation.

265. I want to make clear one point that the state government is committed to reduce the revenue deficit. Now in my Budget speech, additional revenue expenditure by way of food subsidy, interest waiver and grants has been announced. However, I have also announced the additional resource mobilisation of Rs.574 crore. As a result, the revenue deficit in the budget estimates is likely to decline further at the end of the year.

266. Out of the additional expenditure announced in the Budget, two third of it comprises Capital Expenditure. Increase in capital expenditure in times of recession would help not only to raise the level of employment and income but also increase productivity. However as I

mentioned earlier the borrowing permitted by Government of India to Kerala during 2009-10 is less than last year. As a result, the year end overall deficit of the State Government raises to Rs. 934 crore. People may be disturbed by this result. This is the result of conscious decision. Kerala refuses to reduce the fiscal deficit in a period of recession.

267. I demand that State be allowed additional borrowing equivalent of 1 % of the GSDP. If Central Government permits it, not only it will cover the deficit of Kerala but also we will be able to neutralise the inevitable fall in the revenue devolution from the central Government from the budget estimates for 2009-10. The central government will not arbitrarily determine the amount and source of borrowing by the state governments. Instead a Loan Council of the center and the states, as recommended by the 12th Finance Commission should be setup. This Budget is pointing to the issues of restructuring centre state financial relations as the focal point of contemporary development dialogue and political discourse.

268. Sir, The Kerala Budget for 2009-10 is also an appeal. If all of us stand united we can easily find the resources for the largest ever public investment package in the history of our state. I have an appeal to all patriotic malayalees. If I have to take additional loan I have to seek permission from the centre. But you do not have to seek anybody's permission to request to deposit your saving in the treasury for safe keeping . The treasury is offering very attractive interest rates. It also guarantees that your saving will be used for raising the public interest and stimulate our economy.

269. I have a warning as well. I do not want to mislead any body by the scale of expansion of our capital investment. It will be at peril if we

forget the severe fiscal constraints that the Government faces. If we succumb to the temptation to drift to runaway expansion of the revenue expenditure we shall descend to the bottomless pit of fiscal crisis. Fiscal discipline is more important than ever today. Almost all development works proposed by the Hon'ble Members have been included in the Budget. However, only a few new Institutions have been allowed. Stringent measures have to be taken to contain the revenue expenditure within the budgeted amount till the end of next financial year. Kindly do not get offended. It could be an irresponsible approach, if it is not so done.

270. For many reasons, this is an extraordinary budget. For we are living in extraordinary time. We dare to think unconventionally. This Government has the conviction and courage to do so.

271. Sir, The tale of the literary masterpiece, with which I opened my speech narrates the history of two and half centuries from the days of Visual Survey in the erstwhile princely state of Travancore to the land reforms in the post independent Kerala. The Classifier comes to live in Erumatra Madham. Even before he hardly heard it the grand old man of Kodanthara declares: There is no Precedent. Only Brahmins on the way to Murajapam in the capital Thiruvananthapuram used to make temporary abode at the Madham. There is no precedent for an official to live in the Madham. In the long years between the times of Classifier who made the land grants to the land reforms, many things happened. The waters of Pampa flowed on. The pollution disappeared. So did the matriliney. The bunds of Rani - Chithara kayals were built. Factories came up in Alappuzha. The capitalist emerged on the scene. So did the workers. The slogan of no to lordship resounded. Paappa, the new breed of woman, woke up. Thus we arrived here. Well educated and healthy

society of men and women. But the cultivation and coir making remained grooved to the past. This has to change. Every time something new emerged the old man Kodanthara would say- "There is no precedent". But sir, We have reached an important juncture of history. The extra ordinary times of ours is searching answers to extra ordinary questions. We have to choose a path to go forward. The gains of the past must be preserved. But educated Malayalee wants new type of industries and services. We need justice. And also growth. For this we need new Classifiers. And also investors. Centers of excellence must come up. Scholars must be attracted. We also need politics committed to the people.

Sir, This Budget is an important step in setting the new directions for our state. It is contribution for rapid growth with justice.

Sir, I submit this Budget before the House. I also introduce the vote on account for the first four months of the next financial year and I seek all your support.

// Jai Hind //