

# **BUDGET SPEECH**

## **2011-2012**

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**MINISTER FOR FINANCE**

**on**

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**GOVERNMENT OF KERALA**

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# I

## INTRODUCTION

1. In order to imbue the 2011-12 Budget Speech with poetic beauty the beloved poet of Malayalam Shri O.N.V. Kurup has not only permitted me to quote a few lines from his “Dinantham” but also graciously penned a few lines exclusively for this speech.

Promises realised are many,  
yet promises to keep are several  
The way covered has been long  
Yet the way ahead is still far,  
To eat, to wear and to stay  
All those born on this soil will get  
Same law, same justice for one and all  
Till that goal is assured  
March ahead bravely  
To the promised land, let the journey be.

Sir, I rise to present the budget for 2011-12.

2. I stand before you with the deepest satisfaction of having realized most of the promises which we had made. In areas like social welfare, even critics agree that this government has made remarkable achievements to be proud of. But my argument is that the growth during the last five years in the Kerala economy was far more impressive than what could be achieved so far. The state economy grew at around 9 per cent in spite of the pressure of global recession and the hang over of the agrarian collapse Sir, I am assuring you, Kerala would be the fastest growing State in the country within two or three years.

3. I am not arguing that everything is safe and sound. There are several weaknesses. The biggest problem is the increasing inequality and the immiserisation of those in the lower rungs of society. The ASEAN agreement is raising the threat of a crash in prices similar to the one witnessed at the beginning of the century. Solutions have to be found for the second generation problems thrown up in the education and health sectors. We have to become eco-friendly. We must realize that social justice cannot be achieved without gender equality. Employment opportunities are not emerging fast enough to realise the expectations of the younger generations. As had been pointed out by Dr. Abdul Kalam in his address to the Assembly there is a need to further strengthen the new growth sectors which are competitive and more appropriate to our society. All the five budgets of this government were efforts to rectify the weaknesses mentioned above.

4. We have adopted an approach taking into account the welfare and development needs of the State instead of following a conservative statusquoist approach. Because of such an approach, it can be seen that public expenditure which increased only by 53 per cent during the period 2001-06, has doubled during the period of this Government – that is from ₹ 19,528 crore in 2005-06 to ₹ 39,790 crore in 2010-11. There has been a positive change in respect of capital expenditure also moving from 5.65 per cent to 12.51 per cent. The share of local governments went up from 6.6 per cent to 8 per cent. Share of Plan expenditure has increased from 22 per cent to 25.3 per cent. Development expenditure has moved up from 53 per cent to 55 per cent.

5. Even while Government expenditure doubled, the State has succeeded in keeping the deficit low. The revenue deficit which was 28.5 per cent of the revenue receipts in 2001-06 came down sharply to 15.5 per cent during 2006-11. Fiscal deficit has also decreased significantly.

6. Sir, let me claim with pride that the treasury was not on overdraft even on a single day during the last three years. During the current year, till date no ways and means advance has been taken from the Reserve Bank of India, even for a single day. Almost all the ways and means restrictions have been withdrawn. The State has never had such an experience in the last three decades. It is worth remembering that during the tenure of the previous government, the treasury was on overdraft on most of the days.

7. The basic reason for the improvement of the fiscal situation of the Government is the increase in the own income of the State. State's tax income which was ₹ 7000 crore in 2005-06 is expected to touch ₹ 16,000 crore in 2010-11. In 2005-06 Central assistance touched 29.94 per cent of the State's total revenue receipts. In 2010-11 the expected Central assistance would come only to 25.6 per cent of the State's total revenue receipts.

8. Sir, in my first Budget speech I had expressed the hope that I would be able to present a surplus budget. However, contrary to expectations the Thirteenth Finance Commission further reduced the share of Central taxes for Kerala. The GST announced by the Central Government has not yet become operational. The global economic slowdown has adversely affected the fiscal situation of the State and Central Governments. The Centre and most of the State Governments are running deficits. In such a situation it is not possible to present a surplus budget without reducing welfare expenditure, giving up pay revision and trimming down grants to local governments. We are not prepared to follow such an anti-people policy. I have provided for the additional expenditure due to the pay revision in this budget. Yet in 2011-12 the revenue deficit is only 1.97 per cent; please remember that in the 2010-11 Budget it was 1.48 per cent. Even this small increase is purely temporary. Once GST comes into force, the State's tax income would increase even more significantly. The possibilities of non-tax revenues increasing have also brightened. With these, the revenue deficit would come down.

9. I reject the allegation that the financial position of Kerala was improved only by massive borrowing. The total debt position which was ₹ 45,929 crore in 2005-06 will increase to ₹ 78,327 crore at the end of this year. But the burden of debt is not measured by the absolute size of debt. A larger economy can afford a higher debt burden. Debt burden should always be measured in relation to the GSDP. Debt touched 32.9 per cent in 2000-01, it increased to 33.6 per cent in 2005-06; but in 2010-11 it has come down to 29.52 per cent of the GSDP. While Kerala's debt grew 70 per cent in the last five years it had risen by 92 per cent in the previous five years. This shows that the rate of increase of debt has come down sharply.

10. Sir, what worries me is not the size of the debt, but the moves of the Central Government to restrict the borrowing limit of the State. The Central Government has included Kerala among the fiscally stressed States. This has been accomplished by the Government of India by radically altering the prevailing norms for such classification. Earlier States which had a debt burden of 35 per cent or more of SDP were deemed as fiscally stressed. In addition certain other norms were also considered. But as per the new norms States which have more than 27 per cent of the SDP as debt are considered fiscally stressed. Other norms have also been similarly lowered. When Kerala's financial situation improved the Central Government has changed its norms unfavourably. Let me assure you that these exercises have no basis in economic or fiscal theory.

11. Sir, Kerala is not in a debt trap. Experts use the formula laid down by the famous economist Harod Domar to assess whether a Government is moving into the debt trap. The debt is sustainable if the State's income grows at a rate higher than the average interest rate of the debt. The Government debt of Kerala has an average interest rate of 7.8 – 8.2 per cent whereas its income is growing at a rate of 14 – 15 per cent. In short an attempt to impose a conservative financial policy is being made by creating a panic about an impending debt trap.

12. Sir, the Central Government stand against borrowing by the State is actually shackling the State's development. Though permission has been given to borrow up to 3.5 per cent of the SDP during 2011-12 it has to be brought down to 3.0 per cent in the next year. In addition the State's total debt should be brought down to 25 per cent. I am unable to understand as to why borrowing for capital expenditure should be curtailed even when the State agrees to prepare a time bound plan of action to reduce the revenue deficit.

13. Not only that, in practice the State is not in a position to borrow even within the limits permitted. The procedures adopted by the Central Government create several hurdles which restrict the State. That is why in 2009-10 the fiscal deficit was limited to 3.42 per cent even though there was permission to allow 4 per cent in the context of the global economic slowdown. In 2010-11 a fiscal deficit of 3.5 per cent was permitted. But as per the latest estimates it would come to only 2.89 per cent. The allegation that Kerala is using its Treasury Savings Bank to borrow heavily is found to be baseless in the light of the above facts. Now the Central Government wants Kerala to stop the Treasury Savings Bank system. If this is agreed to, even the limited fiscal autonomy of the State would be taken away. The people of Kerala would unitedly oppose any move to touch the Treasury Savings Bank system which is the product of a covenant solemnized when Travancore acceded to the Indian union. There is need for a consensus on this cutting across political lines.

## II

### **COMPREHENSIVE ROAD RENOVATION PROJECT**

14. I would like to clarify with an example as to how the conservative fiscal policy of the Central Government has shackled Kerala's development. The road network of Kerala requires urgent modernisation. The existing roads are not suitable for bearing the

heavy weight of the new generation trucks and the transport density. The only solution to this problem is to change the existing mode of construction. It is time that we moved on to adoption of bitumen macadam – bitumen concrete designer roads. The Committee which was constituted to develop the Road Transport Policy has estimated the costs involved at around ₹ 40,000 crore in all.

15. There is no other way to raise so much of money other than loans. Even if Kerala gets rid of its revenue deficit with great sacrifice the Central Government will still not permit borrowing beyond 3 per cent of the State domestic product. The BOT model forced on the State by the Central Government in the case of National Highways cannot even be experimented with in the case of State Highways and Major District Roads. Then, what is the way out?

16. Let me place before you an alternative approach to get over the stubbornness of the Central Government in adhering to the tenets of a conservative fiscal policy. Instead of the Government borrowing directly, autonomous Boards or Companies control by the Government should raise loans and restore the road network. The Road Fund Board and the Roads and Bridges Corporation would carry out this responsibility.

17. If this has to be successful it is absolutely essential to do two things; firstly these two organizations need to be restructured. Now they are only appendages of the Department. This status has to change. Board of Directors with an independent character has to be put in place, which have top quality professional directors and well known financial experts. The new system should be totally free from the corruption raj perpetrated by the contractor – engineer – politician triad. The recent reforms introduced in the public works sector help achieve this. Reforms like E-tendering of long term maintenance contract etc., need to be completed. That there are no arrears due to contractors has also helped change the atmosphere. Sir, when this Government assumed office arrears were pending for 26 months. Now there is no bill in the Finance Department pending clearance.



18. Secondly, the Road Fund Board and Roads and Bridges Corporation have to achieve the credit rating required to generate enough confidence of the market to lend ₹ 40,000 crore to these organizations within a period of ten years. For this, three to six months of revenue from the motor vehicles' tax every year shall be deposited in an escrow account through legislation. Simultaneously these organizations would have to adopt measures to mobilize own resources from advertisements and land development. If there is a legally protected source of income which guarantees regular repayment of loans the Road Fund Board and the Roads & Bridges Corporation can mobilize loans from the market and carry out the road restoration works.

19. Once the interest free financing institution – Al Barak comes into operation, it would become much easier to mobilise resource for the Comprehensive Road Renovation Project. The state government will permit the Road Fund Board and the Roads and Bridges Corporation to levy a fixed percentage as service charges for their construction work. A share of the profit will be given to Al Barak for the funds deposited. We also realise that there are certain practical problems related to double taxation in the smooth functioning of interest free financial institutions. A committee will be appointed to examine these issues.

20. Sir, I set apart ₹ 1000 crore towards this ₹ 40,000 crore plan for Comprehensive Road Restoration, to be provided as interest free loans to the Roads and Bridges Corporation and the Road Fund Board. On this basis these two agencies would take up implementation of road works to the tune of ₹ 5,000 crore as detailed below:

21. State High Way Package of ₹ 1920 crore - The following 10 state high ways of 320 kms are taken up for renovation;

SH 2	-	Thenmala – Madathara	-	28 km
SH 3	-	Nedumangadu – Sherlakkod	-	37.5 km
SH7	-	Thiruvalla – Kozhenjeri – Kumbazha	-	30 km

SH 9	-	Kottayam – Kozhanjeri	-	22.06 km
SH 12	-	Ambalappuzha – Thiruvalla	-	27 km
SH 23	-	Thrissur – Shornur	-	28 km
SH 37	-	Adoor – Shasthamkotta	-	Chavara- 40 km
SH 38	-	Puthiyangadi–Perambra–Koothuparamba	-	62 km
SH 40	-	Thanneermukkam–Vaikom–Vengalloor	-	39.9 km
SH 41	-	Palarivattam – Kumarapuram	-	11.3 km

22. Major Districts Roads package of ₹ 765 crore – The following 36 district roads of 765 kilometer length shall be taken up for two laning.

#### Main District Roads

	<i>District</i>	<i>Name of Road</i>	<i>KM</i>
1	Kasargod	Uppala – Kanyana	15.69
2		Kumbala - Bediyadukka	16.27
3		Thekkil – Aalatty	30
4	Kannur	Chovva – Mattanoor	22.9
5		Thalipparamba – Koorg Road	36.9
6		Thalassery – Irikkoor	31.24
7		Vellore – Pulingom	34.3
8		CKMK Road	26.78
9	Kozhikode	Perambra - Vadakara	30
10		Kaithapoikayil–Kodancheri – Thiruvambadi-Mukkam	30
11		Vadakara – Chelakkad - Kuttiyadi	25
12		Balusseri–Kurumboil–Thalayadu	17.5
13	Palakkad	Koottanad – Ponnani	10.3
14		Palakkad – Chittoor	15.7
15		Ottappalam – Mayannoor - Chelakkara	12
16		Padijnarangadi – Thrithala – Pattambi	14
17	Malappuram	Manjeri – Pandikkadu	16.2
18		Thirur – Chamravattom	36.5
19	Thissur	Chembukkavu–Kuttanalore–Akkikkavu	22
20	Ernakulam	Edappalli- Pookkattupadi	11

21	Moovattupuzha – Kakkanad	37
22	Mulamthuruthi – Puthen Kurishu- Smart City – Infopark	24
23	Idukki Ramakkalmed – Kambammed	11
24	Adimali – Pooppara	44.6
25	Alappuzha Kayamkulam – Karthikappalli	20
26	Kottayam Vaikom – Vechoor	11.2
27	Karukachal – Manimala	16.3
28	Pathanamthitta Thiruvalla – Mallappalli	14.1
29	Adoor – Kaipattoor	12
30	Kollam Chathannoor – Paravoor - Parippalli	24
31	Kizhakketheruvu – Pathanapuram	12
32	Valakam – Pathanapuram	18
33	Kottarakkara – Karunagappalli	27.1
34	Kottiyam – Kundara	11.6
35	Thiruvananthapuram Thiruvananthapuram – Neyyar dam	27.2
36	Vamanapuram – Attingal - Chirayinkeezhu	27

23. A package for bypass for ₹ 1000 crore –The following bypass shall be taken up under the comprehensive road development programme; Thrissur (Mannuthi – Amala), Kunnankulam, Ottappalam, Shornur, Thrippunithura, Kottarakkara, Mattannoor, Quilandi, Ankamali, Edappal, Perinthalmanna, Vaikom, Kottakkal, Alappuzha (Pallathuruthi – Aryad). Even though the KSTP will complete Thiruvalla bypass, another one will be constructed parallel to the M C Road from Chengannoor to Ettumanoor bisecting Thiruvalla, Changanassery, Kottayam towns. Roads and Bridges Corporation will undertake and complete the Sea Port – Airport Road in Kochi.

24. Junction modernisation is inevitable for addressing traffic blocks. Five packages are sanctioned for this

i) Ernakulam package of ₹ 202 crore – Sahodaran Ayyappan Road – South ROB junction flyover kunnupuram CEPZ junction, Edappally toll junction renovation. Improvement of Vyttila junction including a ring road.

ii) Kollam Package of ₹ 120 crore – Asharamam link Road extension up to Anandavalliswaram including the parallel bridge to Irumbupalam

iii) Thrissur Package of ₹ 142 Crores – Railway over bridge from Kokkalai to Poothol, Flyover at West Fort, modernisation of junctions at East Fort, Poonkunnam, Patturakkal and Aswini.

iv) Kozhikode Package of ₹ 180 crore – Flyovers at Eranjippalam, Thondayadu and improvement at junctions at Karapparambu, Kalluthamkadavu, Fransis Road, Chevayoor, Mankavu and MLA junction along the mini bypass road.

v) Thiruvananthapuram Package of ₹ 250 crore – The traffic blocks in Thiruvananthapuram could be addressed only through ring roads and radial roads. 14 km long Kulathoor – Sreekaryam – Mannanthala - Peroorkkada ring road for ₹ 42 crore and 60 km ring roads for ₹ 240 crore along Malangalapuram – Pothencode-Karakulam – Peyad – Vizhinjam. Construction of NH bypass and outer ring road shall be started immediately. A 25 km radial road to Mangalapuram at a total cost of ₹ 125 crore from the heart of the city shall also be taken up during this phase.

25. Administrative sanction has been given to certain portions of the highland high way. As a part of the Comprehensive Road Renovation Project sanction is accorded for a 129 km road stretch from Parassala to Alimukku in Kollam at ₹ 253 crore.

26. A master plan has been submitted by the Roads and Bridges Corporation for a Coastal High Way. 42 kms of road has been renovated. Sanction is accorded for renovation of 279 km stretch of roads from Poovar in Thiruvananthapuram district to Ponnani in Malappuram district at ₹ 420 crore. Sanction is also accorded for the bridge across Azhikkodu – Munambam. Roads and Bridges Corporation has been entrusted for four laning of the stretch from Ponnani to Elathur.

27. This year's unusually long rainy season has caused unprecedented damage to the roads. In order to repair these roads ₹ 346 crore was sanctioned to the Local Governments over and above the budget provision. For the Public Works Department ₹ 700 crore was additionally allotted. But due to intense rains the works could begin only by December. Let me assure you that the road network would be fully restored before the end of the summer season.

28. A program is needed for improving the standards of Village Roads also. I fully agree with the suggestions of the Fourth State Finance Commission in this matter. There is a need for a comprehensive road development plan from which roads to be taken up would be identified according to a priority based criteria. Strict standards would have to be enforced in the construction of roads. New construction should be taken up only after completing the repairs of existing roads. The fund for road maintenance given to Local Governments which was only ₹ 203 crore in 2010-11 is stepped up in 2011-12 to ₹ 528 crore. Local Governments are also given the freedom to accord Administrative Sanction to road maintenance works in February itself even before obtaining approval of the annual plan; these works can be later incorporated into the plan. I am also happy to enhance the permissible share for infrastructure from 20 per cent as indicated in the guidelines for the Eleventh Five Year Plan to 40 per cent.

29. For the last seven years there has been an ongoing dispute between the Public Works and Local Government Departments over 'Other District Roads'. This has affected the timely maintenance of these roads. Permission has now been given to the Public Works Department to repair such roads irrespective of the ownership. But the present state of uncertainty has to be put to an end. The roads which PWD has now claimed to have taken over have been identified without following any norms whatsoever. Now, clear norms would be evolved upfront and roads which need to be converted to MDR category would be identified accordingly and taken over.

30. In addition to the ₹ 1000 crore mentioned earlier, ₹ 586 crore would be allotted to the Public Works Department under the annual plan.

i) ₹ 250 crore has been earmarked for KSTP- Phase 2 to take up Chengannur – Muvattupuzha, Kasargod – Kanhangad, Thalassery – Valavupara stretches extending to 165 KMs for upgradation and Elavupalam – Thenmala, Kottiyam – Kundara, Thrissur – Choondal, Edakkad – Perambra stretches covering 82 KMs for heavy maintenance.

ii) ₹ 147 crore is set apart for Roads and Bridges under NABARD Assistance. Bridges : Keezhattoor Kadavu (Thiruvananthapuram), Eramalikkara, Pullangadi (Alappuzha), Thottumugham (Thrissur), Mambram, Kanambuzha bund (Kannur). Roads : Kottarakkara – Sasthamkotta, Chathannur – Paravoor, Muttathipparambu – Arthungal, Cherthala – Thanneermukkam, Venkirangu – Thrissur, Chembilodu – Malampuzha Canal, Menonpara – Kanchikkodu, Koombara – Akambuzha, Kulangathu – Gulikappuzha, Edoor – Randamkadavu, Munderiya – Kumbalam.

iii) I also set apart ₹ 44 crore for Kozhikode Bypass (BM and BC), Pazhayannur Link Road, Kakkada – Pennukkara, Pallathu Junction – Thamarakkulam, Akkarapadom Bridge (Kottayam), Amattikara Bridge (Palakkad), Thondalikaladavu Bridge (Kozhikode), Kanachery Bridge (Alappuzha), Pulinkunnu – Kavalam, Muttel, North Poyilur Bridge (Kannur) and Pulakattukara Bridge (Thrissur). Kootumvathukkal Kadavu (Kayamkulam)

iv) ₹ 55 crore for the renovation of state high way and ₹ 66 crore for the renovation of major district roads is set apart for PWD. This should be implemented by integrating it with the Comprehensive Road Renovation Project.

31. ₹ 9 crore is set apart for Alappuzha canal desilting program Priority will be given for junction improvements in Kottayam and Alappuzha towns. Mattancheri bridge in Alappuzha will be reconstructed. ₹ 40 crore is the out lay for the eastern bypass for Alappuzha.

32. Sir, for the road sector all agencies together would be spending ₹ 4,000 crore including maintenance. Alongside a beginning is made to the ₹ 40,000 crore Comprehensive Road Renovation Project. Strong R and D support is required in this context. A research centre with test track facility shall be started at College of Engineering, Trivandrum. ₹ 5 crore is set apart for this. Kerala Highway Research Institute shall be made as head quarters of DRIQ. Quality control in addition of the preparation of DPR shall also be their responsibility. I set apart ₹ 5 crores specifically for this. Sir, the Budget 2011-12 is opening a new chapter in the history of road development in Kerala.

### III

#### *Investments in other Infrastructure Facilities*

33. A consensus has been reached among the political parties of the State to four-laning National Highways 47 and 17. A package for compensation and rehabilitation, acceptable to every one is ready. It is agreed that over and above what the Central Government allows funds required for activities like rehabilitation of traders would be provided by the State Government. ₹ 25 crore is set apart for this.

#### **Harbours**

34. The construction of the Vizhinjam International Container Transshipment Terminal would be completed in two phases. The first phase costing ₹ 2500 crore has already begun. I earmark ₹150 crore for this purpose. Once the first phase is completed, second phase would become more attractive and it is expected that a suitable investment partner could be identified on a competitive basis. A government owned company by name VISL is implementing the first phase works. A consortium to provide the loan has been formed; the loan has to be repaid over 14 years.

35. Further, the construction of smaller harbours and ports need to be taken ahead. ₹ 18 crore is provided for the Thankassery Port. An agreement has been reached with Mundra Ports of Gujarat for integrated development of Azheekal Port at a cost of ₹ 3000 crore. Steps have been initiated for tendering the Alappuzha Marina-cum-cargo. Beypore (₹177 crore), Thankassery (₹160 crore) and Ponnani (₹763 crore). I also set apart ₹ 2 crore for buying vessels capable of traveling along the coast.

### **Civil Aviation**

36. The Prime Minister is inaugurating the new Terminal of Thiruvananthapuram Airport day after tomorrow. ₹ 25 crore is provided for land acquisition by the state government is under progress for the development of the Kozhikode Airport. Land required for the first phase of the Kannur Airport has already been obtained. A company has been formed and its shares are being subscribed to. Kannur Airport will be a reality in two years. I provide ₹ 10 crore for preliminary works related to this project.

### **Railways**

37. The Delhi Metro is conducting the feasibility study for the North-South Superfast Rail Corridor. ₹ 20 crore has been handed over to them for this purpose. Now an elaborate DPR has to be got ready. I provide ₹ 20 crore for this. I am confident that an appropriate business model can be developed to raise funds for this ₹ 50,000 crore project. The Ministry of Finance, Government of India has not given permission for implementing the Kochi Metro Project as a joint venture of the State and Central Government. But on the optimistic expectation that it would be given, sanction has been given for the construction of rail over bridges and roads which are essential for the Metro, at a cost of ₹ 156 crore.

### **Industrial Parks**

38. At the time this Government came to power only 3000 acres of land had been taken over for the industrial purposes including for public sector undertakings. The last five years alone



Government have completed the steps for taking over 3700 acres of land. I had included roads connecting industrial parks in the stimulus package. I provide ₹ 10 crore for this purpose.

39. Kochi badly needs an exhibition-cum industrial centre of international standards. A joint venture investing ₹ 400 crore would be initiated for this utilizing 75 acres of land available with KINFRA. Kochi Mobility Hub needs to be completed on a fast track basis. A special assistance of ₹ 20 crore is provided to the Society for this.

### **Gas network**

40. Once the LNG Terminal and two gas pipelines from Kochi to Bangalore, Mangalore and Kayamkulam are completed, a supplementary gas network connecting the major towns and cities has to be developed as a joint venture of KSIDC and GAIL. I provide ₹ 12 crore for this purpose.

### **Waterways**

41. I set apart ₹ 94 crore for the development of the National Waterways and for inland water transport. This amount includes funds for construction of sea walls.

### **Power sector**

42. The most significant achievement in the power sector has been in distribution. 50 Assembly constituencies have been fully electrified. Another 50 constituencies would achieve this status by end of March. Kerala has not seen a power cut during the last five years. There has not been any increase in electricity tariff barring temporary surcharge. Distribution loss was brought down from 24.6 per cent in 2005-06 to 17.2 per cent in 2009-10. While additional power generation was only 26 megawatts during 2001-06, it has touched 204 megawatts during 2006-11.

43. The plan outlay for the power sector is ₹ 1088 crore. Out of this ₹ 149 crore is for 12 medium and small hydro-electric projects having a capacity of 331 megawatts. Further ₹ 10 crore has

been allotted for starting 17 new hydro-electric projects with a capacity of 188 MW. ₹ 250 crore is set apart for the new sub stations and ₹ 229 crore for drawing of new lines covering 6800 KMs., installation of 5000 transformers and completion of 5 lakh service connections.

44. Sir, I am abolishing the monthly rental of ₹ 10 being charged on 1 crore electricity consumers in the state. This will result in a revenue loss of ₹ 120 crore to the Electricity Board.

#### **IV**

#### ***Historic progress of the Public Sector***

45. There is no doubt that the aforesaid infrastructure facility would make Kerala an attractive destination. It is necessary to harness private capital in a big way without diluting labour rights, environmental protection and healthy land use. The tendency to avoid debates and convert everything into controversies is proving to be a major obstacle to investment in Kerala. It is necessary to put an end to this. The critical message for converting Kerala into an investment friendly State is emerging from the public sector. The PSUs of the State which ran up a loss of ₹ 96 crore during 2005-06 will generate a profit of ₹ 300 crore in 2010-11. The big question raised by this experience is that if Kerala provides an environment for the profitable running of PSUs, why should private investors hold back?

46. Sir, in the last Budget I had announced setting up of eight new Industrial Projects costing ₹125 crore. I assure you that all these eight projects would be inaugurated before this Budget is passed by the Assembly. I invite you to join me in congratulating the Industries Department on this unparalleled achievement. Six out of the nine projects for expansion of existing PSUs costing ₹ 260 crore would be completed this year itself. The most important one is the manufacture of titanium sponge in partnership with ISRO. With this India has become the 7<sup>th</sup> country in the world to use this technology on commercial lines.

47. Manufacture of Titanium metal would start at Chavara as a joint venture of KMMML and SAIL using Russian technology, with an investment of ₹ 2000 crore. Taking this project into account, KMMML and TCC will start another joint venture to process Ilumenite in TCC with an expected investment of ₹ 100 crore. In order to provide R&D support to these diversification efforts a Mineral Research Institute would be set up in the KMMML campus at a cost of ₹ 5 crore.

48. Five new ventures would be started in the public sector within one year. For these and for other PSUs, I set apart ₹ 65 crore with the remaining amount being raised as loan from the profit of other PSUs. The new ventures are:

i) Malabar Spinning and Weaving Mill has been rehabilitated into a modern factory with 25000 spindles. But despite the name of the factory there is no weaving here. Therefore a weaving centre would also be started spending ₹ 15 crore.

ii) Sitaram Textiles, Thrissur has been the learning ground of late Shri K. Karunakaran and several other political leaders. This Mill will be modernized with an investment of ₹ 20 crore.

iii) KELTRON is now re-emerging with its old glory. ₹ 50 crore would be spent to modernize its sick units.

iv) A new product line costing ₹ 20 crore would be established for manufacturing power transformers in KEL.

v) Kerala State Drugs and Pharmaceuticals has completed the new Beta Lactum Factory with GMP standard at a cost of ₹ 10 crore. Before this Budget is passed the foundation stone for a new ₹ 33 crore Non-Beta Lactum Factory would be laid.

vi) The Kerala spinners in Alleppey has been nationalised. A new spinning and weaving unit worth ₹ 36 crore is being inaugurated here on February 15<sup>th</sup>. A hosiery unit shall be established in this factory campus spending ₹ 30 crore.

49. Travancore Rayons at Perumbavoor, Allind Kundara and Comtrust (textiles) Calicut which have been closed for a long time are also sought to be nationalised. The legislation for this has been sent for prior concurrence of the President. A knowledge industry hub at Perumbavoor and modern electrical industries hub shall be started at Kundara. The Comtrust textile division shall be modernised and the head quarters building shall be preserved as a heritage building.

50. I set apart ₹ 5 crore for the Life Science Park at Thiruvananthapuram, ₹ 9 crore for the Electronic Hardware Park at Kochi, ₹ 5 crore for the Kochi-Coimbatore Industrial Corridor, ₹ 6 crore for IGC at Kannur, ₹ 5 crore for Coconut Industrial Park at Kuttiadi and ₹ 3 crore for the Organic Industrial Park at Kodungallur and ₹ 3 crore for the new Health-Industrial Park at Nadapuram.

51. I earmark ₹ 11 crore for setting up new Industrial Parks by KINFRA at Kuttippuram in Malappuram and Piravanthur in Kollam. Another ₹ 5 crore is set apart for a new Apparel Park. I further allot ₹ 17 crore for the National Institute of Fashion Technology at Kannur, ₹ 3 crore for the Film and Video Park, ₹ 2 crore for the Food Park at Adoor and ₹ 2 crore for the Biotechnology Park at Kochi. For the various KINFRA Parks ₹ 67 crore has been provided.

## V

### NEW GROWTH SECTORS

#### *Information & Communication Technology*

52. Sir, Smart City has become a reality, safe guarding the interests of the state in toto. Smart City has turned out to be a fitting reply for those who had been arguing that state should dance to the tunes of investors to attract capital. The Smart City shall have a built up area of 62 lakh square feet when it is completed. Infopark with 51 lakh sq. feet will be standing out independently with pride near the Smart City. The Cherthala and Koratty parks stand as examples of the will of the government to accelerate IT development.

53. During the last five years the total extent of area of IT parks has been enhanced from 339 acres to 2261 acres. The area of the buildings has increased from 18.9 lakh sq. feet to 76.1 lakh sq. feet. In addition 39 lakh sq.ft of building construction is under way. When these are completed facilities for providing employment to two lakh people would be available. Several private companies like TCS, Infosys, WIPRO have made big investments in the State. This government was able to convert Kerala to an important IT destination.

54. I set apart ₹ 30 crore for the Kerala State Information Technology Mission which is the nodal agency for the e-governance programmes of the State. The Indian Institute for Information Technology Management which is the main agency for research, studies and experiments in IT sector will get ₹ 9 crore. ₹ 102 crore is earmarked for additional land acquisition for IT parks. ₹ 3 crore is allotted to the Akshaya Project and another ₹ 2 crore as special incentive assistance to Akshaya entrepreneurs.

### **Tourism**

55. Tourism is the fastest growing economic sector in the State. Twelve percent of foreign tourists who come to India visit Kerala. The total allotment for the tourism sector is ₹ 105 crore.

56. I set apart ₹ 60 crore for improving physical facilities and marketing to attract private investors and tourists. To develop new tourism products and to encourage private entrepreneurs ₹ 6.5 crore is provided. ₹ 5 crore is earmarked for KTDC to start new hotels in Alappuzha and Kozhikode. The Kerala Travel Mart would get ₹ 1 crore.

57. The idea of Muziris Heritage Project was put forth in my first Budget speech after this Government took over. It took two years to operationalise the idea due to the novelty and uniqueness of the content and approach. Now the project is transformed into a nationally and internationally recognized heritage project. Out of a project cost of ₹ 150 crore, Government of India would provide ₹ 40

crore. Now works to the tune of ₹ 88 crore are under implementation. For 2010-11 I provide ₹ 2 crore to Pattanam museum under Muziris Project to KCHR, ₹ 5 crore to the Education Department for the Kunhikuttan Thampuran College Cultural Centre, ₹ 2 crore to the Archaeology Department for renovation of Forts, ₹ 1 crore to the Bala Sahitya Institute for publication of related literature, ₹ 4 crore for museums and ₹ 6 crore to the Tourism Department – Altogether ₹ 20 crore.

58. The Thalassery Heritage project has also been conceptualized on the lines of the Muziris Heritage Project. Administrative sanction for different schemes costing ₹ 27 crore has already been given. ₹ 20 crore is provided for this project in 2011-12. The master plan for the Alappuzha heritage project is under preparation. ₹ 10 crore is set apart for the initial activities.

59. The international recognition obtained by the Muziris Heritage Project has motivated the conceptualization of a new idea. Already discussions are on with UNESCO to give shape to a “Spice Route” modeled on “Silk Route”. UNESCO has taken the lead to organize a meeting of Ambassadors of countries related to the Spice Route at New Delhi in March. In addition to Muziris Thiruvananthapuram, Anchuthengu, Kollam, Alappuzha, Kochi, Ponnani, Panthalayani, Parappanangadi, Beypore, Kozhikode, Thalassery, Kannur and Bekal would be included in the Spice Route Heritage Project. I allot ₹ 10 crore for the Fort Kochi-Mattanchery Conservation Project prepared by UNESCO. Another ₹ 5 crore is provided for the preliminary activities of the Spice Route project. Also ₹ 5 crore is earmarked for an international art exhibition called Kochi-Muziris Biennial.

## **VI**

### **COMPREHENSIVE SOCIAL SECURITY PROGRAMME**

60. The most significant contribution of this Government is that it has been able to give concrete shape to a development strategy which gives equal importance to the livelihood security of the

immiserized population as to the major infrastructure IT and Tourism sectors. Sir, during the last five years social security schemes have expanded beyond comparison in the State.

61. While the previous Government spent ₹ 134 crore every year on Welfare Pensions and other benefits, the expenditure has increased to ₹ 389 crore during the tenure of this Government. Food subsidy has gone up from ₹ 34 crore to ₹ 235 crore. Land to two lakh, house to five lakh, drinking water to 12 lakh families and electricity to almost all households – these are our achievements. New schemes were formulated to provide maternity leave in the unorganized sector, health insurance, income support, guaranteed work to the urban poor through the Ayyankali Urban Employment Guarantee Scheme, special care to the physically and mentally challenged, subsidy for micro loans and so on. The second major announcement of this Budget is to link these initiatives, fill up the gaps and come out with a comprehensive social security programme.

62. The first step towards formulation of social security schemes is to prepare the BPL list. This list containing 11.5 lakh families as per Government of India norms and another 20 lakh families as per State Government norms has been published by the Local Governments. Any other eligible family omitted in the survey or in whose case there is a mistake of facts can file objections and if eligible after enquiry they would be included. Thus the State would have 35 to 40 lakh poor families, all of them would be freely enrolled into the social security programme. Others can participate on payment of a contribution. All poor families would be given a biometric identity card by linking with the Central scheme. This is absolutely essential for making the social security programme fully operational.

63. Let me outline the suggestions for further strengthening the welfare schemes proposed by the earlier budgets and making them into a comprehensive social security programme.

i) When this Government came to power the Welfare Pension was ₹ 100 to 110. This has increased to ₹ 300 over the last few budgets. The goal is to raise it to ₹ 500. Sir, this time I enhance it to ₹ 400. One person would be eligible only for one Central/State pension. All eligible citizens above 60 years would be assured of a minimum pension. Those who are not members of a welfare fund would get a pension equivalent to one-fourth that a welfare fund member gets. Those who desire to have a higher pension than the minimum pension would be given a chance to pay their contribution through welfare funds.

ii) The ₹ 30,000 Centrally Sponsored Health Insurance Scheme would be extended to all the State and Central BPL families free of cost. I set apart ₹ 167 crore for this purpose. Those who are enrolled in the Insurance Scheme would get upto ₹ 70,000 cover if they are suffering from cancer, heart or kidney ailments and other serious chronic illnesses and if such persons get treated in Government Hospitals. All persons would have options to have a higher insurance coverage by contributing to the difference in the premium. Welfare Funds and employers would be allowed to provide this. The scheme would be implemented by the State Insurance Department.

iii) All those who have worked for 25 days in the employment guarantee schemes would be given maternity leave of one month and paid wages at the rate prevailing for the unorganized sector. ₹ 10 crore is earmarked for this.

iv) For every child born in the state, government would make a permanent deposit of ₹ 10,000 as endowment. The accumulated interest and principal can be utilised to get a bank loan linked support for higher studies or skill development training or self-employment after plus Two. For children not belonging to BPL families half of the endowment would have to be borne by the family. I set apart ₹ 100 crore for this.

v) The outlay of the Ayyankali Urban Employment Guarantee Scheme is doubled from ₹ 20 crore to ₹ 40 crore.



vi) The outlay for Income Support Scheme is enhanced from ₹ 50 crore to ₹ 80 crore for 2011-12.

vii) The ASHA Volunteers and Anganwadi Workers play an important role in the social security measures for poor people. Both these groups come under Centrally Sponsored Schemes. There is a nationwide protest movement among these groups to get a decent remuneration. Central Government has not given any assistance to the ASHA Volunteers. It has sanctioned only ₹ 1500 to the Anganwadi workers and ₹ 750 to the helpers. They do not get even the wages given under the Employment Guarantee Scheme and Government of India's adamant attitude is a national shame. The State Government now gives an additional ₹ 550 to the Anganwadi workers and helpers. I enhance it to ₹ 1000 and set apart ₹ 35 crore for the purpose. I am happy to introduce a monthly honorarium of ₹ 300 for the ASHA Volunteers for which ₹ 11 crore is provided.

viii) I am glad to announce a special package for the Endosulphan victims costing ₹ 20 crore including ₹ 5 crore from the Social Security Mission. Using this, those who are bedridden would be given ₹ 2,000 per month and other badly affected people will be given ₹ 1,000 per month. Further palliative care, improving primary health systems and speciality services through General Hospital Kasaragod and District Hospital Kanhangad, rehabilitation and other measures are included in the package.

ix) In order to give an assistance of ₹ 300 each to the care givers of bedridden sick people and mentally ill people ₹ 10 crore is earmarked. In order to assist mentally and physically challenged children studying in schools which do not get central assistance, ₹ 15 crore is earmarked. Pension for handicapped people is raised to ₹ 400 per month.

x) The scheme to provide milk and egg for two days to school children over and above the mid day meal would continue. ₹ 40 crore is provided for this. Students belonging to schools which

adopt the policy of using uniforms made of handloom cloth would be given handloom uniform material at one-tenth the cost. The allocation for Income Support Scheme would be ₹ 20 crore.

xi) It is possible to restore the capability of hearing to hearing impaired children through cochlear implantation. The music maestro of Malayalam Dr. K.J. Yesudas has taken the lead with the help of philanthropists to get this operation performed. Government would provide ₹ 2 lakh for each such surgery. An outlay of ₹ 5 crore is provided for this.

xii) Children who need long term treatment for diseases like cerebral palsy, sickle cell anemia, life threatening diseases of heart and kidney, hemophilia and similar diseases would be given free treatment in 16 selected hospitals for which ₹ 5 crore is allotted. ₹ 2.8 crore is provided for the Cancer Protection Fund.

xiii) Recognising the need to encourage the participatory palliative care network which has been flourishing in the State ₹ 1 crore is set apart for the 48 Palliative Care Centres and ₹ 4 crore for the Palliative Care Society.

xiv) Assistance to indigent TB patients is enhanced to ₹ 400 per month; assistance to leprosy patients is increased to ₹ 500 per month and to cancer patients to ₹ 600 per month.

xv) The assistance given to pre-primary teachers and Ayahs working under PTAs is raised to ₹ 600 and ₹ 400 respectively.

xvi) Honorarium for saksharatha preraks is increased from ₹ 1,500 to ₹ 2,000

xvii) Assistance to inmates of orphanages is increased from ₹ 250 to ₹ 300. 250 orphanages which have been duly recognised will be included under the purview of the grant in aid. A scholarship scheme for higher education will be introduced for the children of orphanages to commemorate the birth centenary of Father Reynold.

₹ 5 crore will be deposited in the treasury towards the endowment. ₹ 20 lakh will be provided as grant-in-aid to St. Antony's orphanage founded by him for commencing a course in interior decoration.

xviii) For the welfare of migrant workers, to provide an amount equivalent to that set apart by the Construction Workers Welfare Fund, ₹ 10 crore is provided.

xix) Domestic workers constitute the most unorganized group among the labourers and a vast majority of them are women. For the first time in India Kerala is pioneering a welfare scheme for this group. A Welfare Fund would be set up for cooks in schools. For providing accident assistance to coconut tree climbers ₹ 125 lakh is set apart.

xx) Unaided schools, colleges, tutorials etc., constitute the most important informal source of employment to the educated youth with more than one and a half lakh people working in the sector. A Welfare Fund would be started for this group who has no support system. Private special education schools are also included in this. For nurses and other workers of Hospital Development Committees also a Welfare Fund would be started. ₹ 10 crore is set apart for the newly proposed Welfare Funds.

## VII

### COMBATING PRICE-RISE

64. The severity of price rise is beyond expression. The central Government policy that promotes speculative trade and future trading are the reason for the spiraling of prices. In this context there is a need for strong market intervention.

65. The Central Government has not taken a favourable decision even after the lapse of one year on the comprehensive scheme costing ₹ 337 crore to supply essential commodities through the public distribution network. Nor has it agreed to restore the old ration quota at APL prices. The sugar quota has been

reduced. The kerosene quota has been reduced so drastically that it is become impossible to continue providing kerosene to fishermen as before. In order to face these adverse conditions, I am announcing a package to combat price-rise as outlined below :

i) The ₹ 2-a kilo rice scheme would be extended to forty lakh families.

ii) Thirteen items of pulses and other essential commodities are being provided by the Maveli Stores and other outlets of the Civil Supplies Corporation at prices 30-60 percent below the market prices. But there is a criticism that enough quantities are not available. Therefore I propose to enhance availability of essential commodities by atleast 50 percent every month; for this I am enhancing the annual subsidy of the Civil Supplies Corporation from ₹ 50 crore to ₹ 75 crore.

iii) In this context, a programme to provide these essential commodities through public distribution outlets would be implemented. As a first step 3,000 selected public distribution outlets would be declared as franchisees of the Civil Supplies Corporation. Through these shops a package of five commodities including coconut oil, green gram, dal, chillies and sugar, costing ₹ 300 in the open market would be made available at ₹ 150 to every card holding family. An amount of ₹ 100 crore is set apart for this. Efforts are on to operationalize this scheme in February itself. I have provided an additional amount of ₹ 20 crore in the SDG for this.

iv) There is an excellent network of 14,000 public distribution outlets in Kerala. But they are facing a crisis due to decision of the Central Government to stop universal statutory rationing. The commission rates for rice and wheat for ration dealers is unified. The commission for retail delers would be increased to ₹ 40 per quintal and for whole sale dealers to ₹ 30 per quintal.

v) CONSUMERFED and the Co-operative Societies are playing a critical role in the movement against price-rise. I have provided ₹ 50 crore additionally to CONSUMERFED under SDG. The allocation for CONSUMERFED for 2011-12 is enhanced from ₹ 25 crore to ₹ 50 crore.

vi) In order to hold the price line in respect of vegetables, the Horticulture Corporation will intervene in the market actively. For 2011-12 ₹ 20 crore is earmarked.

vii) The Central Government has not heeded to our request for restoring the reduced kerosene quota. A subsidy of ₹ 20 per litre shall be provided. I provide ₹ 15 crore for 2011-12.

## VIII

### TRADITIONAL SECTORS

#### *Fisheries*

66. Sir, the promise I made in my first Budget to fish workers that development activities to the tune of ₹ 3000 crore would be implemented for their benefit, has been realized. In the place of an expenditure of ₹ 527 crore during the period 2001-06, in the last five years ₹ 3092 crore has been spent in the fisheries sector, including tsunami rehabilitation. This figure does not include spending by other departments and Local Governments.

67. Government has written off dues to the extent of ₹ 380 crore from 1.25 lakh families. Government has taken over the expenses incurred by students in self-financing colleges. All concessions have been more than doubled. While the Central Government is classifying fish workers into APL and BPL, the State has provided rice at ₹ 2 per kilo, health insurance and scarcity relief to all fish workers.

68. Three fishing harbours have been completed. Construction of eight new harbours has begun. Construction of Manjeswaram, Vellayil, Tanur and Parappanangadi will begin in

2011-12. Work will be initiated for Puthiyangadi, Punnapra, Paravur, Varkala, and Valiyathura harbours. I am setting apart ₹ 18 crore including the Central share. I provide ₹ 3 crore for the second phase of Chethi. Fifteen new fish landing centres would be set up.

69. Central Government has limited the savings-cum-relief scheme to BPL families. Kerala will implement the scheme for all fish and allied workers. The relief amount is enhanced from ₹ 1800 to ₹ 3600 and will be provided during the months of June and July. I have earmarked ₹ 1.5 crore for providing interest free loans of ₹ 5000. For the share capital of Coastal Development Corporation and for integrated coastal development activities, ₹ 20 crore is set apart.

70. During 2010-11 a model fishing village scheme would be started with an outlay of ₹ 200 crore and it will be completed in five years. In these villages, there will not be even a single family without shelter, toilet, drinking water and power connection. Education would be ensured to all students up to standard X and a pass percentage above the state average would be assured. The Infant Mortality rate would be brought down below the state average. All fish workers would be enrolled in the welfare fund and provided insurance cover. Libraries or Clubs would be set up in all wards. Thus the scheme would be implemented by attaining such definite objectives.

71. In the first year, 25 fishing villages have been included. They are Vizhinjam, Poonthura, Anchuthengu, Paravur Thekkumbhagom, Thankasser, Edakkadu, Puthanthura, Purakkad, Kattoor, Pallithode, Chellanam, Elankunnapuzha, Pallippuram, Perinjanam, Kaipamangalam, Edakazhiyoor, Purathoor, Tanur, Marad, Pallikkandi, Elathur, Chalil Gopalapetta (Thalassery), Puthiyangadi, Poonchavi and Koyippadi. ₹ 50 crore is provided for 2011-12. In addition, ₹ 15 crore for set apart for integrated development and other development schemes would be converged with this.

## **Coir, Cashew**

72. The social acceptance to shift to new growth sectors can be obtained only through the protection of the fisheries sectors and traditional industries. During 2005-06, only ₹ 77 crore was provided for the small and traditional sectors. For 2011-12, this is enhanced to ₹ 308 crore including the provisions made for the income support scheme. In addition to this to clear the arrears of gratuity, retirement benefits ₹ 40 crore is provided through Supplementary Demand for Grants.

73. In the place of an average annual allocation of ₹ 23 crore set apart during 2001-05, ₹ 59 crore per year has been set apart in the last five years. During 2011-12, ₹ 82 crore is earmarked for the coir sector. In addition ₹ 40 crore has been included in the SDG for 2010-11 to clear the arrears of gratuity and retirement benefits.

74. In the place of the average annual expenditure of ₹ 15 crore incurred during 2001-06 in the cashew sector, the average expenditure has gone up to ₹ 42 crore in the last five years. Due to this, during the years 2006 to 2011 cashew workers have obtained 200 days work per year, whereas they could get only 40 – 50 days work in the period 2001-06. I provide ₹ 52 crore in the cashew sector for 2011-12.

## **Handloom, Khadi**

75. During the last five years, the average annual allocation for the handloom sector was ₹ 48 crore, whereas it was only ₹ 28 crore during 2001-05. For 2011-12, I set apart ₹ 57 crore.

76. In the last five years, productivity has increased by 40000 spindles. This sector has also become profitable now. ₹ 10.5 crore is allotted for 2011-12 for the Malappuram and Kannur Textile Mills. To initiate modernization of the mills in Alappuzha and Thrissur, ₹ 3 crore is provided.

77. ₹ 9 crore is earmarked for Khadi industries. ₹ 2.2 crore is provided for Handicrafts. KELPALM is given ₹ 50 lakh and Artisans Development Corporation, ₹ 1 crore. A share capital contribution of ₹ 0.5 crore is provided to the Artisans Development Co-operative.

### **Other Small Scale Industries**

78. The outlay for small industries is ₹ 40 crore. ₹ 14 crore is earmarked for loans and investment subsidy. The five percent subsidy for pickles, jam, juice, squash and jelly products would continue. ₹ 50 lakh is provided to the Small Industries Welfare Fund.

79. The loan of ₹ 4 crore given to Bamboo Corporation and its interest would be converted into share capital. ₹ 2 crore is also allotted to the Bamboo Corporation.

80. A retirement scheme has been sanctioned to employees of the Dinesh Beedi Co-operative Society, who have completed 40 years of age. Other Beedi employees who are members of the welfare fund would be extended this relief on completion of 50 years. A scheme to provide the entire gratuity amount to the workers of Dinesh Beedi would be implemented this year itself.

81. ₹ 25 lakh is specially sanctioned to provide financial assistance to Kerala Earthenware Manufacturing Society.

## **IX**

### **WELFARE ACTIVITIES**

#### **SC/ST Welfare**

82. There has been an unprecedented rise in the outlay of SC/ST welfare during the last five years. The average annual allocation for Special Component Plan for Scheduled Castes including the Local Government share was ₹ 249 crore during 2001-06 and this has moved up to ₹ 840 crore during 2006-11. ₹ 647.42 crore is provided for 2011-12. The outlay for Tribal Sub Plan during 2001-06 was only ₹ 103 crore per year; this has gone up to ₹ 178 crore per year during 2006-11. For 2011-12, ₹ 250.38 crore is set apart for TSP. Notional allocation of funds has now been completely eliminated. There is significant difference also in



the expenditure pattern between the two periods. During 2001-06, 64.42 percentage of the SCP outlay and 64.73 Percentage of the TSP outlay alone was spent; this has increased during 2006-11 to 91.36 percentage and 92.83 percentage respectively.

83. The Special Component Plan outlay is ₹ 433 crore, leaving aside the share of Local Governments. Out of this, ₹ 125 crore is provided for construction of houses and ₹ 80 crore for providing house sites. All eligible families belonging to Scheduled Castes would be provided shelter in this year itself. ₹ 48 crore is set apart for education. In addition to the seven existing model schools, new schools would be started in Kuzhalmannam, Chelakkara, Manjeswaram and Peringome. New Plus Two batches would be started in Alappuzha, Ernakulam and Palakkad. New working womens hostel would be set up in Nandavanam.

84. The ST Development Department directly spends ₹ 167 crore under TSP, of this ₹ 35 crore is earmarked for providing for shelter and rehabilitation of the landless. ₹ 37 crore is for educational schemes. Now 4,200 students are enrolled in the 18 Model Residential/Ekalavya Schools. Possession Certificates have been given to 14,500 families. 3,000 families have been given non-forest land. The scheme to acquire land under the Land Acquisition Act would continue in Wayanad.

85. I propose to enhance all allowances other than mess charges to the students of Model Residential Schools. Uniform allowance at the rate of ₹ 3,000 per year would be provided to the students of all classes. Allowance for books and stationery is increased by 60 percent and other allowance by 50 percent. ₹ 1,500 per month would be given to Model Residential Schools for purchase of News papers and magazines. Assistance for purchase of sports goods is enhanced to ₹ 10,000 per year. Allowances for SC/ST promoters shall be enhanced from ₹ 2,500 to ₹ 4,000 and for resident tutors from ₹ 3,000 to ₹ 4,500.

86. An Ambedkar Green Army would be established in all districts on the lines of the green army established in Vadakkanchery Grama Panchayat. 70 per cent of the members shall be from SC. ₹ 28 crore would be set apart from the corpus fund for purchase of uniforms and Agricultural machinery.

87. ₹ 23 crore is earmarked for other backward classes. Interest on agricultural loan, self employment loan and marriage loan to Christian converts and assistance to inter-caste married couple will be equated to that of SC/ST. For this ₹ 20 crore is provided as special assistance to the Christian Converts Development Corporation. All entitlements to SC students would be extended to Dalit convert Christians.

88. An amount of ₹ 20 lakhs is sanctioned as regular grant for the Haj Committee. The grant for Wakaf Board shall be raised as ₹ 2 crore. An amount of ₹ 14 crore is set apart for implementation of the Paloli Committee recommendations.

### **Housing**

89. I set apart ₹ 19.5 crore for the Kerala State Housing Board, of which ₹ 7.5 crore is for the M.N One Lakh Housing Reconstruction Scheme, ₹ 7.7 crore for Nirmithi Kendra and ₹ 3.25 crore for the Kerala State Housing Federation.

90. I am writing off the dues to the Maithri Housing Scheme. This will be adjusted in the loan of ₹ 275 crore given to Kerala State Housing Board. ₹ 20 crore for giving interest to HUDCO has been included in the SDG.

91. An amount of ₹ 5.22 crore is set apart for one time settlement of dues of the housing scheme jointly implemented by the Costford and Thrissur District Panchayat availing financial assistance from HUDCO.

### **Equity and Development of Women**

92. The last Budget marked the beginning of gender budgeting in Kerala. During 2009-10, only 5.6 percent of the plan expenditure was for schemes exclusively for women beneficiaries. This could

be increased to 8.5 percent in 2010-11. This inspired several women's organisations and scholars to critically analyze the state budget with a gender outlook. A critical analysis of the schemes has brought out several deficiencies. It is estimated that during 2010-11, 9.4 percent of the plan outlay amounting to ₹ 770 crore would be used exclusively for women beneficiary schemes. This does not include the Women Component Plan of Local Governments. Let me mention a few special schemes.

i) ₹ 17.5 crore is set apart for construction of women-friendly toilets in 200 Higher Secondary Schools, Boat Jettys, Bus Stands, Public Buildings and Markets.

ii) ₹ 4 crore is earmarked for enhancing the gender sensitivity of the Police force and for making Police Stations women-friendly.

iii) For women's hostels and working women's hostels, ₹ 17.5 crore is provided.

iv) ₹ 18 crore is allotted for women poly techniques and nursing colleges; ₹ 7 crore for women ITIs and ₹ 1.9 crore for the Finishing School. In order to improve the transport facilities of girl students in educationally backward areas, I set apart ₹ 6 crore for purchasing buses.

v) To promote self-employment among widows and divorcees, ₹ 1.5 crore is provided. Another ₹ 1 crore is provided for assisting victims of atrocities.

vi) ₹ 1 crore is allotted for rehabilitation of unwed mothers and their monthly assistance is increased to ₹ 400. This will be extended to women from all communities. The age limit for pension available to unmarried women is brought down to 40 years from 50 years and the pension amount is enhanced to ₹ 400.

vii) For conscientization and counseling activities, ₹ 6.5 crore is set apart.

viii) In order to provide night shelter for women fish workers in fishing harbours, ₹ 1 crore is allotted.

ix) 'Thantedom' gender park would be established at Kozhikode. This shall include building facilities for women entrepreneurs in cultural and service sectors, University gender study centre, a library with extensive facilities, cultural complex and guest house. A provision of ₹ 10 crore is set apart for this.

93. I am accepting the long-standing demand of women's organizations in the State for Women Development Department. Women's Commission, Women Development Corporation, implementation of Domestic Violence (Prevention) Act etc. would come under the department. Further, co-ordination and monitoring of all women development schemes of all departments would be the responsibility of the Women Development Department.

94. The death of Soumya from Shornur will haunt our conscience for long. Our work places, travel and public places- all these are extremely insecure locations for women. Special amenities would be provided for providing accommodation for working women who are unexpectedly delayed for long hours in the night in consultation with women's hostels and community organizations. Help desk shall be established in all cities for this. ₹ 5 crore is set apart for this.

#### **Welfare of Non-residents**

95. For the welfare activities for non-residents, a total of ₹ 9 crore is included. The new schemes are special orientation programme for those going abroad and special legal aid cell for non-residents. In addition, for the NORKA Welfare Fund, ₹ 10 crore is specially set apart.

## X

### FOOD SECURITY

96. The farmers of Kerala now have greater confidence and optimism about their future more than ever before. Days of farmer suicides are over. The three decade-old decline in agricultural production has come to an end. During 2007-08, 5.28 lakh tonnes to paddy was produced from 2.28 lakh hectares. In the three years, production consistently increased. As per the Economic Review, the extent of paddy fields has grown to 2.34 lakh hectares and paddy production to 5.9 lakh tonnes in 2009-10.

97. I set apart ₹ 75 crore for the construction of outer bunds for the Padasekharams of Kuttanad. ₹ 33 crore is provided for watershed development and ₹ 34 crore for rehabilitation of water bodies and ponds. Canal improvement scheme in Palakkad, water conservation activities, rehabilitation of Lift Irrigation schemes, development of kole lands and similar schemes would ensure that the progress in food production is maintained. ₹ 29 crore is earmarked for paddy cultivation. In addition to this, a significant portion of the ₹ 225 crore earmarked for RKVY will be for paddy cultivation.

98. Sir, the procurement price of paddy, which was ₹ 7 when this Government assumes the office, is now ₹ 13 per kg. I am happy to increase it to ₹ 14. A comprehensive paddy cultivation programme name "Arishree" will be started.

#### **Animal Husbandry**

99. Milk production in the State was also continuously on the decline earlier. Whereas only 20.63 lakh tonnes of milk were produced in 2005-06, it has gone up to 29 Lakh tonnes in 2010-11. During the same period production of eggs has gone up from ₹ 120 crore to ₹ 163 Crore. Production of inland fisheries has also increased from 0.75 lakh tonnes to 1.26 lakh tonnes. There has been a significant increase in the production of vegetables as well.

100. The outlay for animal husbandry is enhanced from ₹ 118 crore to ₹ 150 crore. During 2006-07, it was only ₹ 34 crore. Now ₹ 23 crore is provided for improving and strengthening veterinary and extension services. The outlay for calf-rearing scheme is ₹ 12 crore. I set apart ₹ 15 crore for Meat Products of India, Kerala Feeds Limited, KSPDC and KCMMF. ₹ 6 crore is provided as cattle feed subsidy.

### **Other Crops**

101. ₹ 30 Crores is provided for coconut cultivation. This is over and above the schemes for development of garden land. ₹ 6.6 crore is set aside for development of vegetable cultivation. For the rehabilitation of pepper cultivation in Wayand, ₹ 6.5 crore is provided.

### **Coffee debt relief package**

102. An amount of ₹ 10 crore is provided for debt relief to be paid by co-operative banks in 2010.

### **Irrigation**

103. I am not repeating the criticisms, which I had raised against major Irrigation schemes in my earlier Budget Speeches. I set apart ₹ 8 crore for the Karappuzha Scheme, ₹ 10 crore for the Edamalar Scheme, ₹ 32.5 crore for Banasura Sagar Project and ₹ 27 crore for the Muvattupuzha Project. These schemes were started with an initial estimate of ₹ 54 crore in all. Already ₹ 1435 crore has been spent for them. Our goal is to complete construction of these projects at the earliest. I am providing ₹ 16.2 crore for the rehabilitation of the canals of the existing schemes. ₹ 34 crore is earmarked for desilting and rehabilitation of the dams at Malampuzha, Walayar, Peechi and Neyyar.

104. Of the ₹ 96 crore set apart for minor irrigation schemes, ₹ 45 crore is for renovation of ponds. If this fund could be effectively converged with MGNREGS, it would not only lead to increase food production, but also make a major contribution towards environmental protection.

## **Soil and Water Conservation**

105. To take up soil and water conservation on watershed basis, ₹ 33 crore would be obtained from NABARD. For Western Ghats Development, again following the watershed approach, ₹ 37 crore is made available.

## **XI**

### **GREEN BUDGET**

106. Last year I had announced the setting up of a ₹ 1000 crore Green Fund and allotted ₹ 100 crore. Further 20 percent of the income from selling sand from dams was to be credited to this fund. But desilting activities has not yet reached commercial proportions. For 2011-12, I am providing another ₹ 100 crore towards the Green Fund.

107. Schemes for assisting protection of mangroves, assistance for traditional groves, assistance to clubs for protection of birds sanctuaries and breeding centres of sea turtles would continue. The money required for this would be provided from the Green Fund.

108. Once the carbon credit benchmarking in respect of the CFL bulbs distributed so far is completed, the next phase distribution of one crore bulbs would be started. The basis for energy credit scheme targeted the school students would be the energy consumed in 2010-11. The subsidy for purchase of energy efficient power equipments would be made available from the Green Fund to KFC. The Articles of Association for the ESCO model company to bring down energy consumption is ready and the company would be started this year.

109. For conducting climate change studies, ₹ 2 crore is allotted and for organic farming, ₹ 5 crore is provided.

110. In order to clean up Kappilthod in Alappuzha and to set up waste water treatment systems in shrimp processing factories, ₹ 5 crore is allotted. A Government assistance of ₹ 5 crore is provided to the company set up to construct and run the common treatment plant for waste from the Aroor fish processing area.

### **Forests**

111. I am setting apart ₹ 74 crore for the Forest Department. Mobile Phone connection would be provided to all field staff. New ten Forest Stations would be started. 50 check dams would be constructed. A Forest Academy would come up in Arippa. For the protection of natural forest, ₹ 16 crore is earmarked and for plantations, ₹ 5 crore is provided. For biodiversity conservation, ₹ 14 crore is made available.

112. Social Forestry schemes like Ente Maram, Vazhiyora Thanal, Nammude Maram, Haritha Keralam etc. have succeeded in getting UN recognition. I set apart an additional ₹ 3 crore to integrate this scheme and implement them as Haritha Keralam scheme. ₹ 1 crore is earmarked for 50 check dams in different places in the catchment area. For environment study camps, ₹ 50 lakh is provided. ₹ 1 crore is allotted to the Biodiversity Conservation Research and Monitoring Centre in Silent Valley.

## **XII**

### **EDUCATION**

#### *Quality Education in Schools*

113. The resounding success of the special scheme launched in 2006 to improve the quality of education in 104 schools, where students got less than 33 percent marks alone is enough to understand the quality improvement in the general education sector. Now more than 80 percent of these schools boast of a pass percentage of more than 75 per cent. The remarkable progress in improving the content of education pedagogy, evaluation of student



performance, physical facilities and people participation has opened a new chapter of unbelievable progress. The historical gap between the Malabar and Travancore-Cochin areas in general education has vanished.

114. I set apart ₹ 258 crore for school education. But 42 percent of this allocation would be to meet the State's share in Centrally Sponsored Schemes like Sarva Saksha Abhiyan, Rashtriya Madhyamik Siksha Abhiyan, Right to Education, Scholarships, and Computer Education. This is over and above the contribution of Local Governments to Sarva Siksha Abhiyan. This is an extremely unfortunate situation. Just reflect on the sheer absurdity of planning from Delhi for improving school education in a State like Kerala, with a long tradition of educational progress. About ₹ 839 crore available from the Centrally Sponsored Schemes. If only this amount were allowed to be spent according to the needs of the State, it could have led to significant achievements in the education sector.

115. I am providing ₹ 45 crore for the Higher Secondary and Vocational Higher Schools, of this ₹ 19 crore is for laboratories and libraries and ₹ 5 crore for scholarships.

116. ₹ 5 crore is allotted to the Kerala State Institute of Design. I set apart ₹ 42.8 crore for modernization of ITIs – this is an all-time record. The third shift would be started in eleven ITIs. New 10 ITIs would be started. Pallippad, Perinjanam, Vadakkanchery, Nilakkamukku, Thukkupalam, Perinthalmanna, Kuttanad, Cherukunnu, Chanthamangalam and Peerumedu.

117. An amount of ₹ 25 lakhs is set apart for the Diamond Jubilee Auditorium of the Kalamassery Poly technic.

### **Higher Education and Knowledge Society**

118. The facilities in the higher education field need to be upgraded with the objective of transforming Kerala into a Knowledge Society. The period of 2001-06 was one of major set back. It is a

usual practice to increase such grants to all departments by 10 percent every year. Even more harm was created by the stagnation of non-plan grants. But in the higher education sector, the non-plan grant was ₹ 710.28 crore in 2001-02 and ₹ 790.34 crore in 2005-06. Due to this, the Universities could not fill up even the most essential vacancies. Now this situation has undergone total change. In 2010-11, ₹ 1573.76 crore was provided to the higher education sector as non-plan grants. In 2011-12, I am setting apart ₹ 2296.54 crore as non-plan grant.

119. As regards Plan, the outlay for all universities was ₹ 51.23 crore in 2005-06. In 2010-11 it has been increased to ₹ 129.08 crore. Sir, this is increased to ₹ 144.75 crore in 2011-12. I am earmarking ₹ 15 crore each to Kerala, MG, Kozhikode and Kannur Universities and ₹ 10 crore to the Sanskrit University.

120. Three new Universities – Veterinary University, Fisheries University and Medical University have been started. I am providing ₹ 35. crore to them. I am also providing ₹ 45 crore to the Agriculture University as Plan assistance. The plan outlay for CUSAT is ₹ 12 crore.

121. The recruitment ban in Universities has been lifted. 1708 posts have been created in Affiliated Colleges and 317 posts in the Universities. 10 Inter University Centres have been started. New courses will be started in the following 50 Government-Aided colleges during 2011-12. Government Colleges- Kasargod, Manjeswaram, Kannur, Malappuram, Perinthalmanna, Chalakkudy, Kattappana, Kodanjery, Mananthawadi, Elarithattu, Pattambi, Kozhinjambara, Mokeri, Madappalli, Perambra, Quilandy, Kalpatta, Chittoor, Ambalappuzha, Chavara, Attingal, Kozhikode Arts and Science Colleges, Maharajas, Victoria, Brunnen, University College. Aided Colleges- Valanchery, Mambad, Ponnani MES Colleges, Chembazhanthi, Kollam, Cherthlai, Kannur, Chelannur SN Colleges, St. Michaels, St. Xaviers, Fathima Matha National College, St. Josephs Alappuzha, Mar Ivanios, Marian College, St. Joseph Devagiri, Malabar Christian College, MSM College, TKM College, Kerala Varma College, Thalayolaparambu Devaswom Board and All Saints College.

122. The establishment of half a dozen high level research institutions in the field of science in the early 70s was a critical development in the progress of science in Kerala. More important than these are the Universities and R&D Centres started recently with Central assistance – they are the Indian Institute of Space Science and Technology, Thiruvananthapuram (₹ 270 crore), Indian Institute of Science Education and Research, Thiruvananthapuram (₹ 500 crore), Central University of Kerala, Kasargod (₹ 720 crore), World Central University, Thrissur (₹ 720 crore), Centre for Alligar Muslim University, Malappuram (₹ 500 crore), National Centre for Molecular Materials, Thiruvananthapuram (₹ 75 crore).

123. In order to encourage study and research in Malayalam language at University level, I provide ₹ 10 crore. This money would be spent for setting up an Inter University Centre with the Kerala University. I am glad to announce the setting up of Dr. K.N. Raj Centre for Public Finance and Planning in the Mahatma Gandhi University, for which ₹ 3 crore is allotted. An amount of ₹ 5 crore is provided as matching grant for the Mundassery centre for Mass Communication in Cochin University. 50 lakhs is sanctioned for Sree Narayana Centre for Research and Studies.

124. I am providing ₹ 6 crore for the National University of Advanced Legal Studies and the four Law Colleges. ₹ 3 crore is given to KCHR, ₹ 2 crore to the Inter University Centres and ₹ 5 crore to the Higher Education Centre. For the M. Dasan Memorial Institute of Engineering and Information Technology Limited, ₹ 2 crore is allotted. ₹ 1 crore is allotted to the Sanskrit University Campus at Panmana.

125. An amount of ₹ 22 crore of Rupees is set apart for the scientific institutions including CESS, CWRDM, KFRI, NATPAC, TBGRI, KSM. ₹ 24 crore is set apart for the Kerala State Science Technology and Environment Council. An assessment of the experience and state of the science and technology institutions in the state would be assessed by a commission constituting of

eminent scientists. An amount of ₹ 3 crore is set apart for CDS, ₹ 1 crore each for IMG and CMD and ₹ 25 crore for Regional Cancer Centre. Pension scheme would be extended to employee in Science and Technology Institutions. Independent pension funds would be established for this purpose in different institutions. However government's commitments would be limited to a fixed quantum.

126. Science and Technologies Research Park would be established in Trivandrum Engineering College. Modelled on lines with Technopark the park would look forward private industries promoting laboratories and other facilities in the park jointly with the Scientific Research Institutions in and around Trivandrum. An amount of ₹ 10 crore is set apart for this. ₹ 5 crore is set apart for construction of a building complex worth ₹ 15 crore for Kozhikodu Engineering College.

### **Cultural Institutions**

127. ₹ 50 crore is earmarked for the Art and Culture Institutions, ₹ 7.75 crore for Museums and Zoos, ₹ 6 crore for Kalamandalam, ₹ 2 crore each for the Film Development Corporation and Chalachithra Academy and ₹ 1.5 crore each to Sahithya Academy, Sangeetha Nataka Academy, Lalitha Kala Academy and ₹ 1 crore each for Balasahithya Institute, Bhasha Institute, Folklore Academy and Vathu Vidya Kendram, Aranmula.

128. For promoting Malayalam cinema, for films produced in the Chithranjali Studio, ₹ 5 lakhs or 50 per cent of the entertainment tax collected shall be given as subsidy. The total quantum of subsidy amount available would be limited to ₹ 25 lakhs; other Malayalam films would be given half this subsidy. Newly constructed multiplex would be exempted from Entertainment taxes during the first 5 years.

129. I am allocating ₹ 2 crore for welfare fund for cultural activities. An amount of ₹ 1 crore is set apart for establishing a film city in Chithranjali Studio Complex. An amount of ₹ 50 lakhs

sanctioned for establishing an associate film city of the Chitranjali Studio at Ottappalam. I am providing additional ₹ 50 lakh each to the International Theatre Festival and International Film Festival and ₹ 25 lakh to Soorya Film Festival. ₹ 25 lakh shall be set apart for the Trivandrum Book Festival organised by the Bala Sahitya Institute. I am also allotting ₹ 50 lakh to Film Society Federation to provide assistance to local film festivals, which have been continuously held for five years and film clubs.

130. ₹ 2 crore is given to Department of Archaeology and another ₹ 2 crore to Kerala State Archives. Further, ₹ 1 crore is given to Kerala State Library Council and ₹ 2 crore to the State Central Library.

131. ₹ 50 lakhs is given to Ulloor Bhavanam in Thiruvananthapuram and the O V Vijayan Museum in Thasarak . ₹ 20 lakh each is given to -

- P.N Panicker Vignan Vikas Kendra
- Vallathole Education Trust
- Pandit K.P Karuppan Birth Centenary Memorial
- C V Raman Pillai statue at Thiruvananthapuram
- Mundassery Memorial
- Kuttippuzha Memorial
- Kunjan Nambiar Memorial
- Thakazhi Memorial
- Vayalar Ramavarma Memorial Trust
- N. Krishna Pillai Foundation
- Kayyoor Martyrs Memorial
- ASN Memorial Vadyakalapeedom, Thrissur
- T.K Ramakrishnan Memorial, Ernakulam
- KPAC, Kayamkulam and Sangeetha bharati, Kozhikkodu
- Sangeetha Bharathi, Thiruvananthapuram
- For the restoration of Iringole Mana and for protection of the Iringole Kavu, 20 lakh each is provided.

132. ₹ 10 lakh each is provided for

- a. Statue of C.V.Raman Pillai at Trivandrum
- b. Unnai Warriar Memorial Kala Nilayam
- c. Grameena Padana Kendram, Karakulam
- d. K.Madhavan Foundation, Kanhangad
- e. Panmana Ashram
- f. Kovalam Kavikal
- g. Mundasserri Foundation
- h. Kochu Govinda Pillai Asan Memorial, Ooyoor,
- i. Itti Achuthan Vaidyar Memorial, Cherthala
- j. Vailoppilli Memorial, Kaloor
- k. Thalakkal Chandu Memorial Archery Competition
- l. Raja Ravivarma Memorial at Kilimanoor palace
- m. Statue of V.Gangadharan at Kadappakkada.

133. Moinkutty Vaidyar Memorial Award shall be established for promoting mappila art, literature and culture. ₹ 20 lakh is set apart to Moinkutty Vaidyar Memorial to this purpose.

134. An amount of ₹ 1 crore is set apart for heritage conservation of Centre of Vedic learning, Brahmaswam Madam, Thrissur. An amount of ₹ 1 crore is set apart for the restoration of Ayyankali Memorial School in Venganoor.

135. The pension for journalists is increased from ₹ 2,500 to ₹ 4,000 and the housing subsidy of ₹ 50,000 will be allowed also for home purchases. Further, I am setting apart ₹ 40 lakh for health insurance to this group. An amount of ₹ 15 lakh is set apart for Kesari digital news paper archive, ₹ 15 lakh for Malappuram Press Club and ₹ 25 lakh for renovation of Press Club of India at Delhi.

### **Sports**

136. We are trying to use the opportunity of hosting the 35<sup>th</sup> National Games to improve the sports facilities of the State. An action plan to create infrastructure worth ₹ 500 crore has been put

in place. The most important component is the modernization of stadia at Karyavattom, Vattiyoorkavu, Kozhikode and Thiruvananthapuram (Central Stadium) at a cost of ₹ 290 crore on annuity basis. The cost of upgradation of other related stadia would be ₹ 200 crore. For 2011-12, I am setting apart ₹ 120 crore at the moment. For completion of stadia at Nedumkandom, Thalassery, Kothamangalam, Muvattupuzha, Alappuzha and Kunnankulam. I am providing ₹ 10 crore. I am also specially allotting ₹ 1 crore each for the EMS Memorial Stadium at Neeleswaram and K. Karunakaran Memorial Stadium at Mala. ₹ 3 crore each is provided to the Palakkad Indoor Stadium and the Swimming Complex. An amount of ₹ 2 crore is set apart for the mini stadia at Meengangadi, Kilimanoor and Pullambara Mathai Chacko Sports Complex mini stadium.

137. The Kerala Sports Council is given a grant of ₹ 12 crore. ₹ 8 crore is earmarked to the Kerala State Youth Welfare Board.

138. I am enhancing the pension of Circus Artists from ₹ 500 to ₹ 750.

139. Government had sanctioned ₹ 1 crore to the Malappuram District Sports Complex and Football Academy. In order to complete the first phase of this complex, an additional ₹ 1 crore is provided. ₹ 25 lakh is given as grant to Mercy Kuttan Athletic Academy. ₹ 25 lakh is allotted for setting up the Kalavoor Gopinath Volleyball Academy at Kanhikkuzhy by the Progressive Club.

### **XIII**

#### **HEALTH**

140. As in the case of General Education the Public Health Sector is also experiencing qualitative improvement. As part of upgradation of hospitals the number of Community Health Centre has been increased from 114 to 236. A specialty cadre has been formed in the Health Services and private practice has been banned for Doctors of the Medical Colleges. With the formation of the Medical Services Corporation the shortage of essential medicines has disappeared. During the last year Hospital Development Committees gained ₹ 28 crore till 30<sup>th</sup> of November from the insurance scheme.

141. I am providing a total outlay of ₹ 252 crore for the Health sector as a whole. In addition ₹ 508 crore is expected from the National Rural Health Mission. ₹ 18 crore is set apart for State level Laboratories and for enhancing diagnostic services in the District and Taluk Hospitals. ₹ 48 crore is earmarked for upgradation of PHCs and enhancing their services.

142. I am allotting ₹ 52 crore for the five Medical Colleges, Ophthalmology Hospitals and the Pharmaceutical College. Also I am providing ₹ 3.9 crore for the Dental Colleges, ₹ 6.7 crore for the Nursing Colleges. The Malabar Cancer Centre is given a special assistance of ₹ 12 crore. A Neo-natology ICU would be set up in the Thiruvananthapuram Medical College. A new mortuary would also be opened there. MRA Scanners would be set up in Kozhikode, Kottayam and Thrissur Medical Colleges. I am setting apart ₹ 6 crore for expanding the Diabetic Institute to have a geriatric study centre.

143. I am happy to enhance the monthly stipend to Residents in Medical Colleges with retrospective effect from 1-1-2011. Junior Residents could get an increased stipend of ₹ 23,000 in the first year, ₹ 24,000 in the second year and ₹ 25,000 in the third year. Senior Residents would have an increased stipend of ₹ 28,000, ₹ 29,000 and ₹ 30,000 respectively for the three years. Residents in Dental, Ayurveda and Homoeo will also get similar increase.

144. Monthly stipend of students of general nursing and mid wifery course would be enhanced from ₹ 300 to ₹ 700.

145. An amount of ₹ 20 lakh is set apart to construct a new building for the medi bank in the Alappuzha Medical College Hospital complex. An allocation of ₹ 1 crore is provided for establishing T V Thomas Memorial Co-operative Hospital, Alappuzha.

146. I set apart ₹ 27 crore for the Ayurveda sector and ₹ 25 crore for the Homoeopathy sector. The District and Taluk Ayurveda Hospitals would set up special wards for the aged. The bed-strength



of District Ayurveda Hospital would be increased from 50 to 100 in Alappuzha, Kottayam, Ernakulam, Palakkad and Malappuram. All District Hospitals would have either Panchakarma or Ksharasutra facilities. ₹ 4 crore is earmarked for Oushadhi. 50 per cent of the allocation for Ayurveda and Homoeopathy is for the Medical Education Departments concerned. I provide a grant of ₹ 2 crore to the Kottakkal Ayurveda Study and Research Centre and ₹ 4 crore to HOMCO.

147. ₹ 2 crore is allotted to the Hunger-free City Project.

148. ICCONS, Thiruvananthapuram would get ₹ 3 crore and NISH ₹ 4 crore as special grants.

### **Drinking Water**

149. We are approaching the realization of the goal to provide safe drinking water to every household. During 2001-06, 25 lakh families have been provided drinking water through completed scheme. However, during 2006-11, 327 schemes have been completed providing drinking water to 59 lakh families. Administrative sanction has been provided for new drinking water schemes and for renovation of old schemes to the tune of ₹ 2761. crore. Completion of the LIC projects which were in an abandoned stage for several years, SPAN programme with the support of NABARD, SARK implemented as a part of the stimulus package and renovation of town projects are included in this.

150. ₹ 964 crore is set apart for drinking water and sanitation programmes. In 2011-12 under the Japanese aided drinking water project, the focus would be on Thiruvananthapuram and Kozhikode schemes. I set apart ₹ 500 crore for these schemes. For Jananidhi phase-II worth ₹ 1,000 crore, ₹ 112 crore is made available for 2011-12. As part of this, 9,650 small schemes in 400 Village Panchayats have been included. For replacement of old pipes and allied expenses, ₹ 20 crore is set apart. Another ₹ 100 crore is allotted to the packages like SPAN, SARK etc. started during the last three years.

151. I am happy to provide ₹ 60 crore for the new schemes proposed for Parassala and Kumarakom during 2011-12. ₹ 8.5 crore is given for the Erumeli and Sabarimala Water supply schemes. For the rural sanitation programmes, an outlay of ₹ 40 crore is provided including Central share.

## **XIV**

### **LOCAL SELF GOVERNMENTS**

#### *Fourth State Finance Commission*

152. The Fourth State Finance Commission has become a significant milestone in the history of decentralization in the State. All the deductions effected by the previous Finance Commission have been restored. The grant in aid to local self governments has grown at a spectacular rate.

153. Sir, I am happy to increase the Development Fund for Local Governments, which was ₹ 2049 crore in 2010-11 to ₹ 2750 crore. Since the Annual Plan of the State was finalized before the submission of the Report of the Finance Commission, only ₹ 2574 crore has been indicated in the Budget Document. I am providing ₹ 176 crore additionally. The General Purpose Fund of Local Governments, which was ₹ 439 crore during 2010-11 is stepped up to ₹ 617 crore. The Maintenance Grant is also enhanced from ₹ 512 crore to ₹ 793 crore. Total grant in aid would increase from ₹ 3000 crore to ₹ 4160 crore – 39 per cent increase. The Finance Commission has given detailed recommendations on the devolution of funds. All these recommendations are accepted without any change whatsoever.

154. The official machinery for handling funds has to be strengthened substantially. Considering the increasing quantum of public works an Assistant Executive Engineer post in all blocks and Municipalities shall be created. 85 posts are sanctioned for this purpose.

## **Rural Development**

155. Rural Development Department works solely through Local Governments. I set apart ₹ 8 crore for the new schemes National Rural Livelihoods Mission, would be implemented through the Kudumbasree network with the State Poverty Eradication Mission as the nodal agency. It is noteworthy that the Government of India decided to restructure the existing SGSY scheme into NRLM on the basis of assessing Kudumbasree as a model.

156. The Mahatma Gandhi National Rural Employment Guarantee Scheme is implemented in an ideal manner in Kerala and this has won national recognition. Though the national guidelines stand in the way of expansion of the scheme, it is expected that during 2010-11, ₹ 750 crore would be spent. Our demand to include replanting of coconut and rubber trees and collection of coconut husks as eligible items of works under the scheme have not yet been accepted by the Central Government.

157. As part of PMGSY, Government of India does not fund tender excess and other expenses. This has affected the implementation of the scheme. Therefore, for these items, I set apart ₹ 13 crore. I also allot ₹ 8 crore as the State share of Hariyali/National Watershed Management Programme. Suchitwa Mission would be given ₹ 9 crore. ₹ 4 crore is allotted for the purchase of land and construction of new office buildings for the newly created Block Panchayats.

158. The ₹ 219 crore Attappady project has been completed successfully. 12,000 hectares of forest have been rejuvenated. Including this 17,000 hectares of land have been treated under watershed development programmes and this is the major achievement. As part of creation of social infrastructure, 1500 houses have been completed for the Scheduled Tribes. An understanding has been reached that the services of a good number of those who had worked for AHADS would be utilized in the forestry and other sectors. For the spill over works, I set apart ₹ 8 crore. Following the same model, a project would be started in Wayanad in 2011 itself.

159. ₹ 34 crore is earmarked for the Backward Regions Grant Fund Scheme for Palakkad and Wayand districts.

160. ₹ 4.5 crore is set apart for Information Kerala Mission and ₹ 6 crore for KILA.

### **Urban Development**

161. We have not yet been able to satisfactorily deal with the problems of rapid urbanization. Though urban areas constitute only 6 percent of the area in Kerala, in terms of population their share comes to 26 per cent. 50 per cent of the State domestic product comes from urban areas. In order to tackle the problems of urbanization, Town planning has to be strengthened. I set apart ₹ 489 crore as Development Fund, ₹ 139 crore as General Purpose Fund. For the infrastructure component of JNNURM, ₹ 175 crore is provided and under the UIDSSMT component ₹ 70 crore is allotted. I have earmarked ₹ 176 crore for slum development and urban poverty reduction programmes. Kerala Sustainable Urban Development Project is allotted ₹ 10.5 crore. For the Capital City Development Programme, ₹ 10 crore is earmarked. It is true that the progress of these schemes has not been satisfactory. Government has analyzed the experience so far and has given shape to a plan of action to rectify the shortcomings.

### **Kudumbasree**

162. The national relevance of Kudumbasree model has become all the more evident in the context of the rapacious activities of Micro Finance Companies, which have led to severe distress including suicides in Andhra. Kudumbasree functions as a basic social unit in partnership with Local Governments rising above party and communal divisions. It also functions not only as system for credit and thrift and micro enterprise, but also as a nodal agency to converge different antipoverty programmes of the Government.

163. Since the formation of Kudumbasree till 2008-09, the average annual expenditure was ₹ 50 crore. In 2009-10 it increased to ₹ 121 crore and in 2010-11 it is expected to touch

₹ 100 crore. I am happy to enhance the outlay of Kudumbasree from ₹ 50 crore to ₹ 100 crore in 2011-12. This amount includes the interest subsidy to make available bank loans at 4 percent interest and also the fund required for repayment of loans under Bhavanasree scheme. In addition, for implementation of Integrated Housing and Slum Development Programme and Basic Services for the Urban Poor in the Municipalities and Corporations, ₹ 151 crore would be available to Kudumbasree. As mentioned earlier, the implementation of NRLM would be through Kudumbasree.

## **XV**

### **GOVERNANCE**

#### *Co-operation*

164. The Co-operative sector is playing a major role in the development of the state. Total deposit in the cooperative sector rose from ₹ 6500 crore in 2005-06 to 20,000 crore in 2010-11. EMS Housing scheme alone is sufficient to establish how the cooperative sector can contribute to overcome resource constraints. I am setting apart ₹ 43 crore for co-operative sector. An amount of ₹ 10 crore is separately sanctioned for co-operative medical colleges.

165. When this government came to office, a moratorium was declared on assistance for NCDC. NCDC loans have been revived. Unfortunately the cooperative sector does not have a practice of repaying of NCDC loans. As a result the government had to take over the entire liability. ₹ 45 crore has been spend in 2010-11 as NCDC repayments.

166. The cooperative sector is in very serious crisis because of the accumulated losses and the indiscriminate loans sanctioned prior to 2010 turning out as unproductive assets. NABARD has stopped refinancing. This is likely to adversely affect the agriculture sector. A package shall be implemented to restart NABARD loans. A provision of ₹ 150 crore has been provided in the Supplementary Demand for Grants. Normalcy would be attained during this month itself.

167. A provision of 25 lakhs is set apart for a white lime shell cooperative.

### **Kerala State Road Transport Corporation**

168. The share of KSRTC in vehicular traffic in the state increased to 27 per cent from 13 per cent. 2,547 buses and 1,188 schedules have been newly started. The work of the bus stand-cum-shopping complex at Calicut and Trivandrum is progressing at a rapid pace. Shopping complexes would be constructed at the inter-state bus terminal at Thiruvananthapuram and shopping complexes at Malappuram, Karunagappally, Nedumangadu, Thodupuzha and Palakkadu. A garage shall be constructed in Wadakkancheri. A new sub depot at Kanhangadu and operating centres at Thiruvambadi, Ranni and Eratti will be set up. In 2011-12, 1000 new buses shall be put on road.

169. The main problem of KSRTC is the large chunk of accumulated loans. Around ₹ 25 crore is required for monthly repayment of interest. Monthly loss would also be of a similar quantum. The scheme for reducing the extent of loans by mortgaging the unutilised landed property at the disposal of KSRTC is in the final stage. Once this project is operationalised, KSRTC may be able to operate effectively with a small monthly subsidy. The total assistance including the amount provided in the SDG is ₹ 205 crore. An amount of ₹ 100 crore is set apart for the year 2011-12.

170. An amount for ₹ 5 crore is sanctioned for purchasing modern ferry boats for Kochi. A provision of ₹ 5 crore is made for establishing a truck terminal at Kochi. An amount of ₹ 1 crore is specifically set apart for buying new boats for Kerala State Water Transport Department.

### **Sabarimala**

171. Disasters like the one at Pullumedu shall not be repeated. The Sabarimala master plan shall be implemented before the next Makaram. A facility for parking 15,000 vehicles at Nilakkal base

camp, dedicated lane for emergency ambulance service at Pampa. An additional floor for the existing nadappanthal, new fly over from the rear side of the temple for the devotees to leave after darsana, relocating the aravana manufacturing unit to this point etc shall be taken up during the first phase. I am providing ₹ 25 crore for this. ₹ 50 crore shall be taken as loan for this. ₹ 25 crore would be raised through sponsorship. Security audit would be organised at all locations where devotees crowd for viewing the makarajyothi and the overall logistics would be reworked in accordance with this.

172. Contracts have already been awarded for BM and BC renovation of 80 kms of roads. ₹ 12 crore is year marked for this. The remaining 151 kms of road shall be given on long term maintenance contract with Road Fund Board in two or three packages.

173. The master plan for Attukal Temple Complex has been prepared for ₹ 478 crore. Construction works to the tune of ₹ 118 crore is going on. The resources for this shall be mobilised by combining various schemes for city development. A provision of ₹ 10 crore is set apart for this. An amount of ₹ 6 crore is set apart for Guruvayoor drainage scheme. An additional provision of ₹ 1 crore is set apart for Sivagiri Convention Centre.

## **Revenue**

174. Disaster Management has become the most important responsibility of the Revenue Department. The state government has spent the entire amount sanctioned under Tsunami Rehabilitation Package. The state government would meet the additional expense for completing the schemes already taken up. An amount of ₹ 5 crore is set apart for disaster management schemes. A provision of ₹ 10 crore is set apart for the renovation of revenue offices.

175. Sanction is given for 5 mini civil stations at Varkala, Chadayamangalam, Malampuzha, Guruvayoor and Mannuthi.

176. The pension of freedom fighters was increased from ₹ 3,000 to ₹ 5,500 in 2008. However no DA increase was sanctioned. 30 per cent DA is additionally sanctioned now. ₹ 1 lakh is sanctioned as assistance for families of those missing or dying in action among the military or para military forces. The assistance for injured is increased to ₹ 25,000 – 50,000. The assistance for the dependents and heroes of Second World War shall be increased.

### **Treasury**

177. The comprehensive treasury modernising program is half the way. Switching over to the core banking system shall be completed by March. A comprehensive ₹ 120 crore program for constructing 103 new treasury buildings and for renovating 114 buildings is being implemented. The commission for court fee stamps and judicial stamp paper is enhanced to 3.5 per cent and for the revenue stamps to 4 per cent.

### **Registration**

178. ₹ 4 crore is set apart for the completion of computerisation of Registration Department. Fair Value Cells shall be established in all districts for time bound redressal of grievances relating to fixation of fair value of land.

179. Stamp duty for release deed and partition deed between family members have been reduced to 1 per cent. In the case of partition deeds, provision has been made to include the children of the deceased person. However, this was not made applicable to release deeds. This shall now be made applicable to release deeds also.

### **Police**

180. ₹ 33.5 crore shall be set apart for police department. 70 community resource centres, 20 tourist protection centres, 14 service delivery centers for senior citizen shall be established. 20 touch screen kiosks shall be positioned for providing information to



the public on police department. ₹ 7.5 crore is set apart for the police housing and construction corporation.

181. New police stations at Guruvayoor, Udumpanchola and Pinarayi shall be established. Coastal police stations shall be started at Ponnani, Poovar, Anjuthengu, Arthungal and Thrikkarippoor. A State Special Security Police Force shall be established in line with CISF. The program shall be implemented in banks and public sector units meeting the cost of the force provided for their security.

182. A family court shall be established at Iringalakkuda and sub courts at Chavakkadu and Punalur. Basic infrastructure and building shall be provided for the Judicial Academy.

#### **Excise**

183. ₹ 1 crore is set apart for establishing liquor test laboratories. One each in north, central and southern regions and two at the Palakkadu check post. ₹ 10 crore is set apart for establishing de-addiction centres in district hospitals.

#### **Motor Vehicles**

184. ₹ 6 crore is set apart for the motor vehicles department.

#### **Fire and Rescue Service**

185. ₹ 10 crore is set apart for the modernization of fire and rescue stations. New fire stations shall be established at Quilandi, Vaikom, Ottappalam, Valancheri and Panoor.

#### **Planning**

186. ₹ 5 crore is set apart for the strengthening the planning machinery of the state planning board. A provision of ₹ 3 crore is set apart for surveys and studies.

#### **Insurance**

187. The Insurance Department is being modernized and restructured under the leadership of All India Institute of Chartered

Accountants. A balance of ₹ 2000 crore is available in the treasury under the head of state insurance fund. The state government need not pay interest for it. It is proposed to substantially improve the insurance business and increase the balance. 156 posts are created in the context of taking up the health insurance program.

188. LIC has withdrawn from the pension scheme implemented for National Savings Scheme volunteers. This programme is being taken over by the department in the above context. Steps shall be taken to pay a minimum monthly pension of ₹ 600 from 1<sup>st</sup> February 2011. The annual medical reimbursement for agents shall be enhanced from ₹ 10,000 to ₹ 25,000. 50 per cent of the expenses for joining the CHIS health insurance scheme shall be met from the welfare fund. The remaining amount shall be met by the government and the beneficiary.

189. The turn over of KSFE which was ₹ 3937 crore in 2005-06 is expected to increase to ₹ 12,500 crore in 2010-11. The following 43 branches shall be newly started; Maranalloor, Thulikkodu, Amboori, Panavoor, Karakulam, Nilamel, Pattazhi, Kundara 2, Bharanikkavu, Vadasserikkara, Kalanjoor, Eraviperoor, Ullala, Thuravoor, Pala, Paika, Peruva, Melukavu Mattam, Edappalli, Manjapra, North Paravoor Evening, Chottanikkara, Kurumassery, Karukutty, Aryankavu, Munambam, Ramavarmapuram, Vellanallore, Aaloor, Pazhanji, Muthuvaram, Koduvayoor, Parappanagadi, Cherootty road, Edavannappara, Quilandi Evening, Kalichanadukam, Mayyil, Irikkoor, Mangattauparamba, Rajapuram and Bediyadukka.

### **Jails**

190. A provision of ₹ 39.5 crore is made for modernisation and expansion of infrastructure facilities of the jails in the state. New district jails shall be established in Thodupuzha and Malappuram.

### **Public Relations**

191. A provision of ₹ 20 crore is set apart for the public relations department. Out of this ₹ 2.6 crore is for C-Dit. A

portion of the advertisement charges for the print media and TV channels was in default due to red tapism. This will be settled by the end of March.

### **Employees**

192. 2006-11 was the period during which the largest number of employment opportunities was created in the public sector. During the last five years 12,505 posts have been created in the education department, 2,431 in health department, 7,153 in police, 4800 in local self government, 3,125 in PSUs and 3,851 in others. 33,865 altogether. As against this 17,195 posts were abolished in 2001-05. On the contrary now 3125 posts have been created in the public sector. There has been substantial progress in the number of employment opportunities in tourism, IT and commercial sectors.

193. The daily wage rate of the employees on daily wages in government is increased by 50 per cent. This shall have effect from 1<sup>st</sup> April 2011. 20 per cent of the vacancies of Part-time Sweepers shall be reserved for Casual Sweepers.

194. Health Insurance Scheme worth ₹ 2 lakh shall be implemented for pensioners numbering 5.5 lakhs. This shall be implemented availing the medical allowance amount being paid to them.

### **Salary, Pension Revision**

195. All the rights of employees including house building advance denied by the previous government have been restored. 94 of DA has been sanctioned with out any arrears. Several new concessions have been given to government employees like Accident Insurance for employees, State Administrative Tribunal, raising the bonus eligibility limit, festival advance, increasing maternity leave to 180 days, increasing promotion quota for Class IV employees.

196. The government is approving the proposals of pay commission which would result in an annual commitment of ₹ 2,000 crore. Grievances have been received that existing parity has been upset because of increase in salary levels of certain sections more than other sections. All these anomalies would be examined painstakingly and redressed. The pay revision orders would be issued after incorporating certain inevitable rectifications and providing additional increment of those who have reached the stagnation at the top of the scale because of merger of DA. This shall have effect of 1-7-2009. The pension revision shall also be implemented.

## **XVI**

### **RESOURCE MOBILISATION**

197. Sir, I have already stressed upon commendable achievements in the matter of resource mobilization, in the preface to this Budget presentation. This increase was not due to any enhancement in the tax rates. Apart from the social security cess and the increase in the sales tax rate of liquor, there was no increase in any tax rates during the last five years. The Central Government had suggested an increase in the VAT rates by one percent and to a levy of 4 per cent tax on textiles. Many States have increased the rate of tax by 1 per cent to 2.5 per cent. But this Government has not imposed any additional burden on the people. This policy remains unchanged.

198. During the last five years, the tax collection mechanism was drastically reformed by implementing e-Filing and e-Payment. With two National Awards, the computerized tax mechanism of Kerala is a model to the whole country. As a result, the precise business details of all dealers are now available with the Government. Rather than using coercive methods, the officials are becoming adept in utilizing this database in a scientific manner for detecting tax evasion. The full benefits of these reforms will be reaped in the coming years.

## **Simplification of Procedures**

199. In all my previous Budgets, procedures were simplified without adversely affecting the revenue. The dealers have responded positively to these efforts. A new trader friendly environment was created. To be frank, the trade organizations had very few demands remaining to be raised in the pre-budget discussion of this year. I am accepting some of these demands.

200. Small traders with turnover not exceeding ₹10 lakhs are not liable to pay tax. But, they are also not authorized to collect tax. They can collect tax only with the approval of the Assessing Authority by filing Form No. 1F. I desire to remove the difficulties of those small traders, who had collected tax without properly understanding this provision. If the collected tax is remitted to Government in full, no further proceedings will be initiated against them. This provision will be given retrospective effect from 1-4-2005.

**201.** Many awarders remit the tax deducted from contractors in offices other than the office where the contractor is registered, posing difficulties in obtaining credit for the tax deducted. To overcome this difficulty, e-Payment of TDS would be made mandatory.

202. Trade bodies have complained that there are delays in the issuance of clarification under VAT Act, despite the formation of a Committee. A statutory time limit of three months will therefore be fixed for issuing clarifications under the VAT Act. The Commissioner will be authorized to grant extension of time where the clarification could not be issued for reasons beyond control.

203. Along with the application for refunds, the dealer has to submit Form No.21 (J) from the assessing officer concerned. Now, with the implementation of e-Filing and e-Payment, Form No. 21(J) will be dispensed with.

204. With computerization, it is now possible to simplify processes and procedures in the department. The existing 26 forms for registration, renewal, sales van permits and compounding have been further simplified and integrated into 5 forms. They will be effective from 1-4-2011.

205. According to Sec.40A, the complete address and registration number of the purchasing dealer should be recorded in the sale bills. If any deficiency is noticed in these details, tax is liable to be remitted on MRP. The trade has been complaining that, sellers have no means to ascertain the genuineness of the details furnished by the buyers and hence has been urging to withdraw this provision. Considering this, sub-section (3) of Section 40A shall be omitted with retrospective effect.

206. Earlier I had declared that when e-Filing stabilizes, filing hard copy of returns will be dispensed with. It will be implemented within six months.

207. Dealers with a turnover of upto ₹ 50 lakhs are eligible to pay presumptive tax at 0.5 per centage. If the turnover exceeds ₹ 50 lakhs, they have to shift to the regular VAT scheme for which an application has to be filed. Dealers often face difficulties due to lack of awareness of the above provision. To redress their grievance, input tax credit will be allowed on the excess turnover exceeding ₹ 50 lakhs.

208. Presently Transfer of Right to Use is taxable at 4per cent. As in the case of works contract, provision will be made in the Act to deduct this tax at source.

209. Presently, there is a Principal Bench and five Additional Benches for the appellate tribunal for hearing sales tax appeals in the State. The five additional benches are currently not authorized to hear VAT case. As the number of sales tax appeals has come down significantly, these benches will be authorized to hear appeals under the KVAT Act also. The appellate wing will be restructured suitably and amendments accordingly made.

210. Parcel Agencies are liable to file quarterly returns. The activities traditionally carried out by Parcel Agencies are also undertaken by private operators of leased Railway Wagons. The details of goods imported into the State are to be furnished by them to Commercial Taxes Department as in the case of Parcel agencies. Statutory amendments will be made for the purpose.

211. The period prescribed for sales returns is 90 days. In keeping with the representations made by various trade organizations, I propose to increase this period to 180 days.

212. Defense personnel have complained that they are unable to avail the 50 per cent tax concession for purchase of motor vehicles as canteen stores department is not issuing authorisation for the same. To remove this difficulty, the power to issue authorisation to defense personnel/ex-service man is extended to Indian Naval Canteen Stores and Air force Canteen also

### **Tax Concessions**

213. In order to reduce the dependence on river sand, it is necessary to promote alternatives. Hence, the tax rate on manufactured sand will be reduced to 4per cent to bring it at par with river sand.

214. Laterite stone business is primarily conducted by small players in the unorganized sector who are below the taxable threshold. However, there have been complaints that security deposit is being collected in transit. In order to alleviate this hardship and to promote indigenous construction materials, all types of Laterite Stone will be exempted from tax. Rate of tax on all types of sand is 4 per cent. But, soil is currently taxed at 12.5 per cent as it is not covered in any of the schedules. In order to rectify this anomaly, I propose that soil be taxed at 4 per cent at par with other variety of sand.

215. In the Budget Speech of 2008-09 it was proposed to exempt film industry from VAT with effect of 1-4-2005. But, retrospective effect could not be granted to this exemption in the Kerala Finance Act 2008. Considering the request of the Kerala Film Producer's Association, the benefit of this exemption, which is now available with effect of 1-4-2008, will be made available with retrospective effect from 1-4-2005 onwards.

216. Taking into account the interest of farmers and to promote environment friendly agricultural practices, bio-fertilizers like bone meal, organic meal and leather meal will be exempted from tax.

217. There is dispute with regard to the rates of tax applicable on nylon and plastic ropes. Those used for fishing are exempted. The interpretation is that ropes used for other purposes are taxable. To settle this dispute, all types of nylon and plastic ropes will be exempted from tax.

218. Presently with respect to medicines, tax is levied on MRP. Pharmaceutical companies are selling medicines to Government. Tax is collected on the sale price and remitted to Government on these sales, implying that MRP is not applicable for supplies to Government. Since assessments are to be completed based on the MRP value, there have been certain difficulties in completing the assessments. To settle this, assessments will be completed construing the sale price to Government as MRP. This provision will be granted retrospective effect from 1-4-2005 onwards.

219. Goods sold inside places of worship to devotees, to be used as offerings will be exempted from tax. This would be effective from 1-4-2005 onwards.

220. Cable TV operators with 7500 or more connections are liable to pay luxury tax at ₹ 5 per connection per month. I propose to withdraw the luxury tax imposed on Cable TV Operators.



221. Rate of tax on all types of pressure cookers is 4 per cent. Rate of tax of `Choodarappettys' is also 4 per cent. It is clarified that rate of tax applicable to all types of `Choodarappettys' is 4 per cent with effect from 1-4-2007.

### **Compounding**

222. Cooked food and beverages served in houseboats are liable to VAT, in addition to the luxury tax on houseboats. The House Boat Associations have requested that maintaining separate accounts for cooked food is cumbersome and hence to exempt VAT. Their request is agreed to. Cooked food and Beverages served in houseboats paying compounded tax under Luxury Tax Act will be exempted from VAT.

223. Compounded tax rates on houseboats will be rationalized. Presently houseboats with two or more bed rooms are taxed at the same rate. This will be revised as below. The Govt. does not expect any additional revenue from this measure.

Rooms	Yearly compounded tax	
	Non AC house boat	AC house boat
With only one room	₹ 8,000	₹ 15,000
With two rooms	₹12,000	₹ 22,000
With more than two rooms - for each additional room	₹ 4,000	₹ 7,000
Primarily used for conferences	₹ 30,000	₹ 50,000

224. At present, bar hotels up to two star are liable to pay turnover tax on the sale of liquor. Sale price is computed adding a fixed percentage on the value of liquor purchased from the Beverages Corporation and the turnover tax payable is determined at 10 per cent of the same. It has also been mandated that the

compounded tax so determined shall not be less than 115 percent of the tax paid for the previous year. This stipulation makes the compounding scheme un-attractive for long standing compounded dealers. I propose that those bar hotels who have compounded continuously for the last five years need pay at 110 per cent of the tax paid for the previous year and those who have compounded for the last three years need pay tax at 112 per cent of the tax paid for the previous year.

225. Market consolidation in favour of big players in the gold sector adversely affects the small dealers. So special protection of small dealers is necessary. Compounded dealer with a turnover upto Rupees 10 lakhs need only pay the tax paid in the previous year. Dealers with turnover above Rupees Ten Lakhs and upto Rupees Forty Lakhs shall pay 105 per cent of the tax paid last year. Dealers who have conducted business at least for a year will only be eligible to opt for compounding. Clause (vi) of Section 8(f) was not in the Finance Bill but was incorporated in the Finance Act on 28-7-2010. This has created difficulties to certain dealers who have opted to compound in 2010-11. They will be allowed to continue in the compounded rate system on the same statutory terms, which existed when they had opted for compounding. Hence, Clause (vi) of Section 8(f) is withdrawn with retrospective effect.

### **Amnesty**

226. All pending KGST assessments of the pre-VAT period have been completed, except certain cases stayed by the Courts. To enable these dealers to avail of amnesty, the period of amnesty is extended upto 31-3-2011. Appropriate amendment will be made in the Act for the above purpose.

227. In order to improve tax collection, different sectors of trade were subjected to detailed study and scrutiny. It was noticed that certain sectors were evading tax by fabricating documents for a long time. Such loop holes have already been plugged and tax collection intensified. In these cases penalty has to be imposed

upto double the amount of tax evaded. But, it may ruin the industry. The interests of the work force in these sectors also need to be taken into account. In the Budget for 2007-08, an Amnesty package was declared for the cashew industry. Sir, a similar situation has arisen in plywood and cardamom sectors. Serious issues have cropped up in the ayurvedic medicines industry also. Members of all parties had requested for lenient views in the matter. Considering this, an amnesty package is declared.

(i) The revenue from plywood sector has increased from ₹ 5.4 crore in 2005-06 to ₹ 28.06 crore in 2009-10. The collection upto Dec., 2010 stands at ₹ 31.76 crore. This has been achieved by increasing compliance. However, instead of penalizing the industry for poor compliance in the past, it is proposed that if units in the plywood industry had evaded tax by furnishing bogus 'C' Forms and 'F' Forms, all penal and prosecution steps would stand withdrawn if they remit the full tax amount and interest within six months.

(ii) The revenue from cardamom has increased from ₹ 7.6 crore in 2005-06 to ₹ 17.02 crore in 2009-10. Revenue from this sector upto Dec., 2010 stands at ₹ 17.44 crore. This result was achieved due to an intensive drive by the department to channelise the business into auction centers. Dealers are required to maintain accurate records for 'vapus' accounts, regarding the cardamom taken back by them from the auction centers. Registers for 'Vapus' transactions have been prescribed in 2009 only and are being maintained as such. The same rigour need not be insisted upon, for prior periods. Tax proceedings for these periods will be dispensed with.

(iii) One of our indigenous sector, Ayurveda, has grown tremendously in recent years. It has also contributed much to the growth of our tourism sector. Certain disputes exist, regarding the tax rate of certain ayurvedic cosmetics manufactured under Drug Licences. Vide a statutory clarification issued on November

12, 2009, the dealers were liable to remit 12.5 per cent tax with effect from 1-4-2005 onwards on ayurvedic cosmetics. The industry cannot absorb the retrospective operation of this liability. Hence, any liability arising there from before the date of the clarification order will be done away with. But, this concession will not apply to those who have already remitted tax at higher rates.

228. Certain VAT assessments for the years 2005-06 and 2006-07 could not be completed due to the issues in the plywood sector. Hence, the time limit for completion of assessments for these years will be extended by a year.

229. The Centre for Taxation Studies has been upgraded to a national level institute called Gulati Institute of Finance and Taxation. Amendments will be made in the Act to give effect this change.

### **Infrastructure**

230. I propose to construct a Commercial Tax Complex at Kannur on 36 cents of land owned by M/s. Kerala Dinesh Beedi Workers Co-operative Society. The land will be acquired at the land value fixed by the Department of Revenue for ₹ 2.43 crore. In addition, to settle the gratuity liability of M/s. Kerala Dinesh Beedi Workers Co-operative Society, adequate grant has been provided in Supplementary Demand for Grant.

231. An office for the Deputy Commissioner (Intelligence) of Commercial Taxes is proposed to be constructed in the Civil Station Compound at Kakkanad. I propose to set apart an amount of ₹ 5 crore towards the cost of construction of the commercial tax offices at Kannur and Ernakulam.

232. Sir, one of the reasons for the better tax buoyancy is the trader friendly atmosphere prevailing during the last five years. Government considered commerce as the stimulus for the state development and adopted a policy accordingly. Commerce has taken place in the state budget for the first time during the tenure of this government. I am earmarking ₹ 20 crore Grand Kerala

Shopping Festival. ₹ 5 crore is provided for Institute of Retail Management. Sir, for the first time in India ₹ 25 crore is provided in this budget for the rehabilitation of traders as part of the road renovation project. If the tax revenue exceeds the budget estimate, 2 per cent of such excess tax or ₹ 3 crore which ever is high shall be given to the traders welfare fund board.

## XVII CONCLUSION

233. Sir, now I present the revised estimates of 2010-11.

<i>Revised Estimates 2010-11</i>	
<i>(Rs. in crore)</i>	
<b>Revenue Receipts</b>	<b>32127.01</b>
<b>Revenue Expenditure</b>	<b>35863.13</b>
<b>Revenue Deficit</b>	<b>-3736.12</b>
<b>Capital Expenditure</b>	<b>3184.19</b>
<b>Loans and Advances (Net)</b>	<b>-739.82</b>
<b>Public Debt (Net)</b>	<b>6279.08</b>
<b>Public Account (Net)</b>	<b>1498.43</b>
<b>Overall Surplus</b>	<b>117.38</b>
<b>Carry over Surplus</b>	<b>58.40</b>
<b>Cumulative Surplus</b>	<b>175.78</b>

234. The present estimation is that the revenue receipts for 2010-11 will be ₹ 946.19 crore higher than the amount anticipated in the Budget Estimates for the year. Consequently, the Revenue Deficit will stand reduced to 1.41 percent from 1.48 per cent. As per the revised estimates, the Fiscal Deficit is also expected to come down to 2.89 per cent from 3.49 per cent. Another significant change is that against an expenditure of ₹ 2250 crore anticipated under the Non Plan capital

side, the expected expenditure is ₹ 646.56 crore only. This is because of the works getting delayed due to the prolonged rains. However, the total expenditure is not expected to fall because of increased revenue expenditure through supplementary demands for grants..

**235.** Sir, I present the Budget Estimates for the financial year 2011-12.

<b>Budget Estimates 2011-12</b>	
	<i>Rs. in crore</i>
<b>Revenue Receipts</b>	<b>38546.89</b>
<b>Revenue Expenditure</b>	<b>44566.33</b>
<b>Revenue Deficit</b>	<b>—6019.44</b>
<b>Capital Expenditure</b>	<b>2910.13</b>
<b>Loans and Advances (Net)</b>	<b>—1711.38</b>
<b>Public Debt (Net)</b>	<b>7793.76</b>
<b>Public Account (Net)</b>	<b>2694.15</b>
<b>Overall Surplus / Deficit</b>	<b>—153.04</b>
<b>Carry over Surplus / Deficit</b>	<b>175.78</b>
<b>Additional expenditure announced</b>	<b>753.41</b>
<b>Cumulative Deficit/Surplus</b>	<b>—730.67</b>

**236.** Government's overall expenditure is likely to increase by 23.6 per cent in 2011-12. Provisions have been made for all expenditures including that on account of the pay revision. However the revenue growth is expected to continue at the same rate as in current year and on that basis the revenue deficit could be maintained at 1.97 per cent. It is also to be noted that I am not suggesting any additional resource mobilisation in this budget. Provision has been made for capital expenditure under Non Plan also. Fiscal deficit at 3.48 percent shall remain within the permissible limit.

**237.** Sir, as Finance Minister, I have received critical support from every body. Personally, the last 5 years have been a big learning experience for me. I am expressing my sincere thanks to everyone in the house irrespective of their being in the ruling front or in the opposition, especially my ministerial colleagues. I salute our Chief Minister Sri.V.S.Achuthanandan who has given leadership to our activities.

**238.** Let me express a point of concern. This Government has been able to keep the other country-other state lottery mafia at bay and protect the people of Kerala from their exploitation. Doing this and protecting the Kerala State Lottery had been what the State Government was doing with complete commitment during the last five years. However the Central Government which has the powers and responsibility to control the lottery mafia has not ventured to do this. Even though several letters, representations and reports had been forwarded right from 2004, by the State Government, only now did the Government of India take an effort to communicate them to the respective Governments. Instead of remaining a passive observer to the above the State Government had been trying to curb the lottery mafia through different measures. I am sure that the people would understand the massive slandering on this count. If the steps for keeping the lottery mafia under control are to be effective the Central Government has to take steps on their own against the law breakers or empower the State Government by amending the existing rule. There is a need to arrive at an all round consensus on this.

**239.** Sir, Instead of adopting a mechanical approach of balancing the receipts and expenditure of conservationists I have resorted to a developmental oriented fiscal policy. Fundamentally a development oriented Fiscal policy would not attempt at cutting down developmental expenditure. On the other hand the effort would be to increase the receipts and reduce the deficit. We don't approve of the approach that social welfare expenses are not reproductive. Expenditure on education, health and other social infrastructure are as important to development as physical infrastructure while attempting to reduce revenue deficit, a development oriented fiscal policy would make an effort to improve the

physical infrastructure by raising maximum amount of borrowings – direct and indirect. It was only because a development oriented fiscal policy was adopted, that we could fulfill the commitments made to the people of Kerala during the last five years. Sir, I am concluding the speech with utmost satisfaction of having fulfilled the aspirations of the people. Sir, I am concluding my words not only after laying a sound and sustainable foundation for the Kerala economy but also by laying a direction for making a leap forward.

**240.** I am sharing the dream that ONV sees in his epic work *Dinantham*, The achievements of this government during the last five years are historic. There were efforts to give life to the dreams of the downtrodden. The burning flames in the hearts of lakhs of dispossessed have given the energy for these efforts. I am placing this budget for the approval of this house with the confidence that I have been able to meet the aspirations to the people whose dreams are lit by the rising star in ***Dinantham***

*Those daily dreams  
Seen by the dispossessed  
A day will come  
When they turn into real  
The red hot embers  
Of the poor multitudes  
Will radiate the heat  
From the burning flames of their heart  
At the dying hours of the day  
When the alleys fade  
My dream will shine  
As the lone star above*

—Jai Hind—