Speech of Captain Amarinder Singh, Chief Minister, Punjab

50th National Development Council Meeting on 21st December 2002 at New Delhi

Mr. Prime Minister, Deputy Prime Minister, Deputy Chairman, Planning Commission, Members of the National Development Council, ladies and gentlemen,

At the very outset, I would like to compliment the Deputy Chairman of the Planning Commission and his team for preparing a very comprehensive and focussed Draft Tenth Five Year for approval of the National Development Council (NDC). The Draft Tenth Five Year Plan envisages an annual growth rate of 8%. No doubt, this is a laudable objective, but going by the previous achievements and state of the economy, achieving the proposed growth rate will prove to be difficult, if not impossible. The fact that the mid-year review presented by the Union Finance Minister to Parliament itself projected the growth in the GDP during the current year between 5 and 5.5%, further supports this view. Achieving the targeted rate of growth will depend upon the investment rate of 30%, which appears to be a tall order in view of the strained national economy.

2. Mr. Prime Minister, I am glad to note that in the approach and objectives of the 10^{th} Plan, a major departure has been made from the past. Traditionally, the level of per capita income has been regarded as a summary indicator of the economic well-being of the country. Instead, the approach to the 10^{th} Five Year Plan talks of monitorable targets for the holistic socio-economic development of the country. I fully endorse the approach and the monitorable targets with regard to reduction of poverty, providing gainful and high-quality employment, removing illiteracy, reduction in the gender gap, reduction in the decadal rate of population growth, reduction of infant-mortality rate, reduction of maternal mortality ratio, increase in forest and tree cover, universal access to potable drinking water and cleaning of all major pollutant rivers. I would only like to add a word of caution that these targets should not be mere slogans, but should be backed up by carefully designed projects which are fully funded.

3. The economy of the States is heavily dependent on the Centre and is deeply effected by what happens at the national level. Most of the States are passing through grave fiscal stress. Bold initiatives are required to make the States' economies vibrant. Unfortunately, there is a downward trend in so far as the flow of Central assistance to my State is concerned. For instance, the share of Punjab in total Central Assistance is constantly going down, both in absolute and percentage terms. The State received Central Assistance of Rs.4189 crore (2.26%) of total Central Assistance during the 9^{th} Plan, which declined to Rs.3979 crore (1.75%) in the 10^{th} Plan. Punjab is one of the two States in the country, which will receive less central assistance during the 10^{th} Plan period as compared to the 9^{th} Plan. In real term, the Central Assistance would be

substantially less than the 9th Plan. Similarly, devolution of Central Taxes to the State has gone down from 1.712% during the 9th Finance Commission to 1.147 % during the Eleventh Finance Commission. The massive reduction in the central assistance is bound to badly impinge upon the economic growth and overall development of the State.

4. When my Government assumed office on 27th of February this year the State's financial situation was in total disarray. We inherited empty coffers and a huge debt of Rs.32496 crore to be serviced. To restore financial health to the State, the Government had to do away with populist measures like doing away with free power to agriculture pump-sets and free water for irrigation. Rule of law had to be maintained while ensuring overall growth of the economy. Improving quality of citizen service, through a transparent system of accountability at all levels, of course, is the most important priority for the Government. The crusade launched against corruption has been appreciated by the common man and has restored the credibility of the Government to a large extent. This thrust has to be continued.

5. To put the State's fiscal in order, a number of far-reaching reform measures have been implemented and are under way. The Budget 2003 ncorporated a road-map for fiscal reforms. Apart from doing away with freebies, steps have been taken to smarten up tax administration, enforce uniform floor rates of sales tax, conforming to the national consensus in respect of tax incentives for industry, power sector reforms and to compress non-productive expenditure with a view to improving fiscal management. The Punjab Fiscal Responsibility and Budget Management Bill was introduced in the last Budget Session of the Punjab Vidhan Sabha and has been referred to a Select Committee of the Punjab Vidhan Sabha for deeper examination. The Bill provides for a phased reduction in revenue deficit, fiscal deficit and also a proposal to cap public debt and State guarantees. The current year's Budget has been presented in a three year perspective and the mid-term fiscal reform programme contained therein which envisages reduction in revenue deficit from 4.15% of the GDP during 2002-03 to 2.30% during 2004-05, reduction in fiscal deficit from 6.46% during 2002-03 to 3.84% during 2004-05 and the stabilization of public debt. The State Government has also received the final recommendations of the Disinvestment Commission, which are being processed for unlocking value in the State Public Sector Undertakings through disinvestment, privatization and restructuring. Disinvestment in 5 PSUs have been taken up on a fast-track mode.

6. For attracting private investment into infrastructure development, a Punjab Infrastructure Regulation and Development Act has been enacted. The Act provides for a level-playing field for all players in infrastructure development and also provides for a strong Regulatory Authority, being a fair arbitrator among them.

7. Various reform measures taken by the Government are bound to burden our various sections of society. On the other hand, due to severe financial constraints, the State's ability to mount any credible development efforts has been seriously impaired. Mr. Chairman, if the State is not provided with adequate fiscal space through generous assistance from the Government of India, multi-laterals and bilaterals, the sustainability of the fiscal reforms undertaken by the State Government would be in serious jeopardy.

8. In the wake of the implementation of the recommendation of the Fifth Central Pay Commission, States were left with no alternative but to follow suit. This has caused an onerous burden on the State's fiscal. Added to this is the fact that the last three Finance Commissions have not recommended any debt relief to the States. This has pushed most of the States into a predicament in which their total tax and non-tax revenues are preempted by payment of salaries, pensions and debt servicing, leaving virtually nothing for development. I would, therefore, strongly plead for debt relief to the States through re-schedulement, consolidation and realigning the interest rate structure to the prevalent market rate. Ever increasing salaries, pensions and wages are clearly unsustainable. There is little the States can do to compress the expenditure on this account in the short term. Thus, there is a need for evolving a national consensus on these issues to bail the States out of their current predicament.

9. Now, Mr. Chairman, I would like to draw your attention to some of the important problems being faced by the State. Punjab underwent a prolonged phase of terrorism and militancy which was aided and abetted by a hostile neighbour. To combat insurgency in the State, Special Term Loans of Rs.5799.92 crore were advanced by the Govt. of India. It was decided at the level of the Prime Minister in a meeting held on 8.9.1997 that these loans would be waived, because the State had to incur this expenditure in defence of the integrity of the nation. However, when the matter was taken up with the 11th Finance Commission, it made the following recommendation:

> "We, therefore, recommend that a moratorium on the payment of instalments of debt and interest on the Special Term Loan due for repayment may be given to the State of Punjab during the period 2000-05 so that the State is able to build its economy and be in a better position to repay the loan and the interest accruing thereon in subsequent years."

10. I need not emphasize here that the Punjab Government fought a proxy war which is a matter of national defence (a Central responsibility) and not a matter of law and order (a State responsibility). Therefore, as already decided by the then Prime Minister, this entire loan must be waived.

11. The tercentenary of the Birth of Khalsa was celebrated as an historic event at the national level. The National Committee under the chairmanship of the Prime

Minister had sanctioned Rs.lOOcrore for the celebrations and its connected projects to perpetuate the spirit of brotherhood. The Khalsa Heritage Complex, Anandpur Sahib, has been conceived as the most prestigious part of the celebrations. The total estimated cost of the Project today stands at Rs.210 crores. The new generation is turning away from our culture and heritage. A sustained and serious effort is required to keep our future generations linked to the glorious past and heritage of the Country, The Khalsa Heritage Complex was conceived with this end in view. The project needs early and timely completion. The State Government intends to complete this project by September, 2004 and wishes to dedicate this to the Nation on the historic day when Sri Guru Granth Sahib, the Great Holy Scripture of the Sikhs, was first installed, in September, 1604. To complete the project by September, 2004, a sum of Rs. 115 crore is required. The Government of India is requested to give a special grant of Rs. 100 crore for this purpose.

12. The recent drought has caused a massive loss to the State. The Punjab State Electricity Board also suffered heavy losses for diverting power from the industrial and domestic sector (paying sectors) to the agriculture sector. We had sought relief only to the tune of Rs.3642.74 crore but we have not received anything so far, because we do not fulfil the Govt. of India's norm of 50% loss to the crops. As the State Govt. and the farmers had to spend huge amounts of money on diesel, tubewell-deepening, re-boring of tubewells, installation of submersible pumps and supply of power in order to check the withering of the crops. But for this huge investment, both by the State and the farmers, the damage to the crops would have been more than 50%. Instead, Punjab registered a record paddy harvest, though at more than double the normal cost per unit. There is, thus, a dire need to review the norms for drought in case of States like Punjab which have a very high percentage of irrigated area.

13. Irrigation projects in Punjab help to harness the available river waters, reduce the wastage of water on account of rain, which leads to greater agricultural productivity. It is, therefore, in the national interest to make maximum investment in the irrigation projects in our State. The irrigation network of canals in Punjab is more than a century old and is deteriorating for want of adequate maintenance. Consequently, the carrying capacity of the channels have decreased. It is, therefore, imperative to rehabilitate the canal network for optimal utilization of the State share of water and to harness the excess flow of water during the rainy season to check wastage. This will also help to arrest the decline of sub-soil water. Projects such as the Bhakra Nangal, Pong Dam and Ranjit Sagar have been commissioned and are functioning. The Shahpur Kandi Hydroelectric Project linked to the Ranjit Sagar Project requires an investment of Rs.1600 crore spread over 5 years, which is a national priority. The water of river Ravi already dammed at the Ranjit Sagar Dam, is to be channelised for irrigating 50,000 hectares of land in the State of J & K and 5,000 hectares in the State of Punjab. The

project would generate 168 MW of power.

14. The State has already tapped most of its own hydroelectric power. In the neighbouring State of Himachal Pradesh, a large number of hydroelectric projects can be set up. GOI should take the initiative and embark upon such projects by pooling the resources of the States in the region to tap the full potential of hydroelectric power, which is pollution free as well as the cheapest source. I would also like to lay stress on the inter-connectivity and inter-dependence of the States in the generation of hydroelectric power and environmental upkeep. For such activities, regional coordination and development of regional resources should be given priority in the 10th Five Year Plan. Regional collaboration in areas such as hydro power generation can help in generating cheep and eco-friendly power which is otherwise going waste.

15. We understand that the interlinking of rivers is being considered in the national interest and further details are being worked out. Whereas national interest is to be kept the foremost, yet interests of riparian States cannot be overlooked. In principle, waters of rivers should be allocated and utilised in the riparian States falling in the river basin. This would ensure that climatic conditions and ecological balance of the region are well-maintained. The inter-basin transfer of water could be resorted to under exceptional circumstances if there is availability of water, surplus to the needs/ requirements of basin States. Therefore, consent of the basin States is necessary to carry out transfer of waters of a particular basin to another basin. These factors should be kept in view while finalising the proposal.

16. The State of Punjab suffers from an inherent locational disadvantage. Apart from being a border State, it is located far away from the sources of supply of raw materials such as iron ore, coal/coke and minerals and also away from our ports. Industrial units in Punjab are, therefore, at a relative disadvantage vis-a-vis their counterparts in the States nearer to the source of raw material and/or ports. Earlier, such raw material in all the States used to be made available at uniform rates under the scheme of "Freight Equalisation". However, this scheme was withdrawn by the Government of India in 1992. The impact of this burden is being felt more by the industry in Punjab now due to increased global competition on account of lifting of trade barrier with the implementation of the WTO agreement. The industrial units, in order to meet the global challenge have to devote their resources to technology upgradation.

17. In view of the above position, exports from landlocked States such as Punjab should be granted transport subsidy. Besides, import duty on raw material and intermediaries may be reduced to zero or brought to the minimum level so as to enhance competitiveness of our small scale industrial units.

18. The Government of India, with a view to offset the locational disadvantage suffered by the hilly and industrially backward States, have extended to them the facility

of an Income-Tax Holiday. The State of Punjab shares its boundaries with Jammu & Kashmir and Himachal Pradesh, where such Income Tax Concession is available. As a result, similar industrial units located in the State are finding it difficult to compete with their counterparts in J&K and Himachal Pradesh. In fact many industrial units from Punjab have shifted to H.P. This has also adversely affected the employment prospects of the youth in the border districts of the State.. Govt. of India is requested to grant a similar Tax Holiday for industrial units located in the State of Punjab.

19. It is a matter of record that the public sector investment in the State of Punjab has been minimal. Bathinda Oil Refinery Project came to the State of Punjab in public sector with an outlay of approximately Rs. 16000 crores. This is the only major Govt.of India industrial project coming to the State of Punjab. Although the land has been acquired, but the implementation of the project is very slow. The Government of India is considering disinvestment from Hindustan Petroleum Corporation Ltd. (HPCL), which is the major contributor to this project. Under these circumstances, the progress of the project is further likely to be slowed down; thus depriving the State of the early gains which may accrue on the completion of the project. We, therefore, strongly feel that this project should be taken out of the disinvestment process for early completion.

20. The acrylic spinning industry is facing a great threat from the cheaper acrylic yarn imported from Nepal. Nepal has no acrylic fibre production and countries like Thailand and South Korea are pushing the illicit entry of acrylic yarn into India via Nepal at cheaper rates, because of deletion of the condition that the yarn to be imported from Nepal should be of Indian origin. As Nepal has practically no custom duty on import of acrylic fibre, these countries are using it as a base to push their products into India which has affected the acrylic yarn industry in India and particularly that of Punjab, which has a large number of spinning mills. Effective steps, therefore, need to be taken to stop the illicit entry of Acrylic Yarn to India via Nepal in order to protect our domestic industry.

21. Punjab has a 553 kms long international border with Pakistan. At the time of partition, the three border districts of the undivided Punjab, Gurdaspur, Ferozepur and Amritsar were the most prosperous districts as they enjoyed better soil conditions and irrigation facilities. However, with the passage of time, these districts have lagged behind in development due to their being on the border, particularly so during the long spell of terrorism sponsored from across the border. The Government of India has been assisting in the development of border areas all over the country under the Border Area Development Programme. The criteria for allocation of funds under the B.A.D.P. is as follows:

- Length of the international border.
- Population of border blocks

— Area of border blocks.

The security and vulnerability of the border depends upon the threat perception from across the border. Apart from bearing the brunt of two Indo-Pak wars in 1965 and 1971, infiltration in the Kargil and other regions of J&K, the people of the border areas of Punjab had to migrate to safer places, which caused economic hardship to the residents of the border area. In view of the fact that a major part of the border areas of the State is under economic deprivation, it is strongly felt that 50% weightage needs to be accorded to sensitivity of this particular border while allocating funds under the BADP.

22. Another problem which is being confronted by the farmers of the border area is the cultivation of land beyond the border fence. Due to various restrictions, both during day and night, the restrictions on movement of workers and also the constraint on the type of crops which can be cultivated, the farmers are suffering heavily and are not getting their due economic returns. They need to be adequately compensated by the Central Government. In the year 1998-99, the Planning Commission had provided funds to the State Government to compensate these farmers @ Rs.30007-per acre. This was a one time Additional Central Assistance. The problem being perennial, compensation of at least Rs.3000/- per acre is the dire need of the farmers whose land is situated across the border fence.

23. Grant of central assistance for the Annual Plans is determined as per the Revised Gadgil Formula decided in December, 1991. Under this Formula, weightage is given to population (60%), per capita income (25%), special problems (7.5%) and performance (7.5%). Under this formula, heavy weightage is accorded to population and per capita income of the State. Naturally, States like Punjab with low rate of growth of population and higher per capita income do not get a fair and equitable share of resources. In fact the population situation demands that in order to discourage growth, population should not be given undue weightage.

24. The higher per capita income of Punjab is solely on account of the entrepreneurial spirit of the Punjabis, both on the farms and in the factories and the State should not be penalised for their success. But all Punjabis are not rich. The literacy rate of Punjab is 69.50% and the Punjab State ranks 10th amongst the States and 16th if Union Territories are included. Therefore, the weightage accorded to population and income in the Revised Gadgil Formula needs to be reduced. At least 10 percent of weightage should be in favour of the States which achieve success in population control. Factors like population of the Scheduled Castes, overall literacy rate and female literacy rate should be taken into account in the Revised Formula.

25. It is proposed that while the overall weightage for population be retained at 60%, it should include 10% weightage in favour of efforts for population control. Weightage given to per capita income has gone up from 10% in the original Gadgil Formula (1969) to the present level at 25%. Per capita Income should be replaced by criteria based on literacy level in the State because valid statistical data is available and this is a genuine indicator of backwardness. It is proposed that 10% weightage be accorded to literacy on the basis of inverse distance of 1991 census data.

26. States which have done well in the areas of tax effort, fiscal management and achievement of the national objectives, should be rewarded. Therefore, weightage in favour of efforts on fiscal management be raised from 7.5% to at least 10%.

It is proposed that the current revised Gadgil Formula may be modified according to the criteria, as indicated below:

Population	Existing 60%	Proposed 50%
Per-capita Income	25%	—
Efforts for Population Control	_ \	10%
Literacy (Inverse-distance)	—	20%
Tax Effort and Fiscal Management	7.5%	10%
Special Problems	7.5%	10%

27. At present, while allocating Central Assistance, the States have been divided into two categories namely Special Category States and Non-special Category States. The Special Category States receive Plan assistance as 10% loan and 90% grant in contrast to Non Special Category States which receive 70% loan and 30% grant. Through time, the latter category States, such as Punjab, have developed enormous problems of debt servicing. Some parts of Punjab such as the border, bet and kandi areas are as poor and resourceless as some of the Special Category States. These areas should be categorised as special areas and the Plan assistance for these areas should be given as in case of the Special Category States i.e. 10% loan and 90% grant. As far as the allocation under Non Category States is concerned, the Plan assistance should be 50% loan and 50% grant.

28. The Government of India, it is believed, is seriously considering the dismantling of the Minimum Support Price (M.S.P) system for foodgrains. Punjab is a major contributor of foodgrains especially wheat and rice to the Central pool. For making this contribution, the State Government and its farmers have invested thousands of crores in the shape of roads, godowns and farm implements like tractors, tubewells, combine harvesters etc. As such, agriculture operations are not resulting into corresponding gains and profits. All this investment will be rendered unprofitable if the Government of India scraps the system of M.S.P. In case some systemic changes are required, it must be done in a phased manner and that too, by providing the State and its farmers with

an economically viable alternatives so that farmers can be saved from avoidable hardship. The infrastructure to enable the farmers to diversify to other crops like oilseeds, pulses and cash crops should be established before the M.S.P. operations for wheat and paddy are discontinued or modified.

29. Currently, release of the free sale sugar of the State of Punjab is around 1.75 to 2.00 lakh quintals per month against a stock of 28.35 lakh quintals; as on 31.10.2002 valued at approximately Rs.350 crore. At this rate, the stock will exhaust in the next 14 to 18 months whereas the new crushing season has already started from 2.11.2002. It is expected that by the end of the season, the sugar mills will have a stock of around 50 lakh quintals against the permanent storage space of 33 lakh quintals. The balance stocks will be kept in temporary godowns. Further, the payment of cane price due to the cane growers for the season 2001 -02 is to the tune of Rs.79 crore. To clear the payments of the cane farmers who are suffering severe economic hardship, Govt. of India is requested to increase the normal quota of the Punjab State Cooperative Sugar Mills to 4 lakh quintals per month.

30. The Government of India has conveyed its decision that the procurement price would be minimum support price plus 4% and that all State taxes/levies beyond that would be contained within the Minimum Support Price. This decision of the Government of India will be disastrous to the market infrastructure of the State and is bound to cause a huge financial loss of about Rs.1000 crore per annum to the State. It is pertinent to mention here that all these State taxes and levies are utilised for developing market infrastructure that ensures smooth procurement of foodgrains and helps the buyers and makes their operations more economical.. The Punjab Mandi Board has spent more than Rs.15000 crore in creating necessary infrastructure of link roads and providing all necessary facilities in the mandis. Therefore, for maintaining this infrastructure, it is highly essential to raise funds for this purpose. Actually, the State agencies like State Marketing Board/ State Agriculture Department are spending much more funds on the maintenance of this infrastructure than the revenue from these levies and taxes. I, therefore, take this opportunity to vehemently plead that State taxes/ levies should not be changed and the current system be allowed to continue, failing which the entire agri-marketing infrastructure would collapse, spelling disaster for the farmers as well as the State of Punjab.

31. Punjab agriculture is facing a problem of unwanted plenty. Agriculture surpluses of cereal crops, particularly of wheat and paddy flood the marketing yards, leaving little storage capacity for coming crops due to non lifting of stocks. To overcome this difficulty, a diversification policy on the guidelines of Govt. of India has been adopted, under which stress is being laid to divert area from wheat and paddy to other cereal crops, pulses and oilseeds. But this diversification is only possible if the farmers are

compensated for shifting of area from under paddy and wheat, so that they do not suffer on return. On the basis of the cost of cultivation, worked out by Punjab Agricultural University, Ludhiana, and the practices adopted by the farmers in the field, the farmers who are to shift from paddy and wheat should be paid Rs.5000 per acre as compensation for the purpose of undertaking crop diversification. This will save on the losses suffered by Govt. of India. A scheme namely Crop Adjustment Programme has been submitted to the Government of India for providing the funds to the tune of Rs.1280 crore per annum to the State Government for undertaking diversification of paddy and wheat in one million hectares. If implemented, this will save more than Rs.3800 crore for the Central Government every year.

At this point, I would like to sound a note of caution as far as the policy being adopted for such innovative practices by Government of India is concerned. We normally examine such proposals by considering the possibility of similar demands being made by other states. The proposal being new and innovative, I strongly plead that this should be taken as a pilot project in the State of Punjab, which can be later on replicated in other States in the sectors relevant to them.

32. While reconstituting the Central Road Fund (CRF), Ministry of Road Transport and Highways (MORT&H), Govt. of India has decided to utilize 15% of the cess on diesel and 30% of the cess on petrol for development and maintenance of State Highways and Major District Roads. The accruals under CRF should be proportionate to the sale of petrol and diesel in the State because that shows the density of traffic in the State and the need to develop a road system. However, the sanctioned accruals to the State are only Rs.42,99 crore and Rs.41.16 crore for the year 2000-2001 and 2001-02, respectively, as against accruals on consumption basis which will work out to Rs.60.80 crore and Rs.63.84 crore for the corresponding years.

33. Even against the sanctioned accruals by MORT&H, the corresponding releases during these years were only Rs.14.33 crore and Rs.10.27 crore respectively. Thus both the allotment and release of funds are not commensurate with the accruals equitably falling to the share of Punjab. Since the physical progress for each work is spread over a period, there is bound to be a time lag between the actual expenditure and reimbursement of funds. This can be overcome by providing a revolving fund (about 40% of the sanctioned cost of works) from the sanctioned accruals. Further, the accruals for the State should be in direct proportion to the sale of petrol and diesel in the State.

34. The allocation to the State of Punjab under the Pradhan Mantri Gramin Sarak Yojana (PMGSY) is grossly insufficient considering the requirement of the State for construction of link roads and the upgradation of the existing badly damaged link roads. Government of India has created a National Road Fund by levying cess of Re.1 per litre

on petrol and diesel. Accordingly, Rs.2500 crore per annum (being 50% of the cess on High Speed Diesel) has been earmarked for the PMGSY. The State of Punjab consumes approximately 275 crore litres of diesel per annum. Therefore, the State is entitled for an allocation of Rs.140 crore per annum under this scheme on the basis of consumption of diesel and petrol. But Ministry of Rural Development has allocated only Rs.25 crore for the year 2000-01 and Rs.75 crore for the year 2001 -02. These allocations are not fair and equitable and are totally arbitrary.

35. The network of National Highways in the State is criss-crossed by various rail lines and there are a large number of busy railway level crossings located in National Highways. Level crossings are safety hazards both for the rail and road users. Many of these level crossings have a very heavy volume of road traffic which becomes a bottleneck in the smooth running of trains alongwith associated operational problems. These level crossings cause an impediment to smooth flow of road traffic and results in traffic chaos and accidents. As per the policy of the MORT&H, Government of India, part of the Central Road Fund is to be utilized for safety purposes. The Ministry of Railways have decided to replace all level crossings having Train Vehicle Units (TVU) more than 1 lakh by Road Over/Under Bridges on a cost sharing basis between the Railways and the State Government in respect of the State roads. However, the cost sharing for ROBs on National Highways has to be between the Railways and MORT&H. This issue of sharing of cost between the two Ministries has not yet been resolved. Consequently, MORT&H has not accepted any proposal for construction of ROBs for replacement of existing level crossings on the National Highways falling in the State. This issue needs to be resolved between Ministry of Railways and MORT&H at the highest level on priority basis. The construction of ROBs on the National Highways in replacement of level crossings is essential to provide safety to rail and road use and ensure smooth flow of traffic.

36. The Border Roads Organization is maintaining about 20,000 Kms road length in different States. For instance, from the State of Rajasthan 3150 Kms the length of roads is being maintained by the Central Agencies. Surprisingly, the Central Agencies maintain only 58 Kms road length of three Border Districts of the State of Punjab.

37. The three Border Districts of the State have 2255 Kms. of road length. Major portion of these roads is used by the army during their exercises and other operations. However, when these roads were built by the State Government to provide connectivity to the villages, the specifications were very low. These roads normally remain in bad condition causing undue discomfort and difficulties to the people living in the border areas. Hence, there is a strong case that all roads in these Districts or at least within certain belts in these districts should be taken up for upgradation and maintenance by the Central Road Agencies since there are, by and large, defence roads which are also

used by the residents of the border areas.

38. The Ministry of Road Transport & Highways and the National Highway Authority of India (NHAI) have imposed toll on different segments of the National Highways which have been improved over the past few years. The State Government also proposes to levy user charges in the form of toll fee on some of the State Highways. While the objective of the policy are clear that the user must pay the charges, yet imposition of toll on such corridors which may constitute a National Highway segment as well as a State Highway segments is not user friendly and is likely to be counter-productive. There is an emergent need for evolving a consensus and a national policy for imposition of user charges on an integrated basis thereby resolving differences between multiple agencies involved in the maintenance and upgradation of roads. While the NHAI may be a major beneficiary of Union Government funding at the present, the present laissez faire policy is clearly detrimental to the interest of the States. It is an urgent matter of public and national interest that while efforts be made to evolve national toll policy on an integrated basis, it may be kept in view that the State Highways and Major District Roads too serve as feeder to the National Highways. Therefore, on collection basis, part of revenue must devolve to the state for maintenance and upkeep of the feeder roads.

39. According to the World Bank Report 2000, India's total expenditure on education and health services was not more than 4.1 % of GDP, whereas for the world as a whole this was 7.31%. Even in the low income group countries, expenditure on education and health services was 4.9% of the GDP. Despite its high per capita income, Punjab ranks 10th in the field of education with a literacy rate of 69.50%. To increase the literacy ratio to 75% within the 10^{th} Five Year Plan, the outlay under Sarv Sikhya Abhiyan for Punjab needs to be doubled.

40. As part of our concern and endevour to create a pollution free environment, I propose that the river Ghaggar which originates in Himachal Pradesh and runs through parts of Haryana and Punjab and ultimately flows into Rajasthan should be treated as a part of the National River Action Plan to be fully supported by the Govt. of India. At present, the quality of water passing through Punjab is causing serious health problems all along its route to both human and livestock population and seriously contaminating the ground water, affecting land productivity.

41. A number of poverty alleviation schemes are being run by the Govt. of India, and the funds are devolved to the States on the basis of criteria laid down by the Central Govt. The Committee set up by the N.D.C. has submitted its report, which has recommended continuation of the existing criteria for devolving funds for the poverty alleviation schemes. It is seen from the criteria adopted that progressive States like Punjab have a very meager share in the funds under these schemes e.g. Punjab has a

share of less than 0.7% where as the share of some States is more than 18%. There is no doubt that it is the responsibility of not only the Govt. of India, but the entire nation that the relatively poor and deprived of the country need to be helped in coming above the poverty line and therefore a greater share of funds under these schemes need to be devolved to the States having high concentration of below-poverty population. However, the progressive States should not be penalised for their progressiveness. It is, therefore, suggested that higher allocations should be made to these States for rural road network and the other rural infrastructure facilities to ensure sustainability of the existing infrastructure.

42. Parliament passed the 73rd and 74th Amendments to the Constitution with a view to empower the grass-root level local bodies. However, this has not happened so far as was envisaged. My Government is fully committed to implement the 73rd and 74th amendments to the Constitution. We, in Punjab, feel that the full needs of the people cannot be met unless the grass root level local bodies, both in rural and urban areas, are duly empowered functionally, financially and administratively. The comprehensive proposal to empower the local bodies with the convergence of functions, funds and functionaries is already at an advanced stage. Very soon, the local bodies in the State of Punjab will get full powers for self-governance.

43. The Government of Punjab has finalised an Action Plan for introducing e-governance. This has been done for two reasons. Firstly, the Government is committed to improve the overall efficiency and effectiveness of Government machinery while, at the same time, improving the quality of services to the common man through citizen I.T. interface. Secondly, the IT will dramatically help in improving the economy of Punjab by generating more jobs and more export revenues.

44. The most important thrust area identified by the Punjab Government is to provide a public service oriented cost-effective governance. The idea is to provide on-line governance in a phased manner. Any citizen requiring any Government service should be able to get the same through a local Information Kiosk. Such kiosks would be spread across the entire State with the collaboration of the private sector. The Government of Punjab is also carrying out necessary administrative reforms and re-engineering of its processes. The revenue generating and public dealing Departments have been taken up on priority for such measures. Punjab State Wide Information Technology Network (PUNWAN) has been planned to ensure availability of e-governance throughout the State.

45. We strongly plead that the Government of India and the Planning Commission should provide sufficient funds to the State in 10th Five Year Plan for e-governance. The Department of Information Technology has been given a Plan budget of Rs.5 crore

by Government of Punjab during the current year for taking up applications of e-governance. The Govt. of Punjab is committed to spend Rs.100 crore in the next five years for introducing e-governance in the State.

46. The Central Government provides grants and loans to the States for implementing Centrally Sponsored Schemes. It should be realized that the concept of sponsorship undermines the autonomy of the States and puts the Central Government in a patronizing position rather than that of a partner in the development endevour. We, therefore, advocate that all schemes of development should be conceived and designed with active participation and consent of the States. Parameters governing the use of funds should be decided in consultation with the States and States should be given liberty to make such modifications as may be necessary with reference to specific conditions prevailing there. However, this will be done keeping in view the main objectives for which a particular scheme is formulated. Therefore, centrally sponsored schemes ought really to be only centrally supported. Also, the approval of these schemes must be accompanied by devolution of adequate resources for them. This has not unfortunately been the experience in the past. Unless there is matching devolution of resources to the States with adequate provision for growth and inflation, it would not be possible for the States to carry on these schemes.

47. The Punjab Government is committed to provide greater autonomy to the cooperative sector so as to enable the Cooperative Institutions to play a major role towards the development of the State. With this objective in view, the Government of Punjab have drafted the Punjab Self-supporting Cooperative Societies Bill,2002, which shall be shortly brought before the State Legislative Assembly. The legislation shall provide complete freedom in running their affairs to those cooperative societies which do not take any financial aid from the Government.

48. Before the present Government came to power, there were large scale reports of suicides committed by the farmers in different parts of the State due to heavy burden of debt. In the first few days of the formation of the new Government, strict instructions were issued to the Field Officers not to make any arrest of any defaulters of cooperative loan and to not use any coercive methods to effect recovery at all. With a view to relieve the farmers and weaker sections from the debt burden, a scheme of Lok Adalats has been launched in the State in collaboration with the Punjab and Haryana High Court. This is a major step taken by the Government to settle the long overdue loans through Compromise Settlement. The scheme shall not only help the farmers and weaker sections but will also help the Cooperative Credit Institutions in reducing the level of their Non-Performing Assets. So far, about 85000 families involving debt burden of Rs.285 crore have been identified for coverage under the scheme.

49. The scheme shall result in providing relief to the farmers to the tune of about

Rs.60 crore. The Cooperative Credit Institutions of Punjab, who are facing the problem of Non-Performing Assets (NPAs), have already requested for release of Rs.200 crore in view of the recommendations of Balasaheb Vikhe Patil Committee, on the pattern of financial assistance granted by the government of India to commercial banks. The Govt. of India is, therefore, requested to provide a sum of Rs.260 crore to the Cooperative Credit Institutions in the State of Punjab so that these institutions could continue to remain vibrant and serve the farmers and weaker sections of the State.

50. The Empowered Committee of State Finance Ministers (ECSFM) has evolved a consensus amongst the State to implement Value Added Tax (VAT) w.e.f 1.4.2003. The State of Punjab is fully prepared to implement VAT accordingly. It has prepared its draft VAT legislation. It is expected to be enacted after due consultations with trade and industry. Requisite administrative and other arrangements are also being made to ensure its smooth implementation. However, a number of issues which impinge upon effective implementation of VAT are yet to be resolved by GOI. These issues include CST reforms, VAT on imports, compensation of States for loss on account of VAT, transfer of powers to State to levy tax on Services and Additional Excise Duty (AED) items.

51. VAT is a multi-point tax which envisages dis-aggregated payment of tax. It foresees that every transaction would be taxed at destination/ consumption level. Central Sales Tax (CST) is not compatible with VAT. It needs to be phased out gradually. It was earlier agreed in ECSFM that CST would be phased out in three years. However, this seems to have been deferred now. It is against the interest of States like Punjab, which has a small manufacturing base with large imports of goods for its consumption needs. CST reforms need to be expedited for effective and full implementation of VAT. GOI should expedite CST reforms and provide full compensation to the States which decide to phase out CST or provide for CST set off.

52. As per the consensus reached between States the general rate of tax is to be fixed under VAT in such a way that the total revenue earned after introduction of VAT is equal to the revenue being earned under the General Sales Tax Acts at present. The term revenue neutral rate is thus used for general rate. It is apprehended that despite all precautions in calculations of Revenue Neutral Rate (RNR) on VAT, the States are likely to lose some revenue. Till such time the new system of VAT stabilizes and trade, business and industry pick up all statutory processes without letting any unethical practices to creep in. The loss of revenue to the States should be compensated fully without any conditions. It would be in the interest of long term sustainable fiscal reforms in the country.

53. Implementation of VAT impinges upon two other major decisions of GOI i.e. transfer powers to the States to levy tax on Additional Excise Duty (AED) items and

Services. GOI is yet to take a final decision in this regard. It is felt that in order to ensure that the States are able to mobilize adequate revenue, GOI should take necessary decisions to transfer powers to the States to levy tax on AED items and Services. Requisite legislation in this regard should be enacted by GO! before the States get into the VAT regime so that adequate preparations for concomitant implementation on VAT for Services and AED items is also done by the States.

54. An early resolution of these issues would help to implement VAT more effectively, without much resistance from trade, business and industry, who look for parity, a level playing field and a common Indian market. These impediments, if removed, would indicate to them, the commitment of GOI and the State Governments and they would perhaps have no hesitation in accepting the new VAT regime.

55. The task force on direct taxes (Kelkar Committee) has recommended the introduction of imposition of income tax on agriculture income. We are of the firm view that this proposal, if implemented, will create more problems and hardships to the farmers and the States rather than giving any positive results. In fact, with the increased cost of in-puts, the agriculture operations are no more as profitable as may be considered. If we take the cost of in-puts and cost of land together, the normal agricultural operations do not produce any surplus. If the small and marginal farmer is getting any thing, it is barely for his labour that he puts in throughout the year. The farmers in my State are already reeling under huge debt which has compelled them even to commit suicide. I, therefore, am of the firm opinion that the imposition of income tax on agriculture will be a very retrograde step and will adversely affect the agrarian economy of the State.

56. The States are taking social security measures to take care of the special needs of specific target groups such as handicapped, old persons and women depending upon their specific needs. By and large, pension package is considered the major social security measure. However, in the emerging liberalisation and economic reforms, a comprehensive social security policy is imperative. Therefore, there should be a National Social Security policy in order to take care of the needs of the disadvantaged and weaker sections in the society. It is proposed that the Planning Commission should set up a Task Force to work out the parameters of such national social security policy and modalities for its implementation.

57. One of the serious problems which the Scheduled Castes and weaker sections are facing is the homelessness. The living conditions in most of these houses occupied by SCs is far from satisfactory. The environment and ecology of the areas being inhabited by the SCs, in particular, and other weaker sections in general need much to be desired. Therefore, greater central assistance is required to provide house-sites to

the homeless Scheduled Castes families and also reasonable assistance for construction of dwelling units.

In conclusion, I would like to thank you, Mr. Chairman and your colleagues, for giving me an opportunity to express our views on some of the vital aspects concerning the development of the country. I am sure, the problems and difficulties faced by the States would receive the urgent attention of the Govt. of India. With these words, I commend the Draft 10th Five Year Plan for approval of the N.D.C.

JAI HIND