

Respected Speaker Sir,

With your permission, I rise to present the *Budget Estimates* for the Year 2004-05.

1. Indian National Congress Party was returned to power in the Vidhan Sabha elections of February, 2003. People of the State had clearly rejected the divisive and communal policies of the BJP led government and reposed their faith in the progressive policies of our party. This faith was reaffirmed in the recent Lok Sabha elections through rejection of the policies of the BJP led NDA government at the Centre which resulted in the Congress led United Progressive Alliance taking office at the Centre. This turnaround has been possible under the dynamic and far-sighted leadership of Smt. Sonia Gandhi who upholding the highest traditions of sacrifice and selfless service declined the high office of the Prime Minister and helped elect Dr. Manmohan Singh as the Prime Minister of India. I on behalf of the people of Himachal Pradesh, this august House and the government of Himachal Pradesh offer my heartiest felicitations to Dr. Manmohan Singh in whose safe hands lies the future of our Country now.

2. The august House is aware that our Government had obtained a Vote on Account for the first 4 months of the current Year i.e. upto 31st July, 2004. The basic reason for the same was that the Union Government itself had presented a Vote on Account for a part of the Financial Year 2004-05 and the process of finalization of State Plans for 2004-05 had been deferred by the Planning Commission.

3. The people of Himachal Pradesh are quite aware of the special love and affection that Pt. Jawahar Lal Nehru, Shri Lal Bahadur Shastri, Smt. Indira Gandhi and Sh. Rajiv Gandhi had for the State. The new government under the able leadership of our Prime Minister, Dr. Manmohan Singh has taken over the reins of the Government in the Centre only recently and we are hopeful that we shall keep receiving the same support and assistance from the Central Government. Since presentation of a regular budget is a necessary pre-requisite for implementing the development agenda, our government has decided to present the regular Annual Budget for the year 2004-05 based on a proposed plan size of Rs. 1400 crore. Our Government is confident that the new Congress led government at the Centre will support full financing of the proposed State plan in the face of the difficult fiscal scenario, inherited by our Government from the previous BJP led government.

4. Our government is committed to the all-round and balanced development of all the regions of the State and all sections of our society with emphasis on the poor and the downtrodden. The weaker and backward sections of the society have reposed faith in the policies of the Congress Party and have rejected the opposition bogey of discrimination and unbalanced development. Our government is committed to provide a clean, transparent and caring government. During the first year of our Government in office, the pace of development has received an impetus despite a huge debt burden of over Rs. 15000 crore inherited from the previous government and a severely stressed financial position. The year 2003-04 saw a reversal of the downtrend in the economy of the State in the previous 3-4 years as it witnessed a growth rate of 7.9% in the

State Domestic Product. The rate of economic growth had declined from 7.2 percent in 1998-99 to 6.2 percent in 2000-01 and further down to 4.5 percent in 2002-03. The policies of our government led to an increase in per capita income from Rs. 22,576 in 2002-03 to Rs. 24,800 in 2003-04, a growth of 10%. We will sustain and increase this growth even further in the coming years towards achieving the Tenth Plan target of 8.9 percent per annum growth in the economy.

5. Before presenting the Budget Estimates for 2004-05 and the Revised Estimates for 2003-04, I would like to briefly recount the achievements of the government and also outline the major initiatives that our government proposes to take to lead the State's economy on the path of faster progress and balanced development.

*State
Finances*

6. The financial position of the State continues to be grim and is a matter of concern. The revenue receipts comprising largely of central transfers have not been able to keep pace with expenditure needs. The compound annual growth rate of revenue receipts in the period from 1991-2001 was 13.3% while revenue expenditure grew at the rate of 15.7% per annum. Revenue deficits have been a chronic feature since 1988-89. The total debt of the State including guarantees stood at approximately Rs. 15,000 crore at the end of 2002-03. The actual figures of 2002-03 show that the total income of the State actually declined by Rs. 57 crore from Rs.3715 crore in 2001-02 to Rs. 3658 crore in 2002-03. This is a matter of grave concern since the total expenditure of the State including revenue and capital expenditure increased from Rs. 5420 crore in 2001-02 to Rs. 6713 crore in 2002-03, an increase of about Rs. 1300 crore. In 2002-

03, the expenditure on salaries was Rs. 1990 crore, on loan repayments Rs. 503 crore, on interest payments Rs. 1171 crore and on pension Rs. 488.57 crore. The expenditure on these items totaled Rs. 4152 crore in 2002-03 and indicates the gravity of the financial situation, because such committed expenditures are bound to increase.

7. Hon'ble Members may kindly recall that in the last year's budget speech, I had touched upon the issue of signing the Memorandum of Understanding (MOU) with Government of India under the Fiscal Reforms Facility set up by Government of India in pursuance of the recommendations of the 11th Finance Commission. After signing the MOU, the State Government would be required to abide by a Medium Term Fiscal Adjustment Programme involving compression of non-development expenditure, mobilization of new resources and reduce revenue deficit in a calibrated manner. In fact, signing the MOU was one of the unfinished tasks left behind by the previous BJP government which deprived the State of the 15 percent amount of the revenue deficit grant recommended by the Eleventh Finance Commission. Signing of the MOU is the first step and if we do not achieve the benchmarks of reduction in the revenue deficit, the State shall be deprived of an amount of Rs. 525 crore of grants which otherwise could have been received during the 11th Finance Commission award period. Also, by not signing the MOU, the State has been deprived of the possibility to access the externally aided projects. I wish to inform this august House that the State Government has signed the MOU with Government of India in order to make the State eligible for release of the 15% withheld portion of Revenue Deficit Grant as also other forms of additional central assistance like

the externally funded projects. I would also like to inform the Hon'ble Members that signing of the MOU is only the first step towards availing the Fiscal Reforms Facility. The State Government would have to actually implement the steps outlined in the MOU in a time bound manner to achieve the benchmarks for reduction of the Revenue Deficit towards becoming eligible to get the withheld portion of Revenue Deficit Grant.

8. Earlier too, in 1999, the State Government had signed an MOU to tackle the worsening ways and means position of the State. At that time the State Government had agreed to implement various steps to augment revenue and to compress expenditure including taking such steps as abolition of posts, review of user charges, disinvestment and reforms in PSUs hiring staff on contractual basis etc. However, not many concrete steps were taken by the then government towards achieving the benchmarks agreed to in the said MOU.

9. Under the latest MOU too, the government will have to consider such steps as rationalization of staff, targeting subsidies in a more focused manner, raise new resources, reduce salary/pension burden, do debt swapping etc. The government while complying with the steps outlined in the MOU which has conditions substantially similar to the earlier MOU, would like to ensure that the same do not affect the common man and that such corrective measures are initiated with a human face.

*Debt
Management/
Debt Swapping*

10. Hon'ble Members are aware of the crushing debt burden

inherited by our government in 2003. The State Government has either swapped or reset or prepaid loans from the Government of India, NABARD, HDFC and NCDC of 11.9% to 14.75% interest band to the tune of over Rs. 1026 crore in 2003-04 which would result in substantial savings in terms of interest liability estimated at Rs. 58 crore in this financial year only. The State Government is also in the process of accessing additional open market borrowings through Government of India to swap NABARD loans to the tune of Rs. 457 crore. This would result in retiring of high cost debt in the band of 6.5% to 12% interest rates with new loans at the interest rate of about 5.6% per annum. It would also result in deferment of repayment of principal on these loans for another 10 years. Similar debt swaps of about Rs. 1047 crore of LIC loans and Rs. 197 crore of HUDCO loans have also been effected during 2004-05 to significantly reduce the interest burden. I assure the Hon'ble Members that this policy of debt swapping would continue in this financial year also to enable the State Government to swap or retire its high cost debt, spread its repayment over a longer period and relieve the State from the servicing liability of the debt burden to a large extent.

*Fiscal
Responsibility*

11. As a part of fiscal reforms process, our government proposes to introduce a bill on Fiscal Responsibility and Budget Management. The bill will provide for responsibility of the State Government to ensure prudence in fiscal management and fiscal stability by progressive reduction of revenue deficit and sustainable debt management consistent with fiscal stability, greater transparency in fiscal operations of the government and conduct of fiscal policy in a medium term fiscal framework.

12. We also propose to bring a legislation to regulate appointments and prohibit irregular appointments in offices and establishments under the control of State Government, Local Authorities, Corporations owned and controlled by the State Government and other bodies. The proposed bill will provide for stringent penalties to erring government officials making appointments without proper sanction of the competent authority.

*12th Finance
Commission*

13. Because of historical and geographical reasons, Himachal Pradesh is heavily dependent on Central Transfers for its revenue receipts. When the 12th Finance Commission visited the State in November, 2003, our State Government made a strong case for enhanced Central financial assistance keeping in view the specific disabilities of (a hill State like) Himachal Pradesh. Since, we have suffered substantially due to lower Central tax devolution in the past, we have requested the Finance Commission to afford a mechanism for revenue protection or compensation to Special Category States like Himachal Pradesh in the case of shortfall in Central Revenue collection. The Commission has also been requested to keep aside at least 30% of the shareable pool of central taxes for distribution among Special Category States.

14. The 12th Finance Commission has also been urged to recommend allocation of 12% free power to the State from Hydro-electric Projects commissioned before September, 1990. The arrears on this account amount to Rs. 3500 crore. The Commission's support has also been solicited for levy of generation tax on electricity generated within the State. The State can earn a revenue upto Rs. 160 crore per annum if generation tax of 10 paise per unit is levied on

the 2002-03 level of generation. We have also requested the 12th Finance Commission to recommend suitable package of debt relief to a highly debt stressed State like Himachal Pradesh. The 12th Finance Commission has been requested to recommend scrapping of the Fiscal Reforms Facility under 11th Finance Commission award which has resulted in the deduction of 15% of the Revenue Deficit Gant, which has further exacerbated the woes of fiscally distressed States like Himachal Pradesh by worsening the revenue account and forcing the State to take recourse to borrowings.

*Social
Welfare*

15. In line with the Election Manifesto of Congress Party, our government had sanctioned over 17,000 additional cases of social security pensions to widows and handicapped at the rate of Rs. 200 per month from 1st January, 2004. An additional 11,000 old age pension cases have been sanctioned from 1st April, 2004. As a result, the coverage of social security pensions would increase from 1.69 lakh to about 2.00 lakh which as a percentage of the total population is among the highest in the country. In order to streamline distribution of social security pensions, the government proposes to entrust the Panchayats with distribution of these pensions. This would help reduce delays, save money in terms of money order costs etc. and would result in transfer of resources to the Panchayats who would be paid a suitable honorarium for distributing pension. Our government has also constituted the "Other Backward Classes Welfare Board" the "Scheduled Caste Welfare Board" and "Minorities Welfare Board" in addition to Welfare Boards already constituted for other weaker sections of the society. Our government has also decided to give an outright grant of Rs. 25,000 for the remarriage of a

widow. The government has increased the marriage grant from Rs. 2500 to Rs. 5100 to destitute girls and women from economically weaker sections of the society. The State Government also proposes to set up 6 new hostels for SC/OBC students of the State. Presently, the inmates of the State Home, Bal Ashrams and Balika Ashrams are given a rehabilitation grant of Rs. 6,000 for setting up self-employment ventures. Our government has decided to enhance this grant to Rs. 10,000.

16. Although the State Government earmarks 11 percent of the State Plan outlays for development of Scheduled Castes, yet it has been noticed that the implementation of the Special Component Plan for Scheduled Castes leaves much to be desired in terms of programme efficacy. Our Government has done a comprehensive analysis of the problems internally as also in a detailed dialogue with the Hon'ble MLAs during the discussions on MLAs priorities and has come to a conclusion that the budgetary controls for Special Component Plan need to be brought into play to give complete control of distinctive sub head wise budget provisions to the department of Social Justice and Empowerment. It is also proposed that the district level Planning, Development and 20-Point Programme review committees will be given the requisite authority to approve, monitor and review the implementation of the Special Component Plan for Scheduled Castes on the same lines as the Backward Area Sub Plan.

17. Although universal electrification of census villages has been accomplished, yet a sizeable number of hamlets comprising of Scheduled Castes households have been left out. In such localities where electrification has taken place, instances of Scheduled Castes

households not having a connection are aplenty. Our Government proposes to formulate and implement a special project for electrification of left out hamlets with Scheduled Caste population and also make an earmarked provision for providing electric connection to the left out Scheduled Castes house holds under the Special Component Plan for Scheduled Castes.

*Education/
Tech. Edu*

18. Himachal Pradesh is universally acclaimed for its achievements on the literacy and education front. Universalization of primary education has already been achieved in the State. Sarva Shiksha Abhiyan has been launched in the State under an ambitious Rs. 532 crore programme to be spent over the period from 2003-2007 in all the 12 districts of the State. Under the Sarva Shiksha Abhiyan, over 4000 classrooms in the middle schools would be constructed by 2004-05. Over 10,500 rooms would be constructed under this programme in the period upto 2007. Hon'ble Members of this august House would be aware that it was the previous Congress government which had initiated the District Primary Education Programme to universalize primary education in the 4 most educationally backward districts of Chamba, Kullu, Sirmour and Lahaul & Spiti and spent over Rs. 125 crore in the period between 1996-2003.

19. Our government has already notified 485 new Middle Schools, 105 new High Schools and 123 new Senior Secondary Schools since the Government came to power. This was done to improve educational access to students especially girls of remote and backward areas of the State. A special programme of Universalization of girls elementary education has been started in the 7 most educationally backward blocks of the State, namely Bharmour, Pangri,

Mehla, Salooni, Tissa, Chhohara and Seraj.

20. The government is spending over Rs. 330 crore approx. per annum as per latest estimates on primary education and over Rs. 600 crore per annum on secondary and higher education. The Education Department employs over 61,000 employees. Even in our last tenure in the government, we had opened over 3000 Primary/Middle/High/Sr. Secondary Schools. We had opened 7 Colleges in that period and today the State has 40 Government Colleges. Thus, there is a fairly wide network of educational institutions in the State. Given the financial constraints facing the State, Hon'ble Members would agree that the need of the hour is for consolidation of the educational resources of the State and optimal utilization of the same. However, I would like to assure the Hon'ble Members that the Government will be ever ready to open new need-based educational institutions at various levels keeping in view the geographical constraints in hitherto under-served areas.

21. Our government would like to initiate, in a phased manner, the process of school rationalization and redeployment of human resources in a manner that access of schools to the school-going children is not adversely affected. This rationalization has specially become important in those areas where several private schools have emerged and where there is a steep decline in enrolment of children in the government schools. This rationalization would be done with a human face and in consultation with the people's representatives so that the common man is not affected adversely. At the cost of repetition, I would like to emphasize that such an exercise is proposed in the interest of furtherment of educational facilities without affecting the children, especially the girls.

22. Our government intends to upgrade the existing Technical Education courses. It would be our endeavour to get ISO-9001 certificate for Government Polytechnic, Kandaghat. The World Bank assisted Technical Education Quality Improvement Programme (TEQIP) is being initiated in Polytechnics at Sundernagar, Hamirpur and Kandaghat to upgrade the quality of education in these institutions at par with the best in the country.

*Health/
Ayurveda*

23. Ever since the Congress has taken over the reins of the government in the State, it has made additional provisions for time-bound completion of the ongoing buildings in Indira Gandhi Medical College, Kamla Nehru Hospital and Rajendra Prasad Medical College at Kangra. Vacancies of Doctors and para-medical staff in rural and far-flung areas are being filled up on priority. 145 Doctors and 181 Nurses have been appointed to fill up vacant posts. 22 posts of Specialist Doctors and 45 posts of Dais have also been sanctioned. In order to provide quality health services in the remote areas, the government proposes to fill up the vacancies of medical personnel both in the Ayurvedic and allopathic institutions including dental surgeons. Our Government has decided to start training of Para-Medical staff for improving the quality of service provision by meeting the critical gaps in functional manpower and providing youth with employment opportunities in private and Government Sectors as well as abroad. Courses in Medical Laboratory Technology have been started in Anesthesia, Radiology and Medical Laboratory in the IGMC and 30 students have been admitted to these courses. A training programme to train fresh Ayurvedic Pharmacists would also be started shortly.

24. Our government is committed to ensure quality health delivery system to the people of Himachal at primary, District and State levels. We have done a comprehensive analysis of critical manpower shortages and towards mitigating the same, our government will initiate the process to train the required number of personnel for nursing, male health workers, female health workers and dais. Effective steps would be taken to arrest the declining sex ratio in the infant population by enforcing the PNDT Act. We have earmarked Rs. 351.50 crore in this year for Health and Ayurveda sector, which constitutes 5.1% of the total budget proposed for this year.

*Training
and
Redeploy-
ment*

25. In the last budget, I had emphasized the importance of enhancing the productivity of unskilled staff in the government by providing them suitable training and chances of skill up-gradation. This process would be initiated especially in the large public service departments/boards like IPH, PWD, HPSEB to ensure that critical shortages of skilled and semi-skilled workers are internalized from existing staff available with the government/PSUs.

*Hydel
Projects*

26. Himachal Pradesh's power generation potential of over 20,000 MW is an asset which needs to be harnessed in a judicious manner, in the best financial and ecological interests of the State. Till now, we have received Rs. 35 crore on account of free power from the Satluj Jal Vidyut Nigam Ltd. including Rs. 18.00 crore received in last fiscal year. In this fiscal year, receipts on account of free power from SJVN, Chamera and other Hydro-electric Projects are estimated at Rs. 230 crore.

27. Mr. Speaker Sir, the hopes of the State for increasing revenue receipts depend primarily upon free power receipts from SJVN and other new power projects, including Chamera-II. The State Government has invested over Rs. 964 crore in SJVN. It has invested over Rs. 46 crore in the Larji Hydro Project also. The Khauli Hydro Project construction is in full swing and would be commissioned this year. It shall be the endeavour of the government to ensure that it gets the best price for the free power by trading this power at competitive prices outside the State or within the State. Such a step would help the State to repay its debt obligations arising out of loans taken to meet the equity contribution in SJVN. It would also help the State Government and HPSEB to have a proper account of the revenue receipts accruing from free power receipts.

28. The Larji Project (126 MW) is at an advanced stage of construction and would be completed in 2004-05. Three new projects namely Kashang-I (66 MW), Uhl-III (100 MW) and Ganvi-II (10 MW) have been undertaken by the new Special Purpose Vehicle, H.P. Jal Vidyut Vikas Nigam Ltd. a subsidiary of HPSEB. Chamera-II (300 MW) and Baspa-II Hydro Projects are now fully operational. In line with the announcement made in my last year's budget speech, the State Government has already decided for equity participation of 30% in the Rampur Hydel Project. This policy will be pursued for all other new projects. I regret to mention here that the previous BJP led government missed the golden opportunity of continuing the equity participation in prestigious projects like Parbati and Kol dam thereby depriving the State of substantial revenues in perpetuity. Our government will continue to make efforts for equity participation in these two projects on the principles enunciated by our government for

Nathpa Jhakhri Hydro-electric project. To attract more Independent Power Producers (IPPs) in the State, the government has announced further incentives and the land acquisition procedures and other clearances are being made simpler now. The government is also pursuing with the government of India to allow execution of projects upto 300 MW through the MOU route.

Forestry 29. Our government sincerely believes that the State's forests are a national heritage that need to be preserved for the people's well being as also for posterity. While presenting our case before the 12th Finance Commission, we had quantified the revenue foregone due to ban on green felling at about Rs. 914 crore for the period 1998-99 to 2003-04. We have requested the Finance Commission to compensate the State on this account and provide it economic incentives to continue providing the '*public good*' of forest wealth to multiple stakeholders, including those in neighbouring States.

30. We shall pursue new externally aided projects in the Forestry Sector with full vigour. We have adopted the '*participatory forest management*' approach to empower local communities and to increase their stakes in forest management. With Hydro-electric Projects coming up in the State on a large scale, 10 Catchment Area Treatment plans are in operation with an estimated outlay of about Rs. 165 crore over the next 8 to 10 years to carry out afforestation, pasture development, soil conservation and engineering works.

Roads 31. Roads are the very lifeline of our State economy. At present, only 8077 villages out of 16997 census villages are connected with

motorable roads. In the previous financial year, 589 KM of new road length and 64 bridges have been completed. For 2004-05, a budget provision of Rs. 485 crore is proposed for this activity. Our government was able to get a sanction of Rs. 334 crore under PMGSY including World Bank assistance in 2003-04, higher than the normative allocation of Rs. 60 to 70 crore per annum over the last 3 years. It will be our effort to get maximum allocation in future also. We have decided to revise the core network of roads based on 2001 census population so as to cover more villages under PMGSY. While revising the core network, cluster approach for clubbing the population of smaller habitations would also be followed so that the group of villages having collective population of more than 250 are also covered. I will further like to clarify that it is not necessary that the habitation should be a revenue or a census village and hence even hamlet or habitations by whatever name they are known would be eligible under PMGSY. The department has been directed to take the views of the public representatives before finalizing the clusters so as to make them eligible for the PMGSY. Our government has decided to link all Panchayats by roads in five years. We plan to construct 1000 KM of new road length and completion of 60 bridges this year. This would help more employment and generate new income opportunities.

32. Since all roads now proposed to be constructed are located in the interiors, the problem of clearances required under the Forest Conservation Act is becoming more and more critical. The existing arrangements have turned out to be inadequate to deal with the problem and therefore, the Government has decided to institutionalize a mechanism by setting up a task force totally dedicated to processing

the cases at each zonal level. The task force will comprise of an Engineer, a Forester and a Revenue Officer.

33. Hon'ble members are aware of the fact that the Government of India decided to discontinue the RIDF facility towards the end of the last financial year and replaced it with Agriculture Infrastructure and Credit Fund (AICF). The implication of this decision is that NABARD fund will now not be available for roads, drinking water, education, health etc. Since RIDF was providing a substantial support for our rural roads programme, we have already taken up the matter with the Government of India for either reviving the RIDF in its original shape or include activities like roads, water supply etc. under AICF so that the tempo built up for improving the rural infrastructure could be sustained

Transport

34. We reiterate our commitment to ensure that the functioning of HRTC is made vibrant and that it continues to render services in those areas/regions where private sector is reluctant to enter. In the last one year, 123 new buses have been purchased by HRTC at a cost of Rs. 10 crore to replace old buses. It will be ensured that single bus routes even if uneconomical would continue to be operated by HRTC. At the same time, private initiatives in the transport Sector would continue to receive our attention. Regulation of transport Sector especially the private sector operations would be strengthened and rationalized to prevent unfair practices and to help provide efficient services to the people. Two new Bus Stands have been completed at Nagrota Bagwan and Jogindernagar.

*Food Security,
Prices,
Consumers*

35. The Targeted Public Distribution System was introduced in the State in June, 1997. Our government has kept a close watch on the

prices of essential commodities and maintained a regular supply line to all the interior areas of the State. 39,500 additional families would be covered under the Antyodaya Anna Yojana in addition to the existing 78,700 families in this financial year to extend the food security net to the more vulnerable section of the society.

*Rural
Development/
Employment
Generation/
Housing*

36. Under the Swaranjayanti Gram Swarozgar Yojana, in 2003-04, Rs. 5.31 crore was disbursed as subsidy and Rs. 18.37 crore as credit to 7928 families under poverty line to help them to take up economic activities. Widows constitute one of the most vulnerable sections of our society. The government, therefore, will ensure that they are afforded self employment opportunities as a prime target group under the SGSY. Under Sampooran Gramin Rozgar Yojana, 39 lakh mandays were generated at a cost of Rs. 32.55 crore. Besides 27902 tons of foodgrains was distributed under the scheme. The Rajiv Gandhi Awas Yojana announced in the last year's budget for weaker sections of society has started giving results. In 2003-04, 975 houses were constructed and presently 1407 houses are under construction. Our government has also passed a legislation and constituted the H.P. Housing and Urban Development Authority. This authority, apart from performing the traditional role of the H.P. Housing Board and Shimla Development Authority, would also help develop new Industrial and Commercial Complexes and would promote & regulate private housing ventures so as to encourage house building activities and promote urbanization in a planned manner.

*Agriculture
Horticulture,
Animal
Husbandry &
Allied Services*

37. Agriculture and Horticulture continue to be the mainstay of the State's economy as they contribute 22.1% of the State Domestic Product. The government attaches highest importance to the primary

sector in the State. The Rabi and Kharif crops have been very good in 2003-04. Crop diversification, introducing high value crops and increasing productivity of maize would continue to be thrust areas.

38. The State achieved the highest fruit production of 6.06 lakh tonnes in 2003-04 which includes a record production of 5.05 lakh tonnes of apple. Rs. 80 crore Horticulture Technology Mission has been launched in the State with Central government's assistance to strengthen the horticulture base of the State. Our government made payments to the tune of Rs. 8 crore to clear all pending MIS liabilities of fruit growers, left over by the previous government. Over 37000 tonnes apple was procured in 2003-04 and the growers have been paid over Rs. 12 crore in the form of MIS support. By converting a Rs. 5.60 crore loan into government share capital in respect of Palampur, Baijnath, Bir and Sidhbari cooperative tea factories, the government has benefited 2000 tea planters directly and nearly 12000 people indirectly. The step would go a long way towards revival of the sick tea industry in the State.

39. The Animal Husbandry plays a key role in the rural areas of the State. 136 new Veterinary Dispensaries were sanctioned by the government in 2003-04. The sheep wool rates were increased by 20% in December, 2003. New veterinary dispensaries would be opened in due course on the basis of the felt needs of the people and the vacancies of the veterinary doctors will also be filled up.

Industry 40. Mr. Speaker; Sir, after the introduction of a new Industrial Package by Government of India for industrially backward states like Himachal Pradesh, the State has emerged as a focal point for new industries. Himachal also has the advantage of offering such benefits

as better law and order, cordial industrial relations, surplus electricity and a well developed infrastructure. Over 2500 new Industrial Units of all categories have been approved involving an investment of over Rs. 5000 crore and an employment potential of over 95,000 persons. You would be happy to know that more than 75% of the Units registered and approved have initiated effective steps for establishing their Units. The State would welcome such units as provide employment to local people, are non-polluting and help in gainful exploitation of local resources. *Single Window Authority* under my chairmanship has been set up to clear new industrial investments expeditiously.

*Water/
Irrigation*

41. An integrated approach is necessary in finding a solution to tackle the issue of increasing demand for water. The departments of Agriculture, Forests, IPH and Rural Development would be involved at the district level to identify villages where check dams, water harvesting structures and traditional water sources can be built or renovated. We propose to spend Rs. 153 crore on irrigation facilities and Rs. 300.16 crore on Water Supply Schemes in 2004-05. In 2003-04, 1651 habitations including 574 “not-covered” habitations were provided drinking water facilities. The remaining partially covered habitations shall be covered in a phased manner. In 2003-04, over a thousand hand pumps were installed by the government, raising the total strength of hand pumps to 13108 in the State. The government has approved a Rs. 40 crore project to augment water supply in Shimla from Giri river. The ongoing sewerage scheme in Shimla will be completed by September, 2004. In the Irrigation Sector, schemes under implementation include Shahnehar and Siddhatha in Kangra District and a Medium Irrigation Scheme for Changar area of Bilaspur

District. The work on these projects will be expedited in this financial year. For flood control, the work on Swan River is in progress and would be further expedited.

Tourism 42. Himachal is an important tourist destination point both for domestic and international tourists. In 2003-04, private investment to the tune of Rs. 35 crore was approved by the Government. A Buddhist Tourism Circuit is being developed with Government of India assistance at a cost of over Rs. 7 crore. The State Government has forwarded 9 projects of over Rs. 71 crore to Government of India for funding and developing additional tourism points of Naggar, Kangra, Kalpa, Shimla, Sarahan and Buddhist circuit II. The government will act as a catalyst to develop the full tourism potential of the State in order to generate more employment opportunities.

*Panchayats/
Local Bodies* 43. It had been the Congress government at the Centre under the visionary leadership of Sh. Rajiv Gandhi that had carried forward the 73rd & 74th Constitutional amendments to empower Panchayats and Urban Local Bodies with the necessary constitutional status and to free them from the shackles of bureaucratic and political interference. Sh. Rajiv Gandhi had the vision to foresee the importance of local government institutions and their role in empowering people to improve the delivery systems. Our government is committed to carry his dream to its logical culmination. We propose to give more powers, functions and authority to Panchayats and Urban Local Bodies. The collection of land revenue would be entrusted to the Panchayats who would also be authorized to retain the same for development activities in their Panchayats. Our Government will also put in place

mechanism for effective supervision of village and Panchayat level functionaries of Education, Forestry, Health, Revenue and Animal Husbandry departments by the PRIs so that the element accountability could be enhanced on the one hand, and quality of services could also be improved, on the other.

*Vidhayak
Kshetra
Vikas
Nidhi
Yojana* 44. The Vidhayak Kshetra Vikas Nidhi Yojana was re-started by our government in the last budget. Under the scheme, Rs. 16.25 crore were released by the State Government. Given the resounding support to this scheme and its success, we propose to continue this scheme. A sum of Rs. 16.25 crore is proposed to be allocated for this scheme in 2004-05.

Taxation 45. For ensuring equitable incidence of tax on goods transported by road to and from far-flung areas of the State, the existing three-slab system of distances is proposed to be replaced by a more rational two-slab system. We also intend to rationalize tax rates on transformers, conductors etc. so that companies are encouraged to set up offices/sale depots within the State. Measures of self-assessment and composition of tax payment under the various Acts will be taken further reforming assessment procedures and making them assessee friendly. Continuing our policy of making assessee friendly procedures, the assessment requirement under luxury tax has been reduced from six monthly to annual requirement. Similarly, the coverage under the "Sadbhavana" Self Assessment Scheme which was introduced in the year 2002, has been extended to cover previous year assessments also.

- Our government has been given a mandate by the people for a corruption free, responsive and transparent system of government. Accordingly, the Government has established the Department for Redressal of Public Grievances under the direct control of the Chief Minister.
- Providing new employment opportunities to our educated youth has been the main concern of our government. However, it has been noticed that information about job opportunities in the organised and self employment sectors is not easily available to them. In this direction, we propose to open district level information –cum- counselling centres for our educated unemployed youth in the district employment exchanges under the control of the Deputy Commissioners.
- The Rashtriya Sam Vikas Yojna at the cost of Rs. 45 crore in Chamba District for the period of 2003-06 has already been sanctioned. A similar project has also been sanctioned for Sirmour District.
- Our government proposes to rationalize Excise Law and Regulations to reduce the huge pendency of over 12,000 excise cases in courts. Attention would be paid to widen the scope of compounding of excise offences so as to reduce litigation in courts and to enable the Excise and Taxation Department to focus on major excise matters and offences.
- The government has decided to strengthen the Information Technology and Biotechnology Departments to take the State further ahead on to the frontiers of these sunrise technologies.

Computerization would be given a further impetus to enable the common people to access the benefits of the same.

- With the massive expansion of industrial activity, setting up of several hydro electric projects and increased tourist influx, the existing police force has come under pressure and requires strengthening. Towards this end, existing vacancies in the police force will be filled up in a phased manner.
- For greater police-community interaction, over 25000 school children visited police stations to interact with police staff under Vishwas Yojana. Police officers also visited over 900 schools/colleges to address students on social issues. Under Samarth Yojana, over 10,000 girls have been given training in unarmed combat. Under Sanrakshan Yojana, 1000 senior citizens have been provided assistance. Our government will extend these police-community interactions even further to improve law and order and make the police responsive to local needs.
- Our government has given utmost priority to provide residential and office building for police staff. To modernize the police, over Rs. 10 crore have been released for weapons purchase, security devices, police housing, communication, equipments motor vehicles etc.
- To ameliorate the difficulties of employees recruited or promoted under Sub-Cadre Policy, the government has reduced the maximum period to be served by these employees in the difficult areas from 5 to 4 years.

- Provision of combined office buildings or mini secretariats at all such Sub Divisional headquarters which do not have this infrastructure will be arranged on priority.
- The government has decided to provide a judicial lock-up in the Court premises in each district. In 2003-04 Rs. 2 crore were provided for modernization of Prisons which would be utilized for repair and renovation of Jails, improving water and sanitation facilities in Jails and provision of staff accommodation.
- For effective delivery of services, the government would ensure that officers and employees stay in the official residences wherever available, near their offices. Certain instances have come to our knowledge whereby Revenue Department staff have been attending to mutation and other official business in rest houses. Such tendencies would be effectively curbed.
- 2 sports hostels at Bilaspur and Una, each with a capacity of 80 beds would be commissioned in this year. 2 indoor stadiums at Dharamshala and Una would be completed in 2004-05.
- Socio economic development of the State is possible only due to the commitment of our employees and as such their welfare has always been our topmost priority. In this direction, we have released the additional dearness allowance instalments amounting to Rs. 115 crore to our employees. In future also, we shall keep the interests of our employees uppermost in our mind despite the financial stringency being faced by us.

46. Our government has proposed a plan size of Rs. 1400 crore for the year 2004-05. In view of the difficult financial position of the State, the financing of a plan of this size would be possible only with liberal central assistance. A plan size of Rs. 1400 crore would ensure that the developmental efforts of the Government are not hampered. We are hopeful that the Central Government and the Planning Commission would support a plan size of Rs. 1400 crore, to help us carry forward the developmental agenda.

47. The proposed Plan outlay of Rs. 1400 crore for 2004-05 gives highest priority to social services, which account for 48.07% of total Plan outlay. Transport sector including roads & bridges has been allocated 16.92% of the Plan outlay and Energy Sector accounts for 6.21% of total outlay. Agriculture and Allied Services has been allotted 9.10% of the plan outlay and Irrigation and Flood Control Sector get 6.84% of the outlay.

48. I would now mention the budgetary provision for certain selected sectors. Education has been allotted Rs. 1054 crore in this year. The budget for social security and welfare has been proposed at Rs. 148 crore in 2004-05 against the Budgetary Estimates of Rs. 122 crore in 2003-04. The details of other budgetary provisions are given in the Annual Financial Statement being presented in the August House.

49. With this macro presentation of various aspects of budget proposals, I come to the overall revised estimates for 2003-04 and the budget estimates for 2004-05. As per revised estimates, the year

2003-04 opened with a deficit of Rs. 234.63 crore and closed with a cumulative deficit of Rs. 770.93 crore. As per the budget estimates for 2004-05, the revenue receipts are estimated at Rs. 4241.35 crore against which the revenue expenditure is projected at Rs. 5791.07 crore, leaving a deficit of Rs. 1549.71 crore on the revenue account. The receipts on the public debt account are estimated at Rs. 2517.23 crore whereas the expenditure on capital account including repayments and advances is projected at Rs. 1102.53 crore. Taking into account the public debt receipts and public account receipts, the financial transactions during the year 2004-05 will lead to a closing cumulative deficit of Rs. 703.79 crore.

50. I would like to apprise the Hon'ble Members that the total projected expenditure for 2004-05 is Rs. 6893.61 crore as compared to the Revised Estimates of Rs. 7093.47 crore in 2003-04. The expenditure allowed during the Vote on Account period under various Demands would be subsumed in the budget proposed for the financial year 2004-05. Out of the total budget of Rs. 6893.61 crore, the expenditure on salaries comprises Rs. 2149.84 crore i.e. 31% of the total budget, interest payments would be Rs. 1758.30 crore, which are 25.5% of the budget, loan repayments Rs. 501 crore and pension liability would be about Rs. 646.95 crore. Most of this expenditure is committed and of non-developmental nature and naturally affects the pace of development.

51. As per the budget estimates, out of an expenditure of every 100 Rupees, the State has only rupees 54 as its income including transfers from Centre. The gap of Rs. 46 is met by short and long term borrowings. Out of every 100 rupees of State's income, rupees

26 come from own tax revenue, rupees 9 from non-tax revenue, rupees 11 from share in Central taxes and rupees 54 from Central grants.

52. The State's average daily expenditure is about Rs. 19 crore and average daily income is Rs. 10 crore. Out of every rupees 100 spent, salaries account for Rs. 31, interest payments Rs. 26, loan repayment Rs. 8, pensions Rs. 9, maintenance Rs. 8 and Rs. 18 get spent on all other activities including major developmental works. The path ahead is difficult. I hope that we will receive positive and constructive suggestions from the Hon'ble Members of the House on the ways and means for coping with the serious financial problems.

53. Hon'ble Members will notice that there is a large gap in funding the budget, the same being met out of long term and short term borrowings. The problem would deteriorate further in the course of the year since our total income is much lower than our total expenditure. Despite the large borrowings of over Rs. 2600 crore that we propose to raise, the year 2004-05 will still end with a cumulative deficit of Rs. 703.79 crore. Over the past several years, not only has the government been resorting to long-term borrowings, but it has also had to rely increasingly on ways and means advances and overdraft facility from RBI. While in 1997-98, overdraft was taken for only 9 days, in 2001-02 the overdraft facility was taken for 229 days and Ways and Means Advances taken for 71 days. In 2002-03, the government could not maintain minimum cash balance with the RBI for 308 days and obtained Ways and Means Advances on 129 days besides being in overdraft on 179 days. Clearly, the cash position continued to be critical in 2003-04 also and drastic measures are,

therefore, needed in order to come out of the difficult financial position.

54. It may be seen that the opening deficit of Rs. 770.93 crore for the year 2004-05 has been possible to be contained at the level of Rs. 703.79 crore as the cumulative closing deficit. Despite very serious efforts at expenditure compression, we still have a huge problem facing us. We, therefore, need to raise resources even in the situation of a narrow tax base and near inelastic tax rates. In this direction, I propose the following additional resource mobilization measures:-

1. Rates of special road tax are proposed to be increased by 3 percentage points to capture the increase in average occupancies in buses due to increase in the number of commuters. This measure will yield an additional resource mobilization of about Rs. 6 crore.
2. At present, tax on carriage of cement and clinker is levied at the rate of Rs. 4 and Rs. 4.50, respectively per 50 Kgs. In order to ensure uniform taxation on these two commodities, it is proposed to increase the rate of tax on cement by 50 paise per bag. This will yield an additional revenue of Rs. 4.65 crore annually.
3. In view of known ill effects of various forms of tobacco consumption on human health and to discourage consumption of tobacco, a levy of tax on carriage of tobacco in all forms at the rate of Rs. 2 per Kg is proposed. This measure is expected to yield Rs. 2 crore per annum.
4. Most of the cotton yarn being produced in the State estimated at a value of about Rs. 330crore is sent outside on consignment

basis and no revenue accrues to the State by way of sales tax. Even at the lowest rate of sales tax, we are being deprived of an annual revenue of about Rs. 13 crore. Additional goods tax was imposed on yarn at the rate of ten paise per Kg way back in 1996. It is accordingly proposed to increase the additional goods tax on yarn from 10 paise to 30 paise per Kg. This measure is anticipated to yield about Rs. 2.30 crore annually and will only marginally offset the revenue loss.

55. These measures will, in a full year, yield additional revenue of the order of about Rs. 15 crore. Efforts to mitigate the deficit by further economies in unproductive expenditure, tightening of the tax administration and approaching the Central Government for liberal grants will, however, continue.

56. I now propose to sum up in brief the initiatives and highlights of this budget:

- a) Our government has been able to accelerate the economic growth due to the initiatives taken since the last year. The growth rate of 7.9% in SDP witnessed last year would be sustained in the coming years too.
- b) The government would sincerely make all round efforts to get maximum funds from the Central Government. Signing the MOU with the Government of India is an important step in this direction through which we shall make efforts to get the withheld amount of Revenue Deficit Grant released in this fiscal year. The MOU would be implemented in a manner so as not to affect the common man of the State.
- c) The policy of Debt Swap initiated by our government has started

yielding good results. This policy would be pursued vigorously this year too. Budgetary deficit would be monitored closely.

- d) The social security net through welfare pensions has been significantly expanded. In the coming years, we shall take steps to expand this safety net even further.
- e) The educational and literacy achievements of the State would be consolidated through rationalization and redeployment of existing resources. Sarva Shiksha Abhiyan would help consolidate elementary education in the State.
- f) Upgradation of skills of unskilled and semi-skilled staff and labour would be an area of priority. Para medical staff training would be started in Health and Ayurveda Departments to open new avenues of employment for the youth of the State.
- g) Hydel capacity would be harnessed expeditiously. We would ensure at least 25% ownership in new power projects being executed by Central Public Sector Undertakings.
- h) Cluster approach would be followed to cover very small habitations/villages under PMGSY. This would meet a long felt need of the rural masses still longing for the road lifeline for their villages.
- i) 39500 additional families would be covered under Antyodaya Anna Yojana.
- j) Rajiv Gandhi Awas Yojana started last year would be given a further impetus to cover more poor houseless people of the State.
- k) Industrialization would be given top priority. New projects would provide over 95,000 jobs in the near future.
- l) Partially covered habitations would be focused for augmenting water supply. A special drive would be launched to repair all non-

functional hand pumps and for renovation of traditional water sources in a time bound manner.

- m) The administrative machinery would be toned up and made more responsive to the needs of the common masses.
- n) A plan size of Rs. 1400 crore has been proposed with an emphasis on the social and economic sectors.

With these words, Sir, I commend the budget estimates for consideration of this august House.

Jai Hind.

Jai Himachal.
