

PRESS STATEMENT OF SELVI J JAYALALITHAA,
HON'BLE CHIEF MINISTER OF TAMIL NADU ON THE UNION
BUDGET PRESENTED ON 29.2.2016

The Union Budget 2016-17 has come at a critical juncture. India is currently the fastest growing large economy in the world, but the growth is not translating itself into jobs and welfare benefits for the people of the country at the desired level. Sustaining growth momentum, while managing myriad fiscal and macro-economic challenges and meeting the considerably heightened expectations of the people of the country was the complex task before the Finance Minister.

Unlike in past years, Plan Expenditure has actually been increased in the Revised Estimates for 2015-16. This would hopefully ensure that the releases to State Governments for scheme expenditure would be speeded up before the end of the current fiscal year. **I am happy to note that the Finance Minister has accepted the suggestion that I have repeatedly made to do away with the Plan and Non-Plan distinction with effect from 2017-18 onwards and focus instead on the revenue and capital outlays. This is a much needed reform.**

The emphasis on agriculture and rural income are welcome features of the Budget. Doubling farm incomes in five years is a laudable objective, but it should be done in real terms. While the emphasis on expanding the area under irrigation is welcome, **Tamil Nadu's concern is that focusing allocations under the Pradhan Mantri Krishi Sinchai Yojana towards uncompleted projects under the Accelerated Irrigation Benefit Programme (AIBP) would repeat the old error of skewing the fund allocations towards States which have a number of major and medium irrigation schemes pending completion, while depriving States like Tamil Nadu of funds, as they have already virtually exhausted the surface water irrigation potential.** Greater incentives for drip and micro irrigation would have been a more welcome move to increase water use efficiency. **The expansion of the Soil Health Programme and the Soil Card Scheme by the Government of India is recognition of the efforts launched**

by my Government in Tamil Nadu, which pioneered the Soil Health Card programme. The Pradhan Mantri Fasal Bima Yojana is a welcome initiative but the budget allocation of Rs.5,500 crores appears grossly inadequate.

I have consistently opposed Direct Benefit Transfer to replace subsidised commodities like food and fertiliser with cash payments since the availability of these critical commodities is more important than saving on the subsidies.

The stepped up outlay for the Pradhan Mantri Gram Sadak Yojana also responds to the request I have made to the Prime Minister for a substantially enhanced outlay for this programme to ensure speedy completion of approved projects taken up in Tamil Nadu. I expect an early release of Central funds under this scheme.

The launch of the National Rural Digital Literacy Mission is a recognition of the pioneering role that I had played in launching and implementing the free laptop scheme for school and college students studying in Government and Government Aided institutions. It was intended as an effort to bridge the digital divide, which the Government of India has also now recognized.

I welcome the announcement of the scheme to cover 5 crore poor families with LPG connections, aimed at reducing domestic drudgery – **the same objective with which my Government has implemented the scheme for distribution of Fans, Mixies and Grinders to households in the State.** I urge the Government of India to ensure that the beneficiary identification under the subsidized LPG scheme is done in such a way to ensure that States like Tamil Nadu which already have a sizeable coverage under LPG connections are not left out, since the families that still do not have such connections in the State tend to be amongst the poorest.

The Pradhan Mantri Jan Aushadi Yojana under which 3000 new medical stores selling generic medicines **are to be set up is also very similar to the Amma Marunthagam Scheme launched by my Government.**

The launch of a new Health Protection Scheme to provide insurance cover for poor families which require hospitalization is welcome. **This scheme is very similar to the Chief Minister's Comprehensive Health Insurance scheme which I had launched in Tamil Nadu in 2011. I earnestly request the Government of India to converge their new scheme with the Tamil Nadu scheme of health insurance.** This will not only enable smoother roll out of the Central scheme in Tamil Nadu, but also reduce overlap and administrative burden.

I welcome the launch of several schemes to sustain the impetus in the Education, Skills and Job Creation area. I would urge the Government of India to consult the States in the design and implementation of these initiatives. The provision for the Rashtriya Madhiyamik Shiksha Abhiyan (RMSA) at Rs.3,700 crores is very inadequate. The proposal to develop a National Career Service Platform into which the State Employment Exchanges will also be linked is a welcome measure. As far as the proposal to draft a new model Shops and Establishments Act is concerned, I would request that State Governments and other stakeholders should be consulted before a draft is finalized.

Infrastructure is an area of focus for my Government as well and I welcome the proposed enhancement of outlay for the infrastructure sectors. The performance of National Highways Authority of India in Tamil Nadu is still somewhat wanting and needs to be improved with greater co-ordination with the State Government and greater sensitivity to State specific issues.

I am concerned about the proposal to privatise the Road Transport Sector through a Central legislation by amending the Motor Vehicles Act. We have been consistently opposed to encroachment of powers of State Governments by this proposed Legislation.

We also welcome some of the measures proposed to ease Public Private Partnerships in infrastructure. The proposal to establish a new credit rating system for infrastructure is particularly welcome. We however, have our reservations on the renegotiation of PPP contracts in

view of the inbuilt moral hazard. This is a task which should be approached with great care.

In the area of FDI policy, the proposal to permit 100 per cent FDI for marketing food products produced in India, appears to be a backdoor entry for FDI in retail which I have been consistently opposing.

We also welcome the proposal to enact a comprehensive law to compact illicit deposit taking. However, I would urge that since the State Government machinery is at the forefront of enforcement in such cases, there should be adequate consultation with States and it should also be ensured that State Government machinery is given an adequate and appropriate role in preventing such activity.

I welcome the announcement of providing Rs.25,000 crores to recapitalize public sector banks and the assurance to provide further funding if required. This will enhance confidence and enable greater lending and spur economic activity.

I welcome the announcement of a Committee to review the Fiscal Responsibility and Budget Management Act, something that I have been calling for since some time. It must be ensured that the States are also consulted by this committee.

It is unfortunate that the Finance Minister has not eschewed the tendency to levy cesses and surcharges on various items of central taxes which are not shareable with the States. The levy of Krishi Kalyan cess on Service Tax, the infrastructure cess on Excise Duty on vehicles, the doubling of the Clean Environment Cess on coal and lignite and the levy of a surcharge even under the new Tax Compliance schemes are retrograde measures and ways by which the Centre is trying to avoid sharing its tax proceeds with States. I strongly deprecate this practice. The proposal to treat assignment of spectrum usage as a service and not as a sale of intangible goods also eats into the tax base of State Governments, while enhancing the base of the Government of India, and I oppose this proposal.

However, on the whole, the tax proposals in the Budget are regressive – there are Direct Tax concessions amounting to Rs.1060 crores mostly due to Corporate Income Tax concessions, while indirect taxes worth Rs.20,670 crores have been levied, which come on top of the periodic increases in central excise levies on petroleum products which have seen an overall increase in yield of more than 90 per cent in the first 10 months of the current fiscal year as per the Economic Survey. This is a regressive approach which cannot be supported.

This Budget lacks flavour as it does not have any specific announcements of schemes which would have enthused different segments including the States. It also does not speak of the status of implementation of many schemes announced last year and the year before. The people of the State of Tamil Nadu had still higher expectations, which have not been met.

J JAYALALITHAA

Chief Minister of Tamil Nadu

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