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PRESS STATEMENT OF SELVI J JAYALALITHAA, HON'BLE CHIEF MINISTER OF TAMIL NADU – 17.2.2014

The highlight of the Interim Union Budget 2014-15 was again the continued disruption that took place in the Lok Sabha, led by members of the UPA themselves. As the Union Finance Minister attempted to claim various achievements during the 10 years of rule by UPA I and UPA II, the biggest shortcoming and ineffectiveness of governance by the UPA were laid bare in Parliament with unprecedented disturbances and the bizarre sight of a few Members of Parliament forming a human shield to protect the Finance Minister as he presented the Budget. This lack of safety and security for a Union Minister within the House of Parliament reflects the total failure of the UPA Government and governance to take the people and Parliament along.

The Union Budget itself was disappointing. The speech hid more than it revealed about the allocations and proposals. The Finance Minister attempted to blame the global economic scenario for the poor performance of the Indian economy. But there can be no escaping from governance failures within Government. The Union Finance Minister pointed out that savings and investment had fallen only marginally, but growth had fallen substantially in the period since 2011-12. Clearly, was this not because of the failure of the Union Government to ensure that investments were grounded and projects were completed? Who placed the obstacles to growth that he spoke about? Was it not the UPA government itself? The sharp slowdown in manufacturing sector growth was also caused by the poor macro-economic management of the UPA government and they cannot absolve themselves of the responsibility.

Even now, the danger is really that many of the improvements being claimed in the current account deficit and fiscal deficit are because of short term and unsustainable measures and not any sustained efforts at improving the situation. When these short term measures, including the unsustainable restrictions on gold import and the postponement of subsidy commitments, have to necessarily be unwound by the next Government, the reality will be apparent. The Union Finance Minister has just applied some temporary palliatives and claimed that macro-economic management has substantially improved.

The Budget speech claims a substantial enhancement of allocations for the social sectors by the UPA government.

Comparing allocations in current prices terms over a 10 year time frame is tantamount to creating a mirage. More importantly, the increase in outlays in the social sectors has also been achieved by the mere accounting jugglery of converting untied Central Plan Assistance to States into Additional Central Assistance and centrally Sponsored Schemes of the Centre. This has taken away the autonomy that State Governments formerly had. On behalf of Tamil Nadu I have demanded that to the extent possible, transfer of resources from the Centre to the States should be as tax devolution, automatic and untied and the proportion of resources transferred through so called Centrally Sponsored Schemes and Additional Central Assistance (ACA) schemes should be minimized and the resources saved should be transferred untied to the States. Unfortunately, even after the so-called reform of repackaging the existing Centrally Sponsored Schemes and ACA schemes into 66 new schemes, there is no significant increase in untied funds which could be shared with the States. The increase in fund flow to the States is no real increase, but a long overdue change in the manner of release through State Governments instead of directly to Special Purpose Vehicles and an admission that direct implementation of schemes by the Government of India is not possible in a country like India. However, the Finance Minister's call that States should spend more on National Flagship Programmes appears completely misplaced. State Governments are closer to the people and focus on their true needs. They should be allowed the latitude to design and implement programmes most appropriate to the residents of the State. Constraining the States' fiscal autonomy is unwarranted and any attempt to transfer the Central fiscal burden on to the States is also completely unacceptable.

The Union Finance Minister has again reverted to his old trick of promising allocations in the Budget which are cut in the Revised Estimate stage. Plan expenditure has been reduced by more than Rs 79,790 crore between BE and RE 2013-14. This represents a 14.5 per cent reduction. And in 2014-15, plan expenditure has been retained at current year levels. It is perhaps the UPA Government's way of investing in growth. But it lays hollow even the claims of fiscal stability and achieving the fiscal road map targets. It is easy to do so if all revenues are fully estimated and accounted for, while expenditures are not provided for and postponed.

The Union Finance Minister also spoke about three initiatives which he announced with much fanfare last year, wherein, by his own admission, very little has actually been done. The announced fund of Rs 1000 crores for both the Nirbhaya Fund and National Skill

Development Corporation have been converted into "non-lapsable" funds, implying that it has not been possible to actually spend the allocated funds and they are being merely rolled over. As for the Direct Benefit Transfer announced with such fanfare as the "game changer" programme, and which Tamil Nadu had strongly opposed as being designed as a Central Government measure with little real involvement of the States, the total amount given out in more than 54 lakh transactions is a mere Rs 628 crores.

The Union Finance Minister continued to highlight the citizen unfriendly policies of reducing subsidies in some critical areas and attempted to tout measures that have caused grave hardship to the common man, like decontrol of sugar, decontrol of diesel prices and increasing rail tariffs as reform measures. It is a reflection of the UPA Government's muddled thinking and misguided policies, and the clearest indication that the Government has totally lost touch with the people of this Nation.

The Financial Sector Legislative Reforms Commission report which the Finance Minister attempted to push as a major reform priority is also riddled with a number of issues, including ignoring and overriding the role of State Governments and District Functionaries in protecting the common people from financial fraud.

Though this is an Interim Budget, the Finance Minister has deviated from convention by making announcements for Excise Duty cuts on selected items like capital goods, automobiles, mobile phones, etc., only for the period up to 30th June, 2014. The fiscal concessions announced are short term sops till 30th June, 2014, and done purely with the ensuing General Elections in mind and will fool no one. It is intriguing that while these measures are to be in place only till June, 2014, the Government of India has hastily doubled the price of natural gas with effect from 1st April, 2014, knowing fully well that they will be in office only for two weeks. The clarification of including rice as an "agricultural produce" and hence not subject to service tax was another of the Finance Minister's actions of undoing his own insensitive, thoughtless and discriminatory act of levying the tax in the first place, which was pointed out by me only a few days ago, in my letter dated 10.2.2014 to the Prime Minister, in which I had demanded that rice should be included under "agricultural produce" and should not be subject to service tax.

There is nothing in the Interim Union Budget for the people of Tamil Nadu to cheer about. It will not contribute to stability or growth. It will not take the Country on the road to economic recovery. But fortunately, it is only an Interim Budget and the main

Budget that will be presented in June, 2014, by a new Central Government will undoubtedly do what is necessary to reverse much of the damage caused by the 10 years of UPA rule and truly put the Country on a path of high growth.

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Chief Minister of Tamil Nadu

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