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Hon'ble Union Finance Minister Shri Pranab Mukherjee,

Hon'ble Union Minister of State for Finance Shri Namo Narain Meena,

Hon'ble Finance Ministers of State Governments,

Respected Finance Secretaries and Officers of Union and State Governments,

Vanakkam.

At the outset, I appreciate the efforts taken by our Union Finance Minister for inviting the States to share their views in this crucial pre budget meeting. Indeed, it is a laudable initiative taken by the Union Finance Minister for which I express our appreciation.

2. The Hon'ble Union Finance Minister is well aware of the fact that the Government of Tamil Nadu, under our dynamic Chief Minister, is implementing many innovative projects for the socio-economic development of the State. In order to guide the development properly, we are preparing a Vision 2025 document, which will serve as a comprehensive road map for our future development in implementing projects, particularly infrastructural projects. While giving top priority to the primary sector, we also focus on the manufacturing sector in order to achieve a higher level of economic growth. As equity in the economic well being of the poor assumes greater significance in our policies, we are implementing several welfare programmes.

3. Our Hon'ble Chief Minister has launched a Comprehensive Public Health Insurance Scheme recently. Under this programme, poor families are provided with an insurance coverage up to ` 4 lakhs over a period of four years to take medical treatment for life threatening fatal diseases. The entire cost under this scheme at present, is being borne by the State Government. The Union Government is also implementing RSBY to provide health insurance cover to poor families. As the coverage under our State's Comprehensive Public Health Insurance Scheme is much better than RSBY,

I make the following suggestion. Running two different schemes by the State and Centre for the same purpose does not augur well, as it will only duplicate the efforts and drain the resources. Therefore, I urge the Government of India to allow the State Government to dovetail the funding of RSBY with the State Public Health Insurance Programme, provided the State scheme's coverage is better than the RSBY. This will help us in pooling the resources to fulfill the objectives behind RSBY. Similarly, the Central Government is also implementing Aam Admi Beema Yojana for the rural landless households. Our State Government is also implementing a programme for giving such coverage with a better benefit under Farmer's Social Security Scheme. I am of the considered opinion that there are several such cases where convergence is the need of the hour. I further suggest that if the Government of India confines itself only to setting the overall goals, providing a broad frame work for such schemes and making sectoral allocations, this will provide the States with the flexibility to design schemes by dovetailing their own resources. The achievement of such overall goals set by the Government of India will benefit the country in a big way.

4. Dr.Rangarajan Committee on "Effective Management of Public Expenditure" has recommended the treasury mode of transfer of all central plan funds. Our Government strongly supports this view. The treasury mode of fund transfer is supported by a well defined system of tracking fund movement and fund utilisation, robust cash management and timely and systematic method of reconciliation. As the society mode of fund transfer through special purpose vehicles neither provides a uniform accounting system nor facilitates centralised data access for proper monitoring of the schemes, I request the Union Government to implement this recommendation at the earliest.

5. Tamil Nadu is the most urbanised State in India and the capital city of Chennai is fast expanding. The area of Chennai Corporation has increased considerably i.e., about a three fold increase after the recent merger of adjoining suburban areas. As the infrastructure requirement of this newly annexed area is very high the Government of India may consider a one time grant of ` 2,500 crores to improve the infrastructure in the expanded Chennai Metropolitan area. We also urge that the JNNURM II should have enough flexibility where funding should be adequate in order to address the huge deficit in urban infrastructure.

6. The Government of Tamil Nadu has amended its Fiscal Responsibility and Budgetary Management (FRBM) Act as mandated by the Thirteenth Finance Commission. The State has been prudently managing its finances and adhering to the FRBM targets in revenue deficit and fiscal deficit. Therefore, our State Government is entitled to the reduced rate of interest on NSSF loan and write-off of the outstanding loans administered by the departments. Unfortunately, the Ministry of Finance seems to be insisting that the State should file the claims along with 2011-12 finance accounts. This decision will affect the State adversely. Since we have already complied with the recommendation of the Thirteenth Finance Commission, the Union Ministry of Finance may consider accepting our claims without insisting on the accounts of 2011-12 as it will only delay the decision.

7. Our State is facing severe power shortage. This has hampered industrial growth and hit our economic growth. The ultra mega power projects promised under the central sector are also not forthcoming. The projects which are put up under the State sector are also languishing due to delay in providing coal linkage. The State is facing severe shortage of coal in the existing thermal units, which is affecting our power generation. Therefore, it is necessary to look for an alternative way of securing energy security for the State. As a solution to this problem, I appeal to the Government of India to establish a gas grid connecting the major cities of the State by developing Colachel Port as an energy Port with facility for LNG import and link it up with various cities of Tamil Nadu besides creating a grid with the gas pipeline proposed from Cochin to Bangalore *via* Salem and Chennai.

8. The Anna Technical Universities in Tamil Nadu have been brought under one single entity, making it the largest technical University in India. Considering the yeoman service rendered by this University in churning out the largest number of youth with engineering skill, I urge the Government of India to declare it as a Technical University of Excellence and extend a one time grant of ` 500 crores in the forthcoming budget.

9. Under the able leadership of our Hon'ble Chief Minister, we are successfully implementing many social security schemes. Being a fore runner in such schemes, our Government has increased the monthly pension for destitute and underprivileged to ` 1,000 under the Old Age Pension Scheme. This is the highest in the country and is necessary to provide them with meaningful security. As the Government of India provides only ` 200 per month at present under social

security pension scheme, I urge the Union Government to increase it atleast to ` 750 per month in the forthcoming budget.

10. Affordable rural housing is a big challenge for the millions of poor families in rural India. Under Indira Aawas Yojana, the unit cost of construction is fixed at ` 45,000 of which Government of India is bearing ` 33,750 as 75% share. Given the rising cost of building materials it is impossible for a poor family to build a decent house within this amount. Recognising this, our Hon'ble Chief Minister has substantially enhanced the State share to make the unit cost ` 1 lakh per unit. I appeal to the Union Government to come forward and increase the unit cost of IAY house to ` 1 lakh and share 75% of that.

11. The Union Government is insisting that the rise in the unit cost of BSUP and IHSDP should be borne by the State Governments. While our State Government is committed to providing houses to the urban poor, the Central Government cannot pass the burden of rising costs entirely onto the shoulders of the State Governments. Like IAY, the unit cost assumed under the aforementioned schemes is also highly unrealistic. This also has to be viewed in the context of higher inflationary pressures for which the State Government is not responsible. The Central Government should adopt a risk sharing approach and share the burden of rising construction costs for these schemes.

12. The State Government has taken a policy decision regarding linking of rivers within the State. Such a project of national importance deserves central assistance. However, the Union Government, which claims River Interlinking as its priority project has not shown any willingness to finance this project. When our State Government is taking all efforts to further this initiative, the Union Government may consider launching a National river water linking scheme and extend financial support to Tamil Nadu for the intra state river linking programme already taken up by our State. I also appeal to the Union Government to consider a flexible approach under Accelerated Irrigation Benefit Programme so that States like Tamil Nadu with limited scope for surface water exploitation can use it for other purposes to enhance water use efficiency.

13. The 13th Finance Commission has prescribed criteria for fixing the Open Market Borrowing limit for State Governments. Once the ceiling is fixed as per the criteria of the Finance Commission, the State Government should be free to time its Open Market Borrowings as per its requirements and Market conditions. However, presently, the State Government has to wait for approval of the Central Government for all Open market Borrowings. This is an unfair condition imposed on the States in addition to the already stringent criteria of Finance Commission and limits of FRBM Act. When the Central Government can approach the market at will, there is no reason why States should be forced to avail of loans at the most unfavourable times when interest rates are surging high. By doing so, in effect the Central Government is shifting the additional cost of borrowing onto the States. This unfair arrangement should be discontinued and requirement for Central Government's approval for OML should be done away with immediately.

14. The Government of Tamil Nadu has raised the issue of pending VAT and CST compensation on many platforms on various occasions. But the Central Government has so far not taken any positive step in that direction. I urge the Union Finance Minister that atleast in the upcoming budget, provision may be made for the entire compensation proposed by the State Government under CST. If this is not possible, CST rate should be restored to 4% level as the State resources are under severe stress due to this loss. I also wish to point out that the continued inaction of the Union Government on CST compensation makes us skeptical about the assurances on the GST package.

15. I hope the Union Government will consider the requests of our State positively and ensure that our concerns are effectively redressed. I also congratulate and thank the Hon'ble Union Finance Minister once again for making available this forum and giving an opportunity to State Governments to present their views. I wish him and his team all the best in their preparation of the budget.

Thank you,

Vanakkam.

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