

PRESS RELEASE

Text of the D.O. letter dated 18.5.2020 of Thiru. Edappadi K. Palaniswami, Hon'ble Chief Minister of Tamil Nadu, addressed to Shri. Narendra Modi, Hon'ble Prime Minister of India

"I thank the Prime Minister and the Government of India for having announced the five tranche economic relief package, which I hope will help to revive the Indian economy. The additional allocation for MNREGA and for establishing Infectious Diseases Blocks in district hospitals and public health laboratories at the Block level are very significant measures.

While welcoming this initiative which combines fiscal sustainability with what is required for different sectors, I would like to draw your attention to the needlessly onerous conditions that have been attached to the additional borrowing limits that have been approved for State Governments in Ministry of Finance's Letter F. No.40(06)/PF-S/2017-18/Vol V dated 17th May, 2020.

The States sought the additional borrowing limit, beyond 3 percent of GSDP mainly because of the significant shortfall in revenues due to the lockdown imposed in the wake of the Covid 19 pandemic. There are also large additional expenditure commitments. These are borrowings by the State Government, which have to be repaid from future tax revenues of the States. They are not grants from the Centre. To attach needlessly demanding conditionalities to the additional borrowing requirements appears to be unreasonable.

Aggressively pushing a reform agenda on which a consensus is yet to be developed at a time when States have approached the Centre for additional borrowing out of sheer desperation, is not in keeping with the spirit of co-operative federalism. Ideally, the proposed reforms ought to have been discussed in detail with the States, a consensus developed depending on the specific conditions in each State and the reforms linked to special Central Covid grants, and not to additional borrowing by the State. Linking the Central Government's power under Article 293(3) of the Constitution to permit additional borrowing by the States to conditionalities, is unprecedented.

In Tamil Nadu's context, while in some of the four major areas of reform required by the Government of India to avail of the

additional borrowing, the State Government has already undertaken the reforms without expecting any financial assistance, there are some areas, most specifically in the area of power distribution reforms, which are politically sensitive. These issues have been repeatedly raised by me in communications to the Prime Minister as well. I have raised the issue in the context of the proposed changes in the Electricity Act. **Our Government is strongly opposed to the idea of removing the Free Power Supply to farmers.** It has been our stand that the mode of disbursement of subsidy should be left to the State Governments themselves. Since a consensus is yet to emerge on these issues, I request you to instruct the concerned Ministries to remove the requirements to reform the power sector from amongst the proposed conditionalities and also to allow greater latitude to States in implementing a reform agenda.

Imposing needlessly onerous conditions on borrowings will constrain the State Governments in finding funds to meet essential expenditure in the wake of a serious financial situation. I am confident you will appreciate and understand the difficulties that States face at this time and instruct that the necessary changes be made to the relevant guidelines.”

Issued by: Director of Information and Public Relations, Chennai-9.