

**Text of the D.O. letter dated 28.3.2020 of Thiru. Edappadi K. Palaniswami, Hon'ble Chief Minister of Tamil Nadu, addressed to Shri. Narendra Modi, Hon'ble Prime Minister of India**

"The Government of Tamil Nadu has continued to enforce the strict nationwide lockdown to prevent the rapid spread of the COVID -19 virus. Effective measures to screen, quarantine and isolate where needed, all those with travel history to COVID-19 hot spots, and to complete the contact tracing chains are being taken to contain the social spread. Essential supplies are being maintained to mitigate the hardship to the common people. I thank you for the slew of relief measures announced as part of the **Pradhan Mantri Garib Kalyan Yojana**. The package of liquidity and interest rate reduction measures announced by the Reserve Bank of India would also be of great help to the economy.

As you are aware the main responsibility to ensure that the lock down is strictly enforced and in parallel also ensure the welfare of the poor and the vulnerable, falls on the State Governments. Many State Governments including Tamil Nadu have announced relief packages, which have been supplemented and supported by the Pradhan Mantri Garib Kalyan Yojana package. I believe that further relief measures would also be required in the days to come. Substantial expenditure would also be required to ramp up the availability of health infrastructure and medical supplies. Eventually, measures would also have to be taken to revive economic growth, assist various sectors to return to their growth trajectory and to stimulate consumption and investment demand. All Governments will suffer substantial reductions in tax and revenue receipts and it would not be possible to step up revenue raising for a while. However, the expenditure needs and responsibilities will not wait.

It is in that context, that I had specifically requested you in my letter dated 25<sup>th</sup> March, 2020 that as a one-time measure, the fiscal deficit limits of 3 per cent of GSDP may be relaxed for the financial years 2019-20 and 2020-21 and additional borrowing of 33 per cent above the level permitted for the fiscal year 2019-20 may be allowed for 2020-21, to enable the States to meet the additional expenditure requirements. While this will certainly help the States to immediately incur expenditure, States naturally have a limitation on how much they can borrow in the markets and will be crippled by massive repayment obligations if they borrow too much. But the onus on reviving the economy by fueling consumption and investment falls on the Governments at this time.

Under the Indian public finance system, only the Government of India can in an eventuality, borrow freely from the monetary authority, the Reserve Bank of India. The economic impact of the lockdown is likely to be very severe and unprecedented. Such difficult times call for unconventional measures to ensure that the economy is revived and re-invigorated. Conventional economic doctrines and dogmas will need to be set aside temporarily. **Hence, I request that the Government of India, in addition to permitting the additional borrowing by State Governments, should provide an aggregate amount of at least**

**Rs.1 lakh crore as a special grant to the State Governments to combat the COVID 19 virus and its aftermath. This needs to be in addition to the other forms of financial transfers to the States envisaged in the Union Budget and can be financed by the Government of India borrowing from the Reserve Bank of India. The funds can be distributed in proportion of the size of each State's GSDP to the national GDP, since the expenditure out of this grant will also pump prime the economy and lead to its revival. I request that Tamil Nadu may be given a grant of Rs.9000 crore under this special dispensation.**

In these very difficult and challenging times, as a Prime Minister who has not shied away from taking bold, difficult and unconventional decisions in the interest of the nation, I am confident you would consider this special request and take necessary appropriate action."

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