

Sir,

With your kind permission, I now present before this august House the Annual Budget for the year 2005-06. The enlightened electorate in Maharashtra has reposed faith in the Democratic Front Alliance and has reelected us . I express my sincere gratitude to the electorate. I now turn to the presentation of my Budget proposal.

Turnaround in the State's Finances.

2. Soon after I had become Finance Minister in 1999, I had the occasion to present a White Paper on State's finances, to the Legislature and the people of Maharashtra bringing out the structural imbalances afflicting the State Government. In the White Paper, I had resolved to set right the structural imbalances within a period of five years. In this respect Sir, I am happy to report to the members of this august House that Maharashtra has turned around and emerged strongly from the fiscal instability that it had to endure for almost a decade.

Higher rate of growth of the State Economy.

3. Even during the fiscal crisis that Maharashtra has been facing, I as Finance Minister have always believed that the finances of the State can be turned around only when Maharashtra's economic growth resumes its robust trajectory. Both my taxation and expenditure policies of the last five years have been designed to achieve this objective. Sir, I take great pleasure in informing the House that inspite of severe drought conditions prevailing in the State over the last few years and consequent negative growth in the primary sector, Maharashtra's economy has resumed its high growth trajectory. The provisional growth estimates indicate that in the year 2002-03 Maharashtra GSDP grew at a rate of 10.7 per cent at current prices. The corresponding figures for the year 2003-04 was 12.7 per cent. For the year 2004-05, the preliminary estimates indicate that Maharashtra's economy has grown at 13.8 per cent. At constant prices the respective figures for the corresponding 3 years are 7.8 per cent (2002-03), 7.3 per cent (2003-04) and 7 per cent (2004-05). It will be the endeavour of this Government to continue to formulate fiscal policies which enhance growth prospects of the State economy. I will have occasion later in the speech to indicate the realignment in the fiscal policies that are likely to enhance growth prospects of the States' economy in the years to come.

Revenue Surplus in the Budget Estimate 2005-06.

4. The most glaring manifestation of the fiscal crisis that afflicted Maharashtra in the last decade or so has been the high revenue deficits. In the Budget Estimates for the year 2004-05, a Revenue Deficit of Rs. 9,751 crore had been projected. As per Revised

Estimates for the year 2004-05 this is now estimated to be Rs. 9,115 crore. I take great pleasure in informing the House that for the first time after 1993-94 Maharashtra will end up with a revenue surplus of over Rs. 265 crore as per the budget estimates for the coming year 2005-06. This turn around is even more remarkable in view of the fact that Maharashtra has achieved revenue surplus only twice (in 1987-88 and 1994-95) in the last 20 years.

Acceleration in Tax Collection.

5. The turnaround in the State's finances has been achieved primarily on account of the acceleration in the growth of tax collections. I may add that the wise taxation policies pursued by this Government have helped in translating high economic growth into higher tax collection. The revenue receipts for the year 2004-05 were estimated to be Rs.40,394 crore as per Budget Estimates for the year. As per the revised estimates for 2004-05 these are now estimated to be Rs.42,883 crore. In the Budget Estimates for the year 2005-06 these are estimated to go upto Rs.50,430 crore. The increase has been mainly due to increase in Tax Collection which have registered an increase of 20.65 per cent in the Revised Estimates for the year 2004-05 over 2003-04. The increase in Tax Collection as per Budget Estimates for the year 2005-06 is estimated to be 17.60 per cent over the Revised Estimates for the year 2004-05. The tax collections are growing at a rate faster than the rate of growth in the State's Economy. This higher buoyancy is a source of great satisfaction.

Non-Plan Expenditure contained .

6. Another major reason for improvement in the revenue balance is that the growth in the non plan expenditure has been contained and expenditure on salaries, pensions, interest have now assumed a more sustainable trajectory. When this coalition had been sworn in in the year 1999-2000, the combined expenditure on salary, pension and interest was around 81 per cent of the revenue receipts. In the revised estimates for the year 2004-05 this combined expenditure on salaries, pension and interest is estimated to be around 70 per cent. For the year 2005-06, the expenditure on these accounts is estimated to be around 67 per cent. Continuing a tight control on these heads is necessary if Maharashtra is to reach a fiscally comfortable position.

Resources for Annual Plan (2005-06) fully provided for in the Budget.

7. As the revenue deficits are eliminated and Maharashtra becomes a revenue surplus State, the borrowings of the State Government will now be used primarily for capital and plan expenditures. Moreover, the Government will no longer have to depend upon off-budget borrowings to support its plan and capital expenditures. After a gap of many

years, for the first time the entire plan expenditure for the year 2005-06 is proposed to be budgetted. This implies that the expenditure on the State Plan will be met entirely from budgetary resources. Since the plan outlay is being budgetted the differentiation of plan activities between core and non core activity is no longer relevant.

Fiscal deficit brought down.

8. The turn around in the State finances is remarkable not only because we are not resorting to off-budget borrowings, but also because while doing this the budgetted fiscal deficit itself is being brought down. The budgetted Fiscal deficit as percentage of GSDP is likely to be around 2.09 per cent (Rs. 8,853 crore) as per the Budget Estimates for 2005-06. The corresponding figures for the year 2003-04 (Actuals) and 2004-05 (Revised Estimates) were 4.59 per cent and 3.56 per cent respectively. As the fiscal deficits are brought down, the growth in debt stock of the Government will start to deaccelerate. The public debate on the debt stock of Maharashtra has centered around the absolute size without reference to the ability of the economy to service it. Even when the size of debt stock was high, Maharashtra was one of the few States where the debt stock to GSDP ratio has remained below 30 per cent. With the reduction in fiscal deficit this figure will start to come down, although gradually.

Institutional framework to instill confidence.

9. Even as Maharashtra's economy has now entered a higher growth phase, it is important to keep in mind that all economies go through cyclical growth and decline phases. It is, therefore, necessary to insulate the fiscal position from economic downturns, the likes of which Maharashtra witnessed in the recent past. As Maharashtra government's finances stabilise and consolidate, it will be my endeavour to create an environment and institutional framework which will act as a buffer, and instill confidence in the investors about the ability of the State Government to weather economic downturns.

Trust for management of the liabilities.

10. It is with this in mind that our Government has decided to set up a Trust to manage the liabilities of the State Government, to financial institutions and non-governmental entities. While the structure of the Trust will be finalised shortly, it is proposed to make the Trust operational before 30th June, 2005. It is proposed to create 3 separate funds, to manage servicing of off-budget debts, Distressed Assets, and future guarantees on behalf of the Government of Maharashtra. Each fund will have a Lead Institution as a Fund Manager, to impart professionalism to the entire process. I propose to make available about Rs. 3,000 crore for this purpose from within budget provisions already made in the year 2005-06. I propose to continue making provisions of similar magnitudes for the next 3 years to clean up Maharashtra's finances from any

liability overhang. I have decided that without increasing off budget borrowing and so also repayment of 50 per cent of outstanding budget borrowings.

Fiscal Responsibility Legislation.

11. I also propose to introduce a fresh Fiscal Responsibility Legislation in the current Session of the Legislature. The Fiscal Responsibility Legislation framework puts restraints on the Government and prevents it from acting in a profligate and fiscally irresponsible manner. This is so as the 12th Finance Commission award, as approved by the Government of India, enjoins the State Governments to pass such a legislation, with certain minimum parameters. The benefits of interest payment and debt relief provided for by the 12th Finance Commission have been made contingent upon passing such a legislation. As the relief is to be made available to the State Governments prospectively upon passing of such a legislation, I would urge the members of the House to support the Government in getting the legislation passed expeditiously through the legislature. I propose to introduce the Fiscal Responsibility Legislation shortly in the legislature.

Department's Monthly Cash flows.

12. As a part of strengthening the budget management mechanisms, I propose to introduce a system of monthly cash flows. The Finance Department has already written to all the Departments to indicate the monthly cash inflows and outflows. The process of withdrawing funds from the Treasury, for approved expenditures, will be made automatic. It is proposed to restrict Finance Departments intervention to only a few budgetary provisions to manage any temporary mismatch between inflows and outflows. This will impose certain responsibilities on individual departments and require them to plan their activities and fund requirements. This is appropriate as a measure of financial discipline. The Finance Department will monitor the flow of funds and advise the respective departments in case of substantial variances in the projected cash flows. Individual departments are being requested to indicate their monthly funds requirements so that the same can be placed for information before the legislature during the current season itself. This will instill confidence in regard to budgetary estimates for the coming year.

Reduction in average rates of interest.

13.1. A widely used indicator of sustainability of State finances is the comparative ratio of economic growth rate and the rate of interest being paid on the State's debt. In this regard one of the key aspects of the management of the State's finances over the last few years has been the attempt of the State Government to bring down the average rates of interest paid by the government on its outstanding debt even as the growth rate of the economy accelerated. The State Government has achieved considerable success in this. The weighted average rates of interest on the State Government debt which were 12.70 per cent per annum have been brought down to 9.77 per cent in the estimates for the year

2004-05. In the budget estimates for the year 2005-06, these are estimated to be 9.33 per cent. These estimates do not take into account, the debt and interest relief which are likely to be available (around Rs. 700 crore per year) as per 12th Finance Commission Award. The State Government has also swapped high cost debt of NABARD which will bring down the average cost further. It will be my endeavour to keep on reducing the average cost of the State debt further, by seeking opportunities to swap the remaining high cost debt with lower cost debt, as well as to contract fresh borrowings at lower rates of interest. The State Government has also been clearing other contingent liabilities by doing one time settlements with financial institutions. The State Government will pursue the restructuring of these contingent liabilities with institutions like NABARD, NCDC, HUDCO etc., with greater vigour in the ensuing years.

13.2. I am confident the financial and banking institutions will note the success of the State Government in management of the State's finances and factor this while reducing the rates of interest at which fresh loans are going to be extended.

Award of Twelfth Finance Commission.

14.1. The Twelfth Finance Commission (TFC) constituted under Article 280 of the Constitution of India has submitted its Report to Honorable President of India. The Award of the TFC has been accepted by Government of India. During the period from 2005-10, the State is likely to get an overall estimated amount of Rs. 36,194.24 crore.

14.2. The Commission has recommended 30.5 per cent devolution as a share in Central taxes and duties to all the States. This State is eligible for an estimated amount of Rs. 30,663.19 crore as its share in Central taxes over a 5 year period starting from 1st April 2005.

Reconstruction of Public Sector Undertakings.

15.1. A large number of Public Sector Undertakings owned by the Government of Maharashtra have lost their social relevance in the new economic scenario. Most of these undertakings are a burden on the State Government. With a view to deal with this problem we had created Maharashtra Board of Reconstruction of State Enterprises few years ago. This Board was given wide-ranging powers and was specifically created outside the Government to provide effective fast track solutions and to actually take charge of the closure of a large number of Public Sector Undertakings, which were getting delayed within the conventional system of Government's functioning. This experiment has not been very successful. It is therefore necessary to look at the alternative solutions. I therefore, propose to deploy the services of Maharashtra State Textile Corporation for this purpose. As the honorable members are aware Maharashtra State Textile Corporation has gained valuable experience in dealing with closure related issues. The restructuring of Public Sector Undertakings would be directly under the control of the Finance Department.

15.2. Financial restructuring of our Public Undertakings is long over due. Unlike the Government of India Undertaking we receive no returns from our profit making Boards. Most of these are statutory boards and their legal structure does not permit payment of dividends. Therefore we have to work towards capturing and unlocking true value of our undertakings. To begin with I propose to initiate steps to revitalise the Maharashtra State Road Transport Corporation with the objective of making it a financially and professionally a more vibrant organization.

State Income.

16. The Economic Survey of Maharashtra 2004-05 has been made available to the honorable members. The State Income, that is the Net State Domestic Product at current prices for the year 2003-04 was Rs.2,94,001 crore, an increase of 12.7 percent over the year 2002-03. The per capita income for the year 2003-04 has risen to Rs.29,204.

Price Index.

17. The annual inflation rate based on the All-India Wholesale Price Index for January 2005 is 5.5 per cent as compared to 6.5 percent during January 2004. The inflation rate based on Average All-India Wholesale Price Index for the period April 2004 to January 2005 is 6.7 percent as against 5.5 percent during the corresponding period in the earlier year.

Release of dearness allowance to employees.

18. Government of India have sanctioned increase in dearness allowance payable to their employees by 3 per cent. I am glad to inform you that keeping this in mind we have decided to increase the dearness allowance payable to Government and semi Government employees and pensioners by 3 per cent with effect from 1st April 2005.

Annual Plan 2005-06.

19. Draft Annual Plan 2005-06 prepared and submitted to the Planning Commission was of Rs.10,586 crore. The Planning Commission has increased the Plan size and fixed the Plan size of Annual Plan 2005-06 at Rs. 11,000 crore. In this Plan, outlays are earmarked on priority in sectors such as social and community services, irrigation and flood control, transport and communication. The outlays proposed in the Annual Plan 2005-06 are matched by resources and the Plan is thus realistic.

Backlog.

20. The backlog as on 1st April 2005 in sectors other than irrigation sector stood at Rs. 3880.24 crore. In the Annual Plan 2005-06, an outlay of Rs. 1400 crore is earmarked for removal of backlog in sectors other than irrigation sector. A committee has been constituted under me for reviewing the release of funds and expenditure incurred out of

the outlays made available for removal of backlog, as per the directives of the Honourable Governor and to suggest for the remedial measures. This committee has been constituted in pursuance of an assurance given during discussions on the last day motion during the Winter Session of the Legislature at Nagpur in the month of December 2004. The committee will take review quarterly.

The Maharashtra Health Systems Development Project.

21. The Government of Maharashtra has always had a pioneering role in providing health services to the people of the State. To improve the quality of health services at the secondary level in the hospitals of the State, the State Government had initiated the Maharashtra Health Systems Development Project from the year 1998-99 with the World Bank's financial assistance. Against the revised estimate of Rs.650 crores as the project cost, the cumulative expenditure upto December 2004 was Rs.457 crore. Under this project, upgradation of 76 hospitals to 50 and 100 bedded hospitals has been undertaken. Besides this, renovation and upgradation of 25 district hospitals and 35 rural hospital buildings is being undertaken. An outlay of Rs. 122.42 crore is proposed for this project for the year 2005-06.

Establishment of Regional Referral Centre at Nashik and Amaravati.

22. Referral Centres are being established at the Divisional Head Quarters to provide super speciality services. Accordingly, these centres will be established in the first phase at Nashik and Amaravati. 90 per cent work of the main building at Nashik has been completed. At Amravati, the construction work of the regional referral centre has started already and an outlay of Rs.5.80 crore is provided for this scheme in the Annual Plan 2004-05. An outlay of Rs.7 crore is proposed for this scheme in the Annual Plan 2005-06.

Tribal Sub-Plan Scheme – Health Scheme.

23. Under the Tribal Area Sub Plan, the schemes such as appointment of volunteers at Padas, establishment of Rescue Camps, Matrutva Anudan Yojana for the expectant mothers, Dai Meetings, Establishment of Pediatric Intensive Care Unit, etc. are being implemented by the Government, mainly to bring down the infant mortality in the tribal areas. With the implementation of these schemes, the infant mortality has declined. An outlay of Rs. 19.05 crore is budgeted for these schemes in the Annual Plan 2004-05 and an outlay of Rs. 28.80 crore is proposed for the Annual Plan 2005-06.

National Malaria Control Programme.

24. To control the incidence of malaria, a provision of Rs. 11.09 crore from State Plan is proposed in the Annual Plan 2004-05 as the state share. In addition to this, World Bank Assistance is given directly to the Malaria Control Society. Due to these efforts, the incidence of malaria is continuously declining. As such for 2005-06 an outlay of Rs. 22.71 crore is proposed for this scheme.

Aids Control Programme.

25. A project to control the increasing incidence of AIDS is being implemented in the State with the World Bank assistance. In 1998-99, the AIDS Control Society had been established for the effective implementation of this project. In year 2004-05 this society received financial assistance of Rs.14 crore from the National Aids Control Society. The proposal of Rs.37.59 crore for the year 2005-06 is submitted.

The Jeevandai Arogya Yojana.

26. Under the Jeevandai Arogya Yojana, persons from below the poverty line are provided with assistance up to Rs. 70,000 per patient for treatment of heart disease, kidney transplantation and for brain and nervous disorders. This has benefitted 872 beneficiaries. A provision of Rs.7 crore has been proposed for this scheme for the year 2005-06.

Family Welfare Programme.

27. To increase the male participation in the family welfare programme, a compensation of Rs. 501 was given by the State Government to the male accepters undergoing vasectomy operations. This has resulted in an overall increase in the percentage of vasectomy operations from 0.89 per cent in 1999-2000 to 6.08 per cent in 2003-04.

Special Family Welfare Campaign.

28. Accepting the concept of 'Development for all, and Welfare of the family', the State Government has launched a Special Campaign for the period starting from 1st January 2005 to 31st March 2005 to give momentum to the family welfare programme. Under this campaign different health services associated with the family welfare programme are being provided. The said campaign was inaugurated by Honorable Chief Minister on 1st January 2005 at Pune. A target of 7.68 lakh operations is to be achieved during the year 2004-05.

Savitribai Phule Kanya Kalyan Award Scheme.

29. Under the Savitribai Phule Kanya Kalyan Award Scheme, long term fixed deposits were pending to be given to the below the poverty line beneficiaries for undergoing sterilisation operation after the birth of one or two female children and having no male child. The Government proposes to clear the backlog in payments. An expenditure of Rs. 5.50 crore has been incurred in the year 2004-05 and a provision of Rs. 2.50 crore has been proposed for the Annual Plan 2005-06.

Mahila Arogya Din.

30. The State will commemorate 26th February as the Women Health day in honour of the
Late

Dr. Anandibai Gopal Joshi who was the first woman physician in India. This day will be commemorated by holding programmes on matters pertaining to women's health at the State, the District and the other levels. The department has also planned to give awards to the women health workers and officials for doing exceptional work in the health sector. An outlay of Rs. 50 lakh has been proposed for the year 2005-06.

The Rajiv Gandhi Vidyarthi Suraksha Yojana.

31. This scheme was started in the year 2003-04 and so far about 2.18 crore students have been provided with the security cover. A premium of Rs.2.70 crore was paid during the year 2004-05. A similar provision of Rs. 2.70 crore is proposed for the year 2005-06 for this scheme.

Sarva Shikshan Mohim.

32. Out of the Rs. 2,044.24 crore sanctioned for this scheme by the Central Government under the Five Year Plan, the Central Government has so far released Rs. 564.06 crore. The State Government has sanctioned Rs. 343.53 crore as the State share. So far Rs. 674.80 crore has been spent on this scheme.

Vastishala.

33. In the State, 8,398 Vastishalas have been opened till now and about 1.86 lakh students are studying in these schools.

The Midday Meal Scheme.

34. The Central Government has sanctioned grants of Rs. 138 crore for providing proteinised cooked food for approximately 97 lakh students at the rate of Rs. 1 per day per student. Under this scheme, the State Government provides a subsidy of 50 paise per student per day towards expenditure on cooking of the food. A provision of Rs. 159.07 crore has been proposed for the Annual Plan 2005-06.

Grant in aid to New Secondary and Higher Secondary Schools.

35. In this five year plan, the State Government provided grants to bring 850 secondary schools, 1,733 divisions in the secondary schools and 1,499 divisions in higher secondary schools under the grant-in-aid scheme. A provision of Rs.140.94 crore has been proposed for the year 2005-06.

Open Schools.

36. The number of students from primary level taking admission to secondary level is increasing due to various schemes being implemented by the Government, for achieving the objective of universalization of primary education and for reducing the dropout rate at the primary education level. In spite of these schemes and efforts of the department the dropout rates at upper primary level in case of girl students is about 26 percent and in case of Scheduled Caste and Scheduled Tribe students, it is about 40 percent. It is not

possible for these students to continue their education in the formal schools due to poor financial condition. In order to provide non-formal education to these students and to enable them to appear for the Secondary School Certificate Examination, it is proposed to start Open School centers in the State. Students will be free to choose vocational subject of their own choice at these centres and opt out of difficult subjects like Mathematics and English. The students at these centres will also be able to avail benefit of studying vocational subjects which in the long run will help them in their pursuit of employment and self employment.

Fees in the Government aided colleges.

37. Education at all levels has been an area of focus and even though government is already spending over Rs. 9,000 crore every year there is continuous need for additional resources for upgrading the existing facilities as well as opening of new institutions. Education in all Government-aided colleges is heavily subsidized even for those students who come from comparatively well to do families and do not really require or seek such a subsidy. With a view to remedy this anomaly and to further augment resources for expanding our educational infrastructure I propose to introduce three levels of fees in the Government aided colleges. In addition to continuing the existing level of fees, I propose to give further option to the students to either opt for half fee or full fee, which would be calculated on the basis of cost per student. The option regarding the fee structure would be exercised by each student at the time of taking admission and would be voluntary. Part of the Savings effected in this manner would be used for augmenting facilities in the respective colleges effecting savings and partly for expanding the network of educational institutions in the State. This arrangement would provide a unique opportunity to students to actually contribute for enhancement of facilities in the institutions of their learning. I am confident that enlightened parents would positively respond to this scheme as the expenses on education are deductible from taxable income.

Encouragement For Sports At School Level.

38. In order to encourage and to make available sufficient funds for development of sports at the school level, our Government has proposed to spend one fourth of the non salary grant admissible to private aided schools and contingency grants paid to Zilla Parishad primary schools as well as grants available for schools under Sarva Shiksha Abhiyan. Through this arrangement about Rs. 40 crore would become available for this purpose. Apart from this the outlay of Rs. 19.53 crore would be used to complete the incomplete construction works of sports complexes at Regional, District and Taluka level.

Increase in rate of Government of India Post Matric Scholarship for Scheduled Castes.

39.1. Though the scheme is 100 per cent centrally sponsored, the State Government has to make provision to the extent of the committed liability. In the current five year plan the committed liability is determined as Rs. 57.78 crore.

39.2. The Government of India has revised the scheme and has also increased the rates of scholarship. The Government of Maharashtra has decided to implement these revised rates and the amendment in the scheme with effect from 1st April 2003. As per the old rates, the scholarships for a hostelier was in the range of Rs. 150 to Rs. 425. This scholarship now stands revised to Rs. 235 to Rs. 740. Also as per the old rate, the scholarship for a day scholar was Rs. 90 to Rs. 190. As per the revised rate, the scholarship for a day scholar would now be Rs. 140 to Rs. 330. For this purpose an outlay of Rs. 57 crore and a non plan provision of Rs. 98 crore has been made in the year 2004-05 , further an outlay of Rs. 33 crore and a non-plan provision of Rs. 57.78 crore has been proposed for the year 2005-06.

Upliftment of backward classes.

40. You are aware about the purpose behind the establishment of the following corporations -

- (1) Mahatma Phule Backward Class Development Corporation,
- (2) Lokshahir Annabhau Sathe Development Corporation,
- (3) Sant Rohidas Leather Industries and Charmakar Community Development Corporation,
- (4) Vasantrao Naik Vimukta Jatis and Nomadic Tribes Development Corporation,
- (5) Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal,
- (6) Maharashtra Rajya Sahakari Adivasi Vikas Mahamandal,
- (7) Shabri Adivasi Vitta and Vikas Mahamandal.

Government has sanctioned sizable amounts in the form of share capital to these corporations in order to enable them to implement various upliftment schemes entrusted to them. A provision of Rs. 96.62 crore has been made available during the year 2004-05 and an allocation of Rs. 83.50 crore is proposed for the year 2005-06.

Consumption Finance.

41. The consumption finance of Rs. 41.73 crore has been written off in the year 2004-05 which has directly benefited 8.98 lakh tribals in the State. Further during the year 2004-05, consumption finance of Rs. 60.02 crore was distributed to 2.01 lakh tribal beneficiaries in 15 tribal districts. This should help in improving the economic status of the tribal people and making a qualitative improvement in their livelihood.

Empowerment of tribal women.

42. For the empowerment of tribal women, a special scheme to establish 4,600 self help groups has been started by Mahila Arthik Vikas Mahamandal. It is proposed to establish 4,600 self help groups in 3 years for the tribal women of Nashik, Nandurbar, Thane, Chandrapur, Gadchiroli, Gondia, Amravati and Yavatmal districts of the State. This would require an expenditure of Rs.4.66 crore. An outlay of Rs. 1.38 crore has been proposed for the year 2005-06 for this scheme.

Enhancement of maintenance allowance.

43. The Government has decided to increase the maintenance allowance of tribal students staying in Government hostels and attached to professional courses like (i) Medical/Engineering/Agriculture/Veterinary Science/Architecture (ii) Engineering Diploma/M.B.A./M.S.W (iii) B.Ed/D.Ed. etc. from Rs.192 to Rs. 500 - 700 for 1,549 hostliers and Rs. 500 to 1,000 for 1,536 non-hostelers. An outlay of Rs. 88.52 lakh has been proposed for the year 2005-06 for this scheme.

Higher Educational facilities to Tribal Students.

44. Meritorious tribal students cannot avail of higher education due to poor financial conditions. This government has decided to provide opportunities to meritorious Scheduled Tribe students to avail of educational facilities in foreign universities. Accordingly, 10 Scheduled Tribe students will be sponsored by the Government every year.

Tribal Sub-Plan.

45.1. In accordance with the State policy of equitable allocation of resources on a population basis, Rs. 990 crore have been provided for the Tribal Sub-Plan which is 9 percent of the annual plan. These funds will be targeted at, inter alia, ensuring road connectivity to 438 unconnected villages and padas and to 148 fair-weather connected villages. Similarly funds would be used to provide safe drinking water in 314 villages and padas apart from providing permanent water supply schemes to 609 partly covered villages and padas. Other areas of focus are improving the quality of education and reducing the dropout rates in the ashram schools, establishing new ashram schools and hostels, reducing malnutrition by increasing the coverage of children in the age group of 0-6 years by 15 percent in existing and new anganwadis, reducing infant mortality, looking into the problems of adolescent girls and the issues concerning personal health and environment related sanitation.

45.2. With these two programmes of road connectivity and safe drinking water, nearly 1 lakh and 4 lakh tribals respectively will benefit. New ashram schools and hostels schemes would benefit 52,600 tribal students during the year. A provision of Rs. 30 crore for giving incentive to reduce the drop out percentage among tribal girls will benefit nearly 4 lakh tribal girls.

Integrated Child Development Scheme.

46. As per the norms of the Government of India under the Integrated Child Development Scheme, new Anganwadi centers are being sanctioned in the tribal areas covering a population of 700. Under this scheme, the State Government has sanctioned 2,838 new Anganwadi centers from its own funds. A provision of Rs. 33.76 crore has been proposed for the year 2005-06 for this purpose.

Rajmata Jijau Mother Child Health and Nutrition Mission.

47. The State Government has decided to establish the Rajmata Jijau Mother-Child Health and Nutrition Mission at Aurangabad to tackle the grave issues of malnutrition and mortality among the children. The mission would, over a period of five years, aim at significantly reducing the incidence of severe malnutrition amongst children in 0 to 6 age group. The mission objectives stress on health and nutrition of pregnant and lactating mothers as well as special attention to children during the first year of the birth. The mission is headed by a senior officer of the rank of secretary to the State Government. The mission would undertake major publicity campaign in all towns and villages of Maharashtra to stress the importance of health and nutrition, with the ultimate aim of progressively taking over the responsibility for mother and child care.

Swamini Project.

48. In this pioneering 'Swamini' Project, it is endeavoured to use the modern principles of marketing with a view to provide market to the product of the self help groups by providing special brand names, attractive designs and prints, facilitating presentation of the products, appropriate costing, quality control and standardisation for each district with the assistance of non-governmental organisations. The exhibition cum sale namely 'Amhi Kolhapuri' held at Pune and 'Dakkan Jatra' held at Solapur and Mumbai got an excellent response. I propose to earmark Rs. 5 crore to enable the self help groups to market their products.

Managerial subsidy to Co-operative Seva Societies of the educated unemployed.

49. An amount of Rs.10 crore has been proposed for the year 2004-05 in accordance with the decision to give managerial grants for a period of 3 years at the rate of Rs.1,200 per member per year to the members of the Co-operative Seva Societies of educated unemployed youths. Out of this, an expenditure of Rs. 7.79 crore has been incurred till January 2005. A provision of Rs.10 crore has been proposed for the year 2005-06.

Self employment.

50.1. In the year 2000, State Government has declared new policy on employment and self employment. As per this policy 2,847 services co-operative societies of unemployed youths have been established. In present circumstances unemployed youth are finding it

difficult to get jobs in Government and private sector establishments. In view of this it has become essential to provide livelihood facilities to unemployed youth as well as service cooperative societies. Maharashtra like the whole nation is facing the problem of unemployed youths. The number is running into lakhs and we are hardly able to provide enough job opportunities both in Government and in private sector. With this realization, Government of Maharashtra is already giving lot of emphasis on self employment. More than 2,800 societies of unemployed youths are already functioning in the State and more and more societies are being formed. The choice of activities dependent upon the type of activity that is possible in that region. Our effort is to encourage the societies to take up activities which are locally feasible, such as fishing and horticulture.

50.2. Some of the activities identified, for these societies are in the field of agriculture, animal husbandry, horticulture industries, urban development, rural development, information technology, afforestation, irrigation, public works, health and education.

Internet Kiosks.

51. It is under active consideration of the Government to establish Internet Kiosks in order to increase the rural production potential and create new employment opportunities with the help of information technology. Through Internet comprehensive information regarding agriculture or other related matters can be made available to the farmers. It will be possible to provide necessary services and concessions to the entrepreneurs who wish to participate in the scheme. Internet Kiosks in rural region would provide a great scope of direct and indirect employment in the year to come.

Tourism Policy.

52.1. Maharashtra with its vast coast line, beautiful beaches, forts all over the State, numerous places of pilgrimage, world heritage sites, forests and places of natural beauty has vast potential to become a major Tourist Centre for South Asia. The State Government therefore has taken a policy decision to give a special boost to the tourism sector.

52.2. For development of Ajanta and Ellora Caves as a world heritage site, the Japan Bank of International Corporation has sanctioned a loan of Rs. 300 crore for the IIInd Phase of the Ajanta - Ellora Conservation & Tourism Development Project and the State Government has to incur an expenditure of Rs. 60 crore. The various components in the IIInd Phase include among others, conservation of caves, development of the roads and the airport, afforestation works, and development of water supply and tourist facilities.

52.3. Under the Regional Tourism Schemes of Konkan, Khandesh and Vidarbha packages, works are under progress through which tourism facilities are being created at religious places and other tourist attractions.

52.4. An amount of Rs. 8 crore has been sanctioned for the year 2004-05 for development of Diveagar and Harihareshwar in Raigarh district.

52.5. For the year 2005-06 a provision of Rs. 79.80 crore has been proposed.

Progress of New community driven policy.

53. The concept of “Government participation in people’s initiative” is now well established in the rural areas. Financial, technical and managerial support of the State Government is directly provided to the villagers for identification, planning, construction and management of the water supply and sanitation projects at the village level. Presently works in 3,061 Gram Panchayats are under implementation in the State. The new policy adopted by the State Government has shown that the dream of self-sufficient village can actually become a reality provided full confidence is reposed in the villagers and they are provided appropriate support.

Safe Drinking Water Supply.

54. Providing safe and clean drinking water is as important as ensuring the availability of drinking water. The chemical contamination due to fluoride, nitrates and salinity has increased especially owing to the increasing tendency of digging deeper bore-wells. For this purpose, in addition to measures like restricting the depth of bore wells, taking up of massive programme of water re-charging, taking up community sensitization campaigns, the Government has also taken up the campaign for chemical testing of around 3.25 lakh public drinking water sources. A grant of Rs. 2.50 crore has been made available for this purpose.

Mitigation of drinking water scarcity.

55.1. At present, 336 tankers have been deployed for supply of drinking water in 355 villages and 93 wadis. Last year, during the same time, 2,436 tankers were deployed in 2,472 villages and 4,975 wadis.

55.2. Powers have been delegated to the district collectors and divisional commissioners for preparing quarterly drinking water action plans from October to June next year, and for sanctioning the appropriate emergency measures. Accordingly, this year, district collectors prepared the water scarcity action plans for all districts. In urban areas also, appropriate measures are being taken as per requirement to overcome drinking water scarcity. In the financial year 2003-04, Rs. 242.45 crore has been spent on water scarcity measures in rural and urban areas. During the financial year 2004-05, Rs. 190 crore have been made available upto now. Funds are being provided as per the requirement.

Open defecation free village movement and Nirmal Gram Puraskar.

56.1. Along with the Sant Gadgebaba Clean Village sanitation Campaign, a movement to have open defecation free villages has been initiated in the State. In view of the gravity of the practice of open defecation, the villagers are coming forward on their own to construct simple and low cost toilets. Till date 105 Gram Panchayats have become open defecation free.

56.2. Recently the Government of India, felicitated 38 Gram Panchayats throughout the country by giving them Nirmal Gram Puraskar at New Delhi through the Honourable President of India. Out of these, 13 Gram Panchayats are from our State. This illustrates success of our Government's policy in providing basic and essential needs of the rural people.

The demand driven toilet construction.

57. An incentive grant of Rs. 500 per family is given to the families below poverty line who construct and use simple and scientifically appropriate toilets. Similarly, the campaign to construct toilets in primary schools and anganwadies has been initiated. An action plan of Rs.430 crore has been approved for all the 33 rural districts in the State. An expenditure of Rs. 18.85 crore has been incurred in the year 2004-05 and a provision of Rs. 16.56 crore has been proposed for the year 2005-06 for this purpose.

Urban Sanitation Campaign.

58. For promoting sanitation and improving environment in the urban areas, and for the overall improvement in the health of the urban people, the State Government is implementing Sant Gadgebaba Nagri Swachhata Abhiyan from the year 2002-03. Many useful works have been taken up through public participation in this Abhiyan. In order to encourage the urban local bodies who are doing excellent work in the Abhiyan a provision of Rs. 6 crore has been proposed for the year 2005-06.

Connecting Villages through All Weather Roads.

59. A programme to connect villages with tribal and hilly areas population of 500 and 1,000 for the rest with the other areas is being implemented on a priority basis. Out of 40,412 villages, 38,000 villages (94 per cent) villages have been connected by all weather roads by 31st December 2004.

Industries.

60.1. Maharashtra continues to be the premier industrial state in the country with an average industrial growth rate of 9 per cent during the last three years. The recent World Bank-CII study on "Industrial Climate Assessment of India 2004. Improving

Manufacturing Competitiveness “ has ranked Maharashtra as the Number One State for investment climate in terms of investor perception. This study takes into account the key determinants for industrial development.

60.2. For further augmentation of the State’s exports, 29 infrastructure development projects of Rs. 513 crore with central assistance of Rs. 244 crore are being implemented under the centrally sponsored scheme for “Assistance to States for Infrastructure Development for Exports and Allied Activities.” Besides, 44 new projects costing Rs. 550 crore are being shortly taken up.

60.3. For strengthening the State’s important industrial clusters, various infrastructure development projects have been taken up with the Government of India for chemical industrial clusters at Thane-Belapur , Mahad, Lote Parshuram and Roha, for auto and auto component industry at Pune and Aurangabad, for textile industry at Solapur, Ichalkaranji, Malegaon, Bhiwandi and Nagpur, and for foundry at Kolhapur having aggregate project cost of Rs. 550 crore. The projects at Pune, Solapur, Bhiwandi, Malegaon and Butibori (Nagpur) having investment of Rs. 175 crore are under implementation and out of the central assistance of Rs. 115 crore, so far Rs. 21 crore have been utilised.

60.4. Under the special package programme declared for the power loom owners, the Government has released a subsidy of Rs.75 crore to the power loom owners for repayment of 50 per cent of their loan and 5 per cent interest subsidy on the remaining amount.

60.5. With a view to removing the backlog of subsidy to the small scale industrial units in Vidarbha, Marathwada and Konkan regions, total funds to the tune of Rs. 32.59 crore have been released.

Government Policy for power generation and Transmission arrangement .

61.1. The State Government is conscious of the shortage of electricity in the State. To overcome this, the State Government has undertaken a number of effective measures to increase the power generation capacity in the State. Maharashtra State Electricity Board has undertaken the work of Parli and Paras thermal power expansion projects of 250 megawatt each. The installation of the 1,040 megawatt Uran gas based expansion power project, the 1,400 megawatt Talegaon gas based power project and the 500 megawatt Khaparkheda expansion thermal power project are also under consideration. Incremental investment is desirable to increase the generation of electricity. Therefore, policy for private and joint sector investment in the energy sector has been finalised.

61.2. In order to improve the power supply situation in the State and to reduce load shedding to zero in the next five years, Government of Maharashtra has taken the following policy decisions.

- (1) Policy for investment in power generation sector for capacity of 500 Mega Watt and above is finalised.
- (2) To implement the scheme of single phasing in the State, Maharashtra State Electricity Board will raised of Rs. 500 crore. Government of Maharashtra has taken responsibility of repayment of the principal and interest of the said loan. The system of single phasing will ensure regular supply of power for household use and to that extent, the problem of load shading would be reduced for such use.

61.3. In order to evacuate power from generating stations spread all over the State and to ensure smooth transmission of power at the rated voltage to the consumers, four substations of 220 KV and six substations of 132 KV are planned during the financial year 2005-06. In addition, construction of 700 circuit Kilo meter of EHV lines, augmentation of substation capacity by 2,000 MVA and installation of 200 MVAR capacitors are also targetted during this year.

Electrification from non conventional energy sources.

62.1. The Maharashtra Energy Development Agency has decided to undertake the electrification of 249 non-electrified remote villages in the State through non conventional energy sources at a cost of Rs.129 crore. Towards this, the Central Government will bear 90 percent of the cost and the State Government will have to share 10 percent of the cost. Rural electrification in Adivasi areas of Akkalkuwa and Dhadgaon talukas of Nandurbar District will be taken up under the Special Action Plan. The work of Rural Electrification in 16 villages has been approved by the Central Government and the same is under progress.

62.2. In order to promote bio-diesel as a new form of non conventional energy source, the State Government will take up plantation of Jetropa in the uncultivated lands available in the State. Since this will be a new income source to the farmers, the funds for taking up these plantations will be pooled from agriculture, Employment Guarantee Scheme and Oil Board of the Government of India. It is also proposed to encourage Private Sector participation in taking up Jetropa plantations.

Scheme of free power.

63. The cultivators in the State had to face economic hardships and severe drought in the last two-three years. In order to alleviate their hardship, the State Government decided to provide free power for the agriculutral pumpsets with effect from 1st July 2004. The free supply of power resulted in increased use of electricity creating load

shedding. This has also resulted in significant depletion of the limited ground water resources. In view of the experience gained in the last 9 months it is necessary to reconsider the policy of providing free power by the Government. A Provision of Rs. 750 crore has been proposed in this budget. Subject to this provision and keeping in view the interest of poor and needy farmers, policy for subsidies power would be subsequently decided. Power sector requires huge investment in years to come. We have prepared a very ambitious plan to invite public and private investment in this sector. Simultaneously, with active help from the Government of India and the financial institutions, we are making all efforts to restart the Dabhol Power project.

Restructuring of Maharashtra State Electricity Board.

64. Electricity Act, 2003 is bringing reform in power sector by introduction of competition. The Act also stipulates restructuring of the Electricity Boards and majority of the States have already restructured their Electricity Boards into companies. This restructuring was to be completed by 10th June 2004, but Government of Maharashtra has taken extension for completion of restructuring by 10th June, 2005. Government of Maharashtra has in principle approved the restructuring of Maharashtra State Electricity Board into a holding company, a Generation company, a Transmission company and a Distribution company and this process of restructuring is to be completed by 10th June 2005. It is expected that this restructuring will be a positive step towards reform of MSEB and the power sector in the State.

Swarnajayanti gram swarozgar yojana.

65.1. The Swarnajayanti Gram Swarozgar Yojana aims at promoting self employment for the families below the poverty line in order to facilitate them to cross the poverty line. This scheme primarily focuses in establishing self help groups. Since the inception of this scheme, an expenditure of Rs.557.70 crore has been incurred on 3.99 lakh beneficiaries and credit of Rs.711.78 crore has been disbursed under the Swarnajayanti Gram Swarozgar Yojana. Out of these beneficiaries, 18,438 Self Help Groups have started economic activities. Under the Swarnajayanti Gram Swarozgar Yojana, 2.03 lakh women beneficiaries have been assisted.

65.2. For the year 2005-06 an outlay of Rs. 32.94 crore is proposed, in which an outlay of Rs. 11.08 crore for Special Component Plan and Rs. 9.02 crore for Tribal Sector is proposed as a State share for the implementation of Swarnajayanti Gram Swarozgar Yojana.

Protective and preventive measures at pilgrim centres.

66. In order to avoid the recurrence of incidents like the stamped at the Kaleshwardevi Yatra at Mandhardevi in Satara District Government has issued comprehensive guidelines on protective and preventive measures to be taken at pilgrim centres during

and prior to special occasions. Necessary places and estimates and fund for visions will be made for implementations of such measures.

Development of pilgrimage places.

67.1. Under this scheme, development works at 109 pilgrim centres at the district level and 24 pilgrim centres at the state level are in progress.

67.2. An outlay of Rs. 31.23 crore including Rs.8.73 crore for the district level works has been proposed for the year 2005-06.

Sampoorna Gramin Rojgar Yojana.

68. The Sampoorna Gramin Rojgar Yojana is being implemented as an integrated scheme in the State from the year 2002-03. Under this scheme, 5 kilograms of food grains per person per day are being distributed at subsidised rates to the labourers who are below the poverty line and the balance amount towards their wages is paid in cash. The objective of the scheme is to provide additional wage employment and food security to the people of the rural areas who are willing to take up manual work in their neighbourhood. An amount of Rs. 121.79 crore has been proposed as a matching share of the State Government for the year 2005-06 for this scheme.

The Indira Awaas Yojana.

69. Indira Awaas Yojana aims at giving assistance to the below poverty line persons belonging to the Scheduled Castes, Scheduled Tribes, freed bonded labourers and also to the non-SC/ST persons with low income to construct and upgrade their houses. Under this scheme, during the year 2004-05, 61,007 units have been completed and 69,200 units are in progress. An outlay of Rs.119.36 crore has been proposed for the year 2005-06 for this purpose.

The Valmiki Ambedkar Awas Yojana.

70.1. With a view to upgrading the living standard of the slum dwellers in urban areas, who are below poverty line and members of economically weaker sections of society, a scheme called the Valmiki Ambedkar Awas Yojana has been announced. Under this scheme, funds are to be utilised in the proportion of 60 percent for construction of new houses, 20 percent for repairs and upgradation of existing hut/slum and the remaining 20 percent for construction of toilets under Nirmal Bharat Abhiyan. This scheme is being implemented in 80 cities, the population of which is 50 thousand or more as per 2001 census.

70.2. Under the Valmiki Ambedkar Awas Yojana the construction work of 27,793 houses have been completed upto 28th February 2005 in 80 cities. For the year 2005-06 an outlay of Rs.36.15 crore has been proposed for this scheme.

Gramin Niwara Yojana.

71.1. There are Housing schemes like Wambi for needy people in Urban areas.

71.2. An ambitious scheme to provide constructed houses to below poverty line population will be initiated. In rural areas, under this scheme those beneficiaries who are deprived of the benefits of Indira Awas Yojana, would get financial assistance limited to Rs. 40,000 for constructing houses on their land. Implementation of this scheme will be through Maharashtra Housing and Area Development Authority.

71.3. Besides, we will initiate modern scheme of construction of houses for the needy people from rural areas who are above poverty line. Under this scheme initially beneficiaries have to contribute Rs.5,000 and remaining amount will be recovered in easy installments spread over a period of 20 years. Under this scheme programme of construction of 50,000 houses will be undertaken through Maharashtra Housing and Area Development Authority.

KFW German Assisted Minor Irrigation Project.

72.1. The Government of Maharashtra is presently implementing the KFW German assisted project for minor irrigation schemes which have an irrigation potential of upto 250 hectares. For this, a plan assistance of approximately Rs. 130.50 crore is envisaged. Out of this, an amount of Rs. 103.50 crore would be available as a soft loan and the remaining Rs. 27 crore would be provided by the State Government as its share. An amount of Rs. 34.65 crore has been proposed for the year 2005-06 under this scheme.

72.2. The total project is expected to be completed within 8 years in two phases. In this phase, 10 schemes have been implemented, out of which the head works of 6 schemes have been completed and the works of the distribution system are in progress. The remaining 4 schemes are also in progress and an irrigation potential of 1,573 hectares is expected to be created on completion of these works.

Maharashtra Water Conservation Corporation.

73.1. To accelerate the water conservation works, the Maharashtra Water Conservation Corporation was established on 21st August 2000. The Corporation has so far completed 64 schemes which have created 6,548 hectares of irrigation potential in the State.

73.2. For the year 2004-05, Rs. 50 crore was provided to complete schemes included in the LIC loan proposals. For the year 2005-06 Rs. 81.06 crore outlay is proposed to complete the minor irrigation schemes included in the NABARD assisted proposals.

Minor Irrigation Schemes.

74.1. For minor irrigation schemes with a capacity of upto 100 hectares, an outlay of Rs. 61.54 crore has been proposed for the year 2005-06. This would help create irrigation potential of 44,604 hectares during the year.

74.2. Similarly for schemes with capacity from 101 to 250 hectares, an outlay of Rs. 71.22 crore has been proposed for the year 2005-06. Which would create an irrigation potential of 44,302 hectares.

Adarsh Gaon Yojana.

75. Under the Adarsha Gaon Yojana, 222 villages have been selected from 156 talukas in the State. The development programmes of various departments are being implemented in these villages with the active participation of Non Governmental Organisations. An amount of Rs. 1 crore has been provided in the year 2004-05. An outlay of Rs. 2 crore is proposed for the year 2005-06.

Record disbursement of compensation under crop insurance.

76. For Rabi 2003-04 season, a record compensation of Rs.193.65 crore was sanctioned under Crop Insurance Scheme. The State Government has paid Rs.91.10 crore towards State share of 50 per cent. The said compensation has been distributed to 9.14 lakh farmers. Towards the State's share an amount of Rs. 131.14 crore for the year 2004-05 and Rs. 130 crore for the year 2005-06 has been provided.

Fisheries.

77.1. Till 2004-05, financial assistance was provided for mechanization of 2,096 fishing vessels loans were also provided to fishermen Co-operative Societies for purchase of 108 trucks and for setting up of 12 ice factories. Rs. 3.36 crore were spent to complete 92 works relating to infrastructure in fishing harbours. Similarly under the Konkon Development Programme, the work of 3 fishing harbours and 10 jetties is presently in progress. Another 11 jetties have been completed during the year. An outlay of Rs. 64.10 lakh is proposed for the year 2005-06 for these works..

77.2. The fish production in inland waters has gone up to 1.28 lakh metric tonnes in a year. For this purpose 42 fish seed production centers in the State produced 16.44 crore of fish seed. A fresh water shrimp seed hatchery capable of producing 4 crore seeds per year has been constructed at Dapcheri in district Thane. Production is expected to commence shortly. An amount of Rs.42.47 lakh has been incurred upto January 2005 on the Seed Production Centre. An outlay of Rs. 1.44 crore is proposed for the year 2005-06 for this purpose.

77.3. Rs. 5.50 crore has been sanctioned under special programme for Vidarbha Region to cover the backlog of stocking of fish fingerlings and prawn seeds in 11 districts of Vidarbha. Out of this, an expenditure of Rs.2.05 crore and Rs.99.35 lakh has been incurred on stocking the fingerlings and the prawn seeds respectively.

Government milk scheme.

78. The dairy business is currently being managed by the dairy development department of Government of Maharashtra. The estimated losses of the Government

dairies is approximately Rs. 150 crore in the year 2004-05 and the accumulated losses are Rs. 3,100 crore till 31st March 2004. In keeping with the Government policy of staying out of direct management of actual business we have decided to transfer the milk business to Maharashtra State cooperative milk federation (Mahananda) in stages. The direct elections to this cooperative apex body are being held in May 2005 and the newly elected body should be in place by then. The operational details are being worked out and the actual transfer of manufacturing facilities is expected to be completed within the next financial year. This transfer of control would further strengthen the cooperative movement in the area of milk production and marketing and would vastly benefit the farmers.

Khar Lands.

79. Under development of Khar Lands, an expenditure to the tune of Rs. 52.54 crore has been incurred upto December 2004 on works by the Water Resources Department. This has helped complete 119 kharland schemes thereby reclaiming an area of 7,034 hectares. Also, 218 old schemes have been renovated which has resulted in reclamation of 30,220 hectares. In the year 2004-05, 38 kharland schemes are in progress from which 5,286 hectares of land will be reclaimed. An outlay of Rs. 4.97 crore is proposed for the year 2005-06 for this purpose.

Hydro Project.

80. During the year 2004-05, the 250 Mega Watt capacity Sardar Sarovar Canal Head Power House was commissioned. Presently the works of Ghatgar pumped storage scheme, strengthening of the Koyna Dam and increasing the length of the head race tunnel of the Koyna Stage-IV are in progress. An outlay of Rs. 100 crore is proposed for the year 2005-06. Out of which Rs. 25.47 crore is earmarked for Koyna Stage IV and Rs. 37.75 crore is meant for Ghatghar pumped storage scheme.

Private participation in Irrigation projects.

81. Even though Maharashtra has the highest GDP it continues to support vast population in its rural areas below the poverty line. Primary reason for slow progress in removal of poverty in rural areas is on account of very low area under perennial irrigation. It is therefore of vital importance for us to exploit the limited irrigation potential available to us in the shortest possible time. Over the years we have made considerable investments in the irrigation sector. A large number of projects across the state are in different stages of completion. To augment our limited resources and to complete these projects at the earliest major hydro electric projects will be developed on Built, Own, Operate and Transfer (BOOT) basis through private investors. A bill is introduced in the Legislature to amend the definition of company described in Section 2 (Seven) of Volume-I in Maharashtra Patbandhare Act 1976 for participation of private entrepreneurs.

Cotton Monopoly Scheme.

82. Purchase of cotton from the farmers, primarily in Vidharba, Khandesh and Marathwada, has also been a matter of continuous debate both within and outside the government. We have so far fulfilled our promised obligation to farmers in spite of severe financial strain on our resources. The Government has already disbursed over Rs. 1,300 crore and the remaining amounts will also be disbursed shortly. This scheme was envisaged essentially to give the cotton farmer the full market price without exploitation by the middlemen and hence, based on a no-profit-no-loss philosophy and was successfully implemented for over 20 years. However, delinking of the cotton procurement price from the minimum statutory price and prevailing market price in recent years has totally distorted the scheme. This has resulted in declaration of much higher procurement price to the cotton farmers in the past many years, thereby increasing losses of the cotton scheme and making it totally unsustainable. It has, therefore, become necessary to revert to the basic principles of market based pricing subject to minimum statutory prices and management of the scheme within the overall framework of no profits-no loss philosophy. As the cotton prices have been sliding in the open market, it is also time to think in terms of promoting alternative crop choices. The climatic and soil conditions in the cotton region are quite suitable and conducive for cultivation of soyabean and other oil seed crops. The state Agriculture Department is going to develop incentive schemes for alternative crops. I would, therefore, urge the farmers to make full use of these schemes.

Development of Mumbai.

83.1. In order to accelerate the financial development of Mumbai and to improve the living conditions of people, the State Government has prepared a comprehensive plan, which includes infrastructure, housing, development of slums, efficient development of services etc. Some of these projects have already started. The project of Bandra-Kurla sea bridge costing Rs.1,306 crore will be completed in the year 2007. The works, costing Rs.1,113 crore under the Mumbai Urban Transport Project which has been initiated with the help of the World bank, have been completed. Under this project 101 new suburban trains will be introduced by the year 2007. Due to this, suburban railway travellers will get substantial relief. Under the Mumbai Urban Infrastructure Project (MUIP) costing Rs.2,600 crore, 462 kilometer roads, 41 flyover bridges, 66 subways and 300 kilometer footpaths will be constructed. This will be helpful in improving the quality of the main roads as well as to speed up East-West transport in the Mumbai. It is expected that all these projects will be completed in the year 2007. It has been planned to rehabilitate the families which are affected by this project. Construction of 53,000 houses has been completed and during next 5 months about 3.50 lakh slum dwellers will get their own houses. Varsova-Andheri-Ghatkopar Light Rail Project costing Rs.1,500 crore has been started and it will be completed within

next 4 to 5 years. For development of Mumbai, provision of Rs.1,000 crore has now provided during 2005-06.

83.2. Besides this, some important projects have been submitted to Government of India for assistance. For the first time Government of India has realised the importance of Mumbai and declared assistance for its development. Government of India's Budget for 2005-06 specifically mentions Mumbai's Metro Project, Shivadi-Nhava sea bridge project and Western Express Highway Projects and necessary financial provisions are being made for this purpose.

83.3. Geographically Mumbai lies at a prime location between London and Tokyo. Mumbai should not only be a financial capital of the country, but should be an important financial centre even for South-East Asian and gulf countries. In view of this steps are being taken by Government of India to develop Mumbai as a Regional financial centre. As a result, substantial employment opportunities will be created banking, insurance and other financial sectors.

83.4. A task force constituted for making a futuristic plan for Mumbai has recommended development of tourism sector for creation of further employment opportunities. The Government of Maharashtra is therefore recommend during to the Central Government for development of the Gorai area as a Special Economic Zone.

Mumbai Trans Harbour Link Project.

84.1. The Mumbai Trans Harbour Link Project is now taking concrete shape. The link will be a 22 kilometers six lane road bridge on the sea connecting Mumbai island to the mainland. The project is estimated to cost Rs. 4,000 crore.

84.2. All essential preliminary technical studies have been completed and the Government of Maharashtra has decided to implement it on BOT basis. The bids for pre-qualification of entrepreneurs have been also received. The Government of India has also accorded environmental clearance for the project. The project is expected to be completed in four year from the date of commencement.

Inland Passenger Water Transport on the Western and Eastern Coast of Mumbai.

85.1. To relieve traffic pressure on Mumbai roads and railways, Government has taken development of passenger water transport on the western and eastern coast of Mumbai. A letter of intent has been already issued to a BOT entrepreneur for operating passenger transport on the western coast.

85.2. Further, a detailed project report is under preparation for passenger water transport on the east coast of Mumbai connecting Mumbai and Navi Mumbai.

Bandra Worli Sea Link Project.

86. Bandra Worli eight lane Sea Link Project costing around Rs. 1,306 crore is in progress. The project comprises of two beautiful cable stayed bridges. It is expected that this project will be completed by December 2007.

Memorial of late Dr.Kotnil, Govindbhai Shroff and Bal Gandharv.

87. In the memory of eminent Late Dr. Dwarkanath Kotnis, the great son of district Solapur, who endangered his life and relentlessly served the wounded soldiers of China during the Second World War, a memorial befitting his stature would be constructed at Solapur. Similarly, in the memory of Padmavibhushan Late Govindbhai Shroff, the great freedom fighter and pioneer of the Marathwada Liberation Movement, a memorial befitting his stature will be erected at Aurangabad. For this purpose, suitable budgetary provisions will be made. The proposed monument in memory of Late Narayan Shripad Kulkarni alias Rajhans alias Natsamrat Balgandharv at Nagthane, Taluka Palus, Sangli district, is under consideration. For this purpose, a Committee under the Chairmanship of the Guardian Minister of district Sangli has been established. Further action will be taken after the receipt of the report from the committee.

Modernisation of Police Force.

88.1. The scheme for modernisation of the State Police force is being implemented since the year 2000-01. Up till now, an expenditure of Rs.556 crore has been incurred on this scheme. Since 2000-01, under this scheme, 4,452 new vehicles have been provided for the police force. For the year 2005-06, a provision of Rs.184.20 crore is proposed for the modernisation of the police force.

88.2. In order to increase collection of Tax and Fines from Motor vehicles on the 22 border check posts of the State, it is necessary to create infrastructure facilities including buildings, weight bridges, Road lanes and Computers which would be linked to all the border check posts and office of Transport Commissioner, RTO, or Dy.RTO. The approximate cost of the work would be Rs.50 crore for the year 2005-06. It is proposed to make a provision of Rs.50 lakh in the budget for the year 2005-06.

Police Welfare.

89.1. This Government is seized of the need to improve the quality of life and the medical facilities available to the police personnel. With this objective in mind we propose to introduce a scheme, which will enable policemen of all ranks and their families to access the better medical facilities in the private sector for a large number of ailments. Not only the limits on such expenditure shall be increased but the attendant procedure for claim reimbursement shall also be simplified.

89.2. My Government also proposes to bring out an incentive scheme for all police officers in the age group of 35 to 58 to remain physically fit at all times. A lump-sum incentive on yearly basis will be paid to those officers who maintain clearly defined fitness standards on a continuing basis.

E-Governance.

90.1. Different services required by the common citizens are made available at a single place under the Integrated Citizens Facilitation Centre (SETU) project. At present, 25 district headquarters have SETU Centres and 273 taluka headquarters. These centres provide 85 different facilities including certificates, variety of licenses. This facility also helps citizens' redress their grievances.

90.2. Registration of documents in 386 Registrar offices is done under the SARITA project on Build, Own, Operate and Transfer (BOOT) basis. Now valuation of properties can also be done on-line. The e-Mantra applications like SAHAJ, SAMAY, SAHYOG, SHODH, SAMPARK, E-SANDESH are being used in day to day functioning of Mantralaya.

90.3. To implement e-governance projects of various departments effectively, high speed optical fibre cable connectivity from Mantralaya to all district headquarters and from district headquarters to all taluka headquarters is being set up. Further, Government also plans to set up state of the art Data Centre at Mantralaya. The high speed connectivity and the centralised data centre would enable Government to roll out statewide computerisation projects of various departments through a centralised architecture.

Science and Technology.

91. Science and Technology is an important tool to achieve socio-economic development. To give impetus to science and technology activities in Maharashtra, Rajiv Gandhi Science and Technology Commission is established. The act for this was notified on 15th December 2004. The Commission under the Chairmanship of Dr. Vasant Gowarikar with expert members will start functioning in near future. Under this Commission, projects like Water Harvesting, Food Processing, Health and Environment, Energy Conservation, Seismic mapping of the State, creating a Gene Bank, Medicinal Plant Survey, Patent Information Centre, Science Centre will be implemented. For this purpose, a provision of Rs. 1 crore is proposed for the financial year 2005-06.

Statue of Chatrapati Shivaji Maharaj.

92. In the meeting held on 14th February 2005, under the chairmanship of Honorable Chief Minister, a decision is taken to erect a statue of Chatrapati Shivaji Maharaj in Arabian sea near Mumbai. For this purpose two committees namely Technical Committee and Visualisation Committee are being constituted.

Late G.D. Madgulkar Memorial.

93. A Committee under the Chairmanship of Shri Patangrao Kadam, Sangali District Guardian Minister and Minister for Co-operation has approved the plans of works related to the memorial of Late G.D. Madgulkar. For this work, this Committee is making all out efforts to accomplish further works after making available funds.

State Forest.

94. The area under Forest is 20.91 per cent of State's geographical area. Efforts will be made to increase the forest cover to 33 per cent upto the year 2012. An outlay of Rs. 7.30 crore is proposed for this purpose during the year 2005-06.

Forest tourism.

95. There are lot of good locations which are ideally suited for development of forest tourism in the State. Funds to the tune of Rs.3.30 crore will be made available to the Forests Department for their development. This will provide employment to the local population and at the same time open up new avenues for tourists.

Eco Tourism Project at Gorewada.

96. It is proposed to establish zoo, safari park and eco tourism project of international standards at Gorewada near Nagpur, the second capital of the State, to promote tourism. This project will be developed on the lines of Singapore project. International Standard Consultants shall be appointed thereafter. It is expected to attract Indian as well as overseas tourists.

Joint Forest Management.

97. The tribals generally inhabit the forest areas and the problem of malnutrition of tribals is a major concern to the State Government. The implementation of the forest development programmes as per the working plan of the forest areas will provide employment to these tribals and will increase their earnings. Various schemes are implemented in these areas through the Joint Forest Management Programme. Positive steps will be taken to seek active participation of the other departments for implementation of the developmental schemes. So far, 39 project proposals of forest development agencies in the State have been sanctioned by the Government of India and the approved outlay of these projects is Rs. 89.59 crore for the period of 5 years.

Forest Protection.

98. The State Government has prepared a master plan for protection of forests for a period of 10 years with a proposed outlay of Rs. 84.21 crore. The modern forest fire control project of the Central Government is now renamed as the Integrated Forest Protection Scheme. During the last four years, central assistance of Rs. 6.23 crore was received. An outlay of Rs. 30 lakh is proposed for the 2005-06.

Concession to Garment Industry.

99. To support rapid growth of garments manufacturing activity in the State, the Government would strive to provide an enabling environment under various labour laws, which would be comparable with the best available in any other State in the country.

Garment Parks.

100.1. With a view to encourage commercial transactions, the Government has taken a decision to reduce the stamp duty on all types of mortgages from 1 per cent to 0.5 per cent.

100.2. Maharashtra is a leading State in producing and exporting textile goods. Since the quota system in textiles and textile articles has been abolished from the global market under the new WTO regime with effect from 1st January 2005, there is tremendous scope for increasing textile and garment exports from India. In such a changed scenario, investments in the textile industry, especially processing and garment sectors, need to be encouraged to generate significant growth in employment, production and export of textiles and garments. The Maharashtra Industrial Development Corporation will establish Garment Parks on the leased lands of Maharashtra State Textile Corporation at Nursing Girji Mill, Solapur, Shahu Chhatrapati Mills, Kolhapur, Empress Mills, Nagpur and Vijay Mills, Badnera. In these Parks, infrastructure facilities and other appropriate incentives as necessary will be provided to the private entrepreneurs.

Unorganised Labour.

101. The State Government has constituted a State level Authority for unorganized workers. This Authority would help in solving the problem of the unorganized workers and also take policy decision regarding implementation of this scheme. The Government has also decided to form an Unorganized Workers Authority Fund which will have contribution of Rs. 5 crore.

Grant-in-aid doubled for Public Libraries .

102. Considering the constant increase in the prices of books and periodicals, as well as the hike in other expenditures, and with a view to enhance remuneration of the employees in recognized public libraries, a decision has been taken in March 2005, to double the grant -in- aid from the level of the grants available in the year 1998-99 so that the employees are benefited and the libraries are able to purchase more books and periodicals. Due to this decision, there would be increase in knowledge base available in

the public libraries and there would be a substantial increase in the remuneration of approximately 10 thousand employees. Necessary provision will be made for the year 2005-06 for this purpose.

Medical Colleges.

103. Government has taken a decision to provide essential facilities as per the norms prescribed by the Medical Council of India at Government Medical College, Latur. Accordingly, it is decided to provide Rs. 20 crore in the year 2005-06 for this purpose. The Government has also taken a decision to provide Rs.15.49 crore for the upgradation of Government Medical College and the Government hospital, Aurangabad into a super speciality hospital and to provide Rs. 21.03 crore to shift the Government Medical College and the Government hospital from Nanded to Vishnupuri.

Food grains procurement under the Minimum Support Price Scheme.

104. With a view to provide benefit of the minimum support price scheme to the farmers in the State, 800 purchase centres were opened. About 7.20 lakh quintals of paddy, 1.19 lakh quintals of jowar, 0.48 lakh quintals of bajra and 1.48 lakh quintals of maize have been purchased during the marketing season. The State Government has invested approximately Rs. 66 crore on these purchases and the benefits of the minimum support price scheme have thereby been ensured to the farmers.

Tercentenary Guru-ta-Gaddi.

105. To celebrate the tercentenary of Gur-ta-Gaddi, Maharashtra Government has prepared plan of developmental work to the tune of Rs. 817 crore to create infrastructure facilities for pilgrims. This celebration, though will take place, in 2008 basic infrastructure is to be created now. We have asked for funds from Central Government. The State Government has been proposed a provision of Rs. 12 crore for the year 2005-06.

Employment Guarantee Scheme.

106.1. Quite a few norms under the employment guarantee scheme have been relaxed so that works can be started as per need in the scarcity hit districts. During the year 2004-05, up to 31 December 2004, a total of 68,109 works have been completed under this scheme. A total amount of Rs.1,218 crore has been spent creating 20 crore mandays of employment. A provision of Rs. 575 crore is proposed for the year 2005-06 for this scheme.

106.2. With the main aim of stabilising draught farming firmly. It is proposed to implement water shed development programme linked with Employment Guarantee Scheme Main features of the implementation of this scheme is integrate planning and active peoples participation in a time bound manner.

Fast Track Courts.

107.1. As per the recommendation of the XIth Finance Commission, the State had been directed to set up 187 fast track courts. The State has achieved this target and has set up 187 fast track courts. By these fast track courts, a total of 94,455 civil and criminal cases were disposed till the end of January 2005.

107.2. The Central Government granted an amount of Rs. 48.36 crore for 5 years, that is from the year 2000 to the year 2005, out of which Rs.43.52 crore has been placed at the disposal of the State Government. The Central Government and the Supreme Court have highly appreciated the State Government for the successful implementation of this action plan.

Establishment of courts.

108.1. The Courts of Upper District and Sessions Judge and the Senior Divisions of the Civil Courts have been established and started in the year 2004-05 at Malshiras in District Solapur, Jaisingpur in District Kolapur, Majalgaon in District Beed, Umarga in District Usmanabad, Akot in District Akola and Basmatnagar and Gangakhed in District Parbhani under the administrative control of the Department of Law and Judiciary. Similarly, during the year 2004-05, a Lower Division of the Civil Court at Rahata in District Ahmednagar and a court of First Class Judicial Magistrate and at Vasai, a joint court of the Senior Division Civil Court, Palghar, in District Thane have started functioning under the administrative control of the Department of Law and Judiciary.

108.2. The activities of creating infrastructure facilities like construction of court buildings and the residential quarters of the judiciary are undertaken by the department of Law and Judiciary. This scheme has been sponsored by the Central Government since 1993. Under this scheme, the State Government provides an equal share as that provided by the Central Government. During the financial year 2004-05, 38 works were completed. During the financial year 2005-06, a total of 191 works are targeted. An outlay of Rs. 42 crore is proposed for the year 2005-06 to complete the ongoing constructions.

109. Till now producers who produced their first marathi film with their own resources were given financial assistance of Rs. 15 lakh for their second film or films produced by them after 30 April 1997. The amount of this assistance is proposed to be enhanced from Rs. 15 lakh to Rs. 20 lakh from the year 2005-06. It is further decided to sanction an amount of Rs. 30 lakh for excellent technical production. A provision of Rs. 5 crore is proposed for this purpose for the year 2005-06.

110. In the changing economic scenario greater overall efficiency and responsible management of public affairs has to be the hallmark of public administration in the years to come. This principle is enshrined in the recommendations of the Twelveth Finance

Commission, which rewards efficiency by linking various incentives to the willingness to manage its affairs better. We need to extend the same principle to local bodies, Zilla Parishads and all other public institutions in the State. Some of the initiatives being announced in this budget are pointers towards our seriousness to deal with the issue of inefficiency head on and look for lasting solutions.

111. The Government has decided to extend financial assistance for construction of Haj House at Nagpur for the benefit of muslim pilgrims from Vidarbha and central India.

112: Accelerated Irrigation Benefit Programme.

The Water Resources Department has requested the Central Government for inclusion of 43 projects for consideration in the year 2005-06. Those ongoing projects in the last stage of completion have been included under Accelerated Irrigation Benefit Select Programme. The State Plan Scheme provides for as budgeted outlay of Rs.1991.82 crore for Irrigation projects which includes approximately Rs.1000 crore for Accelerated Irrigation Benefit Programme.

113: Special Component Plan

The outlay of Rs.1122 crore has been provided under the Special Component Plan for the year 2005-06. This outlay has been fully provided in the budget and I will ensure that the funds could be made available as required for implementing the schemes for the welfare of backward classes.

Now I turn to Part – II of the Budget

Now I turn to Part - II of the Budget.

Revised Estimates 2004-05

While presenting the budget in May last year for the year 2004-2005, an uncovered deficit of Rs. 7,303.35 crore had been indicated. The Revised Estimates reveal a deficit of Rs. 298.84 crore. After taking into account the actual opening *minus* balance of Rs. 316.93 crore, the deficit at the end of the year will be of Rs. 615.77 crore.

Budget Estimates 2005-06

The Budget Estimates, 2005-2006 anticipate a surplus of Rs. 40.16 crore as shown below :—

(Rs. in crore)

(A) Revenue Account—		
Receipts	...	50,429.82
Expenditure	...	50,163.96
Surplus	...	265.86
(B) Capital Account—		
Receipts	...	10,919.01
Expenditure	...	12,620.35
Deficit	...	1,701.34
(C) Public Account (Net)	...	4,674.77
(D) Total—		
Receipts (A) + (B) + (C)	...	66,023.60
Expenditure (A) + (B) and unbudgeted outlay of Rs. 2,583.36 crore.	...	62,784.31
Surplus	...	655.93
Opening Balance	...	(-) 615.77
Surplus	...	40.16

As per the discussion with the Planning Commission for the Annual Plan 2005-2006, an outlay of Rs. 11,000 crore has been fixed. Out of the total Plan outlay of Rs. 11,000 crore, Plan outlay of Rs. 8,416.64 crore has been budgetted, since requisite resources are available in the Budget, balance outlay of Rs. 2,583.36 crore would be budgetted during the year.

Introduction of VAT

States in India had decided in 2003 to introduce Value Added Tax system in place of the existing Sales Tax System. The Honourable members are aware that due to the circumstances prevailing at that time, the introduction

of VAT came to be postponed. However, the focus on VAT was not lost. The Empowered Committee of State Finance Ministers continued to meet to find out ways of resolving the differences amongst the States. Since the last general elections, the Union Government has again reiterated its commitment to support the states in their efforts to introduce VAT. VAT will now be introduced with effect from 1st April 2005.

The Indian Economy and VAT

The Indian economy has shown a sustained high rate of growth. It is necessary to remove the identifiable constraints to make the growth truly self-sustaining. The high rate of indirect taxes is one constraint. Another constraint is the absence of a common national market. In addition to these, other major obstacles are the disparity in tax rates and the inefficient tax collection systems. It is universally accepted that the introduction of the VAT system in place of the present sales tax system will enable the Indian economy to overcome these handicaps. Consequently, the economy and fiscal administration of the State will be strengthened.

Background of VAT

Preparatory to the introduction of VAT, the State Governments have discontinued from January 2000 the grant of sales tax based incentives for promotion of industries. The states have also implemented uniform floor rates of sales tax in respect of over two hundred important commodities. The Maharashtra Value Added Tax Bill which was passed by both Houses of the Legislature in March 2003 has now received the Presidential assent. Accordingly, we are now ready to introduce VAT with effect from 1st April 2005.

Merger of different Acts

With a view to simplifying procedures, different sales tax laws will be repealed and replaced by the new VAT Act. Thus, the existing Bombay Sales Tax Act, the Works Contract Tax Act, the Lease Tax Act and the Motor Spirit Tax Act will be replaced by the Maharashtra Value Added Tax Act, 2002. However, the Sugarcane Purchase Tax Act will retain its identity.

Rationalisation of tax rates

Under the new system, the threshold limit of registration for the resellers and manufacturers will be a turnover of Rs.5 lakh and for importers the limit will be Rs. 1 lakh. The rates of tax for various commodities will be as per the national consensus. Additional excise duty in lieu of sales tax is leviable on sugar, tobacco and textiles by the Union Government. Accordingly, they remain outside the purview of VAT. Besides, foodgrains and pulses will

continue to be exempt from VAT for the present. The 4 per cent rate of tax will apply to important industrial raw materials and some items of daily consumption. Precious metals, precious and semi precious stones, pearls and jewellery thereof will be taxed at the rate of 1 per cent. The tax rate on liquor and motor spirits will remain unchanged. All other commodities will be taxed at the standard rate of 12.5 per cent. At present, the effective tax rate on most commodities is 17.5 percent. Since the standard VAT rate is lower than that, the effective tax incidence under VAT will generally be lower.

Input Tax Credit

The one universal feature of value added tax is the grant of full rebate of the tax paid on inputs, i.e., purchases. For a very limited number of transactions, the input tax credit will be partly curtailed. Thus, the input tax credit on manufacture of tax free goods and for goods sent on consignment transfers will be allowed only in excess of 4 per cent. There will be no input tax rebate on passenger vehicles, on petrol and diesel consumed for whatever purpose and on crude oil used by petroleum refineries. Traders will be entitled to claim full input tax credit on the goods held in stock by them at the close of business on the 31st of March 2005. All of such credit can be claimed immediately after the introduction of VAT.

Administration of VAT System

The present system of annual assessment will be replaced by a system of scrutiny of returns and audit of the business. The Sales Tax Department is being retrained and will be reorganised to cope with the requirements of the new system. In the new system, the returns filed by the dealers will generally be accepted. Assessment will be done only in exceptional cases. This is a significant qualitative improvement over the present system.

Package Scheme of Incentives

The industrial units which have been granted sales tax based incentives prior to January 2000 will continue to enjoy their benefits. The facility of tax free purchases of raw materials will, however, be replaced by the scheme of grant of refund of the tax paid on purchases. The units will continue to enjoy the present incentives of exemption or deferral of sales tax on their sales under the VAT system. However, when goods manufactured by exemption units are sold through trading channels, tax will be collected in respect of such resales only on the value added, net of the sale price of the exempted unit.

Composition Scheme

Looking to the nature of their business, it is necessary to provide relief to certain categories of dealers from too much of paper work. Accordingly, there will be a new composition scheme for retailers. The retailers who sell to numerous consumers will be required to pay tax only on the difference between their sales and purchases at a flat rate. They will be required to file six monthly returns. They will not be required to recover tax separately or claim input tax credit. Simple composition schemes will also be made available to restaurants, bakeries and works contractors.

Revenue under VAT

The Government of India has agreed to compensate the State Government towards any revenue loss on account of introduction of VAT system. The compensation will be to the extent of 100 per cent, 75 per cent and 50 per cent of the revenue loss in the first, second and third years of VAT respectively. In the meanwhile, the State Governments are also to get the authority to levy tax on sugar, tobacco and textiles. A proposal to enable the states to tax services is under discussion. The states have also represented to the Union Government that VAT should be levied on imports for the exclusive benefit of the states. It is hoped that in the long run, the loss of revenue on account of introduction of VAT will be compensated by these measures. I should add that in the first year of VAT, there will be no change in the present system of collecting Central Sales Tax.

Amendments To present Acts

In the meanwhile, it has become necessary to carry out certain amendments to various tax laws before their repeal by the Value Added Tax Act. Thus, it is proposed to extend up to 5 years the time limit available for completion of assessments under the Bombay Sales Tax Act for all periods up to the 31st March 2005. A small correction is proposed to be made to the provisions relating to revision in consonance with other provisions in the Act. Some technical corrections are being proposed to the Lease Tax Act, the Entry Tax Act for Motor vehicles and the Works Contract Tax Act. One provision under the Maharashtra Tax on the Entry of Goods under the Local Areas Act, 2002 had been struck down by the Mumbai High Court in one case. In view of the decision of the Supreme Court in appeal in that case, it has become necessary to revive the earlier position. and accordingly, an amendment will be introduced in the Legislature.

Amendments of VAT Act.

The Maharashtra Value Added Tax Bill was passed by the Legislature in March 2003. There after, Government of India has made certain observations on the VAT Bills of the various states. The Empowered Committee of State Finance Ministers also has been reviewing the issues involved in the introduction of VAT. Besides, suggestions and objections have been received from various quarters including chambers of commerce, tax practitioners and technical consultants appointed by the State Government . Based on these recommendations and inputs, a comprehensive draft amendment bill is prepared to amend the Maharashtra Value Added Tax Act, 2002.

Consultative Commitee

VAT system is not only a new way of collecting tax, it also involves a new approach to tax administration. During the first few months of VAT administration, the dealers will no doubt be required to get acquainted with and follow different procedures. It is, therefore, important and necessary to address all teething problems as and when they arise and try to find appropriate solutions. I, therefore, propose to set up a consultative committee of trade and industry to deliberate on operational problems and issues and recommend appropriate solutions.

Bulk Drugs

Lease and sale of copyrights are liable to tax under the Lease tax Act and the Bombay Sales Tax Act. Looking to the fact that cinematographic films and video films is a booming industry in Mumbai and other places in Maharashtra, suitable administrative relief is proposed to be given towards the copyrights of cinematographic films and video films with effect from the 1st May, 2000.

Bulk Drugs

In some of the neighbouring States, the applicable rate of sales tax on inter-State sales of bulk drugs is 2 percent. This causes significant loss of revenue to the State Government. I, therefore, propose to prescribe the same rate of 2 percent in Maharashtra for inter-State sales of bulk drugs.

Stamp Duty on Property Transaction

In the last budget for 2004-05 the Government took a decision to reduce maximum rate of stamp duty on property transactions from 10 percent to 5

percent. I am happy to inform you that the reduction had a very positive impact both in terms of increased compliance and realization of stamp duty. For the year 2004-05 , the realization of revenue from stamps and registration will reach Rs.4,000 crore, which represents an increase of about 20 percent over the year 2003-04. We are committed to reduce and rationalize stamp duty for other segments as well with a view to making it more affordable to the people and encourage compliance across different segments of instruments and transactions.

Reorganization of General stamp office

The Government will take steps to reorganize the General Stamp Office , Mumbai so as to improve efficiency and reduce delays in all types of adjudications. Special attention will be given to ensure better realization of stamp duty revenue from the financial markets, inclusive of stock, debt and commodities markets. We propose to set up two monitoring units headed by Collectors of Stamp especially for financial and real estate markets, which would streamline realization of stamp duty revenue from these markets.

The Government will endeavour to introduce a computerized sale, supply and verification system for stamps. This will eliminate frequent shortages of stamps and reduce the possibility of malpractices such as use of fake stamps and consequent manipulation of documents. The Government will set up a system known as Computerized Stamp Duty Administration System (C-SAS) through a computer-based network, which will authorize designated banks and financial institutions to sell stamps and provide information on all the transactions to the stamp and registration authorities on a continuous basis.

Stamp duty on Housing loan

To encourage home ownership for common man, the Government will declare tax holiday of stamp duty for the housing loans of up to rupees 1 lakh. Also, the stamp duty for the housing loans of up to Rs. 10 lakh will be reduced by 50 per cent

VAT stamp duty system

In view of the rising cost of education, students need to obtain loans from one source or the other. To make it easier for the students, the Government has decided to give a tax holiday of stamp duty on all educational loan documents executed by students for pursuing studies within the country.

Stamp duty on commodity Market transactions

The Government will endeavour to introduce Value Added Tax based stamp duty system for two stages i.e. Development Agreements and Conveyance related to property development. It will help to protect the interests of investors and potential buyers of real estate by encouraging them to register all documents relating to these transactions.

The Government considers functioning of a strong and vibrant capital market as critical to growth and investment. Mumbai is the hub of financial and capital markets in the country, and we are committed to retain its leading position in this sector. With a view to encourage the growth of capital markets, the Government has decided to reduce and rationalise duty on futures and forward trading. Accordingly, the Government has decided to reduce stamp duty on commodity market transactions by 90 per cent and on sale or purchase of Government securities by 95 per cent. The Government is also keen to keep pace with emerging market concepts and has, therefore, decided to restructure the provisions related to market transactions.

Coordination with stock exchanges.

At present, stamp duty on stock or commodity market is collected from either the broker or investor. It causes inconvenience to the trading community and is not conducive to efficient realization of stamp duty. Therefore, the Government intends to enter into arrangements with the concerned Exchanges and Trading Platforms so as to simplify the procedure and make the collection of stamp duty smooth and efficient.

Stamp duty proposals

With a view to protecting the legitimate interests of the concerned parties, the Government has decided to provide for certain categories of documents within the ambit of Stamp Act. Accordingly, the Government has decided to bring agreements relating to advertisement, broadcasting, etc. within the preview of Bombay Stamp Act, 1958.

The Government will endeavour to introduce registration of Leave and License Agreements, Mortgages, and Hypothecation through Banks.

The Government has proposed to simplify the Court fee structure for Probate and Letter of Administration of Will by reducing the fee from 7.5 per cent to 5 per cent.

With a view to encouraging commercial transactions, the Government has taken a decision to reduce the stamp duty on all types of mortgages from 1 per cent to 0.5 per cent.

Tax on trailers.

During the last budget, I had announced exemption of tax on motor trailers used for agriculture in order to help the farmers. The interest on the arrears of tax payment has accumulated to Rs. 19.66 crore. In response to the representations received from the agriculturists, I have decided to bring an amnesty scheme, under which the entire interest arrears will be waived if the pending taxes are paid in full by 30th June 2005. The details of the scheme will be announced in due course.

I had ended my last budget speech with an appeal to the electorate of Maharashtra to vote wisely in the elections to be held in October 2004. The voters heeded my appeal and voted most wisely to re-elect our government. It is now for our Government to payback the voters with responsible and growth enhancing economic policies. With the proposed revenue surplus and reduced fiscal deficit, Maharashtra has done the Structural Adjustment on the strength of its economy and its people. With these policies, I am sure this Government will continue to serve the people for a long, long time.

Jai Hind ! Jai Maharashtra !