

Honourable Speaker,

1. I rise to present the budget for the year 2004-05.
2. It is an honour to present the fifth consecutive budget of my Government. The last four years and more have been significant in the development of the State and the progress of our people.
3. A **Vibrant Karnataka** today occupies a position of pre-eminence amongst the states of the Union and has contributed in no small measure to a Resurgent India.
4. In my first budget, I had set out the principal challenges facing the State: empowerment of women, high economic growth, strengthening agriculture, sustaining investment in irrigation, expansion of infrastructure, a pro-active industrial policy, good governance and prudent fiscal management.
5. I look back with satisfaction that all of these have been addressed by my Government with considerable success.

6. Karnataka, as the world sees it today, and I say this with legitimate pride, ranks as a leader in Society, Economy and Polity in the country and has emerged as "Global Karnataka". The last five years, three of which were spent combating unrelenting and consecutive droughts, have seen Peace, Prosperity and Progress in all walks of life and for all sections of our people. This was largely because my Government rose to the occasion and strove to ring fence the affected population. The magnitude of the relief effort is unprecedented in reach and scale.

7. I salute the people of the state for their fortitude and patience. The fact that the state has shown strong economic growth even in adversity is testimony to the success of our policies and a measure of the confidence people repose in us. Not only have we emerged from distress, but we have also been shining through.

8. In the words of *Mirza Ghalib*:

*Hum parvarishe khake watan,
karte rahe hein*

Bulandi ke muqaamon ko

chhoote rahe hein

*Vaadon ko nibhaane ka
jatan karte rahenge*

*Haathon se mile haath
To fir unki madad se
Veeraane bhee ho gar!
To chaman karte rahenge*

Economic Situation:

9. The resilience of Karnataka's economy has been on display in the last three years. Latest estimates indicate that during 2003-04 the GSDP has grown at the rate of **6.2%**. Despite three debilitating droughts, we have seen an average real growth of 5% in GSDP over the last five years. The agriculture and allied sectors saw negative real growth in 2001-02 and 2002-03 due to drought.

10. The domino effect on industry, caused by depressed rural incomes and consumption expenditure, caused depressed real growths of about **2%** and **4%** in those years. Growth in industrial production has however recovered to about 6% in 2003-04 despite a third deficient monsoon.

11. This, I believe is not due to any feel-good factor but primarily due to the sustained efforts of my Government to provide quality infrastructure and a conducive environment to attract private investment.

12. The key macro-economic gain of the last few years has been the consistent trend in structural transformation of the state's economy, with the services sector occupying increasing space in GSDP while growing at about 10% on average. Inflation has remained under check at about 4.5% and interest rates have moved southward in the last few years. Another healthy trend is seen in the rapid growth in per capita income from about Rs. 17000 in 1998-99 to about Rs. 22,000 in 2003-04. This has been possible due to the thrust given by my Government to Education and Empowerment of women.

13. The disturbing trend, however, is seen in agriculture. Despite unprecedented investments in agrarian infrastructure and extension services, recurring droughts have thwarted our efforts in achieving growth.

14. My plan for the future is to take irrigation to the micro-level. To empower the small farmers, particularly those belonging to the Scheduled Castes and Scheduled Tribes and provide them with a safety net. I also propose a gender-sensitive development model, which will strive to free the rural woman from the drudgery of domestic chores towards her economic independence. For the unsung, toiling artisan I envisage a brighter future through institutional support. Harnessing of

youth power, enabling education for the mind and nourishment for the body for all children is our effort to secure the Human Development future of Karnataka.

15. With the initiatives set out in this budget, I expect to achieve a real growth rate of 10% over the next five years, thereby insulating 90% of the population against poverty and deprivation. On the whole, despite all the hurdles, I see Karnataka poised for a “take-off”, and my reference is not merely to the International Airport at Bangalore, work on which has begun.

Fiscal Situation:

16. Besides drought, my efforts were constrained by an impaired fiscal situation inherited by my government. The fiscal crisis handed down to my Government stemmed from tax and non-tax concessions reducing the revenue base. On the expenditure side, growing costs of a burgeoning establishment, poorly targeted as well as non-merit subsidies, transfer payments in the form of grant-in-aid to various interest groups and time and cost over runs of infrastructure projects created unsustainable deficits on the current account.

17. The nature of the crisis inherited by my Government convinced me that no piecemeal,

fragmented or *ad hoc* reform measures would succeed. The need was thus felt for systemic, comprehensive reform with a medium to long term perspective.

18. The multi-year reform framework dovetailed to budgetary practice adopted in the last five years has helped reduce revenue deficit and has freed resources for enhanced priority sector investment. This has enabled us to reduce poverty and enhance the quality of life of our citizens.

19. The reforms have also propelled Karnataka to the verge of fiscal stabilization. As against the medium term targets of achieving revenue balance by 2005-06 and reducing fiscal deficit to 3% of GSDP, the state has reduced fiscal deficit from **5.36%** in 2001-02 to **4.26%** in 2003-04 and revenue deficit from **3%** in 2001-2002 to **1.01%** in 2003-04. Our performance would have been far stronger if unprecedented droughts had not visited us. Karnataka's commitment to fiscal correction is thus unambiguous, and is a model for emulation and adoption by other states. With strong commitment to reforms, I expect to achieve revenue balance in the ensuing year, which would be a watershed in our fiscal performance.

20. In fiscal management my special effort has been the wide-ranging reforms in Excise to eliminate the

menace of non-duty paid liquor. My Government also took the courageous step of discontinuing use of all stamp paper. It is with considerable pride that I place before you the spectacular success that the excise reforms undertaken by my Government has achieved. In just six months between July and December, 2003 we have raised additional resources of nearly **Rs. 300 Crore**. I am happy that revenue performance of my Government has shown a growth in excess of 15% during the year. The growth performance of Commercial Taxes upto December has been in excess of 21%, which is the highest in the country. I propose to continue with further reforms in Excise to eliminate revenue leakage. To start with, I propose to liberalise manufacture of arrack by allowing primary distilleries to undertake this activity. However, since a large number of farmers are dependent on Mysugar, the company will be compensated suitably. Further steps will soon be taken in this direction.

21. I am however anguished by the step-motherly treatment meted out to us by the Central Government on the issue of releasing the Structural Adjustment Loan of Rs. 1200 crore. The World Bank had, after its assessment of our reform effort, recommended the loan for Karnataka. The dates for loan negotiations had been finalised in consultation with the Ministry of Finance.

Inexplicably, the negotiations were called off by Government of India, just a few days before they were to be held. We are yet to receive a satisfactory answer from the federal Government, particularly when it has gone out of its way to rush through negotiations and ensure that a similarly placed State is rewarded.

22. We have been told that our fiscal performance in 2001-02 has not been up to the mark. Our request to make allowance for the debilitating impact of a severe drought in that year, has fallen on deaf ears. What is particularly unjust however, is that Karnataka is being punished twice for the same reason. While we gamely accepted the non-release of the Structural Adjustment Loan in 2002-03 due to the drought-induced deficits of 2001-02, denial of the loan again in 2003-04 is to impose double jeopardy on Karnataka. The people of Karnataka should draw their own conclusions.

23. Besides the severe fiscal pressure caused by this denial of loan to Karnataka, a signal disservice has been done to the cause of reform, by denying one of India's most progressive states its legitimate due.

24. We shall, however, overcome. My vision for the fiscal future of Karnataka is to rationalize tax structures to foster growth; withdraw from areas which should be in the domain of the private sector to

concentrate on areas of “market failure”, and to reform public expenditure to shift resources towards infrastructure and human development. This will require phase out of implicit subsidies, pruning the size of Government and reducing the cost of borrowing. To these ends, I will strengthen the multi-pronged reforms program launched by my government and consolidate the gains of fiscal correction.

25. I am a keen advocate of enhancing the quality of governance. Because the common citizen pays for the government he receives, I believe, we must first enhance quality of service delivery and only thereafter enhance the cost of these services to the citizen. Alongside, I will adopt wide-ranging reforms in pension funding and employee related costs to reduce the burden of governance costs on the citizen. My endeavour will also be to merge replicable administrative functions, departments and establishments to ensure effective, less expensive Government.

A Vision for Karnataka

26. I wish to share with you my vision for Karnataka’s development in the ensuing years. At the heart of this vision is the compelling commitment to

improve the quality of life – social, economic and cultural – of all the people of the State.

27. In this vision, the rural citizen has motorable road connectivity, assured transport services, a weather-proof house to live in, a pollution-free hearth, power supply, ready access to farm level micro-irrigation, quality schooling for his children and affordable health care for his family.

28. How close are we to realising this vision? Let me share, even if briefly, some of my Government's achievements with this august House.

Children: The Future

29. I must begin with a subject dear to my heart. Our children are our future. Ensuring that every child in Karnataka goes to school has been my dream. The 'Aksharadasoha' programme, therefore, takes pride of place in my Government's effort. In the words of *Sarvajna*:

*“Annavanu ikkuvudu
Nanniyanu nudiyuvudu
Tannanthe parara bagedode
Kailasa binnanavakku Sarvajna”*

30. Over forty-four lakh primary school children have been covered under this mid-day meal

programme. This would, in my estimation, secure the future of all these children in the long term.

31. The impact on bringing children back to school has been significant. Preliminary reports indicate an increase in enrolment of over one lakh children at the primary school level.

32. I am enthused by the spectacular success of Aksharadasoha. I am happy to announce that from the academic year 2004-05, all children upto class seven will be brought under this scheme.

33. With this, an additional sixteen lakh children will benefit. We are going ahead with expansion of the programme from the ensuing year. However, it would be appropriate for Government of India to assist the State in this effort and provide the food-grain required. Independent of the Central Government's decision I am setting apart an additional **Rs. One hundred Crore** for this purpose.

34. To open up greater oppurtunities to the brightest of our rural students to access high quality education, I propose to establish a '**Kuvempu Shathamanotsava Kannada Madari Shaale**' in each of the twenty-seven districts of Karnataka.

35. These schools with state of the art infrastructure, laboratories and computers will be promoted through public-private partnerships and would provide a platform to rural children to access a modern, secular and scientific education and prepare them to become global citizens. I propose to set apart **Rs. Ten Crores** for this programme during 2004-05.

Empowering Women

36. Another programme of my Government, no less significant and with an equal measure of success is 'Stree Shakti', for empowering women through self help groups. By providing state support of about Rs. Sixty Crores, we have succeeded in forming and supporting one lakh Stree Shakthi groups over the last four years.

37. Together, these groups cover nearly fifteen lakh families. The Stree Shakti groups have met with commendable success and have mobilized savings in excess of Rs.150 Crore, thus becoming a role model for emulation by other States in the country.

38. Over thirty five thousand of these groups are engaged in income generation activities helping to improve the Economic status of its members.

39. My Government will now take a path-breaking step in empowering women. The self help groups, with

a membership of about fifteen lakh families, are rapidly moving towards self sufficiency. The time is now at hand to institutionalize this initiative by creating a **'Stree Shakti Grameena Bank'** of which, all these Self Help Groups and their members will be stake holders. My Government will provide each Self Help Group with Rs. Five thousand as equity share capital assistance in the bank.

40. I believe that this will give impetus to thrift, promote micro-credit and create an enabling environment for growth. In the long term and with our continued support, this initiative would become the harbinger of economic independence for women in Karnataka. I am earmarking **Rs. Fifty Crore** for this purpose.

41. The lives of women folk in rural areas are often arduous. The rural-urban divide is more often than not, one of entitlement and access to resources. The disadvantage forced upon the poor rural woman is scarcely better demonstrated than in the lack of access to a convenient cooking fuel. In all parts of Rural Karnataka women often trudge miles to find wood for fuel. While recognising the ecological-concerns this traditional source of sustenance evokes, I also share the economic concerns in terms of productive

labour-time lost and the public health concerns in terms of kitchen pollution that this drudgery involves. To alleviate this drudgery, I propose to introduce a new initiative to be called '**Indira Jyothi**'.

42. Under this programme, each of the **fifteen lakh families**, which are members of 'Stree Shakti', will, over the next three years, be provided with a cooking gas cylinder and a single burner stove with a one-time 100% subsidy. This, in my view will be a revolutionary step giving rural women access to a clean, convenient, safe and environment-friendly fuel. I have no doubt that the physical quality of life of the rural folk in general and the woman in particular will improve with this initiative. Many ecological concerns would also be set to rest.

43. During 2004-05, I propose to cover **five lakh** families under the 'Indira Jyothi' programme. For this purpose, I am providing Rs. 35 Crore. This initial effort would, in due course have considerable economic, social and human development spin offs.

Shelter for all

44. Eradication of homelessness was a solemn commitment that I made. My Government had set an ambitious target of eleven lakh houses to be completed

in five years. I am happy that eight lakh fifty thousand houses have already been completed. We are on course to achieve the target of eleven lakh well before September 2004. In another year, we would have met the entire housing gap in the state. The significance of this achievement is not merely in placing a roof over each of the eleven lakh poor families, but of creating a zero maintenance durable asset for over fifty lakh disadvantaged and dispossessed people. I underscore this point as one of our key efforts to create entitlements and improve the socio-economic condition of our poor.

Reaching out to the Farmers

45. In the words of *Rashtrakavi Kuvempu*

*“Yaaroo ariyada negila yogiye
Lokake annavaneeyuvanu
Hesaranu bayasade athisukhakelasade
Dudivanu gouravakaasisade”*

46. Three of the last four years of my Government have been years of drought in the State. The people of Karnataka have shown patience and resilience in meeting nature’s challenge.

47. Equally, my Government has shown resoluteness and responsiveness in meeting the enormous task of

combating a drought, which is wide spread and deep in its pernicious impact.

48. The focus of my Government's effort has been on providing adequate drinking water to all parts of the State; ensuring availability of fodder for cattle and extending relief employment in the severely drought affected talukas. My Government has spent about **Rs. Four hundred crore** on relief measures alone.

49. In addition, my Government has also extended a substantial relief package for farmers of over **Rs. 880 Crore** which includes interest waiver on short term and long term agricultural loans; waiver of electricity dues, land revenue and water charges; seed and input subsidy; compensation for failed wells and facilitation of farm credit.

50. My Government has also promptly released the state share of crop insurance claims from time to time ensuring that farmers receive adequate crop compensation in times of distress. The extent of our empathy for the farmer and the magnitude of our effort to ring fence the distressed have been unprecedented. We have provided Rs. 103 crore in the current year alone.

51. With over seventy percent of the arable land in the State being drought prone and agriculture being mainly rain dependent, I am convinced we need to find sustainable solutions, over the medium term to improve farm productivity and make agriculture profitable.

52. The spectre of recurring drought combined with poor farm management practices have led to rapid deterioration in soil fertility, declining crop yields, depletion of precious ground water resources, degradation of natural pastures and diminishing bio mass production.

53. My strategy for Karnataka's agriculture will be to promote farm level drought proofing in a sustained manner over the next five years. I propose to introduce a holistic approach through the application of appropriate technology, to regenerate and conserve land, soil and water at the farm level.

54. The focus of the effort will be to empower the farmers with technology and best practice farm management. Farmers will be assisted in the conservation, development and management of all farm resources including soil, water and livestock for optimal productivity.

55. Towards this end, I propose to establish a **'Karnataka Krushi Abhivruddhi Nigama'**. This Corporation will prepare and implement a state wide farm level drought proofing action plan. I propose to provide **Rs. One hundred Crore** for this purpose in the ensuing year. I have also sought support for this enterprise from the Twelfth Finance Commission.

56. My desire is to completely insure the farmer against uncertainties of rain and the inter-state water disputes over the medium term. The activities of other agri-related corporations such as KAIC, Karnataka Seeds, Karnataka Proteins, Karnataka Agro Corn will be brought under the umbrella of this corporation.

57. We have already invested over Rs. 14000 crore in major and medium irrigation works through three Jala Nigams across the state. I would like to now shift emphasis to Minor Irrigation and make efforts to directly benefit the Small and Marginal Farmer. Providing them with water through development of Barrages, bunds and minor irrigation tanks in small groups can dramatically change their economic profile. To operationalise such projects, I am happy to announce the formation of a **'Karnataka Minor Irrigation Corporation'**. I propose to provide **Rs. One hundred crore** in the ensuing year for this purpose.

The Karavali region of Karnataka holds enormous run of the river water resources, blessed as it is, with abundant rainfall. To harness the west-flowing rivers in the coastal region is a task that should be taken up. We must, with active public participation of the enterprising people of the coast undertake construction of a series of small dams and barrages through a Special Purpose Vehicle to be called **Pashchima Vahini Neeravari Nigama**.

58. Recurrent drought has adversely affected the ground water table and thereby the yield from irrigation bore wells. It has also seriously eroded the ability of small and marginal farmers to meet input costs, in particular, the cost of electricity for irrigation pumpsets. Recognising their distress, my Government, like a true "Apath Bandhava", announces full waiver of Irrigation Pumpset dues upto 31-03-2003 as a one-time measure. This will provide a relief of about **Rs. 600 Crore**.

59. Coffee prices, in the past four years, have remained depressed. Added to that, adverse weather conditions have negatively impacted upon small coffee growers. To alleviate their distress, I have already waived the Agricultural Income Tax on Coffee for three years in a row. This has cost us almost

Rs. **Sixty Six Crore**. My Government has now decided to ease the credit burden of small and marginal coffee growers by providing **interest waiver on crop loans linked to recovery**. This will provide relief of **Rs Thirty six Crore** to coffee growers.

60. I am agonised by the plight of the marginal farmers and agricultural labourers, all of who operate at sustenance level, have suffered three successive droughts and have no reserves available in the family to meet health emergencies or even costs of extended medical care. The loss by accidental death, of the main bread earner of a poor agricultural family can reduce it to destitution.

61. This is an area in which the State must intervene to provide a safety net. I, therefore, propose an accident insurance scheme to be called '**Raitha Sanjivini**' to cover marginal farmers and agricultural labourers to be implemented in the State. Under this scheme, the beneficiaries will have multiple benefits including compensation for accidental death, compensation for loss of limbs, hospitalisation costs met, etc. The Government will provide upto Rs. Thirty five crore to cover the premium of about one crore marginal farmers and agriculture labourers and fishermen who are expected to enrol and benefit from this scheme.

Social Justice and Empowerment

62. Those most vulnerable to distress caused by drought are the small and marginal farmers who belong to Scheduled Castes, Scheduled Tribes, Backward Classes and Minorities. Till date we have been providing bore wells and pumpsets to such farmers under the 'Ganga Kalyana' scheme. The coverage however has not been upto my satisfaction, though I did include, an additional five thousand beneficiaries in my last budget.

63. I propose to make a quantum jump to empower the SC/ST, Backward Class and Minority farmers. My plan is to cover fifty thousand beneficiaries under this scheme over the next five years. I also propose to include energisation costs under the scheme. During 2004-05 my Government will cover ten thousand beneficiaries under this programme. I am providing **Rs. Seventy five Crore** for this purpose.

64. Rural society includes a wide variety of artisans and craftsmen as well as a large number of traditional occupations, which add value in significant measure, to the growth of the economy.

65. Most of these traditional artisans and service providers such as Agasas, Kumbharas, Ganigas,

Badagis, members of Savitha Samaj, etc., belong to the Backward Classes and are today facing erosion in their traditional markets as well as the risk of atrophy in their skills due to rapid mechanisation and automation.

66. It is necessary to integrate them into the process of economic development by assisting them in modernizing their trades and upgrading their skills and occupational technology.

67. Towards this end, I propose to introduce a new scheme called '**Shrama Shakti**' to provide margin money assistance to encourage the occupational groups in the Backward Classes to establish small but profitable enterprises individually or through viable associations.

68. Under this scheme, rural artisans will be provided margin money assistance of Rs. Five thousand each to enable occupation related implement purchase, technology upgrades, civil construction, design improvement and marketing. I propose to cover one lakh Backward Class artisans and service providers over the next five years with twenty thousand being targeted for the year 2004-05. I am setting apart **Rs. Ten Crore** for this purpose. The Backward Classes Commission will assist in this venture by constructing

a database on the traditional artisanal skills and by studying the marketable upgradations possible.

69. Similarly, the minorities in this country also need State support to actively participate in the process of socio-economic development. In particular, we must facilitate entrepreneurship and skill up-gradation in tune with the demands of the modern economy amongst the economically weaker sections of the minorities specially women.

70. I therefore propose to set apart an additional **Rs. Ten Crore** for entrepreneurship development through margin money support for the minorities in the State. This scheme will be administered by the Minority Development Corporation. The Minorities Commission will facilitate the implementation by studying the skill spread among minorities and formulating a shelf of projects for state support.

71. Karnataka's vast coast line supports an extensive fishing industry. A significant part of the coastal population depends on the fishing industry as its primary occupation.

72. Amongst the poorest, yet perhaps the most enterprising of the coastal people, are the fisher women

who fan out to the remote villages of the hinterland for retail marketing of fish.

73. There is a need to modernize the retail fish marketing chain by providing fisher women with margin money support to adopt modern technology.

74. I propose to cover twenty thousand fisher women under this programme with margin money support of Rs. Five thousand each. I am setting apart **Rs. Ten Crore** for this purpose.

75. To provide relief to Weavers in the State, my Government has recently announced a comprehensive Weavers Package requiring a Rs. 105 crore outlay over the next five years. This package extends various benefits, like, health insurance, pension, infrastructure support, marketing support, access to credit. I am confident that this package will bring expected relief to the Weaving community. I propose to earmark **Rs. Twenty Crore for this purpose.**

Harnessing a Young Karnataka

76. The youth of our nation have played a key and decisive role in many historic junctures. Their creative energies need to be harnessed and channelised productively by bringing these young people in the rural areas within the main stream of development.

Last year I had launched the 'Rajiv Yuva Shakti' programme as a measure to organise the youth of the State.

77. To inspire the rural youth to participate in nation building and in community welfare, I propose to expand the 'Rajiv Yuva Shakti' programme during 2004-05 by establishing a '**Rajiv Gandhi Sports and Cultural Complex**' in each of the 5,652 Gram Panchayaths at a cost of **Rs. One lakh** each. While the Gram Panchayaths will be requested to donate the land, the State Government will provide a modern sports facility in the complex. For this purpose I propose to **provide Rs. 56 Crore** during the ensuing year.

78. Karnataka has always produced world-class athletes and sports persons in cricket, as well as in hockey, football, badminton, swimming, kabaddi, kho-kho and various other disciplines. I believe that there are hundreds of potential national and world champions in rural Karnataka. To give impetus to their future, I propose to introduce annual district level sports awards from the ensuing year.

79. Karnataka has had a glorious martial tradition which is best epitomised in the persona of Field Marshal Cariappa and General Thimmaiah. In recent years, however, the employment potential of the Indian

Armed Forces has been under utilized by the youth in Karnataka. I wish to restore the tradition by training aspirants and enabling them to take up a career in the Defence Services. I propose to introduce pre-recruitment training courses in the Police Training Colleges of the State and in the two Sainik Schools. Support of Ex-Servicemen would be drawn for this purpose. I earmark **Rs Two Crore** for this purpose.

80. To open up new avenues of employment for the rural youth and to involve them in the management of the power sector in their respective areas, I propose to introduce the Grama Vidyuth Prathinidhi scheme. Under this scheme, the responsibilities of meter reading, billing, collection and attending to minor repairs will be entrusted to a youth from the village panchayath concerned. He will be entitled to a specified percentage of the collection made by him as remuneration. The scheme introduced successfully on a pilot basis will be extended to cover all Grama Panchayats.

81. My Government has effectively implemented the Public Private Partnership model in various sectors. I now wish to extend this model to create employment opportunities for rural youth while ensuring productive use of government assets. About Six hundred

government owned agriculture, horticulture and sericulture farms, spread over 50,000 acres, will be offered on lease in economically viable parcels to enterprising but unemployed rural youth, individually or in groups, to provide them with employment opportunity and a source of livelihood. Twenty five percent each of these leases will be reserved for SC/ST and Backward Classes respectively. This will dramatically alter their economic status. All of these unemployed youth will be extended assistance under the existing Government schemes and through the Karnataka Krushi Abhivrudhi Nigama.

Taking Governance to the grassroots

82. The principal challenge for the future development of Karnataka is to make the vast masses of our rural people active participants in the development. This is best achieved by empowering people. Recognizing this imperative the focus of my Government has been to strengthen Gram Panchayaths.

83. In the last four years, I have raised the grants to the five thousand six hundred and fifty two Gram Panchayaths from Rs. One lakh to Rs. Five lakh each. My Government now proposes to further empower the Panchayat Raj Institutions.

84. The recent **Belur declaration** jointly announced by Government and Panchayath Raj Institutions from across the State will be the charter that we will follow in further empowering local Governments and taking good governance to the common citizen. Essentially, they will be provided administrative and financial autonomy, vested with higher responsibilities, and wider functions devolved upon them.

A grateful society

85. We must, as a caring society, extend support and comfort to citizens in the evening of their lives. To demonstrate my Government's concern for senior citizens, I propose to establish **Day Care Centres** for senior citizens in Bangalore, Hubli, Gulbarga and Belgaum and establish **Geriatric Mobile Clinics** and Police Helplines in all six city corporations. As an expression of our gratitude to freedom fighters, I also propose to increase the pension for the Freedom Fighters who have received *taamra patra* from the Central Government to Rs. one thousand two hundred. I am earmarking **Rs. Five crore for this purpose.**

Infrastructure for growth

86. The road network constitutes the arteries of any economy. Improvement of Road Infrastructure has been

one of the top priorities of my Government. About 3,500 km of State Highways have been resurfaced. A comprehensive project for improvement of about 2,300 km of State Highways in North Karnataka has been taken up with the assistance of World Bank. Improvement of more than 2,000 km of rural roads has been done with NABARD assistance. Work for four laning of Bangalore-Mysore State Highway was started this year and is expected to be completed in the next 18 months.

87. I have, as set out in my previous Budget, already constituted the Rural Road Fund through a cess on taxes. This fund will be utilised to maintain and upgrade over one lakh kilometers of MDRs, ODRs and VRs. This initiative will not only bridge the rural-urban divide in infrastructure, but will also improve rural connectivity and have a multiplier effect on the state's economy in the long run.

88. Though the Road Cess and the earlier Infrastructure Cess were levied on all commodities, I have already exempted **goods of mass consumption, diesel and petrol** from this cess to prevent any additional burden on the common man. In effect this gives a relief of over **Rs. Four hundred Crore** to the citizens of Karnataka.

89. The urban local bodies surrounding the city of Bangalore have recorded unprecedented growth in the last decade. Basic infrastructure services need to be upgraded to keep pace with urbanisation. Therefore my Government has conceived and sanctioned an innovative project called **Greater Bangalore Water and Sanitation Project** for providing water and sanitation to these ULB areas. The project envisages a novel mix of resources through Beneficiary Capital Contributions, State Government grants and market borrowings without government guarantee but with credit enhancement support from the USAID. The project execution will be done by the BWSSB and the O&M is likely to be done with full involvement of the private sector. This project will provide **high quality water services to 1.2 million people** in the Greater Bangalore Area. I propose to earmark **Rs. Thirty crore** for this purpose.

90. Karnataka has a rich history and culture. In the last few years, heritage tourism in Karnataka has received a major boost. Testimony to this is the fact that there has been a steady increase in the number of tourists choosing Karnataka as their destination.

91. To give a fillip to Karnataka's heritage tourism, I propose to provide four new airstrips at Mysore,

Hampi, Bijapur and Gulbarga through public private partnership. The Mysore Airstrip will be operationalised before the next Dasara in October 2004. For this purpose I am setting apart **Rs. Five Crore**.

92. A persistent problem faced along the coast is that of sea erosion. While some effort has been made by my Government to arrest sea erosion by building adequate support structures in erosion prone areas, there is a need to infuse new technology in this effort. I propose to set apart **Rs. Ten Crore** for prevention of sea erosion.

Balanced Development

93. The effort in all my previous budgets has been to strike a balance in all-round development for both North and South Karnataka. This essentially means correcting historical deficiencies in the North while enhancing its revenue generation potential to reduce the net transfer of resources. The Nanjundappa Committee Report, has pointed out development gaps across the state at the micro-level. This is best addressed at the Gram Panchayat level as presented in the Belur Declaration. My endeavour in the subsequent years would be to set up an institutional mechanism to articulate and address the problems of the North.

94. As promised in my earlier budget, my government has already set up a Women's University in Bijapur and established a separate Commissionerate of Public Instruction in Hubli-Dharwad. Action is underway to commence the Veterinary University at Bidar. I have already created a post of Development Commissioner, North Karnataka. I have also established a separate Commissionerate of Public Instruction for the Gulbarga region. I intend establishing a separate Water Supply Board for Gulbarga Division. The HKDB will be reconstituted as the North Karnataka Development Board, with the Development Commissioner, North Karnataka as Chairman and other area development boards would be wound up. I am allocating **Rs. 5 crore** for the first year.

Annual Plan 2004-05

95. I have enhanced the Annual Plan Outlay from Rs. 10083.51 crore in 2003-04 (Revised Estimates) to Rs. 10904.23 crore in 2004-05 (Budget Estimates). The increase in plan size amounts to 8.14%. The major sectoral allocations are given in Annexure-I.

96. I do not propose to levy any new taxes for the year 2004-05

97. I would however like to discuss non tax revenues, particularly lotteries.

98. While lotteries and other games of chance are governed by a Central statute, I am as aware that unregulated lotteries are a matter of social concern, as are the members of this august house. While every citizen should act responsibly and adhere to his own moral constitution, I am of the firm belief that it is the duty of the government to ensure effective regulation of all lotteries and safeguard the interest of its citizens, without taking away their freedom of choice. I have not shirked from that duty of upholding public interest.

99. **The Karnataka Betting Tax on Lotteries Act** has been enacted mainly as a strong regulatory statute to ensure that only registered lotteries are operated in a socially responsible manner under terms and conditions which discourage a surfeit of draws. The impact has been encouraging and the number of weekly draws have dropped from about 250 per week to about 50 per week within two months. A number of operators have also wound up their shops and left.

100. I however, aim to go further and take stringent action against any lottery operator found to be violating any provision of the law or the rules. If lotteries have to continue in Karnataka, they must operate as per the terms and conditions laid down by the statute. Towards

this objective I have put an end to illegal internet lotteries.

Revised Estimates 2003-04

101. The Revised Estimates of total receipts are Rs. 30069.82 crore as compared to the budget estimates of 26907.08 crore for 2003-04. The total expenditure is expected to be Rs. 30541.16 crore according to the revised estimates against budget estimates of Rs. 26839.42 crore for 2003-04. After taking into account the surplus in the Public Account, the closing deficit for the year is likely to be Rs. (-) 400.79 crore as against expected deficit of Rs. (-) 105.68 crore at the time of presentation of the 2003-04 Budget.

Budget Estimates 2004-05

102. The total receipts are expected to be Rs. 30533.01 crore comprising revenue receipts of Rs. 24852.47 crore and capital receipts of Rs. 5680.54 crore. The total expenditure is likely to be Rs. 30285.48 crore of which, revenue expenditure is estimated at Rs. 24988.17 crore and capital expenditure is estimated at Rs. 5297.31 crore.

103. Government expects to raise Rs. 14290.84 crore in tax revenue and Rs. 4819.13 crore in non-tax

revenue. In addition, Government expects to raise Rs. 2615.90 crore from Small Savings, Rs. 1087.96 crore from Market Borrowings(net), Rs. 585 crore from negotiated loans and Rs. 2237.91 crore as total loans from Central Government.

104. The revenue deficit from the above is estimated at Rs. 135.70 crore and the fiscal deficit at Rs. 3757.04 crore.

105. Taking into account the opening balance of Rs. (-) 400.79 crore the closing balance is estimated at Rs. (-) 153.26 crore. I hope to cover this deficit through expenditure control and tax buoyancy during the year.

Looking ahead with confidence

106. My vision for the future forms a continuum with the achievements of the past. The future lies not in emotive evocation of rural-urban divides, but in closing the gap by making available to rural Karnataka, the wherewithal to improve quality of life. This would mean creation of entitlements not only at work, but also at home.

107. We are at the crossroads of history at which Karnataka, as a Sunrise State is poised to make that quantum jump to a modern, progressive and

prosperous State. A State in which all citizens are part of a good, just and civil society. We must dedicate ourselves to realise this dream. As I look ahead, the words of late Sri K.S. Narasimhaswamy come to mind:

*Naguthihalu thaayi, Kannadada Devi
Banedege muthu kottu,
Dudivavara rattegsirannu tumbi
Kannalli Deepavittu*

*Hosatonda nada kattuvevu, thaaye,
Benthatti munde kalisu;
Munditta Hejje hindegeyadante
Nadeyuvada namage kalisu*

*Maibevara surisi dudivanthe maadu
Olabhedavannu alisu
Badatanava todeva sangramadalli
Subhavannu namage harasu.*

108. I now commend the Budget estimates 2004-05 for the consideration of the House and seek a vote on account for four months of the year 2004-05, ending July 31, 2004.

Jai Hind Jai Karnataka