Thirteenth Series, Vol. XIV, No. 7

Wednesday, February 28, 2001
Phalguna 9, 1922 (Saka)

LOK SABHA DEBATES

(English Version)

Sixth Session
(Thirteenth Lok Sabha)

सत्यमेव जयते

(Vol. XIV contains Nos. 1 to 10)

LOK SABHA SECRETARIAT
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[Thirteenth Series, Vol. XIV, Sixth Session, 2001/1922 (Saka)]

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LOK SABHA

Wednesday, February 28, 2001/Phalguna 9, 1922 (Saka)

(The Lok Sabha met at Eleven of the Clock)

[MR. SPEAKER *in the Chair*]

*GENERAL BUDGET (2001-2002)

[English]

MR. SPEAKER: The Minister of Finance.

...*(Interruptions)*

MR. SPEAKER: Nothing should go on record.

...*(Interruptions)***

MR. SPEAKER: Please sit down. Please take your seats. What is this?

...*(Interruptions)*

[Translation]

MR. SPEAKER: Please sit down.

...*(Interruptions)*

MR. SPEAKER: Please sit down.

...*(Interruptions)*

[English]

MR. SPEAKER: This is an important occasion. Please understand. Hon. Member, please take your seat.

PART A

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): Sir, I rise to present the Budget for the year 2001-2002.

I do so in all humility. The challenges that we face this year are awesome, made more so by the tragedy and devastation caused by the earthquake in Gujarat. I hope I shall get the understanding and support of the whole House in my endeavour to meet these challenges.

Economic Context

The Indian economy has continued to exhibit both growth and resilience that have characterized its performance in the past few years. Overall economic growth this year is expected to be about 6 per cent despite a series of unexpected setbacks. We have had a second successive year of irregular monsoon resulting in low agricultural growth. World petroleum prices have continued to stay high placing strains on the economy as a whole, and have led to a significant increase in inflation over the past year. Fortunately, despite the increase in energy prices, the prices of essential commodities, and of manufactured products as a whole, have remained stable. Inflation, excluding energy, was around 4 per cent during the year. The economy remained secure with record levels of foreign exchange reserves and public food stocks. The creditable export performance recorded last year improved further: exports grew by over 20 per cent in dollar terms in April-December 2000.

It is now 10 years since the economic reforms began in 1991. During this period the economy has grown at an average rate of 6.4 per cent per year since 1992-93 compared to the 5.8 per cent recorded in the 1980s. Poverty has fallen from 36 per cent in 1993-94 to 26 per cent or less now.

While the economic reforms have placed the country on a much more secure and sustained growth path, we still have some serious concerns and cannot afford to be complacent.

Agricultural reforms have been inadequate and our agriculture continues to be subject to the vagaries of the monsoon.

Despite major industrial sector reforms, industrial growth has not accelerated to the double-digit level as expected.

Inadequate fiscal adjustment has remained the most intractable problem over the past decade.

Interest payments now constitute 69 per cent of the Centre's tax revenues.

Subsidies continue to increase to unaffordable levels and do not necessarily reach the deserving beneficiaries.

*Placed in Library, *see* No. LT-3273/2001

**Not Recorded.

[Shri Yashwant Sinha]

The pension liability of the Government is becoming onerous. Public investment in infrastructure and social sectors is inadequate due to falling total public sector savings.

Private investment is constrained due to high real interest rates and inadequate infrastructure.

Budgetary Strategy

Thus, despite the many achievements of economic reforms over the past decade, much remains to be done if we have to achieve our full potential. There is urgent need to further deepen reforms to set the stage for higher growth over the next decade. We have to intensify our effort in fiscal adjustment so that the generations to come are not burdened by our borrowing excesses. The economy has achieved significant acceleration and growth over the last 20 years. Our aspiration must be to achieve still higher growth in the next 20 years.

The broad strategy of the budget, therefore, with this objective of growth in mind is to ensure:

Speeding up of agricultural sector reforms and better management of the food economy.

Intensification of infrastructure investment, continued reform in the financial sector and capital markets, and deepening of structural reforms through removal of remaining tiresome controls constraining economic activity.

Human development through better educational opportunities and programmes of social security.

Stringent expenditure control of non-productive expenditure, rationalisation of subsidies and improvement in the quality of Government expenditure.

Acceleration of the privatisation process and restructuring of public enterprises.

Revenue enhancement through widening of the tax base and administration of a fair and equitable tax regime.

Agriculture and Rural Development

Coming to Agriculture and Rural Development as I have noted, reforms in the agriculture sector have been inadequate and must be speeded up. The Government has already announced the first ever National Policy in Agriculture, the first ever in independent India.

The provision of adequate credit flow is critical for agricultural production. Total credit flow to agriculture through institutional channels of commercial banks, cooperative banks and regional rural banks is estimated to have reached a level of Rs. 51,000 crore this year, an increase of about 15 per cent over last year. It is expected to increase to Rs. 64,000 in 2001-2002 representing an increase of 24 per cent. In order to ensure continued healthy growth of the agricultural sector, I propose the following steps:

The operation of the Rural Infrastructure Development Fund (RIDF), set up in 1995-96 with NABARD, has been very successful in upgrading rural infrastructure with about 1,84,000 projects sanctioned so far. To help the States, I have decided to reduce the rate of interest charged by NABARD from 11.5 per cent to 10.5 per cent. The corpus of RIDF-VII will be increased from Rs. 4500 crore to Rs. 5000 crore next year.

The innovation of **Kisan Credit Cards** has proved to be very successful. Since the year of its introduction in 1998-99, almost 110 lakh of KCCs have been issued. I am asking our banks to accelerate this programme and cover all eligible agricultural farmers within the next 3 years.

I am also asking the banks to provide a personal insurance package to the KCC holders, as is often done with other credit cards, to cover them against accidental death or permanent disability, upto maximum amount of Rs. 50,000 and Rs. 25,000 respectively. The premium burden will be shared not by the farmers but by the card issuing institutions.

NABARD and SIDBI were asked to link one lakh Self-Help Groups during the current year. NABARD by itself is well poised to exceed this target by the end of next month. I expect NABARD to link 1 lakh additional Self Help Groups during 2001-2002, which would help in providing access to credit to an additional 20 lakh families. Share-croppers and tenant farmers will also become eligible for this scheme and special attention will be given to SC/ST groups. A micro finance development fund has also been set up in NABARD with contribution of Rs. 40 crore each by NABARD and RBI.

I had permitted NABARD to issue capital gains tax exemption bonds last year. This has helped NABARD to mobilise more than Rs. 1000 crore at lower than normal interest rates thereby reducing its cost of funds. I propose to continue with this tax exemption.

The resources of the Watershed Development Fund set up in NABARD would be used to promote people's participation and also enable water users associations to implement, operate and maintain irrigation schemes.

In 1999, I had announced a credit linked subsidy scheme for construction of cold storages for perishable commodities. So far, NABARD and NCDC have provided Rs. 161 crore of credit for creation of additional capacity of 9.69 lakh tonnes. A subsidy of Rs. 78 crore for setting up these cold storages was provided during 2000-2001. I now propose to extend the coverage of this scheme to also cover rural godowns. The subsidy to be provided by the Government would be suitably enhanced to take care of increased coverage. The loans would carry an adequate long-term repayment period and would enable individuals, cooperative societies and others to build godowns by availing of loans from cooperative banks, commercial banks and RRBs.

This scheme will enable small farmers to enhance their holding capacity in order to sell their produce at remunerative prices. NABARD proposes to reduce its rate of interest for funding the storage of crops, from 10 per cent to 8.5 per cent. Small farmers will particularly benefit from this scheme by avoiding distress sales.

With the diversification and modernisation of agricultural practices, there is a need to augment support and extension services for agriculture. For this purpose, a scheme for setting up of Agriclinics and Agribusiness Centres by agricultural graduates will be launched with the support of NABARD. These centres will provide a package of soil and input testing facilities and other consultancy services. They will strengthen transfer of technology and extension services and also provide self-employment opportunities to technically trained persons. Loans on attractive terms for setting up these centres will be provided by banks with refinance from NABARD.

There is a significant potential for improving the crop productivity in the Eastern and North Eastern region through crop diversification and adoption of improved technologies. These regions have also large untapped ground water resources. A sum of Rs. 61 crore has been provided for the Centrally Sponsored Scheme on "On-Farm Water management for Increasing Crop Production in Eastern India."

I am also happy to inform the House that I have provided Rs. 38 crore for the "Technology Mission for Integrated Development of Horticulture in the North-Eastern States", announced by me last year.

Rural Roads

In my last Budget, I had announced the launching of a new scheme, the *Pradhan Mantri Gramodaya Yojana (PMGY)* with the objective of undertaking time bound programmes to fulfill the critical needs of the rural people. as a follow up, particularly with the objective of achieving rural connectivity, the *Pradhan Mantri Gram Sadak Yojana* has been launched by the Hon'ble Prime Minister on December 25, 2000. A Central allocation of Rs. 2500 crore was provided for 2000-01. I am providing another allocation of Rs. 2500 core for the coming year. 50 per cent of the diesel cess is earmarked for development of rural roads.

Rural Electrification

It is a matter of concern that even after 50 years of planned development there are still about 80,000 villages, which do not have access to electricity. A package of initiatives is therefore being launched to improve the power distribution system in rural areas. This includes:

Completion of electrification of bulk of the remaining villages in the next 6 years.

Extension of assistance to the States for village electrification works under the PMGY whose funds are being augmented.

Stepping up credit support from Rural Electrification Corporation to SEBs for speedy electrification of dalit bastis, households of scheduled tribes and other weaker sections of society.

Improving the quality of power supply in villages, augmentation of distribution networks in rural areas supported by REC under the Accelerated Power Development Programme.

Earmarking a sum of at least Rs. 750 crore out of RIDF for rural electrification works.

Augmenting the resources of REC, by allowing it to float capital gains tax exemption bonds along with NABARD and NHAI under Section 54 EC of the Income Tax Act.

Management of the Food Economy

Increased production and rising productivity makes the proper management of the food economy more critical then ever before. Our policy has to be transformed to deal with surpluses rather than only with shortages. The present arrangement of Government of India procuring foodgrains and States managing the PDS has led to many problems. While the subsidy has increased from Rs. 8210 crore at B.E. to Rs. 12,125 crore at R.E. stage this year, the satisfaction level has gone down. I propose, therefore, to give an enlarged role to the State Governments in both procurement and distribution of foodgrains for PDS in their respective states. Instead of providing subsidised

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foodgrains, financial assistance will be provided to the State Governments to enable them to procure and distribute foodgrains to BPL families at subsidised rates. FCI will continue to procure foodgrains for maintaining food security reserves and for such State Governments who will assign it this task on their behalf. Details for operationalising these arrangements will be worked out in consultation with the State Governments at the earliest.

The agricultural sector continues to be constrained by the existence of a number of inhibiting controls and regulations. The Essential Commodities Act, 1955 provides for the control of production, supply and distribution of certain commodities identified as essential commodities under the Act to protect the interest of consumers. State Governments have issued a large number of Control Orders under this Act inhibiting free movement of some food grains and agriculture products. In the changed present situation undue restrictions on movement and stocking of food grains and agricultural produce is acting as a disincentive to farmers.

Government therefore proposes to review the operation of the Essential Commodities Act, 1955 and remove many of the restrictions that have been imposed on the free inter-State movement of food grains and agricultural produce and also on the storage and stocking of such commodities. It will also review the list of commodities declared as essential under the said Act and bring their number down to the minimum required. My colleague the Food Minister will issue necessary direction in this regard after consultations with the State Governments.

Infrastructure

Rapid development of the economy depends on adequate investment in infrastructure. A key issue here is imposition of appropriate user charges necessary to provide adequate returns on investment. Public resources have been invested in the public sector over the last 50 years for the provision of infrastructure services in the country. One consequence of this has been that user charges have inevitably become politically determined. Over time non-merit subsidies inherent in such low user charges have mounted to over 10 per cent of the GDP, a figure similar to the total fiscal deficit of the Central and State Governments combined. Hence they are a major cause of the fiscal distress being experienced at all levels.

I believe that this issue is now so important that it needs urgent discussion throughout the country. The challenge is to achieve a consensus on the imposition of appropriate user charges in such a manner that the poor are protected while those who can pay are made to do so. Only then will be able to accelerate investment in these essential services in both the public and private sectors. A prime example of this is the power sector.

Power

The importance of power in fuelling economic growth cannot be over emphasised. The total cost to the State Electricity Boards of implicit subsidies amounts to about Rs. 36,000 crore this year. After accounting for cross subsidy and State subventions, actual commercial losses of all SEBs combined are estimated to be about Rs. 24,000 crore. Hidden in these loss figures are extremely high T&D losses and theft and dacoity losses.

Although all of these losses are borne by SEBs and State Governments, I have to express my concern on this issue since this is a massive national loss and affects Central Government undertakings also. The total dues owned to Central Government utilities by SEBs and others now amount to over Rs. 25,000 crore. If these resources were available, the country would have no difficulty in investing adequately in power sector expansion to the benefit of all. Theft of electricity must be stopped and economic tariffs levied.

The most vital element of the reform process is the restoration of financial viability of the State Electricity Boards (SEBs). On the basis of consensus that has progressively emerged in the National Development Council Resolution of 1992, the Common Minimum National Action Programme drawn up in 1996 and the Power Ministers' Conference of February 2000, the Central Government is accelerating the programme of reforms in SEBs on the basis of specific milestones that are being built into MOUs entered into with State Governments. These MOUs include specific milestones such as:

A time bound programme for installation of 100 per cent metering by December 2001.

Energy audit at all levels.

A specific programme for reduction and eventual elimination of power theft.

Tariff determination by SERCs and compliance thereof.

Commercialisation of distribution, and

SEB restructuring.

To demonstrate the importance of this task, the Prime Minister will hold a meeting of State Chief Ministers on March 3, 2001.

MOUs have already been entered into with 5 States and we expect more States to adopt the reform process. Accordingly, plan allocation to the Accelerated Power Development Programme (APDP) has been stepped up to Rs. 1500 crore next year from a level of Rs. 1000 crore this year. Priority under APDP would be given to those states that undertake such reform. They key to restoration of financial viability is reform of distribution. Assistance from the Fiscal Reform Incentive Fund recommended by the 11th Finance Commission would also, *inter-alia*, be linked to the achievement of power sector reforms. The reforming States would also receive support from the Central Government in form of preferential allocation of power to SEBs from CPSUs, additional investment by CPSUs in generation and transmission, and preferential allocation of external aid.

In order to help accelerate the reform process in the power sector and to unify all existing central legislations in the sector, my colleague the Minister for Power will introduce the Electricity Bill 2001 within this session of Parliament.

The Plan outlay for central sector power utilities is being raised from Rs. 9,194 crore this year to Rs. 10,030 crore for 2001-2002. This demonstrates the commitment of the Central Government to accelerate public sector power investment along with power sector reforms.

Roads

The National Highway Development Programme (NHDP) represents a new road vision for this country. Its unprecedented scale is symbolic of Government's earnestness to provide connectivity and mobility of an altogether different order. The key to Government's success in accelerating the road development programme lies in its bold policy of levying a cess on petrol and diesel as a user charge for road usage. Resources for Phase-I, to be completed by December, 2003, have already been tied up. Work has already been awarded for more than 1500 Kms. of the golden quadrilateral in addition to the completed sections totalling 600 Kms. The balance portion is expected to be awarded by the middle of this year.

The cess has paved the way for integrated road development in the country, including village roads, district roads, state roads, and national highways. Rs. 962 crore from the cess fund is being made available to States for state roads. The total plan outlay for this sector is being enhanced by 93 per cent to Rs. 8727 crore in 2001-2002.

Telecom

Another area of success is in the telecommunications sector. Almost all the policy measures announced in the New Telecom Policy 1999 regarding basic and cellular services, national long distance, Internet services, and corporatisation of Department of Telecom Services have been implemented. Competition is being encouraged in all service segments.

By March 2001, overall teledensity is expected to reach 3.5 per hundred, about double the teledensity of only two years ago. Moreover, the new competition has already reduced prices for consumers. There are now almost 800,000 STD/ISD/Local booths around the country bringing telephone service within the reach of almost all consumers, apart from generating considerable employment.

Looking ahead, having recognised the imperatives of technological change in this area, the Government proposes to introduce the Convergence Bill to cover telecommunications, information technology, and information and broadcasting sectors in an integrated manner.

Ports

Coming to the port sector, I am glad to report that policy initiatives designed to increase private sector participation in ports have also been successfully implemented. Overall, capacity in Indian major ports is expected to go up to 314 million tonnes this year and further to 375 million tonnes by the end of 2001-2002, along with substantial capacity addition in minor ports. There is now adequate capacity in major ports. Ships no longer have to wait for berths as was the case before.

Ennore port has already been corporatised and Jawaharlal Nehru Port in New Mumbai is next, and with experience, other major ports can also be corporatized, enabling them to raise resources in the market. Successful investment is being enabled by the setting of economic tariff levels. With the formation of the Tariff Authority for Major Ports, these tariffs are being rationalised further on a continuing transparent and fair basis.

Financial Sector and Capital Markets

A great deal of progress has been made over the last few years in pursuing reforms in the financial sector and capital markets. I propose to continue with this.

[Shri Yashwant Sinha]

Debt Market

The Indian equity market is the oldest in Asia. Since the creation of SEBI much greater transparency as well as automaticity has been introduced in the working of the equity market. The need now is to develop and deepen the debt market. This will be of great benefit to small investors and institutional investors alike. The infrastructure sector will be enabled to raise long term funds, particularly with the opening of the insurance sector.

In order to further develop a transparent and active debt market in general, and the Government securities market in particular, I propose to take the following measures:

A Clearing Corporation will be set up under the active encouragement of the RBI, with State Bank of India as the chief promoter, and is expected to be in place by June 2001. It will also enable settlement of forex transactions.

Trading of Government Securities, through order driven screen-based system will be implemented.

An electronic Negotiated Dealing System will be set up by the RBI by June 2001 to facilitate transparent electronic bidding in auctions and dealings in Government securities on a real time basis.

In order to ensure smooth and quick movement of funds, the Electronic Fund Transfer (EFT) and Real Time Gross Settlement Systems (RTGS) are being put in place by the Reserve Bank of India within the next year.

Clarifications are being issued by CBDT to promote the issuance of STRIPS, zero coupon bonds, deep discount bonds, and the like.

The old Public Debt Act will be replaced by Government Securities Act.

Comprehensive legislation will be introduced on securitization.

I propose to set up a small group comprising the Reserve Bank of India, SEBI, the stock exchanges and Ministry of Finance to monitor and implement these developments so that the debt market becomes active next year.

Banking Sector

Banking sector reforms have proceeded apace in a phased manner over the past decade. However, the problem of non-performing assets with banks has continued. Special attention is being paid to recovery of NPAs:

Publics Sector Banks have recovered Rs. 800 crore of NPAs from 2 lakh accounts in 2000-2001.

Net NPAs as percentage of net advances were almost half at 7.4 per cent in 1999-2000 compared to 14 5 per cent in 1993-94.

22 Debt Recovery Tribunals (DRTs) and 5 Appellate Tribunals have been established.

7 more DRTs will be set up during 2001-2002.

I also propose to bring in a legislation that will facilitate foreclosure and enforcement of securities in cases of default in order to enable the Institutions to realise their dues.

In the light of the new competition in the banking industry it is necessary to strengthen the management of the public sector banks. I propose to provide greater autonomy to bank managements. It is also essential to provide greater independence also to bank managements in forming their own recruitment strategy and in implementing it. I therefore propose to abolish the Banking Services Recruitment Boards. This will be done in association with the Reserve Bank of India by July 31, 2001 or earlier. All future recruitments will be done by the banks themselves. ...*(Interruptions)*

CAPITAL ACCOUNT LIBERALISATION

Until about 10 years ago, all foreign exchange transactions were tightly controlled by the Government and by the RBI. We have progressively loosened these controls and made the current account completely convertible. We have also liberalised the capital account for certain purposes. I propose to take further measures for liberalising the capital account. These are:

Indian companies wishing to invest abroad may now invest up to US $50 million on an annual basis through the automatic route without being subject to the three year profitability condition.

Companies which have issued ADRs/GDRs may henceforth make foreign investments up to 100 per cent of these proceeds; up from the current ceiling of 50 per cent.

Companies with proven track record wishing to invest larger amounts may now get a block allocation in advance from the RBI for investments overseas.

Indian companies that have issued ADRs/GDRs may acquire shares of foreign companies up to an amount of US$100 million or an amount equivalent to ten times of their exports in a year, whichever is higher.

ADRs/GDRs will be provided two-way fungibility. Converted local shares may be reconverted to ADRs/GDRs while being subject to sectoral caps, wherever applicable.

Indian companies will now be permitted to list in foreign stock exchanges by sponsoring ADR/GDR issues against block share holding. This facility would have to be offered to all categories of shareholders.

The Reserve Bank of India will be issuing these guidelines separately.

Investments by Registered partnership firms and companies providing professional services have not, so far, been permitted to make overseas investments. This ban is now being removed. Similarly, Indian employees who have the benefit of ESOP schemes in foreign owned companies can now make investments abroad up to US$ 20,000 annually instead of in a block of 5 years. ...*(Interruptions)*

Foreign Investment

Progressive liberalization has taken place in the provision relating to foreign investment. I propose to take the following further measures:

Foreign Institutional Investors (FIIs) can invest in a company under the portfolio investment route up to 24 per cent of the paid up capital of the company. This can be increased to 40 per cent with the approval of the General Body of the shareholders by a special resolution. I propose to increase this limit to 49 per cent.

Foreign Direct Investment (FDI) in Non-Banking Financial Companies (NBFCs) is permitted on a case by case basis upto 100 per cent but with a condition that a minimum of 25 per cent of their holding is divested in the domestic market. This condition is being removed, provided the foreign investors bring in a minimum of US $ 50 million. FDI in NBFCs will also now be put on the automatic route subject to RBI guidelines.

Structural Reforms

In order to accelerate growth in the Indian economy, we have now to address some of the difficult areas of reform that have not been tackled so far.

There are four significant areas where a price and distribution control regime exists. These areas are petroleum, fertilizer, sugar and drugs.

Administered Pricing Mechanism (APM)

Petroleum

As Hon'ble Members are aware, Government had, in November 1997, notified the details of dismantling of the Administered Pricing Mechanism (APM) in the petroleum sector by March 2002. I propose to adhere to this deadline. A time bound action programme is being prepared for the deregulation of APM by March, 2002. My colleague the Minister of Petroleum and Natural Gas will be outlining the road map for this separately.

Fertilizer

Hon'ble Members will recall that I have in the past referred to the rationalisation of Fertilisers pricing with the objective of phasing out the existing retention price scheme (RPS) in the medium-term. Government has now decided to implement the recommendations of the Expenditure Reforms Commission for a phased programme of complete decontrol of urea by April, 1, 2006. The following steps would be taken in the first phase commencing from April, 1, 2001:

The unit specific RPS will be replaced by a Group Concession Scheme. The current MRP arrangement will be continued and the concession for each group calibrated to enable the units to sell urea at the stipulated MRP.

The rate of concession for urea units based on naphtha/FO/LSHS will be linked to international prices of these feed stocks.

I any one was looking for an increase in urea prices, let me say there is none.

Sugar

Government is committed to complete decontrol of sugar. But this must be irreversible. Government has decided to introduce futures/forward trading in sugar within the coming year, a step that is necessary before full decontrol. Sugar under the Public Distribution System will continue to be supplied to ration cardholders in the special category states, hill states, island territories and to BPL families in other states and UTs. Such supplies can even continue after sugar is completely decontrolled. The retail issue price of sugar under the PDS is being revised to Rs. 13.25 per kg. with effect from March, 1, 2001.

Drug Price Control

The domestic drugs and pharmaceutical industry needs support in order to meet the challenges and to

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avail of the opportunities arising out of liberalisation of our economy and the impending advent of the product patent regime. Government has been considering measures to lessen the rigours of the present price control mechanism where they have become counter productive. Towards this end, we have decided that the span of price control will be reduced substantially. However, keeping in view the interest of the weaker sections of society, Government will retain the power to intervene comprehensively in cases where prices behave abnormally. Changes in the Pharmaceutical Policy are being made accordingly.

Industrial Restructuring

Government had constituted a high level Committee on law relating to revival, reconstruction and/or winding up of companies. The Committee has submitted its report and Government has accepted its key recommendations. It is proposed to repeal the SICA and also to amend the Companies Act in order to set up a National Company Law Tribunal. These legislative proposals are proposed to be introduced during the current session by my colleague, the Minister for Law, Justice and Company Affairs.

Labour Market

Along with these changes, it is also necessary to address the contentious issue of rigidities in our labour legislations. Some existing provisions in the Industrial Disputes Act have made it almost impossible for industrial firms to exercise any labour flexibility. The Government is now convinced that some change is necessary in this legislation. Chapter VB of the ID Act stipulates that employers in specified industrial establishments must obtain prior approval of the appropriate Government authority for effecting lay-off, retrenchment and closure, after following the prescribed procedure. It is proposed that these provisions may now apply to industrial establishments employing not less than 1000 workers instead of 100. The separation compensation will be increased from 15 days to 45 days for every completed year of service. The enhancement of compensation would act as a deterrent on employers to take recourse to lay-off, retrenchment and closure in a routine manner. ...*(Interruptions)*

MR. SPEAKER: Shri Basu Deb Acharia, please take your seat.

...*(Interruptions)*

MR. SPEAKER: Shri Priya Ranjan Dasmunsi, what is this? Running commentary is disturbing the entire House. Shri Sunil Khan, your behaviour in the House is not proper.

...*(Interruptions)*

SHRI YASHWANT SINHA: Similarly, rigidities inherent in the existing legislation regarding Contract Labour inhibit growth in employment in many service activities. Section 10 of the existing Act envisages prohibition of contract labour in work/process/operation if the conditions set therein like perennial nature of job etc. are fulfilled. Section 10 enables the contract labour engaged in prohibited jobs to become direct employees of the principal employer. To overcome this difficulty and at the same time ensure the protection of labour, it is proposed to bring an amendment to facilitate outsourcing of activities without any restrictions as well as to offer contract appointments. It would not differentiate between core and non-core activities, and provide protection to labour engaged in outsourced activities in terms of their health, safety, welfare, social security, etc. It would also provide for larger compensation based on last drawn wages as retrenchment compensation for every year of service.

These measures will promote industrial investment in labour intensive, and export oriented activities providing for renewed industrial growth, while, at the same time safeguarding the interest of workers. My colleague, the Minister for Labour will introduce appropriate legislation to amend the Industrial Disputes Act and Contract Labour Act within this session of Parliament.

Ashraya Bima Yojana

I am conscious of the short-term impact on organized labour force of the on-going liberalization of the economy. I therefore propose to introduce a new scheme of group insurance *viz.* "*Ashraya Bima Yojana*" to extend security cover to such affected workers. The policy will provide compensation of up to 30 per cent of last drawn annual pay for a period of one year to workers who lose their jobs. It is proposed that the policy will initially cover all employees drawing a salary up to Rs. 10,000 per month. The four Government owned general insurance companies will administer this policy on a "No Profit No Loss" basis and will announce full details including premium rates of the proposed policy by the end of June 2001.

Small Scale Industries

Government's commitment to the Small Scale sector has been repeatedly demonstrated. A comprehensive policy package for this sector was announced by the Prime Minister on 30 August, 2000.

In order to encourage production and employment in this sector, the exemption limit has been doubled to Rs. 1 crore from September 1, 2000.

The new Credit Guarantee Scheme of August 2000 has been provided budgetary support of Rs. 100 crore in the current year. The limit of loan without collateral which was earlier fixed at Rs. 10 lakh has been raised to Rs. 25 lakh under this scheme. Already 7 banks have entered into an agreement with the Credit Guarantee Fund Trust that has been created to implement the Scheme. A credit linked capital subsidy scheme for technology upgradation was launched in October 2000 envisaging 12 per cent capital subsidy. It is expected that loans to the extent of Rs. 5000 crore would be made available to the SSI sector over the next 5 years under the scheme.

Our small-scale entrepreneurs have proved their competitiveness in providing over 35 per cent of national exports. To enable further new investment and technology upgradation in some of the key export oriented sectors, it is now proposed to deserve another 14 items related to leather goods, shoes and toys.

TEXTILES

The Government has recently announced a New Textile Policy aimed at preparing industry for the new challenges of global competition. I am happy to announce a textile package comprising the following schemes:

A scheme for setting up Integrated Apparel Parks is being initiated. This will enable the deserved readymade garment industry to set up modern units with the best infrastructure. A budget provision of Rs. 10 crore has been provided for the year 2001-2002.

A strong and modern weaving sector is very critical for this purpose. At least 50,000 new shuttleless looms and the modernisation of 2.5 lakh plain looms to automatic looms is expected to take place by 2004 through funding from the Technology Upgradation Fund Scheme (TUFS). The budget provision under TUFS is being raised from Rs. 50 crore this year to Rs. 200 crore in the next financial year.

The Cotton Technology Mission is being continued and strengthened. The budget provision is being increased from Rs. 15 crore to Rs. 25 crore.

The budget allocation for Ministry of Textiles is being enhanced substantially from Rs. 457 crore in 2000-01 to Rs. 650 crore in 2001-02.

I shall provide the details of the proposed fiscal changes in Part B of my speech, when I come to textiles.

Human Development

Health and Family Welfare

Recognizing the need for increasing investments in social sectors, the Plan allocation for the Ministry of Health & Family Welfare has been stepped up from Rs. 4920 crore to Rs. 5780 crore. This includes an allocation of Rs. 180 crore for HIV/Aids Control Programme.

Indian System of Medicine

There is now a great interest worldwide in herbal products as people look for gentler forms of treatment devoid of side effects. We are establishing a Traditional Knowledge Digital Library to bring the knowledge already in the public domain in international languages to prevent the grant of patents. We are also introducing a new scheme for strengthening the State Drug Testing Laboratories and pharmacies. We propose to provide Indian Systems of Medicine and Homoeopathy benefits similar to the pharmaceutical industry.

Education

An integrated National Education Programme—the Sarva Siksha Abhiyan has been launched for universalising elementary education and a National Mission constituted with the Prime Minister as Chairman. The programme aims to provide eight years of quality elementary education for all children upto the age of 14 years in a Mission mode with a thrust on community ownership, disadvantaged group and girls' quality education and alternative modes of education. All existing schemes on elementary education will converge with this scheme after the Ninth Plan and it will cover all districts in the country by March, next year.

We are determined to maintain and strengthen our competitiveness in the field of technology education. A task force set up for this purpose by the Prime Minister under the HRD Minister has made wide ranging recommendations to upgrade and expand this area of education, The Roorkee Engineering College will be upgraded into an IIT and funding for IIT, Guwahati has been stepped up to ensure its early completion. The base of IITs is to be expanded, regional engineering colleges are to be strengthened and new institutes will be set up with public private partnership. The role of the private sector will be encouraged. A new Centrally Sponsored Scheme for computer literacy and studies in schools is being launched and other initiatives planned for encouraging IT education from school to college levels.

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Last year, I announced the availability of 100 per cent deduction from income tax of payments made to institutions for vocational education and training by the private sector set up in rural areas and small towns. I propose to make the same deduction available for payments to engineering institutions as well.

Educational Loans for Students

Mr. Speaker Sir, I have personally experienced poverty and faced problems in pursuing higher studies. I, therefore, feel that no deserving student in the country should be deprived of higher and technical education for want of finances. I am glad that the Indian Banks Association (IBA) has formulated a new comprehensive Educational Loan Scheme, which will cover all courses in schools and colleges in India and abroad. Loans will be available under this scheme up to Rs. 7.5 lakh for studies in India, and Rs. 15 lakh for studies abroad. No collateral or margin will be stipulated for loans up to Rs. 4 lakh, the interest of which will not exceed the prime lending rate (PLR). The interest rate will not exceed PLR plus 1 per cent for loans above Rs. 4 lakh. The loans would be repaid over a period of 5 to 7 years with provision of a grace period. I hope that this scheme will enable needy children to pursue higher and technical studies both inside and outside India.

Women

The year 2001 is being observed as Women's Empowerment Year. My colleague, the Deputy Chairman of the Planning Commission is heading a Task Force to review the programmes for women. Meanwhile I propose to:

Strengthen the Rashtriya Mahila Kosh for providing micro credit to poor assetless women through NGOs.

Launch an integrated scheme for women's empowerment in 650 blocks through women's self help groups.

Start a new scheme for women in difficult circumstances like widows of Vrindavan, Kashi and other places, destitute women and other disadvantaged women groups.

Scheduled Castes and Scheduled Tribes

In keeping with Government's commitment to improve the Welfare of the scheduled tribes, a separate National Scheduled Tribes Finance & Development Corporation with an authorised share capital of Rs. 500 crore has been set up. The allocation for the schemes for welfare of scheduled tribes in the Ministry of Tribal Affairs has been enhanced from Rs. 786 crore this year to Rs. 986 crore in the coming year.

Similarly, the allocation for the schemes for welfare and upliftment of scheduled castes in the Ministry of Social Justice & Empowerment has been enhanced from Rs. 709 crore this year to Rs. 790 crore in the coming year.

Social Security

Hon'ble Members may recall my announcement in the last budget, of a new Group Insurance Scheme, the "*Janashree Bima Yojana*" to extend Social Security cover to the poorest sections of society. The said scheme was launched by the Prime Minister on 10, August, 2000 and has been well received. 332 schemes have been approved so far covering 99,750 people in the BPL segment.

I believe that the Social Security cover needs to be widened to minimize the miseries of our people below the poverty line. Accordingly, I propose to introduce two more schemes during the next financial year:

(i) A special scheme for landless agricultural labourers, the Khetihar Mazdoor Bima Yojana, which will provide benefits of insurance cover as available under Janashree Bima Yojana and a pension of Rs. 100 per month, to the beneficiary on attaining the age of 60 years. In the case of beneficiaries who join the scheme at a young age, some periodical payments at the end of every ten years are also envisaged. The beneficiaries will be required to make a small contribution towards the premium.

(ii) A Shiksha Sahyog Yojana, to provide an education allowance of Rs. 100 per month to the children of parents living below the poverty line, to meet the expenses of education during their studies from 9th to 12th standard, so that a needy student is not deprived of the opportunity to continue his/her education for want of funds. This will be available to subscribers of the Janashree Bima Yojana.

Both these schemes will be managed by LIC.

Meanwhile, I have some good news for workers. The wage ceiling for coverage under the EPF and MP Act, 1952 has been enhanced from Rs. 5000 to Rs. 6500. To promote the welfare of employees I propose to enhance the ceiling for Government contribution of 1.16 per cent of monthly wage of employees to the Pension Fund from Rs. 5000 to Rs. 6000 per month. This extra expenditure on this account is estimated to cost the Government Rs. 77 crore per annum.

Whereas the organised sector is at present covered by various pension, provident fund and gratuity schemes, the unorganised sector does not have adequate social security coverage. I am asking the Insurance Regulatory Development Authority to look into all these issues and provide a road map for pension reforms for this sector by October 1, 2001.

Journalists Welfare Fund

Journalists have a increasingly take greater risks in covering terrorist and other violence prone incidents. As an acknowledgment of their services and sacrifices, and with the hope and expectation of a better treatment at their hands, I propose to set up a Journalists Welfare Fund with a contribution of Rs. 1 crore under the Ministry of I&B. My colleague the I&B Minister will announce the details of the scheme...*(Interruptions)*

Entertainment

Our entertainment industry, particularly the film industry not only provides the much needed fantasy to millions of our people who live in an otherwise harsh and cruel world, it has also emerged as an important segment of our economy and holds great promise for the future. Two years ago, I provided for this industry the same tax exemption that was available for merchandise exports. A few months ago, the Government issued a notification under the IDBI Act whereby entertainment industry including films has been declared as an industrial concern. Banks are in the process of finalising guidelines for financing such projects that are bankable. I hope that the film industry will take full advantage of these measures to bring about the greater degree of professionalism and transparency in its operations, and will not do things chupke chupke and certainly not chori chori.

Fiscal Consolidation

As I have already stated the most serious problem confronting the economy is the poor state of the fiscal health of both the Central and State Governments. The combined fiscal deficit of the two together is in the region of 10 per cent of GDP. I have often been described as a fiscal fundamentalist. Some have gone to the extent of calling me a fiscal terrorist. I hope Shri S. Jaipal Reddy is listening. Why am I so concerned about the fiscal deficit? Let me try to explain. The total receipts of the Central Government in the current year according to BE are about Rs. 281,000 crore. Of this amount, Rs. 72,000 crore is States' share of the Central taxes and grants. The Central Government is, therefore, left with Rs. 209,000 crore. On the expenditure side, about Rs. 101,000 crore was to be spent on interest, Rs. 59,000 crore on defence, Rs. 23,000 crore on major subsidies and Rs. 16,000 crore on pensions. The net amount left for meeting all other Government expenditure totalling Rs. 123,000 crore was, therefore, only Rs. 12,000 crore. I have, therefore, to borrow Rs. 111,000 crore in the current year to make both ends meet. The most worrisome aspect is that over 70 per cent of my borrowing, *i.e.* Rs. 77,000 crore was for financing unproductive revenue expenditure. This will add to my interest burden next year forcing me to borrow more and ultimately take the country into a debt trap. I am deeply conscious of the burden which is being placed on future generations, by our extravagance. I cannot allow this situation to continue.

As promised in my earlier Budget Speeches, I appointed the Expenditure Reforms Commission last year and introduced the Fiscal Responsibility Bill in this House in the last session. The bill seeks to reduce the fiscal deficit to 2 per and completely eliminate the revenue deficit over the next five years.

A number of initiatives have already been taken to contain, in particular, the growth of non-plan expenditure. I have not allowed any increase in non-plan expenditure this year. Consequently, for the first time in many years, the fiscal deficit target fixed in the budget has indeed been achieved, and remains at 5.1 per cent in the RE of the current year. The target of 3.6 per cent revenue deficit has also been achieved.

Expenditure Management

I intend to carry forward the process of bringing about structural changes in the composition of Central Government expenditure and effect economy in non-plan revenue expenditure with greater vigour while improving the quality of plan expenditure. For this purpose, I propose to take the following initiatives:

User charges for services provided by Government and its agencies will be revised keeping in view the increased cost of these services. A portion of this increase will be provided to enhance the maintenance and quality of these services.

Similarly, postal rates will be revised moderately to contain the rising postal deficit.

All requirements of recruitment will be so scrutinized to ensure that fresh recruitment is limited to 1 per cent of total civilian staff strength. As about 3 per cent of staff retire every year, this will reduce the

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manpower by 2 per cent per annum, achieving a reduction of 10 per cent in five years as announced by the Prime Minister.

The Surplus Pool under the Department of Personnel will be streamlined and equipped to redeploy and retrain surplus staff. Employees of the Surplus Pool will also be offered an attractive VRS package.

Standard licence fee (rent) on Government accommodation will be enhanced by 50 per cent for Group A, 25 per cent for Group B and 15 per cent for other categories of staff with effect from April 1, 2001.

Facility of LTC to Central Government employees will be suspended for 2 years for the remaining part of the four-year block period except for employees who are entitled to last LTC before retirement.

Use of Information Technology in Government activities with large public interface will be maximized to promote efficiency. For this purpose, operations like GPF, pension, pay and accounts offices, passports, income tax, customs, central excise, will be fully computerized by March 31, 2002. Public sector banks and insurance companies are also being asked to complete computerization of their operations within this period.

The Expenditure Reforms Commission, which was set up last year, has presented reports concerning downsizing in 6 Ministries and Departments. These include Department of Economic Affairs, Ministry of Information & Broadcasting, Ministry of Coal, Department of Heavy Industry, Department of Public Enterprises and Ministry of Small Scale Industries. Reports of the Commission concerning other Departments will also be received within the next six months. These recommendations will be implemented by July 31, 2001 and identified surplus staff transferred to the Surplus Pool.

Charity, it is said, must begin at home. I believe austerity, too, must begin at home. To lead by example, based on the recommendations of the Expenditure Reforms Commission, I propose to abolish three secretary/special secretary level posts and two joint secretary level posts in the Department of Economic Affairs. This will be done in stages by 31 July. In addition, another 44 posts of directors and below will be abolished, as against 31 recommended by the ERC. 1675 posts are being abolished in the Currency and Coinage Division which will be restructured and corporatised. The National Savings Organisation is to be downsized from a level of 1191 staff to about 25. I have asked ERC to provide their recommendations in respect of the Departments of Revenue and Expenditure also in the Ministry of Finance. I am confident that this will expedite the process of right sizing the establishments in all the Ministries/Departments of Government. ...*(Interruptions)*

[Translation]

KUNWAR AKHILESH SINGH (Maharajganj, U.P.): Reduce the size of cabinet in States.

[English]

SHRI YASHWANT SINHA: The Planning Commission has commenced the task of preparing the Tenth Plan. Given the severity of resource constraints, improvement in the quality of Government spending is of the essence. It has therefore been decided to subject all existing schemes, both at the Central and State levels, to zero based budgeting and to retain only those that are demonstrably efficient and essential. Furthermore, all schemes that are similar in nature will be converged to eliminate duplication. Centrally sponsored schemes that can be transferred to States will be identified. Resource flows will be linked to performance. Necessary procedural changes will also be made to speed to up the decision making process for approval of schemes. Utmost importance will be given to decentralised planning.

Pension Reforms

The Central Government pension liability has reached unsustainable proportions: as a percentage of GDP, it has risen from about 0.5 per cent in 1993-94 to 1 per cent in 2000-2001. As such it is envisaged that those who enter Central Government services after October 1, 2001 would receive pension through a new pension programme based on defined contributions. In order to review the existing pension system and to provide a roadmap for the next steps to be taken by the Government, I propose to constitute a High Level Expert Group, which would give its recommendations within the next 3 months.

Interest Rates

I have drawn your attention to the increasing share of debt service burden in the expenditure budget caused by rising Government debt and exacerbated by the prevalence of high real interest rates. But, their movement downward is constrained by the rigidities inherent in the administered interest rates Governing the contractual saving sphere *i.e.* Provident Fund and Small Savings Schemes. I have examined this issue very carefully. I find that the interest rates provided in all these schemes seldom exceeded consumer price inflation by more than 3 per cent between 1980 and 1998. Since then, this difference has risen to 6 to 8 per cent. Not only are such high real interest rates putting an unsustainable burden on both central and state Governments but the resulting high cost of capital is also inhibiting economic growth all round. I am therefore reducing most administered rates by 1.5 per cent as of March 1, 2001. Government guarantee and tax incentives for these schemes will continue. For the future, I propose to explore a better system for the determination of these rates. I propose to appoint an Expert Committee to provide recommendations on this issue.

The benefit of reduction in interest rates on Small Savings Deposits will be fully passed on to the States. This will reduce their borrowing cost from Small Savings by 100 to 150 basis points. In addition, I am also reducing the interest rate on loans portion of central assistance to State Plans by 50 basis points. Alignment of interest rates on GPF by the state Governments along with the reduced provident funds interest rates at the Centre will further reduce the interest burden of State Governments. Moreover, because of the anticipated increase in gross tax collection of the Centre, devolution of central taxes to the states is expected to increase by over Rs. 9000 crore in 2001-2002 over the current year. All these measures will help in reducing the debt burden of the States and improving their fiscal position.

State Fiscal Reforms

Along with fiscal consolidation at the Centre, it will be our endeavour to work jointly with the states to reform their finances. Pursuant to the recommendations of the Eleventh Finance Commission, an Incentive Fund of Rs. 10,607 crore has been earmarked for the next 5 years to encourage States to implement monitorable fiscal reforms. These reforms will essentially be the States' own programmes and considerable flexibility has been provided for individual states in designing their programmes. In the fiscal year 2001-2002, I have provided an amount of Rs. 4243 crore towards this Incentive Fund.

Public Sector Restructuring and Privatization

Our public sector has expanded in almost every area of economic activity. In many ways, it has served the nation well; capability has been developed all round and a strong industrial base built up. These enterprises must now be strengthened to compete and prosper in the new environment. Last year I had defined government's policy in this regard clearly.

Financial and business restructuring plans of a number of PSUs including SAIL and HMT have been approved. Since 1998 financial restructuring support to viable and potentially viable PSUs amounting to more than Rs. 13,000 crore has been provided to 23 PSUs. The Government has also decided to close down 8 non-viable PSUs during the current year. A package of measures for revival and closure of the various mills of the National Textiles Corporation has also been approved.

The procedure for privatisation of public sector enterprises has now been considerably streamlined. The Department of Disinvestment has been set up to accelerate the privatization process. To maximise returns to the government, our approach has shifted from the disinvestment of small lots of shares to strategic sales of blocks of shares to strategic investors. The Government has already approved privatisation of 27 companies in which the process of disinvestment is expected to be completed during the course of the year. These companies include among others VSNL, Air India and Maruti Udyog. ...*(Interruptions)*

Given the advanced stage of the process of disinvestment in many of these companies, I am emboldened to take credit for a receipt of Rs. 12,000 crore from disinvestment during the next year. An amount of Rs. 7,000 crore out of this will be used for providing restructuring assistance to PSUs, safety net to workers and reduction of debt burden. A sum of Rs. 5,000 crore will be used to provide additional budgetary support for the Plan primarily in the social and infrastructure sectors. This additional allocation for the plan will be contingent upon realization of the anticipated receipts. In consultation with Planning Commission I shall come up with sectoral allocation proposals during the course of the year...*(Interruptions)*

Gujarat Earthquake

The earthquake in Gujarat has been a terrible and unprecedented tragedy in terms of loss of life and damage to property. Although I am confident that the inherent resilience and entrepreneurial spirit so characteristic of the people of Gujarat will result in quick restoration of economic activity, I would like to assure the House that we have the capacity to fully meet the challenges of such natural calamities without deflecting from our path of pursuing our economic goals.

To enable the State Government to deal with the situation, Government of India is extending the following assistance:

Rs. 500 crore was made available to the State Government immediately from the National Calamity Contingency Fund. The National Calamity Contingency Fund, set up with initial corpus of Rs. 500 crore as a result of the Eleventh Finance Commission

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recommendations, is being augmented by the imposition of a 2 per cent surcharge on personal income tax and corporate tax.

Assistance will be provided to the State Government under various centrally-sponsored schemes for reconstruction of roads, bridges, power installations, school buildings, public utilities and other public infrastructure.

Arrangements have been tied up with the World Bank and Asian Development Bank for obtaining a line of credit of $800 million. A joint team has already visited Gujarat and substantial additional funds are expected to be negotiated.

The RBI has instructed banks to make special arrangements for freezing of recoveries and extension of new loans on liberal terms for borrowers in the affected areas.

The National Housing Bank and HUDCO have set apart adequate funds for housing reconstruction. I also propose to allocate a special quota of tax free bonds of the order of Rs. 2000 crore between the two institutions.

As was done after the Orissa cyclone, cement and steel used for construction in the Indira Awaas Yojana, by HUDCO and by agencies identified by the state Government, would be fully exempt from excise duty.

The Government of Gujarat will be enabled to raise funds by floating tax free earthquake relief bonds which will be open to subscription in Rupees to individuals and others including Non-Resident Indians through the Reserve Bank of India.

All goods intended for relief have been exempted from excise and customs duties; direct tax assessees will be given extension of time for filing their returns.

A natural calamity of this magnitude has also highlighted the need to set up permanent institutional arrangements for management of national disasters. The National Committee on Disaster Management under the Chairmanship of Prime Minister will be making recommendations for laying down effective long term strategy for this purpose.

SHRI SOMNATH CHATTERJEE (Bolpur): It should be with retrospective effect. ...*(Interruptions)*

Budget Estimates

Revised Estimates for 2000-2001

SHRI YASHWANT SINHA: We have been able to adhere to the Budget target of fiscal deficit despite pressures on public finances on account of deceleration in disinvestment programme, natural calamities and the relief to consumers of petroleum products. The revised estimates for the current fiscal year show a marginal decrease in expenditure of Rs. 2,965 crore as compared to the Budget estimates.

Net tax revenues for the Centre are estimated to be Rs. 1,44,403 crore compared to the Budget estimates of Rs. 1,46,209 crore, thereby reflecting a shortfall of Rs. 1,806 crore. The shortfall is mainly due to lower collection of Customs and Union Excise duties which were reduced to provide relief to POL consumers. Non-tax revenue is estimated at Rs. 61,763 crore, Rs. 4299 crore more than the estimated level of Rs. 57,464 crore. However, disinvestment receipts are expected to be lower at Rs. 2500 crore against the Budget target of Rs. 10,000 crore.

The fiscal deficit as a percentage of the GDP is expected to be on target at 5.1 per cent.

Budget Estimates for 2001-2002

In the budget estimates for 2001-2002, the total expenditure is estimated at Rs. 3,75,223 crore, of which Rs. 100,100 crore is for plan and Rs. 275,123 crore for non-plan.

Plan Expenditure

The budget support for Central, State and UT Plans has been placed at Rs. 100,100 crore, an increase of Rs. 13,862 crore over revised estimates 2000-2001. This amounts to an increase of 16 per cent. Gross budgetary support for the Central Plan is being enhanced from Rs. 48,269 crore in the revised estimates 2000-2001 to Rs. 59,456 crore in 2001-2002. Central Plan assistance to States and Union Territories in 2001-2002 is also proposed to be increased to Rs. 40,644 crore from Rs. 37,969 crore in the revised estimates 2000-2001.

Non Plan Expenditure

Non-plan expenditure in 2001-2002 is estimated to be Rs. 2,75,123 crore compared to Rs. 2,49,284 crore in Revised estimates for 2000-2001. The increase in non-plan expenditure is mainly in interest payments (Rs. 11,633 crores), defence (Rs. 7,539 crore) and Grants to State Governments (Rs. 2,221 crore).

In order to practice greater accountability and transparency, I am attaching with the budget papers this year a new report on "Implementation of Budget Announcements, 1999-2000 and 2000-2001".

Sir, I now present my tax proposals before that I want to take a glass of water because everybody else will be running for water after that.

In my earlier budgets, I have endeavoured to ensure a continuity of approach in framing my revenue proposals. The principles that have guided me have been the need for growth in revenues, simplification and rationalization of the tax regime, and effective tax compliance through measures, which are friendly for the honest taxpayer, and a deterrent to the evader. I have reduced the number of rates in both customs and excise duties, simplified procedures and introduced measures to improve tax compliance. I have given up my discretionary power to grant excise and customs duty exemptions in individual cases thus saving hundreds of crore of revenue for Government. The policy of penalties against tax evaders has also been made non-discretionary. With all these steps I have sought to put an end to a system that pressure groups or lobbies could influence. My attempt this year is to take this to its logical conclusion.

In my last budget, I had introduced the rate of 16% as the rate of Central Value Added Tax (CENVAT). I had also rationalized the rates of special excise duty to three, namely, 8%, 16% and 24%. The single rate of CENVAT now contributes about 68% of the total excise revenues from *ad valorem* duties.

I now propose to reduce the three rates of special excise duty to a single rate of 16%. As a consequence, I propose to abolish the 8% special excise duty on the following items:

(1) Glazed tiles

(2) Mattresses and articles of bedding

(3) Carpets and floor coverings

(4) Painted canvas, studio back cloth, etc.

(5) Linoleum and textile wall coverings etc.

(6) Scooters and motorcycles, and

(7) Taxis

These items will now be charged to CENVAT only at the rate of 16%.

White cement and other special cements, yachts and pleasure boats, arms and ammunition for private use and articles of fur skins, will attract SED of 16% and a total duty of 32%.

The special excise duty on aerated soft drinks, soft drink concentrates supplied to vending machines, and motorcars will be reduced to 16%, thus putting an end to the rate of 24% special excise duty. These items also will now bear a total duty of 32%. There will be no change in respect of products, which already attract this rate of 32%.

There are a few items that currently attract CENVAT at half the rate, namely, 8%. All these items will henceforth be charged to the normal rate of 16% except cotton yarn including sewing thread, LPG, kerosene and diesel engines up to 10 HP, which I am leaving at 8% for the present in the larger public interest.

After these rationalization measures about 80% of the revenue in respect of *ad valorem* duties will come from the single rate of 16% and about 17% that is, a total 97 per cent from the rate of 16 percent and 32%.

India is the world's second largest producer of fruits and vegetables. However, most of these are wasted in the absence of proper storage and processing facilities. Food-processing industry dealing in perishable fruits and vegetables needs special support. I therefore propose to exempt food preparations based on fruits and vegetables completely from excise duty. This will include a very wide range of products of common use like pickles, sauces, ketchup and juices, etc. This, along with the support I have given to creation of better storage facilities will give a fillip to the food processing industry and will go a long way in improving the rural economy of our country. ...*(Interruptions)*

[Translation]

SHRI MULAYAM SINGH YADAV (Sambhal): The real issue is of potato, what are you going to do about?

SHRI YASHWANT SINHA: Mulayam Singh ji, we will mash the potatoes.

SHRI MULAYAM SINGH YADAV: You will mash potatoes, but of how much. ...*(Interruptions)* Do something for potato-based industry...*(Interruptions)*

[English]

SHRI YASHWANT SINHA: The Eleventh Finance Commission has recommended a special levy for the replenishment of the National Calamity Contingency Fund. As an *ad hoc* measure, this was provided for in the current year through a special surcharge on corporate taxes of one per cent. I propose to establish this funding on a regular basis through a special surcharge of excise

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on a range of products the use of which should be discouraged on health grounds. I propose to levy a surcharge of 15% on cigarettes. The duty on biris would increase from Rs. 6 to Rs. 7 per thousand biris. The total duty on pan masala would be 55%/60%. Miscellaneous tobacco products like chewing tobacco would be charged to a total duty of 60%.

Excise duty on High Speed Diesel was reduced from 16% to 12% in September last year. I propose to restore it to the normal CENVAT rate of 16%. I also propose to restore special excise duty on motor spirit to the previous rate of 16%. The burden of increase in duty is not proposed to be passed on to the consumers except for any technical corrections.

LPG is charged to excise duty at 8%. I propose to apply the same rate of duty to Compressed Natural Gas, which is completely exempt at present.

A special scheme of charging excise duty from independent textile processors on compounding basis was introduced in December 1998. The working of this scheme has resulted in serious distortions. I have, therefore, decided to revert to the *ad valorem* duty structure for independent textile processors with effect from 1, March 2001. Independent processors would be allowed to take CENVAT credit of the duty paid on inputs on a deemed basis.

There is no economic logic to continue with excise duty exemption on garments sold under a registered trade name. I propose to impose a duty of 16% on such garments.

Products of SSI units are exempt from excise duty up to Rs. one crore. This exemption is intended to provide fiscal support to the genuinely small producers. I propose to withdraw this exemption in respect of the following items, in which misuse of the exemption is more than likely: Cotton yarn, Ball or roller bearings, and Arms and ammunition for private use.

The excise duty structure on matches comprises rates of duty ranging from 25 paise to Rs. 2.40 per hundred boxes of 50 sticks each. I propose to rationalise the existing rates to a more rational structure with a duty rate of 50 paise for the handmade sector, Re. 1 for the middle sector, Rs. 2 for the semi-mechanized sector and Rs. 3 for the mechanized sector.

Mr. Speaker, Sir, in the matter of rates of duties of excise I have almost achieved the ultimate with only one basic rate of CENVAT and one rate of special excise duty. The procedures in excise have also been made modern. I can humbly claim that excise duty is now a model of value added tax up to the manufacturing stage.

The only issue, which remains to be tackled now, is the issue of individual exemptions. The regime of exemptions is incompatible with a simple, equitable and rational tax structure that has now been put in place. I am not doing away with the exemptions altogether, realizing that this may come as a sudden shock to those who are accustomed to exemptions. However, I will like to give notice to them to be prepared to pay duties like anyone else. For the present, I am making a modest beginning by imposing a nominal duty of 4% on some items like goggles, imitation jewellery, rubberized mattresses etc. which in four equal annual—installments will be taken to 16%. More and more items will be put on this escalator every year.

Structural changes have taken place in the economy with the service sector growing faster than other sectors. I am expanding the net of service tax and I propose to add the following services to the list of taxable services:

Specified Banking and Financial Services, Authorized Service Stations for servicing of vehicles including two wheelers, Port Services, Broadcasting Services, Photographic Services, Convention Services, Sound Recording Services, Scientific and Technical Consulting Services, Telex Services, Telegraph Services, Facsimile Services, On-line Information & Data Base Retrieval Services, Video Tape Production Services, Services auxiliary to Insurance.

I propose to bring the service provided to lease circuit line holders also in the tax net.

I now turn to my proposals relating to customs duties.

In my previous budgets, I have reduced the total number of major customs duty rates to four, that is, 35%, 25%, 15% and 5%. I do not wish to propose any further reduction in the number of customs duty rates this year. However, I propose to discontinue the surcharge of 10%. With this, peak level of customs duty will decline marginally from 38.5% to 35%.

All agricultural produce already attracts the peak rate of duty of 35% or more. Current tariffs on major cereals are: Wheat (50%), Rice (70%/80%) and Maize (50%). I now propose to increase the customs duty on tea, coffee, copra and coconut and desiccated coconut from the present 35% to 70%.

Similarly, I propose to increase the rate of duty on crude edible oils ranging from 35% to 55% at present to a uniform rate of 75% and on refined oils from 45%/65% to 85%. A lower rate of 45% would apply to soyabean oil on account of WTO binding. I also propose to enhance the rate of customs duty on the import of crude palm oil by vanaspati manufacturers from 25% to 55% and restrict this concession to sick vanaspati units only. The others will pay 75%. I wish to assure the House that in order to safeguard the interest of our farmers we shall move swiftly whenever any perceptible threat on account of imports is noticed. ...*(Interruptions)*

[Translation]

SHRI MULAYAM SINGH YADAV (Sambhal): Hon'ble Finance Minister, you are saying that there is no threat but farmers have been ruined...*(Interruptions)*

KUNWAR AKHILESH SINGH (Maharajganj, U.P.): Farmers are dying, can not you see his plight?

[English]

SHRI YASHWANT SINHA: The House is aware that Government has committed itself to abolish customs duty on IT and telecom products and their inputs and components under the ITA 1 Schedule by 2003. The customs duty on these products is proposed to be reduced to 15% from 1 March, 2001 from current levels.

Mr. Speaker, Sir, with the abolition of the remaining Quantitative Restrictions in April this year second hand cars will also become freely importable. To allay the fears of surge in import of second hand cars, the rate of basic customs duty on their import will be raised to 105%, which is three times the peak rate. The total duty now applicable to second hand cars will be more than 180%. I propose a similar structure of duty for the import of old second hand multi utility vehicles, scooters and motor cycles.

In order to provide a level playing field for domestic liquor producers, I propose to levy CVD at a suitable rate on imported liquor, taking into account the levies of state excise on domestic production.

Our textile industry has to modernize itself and acquire the latest technology in order to face global completion and attain high quality of production. I propose to reduce the basic customs duty on specified textile machines, including shuttle-less looms from 15% to 5%. As a measure of further relief to the textile sector, I propose, to reduce the customs duty on silk waste, cotton waste and flax fibre from 35%/25% to 15%.

There are some cases of anomally in customs duty between raw materials and intermediate goods on the one hand, and intermediate goods and final products on the other. DMT, PTA, MEG and Caprolactum are raw materials for production of man-made fibres and yarns. However, the customs duty on these materials is higher than the rate applicable to fibers and yarn. I propose to reduce the customs duty on DMT, PTA, MEG and Caprolactum item from 25% to 20%, which is the WTO bound rate for synthetic fibers and yarns. Similarly, soda ash is an input for the production of glassware, detergents etc. and currently attracts the peak customs duty of 35% along with the final products. I propose to reduce it to 20%. I also propose to reduce the customs duty on polyester chips and nylon chips for the manufacture of fibers and yarns from 35% to 25%.

On the same analogy, the customs duty on high quality DBM, seawater magnesia and fused magnesia is being reduced from 25% to 15%.

Gems and jewellery have considerable potential for export. I propose to reduce the customs duty on cut and polished coloured gem stones from 35% to 15%. I also propose to reduce the customs duty on specified equipment when imported by training institutes sponsored by the Gem and Jewellery Export Promotion Council from 25% to 15%. The rate of customs duty on rough diamonds would now be 5%.

CNG kits and their parts attract low duty at 5%. I propose to extend the same treatment to LPG conversion kits and their parts also.

LNG is not produced in India. The burden of CVD on the import of LNG adds to the cost of LNG projects. I therefore propose to exempt LNG from CVD.

For the same reason, I also propose to exempt wattle extract used in the leather industry from the application of CVD.

I propose to reduce the customs duty on cement, and clinkers from 35% to 25%. I am confident that this reduction would help softening of domestic prices of cement for the benefit of consumers.

Mr. Speaker, Sir, accredited pressmen and cameramen are allowed to import cameras, computers, fax machine etc. up to a value of one lakh rupees for their professional use without payment of customs duty once in five years. In view of the many good photographs they have taken of the Prime Minister, the Leader of the Opposition and of me, 1 propose to reduce this long waiting period from five years to two years.

[Shri Yashwant Sinha]

In order to encourage better quality of cinematography I propose to reduce the customs duty on cinematographic cameras, projectors and certain other related equipment used by the film industry from 25% to 15%.

In order to discourage smuggling I propose to reduce the duty on gold from Rs. 400 per 10 grams to Rs. 250 per 10 grams.

Several industry associations have pointed out that the CVD on the imported consumer products should also be charged on the basis of maximum retail price; otherwise it does not provide a level playing field. I accept the logic of their argument. The Finance Bill contains the enabling provision to implement this decision.

I propose to withdraw the exemption from customs duty on a few items and impose on them a nominal duty of 5%. The list is attached to the Finance Bill.

I have already promised that our customs tariff would be brought down to East Asian levels. I will like to move progressively within three years to reduce the number of rates to the minimum with a peak rate of 20%. The modalities for this will be worked out in time for the next budget.

Sir, a number of steps are also being taken for greater procedural and administrative efficiency.

A new Manual of Procedures and Instructions on Central Excise and Customs would be brought out by 1, September 2001. The emphasis would be on simplicity, brevity and transparency. I also propose to simplify the central excise rules to make them user friendly.

My proposals on the excise side are estimated to result in a revenue gain of Rs. 4677 crore in a year. On the customs side my proposals are estimated to result in a revenue loss of Rs. 2128 crore. I estimate that the indirect tax revenue next year would be Rs. 1,40,992 crore.

Copies of the notifications issued to give effect to the changes in excise and customs duties shall be laid on the Table of the House in due course.

I now come to the Direct Taxes. In Direct Taxes, my thrust during the last three years has been on providing stability of tax rates, widening the tax base, rationalizing and simplifying the tax laws and giving impetus to economic growth. These efforts have resulted in increasing the direct tax revenue from Rs. 46,428 crore in 1998-99 to an estimated Rs. 74,467 crore this year. In addition, the number of assessees has increased significantly from a little over one crore in March 1998 to 2.3 crore at the beginning of this year. I, therefore, propose to continue with the same rates this year also. Co-operative Societies, however, will henceforth pay 30% tax instead of 35%.

While imposing the surcharge of 10% on corporates and non-corporates in my budget of 1999-2000, I had promised that this would be a temporary levy. However, I was constrained to increase the surcharge on non-corporate tax payers at the higher income levels to 15% due to the unexpected expenditure burden on account of Kargil. During the course of this financial year I had further levied a surcharge of 1% on corporates towards the National Calamity Contingency Fund and an additional 2% on all tax payers for the Gujarat Earthquake relief. I now propose to remove all surcharges payable by corporates and non-corporates except the surcharge of 2% for relief to quake hit areas of Gujarat. Individuals having an income of up to Rs. 60,000/- will not be subject to this surcharge.

As a welfare measure, Sir, I propose to allow 1005 deduction for donations to the National Trust for welfare of persons with autism, cerebral palsy, mental retardation and multiple disabilities.

Hon'ble members are aware that the modified one-by-six scheme, which I had introduced in the Finance Act, 1998 to identify potential income-tax assessees and to bring them into the tax net, has paid rich dividends. I, therefore, propose to extend the one-by-six scheme to all urban areas in the country as defined by the 1991 Census. Changes arising out of the 2001 census will be incorporated subsequently.

Certain companies are not filing their returns of their income, presumably on the plea that they are not having any taxable income. These companies go out of fiscal discipline and their financial transactions during the initial years escape scrutiny. I, therefore, propose that all companies should file their returns even if they incur a loss.

Sir, another effective measure of widening the tax base is to further enlarge the scope of deduction of tax at source. Income tax at source will henceforth be deductible at the rate of 10% on income by way of commission or brokerage exceeding Rs. 2,500/- crore except on transactions relating to shares and securities.

Winnings from lotteries, crossword puzzles etc. are currently taxed at 40%. As the marginal personal income tax rates have now stabilized at 30%, this income will also now be taxed at 30%. Television game shows are very popular these days. I wish the winners well. At the same time, I propose that income tax at the rate of 30% would be deducted at source from the winnings of these and their game shows.

At present, tax is deducted at source on income from interest on time deposits only if such income exceeds Rs. 10,000/- in respect of deposits with a Bank or Housing Finance Company and Rs. 5,000/- in other cases. These threshold limits have led to the erosion of the tax base and under-reporting of taxable income due to splitting up of deposits. I, therefore, propose to lower this limit to Rs. 2,500/- in all cases.

With economic liberalization, the pay package of salaried class especially the high salaried class is undergoing many changes. It is being divided into various components and the forms of perquisites and benefits and amenities provided by the employers are assuming new dimensions. To align our tax system with the present structure of pay packages, I propose that the value of perquisites, benefits or amenities shall be determined on the basis of their cost to the employer, except in case of houses and cars where different criteria will be adopted for simplicity.

Sir, I also propose to provide relief to salaried persons in the lower income range having an income up to rupees one lakh per year. Such persons will get an enhanced tax rebate at the rate of 30% in respect of their eligible investments under section 88 of the Income Tax Act, as against 20% at present.

In the case of Export Oriented Units, and units located in Export Processing Zones, Free Trade Zones and Software Technology Parks 25% of their sales in the domestic market are currently tax exempt. I propose to provide for the taxation of profits from these domestic sales of such units.

I.T. Sector continues to do well and should be encouraged to do better. I, therefore, propose that profits derived by the units located in the software technology parks from the export of "on-site" services will be elegible for deduction like their other export income. Units located outside these zones will also get the benefit of tax exemption on such export earnings. I further propose that the condition relating to transfer of ownership of companies under sections 10A and 10B of the Income-tax Act shall not apply in respect of companies in which public are substantially interested.

The income of NABARD, National Housing Bank and Small Industries Development Bank of India was exempted from tax in order to provide fiscal support in the initial years of their functioning. Now these institutions have come of age and are working on commercial lines. I, therefore, propose to withdraw the tax exemption available to these institutions.

The interest payable on certain External Commercial Borrowings is currently exempt from tax. Having regard to the fact that interest received by the lender is taxable in the country of his residence and he would get a credit for any tax paid by him in India, any exemption from tax liability in the host country does not benefit the lender but only results in reducing our tax revenues. I, therefore, propose that the tax exemption in respect of interest paid on such External Commercial Borrowings will not be available for such borrowings made on or after the first day of June 2001.

Certain interest income up to a limit of Rs. 12,000 is deductible at present under section 80L. In addition, income from Government securities is also deductible up to Rs. 3,000. I propose to reduce the maximum limit of this deduction to Rs. 9,000.

The tax payable on the distribution of dividends of domestic companies and income in respect of Units of Mutal Funds and UTI was increased from 10% to 20% last year. To provide a stimulus to the growth of capital market, I propose to reduce this tax to 10%.

To help revive investor-interest in primary issues I propose to exempt long-term capital gains arising from the sale of securities and Units if such gains are reinvested in primary issues of shares of public companies.

Sir, the tax incentives in the form of tax holidays for infrastructure facilities are proposed to be further rationalized and enlarged. For the core sectors of infrastructure namely, roads, highways, rail system, water treatment and supply, irrigation, sanitation and solid waste management systems, I now propose a ten-year tax holiday which may be availed of during the initial twenty years. In the case of airports, ports, inland ports and waterways, industrial parks and generation and distribution of power, which also become commercially viable only in the long run, a tax holiday of ten years is being proposed to be availed of during the initial fifteen years. The period of commencement of business for power and industrial parks is also being extended up to 31 March, 2006.

The five-year-tax holiday and 30% deduction for next five years was available to the telecommunications sector till 31 March, 2000. I propose to reintroduce this concession retrospectively for the units commencing their operations on or before 31 March, 2003. These concessions will also be extended to internet service providers and broadband networks.

Sir, in addition to the tax holiday proposed for development of infrastructure, tax incentives have also been provided for the investors providing long-term finance or investing in the equity capital of the enterprises engaged in infrastructure facility. Any income by way of interest, dividends or long-term capital gains from such investments is fully exempt. I propose to extend this concession to guarantee commissions and credit enhancement fees earned by financial institutions from infrastructure enterprises. Co-operative Banks will also be eligible for exemption of their income from investments in approved infrastructure facilities.

To be globally competitive, our companies need to increase their investment and expenditure for Research and Development. Currently, a weighted deduction of 150% of the expenditure on in-house research and development in certain areas is allowed to companies. I propose to extend this weighted deduction to biotechnology as well for clinical trials, filing patents and obtaining regulatory approvals. I also propose that the entire amount paid to specified projects under the India Millennium Mission, 2020 will be eligible for 125% weighted deduction.

To encourage development of industrial Infrastructure, I had provided 100% deduction of export profits for a period of ten years to units operating in the Special Economic Zones last year. I now propose to give further tax incentives for the development of these zones. The concessions available for infrastructure by way of a 10-year tax holiday will be available to the developers of Special Economic Zones on the same lines as developers of industrial parks. The income of investors making long term investment for the development of SEZs will also be exempt.

The storage of food grains and their transportation are our major concern. Sir, I propose to provide a tax holiday for five years and 30% deduction of profits for the next five years to the enterprises engaged in the integrated business of handling, transportation and storage of food-grains.

Sir, for promoting the industry that provides the cup that cheers, I propose to increase the development allowance available for tea industry from 20% to 40%. This additional allowance will be used only for re-plantation, rejuvenation, and modernization of tea plantations and for processing facilities.

There has been a long-standing demand from the Shipping Industry that the rate of depreciation available in respect of ships and inland water vessels may be increased. I propose to increase this rate of depreciation to 25%.

To encourage investments in weaving, processing and garment sectors of the textile industry, I propose to allow accelerated depreciation at the rate of 50% on plants and machinery purchased under the Technology Up-gradation Fund Scheme.

In order to give a boost to the commercial vehicles sector presently facing recession, I propose to allow accelerated depreciation at the rate of 50% on new commercial vehicles for one year.

In each of my past three budgets I have provided for increasing tax incentives for the housing sector. Continuing with the same practice, I propose to further increase the maximum amount of deduction available for interest payable on housing loans for self-occupied houses from rupees one lakh to rupees one and a half lakhs.

For persons having income from house property, the present deduction of 25% of annual value for repairs etc. is proposed to be enhanced to 30%. However, there will be no further deductions, except for the expenditure incurred by way of interest payment on housing loans.

I propose to extend the tax incentives allowed by way of deduction or rebate on payments of LIC premium to all insurance companies that have been approved by the Insurance Regulatory and Development Authority.

The presence of multinational enterprises in India and their ability to allocate profits in different jurisdictions by controlling prices in intra-group transactions has made the issue of transfer pricing a matter of serious concern. I had set up an Expert Group in November 1999 to examine the issues relating to transfer pricing. Their report has been received, proposing a detailed structure for transfer pricing legislation. Necessary legislative changes are being made in the Finance Bill based on these recommendations.

The foreign telecasting channels will henceforth be taxed in India, on their income computed in accordance with the provisions of the Income-tax Act.

Sir, I propose to bring about a number of measures that will be friendly to the taxpayer. The time limits for issue of refunds, reassessment and reopening of assessments by the Income-tax Department are proposed to be reduced. The Department will also no longer have power to withhold the refund due to an assessee. Similarly, there will be no requirement to obtain a Tax Clearance Certificate under section 230A from the Assessing Officer before transfer of immovable property. I also propose to remove the discretion presently available in deciding the quantum of penalties. Henceforth, a fixed amount of penalty will be leviable for most of the defaults.

Certain educational and medical institutions are required to be approved for claiming tax exemption. At present, these institutions have to file their application for approval to the Central Board of Direct Taxes. Sir, I propose to delegate this power to Chief Commissioners of Income-tax.

To sum up, Sir, my proposals made in this Budget on the Direct Taxes may result in a revenue loss of Rs. 5,500 crore, which I propose to make up with tax buoyancy and increased voluntary compliance. I estimate that the direct tax revenue in 2001-2002 would be Rs. 84,800 crore.

Mr. Speaker, Sir, with these proposals, I estimate total tax revenue receipts for the Centre at Rs. 163031 crore and the fiscal deficit at Rs. 116314 crore or 4.7% of GDP. I could have managed a lesser fiscal deficit but that would have been possible only at the cost of growth, which was unacceptable.

This is a budget for carrying forward the second generation of economic reforms. This is a budget for growth. This is a budget for equity with efficiency. This is a budget for a new deal to the people of India in the new millennium.

Mr. Speaker, Sir, with these words, I commend the budget to this august House.

12.52 hrs.

FINANCE BILL, 2001*

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): Sir, I beg to move for leave to introduce a Bill to give effect to the financial proposals of the Central Government for the financial year 2001-2002.

MR. SPEAKER: The question is:

"That leave be granted to introduce a Bill to give effect to the financial proposals of the Central Government for the financial year 2001-2002."

The motion was adopted.

SHRI YASHWANT SINHA: I introduce** the Bill.

MR. SPEAKER: The Finance Bill has been introduced.

The House stands adjourned to reassemble at 11.00 a.m. on Thursday, the 1st March, 2001.

12.53 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Thursday, March 1, 2001/ Phalguna 10, 1922 (Saka)

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**Introduced with the Recommendation of the President.

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