

PROF. SAIFUDDIN SOZ: Your writ should run large in the precincts of the Parliament.

MR SPEAKER: It is not the precincts of the Parliament, it is something else.

ORAL ANSWERS TO QUESTIONS

[English]

Memo to Prime Minister by State Chief Ministers

*61. SHRI ANANDA PATHAK:
SHRI HANNAN MOJAH.

Will the Minister of FINANCE be pleased to state:

(a) whether the Chief Ministers of some States met the Prime Minister on 30.1.1988 and submitted a memorandum to him;

(b) if so, the points raised in the memorandum;

(c) whether Government propose to convene a meeting of the National Development Council to discuss the points raised in the memorandum, if so, when the meeting is being called;

(d) whether Government propose to alter the terms of the Ninth Finance Commission; and

(e) if so, the details thereof?

THE MINISTER OF STATE IN THE DEPARTMENT OF EXPENDITURE IN THE MINISTRY OF FINANCE (SHRI B. K. GADHVI): (a) and (b). Yes, Sir. In the Memorandum the Chief Ministers *inter alia* suggested change in the terms of reference to the Ninth Finance Commission dealing with normative approach to expenditure, consideration of revenue expenditure in totality, additional duties of excise on goods of special importance, grants in lieu of tax on railway passenger fares, debt position of States and relief expenditure.

(c) and (d). No, Sir.

(e) Does not arise.

SHRI ANANDA PATHAK: Sir, I am very sorry that the Government is taking very lightly such a serious situation. Government is acting very lightly. The Minister has not explained as to what are the alternative proposals of the Chief Ministers made in the memorandum. As to what are those proposals all that not been explained. Secondly, Sir, it appears that the Government has rejected the proposal to convene the meeting of the National Development Council for considering the alternative proposals made by the Chief Ministers. What are the reasons therefor I would like to know. My other point is...

MR. SPEAKER: You cannot give a list of questions. One question at a time is allowed. No, MR. PATHAK, not like that.

SHRI ANANDA PATHAK: Sir, they are taking it very lightly.

MR. SPEAKER: Please sit down now. Let him answer your question and after that you can put your second/supplementary.

SHRI B. K. GADHVI: Sir, in the memorandum various points were raised and if hon. Member wants me to read it out I can read it for him. So many points were raised but basically the point raised was about the normative aspect of the Finance Commission's terms of reference. And, then they wanted that something which was in the State List and for which the Centre was also spending, should be excluded for the purpose of further devolution. So many other points were raised. When we received the memorandum, the Prime Minister received it, it was considered that the Finance Commission's views will also be taken and thereafter the Government came to the conclusion that there is no need to change the terms of reference.

SHRI ANANDA PATHAK: But the normative approach has been kept very very vague. Whether the Government is prepared to reconsider the proposals made by the Chief Ministers so that we can understand as to what is there in the mind of the Government?

My last point is that the Government should spell out the norms of assessing the receipts and expenditure of the States and the Centre. I want to know whether the Government will refer these points to the Ninth Finance Commission? These are my questions.

SHRI B. K. GADHVI: So far as the modification in the terms of reference is concerned, Government do not intend to make any modification. So far as the expenditure is concerned, for the first time a normative approach is suggested to the Commission only with a view to consider the revenue, expenditure and receipts in totality, which is totally in tune, and in consonance, with the provisions of the Constitution.

SHRI ANANDA PATHAK: My second supplementary, Sir..

MR. SPEAKER: No, MR. PATHAK, that is all.

SHRI V. SOBHANADREESWARA RAO: Is it not a fact that the Chief Ministers have also pointed out regarding the need for extending the time limit of clearing the overdrafts by the states from the present ceiling limit of 7 days to 3 weeks. Since all the states will be facing some difficulties in the first week due to payment of salary and other interest and payment of loans, so they need to increase this time limit up to 3 weeks. Also, there was suggestion from the States Chief Ministers that there is a need to convene the National Development Council at least twice in a year instead of once in a year. The ways and means limit of the states, which is at present only one per cent of the Budget...

MR. SPEAKER: A question is coming on this.

SHRI V. SOBHANADREESWARA RAO: These points were also mentioned by the Chief Ministers in their memorandum to the Prime Minister. So, I would like to know what is the reaction.

MR. SPEAKER: The points that you are raising are coming under Q. No. 69.

SHRI. V. SOBHANADREESWARA RAO: But these points were also there in the same memorandum.

MR. SPEAKER: This very question is coming.

SHRI SURESH KURUP: Due to the centralisation of the financial powers, the debt burdens of the states are increasing. They are facing acute financial crisis. For example, for a State like Kerala, the interest on the loan taken comes almost to the principal amount. Such a situation creates frequent difficulties for the states in balancing their cash position and retaining their plan expenditure intact. So, in this context, I would like to know whether the interest on the Central loans would be reduced?

SHRI B. K. GADHVI: This is precisely relevant to Question No. 69 where the question regarding Kerala has been specifically asked. This is nothing to do with the Finance Commission.

SHRI SURESH KURUP: You are the Minister who will be going to answer that question.

SHRI B. K. GADHVI: Question No. 69 is yet to come. This is only Question No. 61.

(Interruptions)

SHRI SURESH KURUP: What is this? I have asked a very relevant question.

MR. SPEAKER: There that point is coming. He will answer that.

SHRI SURESH KURUP: It is a pertinent question.

SHRI V. SOBHANADREESWARA RAO: What about my question?

MR. SPEAKER: That question is coming. Anyhow your question will be answered

(Interruptions)

SHRI V. SOBHANADREESWARA RAO: Sir, the question which I have raised in the form of supplementary related to Question No. 61. These were the points made by the

Chief Ministers to the hon. Prime Minister. So, I wanted to know the reaction of the Government to these suggestions.

SHRI SURESH KURUP: Sir, you club both the Questions.

MR. SPEAKER: Okay, we can club them. Should we club them?

SHRI B. K. GADHVI: Clubbing it would be difficult. It would not be proper also in the sense that so far as Question No. 69 is concerned, it is with regard to the overdraft and financial assistance--including relief, assistance share from the taxes and other things.

So far as the Finance Commission is concerned, it has got a constitutional bearing and terms of reference and other things. So clubbing will lead to anomalies. Therefore it is better to take them separately.

SHRI V. SOBHANADREESWARA RAO: What about my question?

MR. SPEAKER: It is on the other Question that is coming up.

PROF. MADHU DANDAVATE: Mr. Speaker, Sir, before I ask the question, I would request you to kindly direct the Minister not to take such rigid postures--straight-away saying, No, Sir. That means he admits that the Memorandum is submitted by the Chief Ministers but he says, "we are not going to discuss it in the National Development Council nor are we going to ask the terms of reference to be modified"

Such a negative approach should be given up. Now, I will come to the question

MR. SPEAKER: That is the suggestion!

PROF. MADHU DANDAVATE: Yes, suggestion for action. For you, Sir, the suggestion is that you direct them. (interruptions) Is it not a fact that a suggestion has been made that the Finance Commission

should make a recommendation regarding the distribution of grants so far as the principle is concerned on the basis of which the distribution should be made to various States?

For this purpose, is not a constructive proposal made that the very appointment of the Finance Commission should be timed in such a manner that the Five Year Plan document should be available to the Finance Commission so that they can make concrete suggestions in that regard?

In this context, will you take cognizance of a very important suggestion from all sections of the House that -- today whenever there are increase in the administered prices of commodities, the entire proceeds go to the Centre--they will consider even the distribution of the mobilisation of resources through administered prices between States and the Centre so that the federal polity and economy of the country will be a reality and not remain only on paper?

SHRI B. K. GADHVI: The constitution of the Finance Commission is made in accordance with the constitutional provision.

Therefore, hon. Members would be pleased to know that this Finance Commission also would give its Second Report by June, 1989 which means when the Eighth Five Year Plan would be coming up.

Now, with regard to the administered prices, presently Government do not intend to put them in the process of devolvable fund. Therefore there is no question of referring that matter to the Finance Commission.

PROF. MADHU DANDAVATE: He has not replied whether the recommendation regarding principle of distribution of revenues would be handed over to the Finance Commission?

SHRI B. K. GADHVI: So far as principle of distribution of revenues is concerned, for the first time--in earlier Finance Commission only the non-plan expenditure was taken into consideration--we have

with a view to making it more realistic have taken both plan and non-plan revenue expenditure and the receipts.

Therefore, it would be better for States to have their financial disciplines also. It would also remove one anomaly, namely, that uptill now the experience was that before the Finance Commission the projections by the States with regard to revenue and expenditure were different; before the Planning Commission the projections of the States with regard to revenue and expenditure were different and that would perhaps be removed also because of this normative approach.

PROF. MADHU DANDAVATE: It is a very typical reply: he has revealed little, and concealed a lot. To what I had asked for, he has refused to give a reply.

SHRI V. SOBHANADREESWARA RAO: What is this, Sir? You are giving me the opportunity to ask questions. I have put the question, and he has not answered.

MR SPEAKER: You can ask again.

SHRI V. SOBHANADREESWARA RAO Is it a fact that the Chief Ministers have pointed out to the Prime Minister, the need for extending the time limit for clearing the over-drafts by the States from the present ceiling of seven days to three weeks, and for increasing the ways and means limit which at present works out to 1% of the States, whereas the deficit financing ceiling limit for Centre is 10%; and also for convening the meeting of the national Development Council twice a year? If so, what are the reactions of the Union Government to these suggestions from the Chief Ministers?

SHRI B. K. GADHVI: In my answer to question No. 69, I have already stated...

(Interruptions)

SHRI SURESH KURUP: Why talk about question 69; why is he referring to it?

(Interruptions)

SHRI B. K. GADHVI: I will reply to his question now, although it is irrelevant to this question.

SHRI SURESH KURUP: How is it irrelevant? *(Interruptions)*

MR. SPEAKER: Please take your seats. You are not running this House. Mr Gadhvi, if you have given that answer in reply to question No. 69, you give it here also.

SHRI B. K. GADHVI: I say that the question of raising the ways and means limit is under the consideration of the Government. I also say that we do not intend to extend the overdraft clearing limit of seven clear working days to more days. But when the States find themselves in difficulty on this financial aspect, we certainly try to help by other devices.

MR. SPEAKER: Now next question. Mr. Sarfaraz Ahmad and Mr. Vilas Muttemwar are not here. Now question 63: Mr Ramoowalia.

[Translation]

World Bank Advice on Devaluation of Rupee

*63. SHRI BALWANT SINGH
RAMOOWALIA:
DR. CHINTA MOHAN:

Will the Minister of FINANCE be pleased to state:

(a) whether the World Bank has recently advised Government of India to devalue the rupee against leading countries and to take other sweeping measures to boost exports;

(b) if so, the details thereof; and

(c) the action taken by Government in this regard?

[English]

THE MINISTER OF STATE IN THE DEPARTMENT OF ECONOMIC AFFAIRS IN THE MINISTRY OF FINANCE (SHRI EDUARDO FALEIRO): (a). No, Sir.