

Memorandum

To

The Prime Minister

The Left Front Legislature Party

West Bengal

**Kolkata
August 22, 2011**

Date: 22 August, 2011

Dr. Manmohan Singh
Hon'ble Prime Minister
Government of India
New Delhi

Dear Prime Minister,

We are thankful to you for sparing your scarce time for this interaction with us.

In this Memorandum, we begin by emphasising the urgent need for reordering – need for justified decentralisation – in the Centre-State relations in general terms and then specially for a State like West Bengal. We, then, highlight some of the major issues concerning the common people of West Bengal, where action from the national level would be essential.

1. Centre-State Relations

1.1 It is well known that there has been a long-prevailing problem of centralisation of resources in financial sphere in the hands of Government of India and inadequacy of resources in the States in relation to their developmental and administrative needs. This centralisation, and resulting imbalance, has arisen out of the fact that while on the one hand, in the Constitution, the major responsibilities in the sphere of development expenditure (for instance, on irrigation, roads, power, education, health, etc.) and administrative expenditure (for instance, on law and order, general administration, etc.) have been given to the States, the more important powers of revenue-raising (Income Tax, Corporate Tax, Union Excise Duty, Customs Duty, Service Tax, etc.) have, on the other hand, remained concentrated in the hands of Centre. In consequence, of the total revenue collected in the country in a year, nearly two-thirds get raised in the Centre and remaining one-third in all the States taken together. In order to correct this imbalance, all the States, and specially West Bengal, made representation before the Thirteenth Finance Commission that there is an essential need for enhancing transfer of resources from the Centre to the States, and that Constitutional propriety (in terms of Articles 280 and 275) requires that this enhanced transfer should be made in terms of increasing the share of gross Central Taxes to the States and in terms of appropriate increase in grants-in-aid, and not in terms of discretionary transfer by unfair use of Article 282, through Centrally Sponsored Schemes with rigid centralised guidelines even pertaining to the State subjects, and without taking care of special characteristics of each State. All the States had strongly urged,

on the basis of hard data, for increasing the share of Central taxes from 30.5 per cent to 50 per cent.

1.2 The States have also strongly demanded for redressal of their debt burden, particularly when such debts are related to certain Central decisions. In the case of West Bengal, of the total debt burden of Rs. 1.86 lakh crore at the end of 2010-11, nearly Rs. 79 thousand crore is linked to small savings which is a Central programme, with the condition that at least 80 per cent of net small savings collection in a year in the State will be categorised as loan burden on the State Government. Since small saving by people in West Bengal is the highest among the States, the loan burden for the State Government on this account, because of the Centre's condition, has become specially high without the State Government being directly responsible for it. The Left Front Government of West Bengal, while urging for debt relief, had correctly demanded a special relief for small savings related debt burden.

1.3 The Left Front Government of West Bengal had also raised the constitutionally valid demand for the payment of coal royalty with arrears at revised rate. It is well known that all the States are constitutionally entitled to levy both cess on coal-bearing land and royalty on coal by virtue of Entry 49 and Entry 50 respectively of the State list. In the case of royalty on coal, rates of royalty are fixed by the Central Government in terms of Section 9 of the Mines and Minerals (Regulation and Development) Act, 1957. Moreover, the Constitutional validity of collection of both coal royalty and cess on coal-bearing land by the Government of West Bengal has been upheld by the Hon'ble Supreme Court of India (2004). Despite that, the State of West Bengal has been discriminatingly denied benefits of revision of coal royalty rates since 1991, causing a loss of revenue in arrears of about Rs. 5,000 crore now. Although it is not Constitutionally required, yet the Government of West Bengal had communicated to Government of India that if the State is compensated for the loss of arrear revenue on coal royalty of Rs. 5,000 crore, the rate of cess on coal would be appropriately reduced so that the current payment of coal cess and coal royalty together would not have any adverse effect on coal prices. This demand was also placed before the Thirteenth Finance Commission.

1.4 Recommendations of the Thirteenth Finance Commission, however, have belied the justified expectation of the States, and have gone in the opposite direction. In the recommendation, while the share of Central taxes for the States has only been insignificantly increased from 30.5 per cent to 32 per cent, there has been a proliferation of Centrally Sponsored Schemes with discretionary transfer with rigid conditionalities, asking the States to reallocate their budgetary resources to meet the States' share for such schemes and intruding into the limited fiscal space of the State Governments. Debt relief recommended has also been inadequate, particularly for the small saving related debt burden for States

like West Bengal. The justified demand of West Bengal for payment of coal royalty at revised rates has again been left unattended.

1.5 Confronted with this situation, we strongly demand for increasing the States' share of Central taxes to 50 per cent as soon as possible and in appropriate manner. It is further urged upon the Government of India that funds in Centrally Sponsored Schemes in the State subjects be transferred to the States, without rigid centralised conditions and with the overall objectives jointly agreed to by the Centre and the States and regular joint review of the Planning Commission and the States. We again strongly demand a comprehensive debt relief for loans linked to small savings and a positive decision for West Bengal on the constitutionally justified payment of coal royalty at revised rates.

1.6 We are seriously worried about the recent activities of certain financial companies in West Bengal. These companies have reportedly registered themselves under some Central authorities such as SEBI under Union Finance Ministry or Registrar of Companies under the Union Ministry of Corporate Affairs, collected deposits from the common people, with alluring but unrealisable returns, and invested the deposited money violating grossly the guidelines of the Central agencies. We urgently demand that a comprehensive enquiry be conducted by the Government of India and necessary action taken without any loss of time for protecting the interests of depositors. Some of these companies are under the jurisdiction of Reserve Bank of India. Monitoring and disciplinary actions by the Reserve Bank of India should also be made more comprehensive and expeditious.

2. Problem of Price Rise

2.1 The continuous rise in prices, particularly of food items, is a matter of serious concern for people of West Bengal as well as for people of the entire country. Price-rise is indeed a national level problem with manifestation in every State. In our view, the major causes behind this price-rise have been sluggish growth in agriculture, monopolistic/oligopolistic role of big traders, lack of a comprehensive public distribution system in essential items, frequent and sharp increase in prices of petroleum products, forward trading in commodities and inadequate coordination between Centre and the States in enforcing regulatory control.

2.2 We, therefore, demand that for controlling the price-rise, along with ensuring steady growth in agriculture for the country, it is essential to introduce from the national level, and in coordination with the States, a comprehensive and universal public distribution system, instead of the present truncated and targeted public distribution system in essential commodities, with appropriate

subsidy, to provide protection to common people from ravages of inflation and also to work as a countervailing force against the monopolistic powers in the market for controlling price-rise itself, transparent review of mechanism of fixation of petroleum product prices, withdrawal of forward trading and foreign direct investment in retail trade, and finally joint regulatory actions by the Centre and the States against hoarding etc., and making results of such monitoring public every month. We also consider that the present policy of indiscriminate increase in the interest rate on bank loans would discourage growth of production and supply, and would itself cause a cost-push element in enhancing inflation. We are of the view that this policy should be reviewed.

3. Problem of Unemployment

3.1 Along with price-rise, unemployment is also a national-level problem with its manifestation in every State. In order to correctly redress this problem, it should be appropriate to state the national objective in terms of employment-oriented growth, and not simply in terms of growth of Gross Domestic Product (GDP). In this objective of employment-oriented growth, emphasis should be placed on such growth in output in agriculture, industry and services that will also bring about adequate generation of regular employment, with addition of employment exceeding addition of labour force, thus causing a reduction in the backlog of employment. Such an approach from the national-level should be broken down with targets for employment-oriented growth for each State along with sector-wise activities. In these activities, a special emphasis should be given for SC, ST, OBC people, minorities and women as well as for disadvantageous regions.

3.2 Along with this change in the basic approach, we also demand that in the line of MGNREGS, a National Urban Employment Guarantee Scheme should be considered for urban areas as well. It may be mentioned that in West Bengal, the Left Front Government introduced a State-level urban employment scheme (called West Bengal State Urban Employment Programme) in 2010-11 with budgetary provision of Rs. 250 crore for the year. A national-level urban employment programme with enhanced Central budgetary provision would be specially useful.

4. Agriculture: Irrigation, Other Inputs, Bank Credit, etc.

4.1 Keeping in view this priority of employment-oriented growth and also the need for price-control, there is a need to adopt policy measures in agriculture from the national level, in coordination with the States, for enhancing agricultural

production and yield rate on a sustainable basis. To this end, not only self-sufficiency in overall food grains production should be achieved and maintained, but the demand-supply gap in specific food grains, oil seeds, pulses and other items, should also be systematically reduced over the period of next five years. For making this entire exercise socially sustainable, it should also be integrated with the objective of generation of adequate employment and incomes for the common farmers by providing special incentive for aforesaid items.

4.2 In order to form an idea of the Government investment required for attaining these objectives, an exercise was carefully worked out for West Bengal by the Left Front Government in 2010-11 and presented before the Working Group of Chief Ministers set up after the meeting of Prime Minister with the Chief Ministers in 2010-11. Beginning with land reforms, and then supporting land reforms by spread of irrigation (with about 72 per cent of the net agricultural area in the State under potential irrigation coverage achieved by 2009-10), and other non-land inputs, such as improved seeds (nearly 98 per cent coverage reached in paddy production) and a mix of chemical, organic and bio-fertilisers, the State could attain a rate of growth in State Domestic Product from agriculture at 4.3 per cent, and growth of yield rate of food grains of 2.0 per cent in 2009-10, and the position of West Bengal became first in production of rice as well as vegetables among all the States.

4.3 After achieving this stage of development in agricultural production, yield rate, in irrigation and in the use of seeds and fertilisers, the targets for West Bengal were fixed in 2010-11 for the next five years for annual rate of growth of agricultural production at 4.5 per cent, growth of yield rate at 3.1 per cent and that of cropping intensity at 1.4 per cent, so that self-sufficiency could be attained in total food grains production at the end of 2011-12, and demand-supply gap in case of wheat, pulses and oilseeds could be significantly reduced at the end of 2013-14. The correlated target of employment generation from agriculture and allied sectors was also fixed.

4.4 For achieving these targets in West Bengal, it was considered necessary to increase the proportion of net irrigated area to net agriculture area to at least 85 per cent by the end of 2013-14. To this end, along with fully developing the potential of minor irrigation projects, there is a critical need for expeditious completion of national level Teesta Project, speedy implementation of Subarnarekha Project, prevention of erosion of international and national level rivers, such as Ganga-Padma and Bhagirathi as well as coastal erosion, adequate national level attention to basin specific drainage schemes (such as for Keleghai-Kapaleswari-Baghai basin, Kandi area, Ghatal area and Ichhamati river) the lower DVC embankment improvement and also desiltation of important water reservoir under the DVC, Mayurakshi and Kangsabati Projects. Consistent with this overall strategy, it was also presented before this Working Group of Chief

Ministers that there would be requirement of 100 per cent coverage of improved variety of seeds, setting up of a seed village in at least every third village and a bio-village in every fifth village of the State within 2013-14.

We urge for early action in terms of required Central support in each of these areas related to agriculture.

4.5 Along with these measures, adequate and timely availability of credit from the banking system is also essential. On the basis of Date Committee formula, the credit need for agriculture and allied activities in West Bengal has been assessed at Rs. 45,000 crore per year. However, as against this requirement, actual disbursement of agricultural credit in West Bengal has been only Rs. 11,555 crore in 2010-11, although credit disbursement in agriculture in some of the comparable States, with total bank deposit less than in West Bengal, has been more than Rs. 40,000 crore in 2010-11. We demand that this discrimination against West Bengal in the sphere of agricultural credit should be removed and annual disbursement of agricultural credit should be raised above Rs. 40,000 crore as soon as possible. Along with the credit disbursement, there should also not be any slippage in the achievement of target of opening up of at least one branch for every village (with population of at least 2000) by the financial year, 2011-12.

5. Industry

5.1 In the sphere of industry, justified needs of West Bengal should be carefully attended from the national level. Due to concessions given from the national level in terms of Central taxes for certain regions, the State of West Bengal, particularly the districts in North Bengal have been adversely affected. Either these concessions should be substituted by adequate direct Central grants in terms of infrastructure or other facilities, or till such time as these concessions are accorded, similar benefit should be extended at least for the districts of North Bengal.

5.2 Keeping in view the growth impulses in agriculture, pisciculture, horticulture and animal resources in West Bengal, a special Central promotional support for development of agro-industry in the State should be seriously considered. Similarly, for reasons of eco-friendly nature of jute, a comprehensive revival package for jute industry, with specific assistance for diversification will help rejuvenate the jute industry. The augmentation of Central support, along with the State assistance, will help the tea industry turn around adequately. Within the limitations at the State level, the Left Front Government took specific steps for revival of closed and sick industries units, particularly by granting subsidy, tax relief etc. as a part of revival package.

Support of the Central Government through the banking sector would strengthen this process of revival of sick and closed units in the State.

5.3 For reasons of employment generation, a special emphasis should be placed on the development of medium and small industries as well as self-help groups (SHGs). According to the latest National Sample Survey data (2005-06) on unorganised manufacturing sector, both in respect of the number of running units (27.53 lakh) and generation of employment (54.93 lakh), West Bengal has been ranked in the first position among the States. Moreover, the number of SHGs has now exceeded 12 lakh, with more than 90 per cent comprising of women-led SHGs having excellent repayment record. The Centre-State joint promotional assistance required for the SME sector and SHGs would call for, apart from support in providing appropriate technology and market facilities, adequate and timely disbursement of loan from the banking sector. Leaders of some of the SHGs, with adequate training provided by NABARD, should be chosen by the banks as "Business Correspondents" more adequately, as was suggested by the State Government in 2009-10 and also accepted by the Reserve Bank of India in its guidelines.

5.4 A comprehensive and targeted Centre-State assistance package should be introduced for growth of employment-intensive handloom sector. In the line of reform measures introduced for both short-term and long-term cooperative credit institutions from the national level in coordination with the States, revival package for cooperative institutions in the handloom sector should also be considered by the Government of India.

6. Infrastructure

6.1 In the irrigation sector, need for Central support has already been highlighted earlier in Section 4. In the road sector, it is important to emphasise the fact that due to the unique geographical location, West Bengal serves as the national transit corridor for all the north-eastern States and also for export to adjacent countries. Keeping in view the significance of this national level road linkage, Government of West Bengal has placed in its Memorandum to the Thirteenth Finance Commission (2008) the need for upgradation of several State Highways to the level of National Highways. This need, however, was not duly accommodated in the recommendations of the Thirteenth Finance Commission. We now strongly urge upon the Government of India to reconsider, in the national interest, the entire matter of upgradation of deserving State Highways of West Bengal to the status of National Highways, and provide adequate Central budgetary support for this upgradation as well as for improved and timely maintenance of existing National Highways. A similarly focussed attention from the national level is also necessary not only for Kolkata Port and Haldia Port, but

also for setting up of deep sea port at Sagar Island. In the sphere of railways, in view of the increase in railway accidents in the State in recent years, an urgent attention should also be given for ensuring safety measures for preventing such accidents.

7. Social Sector

7.1 In the sphere of public health, in the vital matters relating to death rate and infant mortality rate, there has been improvement over the last decade in the performance of health sector in the State, with the death rate in West Bengal, according to the State-wise data published by the Government of India (2009), falling to 6.2 per thousand which is not only lower than the all-India average (7.3) but also the lowest among all the major States, and also a noticeable fall in infant mortality rate to 33 per thousand as against the all-India average of 50. In this background, it will be appropriate if, along with the Central funds for preventive and primary health care, more adequate Central funds are provided for tertiary health care, particularly for development and extension of teaching hospitals in the State. The long standing demand of the State for setting up an All India Institute of Medical Science (AIIMS) is yet to be realized in spite of the decision taken by the UPA-I Government. This must be taken up immediately.

7.2 In the sphere of education, augmentation of Central support for expansion of vocational and technical education would be specially helpful in the interest of employment generation.

7.3 Within the overall objective of employment generation and growth, a further focussed attention is needed for providing additional Central support for welfare of backward classes, women and child care and welfare of minorities. In this context, along with adoption of sub plan approach for schemes on welfare of backward classes and women and child care, similar sub plan approach, or at least certain earmarking approach should also be adopted from the national level for emphasising the importance of welfare of minorities. This issue was raised by the State Government in its discussion with the Planning Commission in 2009-10.

7.4 In the sphere of social sector as well as for the objective of employment generation with related activity in agriculture, industry, services and infrastructure, a special Central support would be necessary for the disadvantaged regions in North Bengal, Sundarban Area and Western part of the State.

8. Resource Mobilisation

For the Central support in the important spheres mentioned above, there will be need for additional financial resources. It is in this context that the introduction of Value Added Tax (VAT) in the States has opened up a new opportunity to coordinate taxation data base between the Centre and the States. The value addition from production and trade is, under certain condition, identically equal to the sum total of generation of incomes, and therefore there should be a close correspondence between the VAT returns and income tax returns. If the taxation data of the Centre are correctly coordinated with the taxation data of the States, then that will be a unique and effective way of unearthing the tax-evaded black money. If this tax-evaded money is duly unearthed, then the revenue gains for the Central Government should be significant, which would help the Centre in providing the additional financial support in the spheres mentioned above.

This is an illustrative but not exhaustive account of some of the issues involved. We would request for a response on the issues raised above from your end at an early date.

With regards,

Yours sincerely,

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Leader of the Opposition
West Bengal Legislative Assembly

Sd/- Subhas Naskar- RSP
Dy. Leader

*Sd/-*Abdur Rezzak Mollah - CPI(M)

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Press Release