

Budget 2022-23 and the 14th five-year plan

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I congratulate colleagues from GIFT, CUSAT, CII and the Economics Department of the University of Kerala for organising this important discussion on the Economic Review 2021 and the Kerala Budget 2022-23.

It is not coincidental that the organisation in Kerala that writes the Plan also writes the Economic Review. The Economic Review is not only an important feature of the budgetary process, one that reflects the economic policy framework, but is also an important input for the Five-Year Plan. As you know, we are the only State that did not abolish planning in 2015. We have Annual Plans and we still retain the process of Five-Year Plans.

I am not going to spend too much time on this year's Economic Review as I don't want to preempt the discussion that is going to take place today. Writing and presenting the Economic Review is what we at the State Planning Board have to do, and it is up to the public at large to read it and discuss it. But let me just give a few highlights and then go to some aspects of the new Five-Year Plan and the Budget.

As is clear from the first few pages of this Economic Review, our economic growth, as elsewhere, was subdued in 2021 because of the pandemic and the subsequent lockdown. But the measures that the Government of Kerala took in directing resources to the needy and to the most essential purposes helped in moderating the impact of the crisis. I am not talking about the fiscal impact; I am talking about the how we helped people confront the crisis. This include, but not limited to, the distribution of innovatively designed consumption-good "kits" to everybody, schemes like Subhiksha Keralam, which brought together efforts in agriculture, fisheries, animal husbandry, dairying and so on. You could not get away from COVID, but

certainly could mitigate its worst effects. The main feature of COVID policy, and this is something we've gone into in detail in the Kerala Development Report, was to ensure that everybody had access to food and basic necessities; everybody had shelter; everybody had access to free medical care; and everybody had access to information during this period. This cost us in terms of resources, but it brought great relief to the people. The contraction of GSDP would have been more severe if not for the economic stimulus. Rs 20,000 crore announced at the early stages of the pandemic in March 2020. In the wake of the second wave, the Government announced a second economic package of Rs 20,000 crore in June 2021 along with a supplementary package of Rs 5,650 crore in July 2021 to aid small industries that were hit by the crisis.

I'm not going to the quick estimates that I'm sure you're going to discuss, and you have somebody to discuss this matter in more detail. In 2020-21 our long-term gains in terms of per capita consumer expenditure were maintained and the per capita GSDP at constant prices was about 1.5 times the national average in 2020-21. Thus, economic uncertainty notwithstanding, we tried to ensure well-being despite the demands of fiscal "discipline" and disrupted revenue receipts of the State. The pandemic-induced fiscal measures have also pushed up substantially the expenditure obligations of the government.

There are other economic policies and economic events beyond the control of the State government that have affected fiscal health. The implementation of the GST has brought restrictions and limitations of the intervention of States in raising the taxes. Delay in getting the GST compensation has added pressure in managing State finances. The Central government collects a substantial amount of revenue through cesses and surcharges and revenue from cesses and surcharges is not part of the divisible pool of resources. During the period of the 14th Finance Commission, Kerala received about 2.5 per cent of resources of the divisible pool. After the 15th Finance Commission, it came down to 1.95 per cent. These are some of the issues that we are concerned about and whose effects are reflected in the Economic Review.

I am not going into the details of chapters, but if any of you would like to discuss the details of individual sectors and chapters with us at the State Planning Board, please feel free to do so at any time. We would like to have all the possible inputs from the public opinion on our efforts in the 14th Five-Year Plan.

If Kerala is on the map of the world, in economic and policy terms, it is because of our achievements in health, in school education, in different aspects of social justice, social inclusion and so on. We want to make our historical achievements a springboard for growth in production, services, and heavy infrastructure. Our performance during the 13th Plan period was severely affected by a series of unforeseen crises. We had a drought, followed by a cyclone, followed by two extreme rainfall events with landslides and floods. We had a two-district NIPAH epidemic, we had COVID, we also had the economic shocks of demonetization and stagnation in GST revenue. This affected our resources and our ability to implement the schemes as we would have liked.

Nevertheless, there were very solid achievements during the period of the 13th Five-Year Plan. They were, for example, in the spheres of housing, infrastructure, health, and upgrading school education among others. In fact, Kerala is the only State in India, where there has been a movement from private schools to public schools. More than 10 lakh pupils joined public schools over this period. We have made enormous progress in infrastructure and housing and also in bringing relief to the people in a way that was not possible in other parts of the country.

At the same time we did not compromise on our emphasis on inclusiveness and actual human development indicators. We have the lowest infant mortality rate, and death rates for children below five years of age, Kerala is the only State among the biggest States in India, with a single digit IMR of 6 (that's equivalent to the IMR of OECD countries), while the corresponding figure for India is 36. The life expectancy of birth in Kerala is six years more than the rest of the country. We achieved the sustainable development goal of reducing the Maternal Mortality Rate in 2019 one year ahead of the schedule. The MMR is the lowest in India. In Kerala it is 30 and that of India is 103. Our hospitals have been declared among the best government hospitals in the country. With regard to Sustainable Development Goals, we have won the National Award for three years consecutively. The NITI Ayog Multidimensional Poverty Index was much less than 1 per cent. So, we have the highest monthly per capita consumption expenditure in urban and rural Kerala. We have the highest average income per person in the State, 1.5 times the national average.

All of these needs to be seen as a consequence of a system of planning-led economic change that social and political consensus have established in Kerala. That is, we have made a commitment to development and growth on the basis of planning, which in Kerala is an

exercise in people's participation. The inputs come from the lowest level, then are consolidated through different political and social processes and finally embedded in the Plan.

Our objective is now to move from being an economy that is known best for the provision of basic needs and human development to a prosperous and inclusive economy that is based on growth. That is the shift in the emphasis. We will continue to build on the strengths of our Kerala in social investment, particularly in health, school education and housing, social welfare and gender justice. We will use our strengths, as I said, as a springboard for the accelerated growth of productive forces in the economy. We will try in the 14th Plan to ensure sustained effort to apply science, technology, cutting edge skills and the skills available to a knowledge economy to enhance growth in agriculture and allied activities, modern industry, infrastructure, and services. The 14th Plan will have schemes designed to modernise and enhance the system of higher education and to provide Kerala's youth with the best forms of skilled employment available in a modern economy.

Our aim is to ensure that over the next 25 years, the standard of living in Kerala will be that of an advanced middle-income country internationally, with the important additional feature that our development process will be inclusive. In the process of the growth that is being emphasised now, we will not leave anybody behind; our prosperity will be shared and our growth will be inclusive.

The coalition that is now in office recorded an unprecedented achievement - no incumbent government has been voted to government for the past 44 years. This is a unique opportunity for the Government of Kerala not only to build on our strengths in social policy and investments, but also to ensure our people a prosperous future. Through the 14th Five-Year Plan and other means, our effort should be to ensure change for the people of Kerala, and to show India and the world a secular, democratic, socially inclusive and high-growth alternative development policy. This is indeed very difficult within the present circumstances, but it is the bold objective we set for ourselves.

Before I end, I am happy to point out that there is an unprecedented increase in the Budget allocation for the seven major arts and sciences universities, digital university and KTU. This is a declaration of our intent. If you're going to have a knowledge society, you can't have it without better universities. We are committed to provide for the best possible higher

education facilities in the State. The Budget has also provided for a big change in preschool child care in the State through enhanced provision for anganwadis, that is, to ensure that the children are served milk and eggs at least two days a week. It is to be noted that about 50 per cent of children of the relevant age group go to anganwadis and that that number is likely to increase.

On the whole the first Budget of this Plan announced by the Finance Minister takes the first determined steps towards implementing our 14th Plan goal of creating an inclusive, prosperous, and high-growth society.

(Based on the address by Prof V K Ramachandran Vice Chairperson, Kerala State Planning Board, inaugurating the discussion on Economic Review 2021.)

Reference

Government of Kerala (2021). *Economic Review 2021*, Kerala State Planning Board, Thiruvananthapuram

Government of Kerala (2021). *Kerala Development Report*, Kerala State Planning Board, Thiruvananthapuram