

Genuine Super White Paper On Punjab Finances

Ever since its formation, the Congress government in Punjab has been working relentlessly to present a gloomy picture of the state's finances with the sole aim of discrediting the SAD-BJP Govt and to wriggle out of the false promises made by them in their election manifesto. Therefore, the SAD-BJP alliance has decided to bring out a Genuine Super White Paper on the state's finances with the aim of projecting the true picture of the state's fiscal position and also to dispel the *canards* being spread to undermine the good work done by the SAD-BJP Government led by Sardar Parkash Singh ji Badal. The fiscal indicators of the previous ten years speak volumes about the tremendous achievements on all fronts during a decade of SAD-BJP government.

It may not be amiss to quote S Manpreet Singh Badal, now the Congress Finance Minister and then the SAD-BJP Govt.'s Finance Minister himself, from his Budget speech on 20th June, 2007 for the budget year 2007-08, where he has correctly pointed out that:

“The previous (Congress) Government, while demitting office did not leave behind the state's fiscal situation in good health. Sluggish revenue receipts and sharp increase in expenditure led to fiscal deterioration.....The previous (Congress) government..... has left a fiscal deficit of Rs 5566.50 cores which was 4.7 percent of Gross State Domestic Product.”

(Para 7 of the Budget Speech 2007-08)

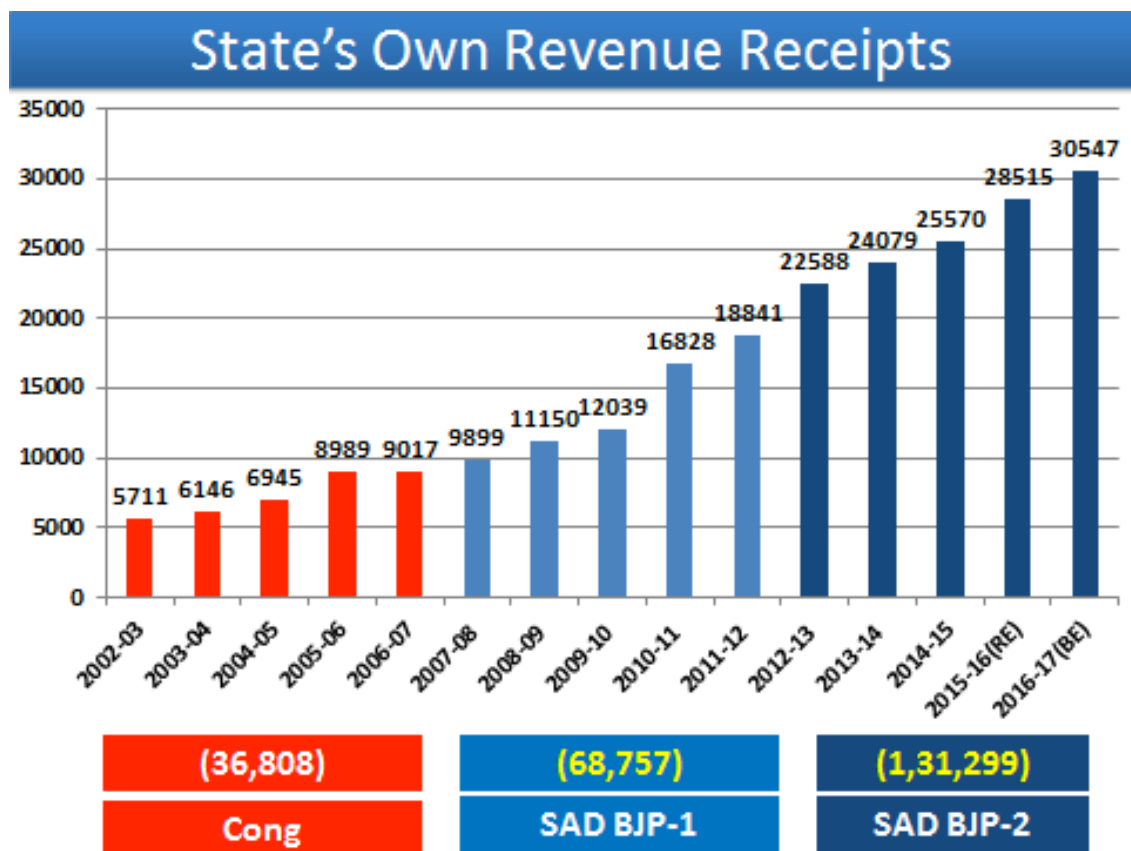
FISCAL PRUDENCE AND FINANCIAL MANAGEMENT

Through its fiscal prudence and sincere efforts, the SAD-BJP government constantly endeavored to bring the states' borrowings under control. It has been successful in achieving this unenviable task by reducing the annual deficit, from a high of 4.79% of GSDP (during the Congress rule) to 2.98% of GSDP (2015-16).

INCREASE IN REVENUE RECEIPTS

1. States Own Revenue Receipts

Due to the rapid economic growth and better financial management during the decade of SAD–BJP government, the state’s own tax revenue receipts and gross state domestic product has seen a massive jump. The own tax revenues increased from Rs 9017 Cr in the year 2006-07 to an approximately Rs 30547 Cr in the year 2016-17.

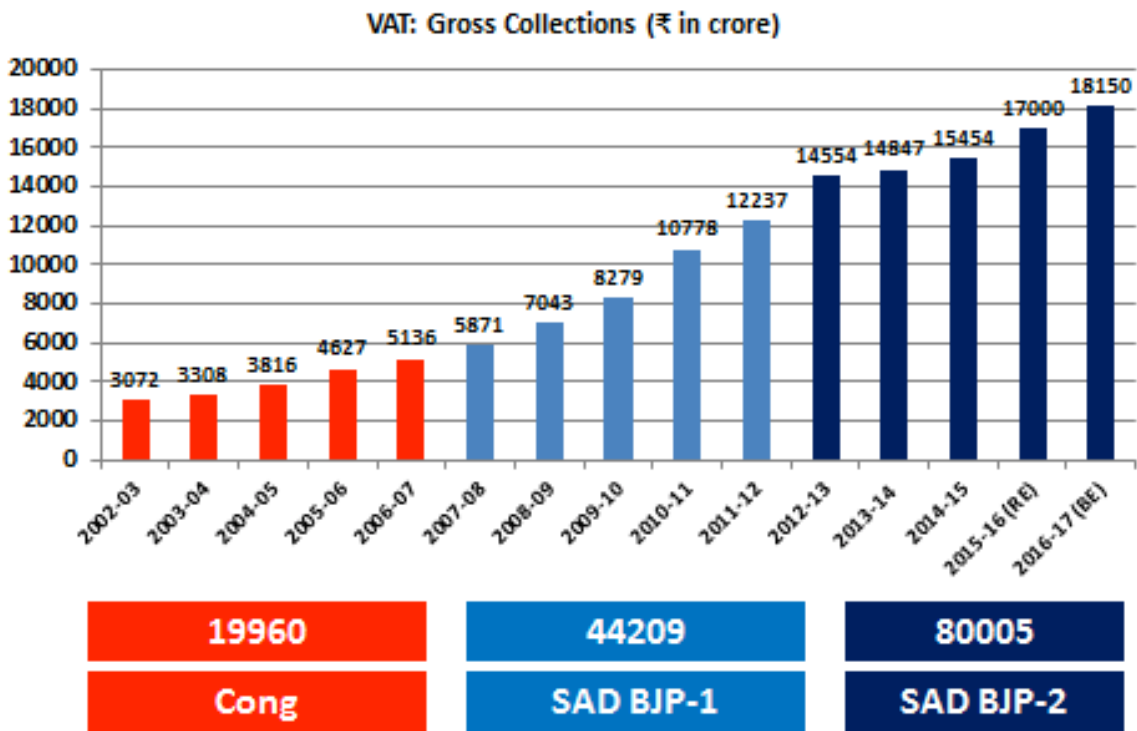


The increase in Own Tax Revenue during Congress rule from Rs 5711 Cr in 2002-03 to Rs 9017 Cr in 2006-07 which is a growth of 57.8 %. Whereas, during the SAD-BJP Govt, it showed massive growth from Rs 9017 Cr in 2006-07 to Rs 30547 Cr in 2016-17 which growth of 238.7 %.

2. VAT Collections

The VAT collections grew steeply during SAD-BJP Govt as compared to Congress rule due to trader friendly policies of SAD-BJP Govt and strict enforcement.

Revenue - VAT: Gross Collections

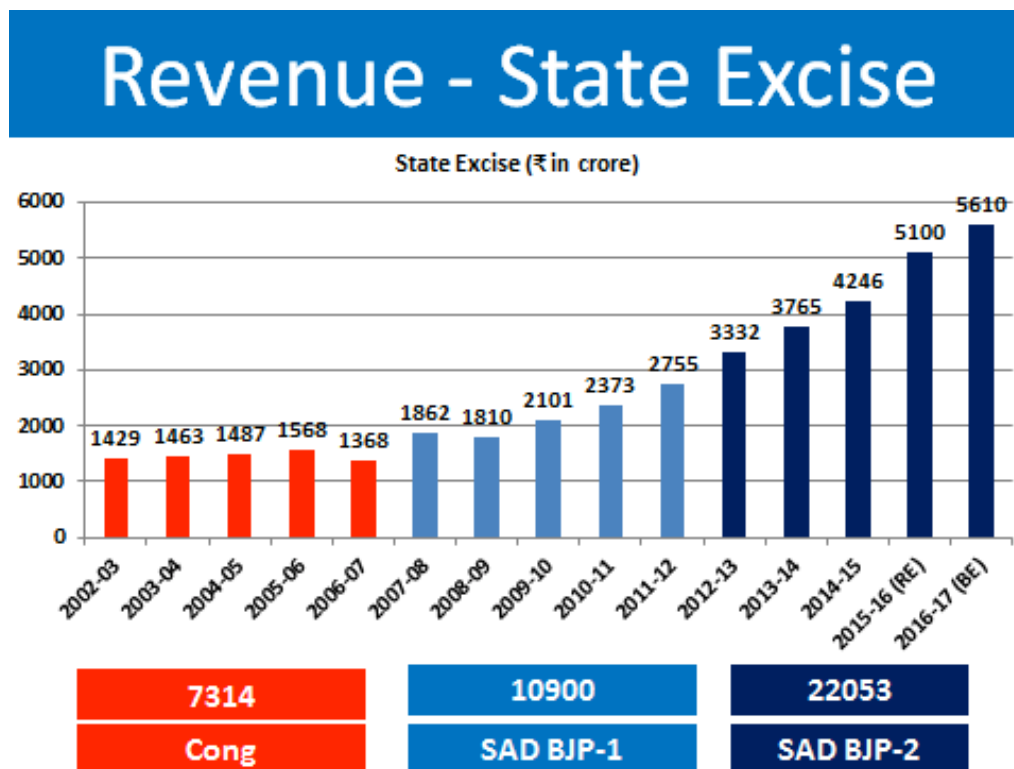


The increase in VAT Revenue during Congress rule from Rs 3072 Cr in 2002-03 to Rs 5136 Cr in 2006-07 was a growth of 40.1 %. Whereas, during the SAD-BJP Govt, it showed massive growth from Rs 5136 Cr in 2006-07 to Rs 18150 Cr in 2016-17 which is a growth of 253 %.

3. Excise Collections

The Excise collections grew phenomenally during SAD-BJP Govt.'s tenure due to fair and transparent auctions of Excise Circles and strict enforcement of liquor rates thereafter. Also the monopoly in the liquor trade was put to an end by SAD-BJP Govt by increasing number of Excise Circles.

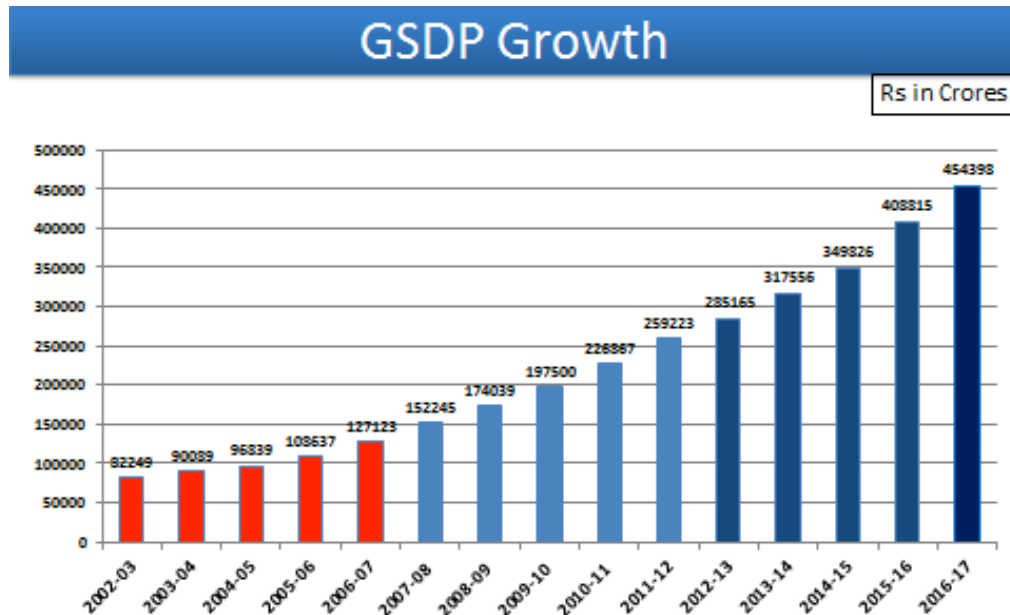
Whereas, during the Congress rule from 2002-07, the Excise revenues had fallen in actual terms due to the Congress Govt patronage to select liquor contractors and opaque policy of allotment of Excise Circles leading to monopolising of the trade by the liquor mafia and increase in the rates of liquor for the consumers. Now again the present Congress Govt has introduced the same policy of cartelisation and monopolisation of the liquor trade and increasing the liquor rates for the consumers.



The fall in Excise Collections during Congress rule from Rs 1429 Cr in 2002-03 to Rs 1368 Cr in 2006-07 was a *negative growth of (-4.2) %*. Whereas, during the SAD-BJP Govt, it showed massive growth from Rs 1368 Cr in 2006-07 to Rs 5610 Cr in 2016-17 which is a growth of *310 %*.

GROWTH IN GROSS STATE DOMESTIC PRODUCT (GSDP)

GSDP is the most important indicator of the overall prosperity of the State. Due to citizen friendly and pro-people policies of the SAD-BJP Govt., Punjab prospered in every field which is truly reflected in the huge jump in GSDP during SAD-BJP Govt. tenure.



The increase in GSDP during Congress rule from Rs 82249 Cr in 2002-03 to Rs 127123 Cr in 2006-07, which is growth of 54 % (Rs 44,874 Cr). Whereas, during the SAD-BJP Govt, it showed massive growth from Rs 152245 Cr in 2007-08 to Rs 454398 Cr in 2016-17 which is a growth of 257.4 % (Rs 3,27,275Cr)

This was a mark of the manner in which the health of the state's economy has been improved by the SAD-BJP government. These figures which can be independently verified which will impress any independent observer or economic expert, but those who wear political blinkers may still like to turn a blind eye to the truth.

DEBT OF THE STATE

The outstanding debt of Punjab has been a much debated subject. The present government has alleged that the outstanding debt of the state has increased from Rs. 51,010 Cr to Rs 1,83,000 Cr during the period 2007-2017.

It is time to put the issue in the correct perspective as the figure of a debt of Rs 1,83,000 Cr hides much more than it reveals. Firstly, the figures of 2006-7 and 2016-17 are not comparable because as on 31st March 2007, the outstanding debt figure of Rs 51,010 Cr does not include the long term loan of Powercom and the outstanding dues of the Food account – which are included in the 1,83,000 Cr figure of 2016-17. Therefore, to make an authentic comparison, we need to include the outstanding long term loan of Rs 7,599 Cr of POWERECOM and the outstanding dues of the Food Account of Rs 10,720 Cr of the food account as on 31st March, 2007.

After adding these figures to debt figure of Rs 51,010 Cr, it comes out to be Rs 69,329 Crores.

(Rs in Crores)

Outstanding debt of the state as on 31.3.2007	51,010
+ PowerCom (then PSEB) Long Term Loans	+ 7,599
+ Outstanding dues of Food Account	+ 10,720
TOTAL OUTSTANDING DEBT AS ON 31.3.2007	= 69,329

Besides, if we discount the element of inflation during last 10 years then Net Present Value (**NPV***) of the total debt of Rs 69,329 Cr as on 31st March 2007 comes out to be Rs 1,55,990 crores which is comparable to present debt of Rs 1,83,000 Crores of 2016-17.

***NPV Calculation**

1. It is based on the DA announced by Govt of India which realistically in line with the retail inflation in the country during that period.
2. The DA accrued during the period of the 6th Pay Commission i.e. in the last ten tears is 125%.
3. Rs 69,329 cr + 125 % = Rs 1,55,990 cr

The extra debt taken by the SAD-BJP Govt in the last 10 years; Rs 1,83,000 cr – Rs 1,55,990 cr (NPV of the outstanding debt of the Congress Govt.) is only Rs 27,010 Cr.

It is worthwhile to mention that the SAD-BJP Govt paid an interest of Rs 70,000 Cr during its tenure as compared to Rs 18,000 cr paid during the Congress rule.

DEBT TO GSDP RATIO

The SAD-BJP Govt focused on managing the debt of the State by increasing its revenue streams and curbing wasteful expenditure and brought the Debt to GSDP ratio down from 40.1% in 2006-07 to 28.9% in 2016-17.

Outstanding Debt			
Rs in Crores			
Year	Debt	GSDP	Ratio
2002-03	37086	82249	45.1
2003-04	42819	90089	47.5
2004-05	47070	96839	48.6
2005-06	51140	108637	47.1
2006-07	51010	127123	40.1
2007-08	55790	152245	36.6
2008-09	61530	174039	35.4
2009-10	67780	197500	34.3
2010-11	74780	226867	33.0
2011-12	82860	259223	32.0
2012-13	92280	285165	32.4
2013-14	101990	317556	32.1
2014-15	105080	349826	30.0
2015-16	117519	408815	28.7
2016-17	131470	454398*	28.9

2006-07 - one time Waiver by Centre

The above figures do not include the long term debt of PowerCom (then PSEB) in 2007 and the alleged outstanding dues against Food Account; nor are these figures included in the year 2016-17 figures for a balanced truthful picture.

The above data shows the Debt GSDP ratio during Congress rule to be very high ranging from 45.1% in 2002-03 to 40.1% in 2006-07. It had touched as high as 48.6% in 2004-05.

Also the figure 40.1% during 2006-07 was only possible because the Debt waiver announced by the Central Govt when Sh. I.K. Gujral ji was the Prime Minister of the country and S. Parkash Singh Badal Ji was the Chief Minister of Punjab, was credited into the State Account in 2006-07.

Increase in Debt of States

(Rs in Cr)

No	State	2006	2017 (BE)	% Increase
1	Haryana	26980	144190	434.4
2	Tamil Nadu	63850	256070	301.0
3	Karnataka	49590	198290	299.9
4	Kerala	47880	182310	280.8
5	Jharkhand	16920	63810	277.1
6	Rajasthan	66240	232830	251.5
7	Chhattisgarh	13190	45780	247.1
8	Goa	5130	17290	237.0
9	Gujarat	83020	248410	199.2
10	Madhya Pradesh	49650	147940	198.0
11	Uttar Pradesh	154060	458200	197.4
12	West Bengal	114420	334490	192.3
13	Punjab	51140	148230	189.9
14	Bihar	47290	131430	177.9
15	Maharashtra	146230	393990	169.4
16	Andhra Pradesh	83280	160900	93.2
17	Odisha	40720	67790	66.5

Source : rbi.org.in

As per RBI published data, the State of Punjab has done fairly well as compared to most of States in regard to increase in Debt during last 10 years.

The growth of Debt of the neighbouring state of Haryana has been phenomenal at 434.4 %, followed by Tamilnadu at 301 % and Karnataka at 299.9 %

Rate of growth of Debt of Punjab has been fairly slow with 12 states having a higher rate of growth of debt than Punjab

Increase in Debt & Debt-GDP Ratio of Govt of India

Year	Total Liabilities (Rs in Crores)	% of GDP
2002-03	1695656	66.85
2003-04	1874731	65.98
2004-05	2124726	65.53
2005-06	2359972	63.9
2006-07	2637079	61.4
2007-08	2935480	58.86
2008-09	3300108	58.62
2009-10	3645165	56.27
2010-11	4059590	52.16
2011-12	4670054	53.46
2012-13	5225307	52.51
2013-14	5859332	51.98
2014-15	6411200	51.34
2015-16	7078733	52.14
2016-17	7625002	50.61

Source : rbi.org.in

The Debt to GSDP Ratio of Punjab is **28.9%** where the ratio for Govt of India is phenomenal high at **50.61%** in 2016-17

Growing Debt GDP Ratio: An International Phenomenon

It is an international trend of all developed countries where Debt GDP ratio has increased

Debt-to-GDP Ratio 10 Year Trend		
Country	2004	2014
Japan	165.5	227.2
Greece	98.6	175.1
Italy	103.9	132.6
Portugal	57.6	129.0
Singapore	98.0	105.5
United States	62.7	101.5
Belgium	94.2	101.5

Outstanding Dues of the Food Account

Till 2003-04 the FCI used to pay the actual Labour & Transportation costs to the State Procurement Agencies. After that they started making provisional payments which were lesser than the actual cost. The account settlement would take 3-4 years and that too the payments received by the State Procurement Agencies were less than what had been paid on actual basis by them against the Labour, Transportation & other Incidental charges. The payments were made from CCL account which would remain due of the Bank towards the State as the Banks would square off the CCL only to the extent of the stocks of foodgrains. Also the Bank charged interest on the outstanding dues. In 2016-17 the Banks decided to disallow this expenditure out of CCL, which had risen to Rs 31,000 Cr, along with interest. The State Govt had no option but to take over this into the debt account of the State, for getting the CCL sanctioned in the interest of the farmers of the State.

At the same time the State Procurement Agencies have lodged claims against the Govt of India (FCI) to make good the difference in the actual cost of Labour, Transportation, Incidentals, Administrative costs etc. which comes to approximately Rs 30,000 Cr, which are yet to be settled by the Govt of India.

INCREASE IN DEBT FOR TAKING OVER LOAN OF POWERCOM

Ujwal Discom Assurance Yojana (UDAY)

The Govt of India brought Ujwal Discom Assurance Yojana (UDAY) with a view to reform the Power Sector and clean the balance sheets of the Distribution Companies. The salient features of the scheme are as:

- i. State Govt was to take over 75% of the outstanding long term debt as on 30.09.2015 in two years (50% in 2015-16 & 25% in 2016-17)
- ii. The old high rates of interest were to be swapped with low interest rate loans.
- iii. Discoms were to undertake certain measures to reduce AT&C lesser to 14% and eliminate the gap between ACS & ARR by financial year 2018-19.

Govt of Punjab adopted the Scheme:

- i. Govt of Punjab took over 75% of the long term loan of the PSPCL as on 30.09.2015, which worked out to be Rs 15,628 Cr
- ii. The rate of interest of new loans is between 8.18% to 8.5% payable semi annually; down from earlier high interest rates ranging from 11.5% to 12%
- iii. Debt swap has resulted in an annual saving of Rs 650 Cr

FALSE PROPAGANDA OF CONGRESS

V/S

TRUTHFUL SITUATION UNDER SAD-BJP GOVT.

The figures mentioned in the Genuine White Paper clearly depict the fiscal consolidation and sector-wise spending undertaken by the SAD-BJP government.

False propaganda 1

- The budgeted outstanding debt has increased from Rs. 51,010 Cr in 2006-07 to Rs 1,83,000 Cr. for the year 2016-17

Truth

- This anomaly has arisen not due to any new wasteful debt taken by the SAD-BJP government but due to the debt swap availed by the State Government to subsume the high cost debt of the PowerCom and taking over the outstanding dues of procurement agencies as state debt, resulting in an annual net saving of approximately Rs 1500 Cr.
- The alleged outstanding dues, of the Banks towards the State Govt Procurement Agencies on the Food Account, of Rs 31000 Cr were converted into term loan of the state, and its interest rate reduced from 11.05% to 8.5%.
- PowerCom's long term loan of Rs 15,628 Cr was exchanged with UDAY Bonds, with interest rate reduced from 11.05%-12% to 8.1%- 8.5%.
- Taking a cue from the SAD_BJP Govt.'s debt swapping measures, the present government has also authorized the Finance Department to swap high cost debt with low cost debt.

False propaganda 2

SAD-BJP diverted funds received under CSS.

Truth

- The propagandists either do not know or pretend not to know that the government does not have separate accounts for separate schemes. On the contrary, all the receipts of the state from all sources are credited to a single Consolidated Fund. The Govt releases fund to different heads based on several factors like availability of funds, priorities of the govt. and receipts of UCs of previously released funds etc.
- It is not possible to divert funds because funds remain payable in government accounts until released.
- In this regard, the statement of the then Finance Minister of the SAD-BJP Govt Mr Manpreet Singh Badal, who is now the Finance Minister of the Congress regime, on the conduct of the Congress government of 2002-07 in his Budget speech in the Vidhan Sabha on 20th June, 2007, puts things in the right perspective

“ The previous (Congress) government left behind large amounts of unfunded liabilities on account of non-release of funds received from the Govt of India for various development programmes. This has compounded the fiscal crisis“

(Para 7 of the Budget speech)

False propaganda 3

SAD-BJP Govt took loans against future income of RDB and PIDB.

Truth

- Those making this allegation ought to know that loans can only be availed against future incomes, based on the capacity of the entity to repay the principle and the interest on the loan. Also the loans are sanctioned by the Banks after independently assessing the

capacity of the loanee to payback the loan. Since the formation of PIDB and RDB, these entities have raised loans to fund the capital investment needs of the state under all previous governments, as per their mandate.

- When the previous Congress government had demitted office, the annual income of the PIDB and RDB were Rs. 200 Cr and Rs 348.81 Cr. In the past 10 years, the Government led by Sardar Parkash Singh Badal successfully increased the revenue of PIDB and RDB to Rs 2400 Cr and Rs 936 Cr. respectively
- Thus, it is evident that PIDB and RDB have a capacity to repay these loans from their own sources.

GST – A Better deal by the SAD-BJP Government

The SAD-BJP Govt.’ decisive approach was evident in the effective manner in which it negotiated the GST deal, securing 14% annual year on year increase in revenue for the state.

The records of the proceedings of GST Council show that the initial discussions favoured state-specific compensation depending on the average annual VAT growth of the previous five years. But the subsequent insistence and capable back-room negotiations by Punjab and Haryana helped secure a secular rate of 14% increase for all.

This decision of the GST Council will greatly help in providing stability to our state’s finances. This would double the income of our state in the next five years

All this clearly shows that those making wild allegations against the SAD-BJP government either do not understand state economy or economics OR they are deliberately trying to mislead the people.

As against these allegations and wild propaganda, the SAD-BJP govt. demonstrated remarkable economic vision and decisive approach to policy making.

SAD-BJP Govt; Committed to welfare of Punjabis and progress of the State adhering to the motto of 'Raj Nahin Sewa'

This vigorous fiscal management resulted in the government giving a major fillip to revenue generation in order to meet its development and social welfare commitments to the people of the state. As a result, the Punjab government was able not only to put in place a truly world class infrastructure throughout the state but also to introduce and fully deliver on social welfare commitments never heard of in any part of the country before this.

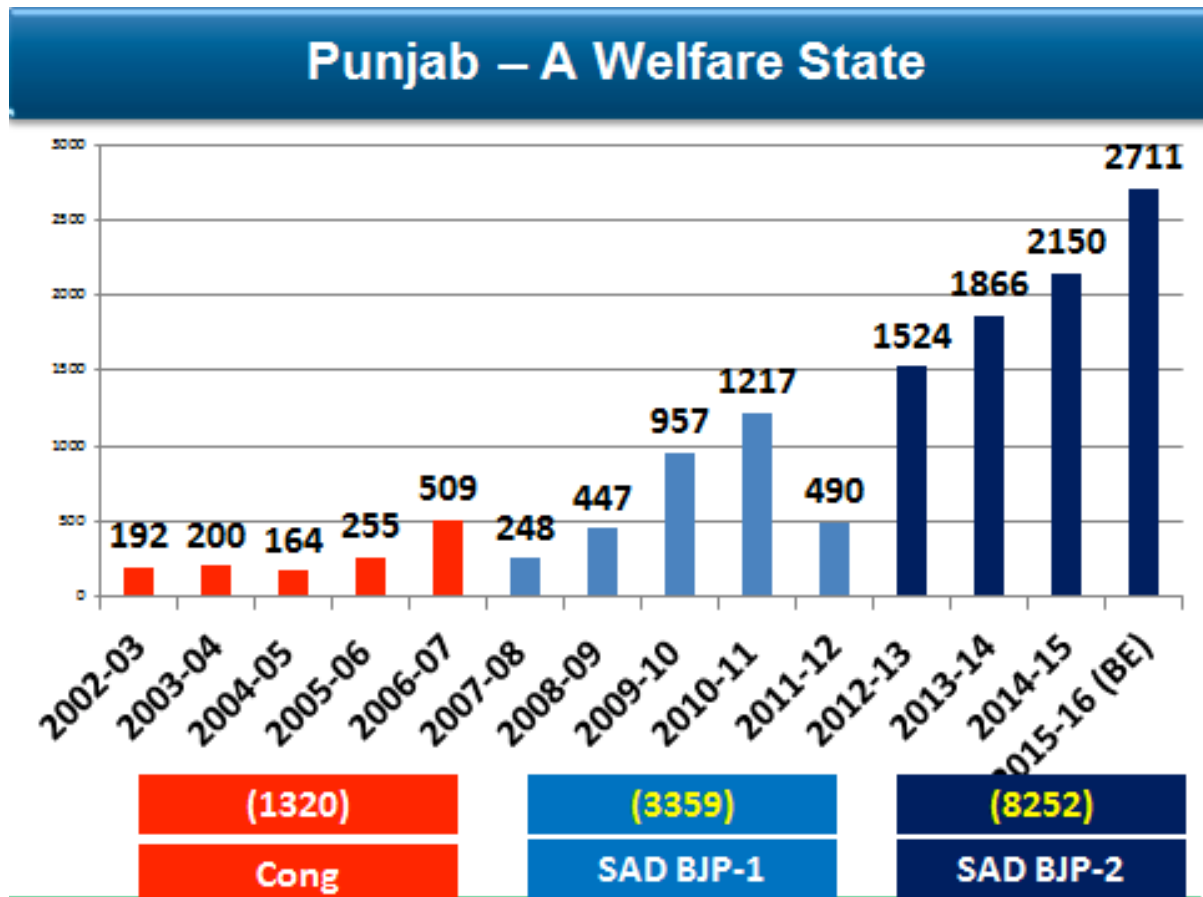
1. Infrastructure Development

Expenditure in Key Sectors

	Cong (2002-07)	SAD-BJP (2007-17)	% Increase
Road Infra	3277	37623	1048
Urban Development	2574	26098	914
Rural Development	674	6314	837
Rural Water Supply & Sanitation	667	2803	320
Irrigation	754	5070	572
Health	2532	8655	242
Education	9936	55672	460
Sports	10	510	5000
Investment In Power Generation	0	72320	
Heritage	1	1240	
Development Expenditure	20425	216305	959

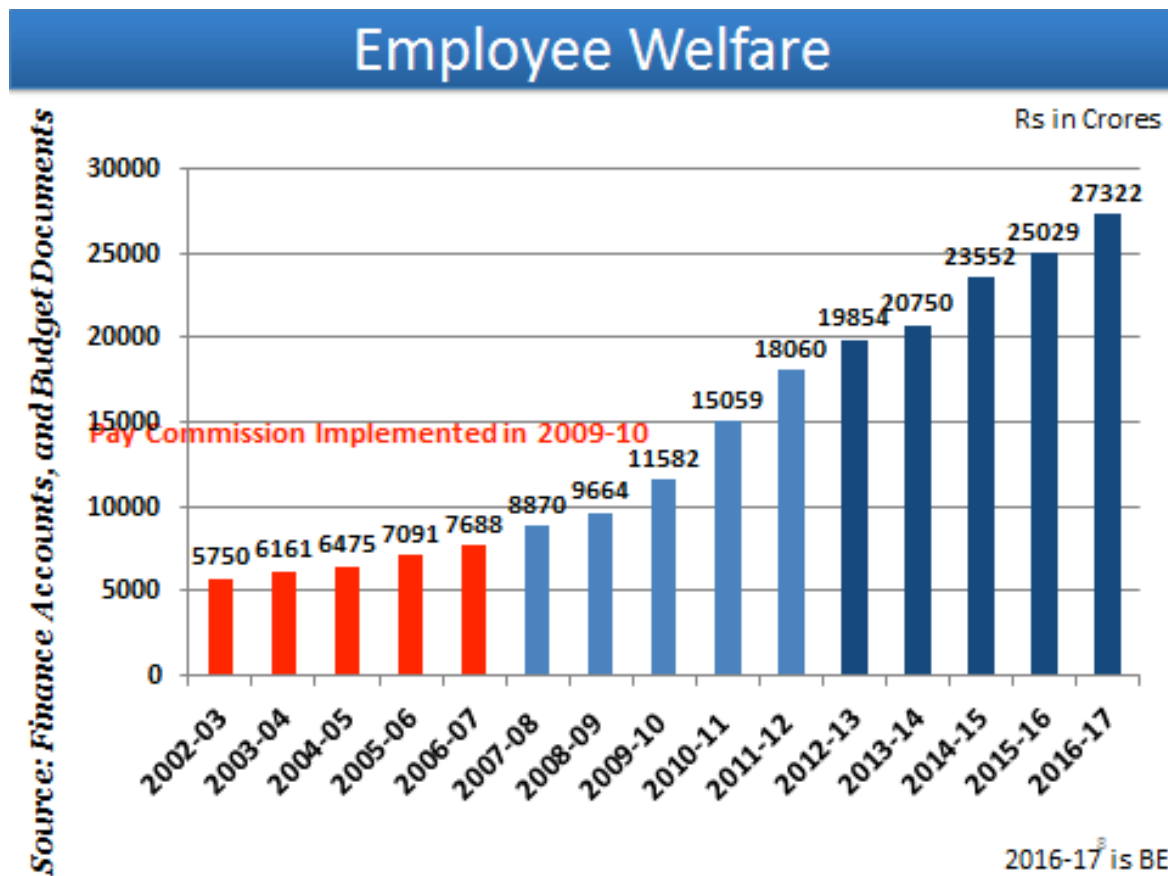
With continuous mobilisation of additional resources over a period of 10 years, the State Govt was able to create world class infrastructure making Punjab the leading state in the country.

2. Welfare



During 10 years of SAD-BJP Govt, a focus attention was paid on welfare of needy section of society, a novel Atta daal scheme was launched which benefitted 36.30 Lac families and 140 Lac beneficiaries. Similarly, pension amount (Old age, widow & disabled) was doubled benefitting 1.90 Lac needy Punjabis. Moreover, shagun, cycle for eligible girl students, Merit scholarships and number of other social welfare schemes were implemented effectively.

3. Employee Welfare



SAD-BJP Govt has always taken due care of welfare of the State Employees. Therefore, it was amongst the leading states not only to implement the recommendations of Sixth Pay commission but also improved upon many of the recommendations.

CONCLUSION

Thus, even a very casual but honest look at the fiscal ground realities of Punjab makes it clear that the present Congress government in the state has spent all its time, energy and resources on inventing lies and alibis to cover up its utter incompetence in understanding and managing the finances of the state. It also shows a total absence of will to fulfill the tall promises it had made to the people of Punjab before the assembly poll 2017. Instead of focusing on fulfilling and implementing its commitments to the people, this government is busy preparing a smokescreen to hide behind. It has mastered its trade-mark technique of evading the real issues by creating confusion through Committee Culture.

Each passing day brings fresh evidence that the Congress party never meant to treat its promises to Punjabis with any sincerity. It believes that the sole function and relevance of these promises was to hoodwink the people into voting for this party. That achieved, the promises deserve to be thrown in a dustbin. At best, in the event of mounting public pressure from the Opposition, the government believes in hiding behind Committees.

Everyday, it has been becoming more and more clear that the Congress manifesto for poll 2017 was the biggest fraud and a cruel joke played on the people by the opportunistic Congress leadership. The party was desperate to gain power by befooling the people with shamelessly false promises on the one hand and through broad daylight lies on every sector on the other. The Congress inherited from the SAD-BJP Government the twin legacy of peace, communal harmony on the one hand and healthy all round development in every sector, sound fiscal health, preservation of culture and religious heritage and social welfare, on the other. The Congress reserved its biggest and most disgraceful lies for key sectors like farmers' indebtedness, unemployment among the youth, measures for the welfare of the poor, the socially and economically backward classes. But even by its own abysmal standards, the party surpassed its own capacity for falsehood on highly sensitive issues like incidents of sacrilege of the holy scriptures, outrageous lying on the problem of drugs in the state etc. The party followed its age old policy of humiliating the peaceful but

proud and patriotic people of Punjab by painting almost all of them as violent and anti-national people on the one hand and “Nashedis” (druggies) and utterly incompetent on the other.

A picture of Punjab as “a bankrupt state” was deliberately drawn by the Congress, even though the record of the state in debt servicing and in revolutionary reduction in the Debt to GSDP ratio was sound and enviable. Punjab has never defaulted on repayment of debt. Plus, in real terms, the SAD-BJP government in Punjab actually brought the state’s burden of debt down in proportion to its GSDP and revenue generation – which is the only yardstick for measuring the comparative performance of different regimes in this sector.

The Congress manifesto was prepared by S.Manmohan Singhji, a celebrated economist. The promises which he included in this manifesto clearly meant that in his view, the state, as bequeathed to the Congress by the SAD-BJP government, was in the pink of fiscal health, strong enough to meet the additional expenditure on fulfilling its promises when the manifesto was prepared. The only other explanation for the inclusion of these promises is that the Congress forced even a former Prime Minister belonging to its party to lie through his teeth.

The Genuine White Paper on Punjab’s economy is based on concrete, impartial, undeniable fiscal and development data from institutions and sources of high credibility. The Congress must stop humiliating Punjabis by repeatedly painting them drug addicts, terrorists, rapists and bankrupt people.

In sum, the Congress government in Punjab must find the will to fulfill its commitments to the people and to govern efficiently. It must abandon its present habit of justifying non-performance and non-governance by resorting to lame excuses and blame games.

The writing on the wall is clear. This government must perform or perish. As responsible opposition, the SAD-BJP wish this government to perform and deliver without any further delay or dilly-dallying.