

Synopsis of proposed fiscal reforms

S. No.	I. Quantified	Fiscal correction				
		1997/ 1998*	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002
A. Expenditure containment (Reform scenario #1)						
<i>(% of GSDP)</i>						
1.	A staff freeze (zero net addition)	.08	.16	.24	.31	.38
2.	A freeze on net loans and advances at Rs. 500 crore	.18	.30	.40	.50	.58
3.	A freeze on non-educational grants (45% of total grants)	.01	.10	.18	.26	.32
B. Revenue enhancement (Reform scenario #1)						
1.	Tax revenue: additional revenue from the agreement on floor sales tax rates for 15 commodities between 8 northern States (not yet notified)	.06	.06	.06	.06	.06
2.	Non-tax revenue: additional	.51	.50	.48	.46	.43
<i>(Rs. crore)</i>						
	Total	250	275	300	325	350
<u>General administration</u>						
	- On-line lotteries	125	...	...	...	...
	- Levy of tolls on roads and bridges	10	...	...	...	...
<u>Social sectors</u>						
	- Higher tuition fees at college level (unchanged for over 20 years) plus higher fees for college-level examinations	15	...	...	...	...
	- Higher charges on diagnostic tests plus nominal consultation fee (now zero)	15	...	...	...	...
<u>Economic sectors</u>						
	- Reversal of 1997 zero rating of irrigation water	30	...	...	...	...
	- Two-third increase in irrigation water rates (<i>aabyana</i>)	20	...	...	...	...
	- Procedural improvements in auctioning of minor minerals plus higher rentals on industrial sheds	4
	- Interest due from PSEB	20

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		1997/ 1998*	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002
	- Raising the bus fare on Punjab Roadways (departmental enterprise) from paise 25/km. to paise 30-35/km. (parity with neighbouring States) plus elimination of fare concessions to designated groups	5
	<u>Residual sectors</u>	6	...	...	...	...
	- Tourism					
			(% of GSDP)			
A+ B	Impact on capital outlay (Reform scenario #1 relative to baseline)	.84	1.12	1.37	1.59	1.78
C.	Enhanced expenditure to fill spending gaps (Reform scenario #2)					
1.	Primary education: 3% annual net staff addition	.02	.02	.02	.02	.02
	Teaching materials	.01	.01	.01	.01	.01
2.	Roads: materials for maintenance	.33	.29	.27	.24	.21
3.	Irrigation: materials for maintenance	.24	.21	.20	.18	.16
A+B-C	Impact on capital outlay (Reform scenario #2 relative to baseline)	.23	.58	.87	1.14	1.38

Notes: * Counterfactual.

Unquantified:

D. PSU Reform

1. Reversal of 1997 decision to zero-rate electricity consumption by agriculturists alone will restore Rs. 207 crore of lost revenue to PSEB.
2. Autonomy in tariff setting is a must.
PSEB average tariff : 1.38/Kwh. National average tariff : 1.49/Kwh.
(before 1997 free electricity)
PSEB tariff on industrial consumers : 2.15/Kwh. National average on industrial consumers : 2.34/Kwh.
3. No other State contribution to financial restructuring of PSUs is suggested.
4. Financial restructuring packages must include a rise in O&M allocations (presently below national level in PSEB); and ban the practice of notional depreciation provisions.

E. Autonomy to local bodies

1. Legislative transfer to local bodies of monitoring authority over schools especially at primary level will help combat teacher absenteeism. Only local accountability can raise the effectiveness of social sector expenditures in terms of outcomes.
2. Reversal of the 1997 abolition of land revenue and property taxes, which has fiscally weakened the very level of government which needs to be strengthened.
3. Land revenue can be restructured into a revenue-productive land-based tax leviable by *panchayats*. Property taxes can similarly be restructured. Blueprints for both exist in the literature.