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Union Budget 2009-2010

Budget Speech

Interim Budget 2009-2010

Speech of

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Minister of Finance

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Mr. Speaker, Sir,

I rise to present the Interim Budget for 2009-10.

2. Five years ago the people of India had voted for change. In the words of our Prime Minister, Dr. Manmohan Singh, people had sought "a change in the manner in which this country is run, a change in the national priorities and a change in the processes and focus of the Government". The Common Minimum Programme of the United Progressive Alliance, built around '*Aam Aadmi*', was a response to this call for change. As indicated by Shri P. Chidambaram in July 2004, this programme spelt out seven clear economic objectives:

- (i) maintaining a growth rate of 7-8 per cent per year for a sustained period;
- (ii) providing universal access to quality basic education and health;
- (iii) generating gainful employment and promoting investment;
- (iv) assuring hundred days of employment to the breadwinner in each family at the minimum wage;
- (v) focusing on agriculture, rural development and infrastructure;
- (vi) accelerating fiscal consolidation and reform; and
- (vii) ensuring higher and more efficient fiscal devolution.

3. As I present the sixth budget of the Government of the United Progressive Alliance which completes its tenure in a couple of months, I can say with confidence that every effort has been made by the government to deliver on the commitments made.

4. For the first four years of the UPA government, our policies ensured a dream run for the economy with Gross Domestic Product (GDP) recording increase of 7.5 per cent, 9.5 per cent, 9.7 per cent and 9 per cent from fiscal year 2004-05 to 2007-08. For the first time, the Indian economy showed sustained growth of over 9 per cent for three consecutive years. With per capita income growing at 7.4 per cent per annum, this represented the fastest ever improvement in living standards over a four year period.

5. During this period, the fiscal deficit came down from 4.5 per cent in 2003-04 to 2.7 per cent in 2007-08 and the revenue deficit declined from 3.6 per cent to 1.1 per cent.

6. Investment and savings showed significant improvement. The domestic investment rate as a proportion of GDP increased from 27.6 per cent in 2003-04 to over 39 per cent in 2007-08. The gross domestic savings rate shot up from 29.8 per cent to 37.7 per cent during this period. The gross capital formation in agriculture as a proportion of agriculture GDP improved from 11.1 per cent in 2003-04 to 14.2 per cent in 2007-08.

7. The buoyant growth of Government revenues facilitated fiscal consolidation as mandated in the FRBM Act. The tax to GDP ratio increased from 9.2 per cent in 2003-04 to 12.5 per cent in 2007-08 bringing us within striking distance of the target for fiscal correction. This also enhanced our capacity to raise resources internally to finance our growth at the rate of 9 per cent per annum during the Eleventh Five Year Plan.

8. All this would not have been possible without the guidance of UPA Chairperson, Smt. Sonia Gandhi, the inspiring leadership of Prime Minister, Dr. Manmohan Singh and the hard work put in by my predecessor, Shri P. Chidambaram.

Mr. Speaker, Sir,

9. The growth drivers for this period were agriculture, services, manufacturing along with trade and construction. Hon'ble Members will agree with me that the real heroes of India's success story were our farmers. Through their hard work, they ensured "food security" for the country. With record procurement of 22.7 million tonnes of wheat and 28.5 million tonnes of rice for our Public Distribution System in 2008, our granaries are full. During this four year period, the annual growth rate of agriculture rose to 3.7 per cent. The production of foodgrains increased by about 10 million tonnes each year to reach an all time high of over 230 million tonnes in 2007-08. Despite a high base, the outlook for 2008-09 is encouraging with the country receiving normal rainfall during the agricultural season. Manufacturing, registered as well as unregistered, recorded a growth of 9.5 per cent per annum in the period 2004-05 to 2007-08. Similarly, communication and construction sectors grew at the rate of 26 per cent and 13.5 per cent per annum, respectively.

10. Though our growth is based largely on domestic efforts, foreign trade and capital inflows played a catalytic role. India's exports grew at an annual average growth rate of 26.4 per cent in US dollar terms during this period. Foreign trade increased from 23.7 per cent of GDP in 2003-04 to 35.5 per cent in 2007-08. The conscious policy to gradually integrate the Indian economy with the world, opened new opportunities for Indian corporates to build world scale plants and aim at global competitiveness.

11. In order to maintain a high GDP growth rate on a sustained basis with price stability, the Indian economy had to face two inter-related macro-economic challenges. These relate to capital inflows and global inflation. Profitable investment opportunities generated by high GDP growth attract foreign capital. In 2007-08, capital inflows spurted to an unprecedented 9 per cent of GDP, far in excess of current account financing requirements leading to large accumulation of reserves and build up of pressure on prices.

12. During 2008-09, international prices of many essential commodities particularly fuel oils, food and edible oils and metals rose to alarming levels. To cite just one example, the price of crude oil which was US \$ 28 per barrel in 2003-04 shot up to US \$ 147 per barrel in 2008. The sharp rise in global inflation, even with a moderated pass-through, put pressure on domestic prices. The WPI headline inflation shot up to nearly 13 per cent in the first week of August 2008. To ease supply side constraints, Government took a series of fiscal and administrative measures, in concert with monetary policy measures by the Reserve Bank of India. RBI raised the interest rates to mop up excess liquidity. This, in turn, had implications for the growth rate from the demand as well as supply side. These, along with easing of global price pressures, led to a decline in domestic prices with inflation rate falling to 4.4 per cent on January 31, 2009. We have weathered the crisis, but there is no room for complacency.

Outlook for the year 2008-09

Mr. Speaker, Sir, I now turn to the outlook for the current year and the events that have impacted its prospects.

13. The global financial crisis which began in 2007 took a turn for the worse in September 2008 with the collapse of several international financial institutions, including investment banks, mortgage lenders and insurance companies. There has been a severe choking of credit since then and a global crash in stock markets. The slowdown intensified with the US, Europe and Japan sliding into recession. Current indications of the global situation are not encouraging. Forecasts indicate that the World economy in 2009 may fare worse than in 2008.

14. A crisis of such magnitude in developed countries is bound to have an impact around the world. Most emerging market economies have slowed down significantly. India too has been affected. For the first nine months of the current year, the growth rate of exports has come down to 17.1 per cent. According to the latest figures available, the industrial production has fallen by 2 per cent year-on-year basis in December 2008. In these difficult times, when most economies are struggling to stay afloat, a healthy 7.1 per cent rate of GDP growth still makes India the second fastest growing economy in the world.

15. To counter the negative fallout of the global slowdown on the Indian economy, our Government took prompt action by providing substantial fiscal stimulus. The two packages announced on December 7, 2008 and January 2, 2009, provide tax relief to boost demand and aim at increasing expenditure on public projects to create employment and public assets. In this context, the Government renewed its efforts to increase infrastructure investments. In the period from August 2008 to January 2009 alone, the Government accorded approval for 37 infrastructure projects worth Rs.70 thousand crore.

16. In addition to expanding public sector investment in infrastructure, our Government has also taken steps to encourage private investment in infrastructure through Public Private Partnership (PPP). I am happy to say that the Government of India has been successful in attracting private investment in infrastructure sectors such as

telecommunications, power generation, airports, ports, roads and railways. Under the PPP mode, 54 Central Sector infrastructure projects with a total project cost of Rs.67 thousand seven hundred crore have been given in-principle or final approval by the PPP Appraisal Committee and 23 projects amounting to Rs.27 thousand nine hundred crore have been approved for viability gap funding in 2008-09.

17. To ensure that such projects do not face financing difficulties arising from the current downturn, we have taken a new initiative for providing refinance to the banks for long term credit extended to these projects. Accordingly, the Government has decided that India Infrastructure Finance Company Ltd. (IIFCL) will refinance 60 per cent of commercial bank loans for PPP projects in critical sectors over the next eighteen months or so. For this purpose, IIFCL has been authorized to raise Rs.10 thousand crore in the market by the end of March 2009. An additional Rs.30 thousand crore can be raised if required. With this, IIFCL and banks will be able to support projects involving a total investment of Rs.100 thousand crore in infrastructure. Combined with the steps we are taking to increase public investment in infrastructure, this will provide a big boost to such investment.

18. The RBI took a number of monetary easing and liquidity enhancing measures including reduction in cash reserve ratio, statutory liquidity ratio and key policy rates. The objective was to facilitate flow of funds from the financial system to meet the needs of productive sectors. Our Government has also announced specific measures to address the impact of global slowdown on India's exports. These include extension of export credit for labour intensive exports, improving the pre and post shipment credit availability, additional allocations for refund of Terminal Excise Duty/CST and export incentive schemes, and removal of export duty and export ban on certain items. A Committee of Secretaries has been set up to address, on continuing basis, procedural problems being faced by exporters.

Mr. Speaker, Sir,

19. The favorable economic environment created by the reforms of 1990's gradually inspired the confidence of foreign investors in our economy, leading to rise in capital inflows. India has evolved a liberal and transparent policy for Foreign Direct Investment (FDI). Except for a small negative list, FDI is allowed mostly on the automatic route. During 2007-08, we received a record US \$ 32.4 billion of FDI. In spite of global financial crisis, inward FDI flows during April-November 2008 were US\$ 23.3 billion, representing a growth of 45 per cent over the same period in 2007. Latest figures show a slow down. To provide an impetus to foreign investment in India, guidelines are being further simplified and made homogenous and consistent across various sectors.

20. Extraordinary economic circumstances merit extraordinary measures. Now is the time for such measures. Our Government decided to relax the FRBM targets, in order to provide much needed demand boost to counter the situation created by the global financial meltdown. Indeed, depending on the response of the domestic economy and the revival of the global economy, there may be a need to consider additional fiscal measures when the regular budget is presented by the new Government after the elections. However, the medium term objective must be to revert to the path of fiscal consolidation at the earliest. The Thirteenth Finance Commission has been asked to lay down the roadmap in this regard. The new Government will have to address it in the light of future developments in the domestic and international economic environment.

21. The recent developments have also brought out the need for accelerating the pace of policy reforms, including in the financial sector, to make the economy more competitive. The economic regulatory and oversight systems have to be made more efficient and effective to bring the economy back to the 9 per cent growth path at the earliest.

22. We also have to take note of Prof. Amartya Sen's observation and I quote "along with old slogan of 'growth with equity', we also need a new commitment towards 'down turn with security', given the fact that occasional downturns are common - possibly inescapable - in market economies" unquote. Employment generation schemes have to be expanded and social security nets have to be strengthened to protect the vulnerable sections of our society.

Mr. Speaker, Sir,

23. Let me now briefly review the progress in some important areas.

Initiatives and Achievements

24. UPA Chairperson, Smt. Sonia Gandhi had said "To be equitable, economic growth has to be sustainable. To be sustainable, economic growth has in turn to be all inclusive. All inclusive is no longer the greatest good of the greatest number. It is actually *Sarvodaya* or the rise of all". In pursuance of that vision, the UPA Government in the National Common Minimum Programme had declared its intention to make growth more inclusive. The Eleventh Five Year Plan provides a comprehensive framework and strategy for making growth both faster and more inclusive. Impressive growth rates and buoyant revenues gave us the head room to fund ambitious programmes to achieve these objectives.

Agriculture

25. Never losing sight of our commitment to the welfare of *Aam Aadmi* and recognizing that 60 per cent of our population lives in villages, focused attention has been given by our Government to the agriculture sector:

(i) In the period between 2003-04 and 2008-09, our Government increased the plan allocation for agriculture by 300 per cent.

(ii) The Rashtriya Krishi Vikas Yojana was launched in 2007-08 with an outlay of Rs.25 thousand crore, to increase

growth rate of agriculture and allied sector to four per cent per annum during the Eleventh Plan period. The scheme has encouraged State Governments to take initiatives to develop the agricultural sector.

(iii) On June 18, 2004 our Government had announced a package for doubling the flow of credit to agriculture. The credit disbursements have already gone up from Rs.87 thousand crore in 2003-04 to about Rs.2.5 lakh crore in 2007-08 marking a three fold increase. To strengthen the short-term co-operative credit structure, the Government is implementing a revival package in 25 States involving a financial assistance of around Rs.13 thousand five hundred crore. Government will continue to provide interest subvention in 2009-10 to ensure that farmers get short term crop loans upto Rs.3 lakhs at 7 per cent per annum.

(iv) The Agricultural Debt Waiver and Debt Relief Scheme for farmers, announced in the last budget speech, was implemented by June 30, 2008 as scheduled. The Scheme has been able to restore institutional credit to indebted farmers. As per early reports, the total debt waiver and debt relief so far, amounts to Rs.65 thousand three hundred crore covering 3.6 crore farmers.

(v) Our Government is committed to ensuring "food security" in the country and meeting the food requirement of the poor under the Targeted Public Distribution System (TPDS). In spite of higher procurement costs and higher international prices during the last five years, the central issue prices under the TPDS have been maintained at the level of July 2000 in case of Below Poverty Line (BPL) and Antyodaya Anna Yojana (AAY) categories and at July 2002 levels for Above Poverty Line (APL) category.

(vi) Our Government has ensured remunerative prices for the farmers for their crops. Since 2003-04, Minimum Support Price (MSP) for the common variety of paddy was increased from Rs.550 to Rs.900 per quintal for the crop year 2008-09. In case of wheat the increase was from Rs.630 in 2003-04 to Rs.1,080 per quintal for the year 2009.

Rural Development

26. Our Government has accorded highest priority to rural development. A number of programmes have been designed to help improve the living conditions of rural population.

(i) The Rural Infrastructure Development Fund (RIDF) is the main instrument to channelize bank funds for financing rural infrastructure. It is popular among State Governments. The corpus of RIDF was increased from Rs.5,500 crore in 2003-04 to Rs.14 thousand crore for the year 2008-09 ensuring greater availability of funds for its activities. A separate window for rural roads was created under RIDF with a corpus of Rs.4 thousand crore for each of the last three years.

(ii) Given the importance accorded to housing for the weaker sections in rural areas, 60 lakh houses were to be constructed under the Indira Awaas Yojana by 2008-09. In the period between 2005-06 and December 2008, 60.12 lakh houses have already been constructed.

(iii) Panchayat Empowerment and Accountability Scheme (PEAIS) is an existing scheme under the central sector plan which has been recognized as a powerful instrument to incentivise States to empower the Panchayats and put in place accountability systems to make their functioning transparent and efficient. Acknowledging the need to build in incentives for encouraging States to devolve funds, functions and functionaries and set up an institutional framework for such devolution, the Government proposes to substantially expand the scheme by making suitable allocations.

(iv) The Department of Posts has launched "Project Arrow" to revitalize its core operations and to provide new technology enabled service to the common man. So far this has been successfully implemented in 500 post offices in the country. This Project will receive full government support as it will enhance the services offered to masses and would also lay the foundation for a vibrant delivery mechanism for many social sector schemes such as pension and National Rural Employment Guarantee Scheme (NREGS).

Mr. Speaker, Sir,

Education

27. It has been said that literacy levels are a measure of a nation's degree of commitment to social justice. A literate environment is essential for ensuring universal elementary education, reducing child mortality, curbing population growth, ensuring gender equality and acquiring essential livelihood skills:

(i) The year 2008-09 was a momentous year for secondary education when several major initiatives, including a new Centrally Sponsored Scheme to universalise education at secondary stage was launched.

(ii) Higher education is of vital importance for the country in consolidating its comparative advantage in skill and knowledge intensive services and in building a knowledge based society. Our Government has taken a decisive initiative in this direction. The outlay on Higher Education has been increased 900 per cent in the Eleventh Five Year Plan. An

Ordinance has been promulgated for establishing 15 Central Universities. Six new Indian Institutes of Technology (IIT) have started functioning in Bihar, Andhra Pradesh, Rajasthan, Orissa, Punjab and Gujarat during 2008-09. Two more IITs in Madhya Pradesh and Himachal Pradesh are expected to commence their academic sessions in 2009-10. With the commencement of academic sessions in the Indian Institutes of Science Education and Research (IISERs) at Bhopal and Thiruvananthapuram, all 5 IISERs announced earlier are now functional. Two new schools of Planning and Architecture at Vijayawada and Bhopal have already started functioning. Teaching is expected to commence in four of the six new Indian Institutes of Management, proposed for the Eleventh Plan period, from the academic year 2009-10. These are in Haryana, Rajasthan, Jharkhand and Tamil Nadu.

(iii) The UPA Government has revised the Educational Loan Scheme, as a result of which the number of loan accounts has increased by more than four times during the period March 31, 2004 to September 30, 2008 from 3.19 lakhs to 14.09 lakhs. The loan outstanding during this period has increased from Rs.4 thousand five hundred crore as on March 31, 2004 to Rs.24 thousand two hundred and sixty crore as on September 30, 2008.

(iv) Following our announcement in 2004-05, nearly 500 ITIs have been upgraded into centres of excellence. As an integral part of the coordinated action plan for skill development, the Government created the National Skill Development Corporation in July 2008 with an initial corpus of Rs.1 thousand crore to stimulate and coordinate private sector participation in skill development.

Mr. Speaker, Sir,

28. I now turn to the social sector.

Social Sector

29. The UPA Government has launched many new schemes to provide steady monetary assistance to weak and downtrodden people of our society. Emphasis has also been given to the empowerment of women which has been an abiding objective of the UPA Government. I give some details of the important schemes:

(i) To further strengthen social and economic inclusion of minority communities, the new Ministry of Minority Affairs has been set up. Our Government has announced the Prime Minister's 15-point programme for the welfare of the minorities. Adequate allocations are being made to support this initiative.

(ii) The Scheduled Tribes and other Traditional Forest Dwellers (Recognition of Forest Rights) Act 2006, which was notified for operation with effect from December 31, 2007, has been widely welcomed by Scheduled Tribes and other traditional forest dwellers who now have legal rights on forest land which they have been cultivating or using over generations for eking out their livelihood.

(iii) The National Safai Karamchari Finance and Development Corporation (NSKFDC) has been mandated to provide loans at concessional rates for economic development of persons engaged in unclean occupations. The authorized capital of this organization is being raised from Rs.200 crore to Rs.300 crore to enable it to effectively carry out its mandate. The scope of the pre-matric scholarship for children of those engaged in unclean occupations has been expanded and the rates of scholarships have been doubled in 2008-09. The annual ad hoc grant has also been substantially increased by almost 50 per cent as compared to the earlier rates.

(iv) Efforts of our Government and the financing institutions have led to a rapid growth of credit linked Women Self Help Groups which are now over 29 lakh in number. In this context, the Rashtriya Mahila Kosh will be strengthened by enhancing its authorized capital.

(v) In December 2008, 'Priyadarshini Project', which is a rural women's empowerment and livelihood programme, was launched in U.P. with the assistance of IFAD. The project will be implemented as a pilot in the district of Madhubani and Sitamarhi in Bihar and Shravasti, Bahraich, Rai Bareilly and Sultanpur in U.P.

(vi) A revised and modified scheme named 'Indira Gandhi National Old Age Pension Scheme' was launched on November 19, 2007. This scheme covers all persons aged 65 years and above belonging to BPL households. So far 146 lakh persons have benefited from this scheme during the current financial year.

(vii) Two new schemes - Indira Gandhi National Widow Pension Scheme and Indira Gandhi National Disability Pension Scheme - are being launched in the current year. The Indira Gandhi National Widow Pension Scheme will provide pension of Rs.200 to widows between the age groups of 40-64 years. The Indira Gandhi National Disability Pension Scheme aims to provide pension to severely disabled persons.

(viii) In order to empower young widows in the age group 18-40 and equip them to stand on their own feet, I propose to give them priority in admissions to ITIs, Women ITIs and National/Regional ITIs for Women. Government will bear the cost of their training and provide stipend of Rs.500 per month.

(ix) The Government launched Rashtriya Swasthya Bima Yojana for BPL families in the unorganized sector on October 1, 2007. Up to January 15, 2009, 22 States and Union Territories have initiated the process to implement the

scheme. The Government of India also launched the *Aam Aadmi Bima Yojana* (AABY) on October 2, 2007. The AABY is a Scheme for death and disability cover of rural landless in the country in conjunction with the State Governments. Upto December 31, 2008, the Scheme has covered 60.32 lakh lives.

Mr. Speaker, Sir,

Public Sector Enterprises

30. We have created a strong public sector which has evolved in response to the nation's needs and provided stability to our development efforts. When the UPA Government took charge, the turnover of Central Public Sector Enterprises (CPSEs) in 2003-04 was Rs.5 lakh 87 thousand crore which has grown by 84 per cent to Rs.10 lakh 81 thousand crore in 2007-08. During the same period, profits of CPSEs have increased by 72 per cent from Rs.53 thousand crore to Rs.91 thousand crore and their contribution to the Central Exchequer by way of dividend, interest and taxes and duties has recorded an increase of 86 per cent. The number of loss making enterprises has come down from 73 in 2003-04 to 55 in 2007-08 and the number of profit making enterprises has gone up from 143 to 158 during the same period.

31. In order to maintain ethics and probity in the functioning of CPSEs, the Government approved the implementation of Guidelines on Corporate Governance in CPSEs in June, 2007.

32. In November 2007, Government constituted the National Investment Fund into which the proceeds from disinvestment of Government equity in Central Public Sector Enterprises (CPSEs) are deposited. Three-quarters of annual income of the Fund will be used to finance select social sector schemes which promote education, health and employment. The residual 25 per cent annual income of the Fund will be used to meet the capital investment requirements of profitable and revivable CPSEs. As on December 31, 2008, the corpus of the Fund was about Rs.1815 crore.

Financial Sector Reforms

33. Over past years, technological, institutional and legal reforms in the financial sector have resulted in Public Sector Banks achieving significant improvement in their financial health. The asset quality has improved and NPAs have declined considerably from 7.8 per cent on March 31, 2004 to 2.3 per cent on March 31, 2008.

34. In the case of Regional Rural Banks (RRBs), a process of amalgamation and recapitalization of those with negative networth has been initiated. Over the last four years, 196 RRBs have been merged into 85 RRBs. The Central Government has contributed Rs.652 crore for the capitalization of RRBs upto December 31, 2008.

35. The UPA Government has undertaken a number of reforms in the last four years to deepen and widen the Securities markets and strengthen the regulatory mechanisms for these markets. The initiatives include reforms in the corporate bond market, participation of foreign institutional investors, foreign investment in stock exchanges, setting up of a dedicated training and research institute in the securities market, making PAN the sole identification number, streamlining the process and grading of initial public offering etc. Systems and practices have been put in place to promote a safe, transparent and efficient market and to protect market integrity.

36. The Government undertook a comprehensive revision of the Companies Act, 1956 to make it a compact law that, while responding to the changes in the business environment, would enable adoption of internationally accepted best practices. The Companies Bill, 2008 based on this exercise, has been introduced in Parliament.

Mr. Speaker, Sir,

Tax effort

37. In the days of financial stress, tax rates must fall and our ability to pay taxes must rise. Therefore, our Government undertook comprehensive reforms of the tax system, both the direct and the indirect tax system, with a view to improving its efficiency and equity. Distortions within the tax structure have been reduced by expanding the tax base and moderating the tax rates. The personal income-tax rates have been rationalized by increasing the threshold limit and adjusting the tax slabs to provide relief to taxpayers. Similarly, Customs Duty rates have been steadily reduced to eliminate the bias against the export sector and promote competition and efficiency in the manufacturing sector. The rates of Union Excise Duties and Service Tax have also been rationalized to enable eventual shift to the Goods and Services Tax on April 1, 2010. The Government also facilitated the introduction of the State level VAT in April 2005.

38. These structural changes were also supported by undertaking modernisation of the business processes of the tax administration through extensive use of information technology, viz., e-filing of returns, e-payment of taxes, issue of refunds through ECS and refund bankers, computer assisted selection of returns for scrutiny, establishing taxpayer information system and a computerised tax payment reporting system. These measures have enabled the tax administration to enhance its functional efficiency and provide better taxpayer service leading to increased compliance levels. To prevent movement of contraband goods across the country's sea borders, the Government has sanctioned

acquisition of 109 marine vessels for the Customs Department.

Administrative Reforms

39. The Government set up the second Administrative Reforms Commission in August 2005 with a mandate to suggest measures to achieve a proactive, responsive, accountable, sustainable and efficient administration for the country at all levels of the government. The Commission has brought out number of reports with practical recommendations, providing a starting point for improving efficiency in the delivery of public services. The enactment of the Right to Information Act in 2005 at the Centre and in many States has bridged a critical gap in the public decision-making process, ushering in greater accountability of the public servants.

40. The Sixth Central Pay Commission submitted its recommendations in March, 2008. Government considered and improved upon the recommendations of the Sixth Central Pay Commission. This has benefited over 45 lakh Central Government employees including Defence Forces and Para Military forces and over 38 lakh pensioners. It is my hope that this will not only improve the quality of administration but will also help the economy by supporting demand.

Revised Estimates 2008-09

41. Mr. Speaker, Sir, I shall now briefly go over the Revised Estimates for 2008-09.

42. The Budget Estimate for 2008-09 had placed the total expenditure at Rs.7,50,884 crore. This has now been revised to Rs.900,953 crore, showing an increase of Rs.1,50,069 crore.

43. Plan Expenditure for 2008-09 was placed at Rs.2,43,386 crore in the Budget Estimate. It has now gone up to Rs.2,82,957 crore in the Revised Estimate. The additional plan spending of Rs.39,571 crore is on account of an increase in Central Plan by Rs.24,174 crore and an increase of Rs.15,397 crore in the Central Assistance to State and UT Plans. The Central Plan expenditure has increased for Rural Development, Atomic Energy, Telecommunications, Textiles, Urban Development, Youth Affairs and Sports and Railways. The increase in Central Assistance for State and UT Plans is on account of additional Central Assistance for Externally Aided Projects, Accelerated Irrigation Benefit Programme, Roads and Bridges, National Social Assistance Programme, Jawaharlal Nehru National Urban Renewal Mission and Tsunami Rehabilitation.

44. On the Non-Plan side, the additionality of Rs.1,10,498 crore in the Revised Estimates is accounted for by an increase in the expenditure of Rs.44,863 crore on fertilizer subsidy, Rs.10,960 crore on food subsidy, Rs.15,000 crore on Agricultural Debt Waiver and Debt Relief Scheme, Rs.7,605 crore on Pensions, and Rs.5,149 crore on Police. An additional amount of Rs.9,000 crore has also been provided for Defence expenditure.

45. Non-Tax Revenues constitute an important component of our receipts. As against the Budget Estimates of Rs.95,785 crore for 2008-09, the Revised Estimates for the Non-Tax Revenues are Rs.96,203 crore.

46. In keeping with the recent trend, the actual tax collections during 2007-08 exceeded the Revised Estimates for 2007-08, both for Direct and Indirect Taxes. However, for 2008-09, the RE of tax collection is projected at Rs.6,27,949 crore as against the BE of Rs.6,87,715 crore. This shortfall is primarily on account of the Government's pro-active fiscal measures initiated to counter the impact of global slowdown on the Indian economy. A substantial relief of about Rs.40,000 crore has been extended through tax cuts, including a fairly steep across the board reduction in Central Excise rates in December, 2008. Despite this, it is expected that the tax collection in 2008-09 would exceed last year's collection.

47. Taking into account the variations in receipts and expenditure, the current year is expected to end with a Revenue Deficit of Rs.2,41,273 crore as against the budgeted figure of Rs.55,184 crore. Accordingly, the revised Revenue Deficit stands at 4.4 per cent of GDP instead of 1.0 per cent in the Budget Estimates. Similarly, the fiscal deficit for 2008-09 has gone up from Rs.1,33,287 crore in the BE to Rs.3,26,515 crore in the RE. The revised fiscal deficit is estimated at 6 per cent of the GDP as against the budgeted figure of 2.5 per cent.

48. Constitutional propriety requires that new Government formulates the tax and expenditure policies for 2009-10. These policies, in the medium term perspective, would have to:

- (a) pursue macro economic policies to sustain a growth rate of at least 9 per cent per annum over an extended period of time;
- (b) strengthen the mechanisms for inclusive growth for creating about 12 million new work opportunities per annum;
- (c) reduce the proportion of people living below poverty line to less than half from current levels by 2014;
- (d) ensure that Indian agriculture continues to grow at annual rate of at least 4 per cent;
- (e) bridge the infrastructure gap by increasing the investment in infrastructure to more than 9 per cent of GDP by 2014;

- (f) support Indian industry to meet the challenge of global competition and sustain the growth momentum in exports;
- (g) strengthen and improve the economic regulatory framework in the country;
- (h) expand the range and reach of social safety nets by providing direct assistance to vulnerable sections and insulate them from dislocative effects of slowdown in economy;
- (i) strengthen the delivery mechanism for primary health care facilities with a view to improve qualitatively the preventive and curative health care in the country;
- (j) create a competitive, progressive and well regulated education system of global standards that meets the aspiration of all segments of the society; and
- (k) move towards providing energy security to all by pursuing an Integrated Energy Policy.

49. The term of the UPA Government comes to an end in a few months. Therefore, I am presenting an Interim Budget for the purpose of Vote on Account to enable the Government to meet expenditure during the first four months of the next financial year.

Mr. Speaker, Sir,

50. Let me now turn to the Estimates for the Interim Budget 2009-10.

Budget Estimates 2009-10

51. I am proposing the total expenditure for fiscal 2009-10 at Rs.9,53,231 crore. This includes a provision of Rs.2,85,149 crore under plan and Rs.6,68,082 crore under non plan.

52. The plan allocation under various heads provided at this stage is limited to the provision at the BE stage last year, plus additional amounts on account of the two stimulus packages, which has been reflected in the Revised Estimates for 2008-09. It also reflects a modest increase in Central Assistance to the States to enable the States to complement their budgetary resources. The total Gross Budgetary Support (GBS) for the Plan at Rs.2,85,149 crore, is 17.16 per cent higher in nominal terms than the GBS Plan for BE 2008-09.

53. The budgetary support to the Plan for 2009-10, in comparison to BE 2008-09 has been increased for Department of Rural Development, Department of Road Transport and Highways, Railways, Ministry of Power, Department of Industrial Policy and Promotion and Department of Information Technology with a view to maintain the fiscal tempo to address the economic slowdown and meet the requirements of rural and infrastructure development. In addition, enhanced Plan allocations have been provided for Ministry of Youth Affairs and Sports and Ministry of Culture to ensure availability of adequate resources for the preparation towards hosting of the Commonwealth Games next year. I have ensured adequate allocations to our flagship programmes which directly impact *Aam Aadmi*:

(i) National Rural Employment Guarantee Scheme was launched in February 2006 and has now been extended to all the districts of the country. During the year 2008-09, employment of 138.76 crore person days, covering 3.51 crore households, has already been generated. The implementation of this programme has resulted in increased wage employment, enhanced wage earnings, improved equity with significant benefits flowing to SC/ST and women. This has also led to increased demand for and consumption of wage goods. I propose an allocation of Rs.30,100 crore for this Scheme for the year 2009-10.

(ii) Sarva Shiksha Abhiyan has made significant contribution in providing access to and infrastructure for elementary education. About 98 per cent of our habitations have been covered by primary schools and the focus now is to improve the quality of elementary education. Between 2003-04 and 2008-09, the allocation for this programme has been increased by 571 per cent. For the year 2009-10, I propose an allocation of Rs.13,100 crore for this programme.

(iii) The national programme of Mid-day Meals in schools is the world's largest school feeding programme and has contributed to enhancement of school participation, reduction in class room hunger, and fostering of social and gender parity. I propose an allocation of Rs.8,000 crore to this Scheme for the year 2009-10.

(iv) In our Government's efforts to universalize the Integrated Child Development Scheme (ICDS) in the country, it was expanded twice in the last five years to cover the hitherto uncovered habitations across the country. In our commitment to reduce the malnutrition levels in the country, the UPA Government has recently adopted the New WHO Child Growth Standards for monitoring growth of children under ICDS. I propose an allocation of Rs.6,705 crore for this Scheme for the year 2009-10.

(v) Jawaharlal Nehru National Urban Renewal Mission was launched to give focused attention to integrated development for urban infrastructure and services in mission mode, in identified cities. A major achievement of the UPA Government is development and extension of Mass Rapid Transport System (MRTS) in major cities like Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Mumbai. Under Jawaharlal National Urban Renewal Mission, 386 projects amounting to Rs.39,000 crore have been sanctioned as of December 31, 2008. For the year 2009-10, I propose an allocation of Rs.11,842 crore for this programme.

- (vi) Rajiv Gandhi Rural Drinking Water Mission is envisaged to supply safe drinking water to uncovered habitations and slipped back habitations. I propose an allocation of Rs.7,400 crore for this programme for the year 2009-10.
- (vii) Total Rural Sanitation Programme is a continuous process. I propose an allocation of Rs.1,200 crore for this programme for the year 2009-10.
- (viii) National Rural Health Mission aims to bring about uniformity in quality of preventive and curative healthcare in rural areas across the country. I propose an allocation of Rs.12,070 crore for this programme during the year 2009-10.
- (ix) Bharat Nirman is a time bound plan for building rural infrastructure. It has six components namely, rural roads, telephony, irrigation, drinking water supply, housing and electrification. There has been all round progress in the implementation of this programme. During 2005-2009, the allocation to this programme has been increased by 261 per cent. For the year 2009-10, I propose an allocation of Rs.40,900 crore for this programme.

54. The UPA Government has been working on improving arrangements to ensure that development deliverables reach the intended beneficiaries. In order to do so efficiently, effectively and economically, a comprehensive system of Unique Identity for the resident population of the country has been worked out. The Unique Identification Authority of India is being established under the aegis of Planning Commission for which a notification has been issued in January 2009. A provision of Rs.100 crore has been made in the Annual Plan 2009-10 for this.

55. To ensure continuity in financing of rural infrastructure projects, I propose RIDF-XV with a corpus of Rs.14,000 crore and continuation of the separate window for rural roads with a corpus of Rs.4,000 crore.

56. To counter the negative impact on exports due to the global financial crisis, I propose to extend the interest subvention of 2 per cent on pre and post shipment credit for certain employment oriented sectors i.e. Textiles (including handloom & handicrafts), Carpets, Leather, Gem and Jewellery, Marine products and SMEs beyond March 31, 2009 till September 30, 2009. This is expected to involve an additional financial outgo of Rs.500 crore during Financial Year 2009-10.

57. Government would recapitalize the public sector banks over next two years to enable them to maintain Capital to Risk Weighted Assets Ratio (CRAR) of 12 per cent and to ensure that credit growth continues to sustain economic growth.

58. While the proposed provisions are appropriate for a Vote-on-Account, I would like to point out that Plan expenditure for 2009-10 may have to be increased substantially at the time of the presentation of the regular Budget, if we are to give the economy the stimulus it needs to cope with the global recession that is likely to continue through the year. In the current environment, there is a clear need for contra-cyclical policy and it calls for a substantial increase in expenditure in infrastructure development where we have a large gap and in rural development where the programs such as Bharat Nirman and NREGS are playing a vital social role. Since the scope for revenue mobilization is bound to be limited in a period of economic slowdown, any increase in plan expenditure will increase the fiscal deficit. Indeed, we may have to consider additional plan expenditure of anything from 0.5 per cent to 1.0 per cent of the GDP and gear up our systems accordingly.

Mr. Speaker, Sir,

59. We are going through tough times. The Mumbai terror attacks have given an entirely new dimension to cross-border terrorism. A threshold has been crossed. Our security environment has deteriorated considerably. In this context, I propose to increase the allocation for Defence, which is a part of non plan expenditure to Rs.1,41,703 crore. This will include Rs.54,824 crore for capital expenditure. Needless to say, any additional requirement for the security of the nation will be provided for.

60. I am also making a provision of Rs.95,579 crore for major subsidies including food, fertilizer and petroleum.

61. For the fiscal 2009-10, Gross Tax Revenue receipts at the existing rates of taxation are estimated at Rs.6,71,293 crore and Centre's net tax revenue at Rs.5,00,096 crore. With revenue expenditure estimated at Rs.8,48,085 crore, the revenue deficit amounts to 4.0 per cent of GDP. Fiscal Deficit is estimated at Rs.3,32,835 crore which is 5.5 per cent of GDP. This would be lower than in 2008-09, but higher than would be appropriate under normal circumstances. However, conditions in the year ahead are not likely to be normal and, therefore, the high fiscal deficit is inevitable. We will return to FRBM targets once the economy is restored to its recent trend growth path.

62. Honourable members are aware that the ceiling of fiscal deficit that the States can incur in 2008-09, in terms of the Debt Consolidation and Relief Facility set up under the Twelfth Finance Commission award has been increased by 0.5 per cent of the GSDP to 3.5 per cent. This may have to be reviewed in view of the response of the economy in the coming months.

Conclusion

- 63.** India has arrived on the international economic scene. In the last five years, the Indian economy has grown at an impressive 8.6 per cent which is much faster than ever before. This growth has been more inclusive providing people expanded opportunities for livelihood. The creative energies of our farmers, entrepreneurs, businessmen, scientists, engineers and workers have been unleashed.
- 64.** Increased global competitiveness of Indian enterprise, its resilience to global shocks, and a positive economic outlook has contributed to a marked change in the way the Indian economy is being viewed, within and outside the country.
- 65.** The successful launch of *Chandrayaan* and the historic feat of placing the Indian tri-colour on Moon's surface has made us members of a very select club of countries who have well developed space programmes.
- 66.** India has made determined progress in finding its rightful place in the Comity of Nations with a credible voice that matters in the deliberations of the global political and economic order. We have succeeded in dismantling the nuclear apartheid that India was subjected to for more than three decades. This has opened up new opportunities for civil nuclear cooperation and cleared the pathways for rapid industrialization of our country.
- 67.** For all this and more, I would like to express my deep gratitude to UPA partners and supporters who walked the extra mile with us in this journey.
- 68.** Mr. Speaker, Sir, our people will soon be called upon to exercise their democratic right to choose the next Government. The Indian people have repeatedly shown that they can be relied upon to make sound decisions to secure the nation's future. They have seen how the '*Aam Aadmi*' has become the focus of the development process. They have also seen how our Government has successfully steered the country through difficult times. They have experienced the joy of being citizens of a proud nation moving ahead with confidence. I have no doubt that when the time comes, our people will recognize the hand that made it all possible. The hand that alone can help our nation on the road to peace and prosperity.
- 69.** Sir, with these words, I commend the Interim Budget to the House.

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