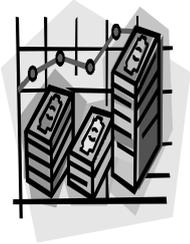


Key Features of Interim Budget 2009-2010

INTRODUCTION



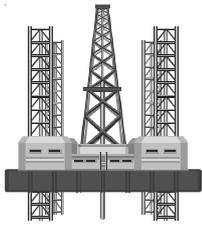
- The Gross Domestic Product increased by 7.5 per cent, 9.5 per cent, 9.7 per cent and 9 per cent in the first four years from fiscal year 2004-05 to 2007-08 recording a sustained growth of over 9 per cent for three consecutive years for the first time. The growth drivers for the period were agriculture, services, manufacturing along with trade and construction.
- Fiscal deficit down from 4.5 per cent in 2003-04 to 2.7 per cent in 2007-08 and Revenue deficit from 3.6 per cent to 1.1 per cent in 2007-08.
- The domestic investment rate as a proportion of GDP increased from 27.6 per cent in 2003-04 to 39 per cent in 2007-08. 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 increased from 11.1 per cent in 2003-04 to 14.2 per cent in 2007-08
- The tax to GDP ratio increased from 9.2 per cent in 2003-04 to 12.5 per cent in 2007-08.
- Annual growth rate of agriculture rose to 3.7 per cent during 2003-04 to 2007-08. The foodgrain production recorded an increase of 10 million tonnes each year during this period and touched an all time high of 230 million tonnes in 2007-08.
- While manufacturing sector recorded growth of 9.5 per cent per annum in the period 2004-05 to 2007-08, communication and construction sectors grew at the rate of 26 per cent and 13.5 per cent per annum respectively.
- Exports grew at an annual average growth rate of 26.4 per cent in US dollar terms in the period 2004-05 to 2007-08. Foreign trade increased from 23.7 per cent of GDP in 2003-04 to 35.5 per cent in 2007-08.



OUTLOOK FOR THE YEAR 2008-09

- Despite the global financial crisis which began in 2007 impacting most emerging market economies, 7.1 per cent rate of GDP growth in the current year makes India the second fastest growing economy in the world.
- Fallout of global slowdown on Indian economy were countered with fiscal stimulus packages announced on December 7, 2008 and January 2, 2009 providing tax relief to boost demand and increasing expenditure on public projects.
- Government accorded approval to 37 infrastructure projects worth Rs.70,000 crore from August, 2008 to January, 2009 alone.





- Under PPP mode, 54 Central Sector infrastructure projects with a project cost of Rs.67,700 crore given in-principal or final approval and 23 projects amounting to Rs.27,900 crore approved for viability gap funding in 2008-09.
- India Infrastructure Finance Company Ltd. (IIFCL) to refinance upto 60 per cent of commercial bank loans for PPP projects involving total investment of Rs.1,00,000 crore in infrastructure over the next eighteen months.
- In addition to RBI taking number of monetary easing and liquidity enhancing measures such as reduction in cash reserve ratio, statutory liquidity ratio and key policy rates, Government has taken specific measures which include extension of export credit for labour intensive exports, improving pre and post shipment credit availability, additional allocations for refund of Terminal Excise Duty/CST and export incentive schemes besides removal of export duty and export ban on certain items. A Committee of Secretaries set up to address procedural problems faced by exporters.
- Record US\$ 32.4 billion FDI received in 2007-08 and notwithstanding financial uncertainty and slowdown, FDI inflows during April-November, 2008 were US\$ 23.3 billion recording a growth of 45 per cent over the same period in 2007.
- FRBM targets for the current year and for fiscal 2009-10 relaxed to provide much needed demand boost. However, medium term objective is to revert to fiscal consolidation at the earliest.

INITIATIVES AND ACHIEVEMENT

Agriculture



- Plan allocation for agriculture increased by 300 per cent from 2003-04 to 2008-09. Rashtriya Krishi Vikas Yojna launched in 2007-08 with an outlay of Rs.25,000 crore to increase growth rate of agriculture and allied sector to 4 per cent per annum during Eleventh Plan period.
- Agriculture credit disbursement increased three times from Rs.87,000 crore in 2003-04 to about Rs.2,50,000 crore in 2007-08.
- To strengthen short-term cooperative credit structure, revival package in 25 states involving financial assistance of about Rs.13,500 crore is being implemented.
- Interest subvention to be continued in 2009-10 to ensure that farmers get short term crop loans upto Rs.3 lakh at 7 per cent per annum.
- The Agricultural Debt Waiver and Debt Relief Scheme, 2008 was implemented by June 30, 2008 as scheduled. Debt waiver/debt relief amounting to Rs.65,300 crore covers 3.6 crore farmers.



- Despite higher procurement cost and higher international prices during the last 5 years, the central issue prices under Targeted Public Distribution System (TPDS) maintained at July, 2000 level in case of Below Poverty Line (BPL) and Antyodaya Anna Yojana (AAY) categories and at July, 2002 levels for Above Poverty Line (APL) category.



- Minimum Support Price (MSP) for common variety of paddy increased from Rs.550 per quintal in 2003-04 to Rs.900 per quintal for the crop year 2008-09. In case of wheat, increase was from Rs.630 per quintal in 2003-04 to Rs.1080 per quintal for the year 2009.



Rural Development

- The corpus of Rural Infrastructure Development Fund (RIDF) increased from Rs.5,500 crore in 2003-04 to Rs.14,000 crore for the year 2008-09. A separate window for rural roads created with a corpus of Rs.4,000 crore for each of the last three years.



- As against 60 lakh houses to be constructed under Indira Awaas Yojana by 2008-09, 60 lakh twelve thousand houses constructed between 2005-06 to December, 2008.



- Panchayat Empowerment and Accountability Scheme (PEAIS) proposed to be expanded.

- 'Project Arrow' to provide new technology enabled services through post offices to common man and support effective implementation of social sector schemes like NREGS, while promoting financial inclusion.



Education

- Major initiatives including a new Centrally Sponsored Scheme launched to universalize education at secondary stage in the year 2008-09.

- Outlay on Higher Education increased 9 fold in the Eleventh Five Year Plan. Ordinance promulgated for establishing 15 Central Universities. In addition to 6 new Indian Institutes of Technology (IITs) in Bihar, Andhra Pradesh, Rajasthan, Orissa, Punjab and Gujrat which started functioning in 2008-09, two more IITs in Madhya Pradesh and Himachal Pradesh are expected to commence their academic session in 2009-10. 5 Indian Institute of Science Education and Research (IISER) announced earlier have become functional. 2 new schools of Planning and Architecture at Vijayawada and Bhopal have started functioning. Teaching is expected to commence from academic year 2009-10 in four out of six new Indian Institute of Management proposed for the Eleventh Plan in Haryana, Rajasthan, Jharkhand and Tamil Nadu.



- Due to revision in Educational Loan Scheme by the Government number of beneficiaries increased from 3.19 lakh to 14.09 lakh and amount of loan outstanding increased from Rs.4,500 crore as on March, 31, 2004 to Rs.24,260 crore as on September 30, 2008.



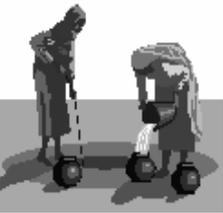
- 500 ITIs upgraded into centers of excellence. National Skill Development Corporation created in July, 2008 with initial corpus of Rs. 1,000 crore.

Social Sector



- Authorised capital of National Safai Karamchari Finance and Development Corporation (NSKFDC) is being raised from Rs.200 crore to Rs.300 crore.

- Scope of the pre-metric scholarship for children of those engaged in unclean occupations expanded and rates of scholarship doubled in 2008-09. Annual ad-hoc grant increased by about 50 per cent as compared to earlier rates.



- Rashtriya Mahila Kosh to be strengthened by enhancing its authorized capital.

- 'Priyadarsini Project' a rural women's employment and livelihood programme will be implemented as pilot in the district of Madhubani and Sitamarhi in Bihar and Shravasti, Bahraich, Rai Bareli and Sultanpur in Uttar Pradesh.

- 146 lakh persons benefited under Indira Gandhi National Old Age Pension Scheme in the current financial year.



- Two new schemes – 'Indira Gandhi National Widow Pension Scheme' to provide pension of Rs.200 to widows between age groups of 40-64 years and 'Indira Gandhi National Disability Pension Scheme' to provide pension for severely disabled persons.

- Widows in the age group of 18-40 years to be given priority in admission to ITIs, Women ITIs and National/Regional ITIs for women. Government to bear cost of their training and provide stipend of Rs.500 per month.



- 22 States and Union Territories initiated process to implement Rashtriya Swasthya Bima Yojana for BPL families in the unorganised sector and 60 lakh thirty two thousand persons covered for death and disability under 'Aam Admni' Bima Yojana (AABY).

Public Sector Enterprises

- Turnover of Central Public Sector Enterprises increased from Rs.5,87,000 crore in 2003-04 to Rs.10,81,000 crore in 2007-08 and profits grew from Rs.53,000 crore to Rs.91,000 crore. While number of loss making enterprises came down from 73 in 2003-04 to 55 in 2007-08, number of profit making enterprises has gone up from 143 to 158 during the same period..



- Government approved implementation of Guidelines on Corporate Governance in Central Public Sector Enterprises (CPSEs) in June, 2007.

- Corpus of National Investment Fund created out of disinvestment proceeds from Central PSUs stood at Rs.1,815 crore as on December 31, 2008.

Financial Sector Reforms



- NPAs of Public Sector Banks declined from 7.8 per cent on March 31, 2004 to 2.3 per cent on March 31, 2008.
- As a result of initiating process of amalgamation and recapitalization of Regional Rural Banks (RRBs) with negative net worth, 196 RRBs merged into 85 RRBs. The Government has contributed Rs.652 crore for capitalization of RRBs upto December 31, 2008.
- Number of reforms undertaken in the last four years to deepen and widen the securities markets and strengthen the regulatory mechanisms for these markets.
- The Companies Bill, 2008, undertaking comprehensive revision of Companies Act, 1956 to enable adoption of internationally accepted best practices, has been introduced in the Parliament.

Tax Effort



- Comprehensive reforms of tax system both direct and the indirect tax system have enabled the tax administration to enhance its functional efficiency and provide better tax payer services leading to increased compliance. Rates of Union Excise Duties and Service Tax rationalized for eventual shift to the Goods and Service Tax on 1st April, 2010.
- 109 marine vessels sanctioned for the Customs Department to prevent movements of contraband goods across the country's sea borders.

Administrative Reforms

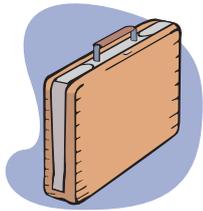


- The enactment of the Right to Information Act at the Centre and in many States ushering in greater accountability of the public servants.
- Recommendations of the Sixth Central Pay Commission approved by the Government has benefited over 45 lakh Central Government employees including Defence Forces and Para-Military forces and over 38 lakh pensioners.

REVISED ESTIMATES



- The total expenditure at Rs.7,50,884 crore in B.E. 2008-09 revised to Rs.9,00,953 crore in R.E. 2008-09 showing an increase of Rs.1,50,069 crore.
- Plan Expenditure gone up from Rs.2,43,386 crore in B.E. 2008-09 to Rs.2,82,957 crore in R.E. 2008-09.



- Non-Plan expenditure increased by Rs.1,10,498 crore in R.E. 2008-09 over B.E. 2008-09.
- Revised Estimate 2008-09 for Non-Tax Revenues increased from Rs.95,785 crore in Budget Estimate 2008-09 to Rs.96,203 crore.
- Revised Estimates of gross tax collection projected at Rs.6,27,949 crore as against B.E. 2008-09 of Rs.6,87,715 crore, primarily due to pro-active fiscal measures initiated to counter the impact of global slowdown on the Indian economy.
- Revised Revenue deficit to be at Rs.2,41,273 crore (4.4 per cent of GDP) as against budgeted figure of Rs.55,184 crore (1 per cent of GDP).
- Fiscal deficit to go up from Rs.1,33,287 crore (2.5 per cent of GDP) in B.E. 2008-09 to Rs.3,26,515 crore (6 per cent of GDP).

BUDGET ESTIMATES



- Total expenditure for fiscal 2009-10 estimated at Rs.9,53,231 crore. Plan expenditure estimated at Rs.2,85,149 crore and Non-Plan expenditure at Rs.6,68,082 crore.
- Budgetary support in Plan B.E. 2009-10 in comparison to B.E. 2008-09 increased for Department of Rural Development, Department of Road Transport & Highways, Railways, Ministry of Power, Department of Industrial Policy and Promotion and Department of Information Technology to meet the requirements of rural and infrastructure development along with higher allocation for Ministry of Youth Affairs & Sports and Ministry of Culture to ensure adequate resources for hosting of the Commonwealth Games. Allocations to flagship programme which directly impact 'Aam Aadmi' fully protected.
- Rs.30,100 crore allocated for National Rural Employment Guarantee Scheme for the year 2009-10. In 2008-09 employment of 138.76 crore person days covering 3.51 crore household already generated.
- About 98 per cent habitations covered by primary schools under Sarva Shiksha Abhiyan. Allocation for this programme increased by 571 per cent between 2003-04 and 2008-09. Allocation of Rs.13,100 crore proposed for 2009-10.





- Rs.8,000 crore allocated for Mid-day Meals Scheme for the year 2009-10.
- Allocation of Rs.6,705 crore proposed for Integrated Child Development Scheme (ICDS) for the year 2009-10. New WHO child growth standards adopted for monitoring growth of children under ICDS.
- 386 projects amounting to Rs.39,000 crore sanctioned till December 31, 2008 under Jawaharlal Nehru National Urban Renewal Mission (JNNURM). Allocation of Rs.11,842 crore proposed for the year 2009-10.
- Rs.7,400 crore allocated for Rajiv Gandhi Rural Drinking Water Mission, Rs.1,200 crore for Rural Sanitation Programme, Rs.12,070 crore for National Rural Health Mission, Rs.40,900 crore allocated for Bharat Nirman for the year 2009-10.
- A provision of Rs.100 crore in the Annual Plan 2009-10 made for Unique Identification Authority of India.



- RIDF-XV proposed with a corpus of Rs.14,000 crore. Separate window for rural roads to continue with a corpus of Rs.4,000 crore.
- Interest subvention of 2 per cent on pre and post shipment credit for certain employment oriented sectors i.e. Textiles (including handlooms & handicrafts), Carpets, Leather, Gem & Jewellery, Marine products and SMEs extended beyond March 31, 2009 till September 30, 2009 involving an additional financial outgo of Rs.500 crore.



- Government to recapitalize the public sector banks over the next two years to enable them to maintain Capital to Risk Weighted Assets Ratio (CRAR) of 12 per cent.
- Allocation for Defence increased to Rs.1,41,703 crore which includes Rs.54,824 for Capital Expenditure.
- Major subsidies including food, fertilizer and petroleum estimated at Rs.95,579 crore.
- For the fiscal 2009-10, with Centre's net tax revenue estimated at Rs.5,00,096 crore and Revenue expenditure at Rs.8,48,085 crore, revenue deficit is estimated at 4 per cent of GDP and fiscal deficit at 5.5 per cent of GDP.

