

BRIEF NOTE ON THE BUDGET 2011-12

India's growth in 2010-11 has been swift and broad-based. The economy is back to its pre-crisis growth trajectory. While agriculture has shown a rebound, industry is regaining its earlier momentum. Services sector continues its near double digit run. Fiscal consolidation has been impressive. This year has also seen significant progress in those critical institutional reforms that would set the pace for double-digit growth in the near future.

The GDP of India is estimated to have grown at 8.6% in 2010-11 in real terms. In 2010-11, agriculture is estimated to have grown at 5.4%, industry at 8.1% and services at 9.6%. All three sectors are contributing to the consolidation of growth. More importantly, the economy has shown remarkable resilience to both external and domestic shocks.

Fiscal Consolidation

The experience with Fiscal Responsibility and Budget Management Act, 2003 (FRBM Act) at Centre and the corresponding Acts at State level show that statutory fiscal consolidation targets have a positive effect on macroeconomic management of the economy. In the course of the year the Central Government would introduce an amendment to the FRBM Act, laying down the fiscal road map for the next five years.

The Thirteenth Finance Commission has worked out a fiscal consolidation road map for States requiring them to eliminate revenue deficit and achieve a fiscal deficit of 3 per cent of their respective Gross State Domestic Product latest by 2014-15. It has also recommended a combined States' debt target of 24.3 per cent of GDP to be reached during this period. The States are required to amend or enact their FRBM Acts to conform to these recommendations.

The Government has been in the process of setting-up an independent Debt Management Office in the Finance Ministry. A Middle Office is already operational. As a next step, I propose to introduce the Public Debt Management Agency of India Bill in the next financial year.

Agriculture

Agriculture development is central to India's growth strategy. Measures taken during the current year have started attracting private investment in agriculture and agro-processing activities. This process has to be deepened further.

In the Budget for 2010-11, India had delineated a four-pronged strategy covering agricultural production, reduction in wastage of produce, credit support to farmers and a thrust to the food processing sector. These initiatives have started showing results but there are other issues in our food economy that require attention. The recent spurt in food prices was driven by increase in the prices of items like fruits and vegetables, milk, meat, poultry and fish, which account for more than 70% of the WPI basket for primary food items. Removal of production and distribution bottlenecks for these items will be the focus of attention this year. It is proposed to make allocations for these schemes under the ongoing Rashtriya Krishi Vikas Yojana (RKVY) for an early take off. The total allocation of RKVY is being increased from `6,755 crore in 2010-11 to `7,860 crore in 2011-12.

Infrastructure and Industry

Infrastructure is critical for India's development. For 2011-12, an allocation of over `2,14,000 crore is being made for this sector, which is 23.3% higher than current year. This amounts to 48.5% of the Gross Budgetary Support to plan expenditure.

India's experience with PPP model for creation of public sector assets in the country has been good. The country has recently launched the National Capacity Building Programme to enhance capacities of public functionaries in identifying, conceptualizing, structuring and managing PPPs. It is India's endeavour to come up with a comprehensive policy that can be used by the Centre and the State Governments in further developing public-private partnerships.

Government established India Infrastructure Finance Company Limited (IIFCL) to provide long term financial assistance to infrastructure projects. It is expected to achieve a cumulative disbursement target of `20,000 crore by March 31, 2011 and `25,000 crore by March 31, 2012. The take out financing scheme announced in the Budget 2009-10 has been implemented and seven projects have been sanctioned with a debt of `1,500 crore. Another `5,000 crore will be sanctioned during 2011-12.

In order to give a boost to infrastructure development in railways, ports, housing and highways development, the new budget proposes to allow tax free bonds of `30,000 crore to be issued by various Government undertakings in the year 2011-12. This includes Indian Railway Finance Corporation `10,000 crore, National Highway Authority of India `10,000 crore, HUDCO `5,000 crore and Ports `5,000 crore.

Education

India's 'demographic dividend' of a relatively younger population compared to developed countries is as much of an opportunity as it is a challenge. Over 70% of Indians will be of working age in 2025. In this context, universalising access to secondary education, increasing the percentage of our scholars in higher education and providing skill training is necessary. For education, the new budget proposes an allocation of 52,057 crore, which is an increase of 24% over the current year.

Innovations

To move beyond the formal R&D paradigm, a National Innovation Council under Shri Sam Pitroda has been set up to prepare a roadmap for innovations in India. The process of setting up State Innovation Councils in each State and Sectoral Innovation Councils aligned to Central Ministries is underway.

The Government has been providing special grants to recognise excellence in universities and academic institutions. In the course of 2011-12, I propose to provide:

- `50 crore each to upcoming centres of Aligarh Muslim University at Murshidabad in West Bengal and Malappuram in Kerala;
- `100 crore as one-time grant to the Kerala Veterinary and Animal Sciences University at Pookode, Kerala;
- `10 crore each for setting up Kolkata and Allahabad Centres of Mahatma Gandhi Antarrashtriya Hindi Vishwavidyalaya, Wardha;
- `200 crore as one time grant to IIT, Kharagpur;
- `20 crore for Rajiv Gandhi National Institute of Youth Development, Sriperumbudur, Tamil Nadu

- ₹20 crore for IIM, Kolkata, to set up its Financial Research and Trading Laboratory;
- ₹200 crore for Maulana Azad Education Foundation;
- ₹10 crore for Centre for Development Economics and Ratan Tata Library, Delhi School of Economics, Delhi; and
- ₹10 crore for Madras School of Economics.

Health

For health, the new budget proposes to step up the plan allocations in 2011-12 by 20% to ₹26,760 crore. The Rashtriya Swasthya Bima Yojana has emerged as an effective instrument for providing a basic health cover to poor and marginal workers. It is now being extended to MGNREGA beneficiaries, beedi workers and others. In 2011-12, it proposes to further extend this scheme to cover unorganized sector workers in hazardous mining and associated industries like slate and slate pencil, dolomite, mica and asbestos etc.

For the full speech of the Minister of Finance, Mr. Pranab Mukherjee, please log on <http://indiabudget.nic.in/ub2011-12/bs/bs.pdf>.