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भारत  
नई दिल्ली - 110001  
**FINANCE MINISTER  
INDIA  
NEW DELHI - 110001**

### **FOREWORD**

In fulfillment of the solemn pledge of the Government of India to promote transparency and accountability, this brochure details the status of implementation of announcements made while presenting the budget for 2004-2005.

I have the honour to place this brochure before the august House.

**[P. Chidambaram]**

## Budget 2004-2005

S.No.	Para No.	Budget Announcement	Status of Implementation
1.	7	Under the FRBM Act, I am obliged to wipe out the revenue deficit by 2007-08. However, the NCMP has proposed that we do so by 2008-09. In my view, 2008-09 is a more credible terminal year; it will also coincide with the term of this Government. Hence, I propose to move an amendment to this effect through the Finance Bill. I am committed to implementing the FRBM Act. The elimination of revenue deficit will open up fiscal space up to 3 per cent of GDP for enhanced public investment without undermining fiscal prudence.	The FRBM Act has since been amended. The target year to eliminate revenue deficit will be 2008-09.
2.	11	I have the benefit of the wise counsel of the Prime Minister, Dr Manmohan Singh. In our scheme of things, the poor will have a first charge not only on the additional sum of Rs. 10,000 crore of GBS that I propose to provide today, but also on the entire Plan funds that the Planning Commission will reallocate.	Allocation of additional Gross Budgetary Support among various centrally sponsored schemes and special additional Central Assistance to states has been approved by the Planning Commission and State-wise allocations have been finalized in consultation with Ministries and Departments. <b>[Action Completed]</b>
3.	12	The poor want basic education for their children: we shall provide it, and we shall make sure that the child remains in school for at least eight years.	A National Mission for the implementation of Sarva Siksha Abhiyan has been constituted in December, 2004. The goal of the Abhiyan is to ensure that all children in the age group of 6-14 years complete 8 years of schooling by 2010.  A provision of Rs. 2,000 crore in addition to budget allocations of Rs. 3,057 crore during 2004-05 has been made.  A non-lapsable "Prarambhik Shiksha Kosh" [PSK] is being created to receive the proceeds of the Education Cess imposed in the Budget 2004.  We shall also make sure that the child is not hungry while she or he is at school.  'National Programme of Nutritional Support to Primary Education' has been revised to provide cooked mid-day meal to about 11 crore primary school children during 2004-05.  In addition to free food grains, Central Assistance @ Re. 1 per child per school day is being provided to State Governments under the revised Scheme to meet cooking cost of the meal.  Over and above Budget Estimate of Rs. 1,675 crore for the scheme in 2004-05, an additional provision of Rs. 1,232 crore has been made, in the light of the revision of the scheme.
		The poor want drinking water: we shall ensure that every habitation has an assured source of drinking water.	At present 95.33% rural habitations are fully covered with drinking water facilities; 4.25% rural habitations are partially covered and 0.39% are not covered. Steps are being taken to provide assured source of drinking water to all habitations.  During 2004-05 [up to 4.2.05], 31,355 rural habitations were covered.

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	<p>The poor want basic health care, medicines at fair prices and a doctor within a reasonable distance: we shall ensure that the public health system has adequate human and financial resources to provide basic medical care.</p> <p>The poor want jobs for their children: we shall ensure that through higher investments, and through targeted intervention, jobs are available to them.</p>	<p>It is proposed to launch the National Rural Health Mission w.e.f. 1-4-2005.</p>
4.	<p><b>13</b> While the Planning Commission will make the final allocations, I may assure the House that crucial programmes such as Food for Work, Sarva Shiksha Abhiyan, Midday Cooked-Meal Scheme, basic health care, railway modernisation and safety, Accelerated Irrigation Benefit Programme, drinking water, investment in agriculture, Provision of Rural amenities in Urban Areas (PURA), roads, and science and technology, including bio-technology, will receive priority and will be provided with additional funds.</p>	<p>Additional funds for various sectors / schemes have since been approved and allocated. <b>[Action Completed]</b></p>
5.	<p><b>14</b> Antyodaya Anna Yojana - I propose to continue, and expand, the Antyodaya Anna Yojana. At present, 1.5 crore families are covered. These families are provided with 35 kg. of foodgrains per family per month at a highly subsidized price of Rs. 2 per kg. for wheat and Rs.3 per kg for rice. 20.76 lakh tonnes of rice and 17.48 lakh tonnes of wheat were distributed under the Scheme in 2003-04. In the current year, I propose to cover 2 crore families. I expect that the off-take of rice and wheat will increase. Consequently, the Antyodaya Anna Yojana will receive a subsidy of nearly Rs.3500 crore. A provision for this level of expenditure has been included in the allocation for food subsidy of Rs.25,800 crore.</p>	<p>The Antyodaya Anna Yojana (AAY) has since been expanded to another 50 lakh BPL families by including, inter-alia, all households at the risk of hunger. Guidelines to this effect were issued on 3-8-2004. <b>[Action Completed]</b></p>
6.	<p><b>15</b> Fair price shops constitute the backbone of the food security system for the poor. We shall address the weaknesses in the system and strengthen public distribution. I shall return to this subject a little later.</p>	<p>Necessary steps are being taken to address the weakness in the system and strengthen public distribution.</p>
7.	<p><b>16 Food for work programme</b> Investment and growth will create new job opportunities for our young men and women. Nevertheless, currently there is a need to ensure that unemployment does not take a heavy toll on the poor people. Work has begun on the National Employment Guarantee Act.</p>	<p>The National Rural Employment Guarantee Bill was introduced in the Lok Sabha on 21-12-2004.</p>

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	<p>The object is to guarantee 100 days of employment in a year to one able-bodied person in every poor household. The Bill will take into account the experience gained in Maharashtra. Government will also take care to avoid the pitfalls pointed out by responsible critics. My colleague, the Minister of Labour, expects that he would be able to introduce the Bill in Parliament shortly</p>	
	<p>Pending the enactment of the new law, I propose to launch a new Food for Work programme in 150 districts classified as most backward and identified as areas in immediate need of such a programme. Allocations under different schemes will be pulled together to support the Food for Work programme. There are substantial funds totalling over Rs.6000 crore under SGRY, SGSY, SJSRY, REGP and PMRY. Depending on the demand for such work, more funds will be allocated in the current year. I expect to increase the allocations substantially over the next four years. Special care will be taken in laying down the guidelines for the programme so that the money and labour expended result in durable and visible assets benefiting the whole community.</p>	<p>A new programme, the "National Food for Work Programme" was launched in November, 2004 in 150 most backward districts of the country.  <b>[Action Completed]</b></p>
8.	<p><b>19 Self-help groups</b>  Microfinance initiatives are a cost-effective way to take the banking system to the poor. The Self-Help Group (SHG) - bank linkage programme, initiated in 1992, has come a long way. Until March 31, 2004, 1.67 crore families had benefited through 10.79 lakh SHGs financed by banks. While the SHG concept will be promoted vigorously, I am of the view that matured SHGs may be in a position to graduate from consumption or production credit to starting micro-enterprises. An indicative target of credit linking 5.85 lakh SHGs during the period up to March 31, 2007 has been set for NABARD, SIDBI, banks and other agencies.</p>	<p>A year-wise plan for linking of 5.85 lakh SHGs has been drawn up as follows:  2004-05 = 1.85 lakh SHGs  2005-06 = 2.00 lakh SHGs  2006-07 = 2.00 lakh SHGs  As against the target of linking 1.85 lakh Self-Help Groups (SHGs) during 2004-05, 1,96,944 SHGs were credit linked as on 31.12.2004 with a bank loan of Rs.1,134.02 crore.  <b>[Action Completed]</b></p>
9.	<p><b>22</b> In my scheme of things, no issue enjoys a higher priority than providing basic education to all children. The NCMP mandates Government to levy an education cess. I propose to levy a cess of 2 per cent. The new cess will yield about Rs.4000 - 5000 crore in a full year. The whole of the amount collected as cess will be earmarked for education, which will naturally include providing a nutritious cooked midday meal. If primary education and the nutritious cooked meal scheme can work hand in hand, I believe there will be a new dawn for the poor children of India.</p>	<p>An education cess at the rate of 2% of the aggregate duties of customs, excise and service tax was imposed. While the cess applied in respect of customs and excise duties with effect from 9.7.2004, in respect of service tax, it came into effect on 10.9.2004 on the enactment of the Finance Act, 2004.</p> <p>Under Direct Taxes, an additional surcharge, called the "Education Cess on Income Tax" to provide and finance universal basic education, calculated at the rate of 2% of income tax, inclusive of surcharge, was levied.  <b>[Action Completed]</b></p>

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10.	<p><b>23 Education</b></p> <p>I am concerned about the quality of technical education in the country. Lest I be misunderstood, I am not referring to the IITs but to the ITIs. ITIs are the training ground for skilled manpower. The skills imparted by ITIs must keep pace with the technological demands of industry and the expanding universe of knowledge. There is only one benchmark for our technicians - and that is the world standard. In order to produce technicians of world standard, Government proposes to launch a programme in the Central sector to upgrade 500 ITIs over the next 5 years at the rate of 100 ITIs a year. Appropriate infrastructure and equipment will be provided, the syllabi will be upgraded and new trades will be introduced. This is an area where I welcome Chambers of Commerce and Industry to join hands with the Government and create a public-private partnership model for designing and implementing the scheme. The selection of the ITIs will be done in consultation with the State Governments.</p>	<p>So far, 15 States/UTs have agreed to upgrade 67 ITIs at a cost of Rs. 1.6 crore each on 75:25 cost sharing basis between the Government of India and State Government.</p> <p>Industry has agreed to assist in upgrading the syllabus and curricula, training for faculty members and providing opportunities for adequate shop floor training to the students. Greater involvement of industry will be explored.</p>
11.	<p><b>24</b></p> <p>An education loan scheme has been in operation since April 2001 under which loans up to Rs.7.50 lakh and Rs.15 lakh are available for professional courses within the country and abroad, respectively. The requirement of collateral was dispensed with for loans up to Rs.4 lakh. I am happy to say that commercial banks have now agreed to waive the need for collateral for loans up to Rs.7.5 lakh, if a satisfactory guarantee is provided on behalf of the student. Thus, no student admitted to any professional course, including courses in IITs, IIMs and medical colleges, will be deprived of the opportunity to study because of lack of funds.</p>	<p>Instructions in this regard have been issued by Indian Banks Association on 23-7-2004 and 31-8-2004.</p> <p style="text-align: right;"><b>[Action Completed]</b></p>
12.	<p><b>25 Health</b></p> <p>Access to medical care is not easily available to the poor. The Universal Health Insurance Scheme (UHIS) now in operation is skewed in favour of the non-poor. As a result, only a very small number of families below the poverty line (BPL) - actually 11,408 till May, 2004 - have been covered. Although the premiums are low, BPL families seem to avoid the scheme due to their inability to pay the premium. In its present design, the scheme may not be sustainable. I, therefore, propose to redesign the scheme and make it exclusive for persons and families below the poverty line. The revised premium would be Rs.165 for individuals, Rs.248 for a family of five and Rs.330 for a family of seven, without any reduction in benefits. To offset the reduction in premium, I propose to enhance the premium</p>	<p>A redesigned Universal Health Insurance Scheme was launched on 20<sup>th</sup> September, 2004. As on 31<sup>st</sup> January, 2005 a total of 34,069 families covering 96,275 persons were covered with a premium of Rs. 128.65 lacs.</p> <p>Progress is being monitored.</p>

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	subsidy from Rs.100 at present to Rs.200 for an individual, Rs.300 for a family of five and Rs.400 for a family of seven. The cost to the exchequer will be Rs.40 crore in a full year. If the money is fully spent, the number insured will rise to about 10 lakh.	
13. 26	In addition to the above, I propose to introduce a new Group Health Insurance Scheme through public sector non-life insurance companies. The insured will be members of Self-Help Groups (SHGs) and other credit linked groups (CLGs) who avail of loans from banks or cooperative institutions. Under the group health insurance scheme, the premium will be Rs.120 per person, but the insurance cover would be for a sum of Rs.10,000.	Swasthya Bima Yojana was launched in November, 2004. As on 31 <sup>st</sup> January, 2005 ninety nine [99] persons were covered under the scheme.  Progress is being monitored.
14. 27	The NCMP also rightly emphasizes the need for an accelerated AIDS control programme. Bold and determined efforts need to be made to achieve zero-level growth of HIV/AIDS. These will include improved surveillance through the setting up of more sentinel sites and use of primary health centres to monitor HIV/AIDS, public awareness campaigns, promotion of safe sex through the use of condoms, prevention of drug abuse and distribution of disposable syringes. The allocation for prevention and control of HIV/AIDS is Rs. 259 crore.	National AIDS Control Programme has established 215 sentinel sites, medical officers in charge of primary health centres have been trained for implementation and monitoring of programme activities, and use of condoms is being promoted through free supply and social marketing schemes. Electronic, print, folk and outdoor media, advocacy and events are being used to create awareness regarding drug abuse and HIV/AIDS. Disposable syringes and needles are being supplied to Intravenous Drug Users under the needle exchange strategy.  The amount allocated during the current year is Rs.259 crore. The programme has also received Rs.217 crore additionally in the current year.
15. 30 & 31	It is my intention to double the flow of agricultural credit in three years. We have made a beginning by announcing a comprehensive policy on agricultural credit on June 18, 2004. The policy has been received well and will be fine-tuned, if necessary.  Government has entrusted the implementation of the policy to the public sector and private sector banks, the regional rural banks (RRBs) and the cooperative banks.	An agriculture credit package was announced on 18.6.2004 which envisaged doubling of agriculture credit over 3 years and 30% growth in disbursement during the year 2004-05. Accordingly, a target of Rs.1,04,500 crore for agriculture credit disbursement during 2004-05 was set. The progress up to 31.12.2004 indicated that Rs.85,685 crore has been disbursed [figures pertaining to private sector commercial banks are upto 30 <sup>th</sup> September, 2004].
16. 32	Each RRB has a sponsor bank. I propose to hold each sponsor bank squarely accountable for the performance of RRBs under its control. RRBs that adopt a new governance standard and that abide by the prudential regulations will qualify for receiving funds from the Government for their restructuring.	Sponsor banks have been informed that they would be held accountable for the performance of the RRBs under their control. Guidelines for improving the performance of the RRBs have already been issued to the sponsor banks.  <b>[Action Completed]</b>
17. 33	<b>Credit</b> The third arm for delivering farm credit is the cooperative banking system. Unless cooperative banks are healthy and creditworthy, it would not	A Task Force has been set up to recommend and implement an action plan to revitalize the cooperative credit system and the task force has submitted its draft

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	<p>be possible to reach credit to every farmer in need of credit. The situation is grave. In order to find a durable solution, I propose to appoint a Task Force to examine the reforms required in the cooperative banking system including the appropriate regulatory regime. The Task Force will be requested to act with all deliberate speed and submit its report by October 31, 2004.</p>	<p>report on 5.1.2005 on short term cooperative credit structure. It is placed on the website for comments. The final report is expected to be submitted during February, 2005.</p> <p>The same Task Force has been entrusted vide an order dated 31.1.2005 to make recommendations on strengthening the long-term cooperative credit structure for agriculture and rural development. The Task Force has been advised to submit its report by 30.6.2005.</p>
18	<p><b>34 Irrigation, Rural Infrastructure</b> The Accelerated Irrigation Benefit Programme (AIBP) was introduced in 1996-97 and was allotted large funds year after year. Yet, out of 178 large and medium irrigation projects that were identified, only 28 have been completed. The programme is being restructured. Truly last mile projects that can be completed by March 2005 will be given overriding priority, and other projects that can be completed by March 2006 will also be taken up in the current year. Next year we shall move the goal-post to March 2007, the year after to March 2008, and so on. I have provided a sum of Rs.2800 crore to the AIBP this year.</p>	<p>Government has identified 37 major/medium irrigation projects for completion under the Accelerated Irrigation Benefit Programme (AIBP) during 2004-05 and 46 major /medium irrigation projects during 2005-06 and 2006-07. As per the assessment made, 37 projects are likely to be completed during 2004-05. Out of these, two projects have already been reported as completed.</p>
19.	<p><b>35</b> The Rural Infrastructure Development Fund (RIDF) was established in NABARD in 1994-95. Five months ago, a decision was taken to close the RIDF and establish, in its place, another Fund with slightly different objectives. Many State Governments and many honourable Members have opposed the closure of RIDF. In deference to their wishes, and in tune with my own thinking, I have decided to revive the RIDF. RIDF's guidelines have been revised, and a corpus of Rs.8000 crore will be provided for RIDF during 2004-05.</p>	<p>RIDF has since been revived with a corpus of Rs.8,000 crore for the year 2004-05. Six new activities have been added to the list of activities covered. Upto 31.1.2005, Rs.5,036.07 crore was sanctioned and Rs. 101.12 crore was disbursed under RIDF-X. <b>[Action Completed]</b></p>
20.	<p><b>37 Restoring water bodies</b> &amp; <b>38</b> I therefore propose to launch a massive scheme to repair, renovate and restore all the water bodies that are directly linked to agriculture. In the current year, we shall begin with pilot projects in at least five districts, and we shall select at least one district in each of the five regions of the country. The estimated cost is Rs.100 crore. Funds for the five pilot projects will be drawn from existing programmes such as SGRY, PMGJSY, DPAP, DDP and IWDP. Once the pilot projects are completed and validated, Government will launch the National Water Resources Development Project and complete it over a period of 7 to 10 years.</p> <p>Funds will not be a constraint for implementing the Project. For instance, Life Insurance Corporation of India invests, on an average,</p>	<p>The pilot scheme "National Project on Repair, Renovation and Restoration of Water Bodies directly linked to Agriculture" was approved by the Government on 27<sup>th</sup> January, 2005. Projects for 16 districts in nine states have been selected for funding during the current year.</p>

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	Rs.3000 crore per year in water-related programmes. I also intend to pose this Project to multilateral agencies for funding. It is my hope that by the beginning of the next decade all water bodies in India will be restored to their original glory and that the storage capacity of these water bodies will be augmented by at least 100 per cent.	
21.	<p><b>39 Water harvesting</b></p> <p>Water harvesting schemes, specific to an area or village; have been found to be extremely useful. Such schemes are supported by a number of credit institutions. However, farmers belonging to the Scheduled Castes and Scheduled Tribes rarely benefit from such schemes. In order to help these farmers, Government will launch a nationwide water harvesting scheme. The scheme will cover one lakh irrigation units at an average cost of Rs.20,000 per unit. NABARD will lend the money on easy terms and no margin money will be charged from the borrower. Government will provide a 50 per cent capital subsidy through NABARD, and the estimate for the scheme is Rs.100 crore.</p>	<p>The scheme has already been launched by NABARD with a projected subsidy amount of Rs. 100 crore during the next three years: Rs. 20 crore for first year, Rs. 40 crore for second year and Rs. 40 crore for third year. This is a reimbursement scheme and reimbursement claims will be received in due course from the State Governments. The physical programme for the year 2004-05, 2005-06 and 2006-07 are 20,000, 40,000 and 40,000 units respectively.</p> <p style="text-align: right;"><b>[Action Completed]</b></p>
22.	<p><b>40 Flood control</b></p> <p>Thousands of lives and thousands of head of cattle are lost every year due to floods. Floods are perennial in States like Assam, West Bengal, Bihar and Uttar Pradesh. The NCMP envisages full Central support to flood control works in inter-State rivers and international rivers. The Brahmaputra Board has prepared a plan for anti-erosion and flood control works in the Brahmaputra and Barak valleys. A programme of flood control and anti-erosion will be launched in the current year. A similar programme is being implemented in the Ganga-basin States of Uttaranchal, Uttar Pradesh, Bihar, Jharkhand and West Bengal. Rs.30 crore has been allotted in the current year and additional funds will be provided to keep pace with the progress of works.</p>	<p>A Task Force to look into the problem of recurring floods and erosion in Assam and other neighbouring States as well as Bihar, West Bengal and Eastern Uttar Pradesh set up for suggesting short term and long term measures for the management of floods and erosion control, and to examine international dimensions and suggest institutional arrangements for tackling the problem, has submitted its report which is under consideration.</p> <p>In respect of the programme of flood control and anti-erosion in the Brahmaputra and Barak valleys, a state sector scheme was approved on 24<sup>th</sup> November, 2004.</p> <p>As regards the flood control and anti-erosion works as well as raising and strengthening of embankments in the Ganga basin, a scheme is already in operation with an estimated cost of Rs.178.85 crore with a central share of Rs. 136.17 crore for providing central assistance to the states of Bihar, Himachal Pradesh, Jharkhand, Uttranchal, Uttar Pradesh and West Bengal. Besides, funds are also earmarked for the Farakka Barrage Project Authority to take up the anti-erosion works around the Farraka Barrage.</p>
23.	<p><b>41 Diversification</b></p> <p>India is self-sufficient in wheat and paddy but deficient in other agricultural produce. The time has come to encourage our farmers to diversify into areas such as horticulture, floriculture and oilseeds. The Anand model has been a great</p>	<p>A proposal for launching National Horticulture Mission is being considered.</p>



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	<p>success in milk and milk products. Government proposes to launch a National Horticulture Mission. The goal is to double horticulture production from the current level of 150 million tonnes to 300 million tonnes by 2011-12. I invite States to join hands with the Government in launching this mission. One of the steps that States will be encouraged to take is to emulate the Anand model and establish a State Level Cooperative Society for promoting horticulture.</p>	
24.	<p><b>42</b> Oilseeds is another critical area. Last year, we produced 25 million tonnes of oilseeds, but we also imported US\$ 2.5 billion of edible oil. Government will facilitate farmers to diversify into oilseeds by promoting superior seed-technology and through an appropriate policy of price support.</p>	<p>NAFED is the nodal agency for procurement of oilseeds and pulses in the event of prices falling below the Minimum Support Price. The Integrated Scheme of Oilseeds, Pulses, Oilpalm and Maize (ISOPOM) is being implemented and the budget provision for the year 2004-05 is Rs 252.72 crore. Minimum Support Price for edible oilseeds viz groundnut, soyabean, sunflower, rapeseed/ mustard are announced every year after the Government approval. This year there has been an increase in the Minimum Support Price of all edible oilseeds and announcement has been made well in time. This should lead to enhancement in the area covered by oilseeds.</p>
25.	<p><b>43</b> India must become a single market for all products, particularly agricultural produce. The existing Acts governing agricultural produce marketing committees have outlived their utility. The Government has circulated a model law. So far, ten States have initiated legal or administrative action for 'direct marketing' and 'contract farming' arrangements in line with the model law. I urge all States to enact the model law at an early date.</p>	<p>State Governments have been requested to complete the process of amendment of their Agricultural Produce Marketing Committee Act by February, 2005. States where action has been initiated for amending the APMC Act are Andhra Pradesh, Assam, Bihar, Chattisgarh, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Maharashtra, Nagaland, Orissa, Rajasthan, Uttar Pradesh, Madhya Pradesh, Meghalaya, Punjab, Sikkim, Tamil Nadu, Tripura and West Bengal.</p>
		<p>A new reform linked central sector scheme for 'Development of Agricultural Marketing Infrastructural Projects' has been formulated. Under the scheme, assistance will be provided to those States which undertake reforms in the APMC Act on the lines suggested in the model act. Operational guidelines of the scheme have been circulated to all the States and Union Territories.</p>
26.	<p><b>44 Research and Development</b> Agricultural research and development is an area which deserves special attention. The Indian Council of Agricultural Research (ICAR) is a beneficiary of the scheme under which every commercial rupee earned by ICAR, incrementally, is matched by another rupee from the Budget. Besides, ICAR receives funds from the Technology Development Board in respect of projects that are commercially viable. Agricultural research must be expanded rapidly to new frontiers such as bio-technology, vaccines and diagnostics. There must be a special focus on farming in drylands and</p>	<p>A new scheme on "Enhancing Sustainability of Dryland Rainfed Farming Systems" has been formulated. The scheme is proposed to be implemented in the arid and semi arid regions of the country particularly in the districts having annual rainfall of less than 750 mm and assured irrigation coverage of less than 30% of the net sown area.</p>

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	<p>unirrigated areas. The allocation for 2004-05 is Rs.1000 crore (which is an increase from increase of Rs.775 crore in BE 2003-04), and I propose to make further allocations during the course of the year.</p>	
27.	<p><b>45 Agri-business</b>            The Small Farmers Agri-business Consortium (SFAC) was set up in 1994. Although SFAC started functioning from 1998, its corpus stands at a meagre Rs.10.95 crore. In my view, SFAC should provide venture capital to projects and must be run, preferably by a banker, on purely business lines. The MS Swaminathan Research Foundation has identified 13 districts where there is a huge potential for agri-businesses and an appetite for investment of nearly Rs.170 crore. The Ministry of Agriculture has initiated action to improve the governance of SFAC, including the appointment of a banker as the chief executive. For my part, I propose to provide the necessary additional capital that SFAC will require to aggressively promote agri-businesses.</p>	<p>Small Farmers Agri-Business Consortium (SFAC) has formulated a business plan for agribusiness sector development through venture capital participation.</p>
28.	<p><b>46 Risk mitigation</b>            The Agricultural Insurance Company (AIC) was incorporated in December 2002. The National Agricultural Insurance Scheme (NAIS) which insures the yield or crop is in operation since Rabi 1999-2000. AIC is redesigning the scheme. We shall continue with the scheme and make another evaluation. Meanwhile, a pilot scheme insuring farm income (as opposed to crop) has been launched in 19 districts across 12 States during Rabi 2003-04. Government has decided to extend the scheme to Kharif 2004 in order to assess its feasibility. I wish to add that a weather insurance scheme appears to be more promising, at least in the design. AIC is introducing the scheme on a trial basis in 20 rain gauge stations in the current crop season. It is difficult to tell at this stage which of the three schemes will be successful. Agricultural insurance as well as livestock insurance are complex products and have to be designed with care. I wish to re-affirm Government's commitment to provide insurance cover to farming and livestock.</p>	<p>National Agricultural Insurance Scheme (NAIS), presently under implementation, is being revised on an actuarial basis with the village panchayat as the basic unit. The scheme to provide insurance cover to livestock will also be incorporated in this. Meanwhile, the Farm Income Insurance Scheme is being implemented on a pilot basis and an evaluation is proposed to be undertaken to modify it, if found necessary.</p>
29.	<p><b>48 Inter-institutional Group</b>            An inter-institutional Group in the power sector has succeeded in bringing 6 power projects to financial closure. Another 10 projects are on the verge of achieving financial closure. The concept can be extended to some other infrastructure sectors. I am glad to announce that IDBI, IDFC,</p>	<p>Inter-Institutional Group comprising IDBI, IDFC, ICICI Bank, SBI, LIC, Bank of Baroda and Punjab National Bank has been formed. For each IIG, an institution has been identified as the leader of the Group whose responsibility will be to coordinate with other members. The sector-wise details are as under : -</p>

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	<p>ICICI Bank, SBI, LIC, Bank of Baroda and Punjab National Bank have formed an Inter-Institutional Group (IIG). They will pool their resources on a callable basis, and a sum of Rs.40,000 crore will be made available as and when necessary. The IIG will ensure speedy conclusion of loan agreements and implementation of infrastructure projects. Initially, airports, seaports and tourism will be the target sectors of the IIG</p>	<table border="0"> <tr> <td><u>Lead institution</u></td> <td><u>Sector</u></td> </tr> <tr> <td>IDFC/SBI</td> <td>Seaports</td> </tr> <tr> <td>IDFC/LIC</td> <td>Urban infrastructure</td> </tr> <tr> <td>IDFC/LIC</td> <td>Water supply &amp; sanitation</td> </tr> <tr> <td>IDFC/IDBI</td> <td>Telecom</td> </tr> <tr> <td>SBI</td> <td>Power</td> </tr> <tr> <td>SBI</td> <td>Tourism</td> </tr> <tr> <td>ICICI</td> <td>Airports</td> </tr> <tr> <td>IDBI / ICICI</td> <td>Roads</td> </tr> </table>	<u>Lead institution</u>	<u>Sector</u>	IDFC/SBI	Seaports	IDFC/LIC	Urban infrastructure	IDFC/LIC	Water supply & sanitation	IDFC/IDBI	Telecom	SBI	Power	SBI	Tourism	ICICI	Airports	IDBI / ICICI	Roads
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ICICI	Airports																			
IDBI / ICICI	Roads																			
30.	<p><b>49</b> The Rajiv Gandhi Drinking Water Mission was intended to be implemented in the mission mode. In recent years, however, new programmes have sprung up obscuring the original mission. More than 75,000 habitations are yet to be provided adequate drinking water. Government intends to bring all drinking water schemes under the umbrella of the Rajiv Gandhi Drinking Water Mission.</p>	<p>Rajiv Gandhi National Drinking Water Mission has been administering all Centrally Sponsored Schemes for drinking water supply in rural areas and continues to do so.</p> <p>During 2004-05 [up to 4.2.05], 31,355 rural habitations were covered.</p>																		
31	<p><b>50</b> The Accelerated Rural Water Supply Programme (ARWSP) has been allocated Rs.2610 crore in the current year. It will focus on renewal of water sources and on serving uncovered and partially covered habitations. Panchayati raj institutions will be encouraged to plan, implement, own, operate and maintain the rural water supply schemes in consultation with the State Governments. Funds will be devolved on Panchayati raj institutions to implement the ARWSP.</p>	<p>For institutionalizing the involvement of Panchayati Raj Institutions, a proposal is being considered. Simultaneously, all State Governments have been requested to undertake Sector Status study. Four States have completed the study.</p>																		
32.	<p><b>52</b> The city of Chennai and other cities suffer from acute scarcity of drinking water. It is proposed to install the first large desalination plant near Chennai in the State sector, and more such plants will be installed along the Coromandel coast. A desalination plant with a capacity of 300 million litres per day (MLD) is estimated to cost Rs.1000 crore, and there will be other costs for transmission pipelines and a captive power plant. It is proposed to implement the project through public-private partnership.</p>	<p>For the Project in Chennai, the last date for submission of proposals was extended to 16<sup>th</sup> February, 2005. Successful bidder would be identified after evaluation of bids.</p> <p>Revised Detailed Project Report [DPR] in respect of Keelakarai and Ramanathapuram has been accorded technical approval on 28<sup>th</sup> January, 2005 at an estimated cost of Rs.17.41 crore.</p> <p>Project proposals from Pondicherry and Orissa costing approximately Rs. 10.74 crore and Rs. 4.61 crore respectively have also been accorded technical approval.</p> <p>For the aforesaid desalination plants, Government has decided to sanction 50% of the project cost under Accelerated Urban Water Supply Programme (AUWSP) and the first installment of 50% of the Central share is being released.</p>																		
33.	<p><b>53 Sethusamudram Ship Canal Project</b> The Sethusamudram Ship Canal Project is a longstanding demand - nay dream - of the people of peninsular India. I am happy to inform the House that the Environmental Impact Assessment study of the project has been</p>	<p>The Special Purpose Vehicle (SPV) by name "Sethusamudram Corporation Ltd." was incorporated on 6<sup>th</sup> December,2004. Its headquarters will be at Chennai. Further statutory clearances for the project are being taken by the Tuticorin Port Trust.</p>																		

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	<p>completed by the National Environmental Engineering Research Institute (NEERI), Nagpur. NEERI is now preparing the techno-economic feasibility report and the report is expected to be submitted shortly. The Ministry of Shipping proposes to establish a special purpose vehicle (SPV). The SPV will raise funds for the project and Government will participate in the funding through a mix of equity support and debt-guarantee.</p>	
34.	<p><b>54 International Container Transshipment Terminal (ICTT) at Vallarpadam</b></p>	<p>The Government has approved the revised proposal for time bound implementation of International Container Transshipment Terminal (ICTT) at Cochin port on 13.1.2005. Government has also given 'in principle' approval for taking up the rail connectivity and national highway connectivity projects for the ICTT site and also the capital dredging project for improvement of draft at the terminal. Setting up of a port based Special Economic Zone at Cochin port has also been approved. License Agreement has been signed between Cochin Port Trust and India Gateway Terminal Pvt. Ltd., a 100% subsidiary of Dubai Ports International, Dubai, UAE on 31.1.2005 for development, management and operation of ICTT at Cochin port on build, operate and transfer basis. Hon'ble Prime Minister laid the foundation stone for the project on 16<sup>th</sup> February, 2005.</p>
	<p>Government attaches high priority to the development and expansion of port infrastructure. Presently, because of inadequate draft and cargo handling infrastructure, and partly due to locational disadvantages, mainline vessels often skip Indian ports. Containers from India are carried to their final destination after transshipment at Colombo, Dubai and other neighbouring ports. Kochi has locational advantages compared to other major Indian ports since it is closer to the main sea routes. Government will facilitate the construction of an International Container Transshipment Terminal (ICTT) at Vallarpadam in Kochi port on Build, Operate and Transfer (BOT) basis.</p>	<p><b>[Action Completed]</b></p>
35.	<p><b>56 Rural Housing</b></p>	<p>Refinance is available to the implementing agencies from National Housing Bank at 50 basis points less than the applicable rate from 1<sup>st</sup> April, 2004. As regards the target of financing of 2.50 lakhs dwelling units during 2004-05 under Golden Jubilee Rural Housing Finance Scheme, NHB has already allocated the targets to Banks and Housing Finance Companies.</p>
	<p>In order to complement IAY, the Golden Jubilee Rural Housing Finance Scheme was launched in August 1997 to give a boost to rural housing. The response has been encouraging, and 10.26 lakh dwelling units have been financed so far. However, the number appears to have stagnated at about 180,000 per year in the last three years. The scheme deserves a further stimulus. I am happy to announce that the National Housing Bank has offered to reduce the rate of refinance by 25 basis points this year. RBI has agreed to revise the norms of re-payment for rural housing loans by banks, so that the instalments coincide with crop cycles. A major impediment to credit for rural housing is absence of proper title to the land. The Government of West Bengal has made a law to simplify the creation of security. It appears to me that the law deserves to be emulated by other States. With these changes, I believe it is possible to set a higher target of 250,000 rural housing units per year.</p>	<p>The progress under GJRHF's for the period April to December, 2004 was 1,70,205 dwelling units as against the annual target of 2,50,000 units.</p>
		<p><b>[Action Completed]</b></p>
36.	<p><b>57 Industry</b></p>	<p>The Government has set up an Investment Commission. Appointment of the Chairman and the two members of the Investment Commission was</p>
	<p>It is my goal to make the environment in India attractive for investors. In order to achieve that goal, I propose to establish an Investment</p>	

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	<p>Commission. The Commission will have the broad authority of the Government to engage, discuss with and invite domestic and foreign businesses to invest in India. It will be chaired by an eminent person. The Foreign Investment Promotion Board (FIPB) has played a useful role, and even now it serves as a one-stop centre for securing the nod of different ministries and departments to a proposed investment. Government believes that many of the functions of FIPB could be put on the automatic route, and leave FIPB as a one-stop service centre and facilitator. The function of wooing domestic and foreign investors will be performed by the proposed Investment Commission.</p>	<p>notified on 13-12-2004 and the Commission has started functioning.</p> <p style="text-align: right;"><b>[Action Completed]</b></p>
37.	<p><b>58</b> Government proposes to set up a National Manufacturing Competitiveness Council. The Council will be a continuing forum for policy dialogue to energise and sustain the growth of manufacturing industries. The Council will be asked to suggest measures for enhancing competitiveness in the manufacturing sector. The Council may also recommend industry-specific or sector-specific policy initiatives to enhance competitiveness</p>	<p>The Government has set up the National Manufacturing Competitiveness Council.</p> <p style="text-align: right;"><b>[Action Completed]</b></p>
38.	<p><b>59</b> Foreign Direct Investment (FDI) has the potential to add a competitive edge, especially in the industrial sector. The NCMP declares that FDI will continue to be encouraged and actively sought, particularly in areas of infrastructure, high technology and exports. Three sectors of the economy fully meet this description. They are telecommunications, civil aviation and insurance. There is an urgent need for infusing huge amounts of capital in these sectors. I, therefore, propose to raise the sectoral cap for FDI in telecommunications from 49 per cent to 74 per cent; in civil aviation from 40 per cent to 49 per cent; and in insurance from 26 per cent to 49 per cent.</p>	<p>The Government of India has increased the Foreign Direct Investment limits in "Air Transport Service (Domestic Airlines)" in November, 2004 to 49% through automatic route and 100% by Non-Resident Indians (NRIs) through automatic route. No direct or indirect equity participation by foreign airlines is allowed.</p> <p>The Government has also increased the Foreign Direct Investment cap in the telecommunications sector to 74%.</p>
39.	<p><b>60 Capital Markets</b></p> <p>Government is committed to the orderly development and functioning of the capital markets. A number of steps have been taken to broaden and deepen the capital markets as well as to strengthen the regulatory regime. There are some signs that retail investors are returning to the capital market. Foreign Institutional Investors (FIIs) have shown a marked preference for India over other emerging markets. In order to carry forward the process of making the Indian capital market strong and attractive, I propose to -</p> <ul style="list-style-type: none"> <li>o Make the procedures for registration and operations simpler and quicker for FIIs;</li> </ul>	<p>The turnaround time for processing of FII applications for registration has been reduced by SEBI from 13</p>

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		working days to 7 working days except in the case of Banks and their subsidiaries.
	<ul style="list-style-type: none"> <li>o Raise the investment ceiling for FIIs in debt funds from US\$ 1 billion to US\$ 1.75 billion;</li> <li>o Allow banks with strong risk management systems greater latitude in their exposure to the capital market;</li> </ul>	<p>SEBI has issued a circular in November, 2004 on investment in debt funds by FIIs.</p> <p>The procedure of Capital Market Exposure (CME) has been revised by RBI resulting in higher headroom.</p> <p>Accordingly, cases of banks that had made specific request to RBI for higher ceiling were examined and higher capital market exposure limit has been approved in respect of one bank.</p> <p style="text-align: right;"><b>[Action Completed]</b></p>
	<ul style="list-style-type: none"> <li>o Create an alternative trading platform for small and medium enterprises (SMEs) to raise equity and debt from the capital market; and</li> <li>o Initiate steps to integrate the commodities markets and the securities markets.</li> </ul>	<p>The Securities Contracts (Regulation) Act, 1956, SC (R) A has been amended. BSE's Indonext was launched on 7<sup>th</sup> January, 2005.</p> <p style="text-align: right;"><b>[Action Completed]</b></p> <p>As a follow up of Working Group and Task Force recommendations, discussions have taken place to examine the legal, regulatory and transition related issues. In view of the sensitivity of the issue, further dialogue will continue before the roadmap is finalised.</p>
	RBI and SEBI will announce the necessary measures in respect of these matters. I am also happy to announce that SEBI has been able to resolve the longstanding issue of brokers' fees, and brokers may expect an announcement shortly	SEBI [Interest Liability Regularisation] Scheme, 2004 was notified on 15 <sup>th</sup> July, 2004.
40. 61	Many genuine foreign institutional investors (FIIs) are professional bodies of asset managers and financial analysts who can enhance the flow of equity capital and lend depth to the capital markets. An inter-ministerial committee has recommended liberalization of FII limits in certain specified sectors. I propose to examine and implement these recommendations in consultation with the Ministries concerned.	<p>The recommendations of the Lahiri Committee constituted to identify the sectors in which Foreign Institutional Investors' (FIIs) portfolio investments will not be subject to the sectoral limits for Foreign Direct Investment except in specified sectors are under examination.</p> <p>Foreign Institutional Investors (FIIs) will continue to be encouraged while the vulnerability of the financial systems to the flow of speculative capital will be reduced. An expert group has been set up under the chairmanship of Chief Economic Advisor to implement the objectives set out in the National Common Minimum Programme in this regard.</p>
41. 62	The NCMP has declared the Government's policy on public sector enterprises (PSEs). While sick or ailing public sector enterprises have stirred a debate, not enough attention is paid to the healthy PSEs. I am happy to announce that in 2004-05 the Government will provide equity support of Rs.14,194 crore and loans of Rs.2,132 crore to Central PSEs (including Railways). Major investments will be made in PSEs falling in the sectors of power, telecommunications, railways, roads, petroleum, coal and civil aviation. I am sure	<p>Out of Rs. 14,194 crore equity support (Budgetary Support) earmarked for the Central PSEs, an amount of Rs.6,919 crore has been provided to the Railways. This includes Rs.2,075 crore as contribution to Special Railway Safety Fund (SRSF), Rs.300 crore for national project of Udhampur-Srinagar-Baramulla new line and the balance Rs.4,544 crore for various projects/works of the Railways.</p> <p>The gross budgetary support to Central power sector projects in Public Sector Undertakings is Rs 3,600</p>

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42.	<p data-bbox="264 248 823 371">Hon'ble Members will appreciate the deep commitment of Government to a strong and effective public sector operating in a competitive environment.</p> <p data-bbox="264 472 823 495"><b>63 Public sector</b></p> <p data-bbox="264 506 823 869">There is, of course, another side to the public sector. This side is beset with problems, and we must address them with responsibility and courage. Disinvestment and privatization are useful economic tools. We will selectively employ these tools, consistent with the declared policy. As a first step, I propose to establish a Board for Reconstruction of Public Sector Enterprises (BRPSE). The Board will advise the Government on the measures to be taken to restructure PSEs, including cases where disinvestment or closure or sale is justified.</p>	<p data-bbox="852 248 1477 338">crore. During 2004-05, till 8<sup>th</sup> February, 2005, a sum of Rs. 1372.72 crore has been released as equity for 3 PSUs under the Ministry of Power.</p> <p data-bbox="852 376 1477 465">Additional equity infusion to Air India and Indian Airlines is linked with their fleet acquisition plans, which are nearing finalization.</p> <p data-bbox="852 504 1477 589">The Board for Reconstruction of Public Sector Enterprises has been established vide Resolution dated 6.12.2004.</p>
43.	<p data-bbox="264 907 823 1400"><b>64</b> One of our Navaratna companies, NTPC, has filed a prospectus with SEBI to raise capital through a public issue. Consequently, Government's holding in NTPC will be marginally diluted. In order to extract value for its holding and to compensate the effect of dilution, Government intends to piggy-back on the public issue of NTPC and disinvest approximately five per cent of its holding. This and some other cases which are under examination are expected to yield a sum of Rs.4000 crore in the current year. While the disinvestment revenues will be part of the Consolidated Fund of India, I shall, while presenting the Budget for 2005-06, report to the House the manner in which the said revenues have been or will be applied for specified social sector schemes.</p>	<p data-bbox="852 907 1477 1220">Initial Public Offer comprising of fresh issue of 4,32,915,000 equity shares of National Thermal Power Corporation (NTPC) and Government of India's offer of sale of 4,32,915,000 equity shares in the company was launched on 7-10-2004. The issue was over-subscribed 13.17 times. NTPC retained an amount of Rs.2,684.07 crore and Rs.2684.07 crore has since been paid to Government of India in November, 2004. The disinvestment proceeds have been utilized for meeting the expenditure on social sector schemes.</p> <p data-bbox="852 1249 1477 1339">Government has also approved the setting up of National Investment Fund [NIF] which would become operational during 2005-06.</p>
44.	<p data-bbox="264 1435 823 1559"><b>66</b> I am also happy to announce that I have taken the business of restructuring quite seriously. Hindustan Antibiotics Limited will be given financial support for restructuring.</p> <p data-bbox="264 1592 823 1682">A rescue package has been worked out for Indian Telephone Industries (ITI), and ITI will be given Rs. 508 crore to remain out of the net of the BIFR.</p>	<p data-bbox="852 1435 1477 1525">The Revised Rehabilitation Scheme submitted by Hindustan Antibiotics Limited to the Government is under examination.</p> <p data-bbox="852 1592 1477 1771">The Government has approved a revival plan for Indian Telephone Industries Ltd. (ITI) including a financial package of Rs. 1,001.1 crore. Rs. 508 crore package announced in the Budget Speech is a part of revised financial package. An amount of Rs. 508 crore was released on 24<sup>th</sup> December, 2004.</p>
45.	<p data-bbox="264 1778 823 1800"><b>67 Small scale industry</b></p> <p data-bbox="264 1812 823 2078">Small scale industry is, and must be regarded as, an engine of growth. At the same time SSI units must also be given the space to grow into medium enterprises. World over, policies are devised to meet the requirements of small and medium enterprises (SME). Keeping in mind the twin objectives, the Ministry of Small Scale Industry has identified 85 items that can be safely taken out of the reserved list.</p>	<p data-bbox="852 1778 1477 1800"><b>[Action Completed]</b></p> <p data-bbox="852 1812 1477 1957">The Government has since de-notified 85 items (which include 15 sub-items) from the list of items reserved for exclusive manufacture in the small scale sector. With this notification, the total number of items reserved for the SSI sector stands at 605.</p>

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46.	<p><b>67</b> Furthermore, it is felt that technology upgradation of SSI units is the most urgent requirement to do business in a competitive environment. I have reviewed the Capital Subsidy Scheme, and I propose to raise the ceiling for loans under the scheme from Rs. 40 lakh to Rs. 1 crore. The rate of subsidy will also be raised from 12 per cent to 15 per cent. The scope of the scheme will be enlarged by adding more sub-sectors and technologies eligible for assistance. SSI units will be encouraged to obtain credit rating. With these measures, I expect that many more SSI units will benefit from the restructured scheme. A provision of Rs. 135.24 crore has been made for "Promotion of SSI Schemes", and within that amount funds will be found for the Capital Subsidy Scheme.</p>	<p>The scope of the scheme was enlarged with Government approval. Guidelines have been issued.</p> <p>Proposal will shortly be submitted on raising the ceiling for loans and subsidy.</p>
47.	<p><b>68</b> <b>Regeneration of traditional industries</b> Some of our traditional industries, namely coir, handloom, handicrafts, sericulture, leather, pottery and other cottage industries not only contain great potential for growth and exports, but are integral for the maintenance of our cultural heritage. Accordingly, a Fund for the Regeneration of Traditional Industries, with an initial allocation of Rs.100 crore will be set up. The details, including mechanism for utilization of the fund will be worked out in consultation with the industries concerned.</p>	<p>A scheme which envisages a cluster approach for operationalising the Fund for Regeneration of Traditional Industries is in the final stages of formulation. Implementation of the scheme is likely to start in 2005-06.</p>
48.	<p><b>69</b> <b>VAT</b> Value-added tax is a tax that has been tested and tried, and found beneficial throughout the world. The country needs a modern and efficient trade tax system that incorporates the international best practices. At the June 18, 2004 meeting of the Empowered Committee of State Finance Ministers, to which all Finance Ministers were invited, and chaired by my distinguished friend Dr. Asim Das Gupta, there was a broad consensus among the States to implement VAT. April 1, 2005 has been set as the date for implementation. I welcome the decision and warmly congratulate the State Governments. I urge all States that have not yet passed the relevant VAT legislation to do so before the end of 2004. International experience, as well as the experience of the State of Haryana, suggests that VAT will lead to an increase in revenue and not a loss in revenue. Nevertheless, in order to give comfort to the States, I propose to evolve a formula for determining the compensation for the loss of revenue, if any. I have offered the States the services of a Technical Experts Committee. The Committee will work with the States closely, and help them move steadily towards the stage of implementation.</p>	<p>At the meeting of the Empowered Committee of State Finance Ministers held on 18<sup>th</sup> June, 2004, it was resolved to introduce VAT at the State level from April 1, 2005. A Technical Expert Committee that will work closely with State Governments for smooth implementation of VAT has since been set up. The Committee has initially been appointed up to June 30, 2005.</p> <p>In the meanwhile, following formula for compensation to the States in case of loss of revenue on account of introduction of VAT has been adopted:-</p> <p>(a) Central Government would provide 100% compensation to the States in the year 2005-06, 75% in the year 2006-07 and 50% during 2007-08 for loss, if any, on account of introduction of VAT. States will implement VAT and put in place adequate supervisory systems to ensure its successful implementation. The Empowered Committee would continue to advise and guide the States in implementing VAT w.e.f. 01.04.05.</p> <p>(b) Starting with 2004-05 and working backwards, States would be allowed to choose 3 of their best years out of the preceding 5 years for calculating the average rate of growth.</p>



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49.	<p><b>70 Pension Reform</b></p> <p>A 'defined contribution' pension scheme has been introduced with effect from January 1, 2004 for the Central Government employees recruited on or after that date. A suitable legislation to provide a regulatory framework for the scheme will be introduced in Parliament.</p>	<p>Detailed guidelines in this regard were sent to Finance Secretaries of all the States/ Union Territories on 3<sup>rd</sup> February, 2005.</p> <p>The Pension Fund Regulatory Development Authority Ordinance was promulgated on 29<sup>th</sup> December, 2004. A bill to replace the Ordinance will be introduced in the Budget Session of Parliament.</p>
50.	<p><b>71 Export promotion</b></p> <p>My colleague, the Minister of Commerce and Industry, will place before Parliament by the end of this month a new trade policy. Government is of the view that Special Economic Zones (SEZs) are growth engines that can boost manufacturing, exports and employment. The private sector has shown considerable interest in the development of SEZs. Five SEZs have started functioning. SEZs require a special fiscal and regulatory regime. The Commerce Minister will, shortly, introduce a Bill for regulating Special Economic Zones, and it is my belief that the passing of such a law would be a significant milestone in our quest to become a major hub for manufacturing and exports.</p>	<p>The new Foreign Trade Policy 2004-09 was announced on 31<sup>st</sup> August, 2004. A draft Special Economic Zone Bill, 2005 is under finalization and will be introduced in the Budget Session of Parliament.</p>
51.	<p><b>72 Securitisation Act</b></p> <p>The constitutional validity of the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 has been upheld by the Supreme Court, except Sub-Section (2) of Section 17. In the wake of this judgement, many banks have pointed out practical difficulties likely to arise in speeding up the recovery of non-performing assets. It is proposed to amend the relevant provisions of the Act to appropriately address the Supreme Court's concerns regarding a fair deal to borrowers while, at the same time, ensuring that the recovery process is not delayed or hampered. Related amendments to the Recovery of Debts Due to Banks and Financial Institutions Act, 1993, if necessary, will also be made.</p>	<p>The Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Ordinance, 2004 (No. 5 of 2004) was promulgated on 11.11.2004 thereby amending the Securitization and Enforcement of Security Interest Act, 2002. The Bill to replace the Ordinance was passed by both the Houses of the Parliament and it has been assented to by the President on 29.12.2004.</p> <p style="text-align: right;"><b>[Action Completed]</b></p>
52.	<p><b>74 Interest Rates</b></p> <p>I believe that all interest rates should be aligned to the market, save for one or two exceptions. There is a need for a savings instrument that will give a return to senior citizens which is above the market-determined rate. There is also a need for an instrument that will provide a risk-free avenue for all citizens to save for a longer term, and such an instrument should bear a slightly higher rate of interest. Balancing these considerations, I do not propose to make any change in the existing rates of interest on small</p>	<p>The "Senior Citizens Savings Scheme" was notified on 2<sup>nd</sup> August, 2004.</p> <p>The rates of interest on Special Deposit Scheme [SDS] and General Provident Fund [GPF] at 8% were notified on 12.3.2004 and 22.7.2004, respectively.</p> <p style="text-align: right;"><b>[Action Completed]</b></p>

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	<p>savings instruments. Consequently, PPF, GPF and the Special Deposit Scheme will attract 8 per cent interest this year. For senior citizens, I propose to introduce a new scheme called the Senior Citizens Savings Scheme offering an interest rate of 9 per cent per annum. For all other citizens, I propose to continue the Government Savings bond which will carry an interest rate of 8 per cent per annum. The Varishta Pension Bima Yojana may no longer be necessary since the new savings scheme will cover the senior citizens adequately.</p>	
53.	<p><b>75 Reform of public Distribution System</b>            In the Tenth Plan document, the Planning Commission had suggested that a system of distributing food stamps should be tested on a pilot basis. Every eligible family will be entitled to collect its monthly quota of food stamps from a designated distribution centre, and such stamps could then be used to buy foodgrains from any food shop. I propose to introduce a pilot scheme for distributing food stamps, instead of distributing food through fair price shops, in two or three contiguous districts in a selected State. I sincerely hope that one of the States will come forward to associate with the Central Government in this experiment.</p>	<p>The Scheme was discussed in the Conference of State Food Secretaries held on 17-09-2004 and in the State Food Ministers' Conference on 28-10-2004. The Government of West Bengal has undertaken to implement the Food Stamp scheme on a pilot basis in selected blocks in the State. The operational details are being finalized.</p>
54.	<p><b>76</b> Women's groups have met me and urged me to consider gender budgeting. This means that the budget data should be presented in a manner that the gender sensitivities of the budgetary allocations are clearly highlighted. An expert group on "Classification System of Government Transactions" has submitted its report on July 6, 2004. It has recommended appropriate systems for data collection and representation in the budget. The group has also recommended introduction of periodic benefit-incidence analysis. Government will examine the recommendations, and I hope it will be possible for me to implement some of them in the Budget for 2005-06.</p>	<p>After considering the report of the Expert Group, it has been decided that Department of Women &amp; Child Development and National Institute of Public Finance &amp; Policy will jointly undertake a review of the public expenditure profile of Department of Rural Development, Health, Family Welfare, Labour, Elementary Education, Small Scale Industries, Urban Employment &amp; Poverty Alleviation, Social Justice &amp; Empowerment and Tribal Affairs through the gender lens, conduct beneficiary - incidence analysis and recommend specific changes in operational guidelines of various development schemes so as to improve coverage of women beneficiaries of the public expenditures. The changes in the scheme parameters will be made during the course of the year with the objective of channeling at least 30 % benefit to women.</p>
55.	<p><b>77 Subsidies</b>            Seven years ago, I placed before Parliament the first paper on subsidies. The NCMP pledges that all subsidies will be targeted sharply at the poor and truly needy like small and marginal farmers, farm labour and the urban poor. I have asked the National Institute of Public Finance and Policy (NIPFP) to prepare a blue print to accomplish these objectives. I expect to place the report before the House in the next session of Parliament.</p>	<p>The Report on "Central Government Subsidies in India" was laid on the Table of both Houses of Parliament on 23-12-2004.  <b>[Action Completed]</b></p>

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56.	<p><b>78 States' Finance</b></p> <p>In order to support the States, a substantial proportion of the taxes raised by the Central Government is transferred to the States. Besides, the Central Government extends loans to the States. In the light of the Budget Estimates for the current year, I am happy to report that the States' share of Union taxes and duties will increase to Rs.82,227 crore from Rs.63,758 crore in BE 2003-04. We are helping the States in other ways too. One of them is the Debt Swap Scheme. I propose to extend the facility of debt swap by allowing States to raise fresh loans and repay their old high-cost loans to NABARD and some other agencies. I also propose to consult the States on allowing them to increase their open market borrowings and reduce their dependence on loans from the Central Government. I shall also consider passing on external loans to the States on a back-to-back basis.</p>	<p>States were informed to apprise details of their high cost institutional loans and their options for refinancing the same so as to enable Government of India to grant necessary approval. During the course of the year RBI advised that we might need to go slow on new approvals as market appetite for State paper was very low. Upon improvement of liquidity, states have been permitted to raise Additional Open Market Borrowings/ other finances for repayment of Rural Infrastructure Development Fund (RIDF) loans. A concept paper was circulated to the States for their comments on options to increase their Open Market Borrowings and reduce their dependence on loans from the Central Government. Twelfth Finance Commission has also made recommendations in this regard. Appropriate decisions would be taken soon.</p> <p>Apart from the above, the proposal on passing external loans to states on back-to-back basis has also been sent to States for their comments. Meanwhile, 12<sup>th</sup> Finance Commission has recommended, inter alia, that Centre should pass on external assistance on back to back basis to States.</p>
57.	<p><b>80</b> Loans given by the Central Government to States carried an interest rate of 12.5 per cent. In 2003-04, the rate was reduced to 10.5 per cent. I am happy to announce a further reduction. Loans to the States will now bear an interest rate of 9 per cent with effect from April 1, 2004. States are expected to benefit to the tune of Rs.375 crore this year alone.</p>	<p>The rate of interest on loans to States was reduced from 10.5% to 9% with effect from 1<sup>st</sup> April, 2004. <b>[Action Completed]</b></p>
58.	<p><b>81</b> The NCMP promises that special economic packages for Bihar, Jammu &amp; Kashmir and the North Eastern States, announced in the past, will be implemented expeditiously. Bihar, for example, has a number of projects pending for a long time, including projects in power, roads, drainage and rehabilitation of displaced persons. I would like to assure the House that Bihar will be assisted through the Rashtriya Sam Vikas Yojana. A provision of Rs.3225 crore has been made for the present and, if necessary, this sum will be augmented.</p>	<p>A Special Plan has been formulated for Bihar for implementation under Rashtriya Sam Vikas Yojana (RSVY) with 100 % Central Assistance to bring about improvement in sectors like power, road connectivity, irrigation, horticulture, forestry and watershed development. Central assistance at the rate of Rs. 1,000 crore per year will be made available during the Tenth Five Year Plan subject to actual utilization. Wherever feasible, Central agencies will be involved in the timely implementation of projects.</p> <p>Seven projects worth Rs. 2,531.35 crore have been identified for implementation during the Tenth Plan and an amount of Rs. 621.56 crore under Rashtriya Sam Vikas Yojana (RSVY) has been released towards project cost and preparation of Detailed Project Reports.</p> <p>A Rs. 24,000 crore Development and Reconstruction Plan for Jammu &amp; Kashmir for 2004-08 has been announced. It addresses the need to strengthen the</p>

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		<p>economic and social infrastructure and provide for balanced development of Jammu &amp; Kashmir. The Plan includes creation of over 24,000 new jobs. This amount would mainly be spent in power, roads, education, health, urban development, tourism and agriculture sectors.</p> <p>The Ministry of North Eastern Region is actively monitoring development schemes funded by North Eastern Council and the Non-Lapsable Central Pool of Resources in the North Eastern Region of the country.</p>
59.	<p><b>82</b> The Government is committed to the speedy development of the North-Eastern States and Sikkim. Accordingly, all Ministries and Departments have been mandated to allocate at least 10 per cent of their Plan budget for schemes and programmes in the NER. This amounts to an allocation of Rs.5823 crore to be spent in the NER. The amount remaining unspent from this 10 per cent allocation is transferred to a non-lapsable Central pool of resources for development of the NER. In the current year, Rs.650 crore have been provided from the Central pool of resources for specific projects and schemes in this region, up from Rs.550 crore in 2003-04.</p>	<p>The Government has already sanctioned and released Rs. 492.44 crore (up to 25.1.2005) against the current financial year's allocation of Rs. 650 crore.</p>
60.	<p><b>83</b> The Government will provide special assistance to the State of Jammu &amp; Kashmir to have a reasonable Plan size. It will also provide financial support for the long pending Baglihar project. The Government has also agreed to provide a grant of Rs.300 crore to the State to ensure smooth switch-over from the current overdraft arrangement with the Bank of Jammu &amp; Kashmir to the Ways &amp; Means scheme of the RBI</p>	<p>Planning Commission has approved Rs. 750 crore as Special Central Assistance [SCA] and Rs. 500 crore as Special Plan Assistance [SPA] in the scheme of financing for the year 2004-05 for Jammu &amp; Kashmir. SPA of Rs. 500 crore has already been released to Government of Jammu &amp; Kashmir. Approval has already been accorded for Additional Central Assistance for Baglihar Project for Rs. 300 crore to be disbursed in the ratio of 1:3 [Central funds to Financial Institutions' funds].</p>
61.	<p><b>85 Backward States' Commission</b> I am happy to announce that the Government will set up a Backward States Grant Fund with a corpus of Rs.25,000 crore to be provided over a period of five years. While the existing Backward Districts Initiative Scheme with an annual outlay of about Rs.1,800 crore will be merged into this Grant Fund, the balance amount required for the annual contribution of Rs.5,000 crore will be earmarked from out of the total Central support to the Plan. It is expected that this will enable taking up social and physical infrastructure programmes in the poorest and most backward districts in the country within a given time frame. The Fund will become operational from the financial year 2005-06. Further details will be worked out in consultation with the Planning Commission.</p>	<p>Provision of Rs. 5,000 crore is being made for the Backward States Grant Fund under Additional Central Assistance for the State Plans in 2005-06.</p> <p>An Inter-Ministry Task Group has been constituted under the Chairmanship of the Secretary, Planning Commission to address issues regarding regional imbalances. The recommendation of the Group on operation of the Fund has been submitted.</p>

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62.	<p><b>86</b> As promised in the NCMP, the Government is determined to eliminate all delays in the modernization of the Defence Forces. Having regard to the trend of defence capital expenditure in recent years, it has become necessary to make a higher allocation this year. Accordingly, I propose to increase the allocation for Defence to Rs.77,000 crore (as against Rs.65,300 crore in BE 2003-04) which includes an allocation for capital expenditure of Rs.33,483 crore (as against Rs.20,953 crore in BE 2003-04).</p>	<p>Allocation has already been revised to Rs. 77,000 crore in Budget Estimates 2004-05.</p> <p style="text-align: right;"><b>[Action Completed]</b></p>
63.	<p><b>88</b> While preparing the Budget, I found that there is a plethora of Plan schemes. The number, the variety and even the acronyms under which these schemes are known are mind-boggling. I also found that there are many schemes with more or less the same objectives. In some cases, all the schemes were located in one ministry or department; in other cases, they were distributed among different ministries or departments. Plan schemes can be broadly divided into three categories - Central Sector, State Sector and Centrally Sponsored Schemes. The NCMP requires that all Centrally Sponsored Schemes, except national priority areas like family planning, shall be transferred to the States. Fortunately, a new Planning Commission is in place, and I am confident that the Planning Commission will bring some order into the tangled web of schemes.</p>	<p>Planning Commission has undertaken an exercise regarding transfer/ rationalization/ review of all on going Centrally Sponsored Schemes. Eighty eight [88] schemes have been identified for transfer/ merger/ discontinuance/ reclassification with effect from Annual Plan 2005-06.</p>
64.	<p><b>152</b> Besides my tax proposals, I have looked at another source of revenue. There are large recoverable arrears both in direct taxes and indirect taxes. Even the undisputed arrears are quite substantial. I have, therefore, assumed that I would be able to recover a tidy sum this year. A special, multi-pronged drive will be made to recover these arrears, the details of which will be announced later.</p>	<p>Task Forces on Recovery of Arrears of indirect and direct taxes were constituted and a significant amount of revenue has been recovered.</p>