THE UNION BUDGET 2016-17

Yashwant Sinha

H. P. Ranina

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Forum of Free Enterprise

FORUM
OF FREE ENTERPRISE

"Free Enterprise was born with man and shall survive as long as man survives".

- A. D. Shroff
Founder-President
Forum of Free Enterprise

SHAILESH KAPADIA

(24-12-1949 - 19-10-1988)

Late Mr. Shailesh Kapadia, FCA, was a Chartered Accountant by profession and was a partner of M/s G.M. Kapadia & Co. and M/s Kapadia Associates, Chartered Accountants, Mumbai.

Shailesh qualified as a Chartered Accountant in 1974 after completing his Articles with M/s Dalal & Shah and M/s G.M. Kapadia & Co., Chartered Accountants, Mumbai. Shailesh had done his schooling at Scindia School, Gwalior and he graduated in Commerce from the Sydenham College of Commerce & Economics, Mumbai, in 1970.

Shailesh enjoyed the confidence of clients, colleagues and friends. He had a charming personality and was able to achieve almost every task allotted to him. In his short but dynamic professional career, spanning over fourteen years, Shailesh held important positions in various professional and public institutions.

Shailesh's leadership qualities came to the fore when he was the President of the Bombay Chartered Accountants' Society in the year 1982-83. During his tenure he successfully organized the Third Regional Conference at Mumbai.

Shailesh was member, Institute of Fiscal Studies, U.K.; member of the Law Committee and Vice-Chairman of the Direct Taxation Committee, Indian Merchants' Chamber. He was also a Director of several public companies in India and Trustee of various public Charitable Trusts.

He regularly contributed papers on diverse subjects of professional interest at refresher courses, seminars and conferences organised by professional bodies.

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INTRODUCTION

The booklet encompasses presentations on "The Union Budget 2016-17" a formidable combination of two outstanding speakers, Mr. Homi Ranina, veteran tax expert and commentator, and a former Union Finance Minister, Mr. Yashwant Sinha at a public meeting in Mumbai. Mr. Ranina gave a lucid and intelligible interpretation and Mr. Sinha a fine critique from his vast experience.

The state of the economy was considered healthy by both the speakers.

There was concern about the quality of the fiscal deficit as the revenue proportion of it was large, two-thirds of GDP, and should be substantially reduced to zero in the next 2 to 3 years as indicated in the FRBM Act. However, the revenue expenditure of the government will increase substantially with the provision of Rs. 1,25,000 crores for implementing the 7th Pay Commission, Award and the OROP settlement for the defence services personnel as well as provision for their pensions. Hence it will be a tight walk and may lead to reduction in capital expenditure which will be unfortunate.

Two successive droughts depressed rural incomes and the purchasing power of over 50% of the population. Growth in industrial output has been very tepid and corporate balance sheets have been badly affected - both their top and bottom lines. This has had an adverse impact on overall liquidity in the system and reduced the lending capacity of banks which were already facing constraints as a result of the twin impact of lower growth in deposits and rising bad debts and nonperforming assets.

The weakness of the public sector banks is a matter of serious concern. Unfortunately for political reasons the government's stand is ambivalent regarding reducing its equity stake in PSU banks. It has decided at least to improve their functioning through administrative changes like selecting professional chairman, giving them longer tenure, better remuneration and greater autonomy besides inducting modern technology to improve productivity and service. But this is not enough.

The Government intends to recapitalize the banks and has provided Rs.25,000 crores from the budget in 2016-17. This amount will have to be substantially augmented. Mr. Sinha referred to his suggestion in this regard over a decade back, when he was the finance minister, that the government's equity stake should be reduced to 33%. However, for political reasons this was not acceptable then and is finding great resistance even now. In any event this is not feasible at the moment looking to the poor balance sheets of most PSU banks and their very low PE ratios compared to private sector banks.

While the economy has opened up considerably in the last two years and the Prime Minister is determined to put India on a much higher growth trajectory to implement his vision, it will take a few years to bring it to fruition particularly with our lethargic bureaucracy and several union ministers not on the same page. At the political level the old licence apparatus is yet only half dismantled. Despite the legacy infirmities India is progressing on the right path but it is still some distance away from turning the ponderous elephant into a tiger. What India requires badly at the moment is structural reforms which would increase productivity in all sectors, foster innovation and drive institutional change.

We are also happy to include in this booklet an excellent analysis of the economic implications of the Union Budget 2016-17 authored by Mr. S.S. Bhandare.

On the whole the budget is well crafted and refreshingly different. Both the speakers gave it a rating of 8 out of 10. The efficacy is in ensuring that the administration performs like an orchestra responding to the clarion call of the Prime Minister and several party functionaries eschewing creating avoidable fissiparous controversies.

Minoo R. Shroff
President
Forum of Free Enterprise

5th April, 2016

I

THE UNION BUDGET 2016-2017

Yashwant Sinha*

This kind of public meeting to analyse the budget is a tradition only of Mumbai. Mr. Ranina might have been invited to Delhi to talk about the budget so have I but these are all tax practioners, Chambers of Commerce, other trade bodies who are more interested in discussing the budget. A public meeting to discuss the budget, analyse the budget is your own, very own tradition founded by no less a person that Nani Palkhivala and I am very happy that you have continued with that tradition. So thank you very much. The budget came yesterday and we all made our quick comments on the budget, we just heard Mr. Ranina say that he will give 8 marks out of 10 to this budget and we all clapped because it's a very high score for any Finance Minister to obtain. I was listening to the

* *The author is a Former Union Finance Minister. The text is based on the Presidential remarks made at the public meeting addressed by Mr. H. P. Ranina on the subject in Mumbai on 1st March 2016 and arranged jointly by Forum of Free Enterprise, Nani A. Palkhivala Memorial Trust, Bombay Chartered Accountants' Society and Council for Fair Business Practices.*

Minister of State for Finance who happens to be my son and when the anchor asked him on a television debate how many marks he would give to the budget, I thought he should have hesitated and said no, I don't give marks just as I used to do. But he has perhaps more courage and he said he will give 8.5% out of 10 to the budget and if Mr. Ranina is giving 8% then the extra 50 basis points we can grant to Jayant Sinha for the fact that after all he is a junior minister in that ministry and he can be faulted for saying 8.5.

But let me start with the point that Mr. Ranina was making with regard to the fiscal deficit in the budget. He is right that when I was the Finance Minister I was concerned at the rising fiscal deficit and the revenue deficit which represented the quality of fiscal deficit. And because I was concerned I persuaded the then Prime Minister Mr. Vajpayee to agree with me and bring a legislation to in a way compel the government of the day to limit the extent of fiscal deficit. And I entirely agree with Mr. Ranina that this represents a kind of liberty that we take with our finances which is completely inimical to the whole concept of intergenerational equity. We in the present generation have no right to impose a burden on generations yet unborn but this is exactly what we do in order to meet the needs and largely political needs of the moment. And therefore we have taken liberties with the fisc which has caused enormous problems for the economy. And I felt that we needed an act of Parliament to compel the government to adhere to fiscal discipline. The bill which was ultimately passed by Parliament in 2003 and notified in 2004. What does it say? It says that revenue deficit which represents the unproductive consumption expenditure, current consumption expenditure of the government shall be completely eliminated and that we can live with a fiscal deficit of around 3% of the GDP.

In the Act we prescribed a timeline within which this had to be achieved and we came very close to achieving it. I had pointed it out last year when I was speaking here that in 2007-08 the fiscal deficit of the Government of India had come down to 2.5% of the GDP, less than 3% which was prescribed by the Act. And the revenue deficit was down to 1.1% and if we had carried on with a 50 basis points reduction annually in 2 years time we would have eliminated the revenue deficit from our budget but that was unfortunately not to be because what happened was that in 2008 and 2009 in the name of tackling the global financial crisis, the subprime crisis in the US, the government of the day just let go, just let go of all discipline, all caution was thrown to the winds. And I will just quote one figure to you. The actual revenue deficit in 2007-08 was around Rs. 52,000 crores. It went upto to Rs. 2,51,000 crores in the next year that is 2008-09 from Rs. 52,000 crores to Rs. 2,51,000 crores, a whopping deficit of Rs. 2,00,000 crores was added to the government's budget in the year 2008-09 in the name of tackling the global crisis.

And there were many like me who said then that it was more with an eye on the impending elections of 2009 rather than meeting the global crisis. Very few people agreed with me then but there are many commentators today who agree with me that it was more to win the elections rather than to meet the crisis at the international level. And the result was that the quality of the fiscal deficit deteriorated in one year in a manner which we have not been able to correct even to this day because while the fiscal deficit went up from 2.5% to 6% of the GDP in one year, the revenue deficit which was 1.1% of the GDP went up to 4.4% which meant that all the increase that we incurred in 2008-9 was for consumption expenditure of the government. Farmer's debt waiver, the Sixth Pay Commission, Mahatma Gandhi NREGA and other programmes in the budget which were populist in nature.

Now look at the fiscal deficit that the Finance Minister has projected in this year's budget which is ending on 31st March and next year's budget. Next year's budget is 3.5% as Mr. Ranina said, this is fiscal deficit and the revenue deficit is 2.4%. Now if you subtract the revenue deficit from the fiscal deficit you have actually a fiscal deficit, pure fiscal deficit which will represent perhaps the investment expenditure of the government of 1.1%. Now this is what I meant when I referred to the quality of the deficit. If we had eliminated revenue deficit then this amount could have been more gainfully employed for investment, for productive purposes. And that is why in the FRBM Act we said that the government will live or can live, the country can live with 3% fiscal deficit of the GDP without revenue deficit. And therefore while we have achieved in a way the fiscal deficit target of the budget but where we have failed is in achieving the revenue deficit target. And the revenue deficit target which was increased abnormally in 2008-9 is still around to haunt us.

So before the budget when people came to me from the media to talk about the budget I said that I have often been accused of being a fiscal fundamentalist, there are all kinds of fundamentalists and we are accused of other fundamentalisms also. But somebody once described me as a fiscal fundamentalist in the Lok Sabha and I gladly accepted that charge. But I said despite the fact that I am the architect of the FRBM Act, despite the fact that I am a fiscal fundamentalist, for this year I would not mind if the Finance Minister maintained the glide path, the roadmap that he has outlined last year as far as revenue deficit is concerned. But if it takes a little liberty with the fiscal deficit I would not mind, if that expenditure goes entirely for investment. And we are all aware of the fact that the economy at this juncture is in crying need of more investment from the government, from the public sector, from the private sector, from abroad. And it is only productive investment which can take us forward and get us out of the present difficulties.

Yesterday when I talked about in Delhi I said it's a very good budget. Why did I say it was a very good budget? I am not an economist but I shall talk about an economic model of growth. What was the economic model of growth that we followed when Mr. Vajpayee was the Prime Minister and I was the Finance Minister. We were faced with a very very difficult situation, you are all aware I don't have to remind you of the East Asian crisis, the sanctions and the dotcom crash and all the other problems that we were faced with. But what did we do. We thought of two virtuous cycles which we had to recreate in the economy. The first virtuous cycle was moderate inflation, declining interest rates and more investment generally from the private sector. This was the first virtuous cycle. The second virtuous cycle was generating demand in the economy for investment goods in the first instance, investment will be made if there is a demand for investment goods and if that investment is made then investment goods capacity will be fully utilised.

So we said let's create a demand for investment goods in the first instance so what did we do? We did three things, one was we thought of the road sector, the rural roads, the state highways and of course the famous National Highway Programme. Then we thought of the railways because railways are one organised entity in the government where projects can take off very fast because they have all the engineers, they have all the technical knowhow. So railways was another major contributor and the third was housing and in housing we were not committing budgetary funds but we made it attractive for the home buyer to build houses or buy apartments. And just to give you one example when I had taken over as Finance Minister in 1998, the concession for payment of interest on housing loan annually was restricted to Rs. 15,000. In three years we had raised it to a Rs. 1,50,000, a lakh and fifty thousand rupees which meant that for a home buyer of about Rs. 15 lakhs, Rs. 20 lakhs the burden of interest on the loan that he had taken was not there, that was eliminated because he got a concession in income tax on that. So there was a veritable boom in the housing sector as a result of this and we did many other things like secondary mortgage market and things of that kind.

So this created another virtuous cycle, raised investment demand largely through these three sectors and other sectors of course followed. Then the investment goods demand was met first by the utilisation of the capacity already existing and secondly by augmentation of capacity. And the third part of this virtuous cycle, second virtuous cycle was that the demand for consumer goods increased. Demand for investment goods increased the demand for consumer goods automatically. So combined with the first cycle of declining interest rates in the economy and creation of attractive investment opportunities led to demand for investment goods. We had a situation where the economy could take off and that's exactly what happened. I have often said that economists in this country should study why for the first time in our independent history, India had five years of 8% plus growth rate from 2003-4 to 2007-8. What went right with us that suddenly all this happened, it didn't happen in a vacuum, it happened because we brought policies to bear on the Indian economy and create that situation.

Now I like this budget because I think the Finance Minister has gone back to that model of growth. So first he is sticking to the fiscal deficit and revenue deficit targets, second the markets, stock markets went through the roof today. Why did they go through the roof? Because now they are anticipating that there will be a rate cut and there are many in the media who have said on behalf of Mr. Jaitley they have said it is over to you Mr. Rajan, I have done my bit now you do your bit. And I take this opportunity here to strongly urge the Governor to go for a minimum rate cut of 50 basis points if not more.

I think all the indices indicate that this is the most opportune time for a rate cut and the Governor should not hesitate, he should go ahead and do it. And this will really fire up the economy, not only the stock market, it will fire up the economy because that lack of confidence amongst the investors which has gripped us that will vanish in a jiffy. And investors will come back flocking in the market to make investments and there are opportunities galore because we have taken up in this budget an ambitious road sector programme. We have taken up in this budget an ambitious railway expansion programme including more freight corridors and we are taking up housing. And the Finance Minister has given income tax concessions to real estate and the housing sector. Now there are many things in the budget, they are saying that it is a political budget somebody described it as a povertarian budget, we need not be apologetic about it. And why not if in a country like India we don't bother about the poor then what good are we doing. We have to bother about the poor, it is our bounded duty to ameliorate their conditions. It is our bounded duty to make sure that the quality of life of the people who live in the villages improves and specially in the backward areas.

And therefore if the budget says that by 2018 we would electrify all our unelectrified villages or that we will build, connect all the villages with roads under the Pradhan Mantri Gram Sadak Yojana by 2019 then I think these are all very desirable goals. And let me tell you that the bulk of demand is in the rural areas, corporates sitting here in Mumbai bother about what is happening in the village in Jharkhand because that's where the demand for them will come from. So it is good economics as it is good politics to concentrate on agriculture, rural infrastructure and the quality of life of the poor people living in the rural areas because that will generate a demand which will keep Mumbai going, otherwise Mumbai will be depressed, down in the dumps because rural areas are not contributing to their demand.

But there are one or two other things to which I would like to draw your attention. I have always been in favour of the Direct Taxes Code, a new Direct Taxes Code. And when I was in Parliament and I was heading the Parliamentary Signing Committee on Finance the draft Direct Taxes Code Bill had been referred to us and we had sent it back to Parliament with our recommendations. Unfortunately the UPA government didn't come back to Parliament with the final DTC Bill. And I was a little surprised when the present Finance Minister said I think either in the last year's budget or in his first budget that we have incorporated most of the recommendations of the Direct Taxes Code Bill already in the Finance Act. And therefore we don't have to pursue the passage of the Direct Taxes Code Bill. And I pointed out then that this is not enough, we should really have the Direct Taxes Code, a new Direct Taxes Code. Now if you just look at the Finance Bill, Mr. Ranina was telling me privately that this is one of the longest Finance Bills that he has seen because there are so many provisions on the direct taxes side which have been amended.

Now what was the idea behind the Direct Taxes Code? The idea was that we will give ourselves a fresh, brand new Direct Taxes Code which will take care of our needs for the next many many years. The income tax that we refer to today is of 1961 and we are talking about the same income tax with all its amendments in 2016. So let's have a new Direct Taxes Code and if we also have fortunately the Goods and Services Tax then my feeling is that with DTC and GST we will not need to have a Part B of the budget speech because everything will be there. And we will not be changing things every now and then, if something becomes absolutely essential then do it with a notification which is placed before Parliament. But give a stability to your direct taxes, give a stability to your service tax, give a stability to your excise duties by having these two pieces of legislation. And I will still urge the Finance Minister to look seriously at the Direct Taxes Code so that we obviate the need to amend the Income Tax Act every now and then.

Now Corporation Tax, Mr. Ranina touched upon it, 30 to 25 will it be possible?

I had expressed some doubts about it last year from this platform. And now if the roadmap has not been defined in this budget the Finance Minister has only two years to do it and it will be rather difficult to do it in just two years. Similarly the new Amnesty Scheme for black money which has come, I mean I have always been morally against any Amnesty Scheme and I suffered personally, personally means as a Finance Minister when Chidambaram had given us that VDIS because VDIS I don't know how much money he received but the revenues collapsed the next year when I became the Finance Minister in 1998. And then there is a moral hazard issue, why should we have every now and then an Amnesty Scheme then why should there be any honest taxpayer in this country. We will all wait not pay our taxes and wait for the next Amnesty Scheme and the next Amnesty Scheme. So I am personally not in sympathy with the Amnesty Scheme but these are the issues which can be settled through the Direct Taxes Code Bill.

Similarly, I don't know how many of you are aware that in the budget yesterday the Finance Minister announced that he will impose a tax on the withdrawal of the Provident Fund if it exceeded 40%. Some clarification has been issued today but it has caused perhaps unnecessarily a great deal of disquiet amongst the wage earners of this country and others who contribute to the Employees Provident Fund. Now all these uncertainties will go, the whole question of retrospective tax would be settled, the whole question of General Anti Avoidance Rules, GAAR will be settled, everything will be settled if we have a Direct Taxes Code.

Now there are one or two points which I would like to make and then I am done, the first is the Finance Minister has talked about strategic disinvestment in this budget. He has avoided using the word privatisation but he has talked about strategic disinvestment. I think in my budget of either 1999 or 2000 I had actually used the word privatisation thinking that Members of Parliament will throw rotten eggs and tomatoes at me but nobody did and we got away with it. And actually under Arun Shourie's leadership of the disinvestment ministry we were successfully privatising public sector undertakings.

Then the UPA came and they reversed the whole thing, this government after a year and a half is going back to strategic disinvestment. Strategic disinvestment means what? It means that you decide how much share of the government you can sell then don't say if I can sell 25% I will go to the stock market with 5% in the first instance because whether you will get the best price for that 5% or not remains to be seen. Of course LIC is a bonded labour so you are always bailed out but you can't really time the market, can anyone time the market? So no time is good enough for actually offloading in the market. So we thought instead of doing that we will sell it to one single buyer through a transparent auction process. But along with the sale of bulk of equity we will also transfer the management of that enterprise to the buyer while the government will retain 26%, now that was privatisation and we privatised as I said many units. I would want the Finance Minister to take courage in both hands and a strategic disinvestment should be the only route. We should not go to the market with 5%, 2%, 3% sale of shares, go, take the strategic route and privatise the units that government has no business running. You will get more realisation per share than by going to the market.

The last point which I would like to make is with regard to the banking sector which Mr. Ranina talked about and I entirely agree with him that public sector banks in particular are in a bad shape. I was reading somewhere that something like Rs. 13,00,000 crores worth of projects are still held up somewhere or the other in the system. The Finance Minister has complimented Mr. Gadkari, the Surface Transport Minister for clearing most of the projects on the highway side that were held up. But there are many more projects involving large sums of money which are held up in the system somewhere, environmental clearance, land acquisition, forest clearance, this clearance, that clearance. If all these projects were unleashed, unlocked, imagine the demand for investment goods that they will create. And at the same time where the NPAs, the NPAs are mostly in these areas, in these held up projects. So if you want to attack the problem of NPAs in the banks then this is what you must do.

People were expecting that he will provide for Rs. 70,000 crores in this budget for bank recapitalisation. He has provided 25,000 and there are many who say this is inadequate. Left to myself I would not have followed that route, infact as Finance Minister I had introduced a bill in Parliament in the teeth of severe opposition from friends from the Left to reduce the government's stake in public sector banks to 33%. But it never saw the light of the day because it didn't come back from their Standing Committee of Parliament because it was headed by a friend from the Congress Party and he perhaps was under political direction not to clear that bill. So he sat on it for 3-4 years until we demitted office. The way to go for banking reforms is to take that route which I had suggested in 2001, perhaps we were not ready then, perhaps we are ready now. And I am not saying that the public sector, so called public sector character of the banks should be changed overnight and the bank should be privatised.

As owners of the bank what does the government do? The government appoints a Chairman of the bank, the government appoints the Board of Directors, the government appoints the Executive Directors. The rest of the banking policy is decided by the Reserve Bank of India so retain by law this power to appoint these people. But then if you reduce the government shareholding then you can go to the market and ask the banks to offload their shares and recapitalise. If this Rs. 25,000 crores instead of going for the recapitalisation of the banks could have been a spent on some investment scheme. It would have done more good to the economy according to my mind without diluting the need for recapitalisation and enabling the banks to go to the market. So the problem of the public sector banks today, the NPA problem of course will be sorted out if the overall health of the economy improves but at the same time thinking in the long term we have to think in terms of doing things in the banking sector which will be more helpful in the long term.

All in all as far as this year's budget is concerned, I think it is refreshingly different from even the earlier budgets of the present government. And while it is laying a great deal of emphasis on the rural economy it is also as I said going to re-establish the virtuous cycles in our system which will lead to a higher growth rate because sometimes people tell me that though the economy is growing at 7.6% it feels like 4.6%. They say about temperature that the temperature is 24 degrees but feels like 26 or 22. So if we really want the growth to be reflected in our daily lives then I am quite sure this budget will make a very signal contribution in that direction. And we can look forward to much much better days in the days to come.

II

Budget Proposals for Transforming India

H. P. Ranina*

This year's budget proposals have been introduced in the background of a very difficult situation both global as well as domestic. Globally, several developing countries are having a negative rate of growth and a few developed countries are having financial problems. In India, the rate of GDP growth is expected to be around 7.6% in 2015-16. This is despite India having a difficult situation as a result of two successive bad monsoons in 2014-15 and 2015-16. Hopefully, in 2016 a normal monsoon is expected which will boost agricultural production.

Our exports have plummeted consistently over the past six quarters because of the global slowdown. Banks are in trouble as their non performing assets have increased to a very substantial extent and this problem needs to be fixed as soon as possible. As in other countries, India too faces the problem of sluggish industrial production and the manufacturing

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* *The author is a noted tax expert and also a Vice-President of Forum of Free Enterprise. The text is based on the talk delivered at a public meeting in Mumbai on 1st March 2016.*

sector is not doing as well as it should. The services sector which at one time was really doing the best has to some extent been adversely affected.

It is in this background that the Finance Minister presented his third budget proposals. He has moved steadily towards fiscal consolidation. Fiscal consolidation is extremely important; in fact, it was started by Mr. Yashwant Sinha when he was the Finance Minister. He instilled discipline in the fiscal space and introduced the FRBM Act. It is this credo of fiscal discipline of the NDA government when Mr. Vajpayee was the Prime Minister which has continued over the years except during the four years from 2009 to 2013.

Fiscal consolidation

For the year ending 31st March 2016, the Finance Minister has ensured that the fiscal deficit has been kept at the committed figure of 3.9% of GDP. A few ministries have spent more than 100% of the allocated amount but there are many ministries which have underperformed to a very great extent. Therefore, the Finance Minister has been able to keep his expenditure in check and ensure that the deficit level of 3.9% of GDP has not been breached. For the next financial year 2016-17, he has promised to restrict the fiscal deficit at 3.5% of GDP which I think is achievable and I am confident that he will achieve it.

For the financial year 2016-17, the total revenues which the Government of India will collect are estimated at Rs. 16,31,000 crore. Out of this amount Rs. 4,94,000 crore will come by way of corporate tax, Rs. 3,53,000 crore will come by way of personal income tax, Rs. 2,31,000 crore will come by way of service tax and another Rs. 2,30,000 crore are budgeted for by way of customs duty. Rs. 3,19,000 crore are budgeted for by way of excise which will give him a total of Rs. 16,31,000 crore. If this figure is converted at the current rate of exchange, say, Rs. 68.85 to a dollar, it comes to roughly US $237 billion.

The US $237 billion gross revenue which the Government of India is going to collect is a dismally low figure compared to the size of the country, the population of this country and the natural resources that this country has. Our GDP is projected to be $2.13 trillion for the fiscal year 2016-17. Therefore, the fiscal deficit which is now budgeted for at Rs. 5,34,000 crore will work out to 3.5% of the GDP. The budget deficit means that this is the amount which the Government will need to borrow to bridge the budgetary gap; therefore, the borrowings keep on increasing year after year.

The figure of Rs. 4,94,000 crore by way of corporate tax collection will be offset by the figure of Rs. 4,93,000 crore which is to be paid during financial year 2016-17 by way of interest on the past borrowings of the Government. Therefore, 100% of the corporate tax will be paid just by way of interest on the total borrowings and loans of the Indian government and this is a cause of great concern because the country keeps on borrowing and the interest burden keeps on rising year after year.

There are other very large payments to be made, defence expenditure which cannot be contained, subsidies which the Government now wants to control and target more efficiently and a huge additional expenditure on public servants as a result of the 7th Pay Commission recommendations which will require Rs. 1,02,000 crore to be paid annually. Apart from the OROP issue of the army, there is a huge pension liability of Rs. 1,23,000 crore as shown in the budget papers.

This type of expenditure which is referred to as non-plan expenditure accounts for almost 72% of the total revenues of the Government of India. The balance amount referred to as plan expenditure which is spent on rural development, agriculture, irrigation, education, healthcare services, etc., is restricted to 28%.

Budgetary Allocations for Infrastructure

The main thrust of the budget is highlighted in a 9 point programme concentrating on social development, most important being rural development because the rural masses have suffered as a result of bad successive agricultural monsoons. Rural earnings are down, farmers are not doing well and therefore the main thrust of this year's budget is to have a larger allocation for the rural sector. Roughly Rs. 23,000 crore are allocated for this sector which includes agriculture, irrigation and expenditure connected with rural issues.

For roads, railways and other forms of transport, the total outlay proposed is a whopping amount of Rs. 2,30,000 crore. This will have a very positive effect on industrial and economic growth because it gives a kick-start to the economy specially the manufacturing sector.

A dedicated freight corridor will ensure that trains will run much faster and more efficiently and more goods will be transported by rail. That is going to have a tremendous impact on industrialization. Once the Mumbai-Delhi rail corridor is established, five or six satellite industrial towns are going to come up which is going to have a tremendous impact on industrial growth. A lot depends on how soon these infrastructure facilities, the satellite towns and the smart cities come up as the Prime Minister has promised.

The Smart City concept is a new concept; it means that the cities will have certain state-of-the-art facilities. It is expected that the urban population will shift to these cities and the congestion in the large metros like Mumbai, Delhi, Kolkata and Chennai will thereby ease to a very substantial extent.

Incentives for savings

The Finance Minister has also put a lot of emphasis on building a social security framework. It is the first time that all Indian citizens will be covered by a pension scheme for social security. Perhaps India is the only country in the world which provides very little social security for its citizens. The Government wants to make the whole of India pensionable where people will be entitled to a life-long annuity. Private savings have declined in the last few years and they have been stagnating; at one time they were as high as 35-36% but the savings rate is down to 27%.

The Finance Minister was expected to give an additional benefit under section 80-C of the Income tax Act, 1961, so that more people are incentivized to save money. This has not happened in this year's budget. There is no change in the tax incentive structure except that an additional deduction is given for those who earn less than Rs. 5 lacs and they will secure a tax saving of Rs. 3,000. Further, the middle class assessees will get additional deduction for House Rent Allowance to the extent of Rs. 3,600. Apart from that, there is no real change in the structure of personal tax law.

The issue of bank re-capitalization has been partially addressed in the Budget speech by an allocation of Rs. 25,000 crore. Bank depositors are worried that there are voluminous non-performing assets. However, depositors have been assured of corrective action being taken by the Government and the Reserve Bank of India.

Boosting the real estate sector

To spur the real estate sector, incentives for new home owners have been announced for loans of Rs. 35 lacs where the value of the house is Rs. 50 lacs. In a city like Mumbai, Rs. 50 lacs are too small and many citizens will not be able to take advantage of the scheme. However, in other cities if they can buy a house for upto Rs. 50 lacs and take a loan not exceeding Rs. 35 lacs, an additional deduction for interest of Rs. 50,000 under section 24 of the Income tax Act, 1961 would be available.

There is also a proposal to grant a tax holiday to those who are involved in development of affordable housing. However, since this provision is subject to many onerous conditions, it is doubtful that this provision for promoting housing is going to be successful.

Tackling the scourge of tax evasion

The Government has emphasized the need to tackle the issue of unaccounted money as no more than US

$237 billion are estimated to be collected in 2016-17. Last year, the Finance Minister announced a scheme for disclosure of foreign assets lying abroad. This scheme has not been very successful; not more than Rs. 4,000 crores by way of taxes were collected and very few persons came forward to make a declaration under the Foreign Assets Disclosure Scheme.

This year a new Scheme has been proposed to incentivize resident individuals to declare their concealed income between 1st June and 30th September and pay tax at the rate of 30% plus 7.5% by way of penalty and 7.5% by way of the Kisan cess. Immunity from prosecution would be granted to those whose declaration is accepted.

Upto 31st March 2016, section 271 stipulates that a minimum penalty of 100% of the tax on concealed income and a maximum 300% of the concealed income would be leviable. This has been reduced to 50% for under reported income and 200% for mis-reported income. The discretion in respect of the quantum which is presently vested in the Assessing Officer is sought to be removed.

Rural Infrastructure

A lot of emphasis has been put on the rural sector with a promise to electrify all villages of India by 1st May, 2018. The proposal to launch a digital literacy mission scheme to cover six crore additional households is a path-breaking one. Perhaps no country in the world has put so much emphasis on digital literacy as India has done. Further, modernization of land records to eliminate disputes regarding ownership of properties in rural areas will benefit millions of people who are not certain about their legal title to properties.

The launch of a new health protection scheme to provide health cover to the economically vulnerable sections of society and provision of quality medicines at affordable prices will go a long way to alleviate the sufferings of the rural masses. For the first time, emphasis has been placed to tackle the issue of renal diseases by proposing to set up dialysis centres all over India.

Job creation

To promote job creation, the Government has decided to contribute the amount payable under the Employee Pension Scheme for the first three years in respect of new semi-skilled and unskilled workers employed in an enterprise. The provision of section 80-JJAA of the Income-tax Act, 1961 has been extended to cover all tax payers who employ new persons for atleast 240 days to be eligible for a deduction of 30% of the remuneration paid to such employees. In order to promote employment, the Finance Minister has proposed to allow shops to remain open on all seven days of the week, subject to the mandatory requirement of a weekly holiday and restriction on number of working hours per day.

Streamlining the Corporate Tax Structure

The corporate tax rate structure has been partially modified. A new manufacturing company incorporated after 31st March, 2016 will have the option to be taxed at the lower rate of 25% provided it does not claim any profit-linked and investment-linked deduction and does not avail of the investment allowance and accelerated depreciation allowance. Small companies which had a turnover of Rs.5 crore or less in the financial year ended 31st March, 2015, will be liable to pay corporate tax at the rate of 29% plus surcharge and cess from the financial year 2016-17.

Certain benefits and deductions under the Income tax Act, 1961, have been toned down. The accelerated depreciation has been pegged at 40% with effect from the assessment year 2017-18. Research and development expenses which are currently deductible to the extent of 200% of the expenditure incurred will be eligible for deduction to the extent of 150% only from the assessment year 2017-18 and this benefit will be further reduced to 100% from the assessment year 2020-21.

New units which are set up in the Special Economic Zones will be eligible for deduction under section 10-AA only if they commence manufacture or processing of goods by 31st March, 2020. In short, new units set up in Special Economic Zones after that date will cease to enjoy the benefit of tax holiday under this provision. The weighted deduction for skill development which is currently granted under section 35-CCD will continue to be available upto the assessment year 2020-21.

To encourage start-ups, 100% of the profits will be made exempt during three of the initial five years, provided the new start-up commences its business by 31st March, 2019. If an entrepreneur sells his long-term capital assets and invests the capital gains in notified start-ups, he will not be liable to pay capital gains tax. Royalties earned from patents developed and registered in India will be taxed only at the rate of 10%.

The corporate sector has been put on notice that the General Anti Avoidance Rules would be implemented definitely from 1st April, 2017. However, the determination of residency of a foreign company on the basis of place of effective management has been deferred in view of certain guidelines being issued only recently. Foreign companies will be required to report their profits on a country by country basis where the consolidated revenue exceeds Euro 750 million.

Dispute Resolution Mechanism

A new measure has been introduced to provide for a dispute resolution mechanism which will bring down litigation. Where an appeal is pending before the first appellate authority, it can be settled by paying the disputed tax with interest and the penalty would be waived where the disputed tax does not exceed Rs.10 lakhs; otherwise 25% of the tax would be payable by way of penalty instead of 100% at present.

In respect of the pending cases of multinationals arising from the retrospective amendments of 2012, it is proposed that such corporations have the option to pay the tax and close the issue. In short, no interest and penalty would be levied in such cases. For other cases, penalty proceedings have been rationalized and the penalty rate has been reduced to 50% of the tax payable on unreported income.

Taxation of Individuals

For the affluent sections of society, dividends would be taxed in the hands of the shareholder at the rate of

10% if the dividends received exceed Rs.10 lakhs in a financial year. For those who pay tax on an income exceeding Rs.1 crore, the surcharge payable on the tax has been increased from 12% to 15%. Individuals will now be required to pay advance tax in four instalments, 15%, 30%, 30% and 25% by 15th June, 15th September, 15th December and 15th March respectively.

To help the small businessman, the benefit of presumptive taxation has been extended. Presumptive taxation is a very good concept; it was introduced way back in 1994. This is the only provision in the law where there has been no litigation. It is a simple method for determining the taxable income. The tax payer needs to determine his gross receipts/turnover during the financial year and 8% of such amount is the presumed taxable income. This benefit is applicable to a businessman whose turnover does not exceed Rs. 1 crore. It has now been increased to Rs. 2 crore.

Of course there is an option, if a tax payer earns income which is less than 8%, he will have to produce books of accounts, get them audited and it will be taken up for scrutiny by the tax department. At present, about 33 lacs individuals have already taken advantage of presumptive taxation.

Easwar Committee was appointed in November, 2015. The Committee recommended that professionals should be eligible for presumptive taxation. Therefore, doctors, lawyers, accountants, architects, interior designers, etc., whose gross receipts are Rs. 50 lacs or less in a financial year, can avail of this benefit if they are prepared to offer 50% of the gross receipts as their taxable income. This will help to widen the tax base.

More and more employment opportunities are sought to be created. The Prime Minister is right in his view that there must be a very decisive effort at skilling young people. Therefore, the Skill India Mission has been set in motion for setting up new agencies to train people and provide vocational education. At present, there are millions of white collared employees who are graduates, post graduates, even management and technical professionals. However, even post graduate engineers coming out of colleges are not immediately employable. They need to be given atleast 2-3 years of specialized training. Hence, training and skill development are very important. The Prime Minister has hit the nail on the head in recognizing the need for skill development to create a large pool of technically skilled manpower to meet the requirement of a highly specialized world.

The new mantra for growth is self employment through start-ups. Encouraging entrepreneurship, extending lines of credit, establishment of the MUDRA Bank which was announced last year, will ensure realization of the dreams of millions of young Indians. The future of India lies in self employment, development of relevant skills and start-ups. Of course, industry has to grow but if Indian industry has to compete with the rest of the world, including industries in China or elsewhere, it will require a lot of entrepreneurial initiatives and innovative ventures. Digital India is again a new concept. Digitization will throw up opportunities for millions of young people. The digitization process is also going to have a tremendous impact on India's economic growth.

Measures to transform India

The Union Budget of 2016-17 is replete with big ideas in social security, education and land management. The desire to control subsidies by targeting them effectively using the Aadhaar platform is a step in the right direction as it will prevent leakages, especially in respect of the fertilizer subsidy. India will now become data rich due to digital identity, smart phones and digital payments. The only disappointment in the budget proposals is the inability of the Government to announce the road map for implementing the GST.

It is expected that many more measures accelerating the reform process will be announced in the coming months. India is the bright spot in a turbulent world; India needs to strive to achieve a double digit rate of growth. This rate can be sustained by the large population of young Indians who are hungry for growth and prosperity.

Policy credibility is a precious commodity in these turbulent global times. The Finance Minister's determination to keep the budget deficit at 3.5% of GDP is commendable. Fiscal consolidation is the only path available for restoring credibility in the Indian economy. Foreign institutional investors and market analysts have taken a favourable view for ensuring macro- economic stability.

This year's budget proposals lay the foundation; they create the right atmosphere, the right environment for people to stand on their own feet, to setup their own enterprises, to be self employed and thereby create more jobs for others. Every initiative of the present Government is progressing in the right direction but people have to be patient because nobody holds a magic wand. We need to be patient; it will take atleast 5 to 6 years before the fruits of this year's budget are perceivable. I would, therefore, give this budget 8 out of 10 points as a budget for transforming India.

If rural demand picks up as a result of additional Government expenditure and a favourable monsoon this season and the manufacturing sector records a better performance, India would be on the growth path and a 9% increase in GDP is highly probable for the fiscal year 2016-17. This will lay the foundation for a strong and vibrant economy which is today perceived as one of the best performing economies in the world.

If the reform process is accelerated significantly, by 2020 a rate of growth of around 12% will be a distinct possibility. That will undoubtedly put India in the league of one of the greatest economic powers in the world, next to the United States and China.

III

Reflections on the Budget 2016-17

Sunil S. Bhandare*

Setting the Perspective

So much has already been said and written about the budget, and yet, so many of its intricacies are still being unravelled! By and large, the budget has been welcomed by most key stakeholders of the economy, except, of course, the political opponents of the NDA Govt. Also, salaried employees and their representative trade unions are dismayed by the confusion caused by the proposal to tax certain portion of EPF withdrawals. Since then this provision has been rolled back. The overwhelming view, however, is that the budget is refreshingly different, credible, comprehensive and positive. It is also being looked upon as a masterly combination of good economics with good politics.

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In the framework of India's political economy, it has perhaps become inevitable for the NDA Govt. to re-emphasize the importance of agriculture and rural economy as well as social sector programs by substantially enhancing budgetary spending and announce series of other proposals for this purpose. At the same time, it has proposed to sustain and accelerate the growth momentum of infrastructure and manufacturing sectors. Thus, this budget offers a "clever" attempt to bring about a mid-course correction in economic policies – a synthesis in a politically inspired dichotomy between India [urban sector & manufacturing] and Bharat [villages and rural economy].

With fiscal consolidation path reasonably well-anchored, and a strong possibility of CPI inflation rate remaining around 5 to 5.5% in the coming months, the Reserve Bank of India [RBI] is expected to promptly follow the lead given by the budgetary strategy. Thus, in next couple of weeks – that is well before its scheduled first bi-monthly monetary policy for the FY 2016-17 on Apr 5, 2016 – the RBI would make at least 25 basis points reduction in the key policy rates – the repo rate coming down to, say, 6.5%.

Not surprisingly, after a violent behaviour of the SENSEX on the day of the budget, and now perhaps with better understanding of implications of the budgetary proposals – [the devil or the angel is always supposed to be in details] – the sentiments seem to be turning more positive. The SENSEX recovered by as much as 7% from 23,002 on Feb 29 to 24,646 on March 4, 2016. With stock markets, thus, expressing a strong vote of confidence in the budget, and if there are visible gains in corporates earnings in Q2 or Q3 of the FY 2016-17, then with a time lag of about six months, say, in the second half of FY 2016-17, one could expect some revival of investment cycle.

Macro Outlook for 2016-17

Be that as it may, while crafting this budget, the FM has been confronted with many formidable global and domestic economic challenges. Already, the latest Economic Survey, after making a comprehensive assessment of the emerging economic scenario, has observed that the Indian economy is encountering "unusual volatility in the international economic environment. Markets have begun to swing on fears that the global recovery may be faltering, while risks of extreme events are rising". However, it also reassures that "amidst this gloomy landscape, **India stands out as a haven of stability and an outpost of opportunity**. Its macro-economy is stable, founded on the government's commitment to fiscal consolidation and low inflation. Its economic growth is amongst the highest in the world, helped by a reorientation of government spending toward needed public infrastructure. These achievements are remarkable not least because they have been accomplished in the face of global headwinds and a second successive season of poor rainfall". It further suggested that **"the task now is to sustain them in an even more difficult global environment. This will require careful economic management"**.

Further, after examining each of the components of macro economy – exports, consumption, private investment and government transactions – the Survey concludes: "putting these factors together, **we expect real GDP growth to be in the in the 7 to 7.75 per cent range, with downside risks** because of on-going developments in the world economy. The wider range forecast this time reflects the range of possibilities for exogenous development, from a rebound in agriculture to a full-fledged international crisis; it also reflects uncertainty arising from the divergence between growth in nominal and real aggregates of the economic activity".

In a sense, the tenor of the budgetary strategy has, thus, been set by this cautiously realistic assessment of the economy. The Finance Minister has, however, avoided his forecast of real GVA/ GDP growth rate. **But, in the budget papers, there is an underlying assumption of 11% growth rate in nominal terms** [at current market prices]. This is in contrast to his optimistic forecast in previous year's budget speech, which had anticipated real economic growth rate of 8 to 8.5%! In effect, if Survey's estimated growth of 7 to 7.75% becomes valid, then the average inflation rate has to be much less than 4% in 2016-17.

Qualitative Improvement in the Budgetary Arithmetic

Against this upfront rationale of the macro-economic outlook, a quick overview of the key budgetary numbers would be relevant before turning to the budget's strategic framework. ***Prima facie*, the Central Govt.'s fiscal profile is improving**, albeit there are still some grounds for skepticism on some of its key parameters. *[Please see the table below]*

Key Components [Rs. Billion]	2014-15 [Actuals]	2015-16 [RE]	2016-17 [BE]	% increase in 2015-16	2016-17
A. Revenue Receipts	11,015	12,061	13,770	9.5	14.2
[i] Tax Revenue	9,036	9,475	10,541	4.9	11.2
[ii] Non-Tax Revenue	1,979	2,586	3,229	30.7	24.9
B. Capital Receipts	5,622	5,793	6,010	3.0	3.7
Total Receipts [A+B] = Total Expenditure [C+D]	16,637	17,854	19,781	7.3	10.8
Of which Plan Expenditure	4,626	4,772	5,500	3.2	15.3
C. Revenue Expenditure	14,670	15,477	17,310	5.5	11.8
D. Capital Expenditure	1,967	2,377	2,470	18.8	3.9
Revenue Deficit [C-A]	3,655	3,416	3,540	-6.5	3.6
Fiscal Deficit	5,107	5,351	5,339	4.8	-0.2

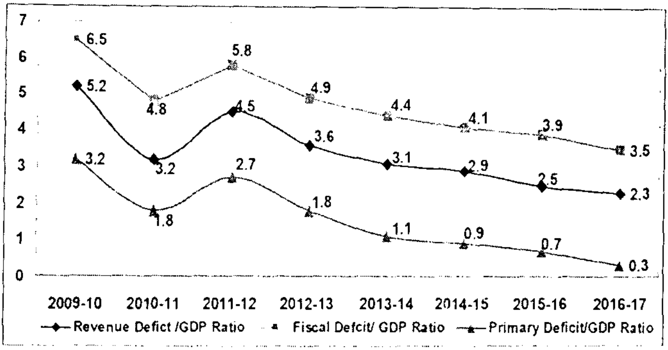
Notes: 1. Fiscal deficit represents excess of total expenditure over total revenue receipts *plus recoveries of loans & other capital receipts. BE = Budget Estimate. RE = Revised Estimate*

Granting that there are unlikely to be any adverse variances in both revised and budget estimates of the key budgetary numbers over the coming year, **one can perceive five key pointers of improvement in budgetary management:** First, the projections of revenues are found to be fairly realistic compared to budgets of the recent past. Thus, the budget expects 11.2% increase in the Centre's net tax revenue [after accounting for States' share], which is based on substantial new tax mobilisation efforts [~Rs207 bn.]. Incidentally, growth in gross tax revenue is projected at 11.7% in 2016-17 as compared to as much as 17.2% in 2015-16 [RE]. Like-wise, the projected growth of 24.9% in non-tax revenue is largely on account of expected mobilisation of as much as Rs.990 bn from telecommunication services through license and spectrum fees; deferred payment and arrears; and spectrum auction.

Second, with sustained fiscal consolidation efforts, dependence on capital receipts – largely the market borrowings – is progressively falling. This manifests in declining fiscal deficit to GDP ratio. This augurs well from the RBI's perspective, while pursuing further reduction in key policy rates and the overall interest rates structure in the economy.

Third, there is a noticeable shift in favour of plan expenditure in budget estimates of 2016-17. However, no significant jump in capital expenditure in 2016-17 is envisaged. Going forward, the FM has promised to do away with Plan and Non-Plan classification of Govt. expenditure, as it "results in skewed allocations in the Budget". Thus, from FY 2017-18, there will be "greater focus to Revenue and Capital classification" of govt. expenditure. This is a welcome long-pending budgetary reform that would help better qualitative management of govt. finances.

Fourth, there is a decisive shift in funding of total expenditure – % share of revenue receipts vis-à-vis capital receipts has changed from 66.2: 34.8 in 2014-15 to 67.6: 32.4 in 2015-16 and is expected to improve further to 69.6: 20.4. Apart from slight improvement in tax buoyancy, the projected substantial mopping of non-tax revenues, especially from telecommunication services would facilitate this qualitative change. Once again, such sustained efforts towards increased tax and non-tax revenues would also help in reducing needs of govt.'s market borrowings, and ease the pressures on interest rates in the economy. Last, given the conflicting positions on issues of fiscal prudence and consolidation in the prevailing economic environment and keeping in view the dynamic situations, the FM has proposed to constitute a Committee to review the implementation of FRBM Act and give its recommendations on the way forward. The chart below reveals **consistent improvement in the key fiscal ratios in relation to the GDP over the last five years. This is emerging as one the key features of India's sound macro-economic fundamentals.**



The Strategic Framework – Towards Stability and Sustainability

Every budget invariably does have its own unique strategic framework. Thus, in his budget speech this year, the Finance Minister has highlighted **nine distinct pillars of "transformative agenda"**. But, we perceive in them the underpinnings of **four building blocks of stability and sustainability**.

First, the fiscal stability – as elaborated earlier, the budget seeks to achieve further improvement in fiscal ratios; better classification of budgetary transactions; more effective monitoring of outlay-outcome results; tax reforms, et al; **Second**, alongside, there is an attempt to bring about **financial stability** – a host of measures such as Code on Resolution of Financial Firms; Insolvency and Bankruptcy Code; deepening of corporate bond market; providing statutory basis for Monetary Policy Framework and Monetary Policy Committee; and several others. Also, strengthening of the capital structure of PSU banks [budgetary allocation of Rs.25,000 crores] is an integral of this effort.

Third, the budget proposes various efforts towards **recalibrating structural stability**, which are aimed at an integrated balancing of economic development. Some significant components of these are:

[a] the increased focus on agriculture and rural economy – more than doubling of budgetary allocations from ~Rs.260 bn in 2015-16 to Rs.542 bn in 2016-17 and various other support programs for increasing irrigation potential; soil health card scheme; unified agricultural marketing e-platforms; et al. Also, financial strengthening of Gram Panchayats and Municipalities [through Rs.287 bn worth of grants-in-aid] would facilitate greater decentralization of economic power;

[b] a huge step up – as much as 36.3% – in the proposed public spending on infrastructure and energy sectors, from ~Rs.181 bn in 2015-16 to over Rs.246 bn in 2016-17. In addition, there are a whole set of legislative changes proposed to reinvigorate private sector infrastructure investment [under PPP mode] be it through A Public Utility [Resolution of Disputes] Bill to streamline institutional arrangement in resolution of disputes; renegotiation of PPP Concession

Agreements or new credit rating of infrastructure projects or amendments to Motor Vehicles Act; et al.;

[c] creation of environment for stimulating investment – both domestic and foreign through improved governance and ease of doing business; selective FDI liberalization; some meaningful tax incentives for new manufacturing and start-up activities; job creation, et al; and

Last, the social sector [welfare] oriented stability, which is proposed to be pursued through various new initiatives; expanding the scope of existing initiatives; and enhancing budgetary allocations. Illustratively: (i) Mahatma Gandhi NREGA (MGNREGA) with allocation of Rs.38,500 crores in 2016-17; (ii) new health protection scheme; (iii) measures for education, skills and job creation; et al.

Growth Promoting Factors

Implicit in the budgetary strategy are **two triggers of virtuous cycles**, which could be either simultaneous or sequential – namely, **first, the consumption driven** – apart from the positive impact of implementation of 7th Pay Commission and Defence OROP payments, the budget has increased allocations for farmers' welfare, grants-in-aid Gram Panchayats, MGNREGA, incentive schemes for job creation, etc. If the monsoon turns out to be normal, rural incomes would also gain through a stronger agricultural recovery. **Second, the investment driven** – apart from public sector capital expenditure on infrastructure and rural development, there are relatively better prospects of "crowding in" private investment under the impetus of likely easing of interest rates, increased availability of domestic finances, revival of PPP projects, efficient management of govt. investment in PSUs, etc.

In summing up, the Budget 2016-17 unveils a relatively well-balanced strategy for accelerating growth momentum of the economy. Its strategic framework suggests the underpinnings of intrinsic stability and sustainability of fiscal, financial, structural and social sectors. At the same time, there are implicit growth triggers through consumption and investment driven virtuous cycles. However, there is going to be an inevitable time lag for the positive results to be noticeable. This may go beyond second half of FY 2016-17.

In the meantime, some of the ambiguities and irritants of budget proposals would have to be sorted out. More importantly, the success of growth promoting factors would be determined by how consistently and competently the NDA government steers the "reformative" reforms agenda. For this purpose, astute and continuous engagement with key political parties is imperative – for legislative changes like GST Bill. While the envisaged economic growth rate of 7 to 7.75% in 2016-17 may be realisable, the genuine success of the budget would be determined by its skilful and efficient implementation, and implementation alone. That would drive the economy towards its high growth potential 8.5% to 9% over the medium-term...!

"People must come to accept private enterprise not as a necessary evil, but as an affirmative good".

- Eugene Black
Former President,
World Bank

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