

UNION BUDGET 2010-11 : EMERGING OPPORTUNITIES

The budget presented on Feb 26 by the Finance Minister of India contains several announcements of importance. Following are some of the areas which constitute immense opportunities for increasing US-India interaction.

First, the budget provides increase in R&D credits which should provide a boost to innovative activities. India has been talked of as a knowledge economy. And a knowledge commission has also been set up to chalk out various initiatives. This is a major opportunity for entrepreneurs in the USA, and Bay Area in particular. A higher percentage of weighted deduction on in-house R&D, which has been increased to 200% from 150% can form an incentive to such entrepreneurs to focus on doing R&D in India. This is expected to serve as an additional incentive to attract investors and entrepreneur as also research institutions to set up their facilities in India.



Second, the budget increases infrastructure outlays: every facet of physical and social infrastructure in India is aging, with the population increasing relentlessly at about 18 million per year. India needs to add more than 4 million hospital beds (needing a minimum investment of over \$300 billion) by 2020 to provide a reasonable level of healthcare access to its estimated 1.32 billion population by then. It needs to triple its current capacity in higher education (needing at least \$100 billion in investment). It needs to train or retrain roughly 450 million adults over the next 10 years to realize India's so-called demographic dividend. India, therefore, has to create the same quantum of infrastructure (and jobs) in five or 10 years which developed nations like the U.S.A., Germany, France, and the



U.K. have done over a century. This presents an area of immense opportunity for investors and entrepreneurs alike.

The allocation for infrastructure development has been increased by almost 13 percent for road infrastructure.

Amount provided for infrastructure projects are about 46 per cent of the total Plan allocation. Spending on infrastructure development has been among the top priorities of the government. This is a positive development for companies in the infrastructure development space.



Private sector participation is expected to drive investments in the airports and ports sectors and road projects of NHDP. Total port traffic is expected to grow 5.6% in 2009-10 due to rise in thermal coal and iron ore traffic. In airports, domestic passenger traffic is expected to grow 16.8% in 2009-10 driven by sustained revival in the economy and low ticket prices.

Third, the Government of India is striving to provide easily accessible, universally affordable, appropriate quality, and accountable healthcare and education to India's large population. Private investment not only from within India but from anywhere in the world will be welcome to augment the resources being spent by the Indian government.



Fourth, private investment in the form of knowledge and equity is also essential in the farming sector to first improve the volume of production itself before efforts are made in making the downstream supply chain more efficient. Private sector participation in such vital sectors is



imperative for India and investment is welcomed.

Fifth, the Govt has taken an unequivocal position on Renewable energy and the environment. With the world's eyes on India's Union Budget, the Government has carefully used it as a tool to reiterate India's commitment to curb pollution and work on being green. With a slew of environment-friendly provisions, the Government has sent a clear message that it is serious about tackling climate change issues.

The impetus provided for renewable energy with waivers on excise duty for solar panels and photovoltaic products, LED lights and exemptions on electric cars, and eco-friendly vehicles will enable the solar semiconductor industry, energy efficient devices and promote the local ecosystem to develop products for the domestic market. Furthermore, to promote the entrepreneurial spirit, research and development, which is essential for the semiconductor industry the move to enhance weighted deductions on in-house R&D and partnerships will encourage semiconductor companies to collaborate with universities and boost the talent pool.



Sixth, the environment-friendly proposals do not stop at measures for the auto industry alone. To build the corpus of the National Clean Energy Fund, the Government has decided to levy a clean energy cess on coal produced in India and imported at about US\$ 1 per tonne. This cess is expected to raise US\$ 650 million approximately annually for the Government. The renewable energy sector also gets a major boost with a 61 per cent hike in the budgetary Plan outlay. Apart from the hike in spending, duties for equipment required for setting up solar



photovoltaic and wind energy units have been reduced.

And, the budget highlights the setting up of 'Technology Advisory Group for Unique Projects' along with substantial outlay for Unique ID project. This group will help in accelerated execution of large strategic Government IT projects thereby benefiting IT companies. That a Tech Advisory Group is being set up under the leadership of Nandan Nilekeni, who has had deep association with the Bay Area, is another pointer to rapid adoption of IT projects in the areas of Taxation, Pension, Treasury, Infrastructure and GST. The allocation of about US\$ 415 million at today's rates, to the UIDAI for 2010-2011 would provide an effective platform for inclusive growth and enable the participation of the rural population integrating them with various social welfare schemes and development. The assignment of US\$22 million each for the Financial Inclusion (FIF) and the Financial Inclusion Technology Fund and fillip to Business Correspondent concept will further strengthen banking and insurance services.

These provisions represent immense possibilities for business communities of India and USA to partner together for mutual benefit.

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