

Square Country — National Budget 2025

(₹)

Executive summary

- **Fiscal year:** 1 Jan – 31 Dec 2025
- **Currency:** ₹ (SCD)
- **Projected GDP (nominal):** ₹200,000,000,000
- **Total revenue (all sources):** ₹60,000,000,000
- **Total expenditure (operating + capital):** ₹62,000,000,000
- **Fiscal balance: Deficit ₹2,000,000,000** (to be financed by bond issuance & reserves)
- **Primary policy priorities:** strengthen health & education, accelerate infrastructure (roads/rail/energy), increase social-welfare support, maintain fiscal sustainability.

1. High-level numbers

Item	Amount (₹)
GDP (nominal, 2025 forecast)	₹200,000,000,000
Total Revenue (2025)	₹60,000,000,000
Total Expenditure (2025)	₹62,000,000,000
Fiscal balance (Surplus / - Deficit)	- ₹2,000,000,000
Financing (planned)	Bond issuance ₹1,500,000,000; Reserve drawdown ₹500,000,000

2. Revenue breakdown (₹60.0B)

Source	Amount (₹)	% of total revenue
Income & corporate taxes	₹28,000,000,000	46.7%
VAT & consumption taxes	₹16,000,000,000	26.7%
Property & other taxes	₹4,000,000,000	6.7%
Fees, dividends & non-tax revenue	₹7,000,000,000	11.7%
Grants & donor aid	₹3,000,000,000	5.0%
Natural-resource rents	₹2,000,000,000	3.3%
Total	₹60,000,000,000	100%

Notes / assumptions: revenue forecasts assume moderate growth in wages and consumption, steady natural-resource receipts, and no major one-off asset sales.

3. Expenditure by sector (₹62.0B)

(Operating + capital combined — shown as top-level allocations.)

Sector / Program	Amount (₹)	% of total expenditure
Education	₹9,300,000,000	15.0%
Health	₹11,160,000,000	18.0%
Social welfare (pensions, benefits)	₹12,400,000,000	20.0%
Infrastructure (capital: roads, rail, energy)	₹7,440,000,000	12.0%
Defense & public safety	₹3,720,000,000	6.0%

Public administration (pay, services)	₹4,960,000,000	8.0%
Environment & climate action	₹1,860,000,000	3.0%
Economic development & industry support	₹2,480,000,000	4.0%
Debt service (interest & fees)	₹6,200,000,000	10.0%
Contingency & reserves	₹2,480,000,000	4.0%
Total	₹62,000,000,000	100.0%

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4. Key program highlights & allocations

Education (₹9.3B)

- Increase recurrent funding for schools (teacher pay & training).
- ₹2.0B capital program for school refurbishments and digital learning (connectivity).

Health (₹11.16B)

- Expand primary care clinics in underserved regions.
- ₹3.0B for hospital upgrades, emergency care capacity, and medicines procurement.
- Strengthen public health preparedness.

Social welfare (₹12.4B)

- Raise pension floor and targeted unemployment supports.
- Scale conditional cash transfers for low-income households and child benefits.

Infrastructure (₹7.44B)

- National roads maintenance ₹2.0B.

- Urban public transport / light rail feasibility & pilot ₺1.5B.
- Rural electrification & renewable energy projects ₺1.8B (capital).
- Broadband / digital infrastructure ₺0.6B.
- Small-scale water & sanitation projects ₺1.54B.

Defense & public safety (₺3.72B)

- Modernize border and maritime patrol capability.
- Investments in disaster response equipment.

Public administration (₺4.96B)

- Service delivery digitalization, civil service pay adjustments, anti-corruption capacity.

Environment & climate (₺1.86B)

- Coastal protection, reforestation, climate adaptation grants for communities.

Economic development (₺2.48B)

- SME credit guarantees, skills & workforce programs, industrial transition grants.

Debt service (₺6.2B)

- Interest, fees, and scheduled amortization. (See financing section.)

Contingency (₺2.48B)

- For economic shocks, natural disasters, unexpected expenditures.

5. Fiscal financing & debt management

- **2024 starting public debt (nominal, projected):** ₺40,000,000,000 (example baseline).
 - **2025 planned borrowing:** new bonds ₺1,500,000,000 to cover part of the fiscal deficit and specific capital cashflow requirements.
 - **Reserve drawdown:** ₺500,000,000 from stabilization reserve for cyclical smoothing.
 - **End-2025 projected public debt:** ₺41,500,000,000 ($\approx 20.75\%$ of GDP) — *policy target keeps debt below 30% GDP to retain credit headroom.*
 - **Debt service budgeted:** ₺6,200,000,000 — includes interest on existing stock and scheduled amortization. (Note: a higher debt-service line in this fiscal year reflects a mix of near-term maturities and higher market rates; debt management aims to lengthen maturity and reduce refinancing cost in 2026–27.)
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6. Fiscal & macro assumptions

- Real GDP growth 2025: **2.5%** (baseline).
 - Average inflation: **4.0%**.
 - Exchange rate stability assumed (no major currency shocks).
 - Tax compliance improvements expected to raise collections by 1.2% of GDP over medium term.
 - No extraordinary one-off privatizations or asset sales included.
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7. One-page priorities & policy tradeoffs

1. **Protect social spending while investing in growth:** top-ups to health, education and social welfare are prioritized; that requires modest deficit financing in 2025.

2. **Targeted capital spending:** infrastructure allocations emphasize projects with measurable economic returns (transport, energy, connectivity).
 3. **Fiscal prudence:** contingency, reserve usage and modest bond issuance used to smooth shocks rather than large permanent deficits. Debt kept under conservative threshold (target <30% GDP).
 4. **Revenue measures (to be implemented alongside the budget):** broaden VAT base, strengthen income tax compliance, modernize tax administration — expected to improve revenue/GDP gradually.
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8. Key performance indicators (KPIs) for 2025

- Increase primary care coverage to **90%** of population in underserved districts.
 - Reduce school classroom overcrowding to <30 students in **80%** of public schools receiving capital works.
 - Ensure **95%** on-time payment of pension & social benefits.
 - Deliver at least **2 major road upgrades** and **1 energy/renewables** project to financial close.
 - Keep public debt/GDP \leq **25%** (medium-term aspiration); FY2025 closing \leq **20.75%** (projected).
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9. Major capital projects (selected)

- **National Road Corridor Rehabilitation:** €2,000,000,000 (2025 tranche).
- **East–West Rail feasibility + pilot:** €1,200,000,000.

- **Hospital upgrade program (regional hospitals):** €1,500,000,000.
 - **Rural electrification & renewables:** €1,800,000,000.
 - **Digital schools connectivity:** €200,000,000 (pilot).
(Projects phased across 2025–2027 with multi-year financing.)
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10. Risks & mitigations

- **Lower-than-expected revenue** → hold back non-urgent capital projects; activate contingency.
 - **High interest rates / refinancing risk** → front-load debt management actions to extend maturities.
 - **Natural disasters / climate shocks** → contingency & rapid-response funds; seek donor support.
 - **Implementation capacity** → prioritize projects with high deliverability and strengthen procurement and project management units.
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11. Next steps / recommended actions (operational)

- Approve baseline allocations and parliamentary debate on priority reallocations.
- Ministry of Finance issues mid-year fiscal update (end-June) with actuals vs. plan.
- Launch targeted tax-administration modernization program Q1 2025.
- Prepare detailed program budgets (line-by-line) for each ministry (Education, Health, Infrastructure, Social Welfare) by March 31, 2025.

- Debt management office to publish a borrowing calendar and market strategy by Q2 2025.