Charter of Demands
for Union Budget 2007-08

People's Budget Initiative

Concerned over the little space common people and the civil society get in the budget making process, several individuals and organisations have got together as a broad alliance to advocate for more people-centric budgets. People's Budget Initiative is a coalition of several individuals, people's movements, national and international civil society organisations that has developed the following Charter of Demands for the forthcoming Union Budget 2007-08.

This initiative has been working over the past several months. Working Groups were made across various

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The alliance organised a National Convention on the Union Budget 2007-08, on 27-28 November 2006 at New Delhi which analysed key budget related issues in these sectors and put forth recommendations for the Union Budget 2007-08, from a pro-people, pro-poor perspective. Participants from over 14 states and representing well over 150 organisations joined the National Convention and took keen interest in taking this work further.

Collectively, we drew up a Charter of Demands for Union Budget 2007-08, consolidating specific demands the forthcoming Union Budget across these sectors. These demands represent people’s voice on what we want from the forthcoming budget. To keep focus, the demands relate to the Union Budget specifically and not to broader policy issues including acts, amendments and position statements of the government.

The Secretariat for the People’s Budget Initiative is the Centre for Budget and Governance Accountability (CBGA) which analyses Union Budgets and public policies from the perspective of poor and marginalized people. CBGA aims to promote transparent, accountable and participatory governance and a people-Centred perspective in preparation and implementation of budgets.

A background note comprising 8 briefing papers was prepared by the Centre for Budget and Governance Accountability (CBGA) on each of these themes which highlighted issues of budgetary allocation to these sectors and other critical issues that emerge therein.

For any suggestions, please contact the Secretariat of the People’s Budget Initiative at:
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Resource Mobilisation

- In the last Union Budget, the Gross Tax Revenue collected by Union Government as a proportion of country’s Gross Domestic Product (GDP) was projected to increase from 10.5% in the Revised Estimates for 2005-06 to 11.2% in the Budget Estimates for 2006-07, which was a welcome development. However, the total tax revenue of the Union and State Governments in India as a proportion of the GDP still lags far behind the levels attained by most developed countries as also several developing countries. With the Union Budget 2007-08, the Gross Tax Revenue collected by Union Government as a proportion of country’s GDP should be raised significantly.

- The base for direct taxes should be widened through wealth tax and inheritance tax. Union Budget 2006-07 left the revenue projections from Wealth Tax unchanged (from the 2005-06 levels) at only Rs. 265 crore. Wealth Tax contributed Rs. 162 Crore in 1998-99, and almost a decade later, the contribution from Wealth Taxation to Centre’s tax revenue is only Rs. 265 Crore, despite the fact that the last decade has witnessed substantial creation of wealth by the well off sections of the country’s population. Hence, Union Budget 2007-08 should try to achieve a significant increase in wealth tax.

- Along with greater modernization and computerization of the tax administration system, the Government should make it mandatory for a wider range of people to file tax returns.

- Capital gains tax should be restored and the rate of Securities Transactions Tax should be raised.

- Union Budget 2006-07 presented an analysis of the estimated magnitude of ‘tax expenditure’, or expenditure due to ‘tax preferences’, in 2004-05. It is clear that this magnitude indicates the tax revenue foregone because of exemptions, incentives and deductions prevalent in the Central Government Tax System. The two major areas of leakages in tax revenue in this regard are Customs Duty and Corporate Taxes. Unfortunately, the last Union Budget did not propose any measure for plugging such leakages from the Central Government’s tax system, which was to the tune of 52% of total tax revenue collected in 2004-05. Hence, in Union Budget 2007-08, the Government must take strong measures for significantly reducing the amount of revenue foregone due to exemptions, deductions and incentives in the Central Government Tax system.

- The customs and excise duties on capital goods and other intermediate goods used for the production of luxury segment items should be raised.
Agriculture

- There should be budgetary provisions for developing a proper market mechanism for agricultural produce in India either through direct intervention by GoI or through some special grants to State Governments.

- Govt. should make a consistent effort to develop agricultural infrastructure including cold chains, transport etc., and these should have a clear reflection in the Budget 2007-08.

- Village panchayat level agro service centres across the country are needed and the Union Budget should have clear provisions regarding the same. Such service centres may have necessary agro equipments as well as human resources to provide extension services.

- A clear and time bound approach is needed for extending irrigation facilities to all the lands across the country. This should be adequately funded in the Union Budget 2007-08.

- Suitable provision for farmers insurance, crop insurance, institutional credits should be made in the Union Budget 2007-08. Debts incurred for agricultural purposes may be written off especially for small and marginal farmers. Unorganized sector workers’ social security legislation (for agricultural workers) should be enacted without delay.

- There should be budgetary provisions to expedite land reforms and to increase area and productivity of land by developing cultivable masses on wastelands.

Education

- The NCMP promise of raising total public spending on education up to 6 percent of GDP is still a benchmark for assessing the commitment of the government for the sector. Many structural bottlenecks (like recruitment of teachers, infrastructure, lack of capacity of the states to prepare the local level plans) that are rooted in inadequate funds could be taken care of with adequate funding. Probably, the most important cause for inadequate allocation at the current juncture is an undue adherence to the FRBM (Fiscal Responsibility and Budget Management) Act. The Act should be scrapped or ‘education’ as a sector should be kept out of the purview of the Act.

- The major drawback of the existing centrally sponsored schemes (as far as elementary education is concerned) and UGC (University Grants Commission) schemes (as far as higher education is concerned) are that they tend to overlook institutional autonomy in designing and implementing projects. Due to diverse schemes and provisions through different channels, it is extremely difficult to have a comprehensive mapping of resources and interventions made by all channels. We propose that the formal structure for administering education be maintained and all the resources should flow through a single institutional framework only.

- The government should have strict adherence to the budget calendar and timely flow of funds in case of all programmes related to education.

- The government should have a comprehensive and time bound infrastructure development plan for education sector in India. A separate plan for achieving targets in enrolment, universalisation of basic education is also to be done.

- The provisioning of additional funds for elementary education should not be done at the cost of higher education.
The total Public expenditure on health in India should be stepped up to at least 3% of GDP (Gross Domestic Product). Public health spending in the post reform period shows a downward trend both in terms of share of the Government's budget as well as a proportion of the Gross Domestic Product. Prior to economic reforms in the mid-80s, public health expenditure had reached 1.6 per cent of the GDP and was 3.95 per cent of government's budget. By 2001, these figures read a dismal 0.9 per cent and 2.7 per cent, respectively, and further down to 0.8 and 2.4 per cent in 2005. The NCMP (National Common Minimum Programme) commitment to health has been stated as three per cent of GDP to be reached before the current UPA government’s term ends. Thus by 2008-09, assuming the current growth rate, the GDP at current prices is likely to be Rs. 52 lakh crores and three per cent of this would be a whopping Rs. 1 lakh 50 thousand crores (according to estimates from Cehat), which is nearly five times of what the state and central governments spend presently on health.

- The proposed increase of 30% p.a. on central government’s health expenditure under NRHM (National Rural Health Mission), considering that states increase their expenditure as proposed, i.e. 10% p.a., will be insufficient to attain the NCMP goal of increasing public spending on health to 3% of GDP by the year 2008-09. Given the serious problems in state finances, increase in central government’s health expenditure should be greater than the present proposal of 30% p.a.

- At the same time, there has been a decline in new investments by the Ministry of Health and Family Welfare as reflected in the decline in capital expenditures from a robust 12 per cent of the total health budget in 1986-87 to a mere four per cent of the total health budget in 2000-01 and only a slight improvement in 2004-05 at five per cent. The capital expenditure should be raised to at least 10% of total health budget.

- Central assistance to states for health has risen mainly for the better performing states whereas financially backward states have been neglected in this respect. For example, central assistance to Bihar for health actually fell from Rs. 114.3 million in 1992-93 to Rs. 109.9 million in 2003-04, whereas it has risen manifold for better performing states like Andhra Pradesh and Karnataka. This may have been because poorer states find it difficult to mobilise matching grants for the centrally sponsored schemes. In this context we demand that matching grant requirement under the centrally sponsored schemes be relaxed to help the poorer states.
Bharat Nirman's fund utilization and implementation in terms of targets achieved should be assessed. In this four year plan, implementation has been rather slow hence in the remaining period greater allocations will have to be made to meet the target outlays. For example, the target fixed for irrigation is below the money needed to promote irrigation and hence the target as well as the allocation should go up.

Since the Govt. is focusing on infrastructure in a big way in the next Five Year Plan, there should be sufficient budgetary support for human resource development as well as technology upgradation in the construction sector, which accounts for nearly 60% of the infrastructure sector.

Infrastructure projects including six sectors (power, telecom, roads, ports, railways and airports) and JNNURM (Jawaharlal Nehru National Urban Renewal Mission) to be implemented through Private-Public Partnerships should have transparency in selection of proposals, viability gap funding, magnitude of capital cost assistance from the Government, timeline for project completion, rationale and timeframe for user charges for such services. Also, regional equity should be ensured through proactive government intervention.

Loans from RIDF (Rural Infrastructure Development Fund) come cheaper for the states especially to meet the infrastructure service provision. The Centre should expand the corpus and scope of such financing for the states. In comparison to the overall annual borrowing of the states, the current magnitude, is certainly very less.

BRGF (Backward Region Grant Fund) for 250 districts is a welcome step. However, Rs. 20 crore per district is too little given the backwardness of these districts. The allocation for the same should be increased and the Central Government should come up with a proper implementation plan and physical targets. It should identify implementing and monitoring agencies at various levels.

There should be prioritization of various infrastructure services by bringing in demographic and regional dimensions into it.
School Education: Ten percent of the SCSP (i.e., Rs. 3, 200 Crore) should be spent on school education of the SCs. 10 percent of this allocation (i.e., Rs. 320 Crore) should be set apart as grant cum loan for establishment of Higher Secondary Schools under SC ownership and management.

Higher Education: Fifteen percent of the SCSP (i.e., Rs. 4, 800 Crore) should be spent on Higher Education of the SCs. 10 percent of this allocation (i.e., Rs. 480 Crore) should be set apart as grant cum loan for establishment of Higher Education Institutions (Arts, Engineering and other Technical institutions) under SC ownership and management.

The remaining 45 percent of the SCSP (i.e., Rs.14, 400 Crore) should be allocated for the IT Sector, Communications, Small Scale Industries, Minerals, Civil Aviation and all others.

Out of an estimated Plan Outlay of Rs. 200,000 Crore for the Union Budget 2007-08, Rs. 32,000 Crore (16% of the Plan Outlay) should be allocated for Schedule Caste Sub-plan (SCSP) and Rs. 14,000 Crore (7% of the Plan Outlay) should be allocated for Tribal Sub-plan (TSP) as per the established guidelines.

Dalits (Schedule Caste)

Within the Rs. 32,000 Crore to be earmarked for SCSP, we demand allocations should be made in the following manner.

Land Development & Administration: Thirty percent of the SCSP (i.e., Rs. 9, 600 Crore) should be spent on land and asset generation for the SCs (Scheduled Castes). A multi-pronged approach should be made to give land ownership to the SCs.
Adivasis (Schedule Tribes)

Within the Rs. 14,000 Crore to be earmarked for Tribal Sub Plan (TSP), allocations should be made in the following manner in the Union Budget 2007-08.

- Land Development & Administration: Thirty percent of the TSP (i.e. Rs. 4,200 Crore) should be spent on land and asset generation for the STs (Schedule Tribes). A multi-pronged approach should be made to give land ownership to the STs.

- School Education: Ten percent of the TSP (i.e. Rs. 1,400 Crore) should be spent on school education of the STs. Ten percent of this allocation (i.e. Rs. 140 Crore) should be set aside as grant cum loan for establishment of Higher Secondary Schools under ST ownership and management.

- Higher Education: Fifteen percent of the TSP (i.e. Rs. 2,100 Crore) should be spent on Higher Education of the STs. Ten percent of this allocation (i.e. Rs. 210 Crore) should be set aside as grant cum loan for establishment of Higher Education Institutions (Arts, Engineering and other Technical institutions) under ST ownership and management.

- The remaining 45 percent of the TSP (i.e. Rs. 6,300 Crore) should be allocated for the IT Sector, Communication, Small Scale Industries, Minerals, Civil Aviation and all others.

- From 1980 (6th Five Year Plan), when Special Component Plan had come into force, only 5% of the total Budget provision has been allocated for Special Component Plan and Tribal Sub-plan and the rest of the money has been diverted. There are clear and categorical data that shows that out of the 75 Department/Ministries, 22 Department/Ministries have unilaterally decided that their schemes are indivisible, i.e. there will not be any Special Component for the weaker sections especially for the Schedule Caste and Schedule Tribes. This goes against the constitutional provisions for Schedule Caste and Schedule Tribes. Hence, we demand that the Ministries/Departments should be directed to categorically allocate 16 percent and 7 percent of the Ministries/Departments' Budget as special provision for the SCs and STs respectively.

- Set up a separate Ministry of Progression for Schedule Caste and a separate Ministry of Progression for Schedule Tribes as nodal agencies for SC and ST welfare and rights. Within that a separate Task Force should be set up for monitoring the utilization of resources meant/allocated for SCs/STs.

- Appoint SC/ST representatives in the committees for planning, designing, monitoring and evaluating budgetary process and outcomes.

- The unspent provisions, if any, in any sector, should automatically be credited to a Revolving Fund under the custody of the Nodal Ministry. The utilization from the Revolving Fund will entirely vest in the discretion of the Nodal Ministry, which of course will notify all the Ministries and the States on the availability of Revolving Fund.

- Since, women constitute almost 50 percent of the SC & ST population and contribute equally to the economy; we demand that equal proportion i.e. 50 percent of the SCSP and TSP should be earmarked for women in a special way. Special focus should be made for entrepreneurship, health, education, skill development, land and resource management and social security of women.

- Special provisioning for empowering Gram Sabhas: A separate budgetary provision should be made for Gram Sabhas, which fall under Panchayat Extension to scheduled areas) Act. This will enhance the effectiveness of Local Governance and contribute to proper implementation of all Government Programs in the most backward areas of
The Women's Component Plan (WCP), adopted in the Ninth Five Year Plan, which sought to ensure that not less than 30 percent of the funds/benefits are earmarked for women in all “women-related” sectors of both the Central and State Governments, has been an important strategy in ensuring that at least a minimal budgetary allocation reaches women. However, the implementation of WCP has been disappointingly sluggish. Several important ministries have actually stopped reporting on the WCP as pointed out by the Mid Term Appraisal of the 10th Five Year Plan of the Planning Commission. WCP should be (a) made mandatory; (b) extended to all ministries and departments and should not be confined to the realm of some ministries and departments which have historically been perceived as “women-related”; (c) implemented by all central and state government ministries and departments.

A non-lapsable pool of women’s fund could be created in every State and also at the Centre. If there is under-utilisation of funds allocated for women specific programmes/schemes under any Ministry (Central or State), the balance amount of funds should be transferred to this pool. However, to ensure that funds actually reach women rather than lying idle in the non-lapsable pool, checks and balances and incentives for quality of spending as well as monitoring outcomes will need to be created.

At present, WCP treats women as one homogenous group but in reality, there are layers of discrimination even within women. Thus WCP needs to factor in this intersectionality-framework. Targeted schemes and allocations are therefore required for the most marginalised women, like dalit women, adivasi women, HIV positive women, sex-workers, etc.

In the Union Budget 2005-06, for the first time a statement on Gender Budgeting was included, which presented the magnitude of allocations under various programmes/schemes that are expected to benefit women substantially. In 2005-06 this exercise covered 10 departments and the total magnitude of Gender Budget (i.e., women specific allocations) was recorded at 2.8% of total Union Government expenditure. In 2006-07, 24 departments of the union government were included under this exercise and the magnitude of Gender Budget went up to 5.1% of total union budget at budget estimates. However, a closer look at this exercise reveals that there are serious drawbacks in this
exercise which must be rectified. For instance, the entire (i.e. 100%) allocations for Safdarjung Hospital, Vardhaman Mahavir Medical College and AIIMS (all three in New Delhi), under Department of Health and Family Welfare, have been included as women-specific, which implies that 100% of these allocations are for women. Entire (100%) allocations for 'Nehru Yuva Kendra' and 'Promotion of National Integration' under Ministry of Youth Affairs and Sports (Demand No. 104) have been included in the Gender Budget, which is quite unjustifiable. Likewise, almost 100% allocations under Department of Women and Child Development have been included as women-specific, whereas almost 89.65% of DWCD's money in the 10th FYP has gone for the ICDS which is a scheme targeted at children up to six years of age (Annexure 4.2, Mid Term Appraisal of the 10th Five Year Plan). We would therefore urge the government to clarify the assumptions made in arriving at such figures and to take the exercise more seriously.

- Gender Responsive Budgeting (GRB) should be made mandatory in all central ministries in all stages. Planning, monitoring, review and evaluation through gender lens should be done with active participation from civil society. At the same time, for Gender Budgeting work in India to have any future, it is imperative that data collection be sex and gender disaggregated.

- Greater financial support be made available for the National and State Commission of Women which will strengthen their functioning.

- With the Rules and Regulations for the ‘The Protection of Women from Domestic Violence Act’ now finalized, we need to ensure that the law actually reaches the women it is supposed to reach and thus effective implementation of the Act becomes critical. The Union Budget 2007-08 also needs to allocate adequate resources for implementation of the Domestic Violence Act.
Children

- An estimated 12.6 million children in India are engaged in hazardous occupations (2001 Census). Relevant studies show that over 40 per cent of women sex workers in India enter into prostitution before the age of eighteen. Further India has the largest number of child labourers under the age of 14 in the world. In the light of these facts, the allocations on Child Protection reveal a very grim picture with the total Union Government expenditure being 0.027% in the 2001-02 Union Budget and 0.034% in the 2006-07 Union Budget. In such a scenario, the Central Government spending on Child Protection must be increased to at least 1% of the total Union Government expenditure.

- It is quite evident from a study by UNICEF that an estimated 4 lakh children under five years of age die each year due to diarrhoea. Several others suffer from Hepatitis A, intestinal worms, infections in eye, skin etc. These are merely the result of lack of safe drinking water and proper sanitation facilities. Further the lack of toilets also affects girl's school attendance. It may be noted that of India’s 7 lakh rural primary and upper primary schools, only one out of six have toilets. Therefore, the forthcoming Union Budget is expected to allocate sufficient funds (upto 1% of total Union Government expenditure) to address these issues, and at the same time ensure the timely release & proper utilization of the funds disbursed.

- It is evident that the service delivery channels often gets interrupted not just due to negligence but due to social and economic status of the receiver resulting in the sub-optimal outcomes. To ensure desired outcome of major schemes like ICDS, SSA etc it is suggested that the government should redistribute funds separately for the cost of service delivery and further relocate it as per the social & economic status. Added to this there must be a stick & carrot policy to ensure smooth functioning of the service delivery channels for every scheme.

- The Infant Mortality Rate (IMR) in India is as high as 58 (SRS, 2004) per 1000 live births. Maternal Mortality Rate (MMR) is equally high at 540 (NFHS-2). Considering these facts if we look at the allocations on Child Health as a proportion of total union Government spending, it reveals that it was as low as 0.28% in 2001-02 and 0.56% in 2006-07 (as a proportion of the total government spending). Therefore, there is an urgent need for the government to step up the expenditure on Child health.

- The government should equip the primary health centres with necessary life saving drugs and other infrastructural facilities. At the same time the Central Govt. should try to raise total public spending on sectors like health and education to the desired levels by increasing its own allocations from Union Budget, although a lot will depend on the allocations from State Budgets.

- Despite major improvements in literacy rates during the 1990s, the number of children who are out of school or dropouts remain high. Gender disparities in education persist and are still very acute with many girls failing to complete even primary schooling. This is much evident for the children belonging to social groups like the Dalits and Adivasis. Therefore the government must allocate adequate funds (at least upto 6% of GDP) for education and track its proper utilization.
Human Rights

There should be adequate budgetary allocation for Human Rights training of the law enforcement agencies.

Legal Aid, promised in the NCMP (National Common Minimum Programme), needs to have proper budgetary allocation to ensure the quality of legal aid to the victims.

There should be adequate budgetary allocation to the statutory bodies (including, but not limited to, NHRC (National Human Rights Commission), SHRCs (State Human Rights Commissions), NCW (National Commission for Women) and the SC-ST Commission to ensure their proper functioning, investigation and research.

There should be proper allocation for shelter homes for women facing domestic violence and for all other provisions for battered women as per Act including facilities, legal aid and psychological support systems etc.

There should be proper allocation of funds for human rights education at school level.

Expenditure Management

The objective of reducing the internal public debt burden should be achieved. This should be done through a reduction in interest payments and not through a cut down in primary deficit of the government. For this purpose, the interest rate on Central Government borrowings should be reduced through appropriate changes in the banking sector policies.

The targets for reduction of deficits as adopted under the Fiscal Responsibility and Budget Management (FRBM) Act are arbitrary, and hence should be scrapped. Measures for strict fiscal discipline need to be adopted for resource mobilisation so as to achieve the objective of deficit reduction through augmentation of revenue instead of checking the growth of public expenditure.

The entire Union Budget outlay for Defence should be brought under the purview of Outcome Budget exercise initiated by the Union Government since last year.

Delay in flow of funds from the Union Government up to the level of implementing agencies in the sub-district levels has been widely reported as a major cause for underutilization of funds in several government programmes/schemes. Hence, the Union Government, starting with fiscal year 2007-08, must ensure that the first installments of funds are released in the months of
April–May under all flagship programmes. Secondly, the nodal Union Government Ministries for all the flagship programmes should give similar instructions to the State Governments. Also, the nodal Union Government Ministries should collect and publish detailed information regarding the magnitude of funds parked in the Personal Ledger Accounts by the Departments/Implementing Agencies in the States under all flagship programmes. The nodal Ministries should initiate strong measures for curbing this kind of practices in the States which lead to underutilization of funds.

- Under the major Centrally Sponsored Schemes, the norms regarding matching contribution to be made by the State Governments should not be uniform for all larger States; they should be made flexible in order to help the economically backward States benefit from schemes to a greater extent.

- The Union Government Ministries, under the Outcome Budget exercise, should collect detailed information from the States regarding (i) availability of staff to deliver public services or implement a programme (ii) adequacy of training given to the staff, and (iii) availability of staff in the remote rural habitations and the habitations with poor outcome indicators. Accordingly, the Union Government Ministries should adopt policies that would help the States recruit and deploy skilled staff in the deprived areas.

- The Union Government, under its relevant social sector schemes, should increase the outlays on (i) training of staff, (ii) community mobilisation and (iii) training of community leaders in order to improve the delivery of services.

From Organizing Committee of People’s Budget Initiative

Aman Trust
Amnesty International India
HAQ
National Campaign on Dalit Human Rights (NCDHR)
National Centre for Advocacy Studies (NCAS)
National Conference of Dalit Organisations (NACDOR)
Oxfam (GB)
Programme for Women’s Economic Social and Cultural Rights (PWESCR)
Social Watch-TN
UN Millennium Campaign
UNIFEM
Wada Na Thoda Abhiyan