Budget TRACK

Volume 1, Track 3, August 2004

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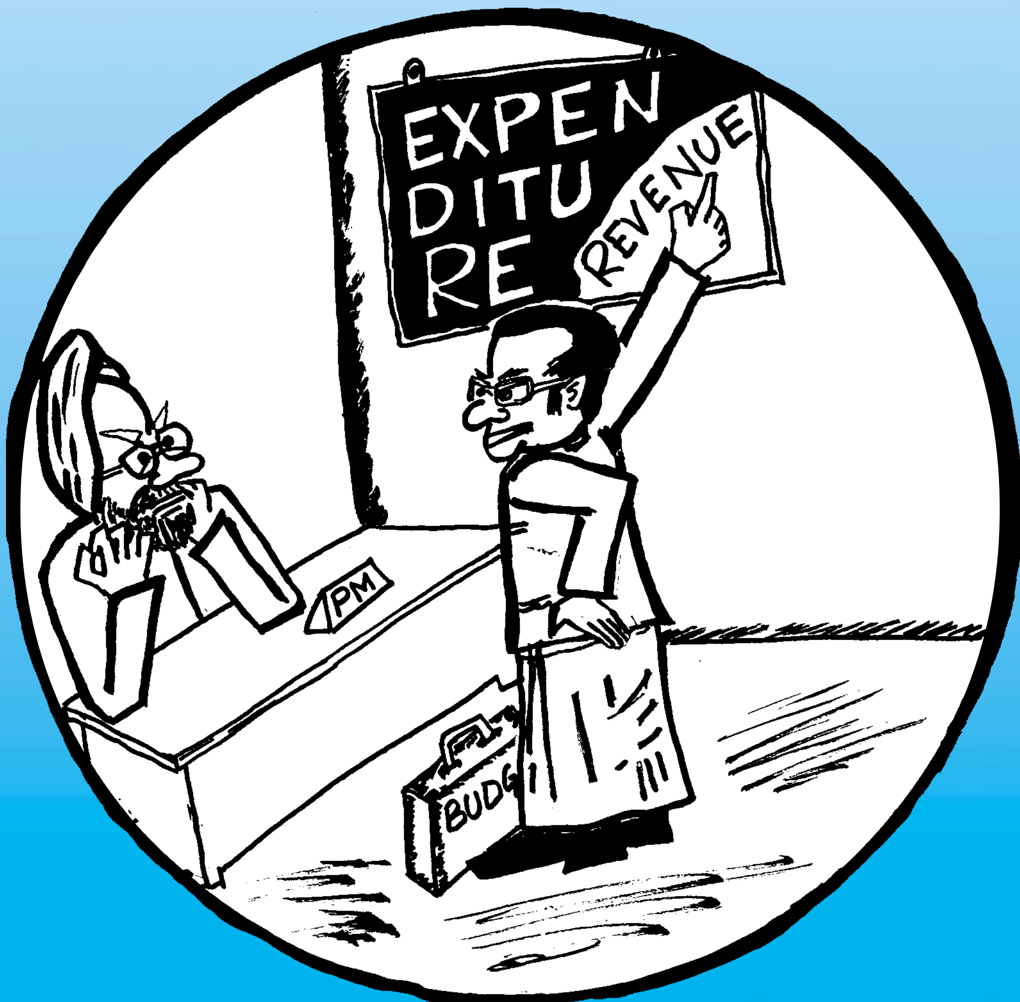

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Foreword

The present issue of Budget track, the third since its inception, is coming out at a time when the country has witnessed numerous significant developments over a relatively short span of time. These developments, which range from the General Elections 2004 being fought mainly over the issue of economic development to the presentation of the first budget of the newly formed United Progressive Alliance (UPA) Government at the Centre, can be expected to have a crucial effect on the socio-economic conditions of a large chunk of the country's population. With this backdrop, the present issue of Budget track takes up the Election Manifestos of three major political forces (the Congress, the CPI (M) and the National Democratic Alliance), the Common Minimum Programme (CMP) of the United Progressive Alliance (UPA), and the Union Budget 2004-05 of the UPA Government for discussion, focusing on the implications for the poor and marginalized sections of the population. This is followed by a brief analysis of the Fiscal Responsibility and Budget Management (FRBM) Bill, and overview of the recent developments in different sectors of the economy, and an article on governance of water, which throws light on the emerging problem of privatisation of water. Finally, this issue ends with a Guest Column on the experience of the Tamil Nadu People's Forum for Social Development in Dalit Budgeting in Tamil Nadu.

IN THIS ISSUE

Elections 2004: Politics and Priorities

The 2004 general elections saw major political parties and alliances coming up with election manifestos. It would be an interesting exercise to look at the promises made by the parties on economic and policy issues. We compare the manifestos of the Congress (I), the CPI (M) and the NDA (the major opposition today).

Reflecting on 1999 NDA manifesto some key statements – *eradication of unemployment is our primary agenda, eradicate poverty, GDP growth to be 7 to 8 per cent, control deficits, 60 per cent plan funds for public investment in agriculture and rural development, etc. etc.* - and the reality of the five year NDA rule throw up some startling facts. Employment declined, jobs were lost, GDP growth remained below 7 per cent excepting 2003-04 and deficits rose back to 1999 levels. All along public investment in agriculture and rural development kept declining. The gap between the manifesto promises, which won the 1999 elections for NDA and its subsequent implementation/results, is probably one of the reasons why the Indian electorate sprang a surprise, throwing all the pundits and the exit polls out of gear.

Elections 2004 was fought, in its early phase, on the issue of development spearheaded by the NDA manifesto, which gave prominence to the issue. The ousted NDA government had set the tone with its 'India Shining' campaign, a very expensive and exaggerated advertisements of the 'achievements' of the government. The massive road projects, the plan of river interlinking project, the achievements in IT and Service sectors, booming stock markets and forex reserves, the employment generated plus the GDP growth rate were all being projected by the NDA to the electors as the mantra of a shining prosperous India. The opposition was focussing on increasing unemployment, plight of farmers, mishandling drought situation, dwindling public investment in agriculture etc. The NDA government tried to push a different set of indicators of development through the 'India Shining' campaign. The IT, the Stock Market, the FDI, the forex reserve etc., which have no or very less connection with the common people's lives, became the major indicators of development and success and the focus of discussion. The issues like unemployment, poverty, drought, farmers' suicides, rotting food stock, PDS, malnutrition, all these not at all seemed to be any concern for the ruling parties.

The table below summarises main promises made by the three main political formations. The present ruling coalition came up with Common Minimum Programme. We have analysed, in our pieces on CMP and budget, whether the promises made in the manifestos of Congress and CPI (M) are reflected in the actions taken by the UPA government.

	The Congress	The NDA	The CPI (M)
GDP	8-10 % GDP growth	8-10 % GDP growth	No comments
	***Congress and NDA talked of continuing pace of economic development*.**		
FISCAL POLICY	• Revenue deficit elimination in five years, roadmap within 30 days of coming to power • Implement VAT, raise tax GDP ratio from 14% to 18% • Taxpayer base expansion rather than increased tax rates	• Reduce revenue deficit in every state to zero by 2006 • Implement VAT • Improvement of tax-GDP ratio • State fiscal reforms	• Broaden tax base • Curb wasteful government expenditure • Unearth black money
	Congress and NDA talked of fiscal reforms; the CPI(M) looked at curbing Government expenditure. Though VAT implementation and better tax GDP ratio have not been achieved in NDA Government tenure		

Elections 2004: Politics and Priorities

EMPLOYMENT	• Foster broad based economic growth to increase employment opportunities in organised and agriculture sector • Focus on export oriented and small scale industries • National employment grantee act for at least 100 days assured employment in a year to every rural household	• Employment generation in agro processing etc. (rural) and retail, construction, tourism and services (urban) areas • Promote entrepreneurship opportunities and welfare programmes • Upgrade knowledge and skills through IT	• Rejection of Second National Commission for Labour suggestions • Rejuvenate the labour law and workers right to strike • Scrap freeze in government recruitment • Launch massive food for work programme Ensure adequate credit for self employment schemes

Congress looked at increasing employment opportunities through broad based growth in agriculture and manufacturing, NDA looked at selective areas in rural and urban employment while CPI(M) focused on labour welfare and rights along with adequate credit for self employment. The NDA Government saw five million jobs lost in the organised sector and shows how manifestos are far removed from reality.

AGRICULTURE	• Agriculture First' strategy in resource allocation with increase in public investment • Doubling agri-credit in 3 years • Expand lend cover for small and marginal farmers • Lower interest rate on farm loans Minimum wage to agriculture workers	• Second green revolution by increasing private investment • Doubling growth rate of investment in agriculture • Promoting food processing Creating awareness on WTO and the 'Agreement on Agriculture'	• Land reforms • Increase in public investment • Self-sufficiency in food grain • Remunerative prices for crops through market intervention by the state • Prohibition of sale of agricultural land to foreign companies • Quantitative restrictions on imports of selected commodities Protection of the seed rights

Congress prioritised resources towards agriculture and restructure interest rates on loans, while NDA looked at private investment to spear agricultural growth and CPI(M) looked at land reforms and increased public investments. Droughts of 2002 and 2003 coupled with low public investment by NDA Government has seen agriculture struggling evidenced by the stories of farmers suicides we have heard over this time.

FOOD AND NUTRITION SECURITY	• Strengthen PDS system with emphasis on most backward blocks • Strengthen Antyodaya scheme through panchayats	• Increase coverage of Antyodaya yojana to 5 crore BPL families in five years • Make PDS efficient and accountable with people's participation. • Antyodaya Card to entitle to provide health, shelter, social security etc.	• Universal system of PDS • BPL cards to all non-income tax payers • Antyodaya yojana to cover rural poor families • Wider network of fair price shops and cooperatives • Curtailment of overhead costs of FCI

All parties concerned with strengthening the PDS system and Antyodaya Yojana

"five million jobs lost in the organised sector"

EDUCATION AND HEALTH	• Public expenditure on education up to 6% of GDP, with priority to primary and secondary schools • National Commission on Education • Education Development Finance Company to provide loans • National mid-day meal scheme • Expenditure on health to be raised up to 2-3% of GDP • Community health scheme through people's organisations and panchayats	• Public expenditure on education to 6% of GDP in five years • Increase literacy rate to 85% by making the SSA a people's movement • National education development fund • Rs. 1,000 crore special fund through a cess from all non-needy students • Improve primary schools in rural areas • Public spending on health to be doubled in five years • Six new AIIMS like hospitals	• Financial backing to the children's right to education by amending 93rd Constitutional amendment act • Up gradation of salary of primary school teachers • Social control over private educational institutions • 10% of union budget for education • Public expenditure on health to be increased to 5% of GDP • Adequate network of well equipped primary health centres • National community health workers scheme
	All three parties promised increased expenditure on public health and education.		
HOUSING AND WATER	• Social housing scheme for urban poor • Promote low cost housing • Supplement water availability by recharging ground water resources • Local community based rain water harvesting	• Housing for all by 2010 • Construction of 30 lakh houses each year • Low cost housing loans from banks • River linking programme to be launched before August 15, 2004 • Encouragement of watershed, rainwater harvesting etc	• Housing as a basic right • Housing programmes for rural and urban poor • No privatisation of water • New water policy • Community/panchayat to manage water resources.
	All parties talked of increasing housing cover for urban and rural poor. NDA proposed to interlink rivers (though feasibility and economic and environmental implications an issue of debate), while CPI(M) clearly said no to privatisation of water.		

"increasing housing cover for urban and rural poor"

CMP and the social sector

The Common Minimum Programme (CMP) outlines the policy directives of the new UPA government as well as reflecting the manifestos of its constituents. For agriculture, employment and the social sector it offers important and progressive promises, at the first glance. The CMP has political, institutional and budgetary dimensions.

The CMP will mean increasing commitments in social sector expenditure. Feasibility of this is somewhat difficult; especially when we factor the other commitments made for the sectors like agriculture and infrastructure as also the inadequate resource base.

How is the CMP going to be translated into reality? What could be the budget implications? Are there institutions and processes in place to implement the new programmes? These are few of the questions that would need answer in the coming days.

We highlight some key sectors like Education, Health, Employment, Food Security, Women and Children from the view of resources and the budget implications.

EDUCATION

CMP:

- *Increase public spending up to* ***six per cent of GDP*** *in a phased manner, resource from a proposed cess on central taxes.*
- *At least half of this to be spent on primary and secondary education.*

Let's make some basic calculations as regards the possible outlay needed on education.

- The present level of expenditure on education is about 3.99 per cent of GDP (state and centre). CMP proposes to raise the expenditure level by 2 per cent of GDP.
- A 2 per cent increase would cost **Rs. 56, 000 crore**, assuming the size of the GDP at current market prices at **Rs. 28 lakh crore** for year 2003-04.
- *For a 5 year phased implementation, the cost per year is Rs. 11, 200 crore (0.4 % of GDP).*
- The CMP hopes to raise necessary resources through a cess (rate not specified).
- If we assume a 2 per cent cess on all central taxes, the amount raised would be **Rs. 6, 000 crore**. But how is gap of **Rs. 5, 200** crore going to be filled? *(Calculated on the estimated tax revenue of central government for the year 2004-05 of around Rs. 3 lakh crore)*

Government Spending on Education as a Share of GDP in India

Year	% of GDP
1951-52	0.64
1982-83	3.25
1989-90	3.93
2000-01	4.30
2001-02	4.02

Source: The Times of India, 28 May 2004

- To raise the entire Rs.11, 200 crore the Government needs to impose 4 per cent cess on all central taxes. Will the Government be able to implement this step?
- Finance Minister also indicated that the cess will follow a 'doctrine of proportionality' and that would burden only those who can bear it. This would again mean either higher cess or shortfall in target amount.
- The target of 6 per cent may be empty if the advantage does not reach the beneficiaries without the support of effective and efficient delivery systems.
- Sarva Shiksha Abhiyan is an example of policy goals vs. reality – to reach the target of universal primary education by 2008 the Government needed to spend Rs. 47, 000 crore by 2003-04. But only Rs. 5, 810 crore have been allocated till 2003-04, a mere 12 per cent of Rs. 47, 000 crore required.

HEALTH

CMP:

- *Increase public spending on health to at least 2-3 per cent of the GDP over next five years with focus on primary health care*

One to two per cent increase means an extra burden of Rs. 28, 000 crore to Rs. 56, 000 crore over 5 years and would need **Rs. 5, 600 crore to Rs. 11, 200 crore** additional outlay each year in the budget.

CMP and the social sector

"expenditure on irrigation in the last decade has been grossly inadequate"

EMPLOYMENT

CMP:

• *Enacting a national employment guarantee act to provide a legal guarantee of at least 100 days of employment every year at minimum wage to at least one able bodied member in every rural, urban poor and lower middle class household*

• The 1991-96 Union Government's (Congress) employment assurance scheme to provide 100 days of employment per year to rural workforce was initially limited to selected blocks but later extended to cover all rural blocks. The inadequacy of funds and implementation drawbacks had constrained its effectiveness. Now, the CMP's National Employment Guarantee Act intends to cover the poor and lower-middleclass households in the rural areas as well as urban areas.

• The positive element of the proposal is that it envisages a legal guarantee for employment.

• Many States have employment schemes and to ensure the continuation of these,

• Clauses on maintaining existing State schemes may be put in the proposed Act.

Rural Employment: it's cost...

- No. of total households in India is 180 million.
- Assuming that 60 % reside in rural areas, there are 108 million rural households.
- 100 days of mandatory employment even to each rural household means 10, 800 million man-days.
- In the year 2001-02, 522.97 million man days of rural employment were created by the Centre spending Rs. 4, 225 crore at a cost of Rs. 80.78 per one man day of employment.
- By the same logic, for creating 10, 800 million man-days the costs would be Rs. 87, 264 crore per annum. This comes to around 3.1 per cent of GDP only for rural sector, whereas the CMP proposes to cover even urban poor and lower middle class families in the employment act.

Statistics of unemployment in the country

• *More than 27 million people in the country are jobless (7.32 % of the workforce)*

• *Projections: In 2007 there would be 40 million jobless and in 2012, 70 million jobless.*

FARM SECTOR

CMP:

• *Promises that investment in irrigation will be given the highest priority.*

• The expenditure on irrigation in the last decade has been grossly inadequate. Presently, 65 million hectares of agricultural land are irrigated, while the total area to be irrigated is about 140 million hectares.

• The 8th FYP (1992-97) saw the Centre and States spending Rs. 36, 000 crore in aggregate on irrigation. This fell sharply to Rs. 16, 000 crore in the 9th FYP period (1997-2002).

• The new government's proposed increase in the spending on irrigation is a welcome step but requires a continued effort of the Centre and the States.

10-year Growth Rate of Land under Irrigation (in India)

Decade	*Additional Area Covered under Irrigation*
1951-1961	19 %
1961-1971	24 %
1971-1981	25 %
1981-1991	23 %
1991-2000	18 %

FOOD AND NUTRITION SECURITY

CMP:

• *Comprehensive medium term strategy for food and nutrition security to be worked out, with the objective of universal food security over time.*

• *Strengthen PDS and involve women and ex-servicemen's cooperatives in its management*

• *Antyodaya card for all households at the risk of hunger*.

Antyodaya Anna Yojana was extended to cover two crore families and extension to the tribal belts in the 2004-05 interim budget. In 2003-04 Rs. 507 crore was allocated for this scheme for a target of 1.5 crore BPL households. Antyodaya card for all households 'at risk of hunger' would mean targeting 5.2 crore BPL families approximately, a quantum jump from the earlier target of two crore.

Food Security...

- The annual food grain absorption per head rose from 150 kg (1950-51) to 174 kg (1998-99).
- By 2000-01, even before the drought, it had fallen to 151 kg.

An average Indian family of 5 is absorbing annually nearly 100 kg less of food grains today compared to five years ago

WOMEN AND CHILDREN

CMP:

• *Ensure that at least one-third of all funds flowing into panchayats will be earmarked for programmes for the development of women and children.*

This proposal if implemented along with the increase in devolution of funds to the panchayat can translate into tangible benefits for women and children.

RESOURCE MOBILISATION

• *The most pertinent question regarding the CMP goals is - how is the new Government going to mobilise resources to achieve them? The poor state of resources is a drawback; but what makes it even more complicated is the commitment of the Government towards fiscal prudence.*

• *The tax-GDP ratio of our country is at an abysmally low level of 9 per cent and needs to improvement.*

• *One option could be to increase the service tax net from the present 58 services. Additional resources could also come through a hike in the service tax rate from the current 8 per cent to a higher rate (say, between 12 to 14 per cent). Both of these measures would result in a sizable increase in the tax revenue of the Government.*

• Also, it has been estimated (The Economic Times, 2 June 2004) that by scrapping all of the existing excise and custom duty exemptions, the Central Government can mop up Rs. 60, 000 crore, i.e., roughly 2 per cent of the GDP estimated for 2004-05.

• Some more clues on resource mobilisation are in form of increasing the tax-GDP ratio by expanding the tax base and making the tax administration effective, and special schemes to unearth black money. A word of caution here – the income tax collections estimates have been buoyant in 2003-04, but this has come about not due to widening of tax base but rather due to increased collection of taxes from the existing base. This is highlighted by the fact that a mere 8.6 lakh new taxpayers have been added to the direct tax base in 2003-04 compared to 32 lakh in the earlier year. Also the revamping of the tax administration and the rampant corruption would take very strong initiatives from the Ministry of Finance. The Government needs to do a fine balancing act to honour its commitment to the CMP as well as the FRBM Act. (Fiscal Responsibility and Budget Management).

- Total budgetary allocation of the Union Government is about 14.3 per cent of the total GDP.
- Charged expenditure equals about 10 per cent of GDP
- About 4.3 per cent of the GDP (30 per cent of the budget) for all other commitments.
- Centre will have to raise the voted expenditure substantially to attain CMP goals.

HOW DOES THE CMP SUM UP?

• Social sector gets adequate attention, along with a pro poor and pro agriculture stance.

• Increase in public expenditure on health and education, expansion/universalisation of PDS and launching of food for work programmes, enacting an employment guarantee act, promising protection of labour rights and expansion of social security programmes, drinking water facilities for all, one-third reservations for women in the Lok Sabha and Vidhan Sabhas, and empowerment of PRIs, all are noble priorities.

• CMP also presents seemingly tangible goals like increasing the expenditure on education up to 6 per cent of the GDP in a phased manner and increasing the health expenditure up to 2-3 per cent etc.

• A major lacuna is that the CMP does not indicate or give any clue as to where the resources are going to come in, except for a cess on all central taxes to fund education. This is an area of concern and Budget 2004-05 should give more clarity on the numbers and the story behind them. Resource mobilisation becomes a critical factor in implementing CMP.

• Promises like one-third reservations for women in Vidhan Sabhas and Lok Sabhas, empowerment of panchayats and protections of labour rights are political in nature, and the government will have to ensure consensus, as it has to survive on the support of its coalition partners.

• UPA government needs to balance the nuances of coalition politics as well as the momentum of the economy, while implementing the CMP.

In view of the various promises and proposals made in the CMP, specifically those relating to the social sector and agriculture, the Union Budget 2004-05 assumes greater significance. It provides the most important platform to the UPA government to initiate measures for fulfilling its promise and carrying forward the vision of the CMP.

CMP and the social sector

"how is the new Government going to mobilise resources"

A Note on Union Budget 2004-05

With the political mandate of the Congress led United Progressive Alliance (UPA), came the Common Minimum Programme (CMP)- a set of landmark announcements in favour of a pro-poor policy framework, and, in many ways against the neo-liberal economic policies, which the earlier governments had been pushing at an accelerated pace. The CMP made various promises and commitments for the welfare of the marginalised sections of our population. It talked of giving the long-overdue emphasis to education, health, agriculture, employment, rural infrastructure and women's issues. The Prime Minister in his first address to the nation also promised a 'New Deal' for the rural sector. However, a close look at the allocations and proposals made in the Union Budget 2004-05 (presented on 8th of July), beyond the copious references made by the Finance Minister to the CMP and requirements of the rural and agricultural sectors in his Budget Speech, reveals that the pro-poor rhetoric of the Finance Minster has not been matched by significant allocations and policies in reality, and on the other hand, the UPA Government has chosen to carry forward neo-liberal economic policies on numerous fronts. In fact it is the latter, which can be seen as the main reason for constraining the ability of this Government to do justice to agricultural and rural sectors.

Let us briefly discuss the main features of the Union Budget 2004-05 and the important proposals made in it.

- **CMP OF THE UPA GOVERNMENT:** The Finance Minister has referred to the National Common Minimum Programme (CMP) as guiding light for Budget 2004-05. However, he has provided for an increase of just Rs. 10,000 crore in the Gross Budgetary Support to meet CMP objectives. This increase of Rs. 10,000 crore will be through increases in plan allocations; but the Finance Minister, as of now, has not assigned it to any particular expenditure head, and he has made this increase contingent upon a review to be undertaken by the Planning Commission in the next few months.

- **CONFORMING TO THE FRBM ACT:** In accordance with the rules set out by the Fiscal Responsibility and Budget Management (FRBM) Act notified on July 5, 2004, Medium-term Fiscal Policy Statement, Fiscal Policy Strategy Statement and Macroeconomic Framework Statement have been presented with this Budget. The Finance Minister has expressed the intent of the UPA Government to wipe out the Revenue Deficit (which is the excess of revenue expenditure in a year over revenue receipts) by 2008-09. Revenue Deficit for 2004-05 has been estimated at 2.5 % of GDP, which would be lower than that of 3.6 % of GDP in 2003-04. Fiscal Deficit (which is the excess of total expenditure in a year over the total of non-debt-creating receipts, and hence represents the total borrowing of the government) for 2004-05 has been estimated at 4.4 % of GDP. The FRBM Act (notified in July 2004), which sets significant constraints on the fiscal policy of the government, indicates the willingness of the new Government to adhere to the same fiscal conservatism and obsession with reduction of fiscal deficit which were characteristic of the neo-liberal policies followed by the earlier Government. The consequence of this fiscal conservatism has been that the aggregate expenditure budgeted for the year 2004-05 turns out to be more or less the same as that spent in 2003-04. And, a rise in plan expenditure has been accompanied by an almost equivalent decline in non-plan expenditure, with the direct victim being non-plan capital expenditure.

- **PROVISIONS FOR FOOD SECURITY:** Antyodaya Anna Yojana will cover additional 50 lakh families, which is expected to raise its coverage to 2 crore BPL families; Food Stamps will be issued as a pilot project; and new food for work programmes are to be launched in 150 backward districts. However, with India's food stocks still being at comfortable levels, the provisions for food security seem to have got a token increase only.

- **AGRICULTURE AND RURAL DEVELOPMENT:** The Finance Minister proposes to double agricultural credit in 3 years as per agricultural credit policy of June18, 2004.This policy is to be implemented through Regional Rural Banks (RRBs). A task force on cooperative banking system is to be set up; Accelerated Irrigation Benefit Programme to get Rs. 2, 800 crore; Rural Infrastructure Development Fund (RIDF) revived with a corpus of Rs. 8, 000 crore; and emphasis will be given on reviving natural and man-made water bodies. Thus, the main instrument through which the Union Budget 2004-05 tries to address the growing problems of the agricultural sector seems to be that of agricultural credit. But the ability of the RRBs to deliver in terms of required credit flow to the agricultural sector, as intended by the Finance Minister, becomes doubtful in view of numerous developments such as, the growth of non performing assets of the banks and the uncertainty created by the debt swap scheme initiated by the Central Government since 2002-03. Also, there has been a 15 percent cut in the plan outlay for rural development.

- **EDUCATION:** A 2 percent cess on all Central taxes is expected to raise Rs. 4, 000 – 5, 000 crore annually, specifically for increasing the expenditure on education. Educational loans to become easier - loans up to Rs. 7.5 lakh for professional courses will not need any collateral.

- **HEALTH:** There have been only 11, 408 beneficiaries of the Universal health insurance scheme till May 2004; hence this Budget proposes redesigning the scheme so as to target 10 lakh people. It allocates Rs. 40 crore for the same and also proposes Group health insurance scheme for SHGs.

- **INFRASTRUCTURE:** Inter-institutional group of IDBI, IFCI, ICICI Bank, SBI, LIC, Bank of Baroda, PNB to provide Rs. 40, 000 crore for infrastructure projects; Rajiv Gandhi Drinking Water mission to be re-launched; Accelerated rural water supply programme allocated Rs. 2, 610 crore; Chennai to get desalination plant set up with public-private partnership; Sethusamudram ship canal project to be funded through special purpose vehicle; Government to facilitate construction of International Container Transhipment Terminal (ICTT) at Kochi; and Indira Awas Yojana gets Rs. 2, 247 crore with a target of 2, 50, 000 rural households in 2004-05.

- **INDUSTRY:** The Union Budget 2004-05 includes proposals for setting up of Investment Commission and National Manufacturing Competitiveness Council; proposals for FDI cap to be raised in Telecom from 49 to 74 per cent, in Civil Aviation from 40 to 49 per cent, and in Insurance from 26 to 49 per cent. Investment ceiling for FIIs in debt funds is to be raised from US $ 1 Billion to US $ 1.75 Billion; an alternate trading platform has been proposed for small and medium enterprises to raise equity and debt. As regards the Public Sector – this Budget proposes an equity support of Rs. 14, 194 crore and loans of Rs. 2, 132 crore to Central PSEs. For Small Scale Industry - ceiling of loans under Capital Subsidy Scheme will be raised from Rs. 40 lakh to Rs. 1 crore. The continuation of uncritical external and financial liberalisation, such as, the unwarranted hikes in the FDI limits in those sectors which have not faced any notable shortage in investment and the additional concessions to foreign institutional investors, is quite disturbing and it shows a commitment of the new Government not towards the poor and marginalised people of this country but towards the interests of international finance capital.

- **DEFENCE EXPENDITURE:** Defence modernisation is to get additional Rs. 11, 000 crore, and the budgetary allocation for defence has been increased from Rs. 65, 300 crore (2003-04 Budget Estimate) to Rs. 77, 000 crore. This significant increase in the allocations for defence, which exceeds the special allocation for meeting the objectives of CMP, casts doubts over the priorities of the new Government, as the present national security situation can hardly be described as critical.

- **RESOURCE MOBILISATION:** In view of the wide range of promises and proposals held out by the Finance Minister, the most crucial issue becomes that of the ability of the Government to mobilise enough resources. The most notable effort made in this regard is of course the 2 percent cess on all Central taxes for mobilising at least Rs. 4000 crore for education. The Finance Minister has proposed to increase the service tax from 8 percent to 10 percent and extend its reach by adding a number of sectors to the existing list of 58 taxable services. Although, this step will potentially tap new sources of revenue, past experience with the service tax does not indicate that it is a buoyant source of revenue. However, the developments relating to the proposal for imposition of a (turnover) tax on stock market transactions have been quite disturbing. The Finance Minister had proposed a tax of just 0.15 percent on stock market transactions, which apart from mobilising resources had the potential to curb the rampant speculation in stock markets. However, as a result of strong lobbying against this proposal by powerful vested interests, the Finance Minster subsequently announced a substantial dilution of this proposal.

Thus, a careful look at the budgetary allocations and the various proposals made in the Union Budget 2004-05 reveals that the UPA Government seems to have ignored many of the important concerns raised in the CMP, and the new Government shows no deviation from its predecessors in following neo-liberal economic policies.

As stated above the UPA government has shown a strong willingness to adhere to the same fiscal conservatism as its predecessor. The FRBM Act (July, 2004) is driven by the same policy prescriptions as its earlier version, which was drafted during the NDA regime.

“new Government not towards the poor and marginalised”

Fiscal Responsibility Act: Issues and Concerns

The Fiscal Responsibility and Budget Management Bill, 2000, has been enacted in Parliament. The Act is based on the presumption that the fiscal deficit is the key parameter adversely affecting all other macroeconomic variables. It is argued that lower fiscal deficits lead to higher as well as sustainable growth and higher fiscal deficits apparently lead to inflation. It is also argued that large fiscal deficits may lead to huge accumulation of public debt. However, many development economists view that if the fiscal deficit is dominantly in the form of capital expenditure, it contributes to future growth and in fact can create so much demand in the economy that private investment may crowd-in to supplement public investment.

Inflation results from an excess of aggregate demand over aggregate supply and there can be high inflation even in low, zero or positive fiscal accounts. This may happen because of excessive spending by the private sector over and above its earnings, as was the case with many South Asian countries before the currency crisis.

There is nothing wrong in maintaining large fiscal deficits if resorting to public debt is made only to meet investment requirements as long as their social rate of return is higher than the rate of interest. Deficit per se is not bad as the Indian economy is a demand-constrained economy. Due to existence of underemployment of resources and production at much less than its optimal level, the economy can actually sustain a high level of fiscal deficit up to around 7-8 per cent of GDP. Even in case of revenue deficit, if properly managed, it will help to pump in purchasing power to the economy and boost demand keeping in mind the persistently low level of inflation during recent years. In India, it is not the problem of growing deficits, which deserves concern but the composition for these deficits and the way these are being financed.

The FRBM Act aims to eliminate revenue deficit by 31st March 2008 – in turn leading to revenue account surplus, and possible progressive reduction of capital account liabilities. Elimination of revenue deficit requires a balance in revenue accounts, which can be done by reducing revenue expenditure or by mobilizing more receipts to fill the gap, or by both. The Government can substantially reduce revenue expenditure by reducing expenditure in items that constitute a major part of total revenue account. For example, interest payment alone takes away around 30 per cent of the total expenditure. But it is charged on the Consolidated Fund of India. The government, in no way, can actually reduce this expenditure till 2008 except deferring a part of it, which will further aggravate the fiscal situation. No government will compromise with defence expenditure, particularly when national security is an important concern. So if any government tries to reduce expenditure, the axe may fall on crucial sectors like social services and economic services only. This will affect the all-round development of the country.

On the receipts side, dividends and profits to the central government from its investments is less likely to grow in view of the disinvestments policy pursued in the PSUs till date. Even money raised from the disinvestments proceeds is being spent for current expenditure. Tax measures in direct and indirect taxes are determined by populism and political factors. Raising tax collections is one solution-this can be done through a system like VAT as well as better tax administration mechanism, reducing tax evasion and disputes.

Composition of Revenue Deficit in 2003-04
(In Rs. Crore)

Revenue Expenditure	**3,62,887**
Interest Payments	1,24,555
Subsidies	44,707
Defence	43,394
Non-Plan grants to States, etc	16,381
Pensions	15,367
Police	8,331
Other non Plan Spending*	32,066
Plan Revenue Spending	78,086
Revenue Receipts	**2,63,027**
Tax	1,87,539
Non Tax	75,488
Revenue Deficit	**99,860**

Note: *Figures are revised estimates*
**Mainly Salary and other administration expenses*
Source: *Business Line, Friday, May 21 2004*

The Act provides that the central government shall specify the annual targets of assuming contingent liabilities (like guarantees) and the total liabilities as a per cent of GDP. During last four years, the gross annual liabilities are growing at more that 14 per cent per year. In the 2004-05 budget, the government proposed an internal debt, which is around 11.6 per cent higher than the revised estimates for 2003-04.

As per Sec.4 (2) of FRBM Act, deviations from targets are allowed in case of exigencies like national calamity or national security. Non-achievement of targets could be a normal feature, with this escape clause in place.

As a self-imposed discipline the government will not borrow from RBI except to meet temporary excesses of expenditure. What if such excesses of temporary nature occur frequently? Are revenue expenditures some kind of unqualified curse?

Therefore, the optimism expressed in FRBM Act towards eliminating the revenue account deficits is a misnomer. Will any government take steps to reduce unproductive expenditures? Does a government have the political will to reduce its mammoth machinery? There are questions that come to our mind. It is not enough to legislate on fiscal management, but it is the implementation in terms of budget and related policies that are required.

We may now take a brief look at the developments in different sectors of Indian Economy.

Update on Economy

The Interim Budget of the NDA Government, presented in February 2004, was tailored for the general elections coming in April-May 2004. The next few months, from February to May 2004, saw the much hyped up India Shining claims being made by the incumbent parties and a large majority of the observers and experts rejecting those claims. Finally, the verdict of the people of this country came out clearly in May 2004, with results of the elections.

AGRICULTURE

- ***Taking Stock of Wheat…***

Recent data in April 2004 show a fall in the wheat (rabi crop) production below the estimate of 78 million tonnes due to the adverse weather conditions in the wheat growing states of UP, Punjab and Haryana in the winter and the hot spell in March 2004. The estimates now are in the range of 70 –72 million tonnes. The buffer stock on April 1 was 7 million tonnes (as against the 3.7 million tonnes norm) with expected procurement of around 16 million tonnes, it will around a level of 23 million tonnes in 2004-05. The annual off take has been around 18 to 22 million tonnes, which is very close to the 23 million tonnes level. The new Government now has to ensure the allocation to welfare programmes are not cut.

For the first time since 1994, India may return to the global wheat market as a buyer. Ironically, to reduce holding costs 12 million tonnes of wheat have been exported at highly subsidised prices during the last two years.

- ***Sugar – a bitter story?***

The fragile demand-supply balance in sugar has opened doors for price swings and speculation. The sugar industry is already looking at the possibility of imports and lobbying for changes in the conditions associated with duty free import of sugar. For the common man's benefit it is imperative that the Government keeps a close watch on the trend and intervenes in a proactive manner to keep the price stable.

"fragile demand-supply balance in sugar has opened doors for price swings"

INDUSTRY

- ***Core Sector***

The growth of the six infrastructure industries has slipped marginally to 5.4 per cent in 2003-04 compared to 5.6 per cent in 2002-03. Coal, electricity and refined petroleum products registered higher growths while cement, steel and crude petroleum slipped.

In March 2004, the infrastructure grew by 7.1 per cent compared to 4 per cent of March 2003.

- ***Manufacturing Sector***

This sector has been showing signs of turnaround in some sectors like automobile and pharmaceutical companies, which are creating inroads into the international market along with improvement in domestic sales.

ECONOMY

- **Tax Collections:** 2003-04 Provisional estimates Crosses the budget estimates for the first time since 1995-96.

Update on Economy

- **Tax- GDP ratio** increases from 9 to 9.1 per cent. This looks good because of the poor record from 1998-99 to 2002-03 in this aspect rather than better fiscal management.

Gross tax revenue 2003-04	**Rs.2,52,162 crore**
Corporate tax	Rs.63,882 cr (+12,383 cr from BE)
Personal income tax	Rs.40,703 cr (-3367 cr from BE)
Excise	Rs.91,016 cr (-5,380 cr from BE)
Customs	Rs.48,606 cr (-744 cr from BE)
Service tax	Rs.7863 cr (-137 cr from BE)

- No sign of buoyancy in gross tax revenue.
- Increase in tax collections solely due to tax paid by companies, up by Rs. 12, 383 crore to Rs. 63, 882 crore. Is this a one-time phenomenon? Recovery in sales plus soft interest rates has boosted corporate bottom lines.
- Decrease in tax from other sources – Personal income tax, customs, excise and service tax.
- Indirect taxes share in total revenue kitty of the Centre decreases to 58 per cent in 2003-04 from 69 per cent in 1990-91 is welcome as commodity taxation is regressive in nature.
- Here is the puzzle – if Corporates have paid more taxes from increasing profits, then collections from excise and personal income tax also should have been more. But we see a gap of Rs. 3, 367 crore in personal tax and Rs. 5, 000 crore in excise from the budget estimates.
- The excise shortfall can be a result of the 'mini budget' episode of rate changes, exemptions, and lower tax base coupled with a strain on the collection machinery.
- **Tax base-** The provisional figures on net tax collections are at Rs. 1, 04, 600 crore – but has this rise been along with an increase in the number of taxpayers? In 2003-04, the new tax payees added to the direct tax base were only 8.56 lakh, compared to the earlier years' 31.47 lakh. This clearly indicates that the tax collections are increasing because of the deepening of the tax base, more so from the Corporate sector. It is extremely critical that the steps are taken to widen the tax net as well as streamline tax administration for efficient resource mobilisation.
- **Tax Disputes** - Ever wondered the extent of taxes locked under litigations and disputes – that too of the major corporate houses? The answer is a whopping Rs. 25, 000 crore. Its also concerning that this amount is growing faster than the rate of tax collections. There could be two possible reasons for this – one, the tax authorities to show buoyancy in tax collections interpret tax laws in a manner so as to raise more demands or two, the corporate sector is raising disputes or resorting to processes to delay payment of the tax obligations. In this situation, it requires the system to look into finding solutions to create a system of better tax compliance – like simplifying the incentives and exemptions plus the associated eligibility procedures, reforms in the area of the dispute settlement – as the quasi judicial institutions have not been very effective in administration of justice and also delayed compliance, incentives for tax settlement etc.

"whopping Rs. 25, 000 crore worthtaxes locked under litigations and disputes"

SNIPPETS

- Urban India pays Rs. 7.72 per capita as taxes and cess while rural India pays 95 paisa according to NSSO.
- Mumbai collects 41 per cent of total corporate taxes in India
- Inflation for week ending April 10 is at 4.4 per cent
- Export growth of 14.34 per cent in the first three quarters of 2003-04, total exports at $43, 523.82 million, compared to 2002.
- Imports grew at 24.42 per cent in April-Dec 2003 to $ 55, 432.77 million.

Which states pay the highest pension bill?

The Planning Commission data on the highest pension payments as a percentage of total revenue receipts of the States is given here. Kerala ranks first with almost 20 per cent of revenue receipts committed to pensions.

- **Growth rates – Look who's talking…**

Since January 2004 we have had the pundits predicting the GDP Growth rate – right from the Finance Ministry to rating agencies, financial institutions and experts. It goes this way –

- CSO /Govt of India – 8.1 per cent for 2003-04(thanks to lowering of base of year 2002-03)
- ADB - 7.5 per cent for 2004-05
- NCAER – 8.1 per cent for 2003-04 and 7.1 per cent for 2004-05 (up from 6.7 % estimates)
- ICRA- 6.9 per cent for 2003-04 and 6.4 per cent for 2004-05

EDUCATION

Children between the age of 6 and 14 have the right to free and compulsory education under Article 21A of the Constitution. From December 2002, when the statute was amended after the Supreme Court judgment, till date – has this right translated into reality? The Sarva Shiksha Abhiyan (SSA) has been earning praises from

World Bank and other lending agencies – but it has only enabled children to attend 'alternate schools'. The necessary infrastructure, teachers and support needed for enrolling 3 crore children (as claimed) would need a funding of Rs. 91.3 thousand crore apart from recruitment of an army of teachers and a proactive campaign of bringing children back and into schools. Budget support so far has only been Rs. 16, 000 crore. With this amount, only about 50 lakh children could have benefited. The huge gap makes us wonder how many children are under SSA? Girls are often are not sent to school due to community and social pressures, whereas the child labourers are out of the net as parents do not have alternate resources to compensate their earnings. It becomes critical to do a beneficiary tracking rather than look at one time enrolment numbers. The announcement in April 2004 that World Bank will be providing $ 500 Million (Rs. 2, 250 crore) to meet part of the cost of $ 3.5 Billion shows the State borrowing to provide for basic education. This policy is a shift away from taking responsibility and funding of such a critical development area.

Its time to review and re look at the approach to SSA and the education policy, and provide higher outlays in the budget to ensure assured and quality in such schemes. It would also be interesting to see how SSA is addressed in the new Common Minimum Programme, which proposes to increase allocations to education to 6 per cent of GDP.

INDIA SHINING FADES AWAY ...

Behind all these numbers – have the much hyped growth been seen in large sections of India? The 'India Shining' story is deflated in a mere 4 months by the largest democracy in the world choosing to vote out the NDA Government in Elections 2004. Media hype and frenzy made the growth rate story larger than life – with the elections being fought on this theme. Another example from the past is the 'Mera Bharat Mahaan' campaign of the Congress (I) in the 90s. There are lessons here for everyone – accountability and transparency will be asked for by the common man, and slick ad campaigns and growth rate headlines cannot build brand India.

For a real growth to come in, more than percentages and numbers, it is the betterment and quality of life of the vast majority of Indians that holds the key. Lets look at access and availability of drinking water, education, healthcare as indicators of growth, rather than just the balance sheets of the industry or the stock market indices. India needs to shine – not for a few, but for all.

RBI POLICY MAY 2004

- Bank Rate remains at 6 per cent
- Present interest rates to continue, says it will aid present momentum of growth
- RBI projects GDP Growth Rate at 6.5 to 7per cent for 2004-05, says 8 per cent of 2003-04 was due to impact of agriculture growth from negative base of 2002-03.
- Inflation projected at 5 per cent, to watch closely.
- Money supply growth at 14 per cent, credit growth at 16 to 16.5 per cent in 2004-05
- Banks allowed to raise long-term bonds to finance infrastructure, this includes Agro Processing Projects, construction of educational institutions and hospitals.
- RBI to support investment, export and provide adequate liquidity to banks.
- Agriculture – Non Performing Assets Norms changed, to align with crop seasons
- Agriculture – Banks allowed to waive security requirements for agricultural loans up to Rs. 50, 000
- Agriculture – Loans for storage facilities included in private sector.

Update on Economy

" SSA has only enabled children to attend alternate schools"

Governance of water

Droughts and floods have been frequent occurrences in many parts of the country. Apart from such natural disasters, the exploitation of ground water, complete negligence of traditional structures such as ponds, tanks and wells, and deteriorating trend in capital investment for irrigation have aggravated the crisis of water scarcity in India. In contrast, the FAO's Review of World Water Resources by country, 2003 has unveiled that India, which has about *1, 897 cubic kilometre of internal water resources per year, is one of the nine giants in terms of internal water resources in the world*. Even the current estimates of surface water potential (1, 869.35 cubic km/year) and groundwater potential (431.42 cubic km/year) seems more than enough to resolve the water crisis. So, what went wrong, leading to the current perception of India as a water stressed nation?

In recent days, water consumerism, with complete negligence of prioritised needs of water for various activities, has been a crucial factor in pushing the nation into a water scarcity zone. Irrigation, the major consumer of water, consumes about 83 per cent of the current level of water utilisation in the country is expected to suffer with increasing demand from other sectors. The increasing demand of water for the industrial and drinking purposes is likely to *reduce water availability for irrigation sector to about 75 per cent* in near future. Experts say that even a marginal improvement in the efficiency of water use in irrigation sector will result in substantial quantity of water which can be used either for diverting water for other sectors or for extending the irrigated area.

India has invested about Rs. 870 billion in developing the irrigation potential from the time of Independence. The efforts have eventually paid back in providing access to irrigation, which has certainly helped in raising India's food production from 50 million tonnes in 1951 to 212 million tonnes in 2001-02. Despite its importance in food production, annual loss in the irrigation sector is Rs. 326 crore nationally. However, the reasons for failure in getting returns from the irrigation sector remain unclear. The declining trend in terms of budget allocations has been a stumbling block for the irrigation sector in extending the reach of irrigated water to dry lands.

The real capital allocation for irrigation and flood control has declined from Rs. 11. 60 crore in 1996-97 budget to mere Rs. 3.36 crore in 2003-04 budget, the share of irrigation in the mentioned allocation is further reduced to a great extent considering the frequent occurrence of floods in many regions. Taking into account the damages caused by drought and flood at more frequent and regular intervals and consequent expenditure incurred on relief and rehabilitation, the allocated money for the purposes is simply injudicious. It shows the failure of the state in envisaging remedies to the natural calamities. The report card on status of ongoing major and medium irrigation projects in 23 States released by the Water Resources Division at the Planning Commission has the clear picture of what's happening at the irrigation front. ***It's shocking to see that whopping amount of Rs. 13, 986.16 crore (which is 20 per cent of the total amount spent on all the ongoing 380 major and medium irrigation projects till the Ninth Plan) has been spent so far on 153 unapproved irrigation projects across the country till November 2003***. Whatever is spent on these projects is public money and why on projects that have not at all been approved by the authorities?

Privatisation of water had been on the agenda of the previous NDA Government. Even the National Water Policy (2002) has already proposed to encourage private sector participation in various aspects of planning, investigation, design, construction, development and management of water resources for diverse uses. It may well be the case that large sections of even the most vulnerable population like the farmers may be forced to pay user charges for the water, which is a natural, national and public resource. The various media reports show that many State Governments, in particular Andhra Pradesh, supplying drinking water to Cola and mineral water companies at the rate as low as 25 paisa per litre in the face of massive drought in many parts of the State where farmers were dying due to starvation. It shows the callousness of the respective government, which denied the fundamental right of the farmers. Prioritising the needs and economising the use of water are the remedies to the manmade water crisis. Our nation cannot afford billions of litres of water to fill the swimming pools and Golf courses for very few privileged citizens, who can pay user charges, and deny the right of water to millions of disadvantaged farmers who's lives and livelihood are entirely dependent of water. Unless there is consensus to prioritise the needs of water and investing more on irrigation projects (to avail water for agricultural purposes) and drinking water purposes, we will remain a water deficient nation despite having surplus resources. The most ambitious proposal of interlinking rivers across the country looks unconvincing considering the surplus potential of water resources within the nation.

Governance of Water

Interlinking of Rivers – the ongoing debate…

The proposed Rs. 5, 60, 000 crore interlinking project of the previous NDA Government is an act of bypassing years long planning process in India. The whopping amount that is outlined is 50 times the total allocation for the ongoing water resources development projects in the Tenth Plan, which is roughly 40 per cent of the country's annual GDP. The National Commission for Integrated Water Resources Development Plan's (NCIWRDP - first water commission in India) report in September 1999 observed that 'there seems to be no imperative necessity for massive water transfers in the Peninsular component; the assessed needs of the basins could be met from full development and efficient utilisation of intra-basin resources except in the case of Cauvery and Vaigai basins' and also that further studies were needed on the Himalayan component. In contradiction, the NDA Government set up a Task Force to oversee the modalities of implementing this project despite having not done any feasibility study. At the same time, the problems of displacement – the project would displace around 3 million excluding their livestock, and the environmental damages that the project would result in are widely criticised taking the past such experiments in other parts of the world into consideration. The idea of interlinking rivers is again an intimidation to India's external relationships especially with the neighbouring countries like Bangladesh, Nepal and Bhutan, which have already expressed their anxiety to the Government to reconsider the proposed project that would breach the ecosystem in the region. Now, it is up to the new Government to decide whether to go on with the NDA's proposal or not, which has brought in very serious apprehensions from diversified sections both inside as well as outside the nation.

Guest Column: *Manu Alphonse*

Dalit Budgeting

The Tamilnadu Experience in Budget Advocacy

The **Tamilnadu Peoples' Forum for Social development** has, over the last 8 years (1995-2003), established itself as the premier Budget Analysis group in Tamilnadu, the Southernmost State of India. The Forum has also been actively involved in all processes towards budget monitoring work at the national level. The International Budget Project of the Centre for Budget and Policy Priorities, Washington identified the Forum as one of the 7 major initiatives in India involved in serious budget analysis and policy efforts. The major publications of the Forum are posted at the IBP website.

Having done and learnt much over the 8 years, the Forum went through a yearlong process of evaluation and strategic planning and the major result is the birth of **Social Watch – Tamilnadu**, a State-level Resource Centre.

The Forum, from its beginning, had understood budget analysis as an instrument to change socio-economic power relations in the State. The constituents of the Forum came to Budget Analysis as a potential add-on value to their earlier and continuing grassroots and political mobilisation efforts.

Hence, for the Forum, budget analysis had always meant looking at the State Budget from the eyes of the marginalized sections of Tamilnadu. And the Forum identified dalits, tribals, women, children, unorganized labour and small fisher folk of Tamilnadu as the 6 focal points of all their concerns. Hence the search for the Forum has constantly been to move from General Budget Analysis to sectoral budget analysis, monitoring and advocacy, as in the fields of "Dalit Budgeting", "Tribal Budgeting", "Gender Budgeting", "Child Budgeting" etc.

The greatest "success" (in terms of concrete impact and processes) of the Forum has been in the field of Dalit Budgeting – especially the research, lobbying and advocacy work of the Forum around the Special Component Programme for dalits.

Dalits, forming, as per the 1991 Census, 19.18% of the State Population (which is much higher than the national average of 16.48%), have always been a significant section pf the people of Tamilnadu.

And, while the State has witnessed a sort of dalit resurgence in the recent past, the violations of the basic human rights of dalits have taken very cruel

Dalit Budgeting

and crude forms in the recent past. And the gaps and differences of standards of social development between dalit and non-dalit sections of Tamilnadu have regularly grown over the past. Hence for a group like the Tamilnadu Peoples' forum, intent on changing power relations in the State, concentrating on the most powerless section of the State Population – dalits – was a natural process.

In a context of sharpened caste conflicts, while motivated propaganda such as "There is too much money being spent on dalits and too many privileges!" had to be faced, successive governments had always highlighted their achievements in the field of SC/ST Welfare. Hence, the first challenge before the Forum was to bring to public debate and the State agenda the two following questions:

- Given the actual conditions and legitimate rights of dalits, is the amount allocated, even if it is on the increase, adequate?
- Where does all the money that is allocated to dalits ultimately end up? How far does it really reach the dalit beneficiaries?

But very early, the Forum also understood that the basic problem with budgeting for dalits is not merely the amount allocated or the schemes evolved, but the very approach of majority bureaucrats and political parties to dalit welfare. Stereotyped and heavily casteist perceptions of dalits are, more often, the most tragic element of budgeting for dalits.

"creative mobilising of positive capabilities of dalits had done wonders"

Hence the challenge before the Forum was to dealwith its Dalit budgeting in an extremely professional and at the same in a much-focused manner.

Hence our first tool for dalit budgeting was a holistic and focused dossier on the topic. That is exactly what our first publication, **"Social Development of Dalits and Tamilnadu Govt. Budget – A Critique"** attempted, and going by the responses from all over, fairly succeeded, to be. The dossier, basing itself on a professional "survey of Social development of dalits vs. non-dalits in Tamilnadu", effectively stressed the need for a radically new approach to budgeting for dalits. Laying bare the dynamics of dalit budget dynamics in the State, the Dossier presented a concrete proposal towards a new paradigm of budgeting for dalits in Tamilnadu. It also contained a grassroots experience wherein the creative mobilising of positive capabilities of dalits had done wonders in a concrete situation.

Our efforts in the field of dalit budgeting got an even sharper focus with our researches on the Special Component Plan for Dalits. The Special Component Plan, as an exhaustive and holistic approach to dalit empowerment, was an ideal tool in our search for concrete platforms for lobbying and monitoring activities. And our latest dossier, **"Special Component Plan – Dalit Hopes Betrayed?"** has helped us to scale new heights in the field of dalit budgeting advocacy, with the Government, and especially the bureaucrats and the legislators.

The work of the Forum in the field of dalit Budgeting reached another milestone with the evolution of the **Tamilnadu Dalit Legislators Forum**, centered around the advocacy on the Special Component Plan. It has meant that our voices are constantly raised at the Legislative Assembly, especially during the annual State Budget Sessions.

Starting from a near total ignoring by the State Government, the consistent lobbying by the Forum in collaboration with major dalit movements, networks and dalit legislators, based on our focused research, had forced the Government, during the State Budget Speech of 2002, to openly announce that the dalits have been denied their rights over the years and that the Government has decided to evaluate the functioning of the Special Component Plan in the State. Surely the Forum can take much credit for it!

The Dalit budget critiques of the Forum have also been helpful in adding value to dalit movements at the grassroots levels in their various struggles. For example, the **Tamilnadu Dalit Panchayat Presidents Association** continues to incorporate our studies on Special Component Plan for dalits in their struggle for grater devolution of political and financial powers to panchayats. At the national levels too, campaigns such as the **National Campaign for Dalit Human Rights (NCDHR)** have benefited from our expertise on dalit budgeting, through specially organized interactions.

Much has been learnt about the challenges of situating a sectoral budgeting work in an over-all effective matrix of lobbying and advocacy. And much more needs to be done yet. Social Watch – Tamilnadu is committed to build on all the experiences of the Tamilnadu peoples' forum in the field of Dalit budgeting, towards the dream of restructuring the power equations of Tamilnadu in favour of the dalits of the State.

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