Budget TRACK

Volume 4, Track 1, August 2006

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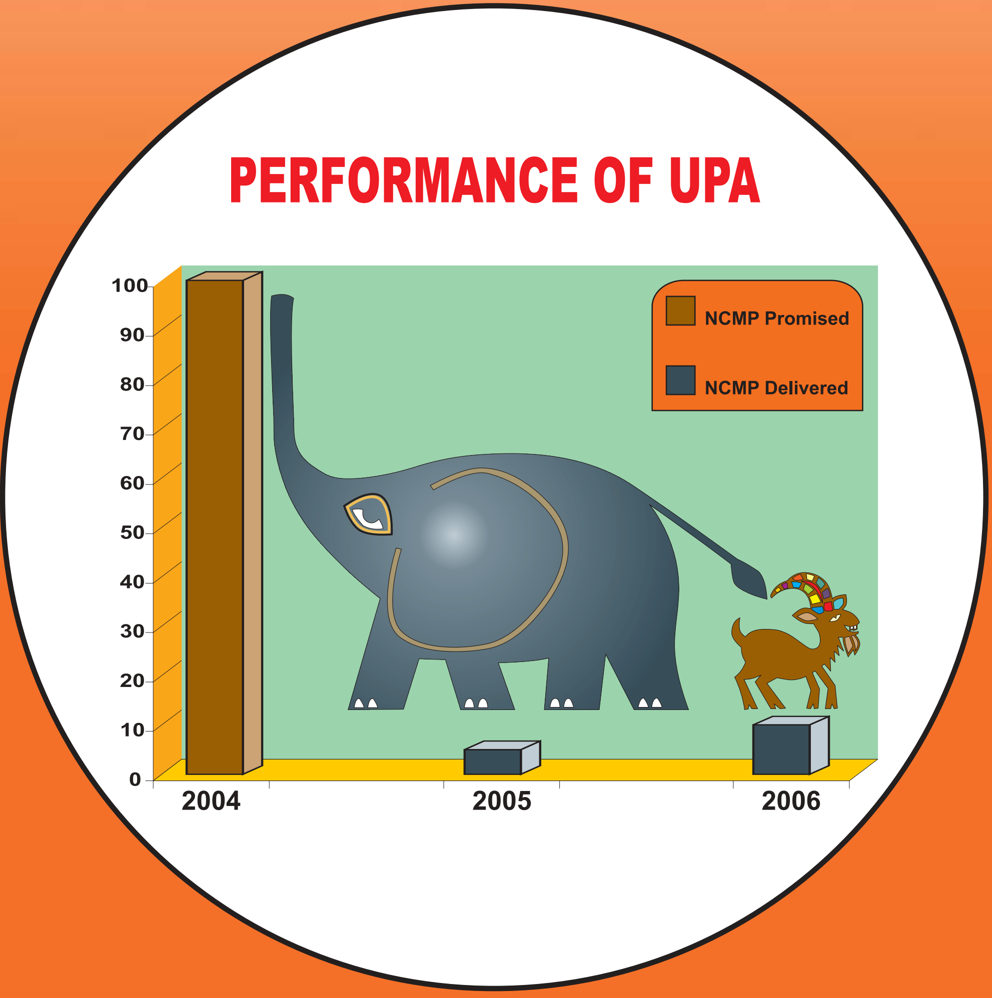

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Foreword

As is well known, the National Common Minimum Programme (NCMP) of the United Progressive Alliance (UPA), an agenda to cater to the broader goals of its alliance, has become the point of reference for holding the government accountable and demanding transparency, which itself is a welcome development on the national scene. This issue of Budget Track (Volume 4, Track 1) looks at a number of key concerns of NCMP and tracks the progress with references to promises made in the last budget.

This issue is a composition of many such important and timely issues that have come up in the past and have significant bearing on the poor and the marginalized people in terms of their implications. The article on Budget & Policy Tracking of the Union Government briefs the developments that have taken place in the periphery of Budget & Policy Tracking, fourth quarter of the financial year 2005-06 and part of the first quarter of the financial year 2006-07. Further, this issue also takes into concern the issues of Future Trading from the standpoint of the Indian farmers. A critique of the Draft Approach Paper of the Eleventh Five-Year Plan of the Planning Commission of India has also been included in this issue. Further, in this current issue The Right to Information Act (RTI) and the issue related to National Rural Employment Guarantee Act (NREGA) have been dealt. Lastly, an attempt has been made to critically look at the last two years of the NCMP from the perspective of the marginalized.

We hope that the content of the present issue too would prove to be informative and useful to our readers.

IN THIS ISSUE

Budget and Policy Tracking of the Union Government - Sakti Golder

More than a fortnight before the Union Budget 2006-07, the Finance Minister told the newspapers that the growth projection of 8.1 percent (estimated by the Central Statistical Organisation) and the Sensex (Bombay Stock Exchange Index) crossing 10,000 points was a *"heady mix"*. Two of his reported statements need special attention: one being that "the Sensex reflects the business confidence and strong fundamentals of the economy" and second "we should continue to remain on the path of tight fiscal control and try to complete projects on time. It is this (current) monetary and fiscal policy that has given us this growth" (*Business Line, February 8, 2006*). Thus, the Finance Minister regards the surging Sensex as a very reliable indicator of sound economic fundamentals of the economy. The mainstream media also highlights the present *pros and cons* of the movement of Sensex with great importance. But in fact the noticeable surge in the Bombay Stock Market Index is largely a phenomenon of the last few years and several analysts and market observers have pointed out that this significant surge is mainly due to the Foreign Institutional Investments (FIIs), which in turn has been facilitated by policies of successive Central Governments that have promoted financial liberalization. Out of the foreign exchange reserves of $143 Billion currently (in February-March 2006) being held by the Reserve Bank of India, $44 Billion, i.e. over 30% is on account of FIIs. Thus, the movement of Sensex is significantly related to those FIIs and thereby the volatility and uncertainty of international market. This has been proved by the recent downturn of Sensex by more than 2000 points within a week (after mid-May 2006), which must have been influenced to some extent by the worldwide share market crash at the same time.

Again, the Finance Minister's second implicit reasoning that impressive economic growth has resulted, among other things, from a tight fiscal policy has been questioned by many economists and observers. The aggregate GDP growth in India has been respectable since the 1980s. The revised estimate of Central Statistical Organisation (Press Release on 31st May 2006) shows that overall the economic growth in 2005-06 is 8.4 percent. The sectors which contributed significantly was manufacturing (9%), electricity, gas and water supply (5.3%), construction (12.1%), trade, hotels, transport and communication (11.5%), financing, real estate, and business services (9.7%) and community, social and personal services (7.8%). Furthermore, agriculture, forestry and fishing together contributed significantly as it have registered a 3.9% percent growth rate in 2005-06 compared to 0.7% growth in 2004-05. For the recent years agriculture, rural industry and the urban informal sector have performed badly due to the lack of public investments. In spite of all these odds the agricultural sector has bounced back and a major part of overall growth has been attributed to the agricultural sector's growth. Besides, Government's tax revenues are dipping partly for providing tax concessions to the well to do, which further induces to cut expenditures to restraint in the fiscal deficit. Thus, considering all, it is very much irrational to claim that recent 'tight fiscal policy' contributes significantly to these sectors as well as promote growth. Hence, the Finance Minister's perception to tight fiscal control is quite unreasonable.

However, it is highly commendable that for the last three years India achieved a higher growth rate. After growing 8.5% and 7.5% in the previous two years, the growth rate in the Financial Year 2005-06 is 8.4%. Inflation, in most parts of the world, showed a rising tendency on account of increasing global crude oil prices. Despite, the prices in India have remained at comfortable levels with the WPI (Wholesale Price Index)-inflation at 4.1% (on February 4, 2006). In spite of all these favourable factors, **there had not been any radical measure in the budget, which might envisage a drastic change to the marginalised and a large section of rural poor who are now facing a severe crisis although it was expected that the UPA would bring about major changes in the economic policies in favour of the poor in line with National Common Minimum Programme (NCMP).** In the background of low

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Human Development Index (HDI), acute agricultural crisis, increasing unemployment, deep-rooted poverty etc., the government should give more attention to the employment generation, agricultural sector, social sectors etc. But the actual scenario is different from the actions expected, which will be clear from the following discussion.

EMPLOYMENT GENERATION

High growth rate itself is not a sufficient condition for alleviating unemployment and poverty. National Sample Survey (NSS) Data reveal that the country has been experiencing a virtually "jobless growth". **From 1993-94 to 2003-04, the unemployment rate (on the basis of current daily status) for males increased from 5.6 percent to 9.0 percent in the rural areas and from 6.7 percent to 8.1 percent in the urban areas. Over the same period, the unemployment rate for the females increased from 5.6 percent to 9.3 percent in rural areas and from 10.5 percent to 11.7 percent in urban areas** (The Economic Survey, 2005-06). Thus, with the high economic growth, to create additional employment should be one of our priority areas.

In this context, the National Rural Employment Guarantee Act (NREGA), which was passed by the Parliament in August 2005, can be considered as one of the progressive acts passed in the independent India. This Act will provide a legal guarantee for at least 100 days of employment on asset-creating public works programmes every year at minimum wages for at least one able-bodied person in every rural and urban (mainly the poor and lower middle class) household.

In his budget speech, the Finance Minister announced an allocation of Rs. 14,300 crore for Rural Employment Generation Schemes. Of this total allocation, Rs. 11,300 crore will be spent under NREGA and Rs. 3000 will be spent under Sampoorna Grameen Rojgar Yojana (SGRY). The need assessment done by several organisations including National Advisory Council (NAC) is much more than the amount allocated even if, the government sticks to the same 200 districts as specified by the Planning Commission. On the other hand, the allocation for SGRY (excluding North East Region) has in fact declined from Rs. 7,650 crores in 2005-06 Revised Estimate (RE) to just Rs. 2700 crore in 2006-07 current Budget Estimate (BE). **Substituting ongoing schemes like SGRY and FWP (Food for Work) with the NREG scheme in the 200 districts identified under NREGA and reducing overall allocations for SGRY (in 2006-07 BE) implies that employment generation in the districts currently outside NREGA will be too little, and that in the NREGA districts also would be much less than what was desirable.**

Again analysis of the Outcome Budget of the government shows anomalies in the planning progress and outcome targeting itself. Both SGRY and FWP are wage employment programmes that are meant to create employment opportunities and food security in the rural areas. While the outcome budget in SGRY targets for 8611 lakh mandays of employment with an allocation of Rs. 4000 crore, the FWP targets for 7500 lakh mandays with an expenditure of Rs. 6000 crore. It is another fact that the government did not bother to dispose of the huge unspent balance in both the schemes till February this year. Also, in the light of the growing unemployment problem in urban as well as semi-urban areas, an extension of Employment Guarantee Act is essential to cover urban areas as well.

AGRICULTURE

Although agriculture, forestry and fishing together contributed significantly as it has registered a 3.9% percent growth rate in 2005-06 compared to 0.7% growth in 2004-05, still the government must recognise that the agricultural sector is in deep crisis and it requires massive investment and rural credit support. The total investment (public and private together) in agriculture as a proportion of GDP has declined from around 2.2% in 1999-00 to 1.7% (Central Statistical Organisation [CSO] quick estimate) in 2004-05 *(Economic Survey, 2005-06*). On one hand, when private investment in agriculture is shrinking, if government does not come forward to compensate the gap, it will have disastrous impact on the sector itself.

In the Union Budget 2006-07, the only significant measure taken was to increase the institutional credit to the farmers with 7 percent interest rate (although the National Commission on Farmers recommended a much lower rate, 4 percent). Over the last few years, thousands of farmers have committed suicides in the states of Maharastra, Andhra Pradesh, Karnataka, Tamil Nadu and several other parts of the country. Although some steps in the budget 2006-07 are quite appreciable, it is not sufficient considering the depth of indebtedness and the generalized nature of the agrarian crisis. Slow growth rate of agricultural sector has already threatened our self-sufficiency in food grain production and food security; perhaps recent import decision hints that.

Faced with low procurement levels, India on 21st April decided to import three million tonnes of wheat (largest-ever wheat import in a single year in recent times) over and above the 500,000 tonnes already contracted for. Agricultural Minister said that against the buffer stock norms of 4 million tonnes on April 1, the government had stocks of only 1.9 million tonnes. The minister defended the

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import decision on the plea that the effective economic cost of the domestically procured wheat (after taking into account levies and other costs) came to Rs 10,308 a quintal, against the cost of Rs 9,978 a quintal for imported wheat. Another argument is the bringing down of retail prices, which have been rising over the last few months, especially in the Southern States of Kerala and Karnataka where prices have reached Rs. 1100 - 1200 a quintal.

Kerala and Karnataka's main agricultural crops are rice & ragi. Therefore, the southern states are used as a scapegoat for which is to make India dependent on food grains imports from the U.S as a part of the U.S - India Agreement on Agriculture where the creation of an enabling environment is premised upon the usual prescription for greater liberalisation: "tariff and non-tariff barriers to be reduced in respect of all products, agricultural and manufactured, over a specified period of time by the US and India".

Thererfore**, an import decision is taken only in June based on procurement trends.** But the decision has been announced well before procurement season between mid-April and mid-May. Is the urgency indicating food insecurity in India or the country reversing to a ship-to-mouth existence? The Minister has admitted that the wheat import consignment would take about 60 days to reach the Southern parts of Chennai, Karnataka, Tuticorin and Vishakapatnam. In 60 days the farmers of North India would have harvested their wheat. Why could the Government not wait for the domestic harvest instead of importing wheat? The food ministry has failed miserably to make realistic assessment food grain paucity and the high prices of food grains which were looking large in the open market.

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Further, the Government has clearly announced that the import is as part of the US - India "Knowledge Initiative in Agriculture", which has a commercial component. Hence, the duty free imports will create food insecurity in India, both by starting a trend for dependence on imports and by destroying domestic markets. Government's decisions are contradictory. On the one hand, India is arguing that in the WTO, to protect the livelihoods of our small farmers and peasants, (under U.S pressure through a bilateral agreement), the Government is in fact encouraging dumping by allowing duty free wheat imports that are totally unnecessary just a few months before our own wheat harvest. Undoubtedly the question may arise whether it is justified to depend on imports for food security. It must be kept in mind that food grain stock rose to an unprecedented level of 63 million tonnes in July 2002. As a consequence, Within a few years we would unable to reach even the buffer level.

It has been said that Government of India, in recent time, is planning to bring about the 'Second Green Revolution' for food sufficiency. In fact the 'Green Revolution' in India (also worldwide) in 1970s came out mainly from the public research domain. But for the several years, agricultural research in India is one of the neglected areas due to the lack of funds. In this situation, India has signed an accord namely the 'Indo-US Knowledge Initiative on Agricultural Research and Education' with US to enhance cooperation in Agricultural Research mainly in the area of Biotechnology. Unlike the science of Green Revolution that came from public domain science, today's biotechnology revolution depends almost entirely on private domain of science. Therefore, the agreement that ties India's agricultural research institutions to Monsanto and other US MNCs (Multi National Corporations) means ensuring their dominance over India's agriculture. Thus, the research activities may also be directed by the MNCs and thereby the whole research be manipulated with the aim of rapid commercialisation of agriculture. It may also lead to crop imbalances. In addition, from the Indo-US CEO Forum Report, it appears that India prepared to accept Intellectual Property Rights (IPRs) terms which the parliament had rejected last year. It is well known that the US in its science and technology agreements with Third World Countries pushes for IPRs flowing out of such agreements to accrue to the country with more stringent IPRs. By this, all worldwide rights coming out of this initiative would belong to the US as their IPR regime offers patent holders' rights to life forms, plants and seeds. There is also a threat to India and local communities losing the rights to indigenous genetic resources.

Hence, the attempt to yoke Indian Agricultural Research with the US private MNCs, is the attempt to sell a model of a completely corporatised agriculture. Manmohan Singh and Montek Singh Ahluwalia have been talking about the need to bring in private capital in a big way in Indian agriculture as the only solution to the agrarian crisis in the country. But corporatising agriculture will do little to help the bulk of the rural population. With its focus on commercial crops, bulk procurement and retail chains, such corporatisation can only weaken the small farmer even more. There might be high possibility of crop imbalances. Already in Punjab, corporate interests such as Monsanto, Reliance and others are making a beeline for agri-retail trade. With gradual withdrawal of the Government from procurement, more and more of retail trade for agriculture is going into these private hands, 'profit' by any means is their sole objective. The presence of Wal

Mart in Indio-US CEO Forum also makes it clear the interest that the US is opening India's internal and external trade in agriculture to US companies.

EDUCATION

In the education sector, the UPA Government promised to raise public expenditure to at least 6% of the GDP with at least half this amount to be spent on primary and secondary schools in a phased manner during its regime. It has also promised to introduce a cess on all Central taxes to finance the commitment to universalise the access to quality elementary education. Further, a national cooked nutritious mid-day meal scheme, funded mainly by the Union Government, to be introduced in primary and secondary schools, was also promised in the NCMP.

However, these promises have not translated into desired outcomes in terms of budgetary provisions in the three budgets presented by the UPA Government so far. In 2004-05 fiscal year, the Government had introduced a cess on all kinds of taxes to be earmarked exclusively for elementary education. From this cess, the estimated revenue generated was around Rs. 5010 crore during 2004-05 (RE) and Rs. 7490 Crore in 2005-06 (RE) and the same is expected to be Rs. 8746 crore during 2006-07. It was expected that the Centre would increase its spending on the two flagship programmes, namely Sarva Siksha Abhiyan (SSA) and Mid-day Meal Scheme (MDM) meant for universalising elementary education by at least the amount raised from imposition of education cess in excess of the prevailing level of Union Government spending on education in 2003-04. However, the data tells us otherwise.

In 2004-05 RE, expenditure on these two programmes were raised to Rs. 6261.13 crore from Rs. 4107 crore level in 2003-04 RE. Similarly, in 2005-06 RE, the quantum of expenditure on these two programmes was Rs. 10177.01 crore. If we simply add up the level of expenditure in 2003-04 RE on these and the revised estimates of the amount of cess collected for the years 2004-05 and 2005-06, the allocations made by the Centre in these years fall far behind the level arrived at. Thus, the Union Government spent just about Rs. 2856 crore over and above the amount of education cess that was proposed to be collected in 2004-05. Similarly, in 2005-06 too the Union Government spent just about Rs. 2687 crore over and above the Revised Estimates of Education Cess amount. In 2006-07 the Union Government has committed to spend around Rs. 14855 crore, which is substantially higher than the past allocations. However, an amount Rs. 8746 crore worth for funding would come from the education cess collected in the year. Thus, it seems that the UPA Government is relying heavily on the instrument of Education Cess to fund the Government's commitment to universalise its elementary education. It is quite unfortunate to note that the Government, despite collecting a substantial amount of money from the common public for raising the expenditure on education, is not matching the same with increased funding from other sources than the education cess. If such a scenario persists, the accepted norm of expenditure on education, i.e. six percent of GDP, would remain a distant dream.

HEALTH

Out of the many pro-poor promises, the NCMP sought to increase public spending on health to at least 2-3% of GDP over the next five years, with focus on primary healthcare. It further said that a national scheme for health insurance for poor families would be introduced and the UPA Government would take all steps to ensure availability of life-saving drugs at reasonable prices. Total Expenditure of the Union Government on Health and Family Welfare is projected to go up from Rs. 6251.95 Crore in RE 2005-06 to Rs. 8127.64 Crore in BE 2006-07. But an additional allocation of Rs. 5,600 crore (for a total public expenditure of 2 % of GDP by 2009) to Rs. 11,200 crore (for a total public expenditure of 3 % of GDP by 2009) is needed annually over the next five years to reach the level of spending promised in the NCMP. Thus, as against the NCMP mandated increase in allocations to Health and Family Welfare to the tune of Rs. 5600 crore, actually the increased allocations have been increased lag far behind. Nonetheless, Rs. 2000 crore, which is a move in the positive direction has increased the allocations roughly. The Union Government has taken some positive steps in Budget 2006-07 to bring down the prices of 10 anti-AIDS and 14 anti-Cancer drugs by slashing the customs duty to 5 percent. Duty on certain life saving drugs, kits and equipments has also been brought down to 5 percent from the existing level of 15 percent in the Budget proposals for 2006-07. These drugs will also be exempted from excise duty and countervailing duty (CVD). But only these few initiatives and the meagre increase in the allocations are not sufficient to fulfil the ambitious Tenth Plan's physical targets to reduce Infant Mortality Rate to 45 per 1000 by 2007 & to by 2012 the target has been set at 28 per 1000 live births. Another target set by the Tenth Plan pertains to Maternal Mortality Rate (MMR), where it has hoped to bring down MMR to 2 per 1000 live births by 2007 and 1 per 1000 live births by 2012.

CAPITAL ACCOUNT CONVERTIBILITY

The Prime Minister at Mumbai on 18th March 2006 proposed the introduction of full Capital Account Convertibility although in the NCMP the

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Narmada Bachao Andolon - Issues of Displacement and Rehabilitation

According to the latest survey by the Indian Social Institute, New Delhi, the total number of development-induced Internally Displaced People (IDP) in India are 21.3 million. This includes those displaced by dams 16.4 million, mines 2.55 million, industrial development 1.25 million and 0.6 million people for wild life sanctuaries and national parks. Another 30,000 families are under the threat of being displaced for the recent highly irregular decision of Narmada Control Authority (NCA).

Although the Supreme Court has expressly withheld permission to raise the height of the dam unless rehabilitation measures for those affected, mainly tribal families, were put in place, the NCA gave permission to raise the height from 110.64 metres to 121.92 metres of the Sardar Sarovar Dam violating the Honourable Supreme Court's decision of March 2005. In fact, thousands of displaced families are yet to be rehabilitated. In such a situation, the decision to raise the height of the dam will further displace 30,000 more tribal families in Madhya Pradesh. It is essential to suspend the decision to raise the height of the dam and to ensure full rehabilitation of the displaced families before any such measure.

The rehabilitation package was specifically linked to 'land for land' policy with a minimum of two hectres. When Chief Secretaries of the affected states were informed that any payment of cash for compensation was illegal, the NCA chairperson has also reiterated the same point in a meeting on 21st July, 2005. However, shockingly, in its March 2006 meeting, the NCA permitted the raising of the dam's height without even a single field visit or any other direct information on the status of rehabilitation measures. In fact, reports say the affected families were being told that unless they accept the cash compensation they would not get anything else. It is the violation of the basic human right to live because raising the dam's height without rehabilitation means death for thousands through forced landlessness, destitution and starvation.

The **worst ever violent incident related to the issue of displacement and rehabilitation occurred recently** at Kalinga Nagar of Orissa's Jajpur district. Police openly fired at the tribal men and women who were protesting against. It was compelling the government to look at the issue of relief and rehabilitation of the project-affected people more seriously. The problem of project displacement was never paid any attention in the past. In recent years, however, the problem has come to the forefront as most of the sanctioned industries are proposed to be located in tribal-dominated areas. As such, large-scale mining activities in the state have affected the tribal people badly. Most of the iron ore mines and deposits are located in the tribal-dominated Keonjhar and Sundargarh districts. With continuous mining activities, the tribal people of these districts have lost their homes and, with the destruction of forests and water sources, their livelihood. Walter Fernandes, who has authored several books on tribal people and displacement, estimates that about two million people have been displaced by development projects in the state between 1951 and 1995, of whom 40 per cent were tribal people, 20 per cent were Dalits and 20 per cent belonged to the Other Backward Classes. The demand of tribal people, who would be affected by the proposed project, was that the government allows the construction of the boundary wall only after the company paid them adequate compensation and ensured proper rehabilitation. Instead, they were forced to remain in silent by the government.

government was committed to reduce the "vulnerability of the financial system to the flow of speculative capital". Actually the introduction of Capital Account Convertibility was shelved after the contagion of severe currency crises hit the South-East Asian Countries in 1997-98, from which India could insulate itself only because of the extant capital control. According to the Reserve Bank of India, the ratio of volatile capital flows (defined to include cumulative portfolio inflows and short term debt) to reserves, which was 36% on March 2004, had increased steadily to 40.5% on September 2005. Such rising proportions of volatile capital inflows increase the possibility of financial turbulence. In fact the combination of an unsustainable stock and real estate bubble fuelled by 'hot money' inflows, currency appreciation and a widening current account deficit, being witnessed in India recently, looks eerily similar to the situation prevailing in the South East Asian countries in the period preceding the currency crises of 1997-98. Successive governments are encouraging the volatile capital inflows by different fiscal incentives like non-tax capital gains etc.. This is enhancing risk within our financial system and has the potential of causing enormous pain to the common people who would have to bear the burnt of adjustments once the ephemeral boom comes to an end. Introducing Capital Account Convertibility at this stage would further encourage such speculative inflows and reckless commercial borrowing.

Recently, much discussion and debate is ongoing on three major Bills such as Tribal Rights Bill, Right to Information Act and Office of Profit Bill.

TRIBAL RIGHTS BILL

The Joint Committee of Parliament to review the Scheduled Tribes (Recognition of Forest Rights) Bill 2005 has finalised its recommendations. The Bill, along with the amendments, has been placed on the table of both Houses of Parliament on 23rd May. The major issues and amendments covered in the Bill are:

- **Issues of Non-Tribal Forest Dwelling**

Communities: An important amendment in the Bill is to include the rights of Non-Tribal Traditional Forest Dwelling Communities while at the same time keeping the focus squarely on tribal rights. These include some other forest depended Scheduled Castes and most backward communities who may be recognized as Scheduled Tribes in one state but not recognized as such in another. This is a good step. But this inclusion clause may have a danger of illegal encroacher also.

- **Cut-off Year and Land Rights:** Presumably, based on a Supreme Court judgement in 2000, the Bill had kept 1980 as the cut off year. The main problem in this amendment is that the cut-off year of 1980 may evict some authentic displaced people, because tribals in most parts of the country don't have requisite proof prior to 1980 because of denial of registration. Further the Bill had put a ceiling of 2.5 hectares per nuclear family.

In addition, **Inclusion of Women's Rights and Expansion in the Rights' Chapter, Democratising the Structure, Development and Government Responsibility, Rights and Penalties** are some important areas, which are amended.

RIGHT TO INFORMATION ACT

The Union Cabinet on 20th July 2005 approved the introduction of a Bill amending the Right to Information Act (RTI), 2005, to exclude file notings in a number of areas, in the Monsoon Session of Parliament. Various Civil Society Organisations, which played a crucial role in the enactment of the RTI Act, have reacted sharply to the decision. Although the government argues that the proposed amendments would remove ambiguities and make the provisions of the Act effective and progressive, ultimately the purpose of the Act will be undermined if the amendment is passed.

According to Aruna Roy of the Mazdoor Kisan Shakti Sanghathan (MKSS), "Section 8 (exemption clause) is an overarching section. If there is a problem with file notings related to the UPSC, why doesn't the Government put it under that schedule? This is a deliberate attempt to cover up for acts of corruption. There is fear among bureaucrats that the widespread use of the RTI legislation will end the arbitrary use of power. I really think this move will weaken the Act and the UPA's promises of a free and accountable government." (The Hindu, 21st July 2006).

OFFICE OF PROFIT BILL

On 17th May, the Parliament approved the Parliament (Prevention of Disqualification) Amendment Bill, 2006. The Bill seeks to bring changes in 1959 Act of exempting more posts from the purview of the Office of Profit. The Bill was passed by voice vote. The President returned this Bill to the Parliament. But the Union Cabinet on 22nd July rejected President's call for reconsideration of the Bill. The Bill seeks to exempt 55 posts and the office of chairperson of the National Advisory Council (NAC) from the purview of Office-of-Profit.

POLICY SUGGESTIONS

- Considering the disastrous employment situation in India, implementation of National Rural Employment Guarantee Scheme is a very progressive initiative. It is necessary to expand it across India in a time bound framework. At the present scenario, when NREG Scheme is being implemented in a limited number of districts, it must be ensured that other employment generation programmes should not suffer from inadequate funds.
- The sops towards the agricultural sector announced in the budget are not adequate to considering the devastating situation in this sector. This sector immediately needs a 'Big Push'. The recommendations of the National Commission on Farmers must be implemented. Besides, substantial amount of public resources is necessary to provide irrigation and other infrastructural facilities to a large number of poor farmers. To get benefit from the agricultural research, there is no substitute of government.
- Both in health and education, the mismatch between targets and resources are major problems. Although some major flagship programmes are initiated in these areas, a number of experts are suspicious about the success of those programmes and their main concerns are the inadequate financial resources. The government should disburse resources in accordance to the NCMP mandate.
- During the last three decades a large number of people especially the poor tribals have been displaced for different developmental projects. Without proper rehabilitation and compensation, these types of projects are still going on. Ultimate sufferers are mainly the poor and the marginalised people. It is very unethical to impose the burden of development on those people. Government must ensure the proper rehabilitation measures about this.
- Tribal Rights Bill might play an important role to protect the forest dwellers. But proper implementation is indispensable to fulfil the objective of the Bill.

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Progress in Implementation of NREGA - Nandan Jha

National Rural Employment Guarantee Scheme (NREGS) was implemented in 200 districts of India on February 2, 2006. It is now into its sixth month of implementation. As per the recent data, generated by the Rural Development Ministry as on 9th June 2006, out of a total of around 5.75 crore rural households in the selected 200 districts, approximately 2.69 crore rural households applied for registration to get Job Cards issued to them under NREGS **(Refer to Table 1)**. Out of these, approximately 1.80 crore households were issued Job Cards. However, only 81 lakh (approximately) households/persons (since only one adult person from each household can work) having Job Cards, demanded employment under this scheme. Of these, only 65 lakh people were employed and a total number of works created for this purpose stood at 1.10 lakh.

However, it may be worthwhile to mention here that had all the applicants for registration for Job Cards demanded employment too, it would have required almost Rs. 29,000 crore *(Dainik Jagaran, 27th April, 2006)*. As reported by this newspaper, 2.43 crore persons had applied for registration to get Job Cards. If the Government had to provide 100 days of employment to these persons, it would have required a sum of approximately Rs. 26,000 crore. This magnitude of money required had, in fact, unsettled the Finance Minister, who has provided Rs. 11,300 crore for this purpose in 2006-07 budgets. So much so that he tried to get the wage rates fixed across the country at the level of Rs. 60 in order to reduce the magnitude of money involved. This, however, was strongly opposed by the Rural Development Ministry as well as social activists across the country.

To the great relief of our Finance Minister, it is becoming apparent from the recent trends that the number of persons desirous of working under this scheme should not exceed the target of 1.5 crore. The Rural Development Ministry has also noted this. As mentioned above, ***in the first four months of its implementation, only 81 Lakh people have demanded work, which is well below the number of persons having Job Cards now.*** However, in the light of the estimate of number of persons demanding work fixed at 1.5 crore by the Rural Development Ministry, it would still require at least Rs. 15,000 crore approximately and the Central Government has to arrange an additional sum of Rs. 4,000 crore approximately to meet this target.

While taking stock of the funds released so far, it may be noted that the Ministry of Rural Development had released an amount of Rs. 3548.27 crore in financial year 2005-06 to the concerned districts for implementing the scheme. In the current financial year, the total magnitude of funds released to the selected districts by 17th July 2006 stood at Rs. 4375 crore **(Refer to Table 2)**. In the first quarter of the current financial year, Rs. 3977 crore was released. ***At the onset of second quarter, the total sum released till 17th July 2006 stood at Rs. 4375 crore, which means an addition of Rs. 400 crore over the first quarter.*** This additional money has been released to Rajasthan and Madhya Pradesh alone. This implies that the rest of the states, where the NREGS is in operation, have either not submitted the utilisation certificate (showing at least 60 % of fund usage of the previous instalment released) or have been unable to spend the money released to them in the first quarter of the current financial year. ***The data in respect of mean number of days of employment provided to these persons, mean wages paid and the ratio of wage-material maintained is not yet available, which are very essential for estimating future costs required in providing assured 100 days employment to at least those persons who have demanded work.*** The same is also required to monitor the amount of unspent balance at various levels on any given time.

As regards the potential sources of revenue generation for this scheme, it may be noted that ***NREGS is a demand driven scheme, which is vastly different from the earlier employment generation/poverty reduction schemes.*** These schemes are/were allocation based. ***Therefore, the Central Government and the states have to provide adequate resources to meet the fund requirements as and when needed.*** The Governments at the Centre and the states can mobilise revenue by its usual instruments of taxation and other relevant methods, such as a 'Cess' on the lines of the 'Education Cess' imposed in the country. Any collection from this cess would be deposited in the Central Employment Guarantee Fund and should be used for financing this scheme.

Table 1: NREGA PROGRESS as on June 9, 2006

SL. No	Name of States	No. of Dists.	No. of Rural Hshd	Applications for registration of households	Jon cards issued	Funds released [in Rs. lakh]	Emplmnt. Demanded	Emplmnt. Provided	No. of works
1	Andhra Pradesh	13	6104032	3908668	3662856	20000.00	721868	704101	21975
2	Arunachal Pradesh	1	7905	45070	16256	272.85			
3	Assam	7	923966	95000	69800	13970.845			
4	Bihar	23	8943456	1385852	592155	40503.38	1657522	1065367	1655
5	Chhattisgarh	11	1792584	1668412	1508745	17321.72	153599	143912	8907
6	Gujarat	6	1596636	540761	389772	4113.94	30909	27904	333
7	Haryana	2	304178	76766	47614	913.39	11470	2550	89
8	Himachal Pradesh	2	167349	31033	30628	683.64	10403	9821	1372
9	Jammu & Kashmir	3	319692	169038	65531	986.365	4127	4127	283
10	Jharkhand	20	3806040	1755005	1171831	37618.59	496725	467832	9451
11	Karnataka	5	1484815	457409	315412	6329.69	148875	42724	551
12	Kerala	2	603527	225133		2179.51			
13	Madhya Pradesh	18	3890287	4033166	3675584	93617.22	1666665	1206067	14321
14	Maharashtra	12	3706706	2335602	288921	17961.645	241005	192365	6368
15	Manipur	1	22299	45172	17880	570.89			
16	Meghalaya	2	109577			2064.68			
17	Mizoram	2	22828	7610	7610	298.9			
18	Nagaland	1	48697			430.11			
19	Orissa	19	3503354	2400560	1602199	31516.56	1281759	1214590	19577
20	Punjab	1	237480	37870	33375	755.75		19339	
21	Rajasthan	6	1461606	1396749	1376947	40000.00	688740	653871	8033
22	Sikkim	1	7955			451.5			
23	Tamil Nadu	6	1811557	958980	581360	9889.21	140742	51883	678
24	Tripura	1	57709	62736	58114	1456.66	20148	16218	327
25	Uttar Pradesh	22	9021545	1666331	1121415	33498.69	172963	167065	11605
26	Uttaranchal	3	211495	282951	175779	1910.6	6206	6206	1739
27	West Bengal	10	7374151	3322241	1149145	18358.84	646412	495493	3305
	TOTAL	200	**57541426**	26908115	17958929	397675.175	8100138	6491435	110569

Source: www.nrega.nic.in

- Blank spaces in the table denote information not received from the States
- Funds released are the funds released by Government of India during the Financial Year 2006-7 [in lakh Rs.]

Progress in Implementation of NREGA

"The data in respect of mean number of days of employment provided to these persons, mean wages paid and the ratio of wage-material maintained is not yet available, which are very essential for estimating future costs required in providing assured 100 days employment to at least those persons who have demanded work."

Progress in Implementation of NREGA

"NREGS is a demand driven scheme, which is vastly different from the earlier employment generation/ poverty reduction schemes. These schemes are/ were allocation based. Therefore, the Central Government and the states have to provide adequate resources to meet the fund requirements as and when needed."

Table 2: Statewise Release from the Centre under NREGA

(Rs. in lakhs)

SL. No.	Name of the State	Release Under NREGA until 17/07/2006 (Beginning of Second Quarter of 2006-07)	Funds released Until End of June 2006 (First Quarter of 2006-07)
1	ANDHRA PRADESH	20000.00	20000.00
2	ARUNACHAL PRADESH	272.85	272.85
3	ASSAM	13970.85	13970.85
4	BIHAR	40503.38	40503.38
5	GOA	0.00	0.00
6	GUJARAT	4113.94	4113.94
7	HARYANA	913.39	913.39
8	HIMACHAL PRADESH	683.64	683.64
9	JAMMU & KASHMIR	986.37	986.37
10	KARNATAKA	6329.69	6329.69
11	KERALA	2179.51	2179.51
12	**MADHYA PRADESH**	**109384.11**	**93617.22**
13	MAHARASHTRA	17961.64	17961.64
14	MANIPUR	570.89	570.89
15	MEGHALAYA	2064.68	2064.68
16	MIZORAM	298.90	298.90
17	NAGALAND	430.11	430.11
18	ORISSA	31516.56	31516.56
19	PUNJAB	755.75	755.75
20	**RAJASTHAN**	**64100.00**	**40000.00**
21	SIKKIM	451.50	451.50
22	TAMIL NADU	9889.21	9889.21
23	TRIPURA	1456.66	1456.66
24	UTTAR PRADESH	33498.69	33498.69
25	WEST BENGAL	18358.84	18358.84
26	A & N. ISLANDS	0.00	0.00
27	CHANDIGARH	0.00	0.00
28	D. & N. HAVELI	0.00	0.00
29	DAMAN & DIU	0.00	0.00
30	DELHI	0.00	0.00
31	LAKSHADWEEP	0.00	0.00
32	PONDICHERRY	0.00	0.00
33	UTTARANCHAL	1910.60	1910.60
34	CHHATTISGARH	17321.72	17321.72
35	JHARKHAND	37618.59	37618.59
	TOTAL	**437542.07**	**397675.175**

Source: www.nrega.nic.in

"Inflation is when you pay fifteen dollars for the ten-dollar haircut you used to get for five dollars when you had hair."

Sam Ewing

"Inflation is the one form of taxation that can be imposed without legislation. "Let the treasury promise to pay not $1000 but a sum that will have the same purchasing power as $1000 had when the security was issued."

Milton Friedman

"Lenin is said to have declared that the best way to destroy the capitalist system was to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens...Lenin was certainly right."

John Maynard Keynes

Price Rise in Essential Commodities: A Consumer's Perspective

- Siba Sankar Mohanty

Prices of almost everything that any person in your neighbourhood tries have gone up. The hard earned money that a worker counts after signing the Muster Roll is increasingly becoming insufficient to pay for the grocery bills. The movement of prices has become so unpredictable that it is almost impossible to make the monthly estimates of household expenditure. Repeated statements made by Mr. Chidambaram, that prices are under control, comes as a solace though it is difficult to judge the ground of such statements if we look at the price rise from the perspective of the poor and the marginalised. Certainly there is a great mismatch between what government predicts as average price rise and what the common citizens face. It is in this context that we need to look at price rise (or inflation as it is technically said) in India. In this issue of Budget Track, we have attempted to elaborate trend in price rise and the impact of inflation on the common people.

In India, government documents and academicians explain inflation through different indices like Wholesale Price Index (WPI) and Consumer Price Index (CPI). Both are again classified into different groups like WPI for all commodities (WPI$_{ac}$), or WPI for primary articles, food, nonfood, manufacturing etc., and CPI for agricultural labourers (CPI$_{al}$), CPI for industrial workers (CPI$_{IW}$), CPI for urban non manual workers etc. These indices are prepared based on price fluctuation data for different consumption baskets used by different groups of people in different proportions (called as weight). Again, depending on the development trajectory and structure of the economy and trade, such weights change even for the same index. For example, in 1952-53, food articles were given 50.4% weight while calculating WPI and in 2005, food articles is given a weight of 15.4%. In crude sense, this implies that in 1952 the WPI$_{ac}$ was calculated on the assumption that 50.4% of all consumption was on food articles that reduced to 15.4 % in 2006. Similarly, while calculating CPI for agricultural labourers (CPI$_{al}$), the weight given for food articles was 78% in 1960 and 69% in 1986-87. The uses of these indices are specific to different statistical and policy purposes. Reserve Bank of India brings out comprehensive information on the trend of these indices in "Handbook on Monetary Statistics". Depending on the degree of the fluctuation of the prices, academicians may term it as creeping, walking, galloping and hyperinflation; but the phenomenon of price rise is viewed differently by the believers of different paradigms (See Table-1).

Table-1

Decadal Growth in Prices of Different Consumption Goods in India

Years	WPI in all Commo-dities	Food Articles	Fuel Petro-leum, Light & Lubricant	Manufact-uring Products
1952-61	25%	20%	22%	27%
1962-71	81%	104%	62%	54%
1972-81	181%	135%	327%	171%
1982-93	147%	184%	162%	143%
1993-2004	87%	86%	180%	66%

Source: *RBI "Handbook of Monetary Statistics in India", March 3, 2006*
http://rbi.org.in/

Chart-1 shows that in India, the price level was more or less stable between 1952 and 1971. There

Price Rise in Essential Commodities: A Consumer's Perspective

Box-1 : Different Views on Inflation

In general understanding, we synonym inflation with a state of price rise. There are three different views to understand inflation. The most common way used to describe inflation is a situation where there is an increase in the demand for goods and services without a corresponding increase in the supply of goods and services leading to rise in prices of goods and services. Such a definition believes that an increase in prices is purely a situation resulting from market discrepancies in demand and supply of commodities and services or currency in circulation. As far as the later is concerned, an increase in the volume of money in circulation leads to an increase in demand for goods and services and rise in prices.

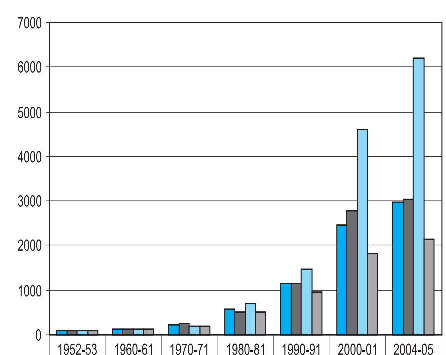
Many economists, who subscribe to the Keynesian school of thought (the famous British economist, Lord John Mynard Keynes) however dismiss such a simplistic proposition by claiming that there can be no inflation before the economy achieves full employment. The ground to this proposition is that when there is excess capacity in the economy, there is always a possibility to increase production and supply of goods and services in order to match the demand-supply gaps in the economy. Therefore, inflation cannot happen in situations where the productive factors are operating with excess capacity.

The third school of thought takes a different stand. It does not dismiss the existence of inflation, nor does it believe in very simple demand-pull or cost-push approaches to understand the situation. For this school, inflation is a situation of contradiction arising out of complex political economic factors like inequality and welfare. Societies with high level of inequality are more prone to frequent and devastating inflations. An inflationary situation has a lot to do with the persisting socio-economic conditions including factors like corruption, black marketing, speculation in commodity prices, export import regulations, tax proposals and expenditure policies of the government. As we have seen, in many countries, including India which are characterised by Demand Constraints (i.e., lower aggregate demand due to high unemployment and low purchasing power) there is an experience of persistent rise in prices of basic commodities although in specific economic sectors like textiles, automobiles etc, there are evidences of deflationary (state of falling prices) tendencies.

"Statements made by Mr. Chidambaram, that prices are under control, comes as a solace though it is difficult to judge the ground of such statements if we look at the price rise from the perspective of the poor and the marginalised."

was substantial increase in the prices of all types of commodities in the decade of 1970s. However, in the post 1990s, there has been an unprecedented growth in the overall prices generally believed to be accentuated by skyrocketing increase in the prices of fuel (See Figure-1). An analysis of the decadal increase in WPI suggests that the food prices have increased by more than 100 percent in the decades of 1960s, 1970s and 1980s. In fact, between 1981-93, the increase in WPI for food items were increased by around 184 percent and in the last decade, it increased by around 86 percent (See

Chart-1
Trend of Price Rise (WPI) in India between 1950-2005



	1952-53	1960-61	1970-71	1980-81	1990-91	2000-01	2004-05
All Commodiies	100	125	227	583	1164	2459	2958
Food	100	120	245	509	1155	2792	3050
Fuel, Power Light	100	120	198	700	1485	4612	6210
Manufactured Products	100	124	195	502	965	1819	2135

Source: Drawn on the basis of information provided by "Handbook of Monetary Statistics in India", RBI, 3 March 2006 http://rbi.org.in/

Table-1). Many policy analysts associate such an increase in the prices of food items to a decline in agricultural production and an unprecedented increase in the prices of petroleum products in the post 1971 period. A recent news (India Inflation Nears 5%, Govt Aims to Check Rise, Times of India, August 27, 2006) also claims that costlier oil is the major reason for the price rise in India during April-August 2006 among other factors like, high import duty, upward pressure on prices of primary products like food, international currency exchange rate, and so on. The government of course does not have a control over the international prices of petroleum products and the associated impact on the economy.

However, oil shocks are only external factors. Several other factors also attribute to inflation especially when we talk of seasonal hyperinflations in specific items used by common people. Quite often, we as common consumers face problems due to rise in prices of specific commodities like onion, wheat, tomato, edible oil and dal. This certainly has a lot to do with specific internal policies of the government as well as the failure of the market as a stabilising system than any theoretical issue. It has been pointed out by several quarters of media and academia that the current rise in prices of basic commodities as experienced in India's major cities over last couple of months has a lot to do with faulty export-import policies of the Government of India. The mounting pressure from the opposition parties and media have forced Mr. Chidambaram to allow private players to import wheat, pulses and sugar in order to ease the pressure of inflation. The Reserve Bank also took resort to a hike in its short-term interest rates by 25 basis points. However, it has been our experience that such policies though provide some respite; they do not necessarily address the root cause of inflation. Even after such announcements the prices of almost all major consumer items in the retail market substantially higher than bearable limits.

Most economic policies including budgets are based on inflation projections. For the year 2006-07, it is projected to hover around 5 percent. However, such estimates are quite broad and vague to be used as guidelines for specific policies. If we take into account the inflation faced by the urban non-manual workers in India, it is quite surprising to note the discrepancies in the government data on inflation indices and actual retail prices of basic commodities. As per the information on consumer price index for urban non manual employees provided by the Economic Survey 2005-06, the CPI_{unme} increased by around 11 percent between 2002-2005. However, if we compare the same with the increase in prices of certain basic commodities that an ordinary consumer uses in urban areas, it is quite disturbing. Table-2 gives an indication of price rise faced by common people in Delhi between 2002-2005. Table–3 gives an indication of what the people of India are facing in terms of prices in last six months. It is disappointing to note that over the last six months, the prices of pulses have registered a more than 30% increase.

Table-2

Price Rise of Selected Food Items in Last Three Years

Date	Wheat	Gram	Tur	Sugar	Musoil	Salt Pack
12-Jul-02	7	22	29	15	44	6
12-Jul-05	9	24.5	32.5	20	49	8
Increase in Prices in %	28.6	11.4	12.1	33.3	11.4	33.3

Source: *Based on the information provided by the 'Price Monitoring Cell' of the Department of Consumer Affairs, Government of India,*
http://fcamin.nic.in/index.asp

It has been our experience that any event, whether it's a rise in crude oil prices, a deficit in rainfall, heavy rains in Mumbai, terrorist attack in Kashmir, a bird flu in Singapore, an auto strike in Bhopal, Italy winning football World Cup or anything else that can be treated as a news contributes to a price fluctuation in India. While, some rightly point out issues like bad governance, inadequate storage-buffer and distribution network

Table-3

Price Rise in Last Six Months

	Average of 2005	June 2nd Week	Average increase in last six months (in %)
All Commodities	193.7	201.9	4.2
Fruits	248.1	254.1	2.4
Vegetables	185.8	194.6	4.7
Pulses	184.2	240.1	30.3
Cereals	183.3	191.4	4.4
Wheat	186.6	200.1	7.2
Sugar	161.7	172.7	6.8

Based on WPI (Base 1993-94=100)
Source: *Sushil Thorne, "Time to Tighten Belt as Prices Spurt", Agriwatch Commodity Weekly, July 03-July 09, 2006*

etc as the core causes, one cannot overlook the influence of broader policies pursued by the government of India in leaving the prices to be dictated through speculators in major mandis and the recently announced Future Trading Bill would only add to this problem by creating more space for market monopolies in commodity trading. Whatever be the case, for us, it is important to keep in mind the redistributive aspects of inflation. Inflation largely redistributes income and wealth in the economy in favour of the rich and affluent. During inflation, the business community and producers of goods and services gain as they make more profit through price rise. An inflationary situation provokes speculative activities in the economy especially when the commodity in concern is a necessity good. Those sections of population who use cash and monetary transactions for their livelihood, especially the wage earners and a vast majority of the middleclass, salaried people tend to lose during inflation. Therefore, the government needs to intervene to rescue the common people. Since prices are a political issue in India, government do intervenes but the motive often is to compensate loss of electoral support. For example, in Delhi, in recent days, government started operating 60 fair price shops for common people to tackle price rise in basic perishables including vegetables. Given the extent of consumption need of a city of around 15 million population, such steps are quite inadequate. As active civil society practitioners, we should try to engage with government in formulating such policies that promotes fair distribution of resources and restricts formation of monopolies and speculative activities in commodity trading.

"It has been pointed out by several quarters of media and academia that the current rise in prices of basic commodities as experienced in India's major cities over last couple of months has a lot to do with faulty export-import policies of the Government of India."

Is Future Trade in Commodities Going to Benefit the Farming Community?

- Nandan Jha

Farming families are in a mood of despair. They do not know what the future holds for them. They constitute over two-thirds of India's population but are yet to receive adequate support both from policy and investment. If farming as a profession and as a way of life is not to collapse, there is need for attention today to their needs in the areas of water, credit, technology, market and land reforms. These are among the serious problems confronting them. Farmers see access to water, credit, technology, and market as the most important problems that have put them in a despondent situation.

With regard to the access to markets and getting remunerative prices for their produce, which is the focus of this article, the policy makers in India see agricultural commodity's future as market-based instruments for managing risks and propagate that they help in orderly establishment of efficient agricultural markets. It is assumed that future markets are used to hedge commodity price risks. Further, they also serve as a low cost, highly efficient and transparent mechanism for discovering prices in the future by providing a forum for exchanging information about supply and demand conditions. It is also propounded that the hedging and price discovery functions of future markets promote more efficient production, storage, marketing and agro-processing operations and help in improvement in overall agricultural marketing performance. We shall take a closer look at these principles, assumptions, and objectives in the following; however, before embarking on such an exercise, it may be useful to look at the history of such markets in India and also the technical aspects of such a market.

Although India has a long history of trade in commodity derivatives, this was kept in check due to the policies of the Central as well as the state governments to control prices and weed out speculative trade in such commodities in a situation of supply constraint. The production, supply and distribution of many agricultural commodities are still governed by the state. Free trade in many agricultural commodity items is restricted under the Essential Commodities' Act (ECA), 1955 and Agriculture Produce Marketing Committees (APMC) Acts of various state governments. The Forward and Futures Contracts were, till April 2003, limited to only a few commodity items under the Forward Contracts (Regulation) Act (FCRA), 1952. However, in 2003, GOI (Government of India) removed all restrictions on commodities, which could be traded on commodity exchanges.

At present, 25 commodity exchanges are in operation in India carrying out Futures Trading in as many as 81 commodity items. Most of these exchanges are regional and commodity specific exchanges. During 2003, National Multi Commodity Exchange (NMCE) status has been accorded to four commodity exchanges, viz., National Multi Commodity Exchange (NMCE), Ahmedabad, National Board of Trade (NBOT), Indore, National Commodity Derivative Exchange (NCDEX), Mumbai and Multi Commodity Exchange (MCX), Mumbai.

Before we move ahead with our discussion on nature, characteristics and critical issues with regard to Forward Markets in India, it may be appropriate to list and explain some concepts.

COMMONLY USED CONCEPTS IN FORWARD MARKETS

Commodity Markets are markets where raw or primary products are exchanged. These raw commodities are traded on regulated commodity exchanges, in which they are bought and sold in standardized Contracts. Most commodity markets across the world trade in agricultural products and other raw materials (like wheat, barley, sugar, maize, cotton, cocoa, coffee, milk products, pork bellies, oil, metals, etc.) and contracts based on them. These contracts can include spots, forwards, futures and options on futures. Other sophisticated products may include interest rates, environmental instruments, swaps, or ocean freight contracts. In the financial markets, if you are spot trading or trading spot you are buying / selling for immediate delivery rather than for future delivery.

A **Commodity Exchange** is an exchange where various commodities and derivative products are traded. A **derivative** is a generic term for specific types of investments from which pay-offs over time are derived from the performance of assets (such as commodities, shares or bonds), interest rates, exchange rates, or indices (such as a Stock Market Index, Consumer Price Index (CPI) or an Index of Weather Conditions). This performance can determine both the amount and the timing of the pay-offs. The diverse range of potential underlying assets and pay-off alternatives leads to a huge range of derivatives contracts available to be traded in the market. The main types of derivatives are **futures**, **forwards**, **options** and **swaps**.

A **Forward Contract** is an agreement between two parties to buy or sell an asset (which can be of any kind) at a pre-agreed future point in time. Therefore, the trade date and delivery date are separated. It is used to control and **hedge** risk, for example Currency Exposure Risk (e.g. Forward Contracts on USD or EURO) or commodity prices (e.g. Forward Contracts on oil). One party agrees to buy, the other to sell, for a **forward price** agreed in advance. In a forward transaction, no actual cash changes hands. The forward price of such a contract is commonly contrasted with the **spot price**, which is the price at which the asset changes hands (on the spot date, usually next business day). The difference between the spot and the forward price is the **forward premium or forward discount**. A standardized forward contract that is traded on an exchange is called a **Future Contract**.

"Hedging", a common (and sometimes mandatory) practice of farming cooperatives insure against a poor harvest by purchasing Futures Contracts in the same commodity. If the cooperative has significantly less of its product to sell due to weather or insects, it makes up for that loss with a profit on the markets, since the overall supply of the crop is short everywhere that suffered the same conditions.

In finance, a **Futures Contract** is a standardized contract, traded on a futures exchange, to buy or sell a certain underlying instrument at a certain date in the future, at a pre-set price. The future date is called the **delivery date** or **final settlement date**. The pre-set price is called the **futures price**. The price of the underlying asset on the delivery date is called the **settlement price**. The futures price, naturally, converges towards the settlement price on the delivery date. In finance, the **underlying** of a derivative is an asset, basket of assets or index, such that the cash flows of the derivative depend on its value. There must be an independent way to observe this value to avoid conflicts of interest. For example, in a stock option to buy 100 shares of Nokia at EURO 50 in September 2006, the underlying is a Nokia share.

Further, an **option** is a contract whereby one party (the holder or buyer) has the right but not the obligation to exercise a feature of the contract (the option) on or before a future date (the exercise date or expiry). The other party (the writer or seller) has the obligation to honour the specified feature of the contract. Since the option gives the buyer a right and the seller an obligation, the buyer has received something of value. The amount the buyer pays the seller for the option is called the **Option Premium**. Most often the term "option" refers to a type of derivative that gives the holder of the option the right but not the obligation to purchase (a "call option") or sell (a "put option") a specified amount of a security within a specified time span. (Specific features of options on securities differ by the type of the underlying instrument involved.)

Security is a type of transferable interest representing financial value. Traditionally, securities have been categorized into debt and equity securities, and between bearer and registered securities. The uses that are made of securities have changed over time, both for the issuer and for the holder. Though the purpose of raising capital has sometimes been taken to be a defining characteristic of securities, its uses have expanded greatly in modern times. A certificate often represents them. They include shares of corporate stock or mutual funds, bonds issued by corporations or governmental agencies, stock options or other options, other derivatives, limited partnership units, and various other formal "investment instruments". Banknotes, cheques, and some bills of exchange do not fall into this category. Transferable interest in commodities like oil, food grains or metals can also be referred to as securities. One can enter into contracts to buy or sell various quantities of commodities in various commodity exchanges. These become transferable interest in the particular commodity.

Commodities exchanges, usually trade futures contracts on commodities. Such as trading contracts to receive something, say corn, in a certain month. A farmer raising corn can sell a futures contracts on his corn, which will not be harvested for several months, and guarantee the price he will be paid when he delivers; a breakfast cereal producer buys the contract now and guarantees the price won't go up when it is

Is Future Trade in Commodities Going to Benefit the Farming Community?

"The Forward Markets' Commission (FMC), established under the Forward Contracts (Regulation) Act, 1952 is the agency, which regulates commodity derivatives trading in India in the same way as SEBI (Securities and Exchange Board of India) does for security markets."

Is Future Trade in Commodities Going to Benefit the Farming Community?

"The absence of a proper regulatory framework and a lack of understanding of and experience with future trade have exposed the farming community in developing countries to further risks."

delivered. This protects the farmer from price drops and the buyer from price rises.

Speculators also buy and sell the futures contracts to make a profit and provide liquidity to the system. **Market Liquidity** is a business or economic term that refers to the ability to quickly buy or sell a particular item without causing a significant movement in the price. The term is usually shortened to **liquidity**. The essential characteristic of a liquid market is that there are ready and willing buyers and sellers at all times. An elegant definition of liquidity is also the probability that the next trade is executed at a price equal to the last one.

COMMODITY MARKETS IN INDIA

Coming back to our discussion on the issue of promoting future trades in India, it may be argued that the Indian policy makers have traditionally coped with the uncertainty and risk associated with price volatility by resorting to policy instruments to minimise or eliminate price volatility, such as, controls on private sector activities, extensive market interventions and crop insurance. The government is now progressively and selectively relinquishing these instruments, because of their presumed high costs. An alternative strategy to manage uncertainty and risks inherent in agricultural markets is introduction of future contracts in agricultural commodities.

Agricultural future markets, being market-based instrument for managing risks aim at a more open and liberalised agricultural sector. Commodity future markets, initially concentrated in a small number of developed economies are now being established in newly liberalising, developing economies and economies in transition such as China, Brazil, Poland, Hungary, South Africa and Turkey. The intended objectives of future markets are to hedge commodity price risks by providing a vehicle for market participants to exchange their risks. It is also argued that they serve as a low cost, highly efficient and transparent mechanism for discovering prices in the future by providing a forum for exchanging information about supply and demand conditions. The hedging and price discovery functions of future markets, according to the proponents of such institutions, promote more efficient production, storage, marketing and agro-processing operations, financing and overall agricultural marketing performance. The reduction of government intervention in agricultural pricing together with the opening up to world markets leads to the need of price discovery mechanisms. These policy changes also expose many actors to risks they did not face previously, raising the need for new mechanisms to manage risks.

In recent years, many countries have gone along with such proposals to promote the creation of new, domestically oriented future markets. During the process, however, many of these countries encountered problems, the most significant of which are absence of a proper regulatory framework and a lack of understanding of and experience with future trade. This has exposed the farming community in these countries to further risks.

India, unlike many other developing countries, has a long experience in operating and managing commodity future markets. Future trading was first introduced on the Bombay cotton exchange and the Bombay oilseed and oil exchange as early as 1921 and 1926, respectively, and expanded rapidly to other commodities as well as to option trading. In present times, the Forward Markets Commission, a statutory body under the administrative control of the Ministry of Civil Supplies, Consumer Affairs and Public Distribution, monitors future markets and controls the operation of the recognised commodity exchanges associations which, in turn, organise future trading in selected agricultural commodities.

SOME CRITICAL ISSUES

Indian future markets, however, had been operating under highly restrictive policies, prior to liberalising the same, for obvious reasons. The principle behind such restrictive or rather regulatory policies have been to protect the interests of small and marginal farmers, who constitute the majority among the farming community. Had these communities registered their large participations in the commodity markets, the rationale for such regulations and restrictions would never have arisen. However, as is well established, the major chunk of our farmers lacks adequate information and wherewithal to be able to participate in such markets. Also, as majority of them have small landholdings and hence small outputs, they cannot enjoy the benefits of scale and hence their bargaining strength would always be weak in such markets. The government has, on its part, done nothing to facilitate information generation, formation of farming cooperatives comprising marginal and small farmers, etc., which may have strengthened their position in the market. It may further be noted that the experience with such liberalisation of crucial and sensitive markets have shown to be favouring a handful of big traders only. According to Dr. Devinder Sharma, the National Multi-Commodity Exchange (NMCE) that has been set up in New Delhi in 2003, and which claimed to have a cumulative turnover of Rs 40,000 crore by November 25, 2003, by that time had only 214 traders participating in its network covering 48 locations. Farmers were conspicuously absent from such future trading. He further lashes out that in a country where only 43 per cent of the rural households have electricity, and where the average land holding size is too low, to expect the genuine farmers to indulge in future trading is a clever ploy to lure the poor farmers away from the state support. In a country where a majority of the farmers (about 60 per cent) are dependent upon the private money-lenders for credit requirement, and where the majority cannot identify the spurious pesticides from the genuine ones, expecting them to indulge in future trading is a wild imagination. We are in complete sync with his sentiments and views and expect the Government of India to desist from embarking such a path. Similar views and reservations have also been conveyed to the Government of India by the Communist Party of India (Marxist) [see the box below]. However, if treading on such a path is unavoidable, the government should put in place effective mechanisms and institutions to safeguard the interests of the small and marginal farmers and ensure their participation in such markets to the maximum possible extent.

Prohibit Forward and Futures Trading in Essential Commodities

- A Demand put forth by CPI (M) before the UPA Government

The following is the text of the demand put forth by CPI (M) before the UPA Government:

"Futures contracts are also used to purposefully accumulate stocks in order to make speculative profits from future increase in the price of that commodity. Since speculative activities dominate the forward and futures trading and it instils greater volatility in commodity prices, such trade was prohibited for essential commodities under the Forward Contracts (Regulation) Act, 1952. The NDA Government had lifted the prohibition following which futures trading in essential commodities have started in commodity exchanges.

The volume of trade in commodity futures has grown sharply over the past two years and prices of commodities have increased simultaneously. The farmers and small traders, however, who do not have access to the commodity exchanges, have not gained anything from such price increases. Only the big players who have the capacity to hold large stocks and the resources to participate in futures trade have benefited from huge speculative gains. In spite of this, the UPA Government has not only continued with the policy of allowing big financial players to play speculative games in the commodity futures markets but is also planning to allow FIIs and Mutual Funds to enter these markets. The CPI (M) demands that futures trading in essential commodities be prohibited on an immediate basis. Commodity prices cannot be controlled without strong and effective regulation of the forward and futures markets".

Two Years of NCMP: Promises Made and Promises Kept

- Sonali Banerjee

The indicators for the United Progressive Alliance (UPA) government at the centre are anything but promising. The UPA has completed its two years term in office as the ruling party, but is still falling short of its targets that were set for itself in under the National Common Minimum Programme (NCMP). The government came to power with a clear mandate that it will choose a path of socio-economic development, which would benefit all sections of the people, especially the workers and the vulnerable sections of the society. The performance of this government, however, has to be assessed on the basis of how it has implemented the NCMP, which contains its basic vision and outlines its priorities.

In the first year UPA government tried to fulfill its commitments made in the NCMP. Since its inception, the UPA government (in its first year) has ensured the abolition of the POTA Act, and also it has adopted the Right to Information Act, which has further strengthened our democratic rights. In the second year the government has taken a bold step in the form of National Rural Employment Guarantee Act (NREGA), which has now been implemented in the 200 districts of the country. The government has also tabled the Scheduled Tribes (Recognition of the Forest Rights) Bill in Parliament, and also the government has taken a very progressive legislation on Domestic Violence and Property Rights for Women, which have been enacted. Another important recent move by the government is adoption of the 93rd Constitution Amendment, which paved the way for bringing private educational institutions within the fold of reservations for socially backward and deprived groups. The introduction of reservation of the seats for the OBCs in higher education is another welcome step.

The UPA, in its 1st year had tried to fulfil its commiments made in the NCMP. Despite these, the government's record is mixed. It is so not because of what the government has done, but what it has not been able to do. Since its inception the government has failed to carve a clear path for itself and deliver to the constituency that brought it to power, and has given the impression of pulling in different direction. The measures it has announced, be it in the field of education, trade or economy, health, etc. have invited criticism from major actors of the society, like, political parties, civil society groups, academia and of course from the media, for not conforming to the NCMP and for failing to address the concerns of the common man.

However, in this issue of Budget Track, we will broadly discuss on some important areas, which are becoming matters of serious concerns if we analyse the performance of the UPA government. This article of Budget Track is concerned with several issues, like, Livelihood, including agriculture, employment and food security, Rural Development and Infrastructure, Health, Education, Scheduled Caste, Scheduled Tribes and Women and Children.

CMP AGENDA

RIGHT TO LIVELIHOOD

- The Govt. passed the National Employment Guarantee Act (NREGA) in the Parliament, for at least 100 days of guaranteed employment to at least one able-bodied person in every rural and urban poor and lower-middle class household. A National Commission was set up to examine the problems in the unorganized, informal sector and to make appropriate recommendations to provide technical, marketing and credit support to these enterprises.
- Public investment in agriculture and research and extension, rural infrastructure and irrigation to be stepped up in a significant manner at the very earliest. Irrigation to receive the highest investment priority and an on-going project to be completed according to a strict time schedule. Immediate steps to ease the burden of debt and high interest rates on farm loans.
- Strengthen the Public Distribution System (PDS), particularly in the poorest and backward blocks of the country.

RURAL DEVELOPMENT AND INFRASTRUCTURE

- Special attention to be given to augmenting and modernizing rural infrastructure, consisting of roads, irrigation, cold-chain and marketing outlets. All existing projects to be completed within three-four years and also rural electrification to be completed in five years. Highest priority was supposed to be given to the development and expansion of physical infrastructure like, roads, highways, ports, power, railways, water supply, sewage system etc.

- Subsidies for the rural development projects will be made explicit and to be provided through the budget. A comprehensive programme of urban renewal and a massive expansion of social housing in towns and cities, paying particular attention to the needs of slum-dwellers, would be taken.
- The government will provide drinking water to all sections in urban and rural areas and augment the availability of drinking water sources will be given topmost priority.

HEALTH

- According to the promises made in the NCMP, the Govt. will rise public spending on health to at least 2-3% of the GDP over the next five years, with focus on primary health care. A National Scheme for Health Insurance for poor families will be declared. The Govt. will take all steps to ensure availability of all life-saving drugs at reasonable prices.

EDUCATION

- Public spending on education will rise to at least 6% of the GDP with at least half this amount being spent on primary schools in a phased manner. The government promised to introduce a cess on all central taxes to finance the commitment to universalize access to quality basic education.
- The agenda also says that a National Commission on Education is to be set up to allocate resources and monitor programmes. Also a National Cooked Nutrition Mid-day Meal Scheme will be introduced, and the funding of which will come from the Central Government. Along with this Universalisation of Integrated Child Development Scheme (ICDS) was also promised in the NCMP.

SCHEDULED CASTES/SCHEDULED TRIBES/ MINORITIES

- The NCMP promises to make legislation for conferring ownership rights in respect of minor forest produce, including Tendu Patta, on all those people from the weaker sections who work in the forests.
- Housing for the weaker sections in rural areas to be expanded on a large scale.

WOMEN AND CHILDREN

- It was also promised that the Govt. will introduce legislation for one-third reservation for women in Vidhan Sabha and in the Lok Sabha. Also legislation on Domestic Violence and against gender discrimination will be enacted.

CIVIL SOCIETY ASSESSMENT OF CMP AGENDA

- The Act on NREGA has been passed but in a diluted manner. The wages that were fixed was even below than the national average. And also the Act did not cover the urban poor, but covered only 200 districts across the country.
- The Unorganized Sector's bill is a welcome step, but the bill has few drawbacks, especially the clause where it says that if the workers discontinue they will not get their arrears.
- Regarding the agriculture and irrigation the Civil Society groups have observed that most of the Agricultural and irrigation research has collapsed in the last decade due to financial crunch. The total expenditure on irrigation and flood control was Rs. 860 crores in 1996-97, which has drastically fallen to Rs. 440 crores in 2003-04. In this context the centre should have clearly spell out the amount its going to allocate.
- The Public Distribution System (PDS) should have been universalized. Targeting the BPL (Below Poverty Line) families has not only reduced the per capita food grain availability but also failed to achieve the stated objective of reducing the subsidy bill of the government.
- As far as the rural development and infrastructure is concerned, the assessment of the Civil Society groups was that the government has miserably failed to spell out the quantum of its own budgetary support for this purpose and its division between states and centre.
- The National Rural Health Mission (NRHM) can be called a welcome step in this direction. Even then the proposed increase of 30% per annum on central government's health expenditure under this stated scheme is insufficient to attain the CMP goal by the year 2008-09. Because the accelerated phase of privatization and deregulation of the health sector in the recent years has resulted in a situation where approximately 80% of the aggregate expenditure on health in our country is private spending.
- In the field of education, it has been observed that, the amount collected from education cess in the years 2004-05 and 2005-06, is expected to be around Rs. 12000 crores. Whereas, increase in government allocation on elementary education in this period has been Rs. 6000 crores. This implies that the full amount of the cess is not meant for additional financing, but rather almost half of it could be used to replace funding of elementary education from other sources.
- The Civil Society, however, appreciate the progressive move taken by the government to enhance the status of the SC/ST and the Minorities in our country. The CMP has declared 2000 scholarships for MPhil and PhD students.

"The UPA, in its 1st year had tried to fulfil its commiments made in the NCMP. Despite these, the government's record is mixed. It is so not because of what the government has done, but what it has not been able to do."

"The Act on NREGA has been passed but in a diluted manner. The wages that were fixed was even below than the national average. And also the Act did not cover the urban poor, but covered only 200 districts across the country."

But it is also surprising that the allocation for the SC/ST and the OBCs are less than 1%. Therefore it can be said that a distressing trend of declining expenditure on the welfare of Dalits, Adivasis and Other Backward Classes is emerging.

- The population of the country's women and children (below the age of 14), if taken together, was 66.35 crore in 2005-06. Thus, centre's total budgetary allocation of Rs. 3931.11 crore in 2005-06 is far too less for the welfare of these two sections.

The Civil Society groups, however, have prepared a **Charter of Demands** (CoD), which was based on the above observations. It reads like this:

- The government should frame all relevant rules and regulations for the successful implementation of the NREGA scheme in consultation with the Civil Society groups.
- It is expected from the government to enact legislations for agricultural and all other Unorganized Sector Workers, which guarantee minimum living wages, social security schemes and regulation of work. In addition to these, government should take necessary steps to reduce the debt burden of small and marginal farmers at the earliest.
- The Civil Society urged the government to provide security to slum dwellers and rehabilitate the homeless. There has been rampant uprooting of these people, which has deprived them from livelihood opportunities, shelter, education and other basic amenities.
- Regarding the Health issue the Civil Society groups asked the government to focus more on the National Rural Health Mission. The government must take immediate steps to implement the same.
- It is a welcome step on the part of the government to increase its budgetary allocation for education, but it is still below the amount committed in the NCMP. The government, therefore, should increase the allocation to at least 6% of GDP as it promised. There should be some policy framework on this field and moreover, the Sarva Shiksha Abhiyan needs to be reviewed, especially on its qualitative aspects.
- The government should allocate the required resources for the successful implementation of the National Scavenger Liberation Scheme. It has to increase the budgetary allocation in proportion to their population. And also the displaced people of these communities should be properly rehabilitated and re-settled.
- The Civil Society also demanded that the government should pass the Bill on Women Reservation in Legislative Assembly and Parliament. Domestic Violence Act should be passed and enacted by the Parliament.

Based on the **Charter of Demands** the government took some initial measures, like,

- Redesigning Food for Work Programme (FWP) and launching the programme in 150 districts. The allocation was supposed to be 11,000 crore. The Ministry of Rural Development has issued a detailed operational guideline. But on the other hand, the government did not enact the Unorganised Sector Workers' Bill 2005-06.
- Increased the agriculture credit by 30% as against the announced target of Rs. 105,000 crore. National Agricultural Insurance Scheme has been announced with an outlay of Rs. 550 crore. A National Horticulture Mission was proposed with a goal to double the horticulture production from the current level of 150 million tonnes to 300 million tonnes by 2011-12. Proposal to facilitate farmers with diversified oilseeds by promoting superior seed technology, through an appropriate policy of price support.
- In the area of PDS, Antyodaya Anna Yojana coverage was increased from 2 crore to 2.5 crore BPL families in 2005-06.
- Government should allocate required resources for the successful and effective implementation of the National Scavenger Liberation Scheme. The civil society urges the government to increase budget allocation in their proportion to their population. We seek the government's immediate action to prepare a comprehensive resettlement and rehabilitation policy for the displaced people in consultation with the civil society. We also request the government to pass the Bill on Reservation for the Women Legislatures and Parliament. Domestic Violence Bill should be passed and enacted by the Parliament. Equal rights on land and property should be provided to women.

OUTCOMES ACHIEVED

- The government tried to merge 2 rural job schemes, like, Sampoorna Grameen Rojgar Yojana (SGRY) and National Food for Work Programme into one broad scheme, namely the NREG Scheme. As on December 31, 2005, Rs. 1, 17,899 crore was disbursed as against the credit provision of Rs. 1, 25,309 crore in 2004-05.
- Public Sector banks and regional rural banks have added 58.20 lakh new farmers to their portfolio of borrowers. This scheme was supposed to cover over 128 lakh farmers and an area of over 272 lakh hectres.
- Under Bharat Nirman Scheme, 17,182 villages were covered. As on December 31, 2005, 5, 39,572 villages were connected using Village Public Telephone (VPT). Till December 2005, 1941 villages were electrified. As on April 2005, 96.1% of rural habitations were fully covered and 3.6% were partially covered, leaving 0.3% not covered with drinking water facilities.
- TSC projects in 540 districts covering 30 states/UTs (Union Territories) have so far been

sanctioned with an approve outlay of Rs. 5694.44 crore.

- The proposals for AIIMS like institutions have been finalised.
- For 2005-06, about 12 crore children of primary stage were covered. Evaluation of the above stated schemes has been launched.
- By November 2005, the government released Rs. 378 crore which benefited 28.59 lakh SC students. For construction of hostels, expenditure up to January 2006 was Rs. 45 crore (96%). As against promised fellowship for 2000 SC and ST students for pursuing MPhil and PhD courses in selected universities, the budget shows that this fellowship will cover only 1333 such students in 2005-06.
- If we look at the budget of 2005-06 from a Gender lens, we find that as per the budget of this year, the government has set up only 35 departments on Gender Budget Cells. Allocation for ICDS (Integrated Child Development Scheme) was at Rs. 1,623 crore. Domestic Violence Act 2005 was passed by the Parliament, but yet to be implemented.

SOME AREAS OF CONCERN:

- In the light of the above discussion it can be seen that there has been some areas of concern which needs to be addressed immediately. Like from the whole discussion we can see that there has been a growing unemployment problem in urban and semi-urban areas. Employment Guarantee Act should cover all these areas as well. Because data shows that unemployment in urban areas grew at 0.49% per annum in the year 1983 to 1993-94 and 3.45% during 1993-94 and 1999-00. The government planned to merge the two different schemes, SGRY and NFWP, into NREGA. That should be avoided, because such merging would target entire rural employment expenditure to 200 poorest districts of the country. If the clubbing is a must, then the government should wait until NREGA is itself extended to the entire country.
- Given that most of the workers in the Unorganised Sector have irregular earnings, chronic accumulation of arrears and discontinuation from the scheme due to non-payment of these arrears may indeed be very common. Hence the legislation on Unorganised Sector Workers' should also address the issue of insecure livelihood of workers in this sector. Appropriate budgetary policies need to be worked out in this regard. Public expenditure on agriculture research and extension should be raised to at least 1% of agriculture GDP.
- Finance Minister has himself admitted in the discussion on budget in the Rajya Sabha that bringing one crore hectres of land will require Rs. 67500 crores. This will basically implies an additional allocation of Rs. 17000 crores on irrigation every year to be made over next four years.
- Given the precarious health of state finances, increase in central government's health expenditure should be greater than the present proposal of 30% per annum. However, in a developing country like India, what is most disturbing is that removing control over price of a large proportion of the drugs, when the country is moving towards a stricter Patent regime, will further promote monopolistic practices in the pharmaceutical sector.
- Education cess should not replace expenditure on education from other sources but should be in addition to the amount that government was already spending on education. Allocation of Rs. 2 per day per child under the Mid-day Meal Scheme is too small and should be revised upwards.
- The Civil Society groups are seriously concerned about the withdrawal of financial support to National Scavenger Liberation Scheme, with eradicating manual scavenging. A large number of Dalits and Adivasis have been displaced without their rehabilitation because of many developmental projects. The Civil Society groups also demanded that Rajiv Gandhi Scholarships should be given to 2000 students, as initially proposed, and it should be in the agenda of the govt. in the coming years.
- With regard to women and children, government departments and ministries were found to allocate a small proportion of their budgets for specific programmes. They should significantly step up these allocations in the forthcoming budget. Also a review should be carried out if some more departments can be brought within the purview of gender budgeting proposals. Because, women face significant discrimination in gaining access to public goods, special programmes aimed at improving women's access to these goods are always desirable.

WAY FORWARD

In conclusion it can be said that it is necessary for the UPA government to politically determine the courses of action to be pursued in the coming days. After the passage of two years of the UPA government, the people are yet to realise that their material conditions are changing for the batter. Price rise, agrarian crisis, unemployment, lack of access to education, health and basic services are problems, which need urgent attention. Welfare measures for the oppressed sections and firm measures for gender equality, ending caste discrimination and protection of the rights of minorities have to be pursued. All these have to be accomplished within the framework of development and economic growth that promotes equity and is also people-centric.

"The government has miserably failed to spell out the quantum of its own budgetary support for this purpose and its division between states and centre."

Assessment of the Draft Approach Paper to the 11th Five Year Plan: In context of some of the pertinent issues

- Sakti Golder

As a vision for the 11th Five Year Plan (2007-2011), in the Draft Approach Paper, it has been mentioned that "the 11th Plan provides an opportunity to restructure policies to achieve a new vision of growth that will be much more broad based and inclusive, bringing about a faster reduction in poverty and helping bridge the divides that are currently the focus of so much attention". It has been claimed that "the first step in this direction were initiated in the middle of the Tenth Plan based on the National Common Minimum Programme adopted by the Government". Further it has promised there "these steps must be further strengthened and consolidated into a strategy for the 11th Plan". The intentions of the objectives of the draft Approach Paper to the 11th Plan are welcomed.

The Draft Approach Paper explicitly fixed some target of annual GDP growth. But the broad based initiatives and comprehensive strategies, which are essential to fulfil the important objectives of social goals like employment generation, agriculture and food security, health, education, are either missing or wrongly recommended in the draft. The lack of attention and the lack of comprehensive strategies to those critical areas subtly imply that the Planning Commission depends on the so-called 'trickle-down' approach of growth to ensure all the social goals.

EMPLOYMENT GENERATION AND AGRICULTURAL CRISIS

At present, two of the major issues with grave concerns are increasing unemployment both for formal and informal sectors and the disastrous agricultural sector. National Sample Survey (NSS) 60th Round data indicates historically unprecedented increase in open unemployment rates both in rural and urban areas; although in the same period highest ever-aggregate output growth has been achieved. This confirms the fact that concentration only on aggregate growth rate does not ensure the other objectives. But the draft has confined its attention to some trivial (in terms of job creation) sectors in the broader subset of organised sector, which contains only 8% of our total workforce. The draft has no significant strategy to pull out a vast pool of unemployed or underemployed labourers from the agricultural as well as from the unorganised sector, where around 92% of workforce is engaged. On the contrary, in line with neo-liberal framework greater flexibility in some labour laws has also been prescribed for promoting manufacturing sector, completely ignoring its employment reducing potential, which must keep in mind in the context of present unemployment situation in India. The draft is also completely silent about the extremely important initiative of providing social security to informal sector workers. The persistent agricultural crisis, which frequently comes in light through the news of farmers' suicide, attracted little attention in the draft. The well-known causes of agrarian crisis like higher input prices, volatile output prices, reduces access of institutional credit, inadequate public investment in agricultural infrastructure, problems of dryland farming got little attention in the draft. The draft also lacks the adequate attention to the National Commission on Farmers' general as well as the specific recommendations to address the current agrarian crisis.

Another major issue, related to the employment and livelihood, is the landlessness, which is increasing according to the NSS 59th round data on landholdings. The proportion of rural landless households increased from 22 percent in 1991-92 to nearly one third of total rural households in 2002-03. Increase landlessness should get attention in the draft, as the landlessness is synonymous to the deprivation of livelihood to a large number of population.

EDUCATION

"Strategic Initiatives for Inclusive Development" in the Draft Approach Paper discusses the problems and policy recommendations for education in the 11th Plan period. The Draft Approach Paper makes

Assessment of the Draft Approach Paper to the 11^{th} Five Year Plan: In context of some of the pertinent issues

no specific reference to the need for increasing public expenditure on elementary education in the 11^{th} Plan period although the Kothari Commission in 1966 had recommended that total public expenditure on education in the country should be stepped up to the level of 6 % of the Gross National Product (GNP) by 1986. With regard to the ongoing flagship programmes for universalisation of elementary education in the country, viz. Sarva Shiksha Abhiyan, the Draft Approach Paper admits that while Enrolment Rates have gone up significantly, drop out rates are still quite high- not only at upper primary level but also at the primary level. But it is rather disturbing to note that when the various factors responsible for the persistent are high drop out rates are identified, one of the major factors is not recognised, which is the abysmal quality of school infrastructure in the country. Very little attention is paid to the scarcity of drinking water facilities, toilets and separate toilets for girls in schools. When the problem of poor quality of teaching and learning is discussed there is no reference to the problem posed by large-scale recruitment of contract teachers by many States under Sarva Shiksha Abhiyan. The draft is silent about these issues. As regards **higher education**, the Draft Approach Paper accepts the need for a substantial increase in resources for this sector and recommends that successive annual plans will have to provide rising levels of budgetary support. However, it also recommends that there should be internal resource generation in higher education by "duly and realistically raising fees" and adds that "simultaneously, efforts will be made to develop a wider merit-cum-means based loan and scholarship programmes through the banking system and other agencies". This proposal for raising fee in higher education could be detrimental for students for the disadvantaged sections and promote commercialization of higher education.

HEALTH

Although the draft clearly admitted the need for expanding public health care services, it has been referred only tangentially. It is also not clear from the draft to what extent the public expenditure would be increased, while we are still far behind the National Common Minimum Programme mandated target of 2-3% of GDP on health. Providing substantial evidences of absenteeism of government health care professionals, it proposes to mobilise doctors who are trained under Indian Systems of Medicine (ISM). This might solve the problem only partially. To address the problem of absenteeism properly, greater accountability is necessary.

The National Rural Health Mission (NRHM), which will span in the 11^{th} Five Year Plan, envisages a shift away from the vertical health & family welfare programmes to a new architecture of all inclusive health development in which societies under different programmes will be merged and resources will be pooled at district level. This expected shift is certainly a welcome change of our future health policy. But, the monitoring of NRHM is placed primarily on Accredited Social Health Activist (ASHA). NRHM mission document states that ASHA will be provided performance based incentives and will be otherwise honorary. The Central axis at the delivery level would be the proposed cadre of workers with no commitment to monetary compensation or with a compensation based on performance. Depending on such type of cadres, success of the large NRHM mission is quite unrealistic. Also the larger issue of resource mobilisation like financing NRHM has been escaped in the draft. The declaration in the draft Approach Paper that "fees for health services delivered will encourage accountability", clearly indicates the direction towards "user fees" which is also problematic if we consider the vast pool of poor masses. Fees are not the only criterion for bringing accountability, while financing of health care through user fees is certainly regressive in nature.

DALITS AND ADIVASIS

It has also been admitted in the draft "Dalits and Adivasis have fallen far behind the national average in education, health attainments etc". There are significant gaps in terms of the attainments of education and health among the Dalits/ Adivasis with national average. But, in the draft, there is no proposal to take special initiative towards the Dalits and Adivasis, so that the gaps would be abridged. While all the sectors in education, e.g. elementary, secondary, higher, vocational etc., are covered in the Draft Approach Paper, actually little attention has been paid to the specific problems of SC/ST children in the field of education.

"While all the sectors in education, e.g. elementary, secondary, higher, vocational etc., are covered in the Draft Approach Paper, actually little attention has been paid to the specific problems of SC/ ST children in the field of education."

The draft admitted that "the costs of displacement borne by our tribal population have been unduly high, and compensation has been tardy and inadequate, leading to serious unrest in many tribal regions". But there is no clear provision or strategy to address this problem properly. On the contrary, Draft Approach Paper suggested to "review of the policy and of the laws and procedures in this area is urgently needed to identify and eliminate the constraints in the way of investments in mining activities". But burden might fall heavily on the tribal people. Although the resettlement issue has been mentioned in the draft, there is no provision for a large number of tribal people who are displaced due to developmental projects and mining activities are waiting for justice.

A very optimistic target has been set for the complete elimination of the abhorrent practice of manual scavenging by the middle of the 11^{th} Five

"The C&AG report underscores the lack of coherence in policy focus, unthinking change and poor coordination amongst implementing agencies, compartmenta-lised vision of liberation and rehabilitation, deplorable data base, and poor resource support and flow, as factors contributing to the failure of government's initiatives for liberation and rehabilitation of scavengers."

Year Plan. With the objective of eliminating manual scavenging in India, the National Scheme for Liberation and Rehabilitation of Scavengers and their Dependents was launched by the Government of India on 22 March 1992. The objective was that by the end of the 8th Plan (i.e., by 1997) the inhuman practice was to be stopped and to suitably rehabilitate the people associated with the practice. The scheme failed to achieve its objectives even after being implemented for more than ten years and involving an investment of more than Rs. 600 crores since 1992. **The C&AG report underscores the lack of coherence in policy focus, unthinking change and poor coordination amongst implementing agencies, compartmenta-lised vision of liberation and rehabilitation, deplorable data base, and poor resource support and flow, as factors contributing to the failure of government's initiatives for liberation and rehabilitation of scavengers.** All of the above issues should be highlighted in the Approach Paper to liberate more than 2.67 lakh scavengers involved in this inhuman practice and awaiting rehabilitation.

WOMEN AND CHILDREN

The title of the Draft Approach Paper (Gender Balancing) to the 11th FYP is itself very ambiguous and has devoted very limited attention to the problems of women in the country, despite the fact that women constitute perhaps the largest disadvantaged section of our population. The Draft Approach Paper says that the 11th Plan will particularly focus on three aspects relating to the problems confronting women in the country, viz. violence against women, economic empowerment of women, and women's health. While the reference to these three serious disadvantages confronting women (as mentioned above) is pertinent, it is needless to add that the identification of the problems confronting women in India (as presented in the Draft Approach Paper) is far from comprehensive. A lot more attention needs to be given to the problems afflicting women- not only the problems related to livelihood, health, and security, but also their serious disadvantages in the field of formal education, social empowerment and political empowerment.

Also it is well known that women from the socially marginalized groups like, SCs and STs, and women from minority groups are often faced with double and triple discrimination. The Draft Approach Paper only makes a passing reference about such women and that too only with regard to their economic empowerment.

The Draft Approach Paper declares, "development of children is at the center of the 11th Plan". However, it is quite unfortunate to note that it does not have even any separate section to discuss the problems confronting children in the country. Among the four broad categories in which government programmes/ schemes for development of children in the country can be classified, the Draft Approach Paper restricts its attention only to child education and child nutrition. There is very little discussion on child health and absolutely no discussion on programmes/schemes required for protection of children who are in difficult circumstances.

Overall the Draft Approach Paper is fine in terms of its intention, but there are many deficiencies to address the relevant problems appropriately. More inclusive growth is an admirable objective in the Draft Approach Paper; simultaneously it is our contention that inclusive growth cannot be attained without addressing comprehensively the problems of exclusion. Lack of attentions has given to address some of the major areas like unemployment, agricultural crisis, and landlessness. **In the Draft Approach Paper there is hardly any diagnosis for the problems confronting the disadvantaged sections, like, Dalits and Adivasis, women and children. Moreover, there is absolutely no discussion of the problems of double and triple disadvantage faced by women and children from socially deprived communities.**

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