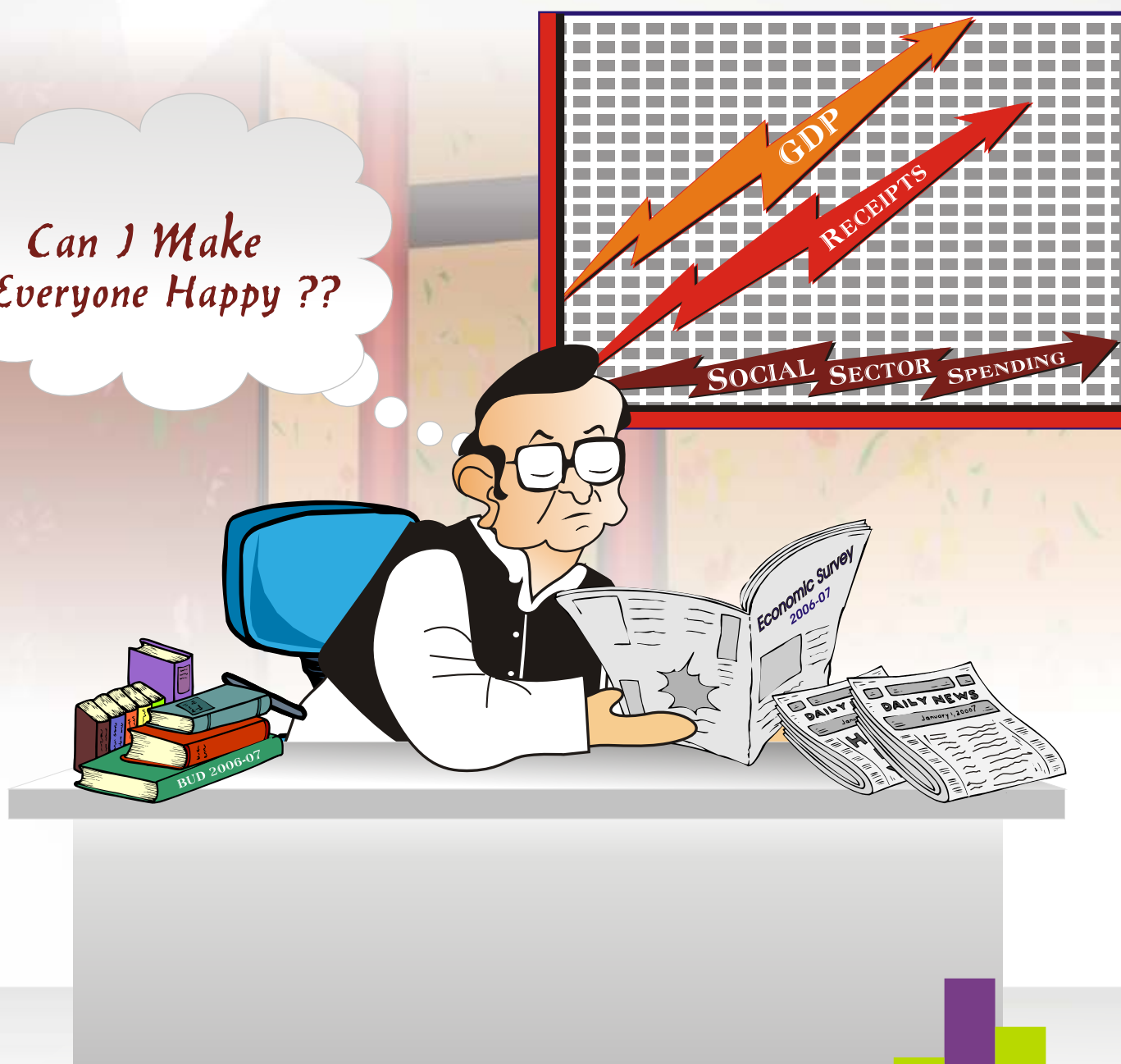


Budget 2007-08 : Dream or Despair ?

Response to the Union Budget 2007-08

*Can I Make
Everyone Happy ??*



Budget 2007-08: Dream or Despair?

RESPONSE TO UNION BUDGET 2007-08



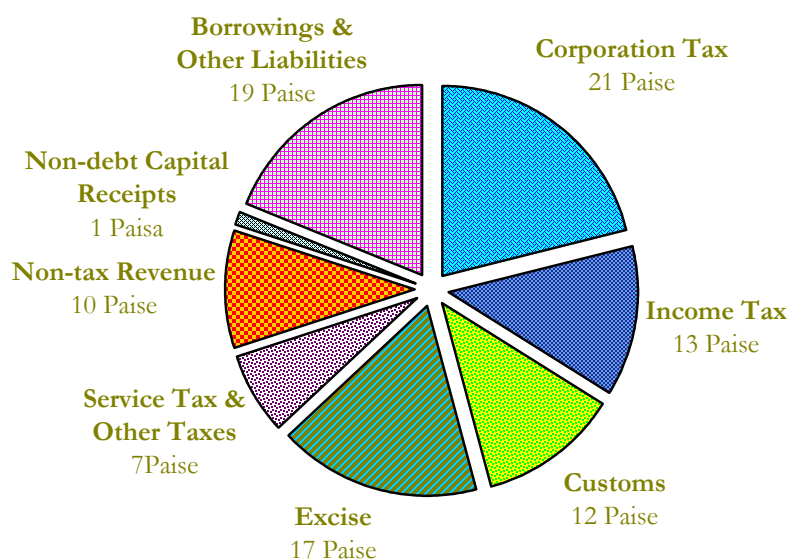
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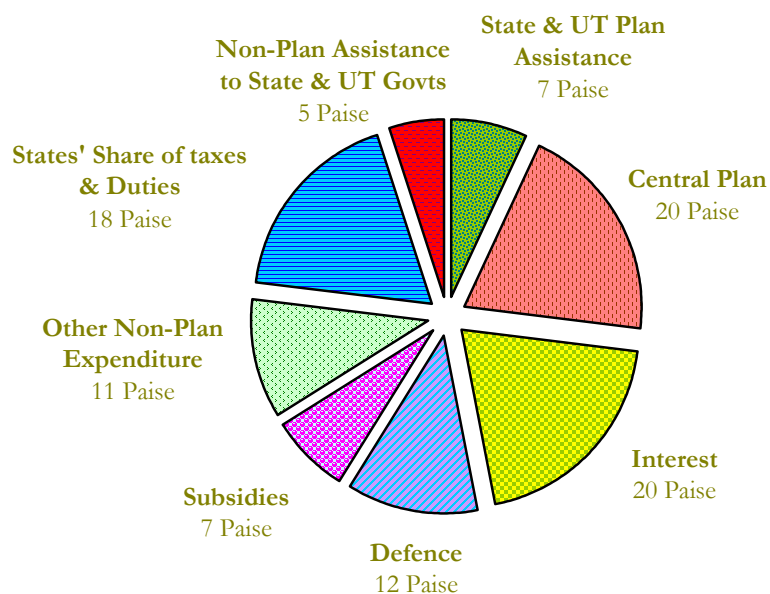
A. RUPEE

The following charts indicate 'source' and 'spending' of the total Budget outlay for 2007-08.

Rupee Comes From



Rupee Goes To



B. Does the Effort Meet the Rhetoric?

Union Budget 2007-08 is the fourth Budget presented by the UPA Government and likely to be its second last Budget. Thus, its importance in terms of fulfilling the National Common Minimum Programme (NCMP) objectives must be recognized. 2007-08 is also the first year of the 11th Five Year Plan. Hence, Union Budget 2007-08 is also expected to reflect the revised priorities of the new Five Year Plan. This Budget deserves recognition for some of its measures like explicit attention to secondary education, education for minorities, education for dalits and adivasis and its attempts to curb inflation. However, the proposals and allocations address only scantily quite a few of the areas/sectors, which can be gleaned from the following points.

Resource Mobilisation

The Government finds itself in a relatively comfortable position with regard to tax revenue because of the higher collection of taxes in the current fiscal but Budget 2007-08 not taken any strong measures that would significantly expand the tax revenue in the years to come. The tax policies seem to focus more on better tax administration and voluntary compliance by taxpayers. Despite all the debate about tax exemptions, there is not much in this Budget to bring down the magnitude of revenue foregone because of tax exemptions. And more importantly, there is no major shift in the tax regime to address the key problem of inflation which is what hits the *aam aadmi* the hardest. The total magnitude of non-debt receipts of the Central Government as a proportion of the GDP is higher than last year. However, there is shrinkage in the projected size of total Union Government spending, as a proportion of the GDP, in 2007-08 compared to 2006-07. The Government should have expanded the size of Union Budget significantly (especially the Plan component) to provide adequate resource support to crucial economic sectors like, agriculture and rural development and the social sectors. Needless to add, the obsession of the present Government with the FRBM Act and its arbitrary targets has been too strong an obstacle in this regard.

Resources Transferred to States

In a situation where states require more funds to meet their expenditure commitments and are continually resource-starved, increase in non-plan grants and normal Central assistance for State Plans is not concomitant to the requirements. Adding to this already problematic scenario is that more funds are being squeezed in areas where states have less autonomy to set their own priorities and plan accordingly. In fact, it becomes evident there is an increasing effort to bypass state budgets by transferring substantial amount of funds under many centrally sponsored schemes to state/district level autonomous bodies.

Education

The UPA government had promised many things for education- raising public spending to at least 6 % of the GDP with half of it going to primary and secondary schools, introducing a cess on all Central taxes to fund its 'every child in school' credo apart from the mid-day meal scheme. Much of this has not been delivered. What becomes clear is that more than half of the financial burden is currently being shouldered by the common people through the medium of education cess that is collected on all taxes. Without discrediting the government for its well-intentioned fund management in the central outlay for education, it suffers from inherent flaws by not providing enough to match the promised 6% of GDP and shifting the financial burden of the UEE on the states and the *aam aadmi*.

Health

The *aam aadmi* has not been given a good deal even with regard to public spending on health. Half-hearted efforts to resolve the health needs and consequent private expenditure only increases their misery and more poignantly, limits human development in the country. To add to this, steps taken in this budget to help private sector grow (such as, tax free clinical trials and reduced import duties on medical equipments) would only lead to further exploitation of marginalised people of India.

Water Supply and Sanitation

Bharat Nirman aims to cover a specified number of uncovered habitations, provide additional coverage to habitations that have slipped back from full coverage and provide potable water in specified number of villages affected by poor water quality under its Rural Water and Sanitation component. The physical targets set and achieved in the last two years have been detailed in this report. We find that there is a substantial gap in the physical targets set vis-à-vis the corresponding achievement in 2005-06 as well as 2006-07. It may also be noted that the implementing agencies would face tremendous pressure in the remaining two years if the remaining targets have to be met.

Children

The aggregate outlay for child specific schemes as a proportion of total budget outlay by the Union Government has increased from 4.86 % in 2006-07 (BE) to 5.08 % in 2007-08 (BE), which is welcome. But even at 5.08 % of the total Union Budget in 2007-08 (BE), the magnitude of Child Budget is inadequate if we look at the proportion of children in the population and the serious deprivations confronting them in various sectors. Budget outlays for *Early Childhood Care and Development* as a proportion of total outlays by the Union Government have increased from 0.86 % in 2006-07 (BE) to 0.88 % in 2007-08 (BE). Union Government's outlays for *Child Health* as a proportion of its total budget outlay shows a decline from 0.56 % in 2006-07 (BE) to 0.52 % in 2007-08 (BE). Budgetary provisions for *Child Education* shows an increase from 3.41 % in 2006-07 (BE) to 3.63 % in 2007-08 (BE). The increase in allocations on *Child Protection*, however, can be judged to be higher, from 0.034 % in 2006-07 (BE) to 0.051% in 2007-08 (BE).

Women

This year's Gender Budgeting Statement covers 33 demands for grants under 27 ministries/departments and 5 Union Territories. The total magnitude of the Gender Budget has also gone up from Rs. 22,251.41 crore for 2006-07 (RE) to Rs. 31,177 crore in 2007-08 (BE). As a percentage of total Union Government Expenditure, this constitutes a rise from 3.8%

to 4.8%. However, perhaps the only significant measure taken for women in Union Budget 2007-08 is the inclusion of a few more Ministries/ Departments in the Gender Budgeting exercise of the Union Government, and a consequent increase in the size of the Gender Budget. Here too, it must be pointed out though, that several important sectors for women like water supply and sanitation still do not find a mention in the Gender Budgeting Statement in the Union Budget. With regard to most sectors, Budget 2007-08 maintains the status quo of women in India. Moreover, in terms of priorities for women in the first year of the 11th Five Year Plan, Budget 2007-08 presents a disappointing picture.

Dalits and Adivasis

The allocations of the Central Govt. earmarked for Scheduled Castes (SCs) and Scheduled Tribes (STs) as a proportion of total plan allocation of Central Government has been increased in Budget 2007-08, which is certainly welcome. However, the plan allocations earmarked for SCs still do not match the proportion of SC population in the country, violating the guidelines of the Special Component Plan (SCP) for SCs. Similarly, the plan allocations earmarked for STs fall far short of the proportion of STs in total population of the country.

Agriculture and Rural Development

Going by the time devoted to presenting the agriculture related proposals in the Budget Speech, the Finance Minister has indeed paid attention to this critical sector. Apart from providing for computerisation of the PDS system, announcement of Aam Aadmi Bima Yojana (AABY) is a welcome step. Given the huge extent of crop loss in the country, outlays made for National Agricultural Insurance Scheme (NAIS) is grossly inadequate. We contend that the announcements made in the Union Budget 2006-07 are not enough and definitely do not reflect the concerns raised by the Finance Minister on this sector. Reiterating the statement of the Finance Minister during his speech, we can only say that 'if ploughmen keep their hands folded, even sages claiming renunciation cannot find salvation'. The Union Budget 2007-08 fails to address adequately the

plights faced by the millions of ploughmen in our country.

Rural Employment

The present UPA Government has undertaken some positive steps since 2004-05 to address this situation and Sampoorna Gramin Rojgar Yojana (SGRY) and National Rural Employment Guarantee Scheme merit mention in this regard. In financial year 2007-08, while 130 more districts have been brought under NREGA, the allocation for SGRY has marginally been increased to Rs. 2800 crore, which is not a bad deal for non-NREGA districts. The physical as well as financial progress of NREGS varies across states. The tardy implementation of NREGS in high potential states (Bihar, Jharkhand, Uttar Pradesh, etc.) has been the main reason behind low levels of physical as well as financial progress of this scheme. This has also been the main factor behind reluctance of Planning Commission and the Finance Ministry to add more than 50 districts in 2007-08.

Infrastructure

Bharat Nirman is a time-bound plan for action in rural infrastructure over the four year period (2005-2009). Under Bharat Nirman, action is proposed in the areas of irrigation, rural roads, rural housing, rural water supply, rural electrification and rural telecommunication connectivity. Halfway through, we find that apart from rural telephone connectivity none of the sectors have been able to reach the target, electrification and road connectivity way off the mark still. Looking at the allocations made in the infrastructure sector, we find random increases here and there. But given the huge plan targets, these remain insignificant. With the government all set to raise requisite funds through the Public Private Partnership (PPP) initiatives, we have to wait and watch as its merit is yet to be tested.

Resources for Panchayats

Backward Regions Grant Fund scheme allocation has been increased by about 20 %.

The scheme has critical importance for greater autonomy to the local bodies. This is a welcome step. The increase in allocation for Gram Swaraj scheme (under Min. of Panchayati Raj) by only Rs. 17.4 crore does not carry any significant support from Union Budget for the critical endeavour with regard to decentralisation. Allocation in Budget 2007-08 for the Panchayat Empowerment Incentive Scheme, at a meager Rs. 10 crore, clearly points to the neglect of a critical sector which has perhaps the greatest possibilities in so far as a 'participatory democracy' is concerned.

Resources for North Eastern Region

The north eastern region (NER) continues to be marked by low agricultural productivity, poor infrastructure, tenuous communications and low levels of industrial activity. The Union Government has made explicit commitments in the past for earmarking adequate resources for NER in the Union Budgets. As a proportion of total plan outlay of the Union Government, the plan outlay earmarked for NER has increased marginally from 6.7 % in 2006-07 RE to 6.9 % in 2007-08 BE. The plan outlay for NER earmarked by the line ministries of the Government has increased from Rs. 10491.23 crore in 2006-07 RE to Rs. 13109.8 crore in 2007-08 BE. The grants-in-aid for NER given under Ministry of DONER has increased from Rs.1085.51 crore in 2006-07 RE to Rs.1125.76 crore in 2007-08 BE, which is not very impressive.

The Budget Speech this year mentions several concerns for agriculture, rural development and the social sectors. However, when we look deeper into the allocations and proposals under specific sectors (as mentioned above), it does point to the fact that Budget 2007-08 does not provide adequate support to many of these. This prompts us to ask whether the effort made in Budget 2007-08 will meet the rhetoric in the Budget Speech.

C. WHO DOES THE FM MEET?

Planning Commission

Deputy Chairman of Planning Commission Montek Singh Ahluwalia met with the Finance Minister on 13 December 2006.

Agriculturists

Several agricultural experts including Ashok Gulati of International Food Policy and Research Institute and farmer leader Sharad Joshi participated in a pre-budget meeting with the Finance Minister on 29 December 2006.

Trade Union

All India Trade Union Congress's Gurudas Das Gupta, The Indian Trade Union Congress's Sanjeeva Reddy presented a joint memorandum to the Finance Minister on 29 December 2006.

CII

CII submitted a pre-budget memorandum to the Finance Minister on 1 January 2007.

ASSOCHAM

ASSOCHAM presented its list of pre-budget proposals in the form of a memorandum on 4 January 2007.

Corporates

Corporate bigwigs including Ratan Tata, Mukesh Ambani, Anil Ambani, Sunil Bharti Mittal, Azim Premji, Venu Srinivasan, AM Naik, Venugopal Dhoot, Kiran Karnik, Malvinder Singh, Kiran Mazumdar Shaw, Confederation of Indian Industry president R Seshasayee, FICCI past-president YK Modi and Assocham president Anil Agarwal met with the Finance Minister in a pre-budget meeting on 9 January 2007.

Foreign Institutional Investors (FIIs)

Representatives of Foreign Institutional Investors held discussions with the Finance Minister on 27 January 2007.

Economists

Leading economists such as the Director-General of Research and Information Systems for Developing Countries (RIS), Nagesh Kumar and the Director, Madras School of Economics, D. K. Srivastava met with the Finance Minister on 31 December 2006.

Others

Indian Electrical & Electronics Manufacturers' Association (**IEEMA**) met with the Finance Minister to submit their pre-budget memorandum on 7 November 2006.

Union Petroleum and Natural Gas Minister Murli Deora met with the Finance Minister to present the Ministry's pre-budget proposals on 25 January 2007.

The Congress Parliamentary Party held a pre-budget meeting with the Finance Minister on 14 December 2006.

C.1. WHO DOES THE FM NOT MEET?

Several civil society organisations (CSOs) despite all efforts have been unable to meet the FM.

People's Budget Initiative – a coalition of several people's organisations, including reputed national and international NGOs made numerous attempts to seek an audience with the FM without any success.

D. PROMISES IN BUDGET 2006-07: HOW MUCH DELIVERED?

Promise	Implementation
<p>Bharat Nirman</p> <p>Against Rs.12,160 Crore in 2005-06, Rs.18,696 Crore to be provided in 2006-07 for the programme, an increase of 54 per cent. The targets being construction of 1,500,000 rural houses, 73,120 habitations provided with drinking water supply and 20,000 villages with a telephone.</p>	<ul style="list-style-type: none"> • Until December 2006, 12,198 kilometres of rural roads have been completed. • 783,000 rural houses constructed up to December 2006 with 914,000 houses under construction. • Drinking water has been provided to 55,512 habitations until December 2006 and 15,054 villages provided with a telephone.
<p>Drinking Water and Sanitation</p> <p>Rajiv Gandhi National Drinking Water Mission to get Rs.4,680 Crore and Rural Sanitation Campaign to get Rs.720 Crore in 2006-07.</p>	<ul style="list-style-type: none"> • 55,512 habitations and 34,000 schools provided drinking water supply till December 2006 under the Rajiv Gandhi Drinking Water Mission.
<p>Indira Awaas Yojana (IAY)</p> <p>A targeted 15 lakh houses to be built during 2006-07.</p>	<ul style="list-style-type: none"> • The target has been achieved during the said period.
<p>Rajiv Gandhi Grameen Vidyutikaran Yojana</p> <p>An additional 40,000 villages were to be electrified in 2006-07. 15,000 Mw of additional power generation targeted by March 31, 2007.</p>	<ul style="list-style-type: none"> • Only 19,758 villages were covered till early this year. Only 5,093 MW capacity has been added by December 2006.
<p>National Rural Health Mission (NRHM)</p> <p>Outlay on NRHM has gone up by 23 per cent from Rs.6,731 Crore in 2005-06 (RE) to Rs.11,505 Crore in 2006-07 (BE). Under the National Rural Health Mission (NRHM), the Associated Social Health Activists (ASHA) is envisaged to be a trained female voluntary health worker (one for every 1000 population) in 18 high focus states and tribal and difficult areas of other states.</p>	<ul style="list-style-type: none"> • Out of the total 3,346 CHCs in various States, 1141 are providing services on 24x7 basis. As on date, a total of 2.06 lakh ASHAs have been positioned in communities after orientation.
<p>Sarva Shiksha Abhiyan (SSA)</p> <p>Creating 5 lakh classrooms and appointing 1.5 lakh teachers. An allocation of Rs. 10,041 Crore for 2006-07 made compared with Rs 7,156 Crore provided last year (2005-06).</p>	<ul style="list-style-type: none"> • Only 2 lakh classrooms have been built and 75,000 teachers appointed. 19 per cent of schools in the country remain single-teacher schools. This is despite the finance ministry having allocated 40 per cent more money. The average pupil-teacher ratio in the country is 1:42.
<p>Mid Day Meal Scheme (MDM)</p> <p>The cooking cost norm has been fixed at Rs. 2 per child per school day, with Rs. 1.80 as Central assistance for North East States and Rs. 1.50 for other States and UTs. Recognizing the need for appropriate infrastructure, assistance for construction of 94,500 kitchen-cum-stores was sanctioned for the first time to States in 2006-07(BE). Similarly, assistance to States has been provided at the rate of Rs. 5,000 per school to procure/repair kitchen devices. MDM was promised an allocation of Rs.4,813 Crore.</p>	<ul style="list-style-type: none"> • There is no mention of the achievements made/ targets reached in MDM scheme.
<p>Integrated Child Development Scheme (ICDS)</p> <p>Total allocation for ICDS increased from Rs.3,315 Crore to Rs.4,087 Crore in 2006-07.</p>	<ul style="list-style-type: none"> • As on 31.01.2007, a total number of 6277 projects and 10.49 lakhs Anganwadi Centres have been sanctioned.

<p>National Rural Employment Guarantee Scheme (NREGS)</p> <p>The Act will be implemented in 200 districts in the first phase from February 2, 2006. Rs. 11,300 Crore allocated for NREGS in 2006-07 (BE).</p>	<ul style="list-style-type: none"> Rs. 6,714.98 Crore was released up to January 31, 2007. Since there is a legal guarantee of employment under the NREG Act, more funds will be provided according to need.
<p>Sampoorna Gramin Rozgar Yojana (SGRY)</p> <p>The ongoing programmes of SGRY and National Food for Work programme will subsume with the National Rural Employment Guarantee Scheme in the 200 identified districts.</p>	<ul style="list-style-type: none"> In 2006-07 up to October 31, 2006, the number of person-days of employment generated under SGRY was 18.41 Crore while the Centre's contributions in terms of cash and food grains component up to December 31, 2006 were Rs. 2,762 Crore and 16.67 lakh tonnes, respectively. Under the special component, about 4.44 lakh tonnes of food grains have been released to calamity-hit States in the current year up to December 2006.
<p>Swaranjayanti Gram Swarozgar Yojana (SGSY)</p> <p>SGSY that came into effect from 1.4.1999 has been conceived as a holistic programme covering all aspects of self-employment. Within the target group, the guidelines for the Yojana provide that the SC/ST shall account for 50%, women for 40% and disabled persons for 3% of the target.</p>	<ul style="list-style-type: none"> Up to December 31, 2006, 24.38 lakh self-help groups (SHGs) have been formed and 73.25 lakh swarogaries have been assisted with a total outlay of Rs.16,443.66 Crore. The figures do not give any idea about the composition of the beneficiaries to assess whether the guidelines have been followed.
<p>Swarna Jayanti Shahari Rozgar Yojana (SJSRY)</p> <p>A target of 1.20 lakh set for the number of urban poor to be assisted for setting up micro/group enterprises. 1.50 lakh is the targeted number of urban poor to whom skill training would be imparted.</p>	<ul style="list-style-type: none"> The number of urban poor assisted for setting up micro/group enterprises was 0.53 lakh as on December 31, 2006. 0.72 lakh urban poor benefited from skill training up to December 31, 2006. Under Urban Wage Employment Programme (UWEP), the man-days of employment generated were 1.78 lakh in the current year till now.
<p>Jawaharlal Nehru National Urban Renewal Mission (JNNURM)</p> <p>The allocation for JNNURM in 2006-07 is Rs. 4,595 Crore. Apart from the already existing four projects, including Mumbai metro rail and Bangalore metro rail, the projects under active consideration include projects in Maharashtra, Madhya Pradesh and Gujarat. Some projects are on the anvil in West Bengal and Karnataka.</p>	<ul style="list-style-type: none"> Projects (137 in numbers) totaling to a cost of Rs.1045.44 Crore as against the allocated Rs.4,595 Crore have been approved in 2006-07 so far.
<p>Gender Budgeting</p> <p>Under this head, included schemes where 100 per cent of the allocations were for the benefit of women as well as schemes where at least 30 per cent of the allocation targeted towards women. The statement covered 24 demands for grants in 18 Ministries/Departments and five Union Territories and schemes with an outlay of Rs.28,737 Crore.</p>	<ul style="list-style-type: none"> Errors in reporting had been noted in the Gender Budgeting Statement. However, 50 ministries/departments have set up gender budgeting cells.
<p>Irrigation</p> <p>The programme for repair, renovation and restoration of water bodies piloted in 23 districts in 13 States.</p>	<ul style="list-style-type: none"> Loan agreement with World Bank for just one state yet.

<p>Accelerated Irrigation Benefit Programme (AIBP) 25 projects are expected to be completed before the end of the year. The outlay for 2006-07 has been increased to Rs.7,121 Crore with the Central Government supporting the programme through a grant of Rs.2,350 Crore.</p>	<ul style="list-style-type: none"> • An amount of Rs.672.61Crore has been released up to January 31, 2007 and it is expected that another Rs.1000 Crore would be released by end 2006-07. • There is no mention of the status of projects that were expected to be completed by 2006-07.
<p>Rural Infrastructure Development Fund (RIDF) The corpus of RIDF XII to be increased to Rs.10,000 Crore. Specified projects under the Public Private Partnership (PPP) model to be allowed to access RIDF funds. The rural roads component of Bharat Nirman requires large funds. A separate window under RIDF XII for rural roads set up with a corpus of Rs.4,000 Crore during 2006-07.</p>	<ul style="list-style-type: none"> • NABARD has so far issued sanctions for Rs.8,440 Crore. As against the provision to set up a separate window for rural roads, projects for Rs.2,311 Crore have been sanctioned in 2006-07.
<p>Drought Prone Area Programme (DPAP), Desert Development Programme (DDP) and Integrated Wasteland Development Programme (IWDP)</p>	<ul style="list-style-type: none"> • Up to January 31, 2007, 3,076 new projects covering 15.38 lakh ha, 2,270 new projects covering 11.35 lakh ha and 463 new projects covering 21.08 lakh ha have been sanctioned under DPAP, DDP and IWDP, respectively.
<p>Backward Regions Grant Fund (BRGF) An allocation of Rs.5,000 Crore has been made in the Plan for 2005-06, and an equal amount will be allocated every year in the next four years. Consequent upon the establishment of the Fund, the existing Rashtriya Sam Vikas Yojana (RSVY), envisaged to end in 2006-07, will be wound up with suitable transition arrangements that will protect every district now covered under RSVY. BRGF to be unveiled in October 2006 and District Planning Committees (DPCs) to be constituted to avail the funds under BRGF by mid February 2007.</p>	<ul style="list-style-type: none"> • BRGF was unveiled by the Prime Minister only on February 19, 2007. A sum of Rs.1,156 Crore has been disbursed so far in the current year to the districts identified as backward as well as under Rashtriya Sam Vikas Yojana (RSVY).
<p>Pradhan Mantri Gram Sadak Yojana (PMGSY) 1.72 lakhs habitations are to be covered under this programme involving construction of 3,69,000 kms of roads.</p>	<ul style="list-style-type: none"> • Up to December 2006, with cumulative expenditure of Rs. 18,281 Crore about 107,569 km of road works has been completed.

Sources:

- <http://indiabudget.nic.in/es2006-07/chapt2007/chap103.pdf>
- <http://www.rediff.com/money/2007/feb/12bud2.htm>
- <http://www.indianexpress.com/story/23539.html>
- <http://mohfw.nic.in/NRHM%20-%20Framework%20for%20Implementation%20-%20%203.3.06.pdf>
- <http://arc.gov.in/2ndrep.pdf>
- <http://indiabudget.nic.in/ub2006-07/bs/speecha.htm>
- <http://indiabudget.nic.in/ub2006-07/impbud/impbud.pdf>
- <http://indiabudget.nic.in/ub2007-08/bs/speecha.htm>
- <http://indiabudget.nic.in/ub2007-08/impbud/impbud.pdf>

D.1. REPORT CARD ON PLAN EXPENDITURE IN 2006-07

Government of India – Select Union Government Accounts as at the end of December 2006

S.No.	Ministry/Department	Disbursements on Plan Head between Apr – Dec 2006 as % of Total Plan Allocation for 2006-07
1	Ministry of Agriculture	73%
1.1	Dept of Agriculture and Cooperation	72%
1.2	Dept of Animal Husbandry, Dairying and Fisheries	57%
2	Ministry Consumer Affairs, Food and Public Distribution	51%
2.1	Dept of Consumer Affairs	53%
2.2	Dept of Food and Public Distribution	47%
3	Ministry of Development of North Eastern Region	69%
4	Ministry of Health and Family Welfare	57%
4.1	Dept of Health and Family Welfare	57%
5	Ministry of Human Resource Development	69%
5.1	Dept of Elementary Education and Literacy (Net: Less expenditure met from Prarambhik Shiksha Kosh)	71%
5.2	Dept of Secondary Education and Higher Education	65%
5.3	Dept of Women and Child Development	64%
6	Ministry of Labour and Employment	51%
7	Ministry of Law and Justice	0%
7.1	Law and Justice	0%
8	Ministry of Panchayati Raj	28%
9	Ministry of Personnel, Public Grievances and Pensions	25%
10	Ministry of Rural Development	65%
10.1	Dept of Rural Development (Net: Less expenditure from NREG Fund, Central Road Fund, Receipts)	64%
10.2	Dept of Land Resources	68%
10.3	Dept of Drinking Water Supply	69%
11	Ministry of Social Justice and Empowerment	52%
12	Ministry of Tribal Affairs	77%
13	Ministry of Urban Development	56%
13.1	Dept of Urban Development	57%
13.2	Public Works	42%
14	Ministry of Urban Employment and Poverty Alleviation	47%
15	Ministry of Water Resources	44%
GRAND TOTAL		65%

Source: www.cga.nic.in

1. Resource Mobilisation and Expenditure Management

Union Budget 2007-08 is the fourth Budget presented by the United Progressive Alliance (UPA) Government at the Centre. Since it is likely to be the second last Budget of this Government, its importance in terms of fulfilling the National Common Minimum Programme (NCMP) objectives must be recognized. 2007-08 is also the first year of the 11th Five Year Plan. Hence, Union Budget 2007-08 is also expected to reflect the revised priorities of the new Five Year Plan. Over the last three years, i.e. 2004-05 to 2006-07, manufacturing and services sector in India have registered impressive rates of growth (with an average 8 % plus rate of GDP growth); with

very high growth in corporate earnings over this period. Accordingly, many observers have expected that the Finance Minister would tap adequate tax revenue from the economy, especially direct tax revenue, and adequately fund the programmes in the social and economic sectors. Finally, a marked rise in the prices of essential commodities of late has posed a serious challenge to the policymakers in the country. Therefore, Union Budget 2007-08 was also expected to suggest concrete policy measures to curb inflation. Union Budget 2007-08 has been presented in such a backdrop and its importance cannot be overstated.

Table 1.a. Tax Revenue of the Union Government as a Proportion of GDP at mp

Year	Gross Tax Revenue (in Rs. Crore)	Gross Tax Revenue as % of GDP	Direct Taxes as % of GDP	Indirect Taxes as % of GDP
1996-97	128762	9.4	2.8	6.5
1997-98	139221	9.1	3.2	6.0
1998-99	143797	8.3	2.7	5.6
1999-00	171752	8.9	3.0	5.9
2000-01	188603	9.0	3.3	5.7
2001-02	187060.1	8.2	3.0	5.2
2002-03	216266.1	8.8	3.4	5.4
2003-04	254348.2	9.2	3.8	5.4
2004-05 (RE)	306021.0	9.8	4.3	5.5
2005-06 (RE)	370141.0	10.5	4.8	5.6
2006-07 (BE)	442153.0	11.2	5.3	5.8
2006-07 (RE)	467848.0	11.4	5.6	5.8
2007-08 (BE)	548122.0	12.0	5.8	6.1

Note: 1. Taxes of Union Territories without legislature have been excluded from both Direct and Indirect Taxes. 2. Gross Tax Revenue used here is the Tax revenue collected by the Union Government including States' share in it.

Source: Annual Financial Statement and Receipts Budget, Union Budget, various years

The gross tax revenue of the Central Government is projected to go up to 12 % of the Gross Domestic Product (GDP) in 2007-08 BE. As shown in the table above, this presents a continuous improvement in the tax to GDP ratio for the Centre since 2004-05, and the level projected for 2007-08 is the highest over the last decade.

This projection of a 24 % increase in gross tax revenue of the Centre in 2007-08 (projected to increase from Rs. 4,42,153 crore in 2006-07 BE to Rs. 5,48,122 crore in 2007-08 BE), over the

previous year is based on projections of: 45.5 % increase in Service Tax collection, 28.2 % increase in Customs, 27.6 % increase in Income Tax, 26.6 % increase in Corporation tax and a 9.4 % increase in the collection of Union Excise duties over the 2006-07 BE levels.

In terms of the overall composition of the tax revenue of the Centre, the revenue from direct taxes would constitute 5.8 % of the GDP and those from indirect taxes would constitute 6.1 % of the GDP in 2007-08. In this regard also, the experience over the last few years has been

positive, with a gradual increase in the reliance on direct taxes within the total tax revenue of the Central Government.

As regards the specific tax proposals in Union Budget 2007-08, there are several **proposals which are welcome**. These are briefly mentioned below:

- The **additional 1 % cess** to be levied on all taxes to fund secondary education and higher education and the expansion of capacity for reservation for socially and educationally backward classes.
- Extension of **service tax** to several new services.
- The reduction in customs duty on drip irrigation systems, agricultural sprinklers and food processing machinery from 7.5% to 5%.
- The reduction in general rate of import duty on medical equipment to 7.5%.
- Exemption of crude and refined edible oils from additional CV duty of 4 % to make edible oils more affordable; reduction in duty on sunflower oil, both crude and refined by 15 percentage points.
- Increasing the rate of **Dividend Distribution Tax** from 12.5 % to 15 % on dividends distributed by companies; and to 25% on dividends paid by money market

mutual funds and liquid mutual funds to all investors.

- Bringing **ESOPs (employees' stock options)** under Fringe Benefit Tax (FBT).
- Restricting the avenues (sectors) for which pass-through status can be granted to **venture capital funds** (mainly, biotechnology, information technology, R&D, etc.).
- **Minimum Alternate Tax (MAT)** to be extended to income in respect of which deduction is claimed under sections 10A and 10B of the Income Tax Act.

Some of these proposals are intended to plug the loopholes that exist in the Central Government tax system in the form of myriad exemptions/ deductions/ incentives. However, these proposals could be far from adequate in order to bring down significantly the size of the total tax revenue forgone under the Central Government tax system due to the tax preferences. As shown in the following table, the estimated size of the total revenue forgone in 2005-06 was as high as 56.4 % of the gross tax revenue collected that year. Likewise, the projected size of the total revenue forgone in 2006-07 is 50.3 % of the gross tax revenue to be collected in the same year.

Table 1.b. Estimate of Tax Revenue Foregone Due to Tax Exemptions/ Incentives/ Deductions (in the Central Government Tax System) in 2005-06 and 2006-07

Tax exemptions/ incentives/ deductions under	Revenue foregone in 2005-06 (Provisional) [inRs. Crore]	Revenue foregone as % of Gross Tax Collection in 2005-06	Revenue foregone in 2006-07 (Estimated) [in Rs. Crore]	Revenue foregone as % of Gross Tax Collection in 2006-07
Customs Duty	127730	34.87	123682	26.44
Excise Duty	66760	18.23	99690	21.31
Corporate Income Tax	34618	9.45	50075	10.7
Personal Income Tax	13550	3.7	15512	3.32
Co-operative Sector Tax	1632	0.45	Nil	...
<i>Less</i> (Related to Export Credit)	37590	10.26	53768	11.49
Total Revenue Foregone	206700	56.43	235191	50.27

Note: As per the Receipts Budget in Union Budget 2007-08, "The estimates and projections are intended to indicate the potential revenue gain that would be realised by removing exemptions, deductions, weighted deductions and similar measures. ... They (these estimates) are developed assuming that the underlying tax base would not be affected by removal of such measures. ... (Also) The cost of each tax concession is determined separately, assuming that all other tax provisions remain unchanged."

Source: Receipts Budget, Union Budget 2007-08

These figures indicate that the measures taken by the Finance Minister for plugging tax exemptions are far too few, which could also be interpreted as the reluctance of the Finance Minister to displease the corporate sector.

Similarly, the Finance Minister has not announced any measure for recovering those tax arrears which are not under dispute, which amounted to Rs. 19,875 crore at the end of the reporting year 2005-06.

Table 1.c. Arrears of Tax Revenue

Tax Revenues raised but not realised- As at the end of Reporting Year 2005-06

Description	Amounts under dispute (in Rs. Crore)	Amounts <u>not</u> under dispute (in Rs. Crore)	Grand Total (in Rs. Crore)
Corporation Tax	28378	9626	38004
Taxes on Income other than Corporation Tax	31549	5921	37470
Customs	2442.94	810.02	3252.96
Union Excise	7600.87	3413.43	11014.3
Service Tax	409.33	105.29	514.62
Total	70380.14	19875.74	90255.88

Source: Receipts Budget, Union Budget 2007-08

It is quite disturbing to note that despite the fast increase in the wealth of the rich in our country, the total collection from **Wealth Tax** by the Central Government is projected to increase from Rs. 265 crore in 2006-07 BE to only Rs. 315 crore in 2007-08 BE. Also, the Finance Minister has proposed to remove the surcharge on income tax on all firms and companies with a taxable income of Rs.1 crore or less, which again reveals the enthusiasm of the Finance Minister to please the private corporate sector.

As regards the tax proposals in Union Budget 2007-08, therefore, it may be said that while the Finance Minister has found himself in a relatively comfortable position because of the higher collection of taxes in the current fiscal, he has not taken any strong measure that would significantly expanding the tax revenue of the Central Government in the years to come. The main thrust of the tax policies are on better tax

administration and voluntary compliance by taxpayers. Despite all the discussions about tax exemptions, there is not much in Union Budget 2007-08 to bring down drastically the magnitude of revenue foregone because of tax exemptions. And more importantly, there is no major shift in the tax regime that would address the fundamental problem of inflation that hits common people very hard.

The following table shows the total expenditure by Union Government as a proportion of the GDP. As shown here, in 2007-08 BE, total Union Government expenditure (excluding the Rs. 40,000 crore of non-plan transaction to be undertaken in 2007-08 relating to the transfer of RBI's stake in SBI to the Government) would be 14 % of the GDP, which is lower than the 14.27 % of GDP figure for the total spending in 2006-07 BE.

Table 1.d. Trends in Expenditure of the Union Government
(at current prices)

Year	Total Expenditure (in Rs. Crore)	Total Expenditure as % of GDP
1996-97	201007	14.69
1997-98	232053	15.24
1998-99	279340	16.04
1999-00	298053	15.39
2000-01	325592	15.58

2001-02	362310	15.95
2002-03	413248	16.78
2003-04	471368	17.08
2004-05	497682	15.94
2005-06	506123	14.34
2006-07 (BE)	563991	14.27
2006-07 (RE)	581637	14.13
2007-08 (BE)	640521*	14.00

* Excluding the Rs. 40,000 crore of non-plan transaction to be undertaken in 2007-08 relating to transfer of RBI's stake in SBI to the Government.

Source: Union Budget, various years

Table 1.e. Deficits of the Union Government as a Proportion of GDP at mp

Year	Revenue Deficit as % of GDP	Fiscal Deficit* as % of GDP	Primary Deficit* as % of GDP
1996-97	2.4	4.9	0.5
1997-98	3.1	5.8	1.5
1998-99	3.8	5.1	0.7
1999-00	3.5	5.4	0.7
2000-01	4.1	5.6	0.9
2001-02	4.4	6.2	1.5
2002-03	4.4	5.9	1.1
2003-04	3.6	4.5	0
2004-05	2.5	4.0	-(0.1)
2005-06	2.6	4.1	0.4
2006-07 (BE)	2.1	3.8	0.2
2006-07 (RE)	2.0	3.7	0.1
2007-08 (BE)	1.5	3.3	-(0.2)

Source: Budget at a Glance, Union Budget, various years

Note: * Gross Fiscal Deficit and Gross Primary Deficit have been abbreviated as Fiscal Deficit and Primary Deficit, respectively.

The decline in the size of the total Union Budget as a proportion of the GDP in 2007-08, despite the strong optimism of the Finance Minister on the front of tax collections, is solely the outcome of conservative fiscal policies. The present Central Government has been a strong proponent of fiscal conservatism and it has been zealously pursuing the targets for reduction of Revenue Deficit and Fiscal Deficit as dictated by the Fiscal Responsibility

and Budget Management (FRBM) Act. As shown in the table above, both the Revenue and Fiscal deficit figures projected for 2007-08 BE are lower than those for 2006-07 and in conformity with the FRBM targets. A negative value for the Primary Deficit projected for 2007-08 BE shows that the Central Government has failed in bringing down interest rates adequately, as a result of which interest burden of the government has continued to rise.

Table 1.f. Comparison of Total Expenditure and Total Non-debt Receipts of Union Government

Year	Total Non-debt Receipts as % of GDP	Total Expenditure as % of GDP
1996-97	9.81	14.69
1997-98	9.40	15.24
1998-99	9.54	16.04

1999-00	9.98	15.39
2000-01	9.90	15.58
2001-02	9.75	15.95
2002-03	10.92	16.78
2003-04	12.61	17.08
2004-05	11.93	15.94
2005-06	10.19	14.34
2006-07 (BE)	10.51	14.27
2006-07 (RE)	10.43	14.13
2007-08 (BE)	10.70*	14.00*

* Excluding the Rs. 40,000 crore of non-plan transaction to be undertaken in 2007-08 relating to transfer of RBI's stake in SBI to the Government.

Source: Compiled from data in Union Budgets, various years.

As we can see in the table above, as a proportion of the GDP, the total magnitude of non-debt receipts of the Central Government in 2007-08 is projected to be 10.7 % which is higher than the 10.5 % figure for 2006-07 BE. However, at 14 % of GDP, the projected size of total Union Budget is smaller than that in 2006-07 BE (14.27 %). At the present juncture, the Centre should have

expanded the size of Union Budget significantly (especially the Plan component) in order to provide adequate resource support to crucial economic sectors like, agriculture and rural development and the social sectors. However, the obsession of the present Government with the FRBM Act and its arbitrary targets has been too strong an obstacle in this regard.

2. Resources Transferred to States

In the context of huge vertical imbalance in terms of revenue raising capacity between the center and the states and dwindling situation of state finances, it is very important that states get adequate resources from the center to meet up their expenditure requirements. Transfers from Center to States are therefore important, and have been increasing in real terms, but declining in relation to most key indicators. The following table shows that there is absolute increase in gross transfer from centre to states, but total expenditure to states increasing much more rapidly than transfer of funds from centre to states. As a result the proportion of transfer meeting states expenditure requirements, which was more than half in early 1990s, reduced to less than one fifth during 2004-5. Though it seems that there is some increase in proportion of transfer to states' expenditure in 2006-07, it is mainly caused by the decline in projected expenditure of states, not due to any substantial increase in transfers to states. Further if we deflate transfers with GDP at market prices we find sharp decline from the 1009s. It should be noted, however that in last three years transfers as a proportion of GDP has increased.

If we look at the architecture of fiscal transfer we find that there are four major forms of transfers from the center: states get share of central taxes; central assistance for state plans; non-plan grants and loans; central assistance to centre and centrally sponsored schemes. Among these four forms transfer of central taxes to

states is predetermined by the Finance Commission and cannot be altered. So there won't be much variation in these transfers. For the years 2006-07 and 2007-08 the Budget Estimates for States' share in taxes and duties are Rs.113448 crores and Rs. 142450 crores respectively. Allocations for the rest of the three forms vary considerably. Central assistance to state plans and non-plan grants and loans goes to state budget and states can spend these funds in accordance to their priorities. On the contrary Centrally Sponsored Schemes are those which are initiated and largely financed by the Centre with some share from the States, which may vary from scheme to scheme and implemented by the States in various sectors which are mainly state subjects. Naturally states do not have much say on expenditures on these schemes. As it can be seen from the following table total grants and loans as a proportion of centre's revenue receipts have remained stable over the last three years. But it should be noted that this is much less compared to 2003-4 Budget Estimates. Similar trend can be seen in Central Assistance to State Plans, which has fallen drastically compared t 2003-04 but remains stable for last three years. Contrary to these thee expenditure on Centrally sponsored schemes budgeted through state budgets has increased though not very significantly. A reduction in Central Grants and loans and a subsequent increase in allocation in CSS implies that the states have lesser maneuverability or choice to spend in accordance to their needs.

Table 2.a. Transfer of funds to States, including FC, PC and CSS, but excluding transfer to DRDAs and State Societies

Year	Gross transfer to States	Total Expenditure of States	GDP at market prices	Transfer to States as % of State exp	Transfer to States as % of GDP
1990-91	42350	80232	5,68,772	52.8	7.45
1991-92	46201	95587	6,53,298	48.3	7.07
1992-93	51800	106149	7,47,387	48.8	6.93
1993-94	58459	120635	8,59,220	48.5	6.80
1994-95	63947	143750	10,09,906	44.5	6.33
1995-96	70502	163676	11,81,961	43.1	5.96
1996-97	82637	181872	13,61,952	45.4	6.07
1997-98	88729	206714	15,15,646	42.9	5.85

1998-99	80924	243355	17,58,276	33.3	4.60
1999-2000	94780	289621	19,56,997	32.7	4.84
2001-02 BE	127614	369219	24,63,324	34.6	5.16
2002-03 BE	104455	430919	27,60,224	29.6	3.78
2003-04 BE	103913	488319	31,26,596	21.3	3.32
2004-05 BE	97978	551367	31,21,414	17.7	2.75
2005-06 BE	165152	623151	35,29,240	26.5	4.67
2006-07 BE	197899	537929	39,52,749	36.8	5
2007-08 BE	248844		45,74,181.8		5.4

Table 2.b. Grants and Loans Transferred to States

	2003-4 BE	Ratio Of Net Receipts of the Centre	2004-5 BE	Ratio Of Net Receipts of the Centre	2005-6 BE	Ratio Of Net Receipts of the Centre	2006-7 BE	Ratio Of Net Receipts of the Centre	2007-8 BE	Ratio Of Net Receipts of the Centre
Grants and Loans	76353	30.1	85737	27.7	80257	22.9	90521	22.4	103430	23.2
1. Central Assistance for State & UT Plans	46314	18.2	55209	17.8	30454	8.7	37971	9.4	46609	10.4
2. Assistance for Central and Centrally Sponsored Schemes	11249	4.4	10953	3.5	15750	4.5	17089	4.2	21880	4.9
3. Non-Plan Grants & Loans	18790	7.4	19576	6.3	34053	9.7	35461	8.8	38498	8.6
Net Revenue Receipts of the Centre	253935		309322		351200		403465		446422	

Source: Union Budget: Resources Transferred to State and UTs

A huge section of Centrally Sponsored Schemes are introduced by the Central Ministries and spent directly through the state level autonomous bodies or local governments. For 2007-08 the allocation on schemes have increased from Rs 46018 Crores to Rs. 49606 Crores. There are eight Central Ministries under which there are around 41 such schemes where money is bypassing state budgets. The list of ministries and departments and some important schemes have been listed below.

Table 2.c. Centrally Sponsored Schemes Bypassing State Budgets

Year	CSS bypassing state budgets	Central Ministries and Departments	Some Important Schemes
2006-07 BE	Rs. 46,018 Crore	<ol style="list-style-type: none"> 1. Ministry of Agriculture. 2. Ministry of Environment and Forests. 3. Ministry of Health and Family Welfare 4. Ministry of Human Resource Development. 5. Ministry of Women and Child Development 6. Ministry of New and Renewable Energy 7. Ministry of Rural Development 8. Ministry of Labour and Employment 	National Horticulture Mission; Micro Irrigation; National Afforestation Programme; National AIDS Control Programme (EAC); Pulse Polio Immunisation; Flexible Pool for State PIP's (NRHM and RCH). District Primary Education Programme; Sarva Shiksha Abhiyan; Sampoorna Gramin Rozgar Yojana(SGRY); National Rural Employment Guarantee Scheme; Swarnajayanti Gram Swarozgar Yojana; Indira Awaas Yojana; Pradhan Mantri Gram Sadak Yojana; Accelerated Rural Water Supply Programme; National Child Labour Project
2007-08 BE	Rs. 49,606 Crore		

Source: Expenditure Budget vol I

To conclude it can be said that in a situation where states require more funds to meet their expenditure commitments and are resource starved, central transfer are not increasing in keeping with the requirements. Further more funds are being squeezed in areas where states have autonomy to set their own priorities and plan accordingly. In fact there is an increasing effort to bypass state budgets through CSSs.

3. Education

Major announcements made in the Budget 2007-08 for the education Sector are...

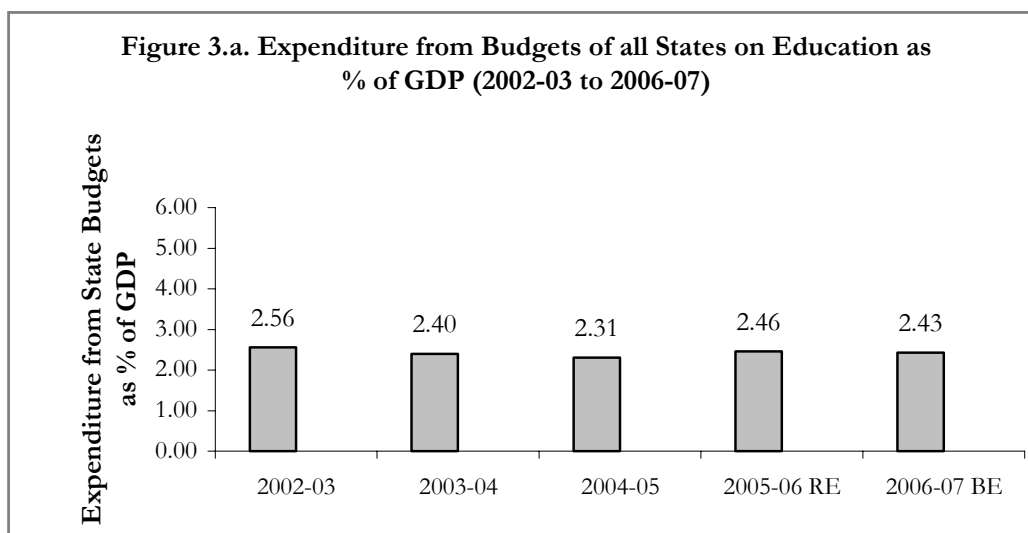
- Increase in the allocation for education by 34.2 per cent to Rs.32351.22 Crore in 2007-08 BE compared to Rs. 24249 Crore in 2006-07 RE.
- Allocation for school education increased by about 35 per cent from Rs.17133 Crore in 2006-07 to Rs.23142 Crore in 2007-08.
- Total allocations for elementary education increased by around 10 percent over previous year.
- Increase in the provision for strengthening teachers training institutions from Rs.162 Crore in 2006-07 to Rs.450 Crore in 2007-08
- Total Central Allocations for Sarva Siksha Abhiyan (SSA) declined by from Rs. 11219 Crore in 2006-07 to Rs. 10671 Crore in 2007-08. Kasturba Gandhi Balika Vidyalaya (KGBV) is now merged with SSA. A decline of around
- Prarambhik Siksha Kosh (PSK) built in November 2005 as a non-lapsable fund to receive the Education Proceeds Cess and to support Mid-day Meal and SSA.
- The Mid-day Meal (MDM) Scheme will be provided Rs.7323 Crore in 2007-08: An increase of 36 % from Rs 5347 Crore in 2006-07 RE.
- Provision for secondary education doubled from Rs.1,837 Crore in 2006-07 to Rs.3,794 Crore in 2007-08.
- National Means-cum-Merit Scholarship Scheme for study in classes IX, X, XI and XII.
- Introduction of 1 % additional cess for funding higher education making the total education cess 3% of all taxes collected.

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 over the period of its rule. It also promised to introduce a cess on all Central taxes to finance the commitment to universalise access to quality basic education. Further, a national cooked nutritious mid-day meal scheme, funded mainly by the Central 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 thus far. States are already spending substantial proportion of total educational expenditure. **It is worthwhile to note that the burden of more than half of the financial commitments made by the Government for Universalisation of Elementary Education in India is currently borne by the common people only through**

education cess collected on all taxes. While, introduction of an education cess was a welcome move by the government, it was expected that the proceeds would complement the government's own initiatives rather than substituting the same. However, if adjustments are made for the external support as well as education cess, the contribution made from the own resources of the present government has in fact declined from around 68 per cent in the year 2001-02 RE to around 35 per cent in 2007-08 BE.

From this year onwards, the state share in SSA would be 50 % making it more difficult for State Governments to meet the requirements. It is worth mention here that even in the 75:25 Centre/State sharing regime, as on June 2006, the State governments could release only around 9 percent of the total expenditure estimated under SSA. It also worth mention that as per the reporting by the State Governments on SSA, the Central government actually released less than 50 percent of its own share by June 2006.



Adding to the above, in order to comply with the norms and targets under SSA, there has been an attempt to overestimate the enrolment figures. Numerous schools have been opened in rural areas without having adequate facilities for quality education. It is reported that by the end of 2005, more than 40000 government schools did not have buildings of any form and around 16 percent of all primary schools run by the government were single classroom schools. Instead of building numerous tiny schools without the basic facilities like classrooms, teachers, toilets etc., in every habitation, the government should focus on better school infrastructure and good quality schools in cluster of villages and can make provisions for public transport system to increase access.

It is now a common belief that the quality of education in government schools is bad and therefore private schools are getting acceptance among the masses. While all these issues are debatable, the growing penetration of private sector in elementary education sphere is something that is the point of concern. As per the available information, private institutions providing elementary education in India as a percentage of all institutions have increased from less than 8 % in 1979 to more than 15 % in 2005.

As far as higher education is concerned, The Union Government has already made its intentions clear by announcing 100 FDI in higher education. At the Editor's Conference on

Social Sector Issues held in early February, the Higher Education Secretary Mr. R. P. Agrawal made public this proposal of the government. In the Budget 2007-08, the Finance Minister announced an increase in allocations for technical education from Rs. 1736 Crore in 2006-07 RE to 3870 Crore in 2007-08 BE. However, there has not been much increase in case of general higher education. The expenditure on Language Development programmes has remained stagnant. Apart from transfers to UGC and National Mission in Education through ICT, in all other fronts of general higher education the government has been apathetic. The per capita public expenditure on Higher Education in India is much lower compared to China and some other Asian Countries.

As far as the total education sector is concerned, the allocations have increased substantially, but still it is far less than what was desired. As a proportion of GDP it has increased from around 0.6 percent in 2006-07 RE to around 0.7 % in 2007-08 BE.

Therefore, while the UPA government deserves credit for better fund management in the central allocation for the education sector, it has largely undermined its own commitments for universalisation of elementary education by

- Not making adequate provisions to match the promised 6% of GDP.
- Shifting the financial burden of the UEE on the State Governments and common citizens.

Table 3.a. Allocations for Elementary Education

(in Rs. Crore)

Year	Education Cess	Total (2003-04 RE Allocation + Cess Collected)	Transfers to Prambhik Siksha Kosh	External Support for Elementary Education	Allocations for Elementary Education and Literacy	Central Government Allocations for Elementary Education after Adjusting Education Cess	Direct Contribution of the Common Citizens for UEE (i.e., Contribution of Cess in Funding for UEE)	Contribution of the Central Government in UEE after discounting for External Aid and Education Cess
2001-02 RE				1212	3755	3755	0.0	67.7
2002-03 RE				1550	4305	4305	0.0	64.0
2003-04 RE	4107	4107		1417	5455	1348	75.3	-1.3
2004-05 RE	5010	9117		1198	8005	2995	62.6	22.4
2005-06 RE	7490	11597		1997	12243	4753	61.2	22.5
2006-07 RE	8949	20546	8746	1647	16895	7946	53.0	37.3
2007-08 BE	10424	30970	10393	1678	18629	8205	56.0	35.0

Note: The Cess figures for the year 2006-07 RE and 2007-08 BE does not include the extra 1 % cess for Higher Education

Source: Expenditure Budget Vol. 2 and Receipt Budget for various years

Table 3.b. Union Government's Expenditure on Education as a proportion to GDP

(in Rs. Crore)

Year	Union Government's Total Expenditure on Education, Sports, Art & Culture	GDP at Current Market Prices	Union Govt. Expenditure on Education, Sports, Art & Culture as a Proportion of GDP (in %)
1996-97	3328.09	1368209	0.24
1997-98	4451.83	1522547	0.29
1998-99	6028.6	1740985	0.35
1999-00	6405.24	1936831	0.33
2000-01	6767.29	2089500	0.32
2001-02	7275.85	2271984	0.32
2002-03	9518.91	2463324	0.39
2003-04	10629.67	2760224	0.39
2004-05	13627.39	3121414	0.44
2005-06	18336.53	3529240	0.52
2006-07 RE	24115	4116972.9	0.59
2007-08 BE	32352	4574181.8	0.71

Note: ^d Extrapolated assuming a nominal growth rate of 12 % over the previous year.

Source:

1. Annual Financial Statement of Central Government- for various years.
2. Economic Survey 2005-06, GOI.

Table 3.c. Estimates of Provision for Externally Aided Projects in Central Plan included in the Budget Estimates

(in Rs. Crore)

Year	Department of Elementary Education and Literacy	Department of Secondary and Higher Education	External Aid for Total Education	Total Central Plan for Education	External Aid as % of total Central Plan on Education
2004-05	1198.45	100	1298.45	8224	15.8
2005-06	1996.5	100	2096.5	15241	13.8
2006-07	1647	80	1727	20744	8.3
2007-08	1677.60	80	1758	28672	6.13

Source: Expenditure Budget Vol-I and Vol-II

Table 3.d. Growth of Private Schools Providing Elementary Education

Year	Government	Private	Total	Private as % of total
1903	107196	38678	145874	26.5
1973	495758	53392	549150	9.7
1979	534260	45780	580040	7.9
1986	705560	113404	818964	13.8
2002	755792	140594	896386	15.7
2003#	794265	125842	920107	13.7
2005#	880545	157268	1037813	15.2

Note: Government includes both government and local bodies

Private includes private aided, private unaided and private unaided unrecognized

Source: 1903 Figure taken from "Statistical Abstract Relating to British India 1903-1912, Digital South Asia Library; 1973 figure taken from Third All India Education Survey; 1979 figure taken from Fourth All India Education Survey; 1986 Figure taken from Fifth All India Education Survey; 2002 Figure taken from Seventh All India Education Survey; 2003 and 2005 Figures taken from Elementary Education in India: An Analytical

Table 3.e. Public Expenditure on Higher Education in India vis-à-vis other countries

Country	% of GDP on Higher Education	Public Expenditure on Higher Education per Student (2002-03) in USD	Gross Enrolment Ratio in Higher Education (2001)
USA	1.41	9629	81
China	0.50	2728	13
Japan	0.54	4830	49
India	0.37	406	11
UK	1.07	8502	64
France	0.99	8010	54
Italy	0.87	7491	53
Brazil	0.91	3986	18
Indonesia	0.28	666	15
Philippines	0.43	625	31
Australia	1.19	7751	65
Malaysia	2.70	11790	27

Source: Trade and Policy Division, Department of Commerce, Government of India 'Trade in Education Services, A Consultation Paper on Higher Education in India and GATS: An Opportunity'

4. Health

Out of the many progressive promises, the National Common Minimum Programme (NCMP) of the present United Progressive Alliance (UPA) Government at the Centre seeks to increase public spending on health to at least 2-3% of GDP (as against 7.5 % of GDP recommended by WHO) over the next five years, with focus on primary healthcare. It further says 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.

It may be noted in this regard that any mechanism to step up public funding of healthcare should involve concerted and coordinated efforts on the part of the Central as well as State Governments. Although the shape of state finances has shown some improvement in recent years (with larger VAT collections and transfers from the Centre), the Central Government should take major responsibility of meeting the target set for increasing the expenditure on health as promised in the

NCMP. And to some extent, the allocations on Health and Family Welfare by the Central Government have been significantly increased since 2004-05 over previous years, yet they are still far below the requirements for the levels promised in NCMP. Notably, the Total Expenditure of the Union Government on Health and Family Welfare went up from Rs. 9649.24 Crore in 2005-06 to Rs. 11757.74 Crore in 2006-07 RE, which has further been increased to Rs. 15854.88 Crore in 2007-08 BE (Table 4.a.). However, it still hovered around 1 % of GDP in 2006-07 at the national level.

Allocations by the Central Government in 2007-08 register significant increase over the previous years, which may provide some respite to the common people of this country. Now, with only one more budget (for 2008-09) to go before the set deadline in NCMP, meeting this noble goal would definitely remain elusive. An international comparison of public expenditure on health as a proportion of GDP (Table 4.b.) again paints a grim picture in this regard. As can be seen from the table below (Table 4.b.), India fares poor when it comes to spending on healthcare.

Table 4.a. Public Expenditure on Health and Family Welfare

Year	Revenue Account (Centre)	Capital Account (Centre)	Total (Centre) (1+2)	States' Expenditure	Total National Expenditure	GDP at current market prices	(in Rs. Crore)	
							3 as % of 6	5 as % of 6
	1	2	3	4	5	6		
1997-98	3176.60	14.05	3190.65			1522547	0.21	
1998-99	3990.68	46.94	4037.62			1740985	0.23	
1999-2000	5014.16	44.21	5058.37			1936831	0.26	
2000-01	5289.73	-34.89	5254.84			2089500	0.25	
2001-02	5928.23	8.66	5936.89			2271984	0.26	
2002-03	6493.81	10.00	6503.81	17094	23597.81	2463324	0.26	0.96
2003-04	7180.60	68.54	7249.14	18235	25484.14	276022	0.26	0.92
2004-05	8065.39	20.56	8085.95	19617	27702.95	3121414	0.26	0.89
2005-06	9578.54	71.70	9649.24	25418 (RE)	35067.24	3529240	0.27	0.99
2006-07 RE	11681.28	76.46	11757.74	29137 (BE)	40894.74	4116972.9	0.29	0.99
2007-08 BE	15499.03	355.85	15854.88			4574181.8	0.35	

Notes: Figures for 1997-98 to 2005-06 are Actuals, those for 2006-07 are Revised Estimates (RE), and those for 2007-08 are Budget Estimates (BE), and for States's Expenditure, 2005-06 data is Revised Estimates and 2006-07 data is Budget Estimates.

Source: Expenditure Budget Volume I for various years and RBI: State Finances – A Study of Budgets for various years.

Table 4.b. Public Expenditure on Health as % of GDP in 2003 in various Countries

Country	Public Expenditure on Health as % of GDP (2003)
Norway	8.6
United States	6.8
Netherlands	6.1
France	7.7
U.K.	6.9
Rep. of Korea	2.8
Mexico	2.9
Malaysia	2.2
Brazil	3.4
Thailand	2
South Africa	3.2
India	1.2
Pakistan	0.7
Bangladesh	2.3
Nepal	3.8

Source: UNDP, Human Development Report 2006.

Going beyond the financial provision for healthcare in the country, it may be noted that the Tenth Plan set some very ambitious physical targets for this sector. It hoped to reduce Infant Mortality Rate (IMR) to 45 per 1000 by 2007 and 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 by 2012, the same is to be brought down to the level of 1 per 1000 live births. However, as per Economic Survey (2006-07), IMR stood at 58 per 1000 live births in 2005 and MMR stood at 3.01 in 2001-03.

Given the huge gaps between the set targets and the existing scenario, decisive intervention by the Government in this sector will be very crucial for the welfare of the poor people. Also, now that we have adopted a restrictive Patent Regime in the country, we need to increase public spending on health even further so that through public research and innovations along with increased domestic patenting activity, we shall be able to provide cheap drugs to common people.

The Union Government took some positive steps in 2006-07 Budgets 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 equipment were also brought down to 5 percent from the level of 15 percent in the Budget proposals for 2006-07. These drugs were also exempted from excise duty and countervailing duty (CVD). As per the estimates provided by Economic Survey 2005-06, there were nearly 20-25 million cancer cases at any given point of time and 7-9 lakh new cases of cancer and approximately 4 lakh deaths occurred due to cancer, therefore, the above steps were definitely in the direction of providing relief to such patients. **This year, however, the Finance Minister has exempted clinical trial of new drugs from any service tax obligation with the stated goal of making India as a preferred destination for drug testing.** This step may have adverse implications for the poor people of this country. The obvious vulnerability imposed due to poverty may drive people to become guinea pigs and this may adversely affect the social fabric of our country. Another important step, that merits mention here, is the reduction of import duty on medical equipment from as high as 12.5 % to 7.5 %. Although, modern medical equipments are necessary for accurate medical aid, this step may further the interests of the private sector in the health sector, where it is an established fact that more than 80 % of the health expenditure by the people of India goes into the hands of private players.

Another significant development in this sector was the **proposal for setting up six AIIMS-like institutions in 2005-06 Budget to augment medical education in deficient States. In 2005-06 Budget, Rs. 250 Crore (BE) had been provided for this purpose (Expenditure Budget Volume 2. The revised allocations for 2005-06 have been reduced drastically to a meagre Rs. 6 crore. In 2006-07 Budget, the allocations for this purpose has been pegged at Rs. 75 crore only, which has been revised and stood at Rs. 10 Crore only. This means that the Central Government has been going back and forth on this issue, which clearly shows the lack of commitment on the part of the Centre to carry forward its promise in this regard.** For the year 2007-08, Rs. 150 crores has been set aside for this purpose.

As highlighted in the Economic Survey 2004-05, we have to address the problems arising out of the prevalence of T.B. and HIV/AIDS. Annually, around 4.17 lakh people in the country die every year because of T.B. (Economic Survey 2004-05) and around 51.34 lakh people were living with HIV/AIDS by the end of 2004 (Economic Survey 2005-06), which further increased to 52 lakh in 2005 (Economic Survey, 2006-07). Almost one out of every 100 adults (age group 15-49) suffers from HIV/AIDS. The Government has responded positively to these concerns and raised the plan allocation (budget estimate) for National AIDS control organisation from Rs. 232 Crores (RE) in 2004-05 to Rs. 476.5 Crore (RE) in 2005-06 (Expenditure Budget Volume 2). It has further been raised to Rs. 636.67 crore (RE) in 2006-07 and further increased to Rs. 719.50 Crore (BE) for 2007-08 (Expenditure Budget Volume 2)¹. T.B. control programmes have registered an increase in budget estimates from Rs. 115 Crore in 2004-05 to Rs. 166.4 Crore in 2005-06 and Rs. 206.5.17 crore (RE) in 2006-07 (Expenditure Budget Volume 2). For 2007-08, the amount set aside in this regard, stood at Rs. 249.00 Crore.

The UPA's flagship launched in 2005-06, the National Rural Health Mission, with Plan outlay of Rs 6075.17 crore in 2005-06 had received an increased outlay of Rs. 7155.97 crore (RE) as Plan funds in 2006-07. This has further been increased to Rs. 9801 Crore (BE) in 2007-08. As per the Budget Speech (2007-08) of the Finance Minister, 3,20,000 Associated Social Health Activists (ASHAs) have been recruited and over two lakh have received orientation training. The Finance Minister has further stated in his budget speech that all districts in the country will complete preparation of District Health Action Plans by March 2007. With the threat of polio re-emerging in India, as also noted by the Finance Minister in his Budget Speech, the pulse polio immunisation programme is important. Budget Estimates on this account has been increased from Rs. 1006.72 crore in 2006-07 (RE) to Rs. 1289.38 in 2007-08. There will be intensive coverage in the 20 high risk districts of Uttar Pradesh and 10 districts of Bihar in 2007-08 under NRHM. It may be noted that the

outbreak of polio cases was partly due to children being missed in critical districts in the latter part of 2005 and early 2006. A total of 666 number of polio cases were reported in 2006 and this is the second highest incidence of polio in any country in the world.

In sum, it may be noted that the 'aam aadmi' has again been given a raw deal as far as public spending on health is concerned. Half-hearted efforts at addressing the burden of common people on account of their health needs and consequent private expenditure is only going to perpetuate their misery and most importantly, may limit the human development scenario in the country. Furthermore, steps taken in this budget to help private sector grow (such as, tax free clinical trials and reduced import duties on medical equipments) would lead to further exploitation of marginalised people of India.

¹ These figures do not include fund allocated for North Eastern regions and Sikkim.

5. Water Supply and Sanitation

The Tenth Plan aimed at providing safe drinking water to all rural habitations within its period of operation (2002-07). The same objective has also been envisaged by the Eleventh Five Year Plan. It may be noted here that water is a State subject, and the schemes for providing drinking water facilities are implemented by the States. The Central Government provides financial and technical support in this regard (Economic Survey, 2006-07). The Department of Drinking Water Supply through its Accelerated Rural Water Supply Programme (ARWSP, currently being implemented through Rajiv Gandhi National Drinking Water Mission) has undertaken an investment of Rs. 66,000 crore upto March 31, 2006 beginning 1972-73 to achieve this objective. Rural Drinking Water is one of the components under Bharat Nirman, which has been conceived as a plan to build rural infrastructure in four years period from 2005-06 to 2008-09. Economic Survey 2006-07 claims (page 224, para 10.62) that 97.02 percent of rural habitations were fully covered, and 2.7 percent were partially covered as on April 1, 2006, leaving 0.28 percent not covered with drinking water facilities. On April 1, 2006, there were 41,946 uncovered habitations and approximately 2,52,060 slipped back habitations. By the end of December 2006, 55,512 habitations and 34,000 schools had been provided drinking water supply under Rajiv Gandhi National Drinking Water Mission in 2006-07.

However, at the level of rural households, nearly 27 percent lack access to safe drinking water (Economic Survey 2005-06, Table 9.6). Out of a total of 14,22,283 rural habitations, 1,95,813 habitation faced contamination (Economic Survey 2006-07) in drinking water due to arsenic, salinity, fluoride, iron, etc. The Economic Survey 2006-07 notes that adequate operation and maintenance is critical for sustaining water supply systems already created and has put the annual cost at

Rs. 6,000 in this regard. The Central Government has shown its inability to incur such costs alone and wants the users (communities) to share the burden.

The Central allocation of funds for ARWSP has been stepped up from Rs. 2,900 crore in 2004-05 to Rs. 4,060 crore in 2005-06 (RE) and further to Rs. 4680 crore in 2006-07 (RE). For the financial year 2007-08, Rs. 5850 crore has been allocated under this head, which represent a significant increase and hence must be welcomed.

The Central Rural Sanitation Programme, restructured in 1999 as Total Sanitation Campaign (TSC) has taken up projects in 568 districts covering 30 States/UTs with an approved outlay of Rs. 9969.33 crore since 1999 (Economic Survey 2006-07). Budgetary allocations have registered an upward trend on this account from Rs. 720 crore in 2006-07 RE to Rs. 954 crore in 2007-08 BE. Apart from Rural Water Supply and Sanitation schemes, Department of Urban Development too has a number of schemes under this head. The total Central allocation on Water supply and Sanitation has registered continuous increase as can be seen from the following table (Table 5.a.). Although, the allocation on Urban Water Supply and Sanitation has stagnated in the most recent years that on Rural Water Supply and Sanitation has consistently increased for the past three years, which should be welcomed. This is expected since it is one of the main components of Bharat Nirman.

Moving beyond financial allocations, we may note that Bharat Nirman aims to cover 55,067 uncovered habitations, provide additional coverage to 2.8 lakh habitations that have slipped back from full coverage and provide potable water in 2,16,968 villages affected by poor water quality under its Rural Water and Sanitation component.

Table 5.a. Union Government's Expenditure on Water Supply and Sanitation (Rural+Urban)
(in Rs. Crore)

Year	Rural Drinking Water Supply and Sanitation	Urban Drinking Water Supply and Sanitation	Total	Union Govt. Expenditure on Water Supply and Sanitation as Proportion of GDP (in %)
1997-98 RE	1403.11	783.34	2186.45	0.144
1998-99 RE	1670.18	910.82	2581	0.148
1999-00 RE	1807.06	940.00	2747.06	0.142
2000-01 RE	2101.22	987.39	3088.61	0.148
2001-02 RE	2111.31	2006.38	4117.69	0.181
2002-03 RE	2251.38	2545.23	4796.61	0.195
2003-04 RE	2751.39	2695.00	5446.39	0.197
2004-05 RE	3301.39	2326.29	5627.68	0.180
2005-06 RE	4761.52	2904.16	7665.68	0.217
2006-07 RE	5301.63	2310.56	7612.19	0.185
2007-08 BE	7561.74	2720.00	10281.7	0.225

Source: Expenditure Budget Volume 2 - for various years.

The proposed coverage under Bharat Nirman within a four year period is as follows :

Table 5.b. Proposed coverage under Bharat Nirman

Year	Activity
2005-06 to 2008	Coverage of 55,067 uncovered habitations of Comprehensive Action Plan (CAP) 99
2005-06 to 2008-09	Coverage of water quality affected habitations giving priority to arsenic, salinity and fluoride contamination
2005-06 to 2008-09	Coverage of approx. 3,00,000 slipped back Not Covered / Partially Covered and newly emerged habitations

The physical targets set and achieved in the last two years has been summarised in the table (Table 5.c.) below. As can be seen, there has been substantial gap in physical targets set vis-à-vis corresponding achievement in 2005-06 as well as 2006-07 as per the latest data available from the Rural Development Ministry. It may also be noted that the implementing agencies would face tremendous pressure in the remaining two years; if at all the remaining targets have to be met.

Table 5.c. Physical Targets and Achievements under Bharat Nirman for Rural Water Supply and Sanitation

Year	2005-06			2006-07		
	New Coverage	Slipped Back Habitations	Water Quality Affected Habitations	New Coverage	Slipped Back Habitations	Water Quality Affected Habitations
Targets	6362	63465	13051	13166	109077	17835
Achievements	3104	40980	4647	4695	44100	2143

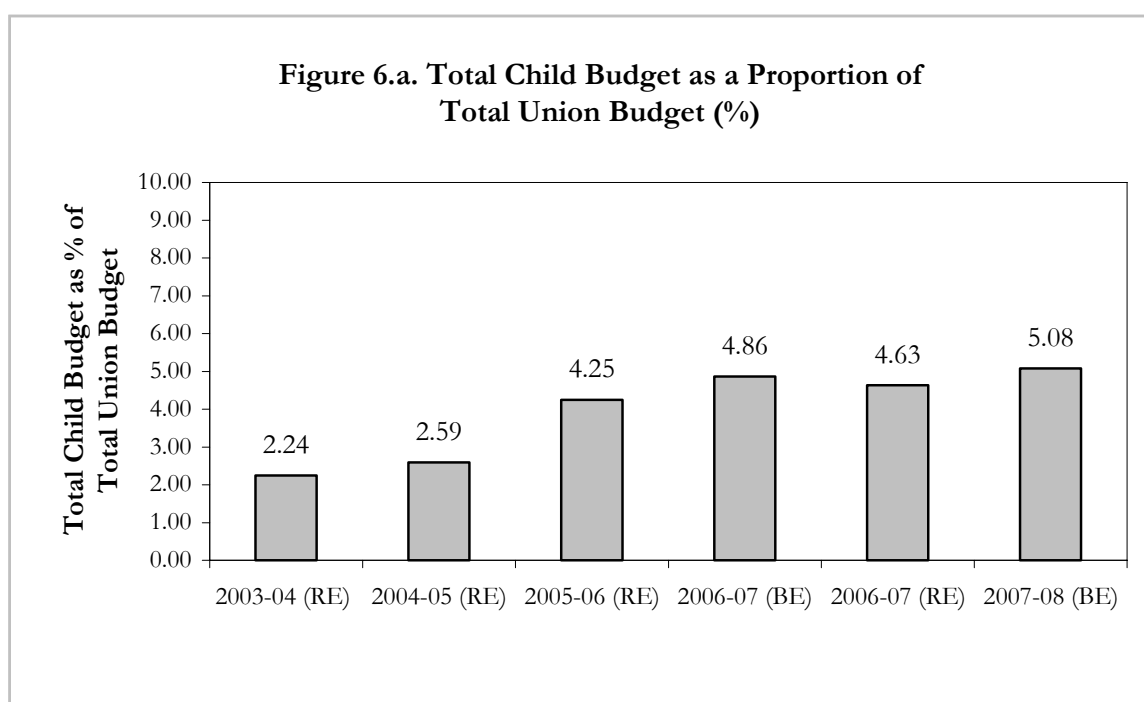
6. Children

All kinds of public expenditure, meant for development of a community, can be expected to have some benefits for children as well. However, in a country where children are clearly a disadvantaged section of the population, there exists a strong case for- identifying that part of the public expenditure which is meant specifically for addressing the needs of children; in other words segregating those programmes/ schemes from all kinds of developmental programmes/ schemes, which are specifically meant for addressing the needs of children. Thus, the total magnitude of public expenditure on child specific programmes/ schemes is what we refer to as the magnitude of total Child Budget. Thus, Child Budget is not a separate budget, but a part of the usual government budget. The Union Government Ministries, which have child specific schemes, are: **Women and Child Development, Human Resource Development, Health and Family Welfare, Labour and Employment, Social Justice and Empowerment, Tribal Affairs, Minority**

Affairs and Youth Affairs and Sports. The data pertaining to budget outlays on child specific schemes by the above-mentioned Ministries, used in the analysis presented here, have been compiled from the *Expenditure Budget Volume II (Notes on Demands for Grants)* in the Union Budgets of the relevant years.

Magnitude of the Child Budget in 2007-08

As shown in the Chart below, the total magnitude of Child Budget within the Union Budget, i.e. the aggregate outlay for child specific schemes as a proportion of total budget outlay by the Union Government, has increased from 4.86 % in 2006-07 (BE) to 5.08 % in 2007-08 (BE). At 5.08 % of the total Union Budget in 2007-08 (BE), the magnitude of Child Budget is quite inadequate if we look at the proportion of children in the population and the serious deprivations confronting them in various sectors.



Source: Table 6.a.

Sectoral Composition of Child Budget in 2007-08

Budget outlays for **Child Development** as a proportion of total outlays by the Union Government have increased from 0.86 % in 2006-07 (BE) to 0.88 % in 2007-08 (BE). Union Government's outlays for **Child Health** as a proportion of its total budget outlay also shows a decline from 0.56 % in 2006-07 (BE) to 0.52 % in 2007-08 (BE). Budgetary provisions for **Child Education** shows an increase from 3.41 % in 2006-07 (BE) to 3.63 % in 2007-08 (BE), which is mainly on account of substantial rise in the allocation in the Mid-Day Meal Scheme and Sarva Siksha Abhiyan within the Prarambhik Siksha Kosh under Dept. of School Education and Literacy of the Ministry of Human Resource Development and further the amount allotted to the educational development of the North Eastern States & Sikkim under the same department. Total outlays for child education in the Union Budget register an increase from Rs. 19,231.24 Crore in 2006-07 BE to Rs. 23,244.43 Crore in 2007-08 (BE). However, it has been

argued by several observers that over the last decade, States' efforts towards containing their fiscal crisis have resulted in a reduction in the priority for education within their budgets. Also, even the current level of total public spending on education, at roughly 4% of GDP, is much less than the 6% of GDP, which the *Kothari Commission* had recommended (in the late 1960s) as the desirable level of total public spending on education in India to be achieved by 1986. The increase in allocations on **Child Protection**, however, can be judged to be higher, from 0.034 % in 2006-07 (BE) to 0.051% in 2007-08 (BE). Further, the rise is merely an illusion in terms of absolute number since when we consider it as a proportion to the overall spending on child specific schemes we are left out with an utter surprise. Since, unlike the previous year the allocation to child protection as a proportion to total child specific schemes is still 1%. The following Chart indicates the sectoral composition of the total outlays for children made by the Union Government in 2007-08 (BE).

Figure 6.b. Sectoral Composition of the Total Outlay for Children in Union Budget 2007-08

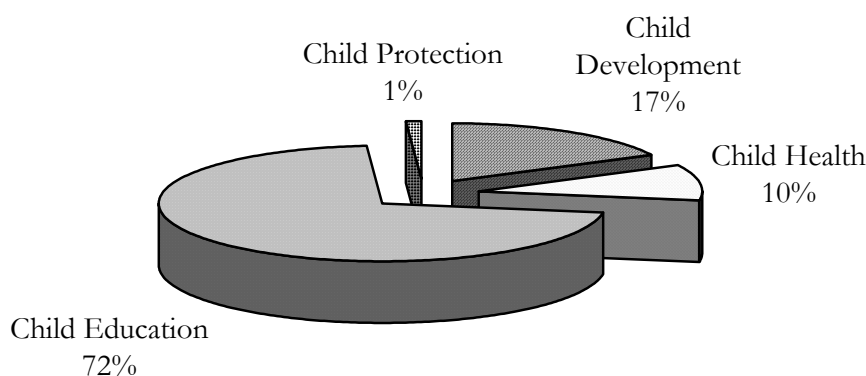


Table 6.a. Union Government's Budgetary Provisions for Children

Descriptions	2003-04 (RE)	2004-05 (RE)	2005-06 (RE)	2006-07 (RE)	2006-07 (BE)	2007-08 (BE)
Budgetary Provisions for Child Development (in Rs. Crore)	2166	2291.39	3947.91	4859.38	4864.55	5668.13
Allocations for Child Development as a proportion of Total Expenditure of Union Government (in %)	0.46	0.45	0.78	0.86	0.84	0.88
Budgetary Provisions for Child Health (in Rs. Crore)	1266.96	1576.71	2806.72	3133.54	2649.33	3301.53
Expenditure on Child Health as a proportion of Total Expenditure of Union Government (in %)	0.27	0.31	0.55	0.56	0.46	0.52
Budgetary Provisions for Child Education (in Rs. Crore)	6878.46	8831.41	14294.1	19231.24	19236.26	23244.43
Expenditure on Child Education as a proportion of Total Expenditure of Union Government (in %)	1.45	1.75	2.81	3.41	3.31	3.63
Budgetary Provisions for Child Protection (Rs. Crore)	113.61	152.87	173.04	192.81	183.53	326.61
Expenditure on Child Protection as a proportion of Total Expenditure of Union Government (in %)	0.024	0.030	0.034	0.034	0.032	0.051
Total Child-specific Allocations (in Rs. Crore)	10425.03	13092.38	21597.82	27416.97	26933.67	32540.7
Total Expenditure in Union Budget (in Rs. Crore)	474254	505791	508705	563991	581637	640521
Total Child-specific Allocations as % of Total Expenditure in Union Budget	2.24	2.59	4.25	4.86	4.63	5.08

Notes:

1. Allocations for different child-related Sectors have been arrived at by tracking the allocations of Schemes meant for children in the respective sectors. The allocations for schemes have been taken from Expenditure Budget Vol. II, Union Budget, various years.
2. Expenditure Budget Volume II (Notes on Demands for Grants) in the Union Budget documents does not give Actuals, hence we have taken Revised Estimates for the years from 2003-04 to 2006-07. Total Expenditure figures for 2003-04 to 2006-07 are also Revised Estimates, though Actuals are available. This has been followed for the sake of consistency in the analysis.

Source: Compiled from Expenditure Budget (Vol. I & II), Union Budget, GOI - various years.

Table 6.b. Flow of Funds for Children: Through the State Budgets and Bypassing the State Budgets

Sector	Total Outlay for Children in the Sector (in Rs. Crore)		Funds being routed through State Budgets (in Rs. Crore)		Funds Bypassing State Budgets (in Rs. Crore)	
	a	b	c (= a - e)	d (= b - f)	e	f
	2006-07 (BE)	2007-08 (BE)	2006-07 (BE)	2007-08 (BE)	2006-07 (BE)	2007-08 (BE)
Education	19231.24	23244.43	7723.66	12139.69	11507.58	11104.74
Development	4859.38	5668.13	4859.38	5668.13	0	0
Health	3133.54	3301.53	1218.59	1147.03	1914.95	2154.5
Protection	190.91	326.61	58.91	326.61	132	0
Total	27415.07	32540.7	13860.54	19281.46	13554.53	13259.24

Source: Compiled from Expenditure Budget (Vol. I & II), Union Budget, GOI - 2006-07 & 2007-08

New Schemes for Children in Union Budget 2007-08

- Ministry of Women and Child Development has introduced **Conditional Cash Transfer Scheme for the Girl Child with Insurance Cover.**
- Ministry of Women and Child Development has introduced **Integrated Child Protection Scheme (ICPS)**
- Child-specific Schemes under the Ministry of Minority Affairs include **Pre-Matric Scholarship for the Minorities.**

programme, the National Child Labour Project and the Indo-US Project account for this huge amount of money being transferred directly to implementing agencies. If the main purpose of such an arrangement, which might be questioned by many as against the spirit of federalism, is to enable faster utilisation of funds; the utilisation of funds in the major child specific schemes in the States needs to be assessed.

The table above presents a comparison of the flow of funds for the child specific schemes through State Budgets and those bypassing the State Budgets. The funds bypassing the State Budgets are provided directly to the State/ district level programme implementing agency. It can be seen that out of the total child budget of Rs. 27,415.07 Crore in 2006-07 (BE), only Rs.13,860.54 Crore has been routed through the State Budget. The rest of Rs.13,259.24 Crore is directly provided by the Central Government Ministries to the State/ district level programme implementing agencies. The Union Budget 2007-08 (BE) also presents a similar break up with an amount of Rs.13,554.53 Crore bypassing the State Budgets out of the total allocation of Rs.32,540.7 Crore. Mainly the Sarva Siksha Abhiyan, the Flexible Pool of Reproductive Child Health- II, Pulse Polio Immunisation

7. Women

Union Budget 2007-08 is significant from the point of view of women. First, because 2007-08 is the first year of the Eleventh Five Year Plan and therefore the Union Budget should reflect the changes in priorities for women. Second, Union Budget 2007-08 is the fourth of the five budgets that the UPA Government will present. Thus, this is the second last chance for the UPA Govt. to allocate resources for the promises made under the National Common Minimum Programme, wherein one of the six basic principles of governance spelt is a commitment to empower women politically, educationally, economically and legally and ensure equality for them.

It has been accepted by the Government of India that there is an urgent need to ensure that resources reach women. A gradual shift in policies has been seen over the decades, and since the Seventh Five Year Plan (1985-90) onwards there has been explicit attention given to allocations for programmes/ schemes which directly benefit women. The efforts at Gender Budgeting in the recent years is also a significant step forward and the *Statement on Gender Budgeting* presented in Union Budget in the years 2005-06,

2006-07 and 2007-08 is a manifestation of the growing consciousness of gender based disadvantages faced by women in India.

The first Gender Budgeting statement in the Union Budgets 2005-06 included 10 demands for grants. In the year 2006-07, this was expanded to 24 demands for grants under 18 ministries/departments of the Union Government and 5 Union Territories. **This year's Gender Budgeting statement covers 33 demands for grants under 27 ministries/departments and 5 Union Territories. The total magnitude of the Gender Budget has also gone up from Rs. 22,251.41 Crore for 2006-07 (RE) to Rs. 31,177 Crore in 2007-08 (BE). As a percentage of total Union Government Expenditure, this constitutes a rise from 3.8% to 4.8.** [For 2007-08 BE, Total Expenditure of Union Government has been taken as Rs. 6,40,521 crore, excluding the Rs. 40,000 crore of non-plan transaction to be undertaken in 2007-08 relating to transfer of RBI's stake in SBI to the Government.]

Table 7.a. Summary of the allocations on women as presented in the Gender Budgeting Statements over the past three years

Year	No. of Demands in Union Budget covered	Total Allocations under Part A of the statement**	Total Allocations under Part B of the statement***	Total magnitude of Gender Budget
Gender Budgeting in 2005-06	10	Rs. 7,905.08 Crore (BE)	Rs. 16,126.92 Crore (BE)	Rs. 24,032.00 Crore (BE) (4.67%*)
		Rs. 8,273.88 Crore (RE)	Rs. 15,966.63 Crore (RE)	Rs. 24,240.51 Crore (RE) (4.77%*)
Gender Budgeting in 2006-07	24	Rs. 9,575.82 Crore (BE)	Rs. 19,160.71 Crore (BE)	Rs. 28,736.53 Crore (BE) (5.10%*)
		Rs. 4,618.95 Crore (RE)	Rs. 17,632.46 Crore (RE)	Rs. 22,251.41 Crore (RE) (3.8%)
Gender Budgeting in 2007-08	33	Rs.8,795.47 Crore (BE)	Rs.22,382.49 Crore (BE)	Rs. 31,177.96 Crore (BE) (4.8%*)

* Proportion of total Union Government Expenditure

** Part A presents women specific provisions where 100% provisions are for women.

***Part B presents women specific provisions under schemes with at least 30% provisions for women.

Source: Gender Budgeting Statement, Expenditure Budget Vol. I, Union Budget - various years

Acknowledging the mistakes made in the Gender Budgeting statement of 2006-07, the BE figures for 2006-07 have been revised in this year's statement to Rs. 4942.50 Crore (under Part A), Rs. 17,910.24 core (under Part B), and the total now stands at Rs. 22,852.74 Crore. This is surely a step in the right direction. Furthermore, with more ministries and departments taking on this exercise, one can hope that Gender Budgeting will not remain confined to just a few ministries and departments that have been historically perceived as "women-related".

Although from 2006-07 to 2007-08 there has been a one percent increase in the total magnitude of the Gender Budget as a proportion of total Union Government Expenditure (from 3.8% to 4.8%), the figures still reveal the low priorities accorded to women in the Union Budget. If the Union Budget 2007-08 indeed reflects the priorities as per the 11th Five Year Plan, it gives rise to the apprehension that even in the 11th Plan priorities for women could be grossly inadequate.

It is worth pointing out though that Gender Budget Statement that is being presented by the GoI reflects a narrow interpretation of the

concept. Gender Budgeting is not just about looking at specific schemes for women. Identifying and listing allocations for women, important though it is as an exercise, it is just a starting point for Gender Budgeting. It is important to take the understanding beyond that since Gender Budgeting cannot be seen in isolation from the overall political-economy scenario. How overall public policies impact on social sectors, agriculture, employment generation and poverty alleviation is far more critical from the point of view of women and thus any assessment of the impact of budgets on women has to be positioned in this context.

For instance, the high rate of inflation witnessed recently would have harsh implications for women. The lack of concerted efforts to strengthen the PDS in the context of growing agrarian crisis as well as the declining per capita availability of food grains, does affect women. The sharp increase in open unemployment rates in rural and urban areas as shown in NSS data is also an important indicator of the adversities confronting women. Therefore, in the proposals made in the latest Union Budget we need to look at the policy interventions in several social as well as economic sectors which directly affect the well being of women in India.

How far does Union Budget 2007-08 address the needs of women?

Table 7.b. School Education

	(in Rs. Crore)		
	2006-07 BE	2006-07 RE	2007-08 BE
Total Allocation for Department of School Education and Literacy	19076.79	19101.04	23142.22
Women-specific Allocation (as per the Gender Budgeting Statement 2007-08)	8110.3	8106.3	9238.71
% Share	42.51	42.43	39.92

Source: Compiled from Expenditure Budget Vol. I&II, Union Budget - various years

The percentage share for women in the schemes run by the Department of School Education and Literacy seem to have been arrived at on the basis of the proportion of girls in total enrolment in school education. However, this makes an assumption that the unit cost of

provision of public education is the same for boys and girls, which is questionable. In order to take more girls to schools, adequate infrastructure provision for them is a must. For instance, several studies have pointed out that if separate toilets for girls are not provided for in

school campuses, there are much greater chances for girls to drop out of schools. Thus, the unit cost for provision of public education for girls could be higher. This should be seen as affirmative action if one has to ensure that state's provisioning of education reaches girls.

Therefore, the government needs to take strong measures for strengthening educational infrastructure for girls and the specific schemes targeted for girls need to be expanded. In Union

Budget 2007-08, the *Kasturba Gandhi Balika Vidyalaya* scheme has been merged with the *Sarna Shiksha Abhiyan*, which makes it very difficult to track the outlays for this specific scheme. The allocation for Mahila Samakhya scheme has been increased only marginally from Rs. 30 Crore in 2006-07 BE to Rs. 34 Crore in 2007-08 BE. However, the share of women-specific allocation within the total allocation for the Dept. of School Education & Literacy shows a decline from 43.4 % to around 40 %.

Table 7.c. Higher Education

	(in Rs. Crore)		
	2006-07 BE	2006-07 RE	2007-08 BE
Total Allocation for Dept. of Higher Education	5038.2	5147.96	9209.5
Women-specific Allocation (as per the Gender Budgeting Statement 2007-08)	1162.32	896.07	1369.97
% Share	23.07	17.41	14.88

Source: Compiled from Expenditure Budget Vol. I&II, Union Budget - various years

The low priorities for women in the overall allocations under Department of Higher Education is a matter of serious concern. Moreover, the share of women-specific allocation in the total allocation for University & Higher Education registers a decline in 2007-08 BE.

Thus, while the increased allocation for education appears to be one of the very few creditable features of the Union Budget 2007-08, in terms of priorities for women in the allocations for education, there is nothing to cheer about.

Table 7.d. Health and Family Welfare

	(in Rs. Crore)		
	2006-07 BE	2006-07 RE	2007-08 BE
Total Allocation for Dept. of Health and Family Welfare	12545.88	11366	15291
Women-specific Allocation (as per the Gender Budgeting Statement)*	3383.95	3362.16	6705.88
% Share	26.97	29.58	43.86

* A quick perusal of the Gender Budgeting Statement 2007-08 reveals that the allocation for RCH-II Flexible Pool has been counted twice in it. In the figures presented above, the allocation for RCH-II Flexible Pool shown in Part B of the Statement has been included.

Source: Compiled from Expenditure Budget Vol. I&II, Union Budget - various years

Most of the health indicators for India, especially the maternal and child health indicators, show the poor record of the country in key aspects of human development. Very low level of public spending on health in the country, at slightly above 1 % of the GDP, has often been cited as a major reason behind such a dismal state of affairs with regard to health. The National Common Minimum Programme of the UPA has also stressed that total public spending on health should be stepped up to 3 % of the GDP. Given the fiscal crisis of the States, it was expected that the Centre would take the lead in raising total public spending on health. In this regard, however, the allocation on health and family welfare in Union Budget 2007-08 is quite inadequate

Table 7.e. Allocations for some of the important schemes

	2005-06 RE	2006-07 BE	2006-07 RE	(in Rs. Crore) 2007-08 BE
Allocation for National Rural Health Mission	6075.17	8141.90	7190.37	9839.00
Allocation for Rural Family Welfare Sub-Centres	1259.43	1494.56	982.46	1824.00
Allocation for Reproductive and Child Health	1814.27	1765.83	1338.22	1672.2

Note: The Union Budget allocations for the schemes given above do not include the lump sum provisions for North Eastern areas and Sikkim.

Source: Expenditure Budget Vol. II (Notes on Demands for Grants), Union Budget - various years.

Allocation for the **Rural Family Welfare Sub-Centres** scheme has important implications for health of women in rural areas. Therefore, the increase in allocations for Rural Family Welfare Sub-Centres is welcome. Likewise, the increase in allocations for NRHM is also a positive step.

However, the lower Revised Estimates for 2006-07 (than the BE for 2006-07) for each of these schemes raises another concern as it shows that the present Union Government has not been able to address the institutional bottlenecks in the crucial sector of health and family welfare.

One of the biggest disappointments of Union

Budget 2007-08 has been the reduction in allocations for **Reproductive and Child Health** programme when compared with 2006-07 BE. Furthermore, what is worse is that even what is allocated is showing poor utilization as between 2006-07 BE and RE, there is a decline of more than 24%. Likewise, RE figures have declined even between 2005-06 RE and 2006-07 RE by more than 26%. No doubt the government needs to pay serious attention to the problems of maternal and child health, especially when the results of National Family Health-III (2005-06) have pointed out the persistence of huge deficits in this area.

Table 7.f. Housing

	2005-06 RE	2006-07 BE	2006-07 RE	(in Rs. Crore) 2007-08 BE
Allocations for Indira Awas Yojana (IAY)	2475.00	2625.05	2625.05	3636.00
Allocations for Valmiki Ambedkar Awas Yojana (VAMBAY)	182.62	75.01	49.34	-
Allocations for Interest Subsidy Scheme for Housing for Urban Poor	-	-	-	30.00

Note: The Union Budget allocations for the schemes given above do not include the lump sum provisions for North Eastern areas and Sikkim.

Source: Expenditure Budget Vol. II (Notes on Demands for Grants), Union Budget - various years.

The Gender Budgeting Statement presented in Union Budget 2007-08 has shown 100 % of allocations under Indira Awas Yojna (IAY) as women-specific. However, the *Performance Budget 2006-07* of the Dept. of Rural Development says that in 2004-05, of the 15.16 lakh houses constructed, 7.38 lakh were allotted to women, 4.32 lakh were allotted jointly to husband and wife and 2.72 lakh were allotted to men. Similarly, for the following year (figures available for until Dec 2005), 4.95 lakh houses have been allotted to women, 2.55 lakh in joint names and 1.47 lakh to men. Therefore, it cannot be claimed that entire allocations for IAY scheme are women-specific. But greater priorities for rural housing are certainly required for provision of housing to women, and in this regard IAY scheme is important.

The *Valmiki Ambedkar Awas Yojna (VAMBAY)* was the only major scheme run by the Union Government for provision of housing to urban poor, which has been discontinued. A new scheme, *Interest Subsidy Scheme for Housing for Urban Poor* (under the Min. of Housing and Urban Poor) is proposed to be started in 2007-08. However, the overall allocations for provision of housing to urban poor are quite small. Hence, with regard to provision of housing to poor women in urban areas, Union Budget 2007-08 is clearly a disappointment.

Food Supply and PDS

Food security is another critical issue that has a strong bearing on women. Even if there is an overall household food security, this is no guarantee for the food security of the woman in the household. Ensuring food for the family is a responsibility that falls largely on women and yet this does not ensure food security for them as individuals. Most certainly, if food security is hit, the most direct consequence of that is that woman in the household will get lesser food.

There was no measure for expansion of PDS in 2006-07, and this year's budget does not offer anything significant in this regard. The allocation for food subsidy in 2007-08 BE is only 6 % higher than that of the previous Budget, which would fail to account for even the rise in prices of food grains and other essential commodities

of late. Hence, Union Budget 2007-08 causes another disappointment in terms of the lack of sufficient additional resources for food subsidy.

Table 7.g. Allocations for Food Subsidy
(in Rs. Crore)

Year	Allocations for Food Subsidy
2005-06 RE	23,200.00
2006-07 BE	24,200.00
2006-07 RE	24,203.92
2007-08 BE	25,696.20

Source: Expenditure Budget Vol. II (Notes on Demands for Grants), Union Budget - various years.

Special Interventions under MWCD

The Ministry of Women and Child Development has a few schemes for special interventions for working women and women in distress. Allocations for some of the important schemes under MWCD can be seen in Table 7.h.

While the increased outlay for schemes like **Rescue of Victims of Trafficking and Hostels for Working Women** is welcome, a substantial increase in outlay in the Union Budget 2006-07 was also needed for **Rajiv Gandhi National Crèche Scheme for Children of Working Mothers and Short Stay Homes**.

Many women's groups would be disappointed to note that there is no allocations even in this years Budget towards the implementation of the Domestic Violence Act (i.e., 'Protection from Domestic Violence Act, 2005), despite the passing of this Act as well as the finalization of the Rules and Regulations of the Act. The passing of this act has been a historic achievement for women of this country and the result of a long struggle. The lack of any allocation for this act puts a question mark on the government's commitment to ensure that this Act becomes a reality for women and does not remain confined to the law books.

Table 7.h. Allocations for some of the important schemes under MWCD

(in Rs. Crore)

Schemes	2005-06 RE	2006-07 BE	2006-07 RE	2007-08 BE
Allocations for Rajiv Gandhi National Creche Scheme for Children of Working Mothers	41.40	94.00	93.80	103.00
Allocations for Hostels for Working Women	4.50	4.50	4.50	13.50
Allocations for Short Stay Homes	15	15.90	15.72	15.90
Allocations for Schemes for Rescue of Victims of Trafficking	0.25	0.45	0.45	9.00

Note: The Union Budget allocations for the schemes given above do not include the lump sum provisions for North Eastern areas and Sikkim.

Source: Expenditure Budget Vol. II (Notes on Demands for Grants), Union Budget - various years.

Self Help Groups

Allocations for the some of the schemes, important from the point of view of women's SHGs, are shown in the table below.

Table 7.i. Schemes that are important for SHGs

(in Rs. Crore)

Schemes	2005-06 RE	2006-07 BE	2006-07 RE	2007-08 BE
Allocations for Rashtriya Mahila Kosh* (MWCD)	0.01	10.00	10.00	12.00
Grants through NABARD for Strengthening Cooperatives Credit Structure (Min.of Finance)	400.00	1500.00	1500.00	1500.00
Allocations for Swarnajayanti Gram Swarozgar Yojna (SGSY) (Ministry of Rural Development)*	899.84	1080.00	1080.00	1620.00

Note: The Union Budget allocations for the schemes given above do not include the lump sum provisions for North Eastern areas and Sikkim.

Source: Expenditure Budget Vol. II (Notes on Demands for Grants), Union Budget - various years.

While the increase in the outlay for SGSY is welcome, there has been no increase in the Union Budget outlays for **Strengthening Cooperatives Credit Structure through NABARD Grants**.

Minority Women**Table 7.j. Total allocations to the Ministry of Minority Affairs**

	2005-06 RE	2006-07 BE	2006-07 RE	2007-08 BE
Allocations for Ministry of Minority Affairs	...	2.00	143.52	512.83

(in Rs. Crore)

Source: Notes on Demands for Grants, Ministry of Minority Affairs - various years.

It is common knowledge today that some religious minorities, especially the Muslims bear the brunt of discrimination and non-inclusion. The Sachar Committee Report has highlighted a dismal picture of the social, educational and economic conditions of Muslims in India. Using the framework of intersectionality of discrimination, Muslim women face double discrimination and are more vulnerable. Thus, targeted interventions for Muslim women is essential. Unfortunately, the Ministry of Minority Affairs, as of now, has no schemes targeted specifically towards women. It is therefore imperative that the Government formulate a sub-plan for minorities, and earmark specific allocations for women.

The significant leap in the allocations for Ministry of Minority Affairs is a positive step. Disappointingly though, all the allocations/schemes under this ministry are gender neutral and there is not even a singly

scheme/allocation targeted at minority women. The gender blindness of the Sachar Committee report is also reflecting in the allocations for this Ministry.

Thus, perhaps the only significant measure taken for women in Union Budget 2007-08 is the inclusion of a few more Ministries/ Departments in the Gender Budgeting exercise of the Union Government, and a consequent increase in the size of the Gender Budget. Here too, it must be pointed out though, that several important sectors for women like water supply and sanitation still do not found a mention in the Gender Budgeting Statement presented in the Union Budgets. With regard to most sectors, Budget 2007-08 maintains the status quo of women in India. Moreover, in terms of priorities for women in the first year of the 11th Five Year Plan, Budget 2007-08 presents a disappointing picture.

8. Dalits and Adivasis

8.1. Plan Outlay for Dalits in Union Budget 2007-08

In the Union Budget 2006-07, only four Ministries/Departments in the Central Government (including the Ministry of Social Justice and Empowerment) had some amount of Plan allocations earmarked for SCs, while all other Ministries/Departments had some amount of notional Plan allocations earmarked for SCs.

Table 8.a. Plan Outlay Earmarked for SCs by Central Government Departments / Ministries

Department/ Ministry	Total Plan Allocation for the Dept./ Ministry in 2006-07 (in Rs. Crore)		Plan Allocation Earmarked for SCs (in Rs. Crore)		Proportion of Total Plan Allocation of the Dept. Earmarked for SCs (in %)	
	2006-07 BE	2007-08 BE	2006-07 BE	2007-08 BE	2006-07 BE	2007-08 BE
Dept. of Science & Technology	1340	1526	2.5	3.0	0.17	0.20
Ministry of Social Justice & Empowerment	1750	2001	1226.68	1561.7	70.1	78.04
*Department of Rural Development	24025.62	27500	2286	2893	9.51	10.52
*Ministry of Labour & Employment	311.36	325.48	0.53	0.66	0.17	0.20
*Dept. of Women & Child Development	4795.85	5793	635	1464	13.2	25.27
*Dept. of Secondary Education & Higher Education (Ministry of HRD)	3616	6480.5	371.2	769.86	5.9	11.87
*Dept. of Elementary Education & Literacy (Ministry of HRD)	17128	22191	2493.5	3747.8	14.6	16.88
*Ministry of Youth Affairs and Sports	600	700	16.45	22.5	2.74	3.21
*Ministry of Finance/ Payments to financial Institutions	36	00	24	00	00	00
*Ministry of Agriculture	4840	5560	00	96.2	00	1.73
*Ministry of Agro and Rural Industries	967	1112	00	102	00	9.17
*Department of Telecommunications	213.61	340	00	00	00	00
*Department of Information Technology	1090	1500	00	20	00	1.33
*Department of Health & Family Welfare	11289.62	13875	00	1704.72	00	12.28
*Department of Small Scale Industries	466.33	530	00	31.5	00	5.94
*Ministry of Textiles	1349.5	2243	00	88	00	3.92

*Union Territories without Legislature	1671.96	1791.33	00	10.81	00	0.60
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Note:

* None of the government documents segregate the allocations further to show allocations separately for SCs and STs in these Ministries/ Departments. We assume here that following the proportion of SCs and STs in total population of the country (i.e. 16.2 % for SCs and 8.2 % for STs in Census 2001), out of the funds earmarked for SCs and STs together, roughly two-third would be spent for SCs.

Source: Expenditure Budget Vol. I and Vol. II, Union Budget- 2006-07 and 2007-08.

Table 8.b. Status of Implementation of SCP for SCs by the Union Govt. in 2006-07 & 2007-08

Total Plan Allocations by All Departments/Ministries of the Central Govt. (in Rs. Crore)		Plan Allocations Earmarked for SCs by all Departments/ Ministries (in Rs. Crore)		Proportion of Total Plan Allocation of the Central Govt. Earmarked for SCs	
2006-07 BE	2007-08 BE	2006-07 BE	2007-08 BE	2006-07 BE	2007-08 BE
172728	205100	7055.86	12515.75	4.08	6.10

It is certainly welcome that the proportion of total plan allocation of the Central Govt. earmarked for SCs has increased from 4.08% (BE) in 2006-07 to 6.10% (BE) in 2007-08. But considering the demand, the proportions of these Plan allocations earmarked for SCs are far below the proportion of SC population in total population of the country, i.e. roughly 16 %, which is in violation of the strategy of Special Component Plan (SCP) for SCs.

8.2. Plan Outlay for Adivasis in Union Budget 2007-08

In the Union Budget, like the allocation for SCs, only four Ministries/Departments in the Central Government (including the Ministry of Tribal Affairs) had some amount of Plan allocations earmarked for STs, while all other Ministries/Departments had some amount of notional Plan allocations earmarked for STs.

Table 8.c. Plan Outlay Earmarked for STs by Central Government Departments / Ministries

Department/ Ministry	Total Plan Allocation for the Dept./ Ministry in 2006-07 (in Rs. Crore)		Plan Allocation Earmarked for STs (in Rs. Crore)		Proportion of Total Plan Allocation of the Dept. Earmarked for STs (in %)	
	2006-07 BE	2007-08 BE	2006-07 BE	2007-08 BE	2006-07 BE	2007-08 BE
Dept. of Science & Technology	1340	1526	2.5	3.0	0.19	0.19
Ministry of Tribal Affairs	1656.9	1719.71	1656.9	1719.71	100	100
*Ministry of Social Justice & Empowerment	1750	2001	na	20.05	00	1.0
*Department of Rural Development	24025.62	27500	1161	1446	4.83	5.25
*Ministry of Labour & Employment	311.36	325.48	0.26	0.34	0.08	0.1
*Dept. of Women & Child Development	4795.85	5793	326.86	732	6.82	12.63
*Dept. of Secondary Education & Higher Education (Ministry of HRD)	3616	6480.5	185.66	384.93	5.13	5.93

*Dept. of Elementary Education & Literacy (Ministry of HRD)	17128	22191	1446.5	1873.89	8.45	8.44
*Ministry of Youth Affairs and Sports	600	700	8.23	11.3	1.37	1.61
*Ministry of Finance/ Payments to financial Institutions	36	00	12	00	33.33	00
*Ministry of Agriculture	4840	5560	00	48.08	00	0.86
*Ministry of Agro and Rural Industries	967	1112	00	51	00	4.58
*Department of Telecommunications	213.61	340	00	00	00	00
*Department of Information Technology	1090	1500	00	10	00	0.66
*Department of Health & Family Welfare	11289.62	13875	00	852.36	00	5.94
*Department of Small Scale Industries	466.33	530	00	15.7	00	2.96
*Ministry of Textiles	1349.5	2243	00	44	00	1.96
*Union Territories of Andaman & Nicobar Island, Daman & Diu, and Lakshadweep	1671.96	1791.33	00	342.01	00	19.09

Notes: * As these Ministries/ Departments have no clear segregation of allocations earmarked for STs, we assume here that following the proportion of SCs and STs in total population of the country (i.e. 16.2 % for SCs and 8.2 % for STs in Census 2001), out of the funds earmarked for SCs and STs together, roughly one-third would be spent for STs.

Source: Expenditure Budget Vol. I and Vol. II, Union Budget- 2006-07 and 2007-08.

Table 8.d. Status of Implementation of TSP for STs by the Union Govt. in 2006-07 & 2007-08

Total Plan Allocations by All Departments/Ministries of the Central Govt. (in Rs. Crore)		Plan Allocations Earmarked for STs by all Departments/ Ministries (in Rs. Crore)		Proportion of Total Plan Allocation of the Central Govt. Earmarked for STs	
2006-07 BE	2007-08 BE	2006-07 BE	2007-08 BE	2006-07 BE	2007-08 BE
172728	205100	4999.71	7554.37	2.89	3.68

The dismal scenario in terms of the allocations earmarked for the STs is not so much different from the allocations for SCs. Although, proportion of total plan allocation of the Central Govt. earmarked for STs has increased marginally from 2.89% in 2006-07(BE) to 3.68% in 2007-08 (BE), it is also grossly inadequate considering the proportion of ST population in total population of the country, i.e. roughly 8 %, which is clearly in violation of the strategy of Tribal Sub Plan (TSP) for STs.

Therefore, the budgetary allocations for SCs and STs are still far below the norms of both Special Component Plan (SCP) and Tribal Sub Plan (TSP), in spite of some attempts to increase the central allocations for SCs and STs in the Union Budget 2007-08. In summary, the central allocations are not yet matching to the demand i.e. to implement various schemes/ programmes under the Special Component Plan as well as the Tribal Sub Plan.

9. Agriculture and Rural Development

Before making the announcements for the agricultural sector, going over the words of Pandit Jawaharlal Nehru, the Finance Minister said, “Everything else can wait, but not agriculture”. The sector faces serious challenges in terms of feudal production relations, rural indebtedness, increasing input cost, technological backwardness, regional disparities, fluctuations in production lack of rural infrastructure including lack of market for agro produce. Although the National Commission on Farmers has submitted its draft National Policy for Farmers, Budget 2007-08 could not take into account its recommendations. Let us see what approach the Finance Minister took to address all these issues. The Finance Minister spent almost 15 minutes of his speech on major announcements in the agricultural sector which are as under.

- Issue prices of food grains under the Public Distribution System (PDS) and for the beneficiaries of the Antyodaya Anna Yojana have been retained.
- Computerization of the PDS System.
- Target of Rs. 225000 Crore as farm credit to serve the credit needs of 50 lakh new farmers.
- 2 percent interest grant for short-term crop loans to continue in 2007-08. Provision of Rs. 1677 Crore for the purpose.
- Rs. 153 Crore support for promoting animal husbandry in milch animals.
- Dr. Radhakrishnan Committee is yet to finalise its recommendations to address rural indebtedness. So, no provision made in the budget 2007-08. Government is waiting for the report.
- A pulse mission announced with no financial commitment towards its implementation. Irony is that while the

FM expressed critical concerns over the lack of availability of quality and certified crops, the allocations for the Integrated Oilseeds, Oilpalm, Pulses and Maize Development declined by more than 4 percent from Rs.310 Crore in 2006-07 RE to Rs. 298 Crore in 2007-08 BE.

- There is no allocation for the Special Purpose Tea Fund announced in the Budget Speech
- Increase in the allocations for the Accelerated Irrigation Benefit Programme (AIBP) will only add to the debt burden of the state governments. However, the allocations of Rs. 100 Crore for the National Rainfed Area Authority is too small to meet the requirement.
- Announcement of Aam Admi Bima Yojana (AABY) is a welcome step.
- Given the extent of crop loss is huge in India, Rs. 500 Crore allocations for National Agricultural Insurance Scheme (NAIS) is inadequate for the purpose. The Government itself while addressing a question (Lok Sabha Unstarred Question No. 5383, dated 28.04.2003.) in 2003 estimated that around 34 Million Hectares of land in India are liable to recurring floods every year, of which, only around 10 MH are protected. Given the government apathy towards suitable flood control measures, suitable insurance mechanisms should be made available even for small and marginal farmers. It should be mentioned here that the total claims made by farmers during kharif 2005 only was Rs. 1055 Crore in NAIS and since Kharif 2000, every year farmers claimed close to Rs 1000 Crore.

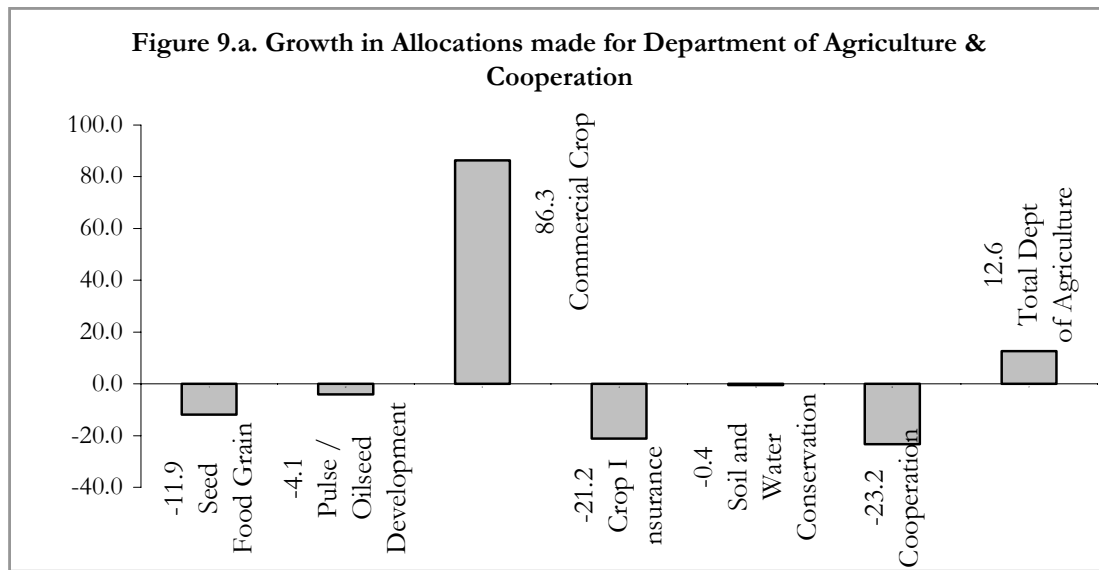


Table 9.a. Allocations Made for the Department of Agriculture and Cooperation

(in Rs. Crore)

	2006-07 RE	2007-08 BE	Growth in %
Seeds (Food Grains)	109.57	96.57	-11.9
Integrated Oilseeds, Oilpalm, pulses and Maize Development	302.35	290	-4.1
Total Commercial Crops	381.68	711.14	86.3
Crop Insurance Scheme	634.37	500	-21.2
Soil and Water Conservation	52.68	52.45	-0.4
Cooperation	162	124.34	-23.2
Total Agriculture and Cooperation	5281.07	5947.21	12.6

Source: Department Budget, Agriculture and Cooperation, Expenditure Budget Volume-II

Given the pity state of affairs in the agricultural sector and the fact that major part of public expenditure in this sector is currently being made by the State governments it was expected that the Budget 2007-08 would make some decisive breakthrough in the sector. However, the allocations made to the sector in the Union Budget are inadequate to meet the challenges faced by the sector. The Gross Capital Formation in Agriculture as a proportion of Gross Capital Formation in all sectors has declined from 7.6 % in 2003-04 to 7.2 % in 2004-05.

Decline in public investment on agriculture seems to be the most significant factor contributing to stagnation in the sector. The total investment in agriculture as a proportion of GDP has declined from around 2.2 % in 2000-

01 to 1.9 % in 2005-06. At 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.

The share of Agriculture and allied activities in the total budgetary expenditure of the government has declined from 7.8 % in 2006-07 RE to 7.5 % in 2007-08 BE. As a proportion of GDP, it has declined from 1.26% in 2002-03 RE to 1.05 % in 2007-08 BE. The capital expenditure on agriculture and allied activities are very small in comparison to the needs the sector deserves. Given the precarious fiscal situation of the state governments, the central government should come forward to invest more and more on rural infrastructure and agricultural capacity creation through increased

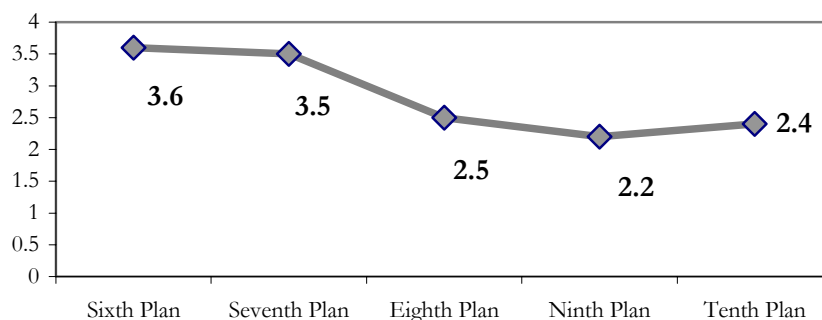
capital investment in the sector. Probably, dearth of investment in agriculture is the major reason behind stagnation in agricultural productivity.

In his budget speech, the Finance Minister has announced Rs 3580 Crore central assistance to the states to undertake assured irrigation projects under Accelerated Irrigation Benefit Programme (AIBP). However, since, it is a loan assistance scheme, it would only add to the existing debt burden of the state governments in the long run.

The share of rural development expenditure in the total expenditure of the

government has increased marginally. Such meagre increase is in no way substantial for the problems faced by toiling farmers and rural population of our country. As a proportion of GDP, the allocations proposed in budget 2007-08 BE are still below the allocations estimated in 2002-03 RE. However, there have been many promised allocations through other Ministries and also through extra budgetary route.

Figure 9.b. Trend of Public Expenditure on Rural Development by Central and State Governments as a Proportion of NNP at Factor Cost



Note: Rural Development here includes (a) Agriculture and Allied Activities, (b) Rural Development, (c) Special Area Programme, (d) Irrigation and Flood Control and (e) Village industries

The expenditure estimated towards provision of subsidies for different purposes increased marginally. However, as a proportion of total budgetary expenditure, it declined from 10.9 % in 2003-04 to 8.5% in 2007-08. The food subsidy in absolute terms have increased by Rs. 1494 Crore over the last year figure but as a proportion of total budgetary expenditure, it declined from 4.2 % to 4.0 %. The increase in food subsidy in absolute terms may be attributed to the targeting of BPL households. Targeting of food subsidy to BPL population has not only reduced the per capita foodgrain availability to the population but has also failed to achieve the stated objective of reducing the subsidy bill of the government. In fact the increase in foodstocks held by the FCI in the recent years (an outcome of targeting of PDS) has increased the carrying cost of FCI operations and thus has led to an overall increase in the food subsidy bill of the

government, which stood at 4.45% of Centre's receipts in 1990-91 and had increased to 9.98% of the same by 2002-03. This year the government is planning to spend Rs. 25696 Crores towards food subsidy. Similar is the case with all other subsidies. The central government used to provide some subsidy in the form of debt relief to farmer till 1994-95, which is not in the Union Budget now.

The announcements made in the Union Budget 2006-07 are therefore not substantial. The concerns raised by the Finance Minister are not reflected in the allocations made for the sector. Reiterating the statement of the Finance Minister during his speech, we can only say that 'if ploughmen keep their hands folded, even sages claiming renunciation cannot find salvation'. The budget 2007-08 is a mockery to the plights faced by the millions of ploughmen in our country.

Table 9.b. Investment in Agriculture

Year	Investment in Agriculture (in Rs. Crore)			Total Investment in Agriculture as a per cent of GDP at constant 1999-00 prices
	Total	Public	Private	
1999-00	43473	7716	35757	2.2
2000-01	38735	7155	31580	1.9
2001-02	47043	8746	38297	2.2
2002-03	46823	7962	38861	2.1
2003-04	45132	9376	35756	1.9
2004-05	48576	10267	38309	1.9
2005-06*	54539	13219	41320	1.9

Source: Economic Survey 2005

Table 9.c. Trend of Central Government Allocation in Agriculture and Allied Activities

Year	Revenue Account	Capital Account	Loan Account	Total Agriculture and Allied Activities	As % of Total Central Government Expenditure	As % of GDP (Central Government)
1996-97 RE	10,527.40	342.08	344.45	11,213.93	5.6	0.82
1997-98 RE	12,939.55	343.92	276.29	13,559.76	5.8	0.89
1998-99 RE	15,115.35	333.35	269.31	15,718.01	5.6	0.90
1999-00 RE	16,624.84	223.89	254.77	17,103.50	5.7	0.88
2000-01 RE	19,305.81	48.09	150.47	19,504.37	6.0	0.93
2001-02 RE	25,363.16	50.19	220.86	25,634.21	7.1	1.13
2002-03 RE	31,198.32	-323.69	205.74	31,080.37	7.5	1.26
2003-04 RE	32,882.41	66.11	85.82	33,034.34	7.0	1.20
2004-05 RE	36,127.98	78.75	100.09	36,306.82	7.3	1.16
2005-06 RE	36,490.86	47.75	102.55	36,641.16	7.2	1.04
2006-07RE	45439.8	73.35	60.49	45,573.64	7.8	1.11
2007-08 BE	48041.36	98.28	71.01	48,210.65	7.5	1.05

Source: Expenditure Budget Vol-I, Annexure-1

Table 9.d. Allocations for Rural Development

(in Rs. Crore)

Year	Plan	Non Plan	Total	As % of Total Expenditure	As % of GDP
1999-00 RE	7220	17.72	7237.72	2.43	0.37
2000-01RE	8869.55	18.84	8888.39	2.73	0.43
2001-02RE	10606.5	19.12	10625.62	2.93	0.47
2002-03RE	15176	19.13	15195.13	3.68	0.62
2003-04RE	15500	18.76	15518.76	3.29	0.56
2004-05RE	13866.4	19	13885.4	2.79	0.44
2005-06RE	21334	20.27	21354.27	4.22	0.61
2006-07RE	24275.62	22.1	24279.72	4.17	0.59
2007-08 BE	27500	22.86	27522.86	4.30	0.60

Source: Expenditure Budget Vol-I Annexure-I, Various years

Table 9.e. Yield per hectare of major crops

Crops	1950-51	1971-72	1985-86	1999-00	2000-01	2004-05	Yield Estimate Projected for 2004-05	2004-05	Projected for 2005-06
Rice	668	1141	1552	1986	1913	1984	2026	-2.12	2093
Wheat	655	1380	2046	2778	2743	2602	2718	-4.46	2607
Jawar	353	460	633	847	772	797	841	-5.52	908
Bajra	288	452	344	650	719	859	876	-1.98	799
Maize	547	900	1146	1792	1841	1907	1887	1.05	1953
Pulses	441	501	547	635	533	577	595	-3.12	2093
Total Food Grains	552	858	1175	1704	1636	1652	1703	-3.09	1708
Oilseeds	481	546	570	892	826	885	967	-9.27	1000
Cotton	88	151	197	225	191	318	324	-1.89	375
Jute	1044	1255	1710	1841	1852	2019	2107	-4.36	2107

Source: Economic Survey 2006-07

Table 9.f. Gross Capital Formation in Agriculture as a % of Gross Capital formation in all Industry of Use at Constant 1993-94 prices

Year	All Sectors	Agriculture	Agriculture as % of Total
1993-94	181133	13014	7.18
1994-95	229879	14969	6.51
1995-96	284557	15690	5.51
1996-97	248631	16176	6.51
1997-98	256551	15942	6.21
1998-99	243697	14895	6.11
1999-00	267284	17304	6.47
2000-01	262146	16906	6.45
2001-02	251664	17219	6.84
2002-03	239954	18240	7.60
2003-04	287944	20510	7.12

Source: National Accounts Statistics

Table 9.g. Explicit Subsidies in Union Government Budgets

Year	Food	Fertiliser	Petroleum	Grants to NAFED for MIS/PPS	Interest Subsidy	Debt Relief to Farmers	Other Subsidies	Total Subsidies
1990-91	2450	4389			379	1502	3438	12158
1991-92	2850	5185			316	1425	2477	12253
1992-93	2800	5796			113	1500	1786	11995
1993-94	5537	4562			113	500	1970	12682
1994-95	5100	5769			76	341	1646	12932
1995-96	5377	6735			34		1226	13372
1996-97	6066	7578			1222		1498	16364
1997-98	7900	9918			78		1609	19505
1998-99	9100	11596			1434		2656	24786
1999-00	9434	13244			1371		1643	25692
2000-01	12060	13800			111		2300	28271
2001-02	17499	12595		353	210		2065	32722
2002-03	24176	11015	5225	300	750		3723	45189
2003-04	25181	11847	6351	156	170		618	44323
2004-05	25798	15879	2956	120	564		640	45957
2005-06	23077	18460	2683	260	2176		864	47520
2006-07RE	24204	22452	2785	260	2805		957	53463
2007-08 BE	25696	22451	2840	260	2048		1035	54330

Table 9.h. Central Government Subsidies as % of Total Government Expenditure

Year	Food	Fertiliser	Petroleum	Grants to NAFED for MIS/PPS	Interest Subsidy	Other Subsidies	Total Subsidies
1997-98	3.4	4.3			0.0	0.7	8.4
1998-99	3.3	4.2			0.5	1.0	8.9
1999-00	3.2	4.4			0.5	0.6	8.6
2000-01	3.7	4.2			0.0	0.7	8.7
2001-02	4.8	3.5		0.1	0.1	0.6	9.0
2002-03	5.9	2.7	1.3	0.1	0.2	0.9	10.9
2003-04	5.3	2.5	1.3	0.0	0.0	0.1	9.4
2004-05	5.2	3.2	0.6	0.0	0.1	0.1	9.2
2005-06	4.6	3.6	0.5	0.1	0.4	0.2	9.4
2006-07RE	4.2	3.9	0.5	0.0	0.5	0.2	9.2
2007-08 BE	4.0	3.5	0.4	0.0	0.3	0.2	8.5

10. Rural Employment

As per the latest information contained in Economic Survey 2006-07, the provisional data of the NSS 61st Round for the year 2004-05 indicate that, the poverty ratio at the national level was 27.8 per cent if the Uniform Recall Period (URP, in which the consumer expenditure data for all the items are collected from a 30-day recall period) is used. The Poverty ratio is somewhat lower at about 22 per cent if the Mixed Recall Period (MRP, in which the consumer expenditure data for five non-food items, namely, clothing, footwear, durable goods, education and institutional medical expenses, are collected from a 365-day recall period, and the consumption data for the remaining items are collected from a 30-day recall period) is used. The corresponding URP-based poverty estimate for 1993-94 was 36.0 per cent. The MRP-based poverty estimate of about 22 per cent in 2004-05 is roughly but not strictly comparable with the poverty estimates of 26.1 per cent in 1999-2000. Thus, we have been able to reduce the incidence of poverty over the last 11 years by approximately 8 % in terms of URP method of arriving at poverty estimates.

However, in terms of absolute numbers, poverty estimate still remains very high, i.e., more than one fourth of the population still lives below the bare minimum subsistence level. These people are endowed with only one factor of production, i.e., labour. However, in the absence of employment opportunities they may struggle even to get two square meals.

The shrinking employment generation in the last two decades has further exacerbated the gulf between the haves and have-nots. Lack of access to quality education and healthcare are some of the other factors which trap them in the vicious circle of poverty. The rural employment situation is especially bad in India (see Table 1). With a lower agricultural growth and increasing informalisation of the labour force, the livelihood options in the rural India have shrunk in recent years. As a proportion of labour force, the unemployment rate has increased from 2.62 percent in 1993-94 to 2.78 percent in 1999-2000 and stood at 3.06 percent in 2004-05 (Economic Survey, 2006-07).

Table 10.a. Unemployment Rates for 55th round (1999-2000) and 61st round (July 2004-June 2005) of the NSSO

Rural						
Round	Males			Females		
	Usual Status	CWS	CDS	Usual	CWS	CDS
61 st (2004-05)	2.1	3.9	7.2	1.5	3.7	7.0
55 th (1999-00)	2.1	3.8	8.0	3.1	4.2	8.7
Urban						
Round	Males			Females		
	Usual	CWS	CDS	Usual	CWS	CDS
61 st (2004-05)	4.4	5.2	7.5	9.1	9.0	11.6
55 th (1999-00)	4.8	5.6	7.3	7.1	7.3	9.4

Note: CWS: Current Weekly Status; CDS: Current Daily Status

Source: Economic Survey 2006-07.

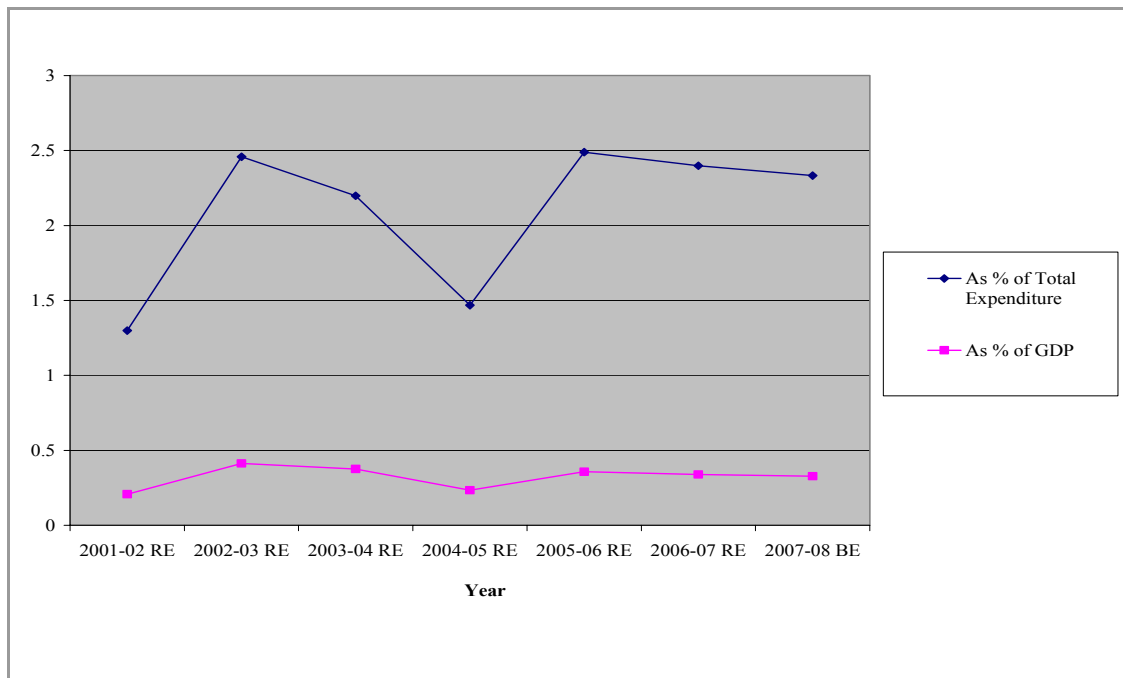
These grim statistics have constantly attracted the attention of the policy makers; however, their responses leave much to be desired. As can be seen from the table below (Table 10.b. and the Graph), Central Government’s expenditure on rural employment schemes, as a proportion of both total expenditure as well as GDP, has stagnated in the recent years.

Table 10.b. Scheme Wise Allocations (in Rs. Crore) for Rural Employment over the Years (Excluding NER component)

Year	SGRY	SGSY	NFWP	NREGS	Total Rural Employment	As % of Total Expenditure	As % of GDP
2001-02 RE	3425.00	480.00	800	0	4705	1.299	0.207
2002-03 RE	8642.00	656.00	860	0	10158	2.458	0.412
2003-04 RE	8601.24	720.00	1038.75	0	10360	2.198	0.375
2004-05 RE	4590.00	900.00	1818	0	7308	1.468	0.234
2005-06 RE	7650.00	899.84	4050	0	12599.8	2.489	0.357
2006-07 RE	2700.00	1080.00	0	10170	13950	2.398	0.339
2007-08 BE	2520.00	1620.00	0	10800	14940	2.332	0.327

Source: Expenditure Budget Volume II (Various Years)

Figure 10.a. Expenditure on Rural Employment



The present UPA Government has undertaken some positive steps since 2004-05 to address this situation and Sampoorna Gramin Rojgar Yojana (SGRY) and National Rural Employment Guarantee Scheme merit mention in this regard.

Sampoorna Gramin Rojgar Yojana

SGRY, launched on September 25, 2001 to provide additional wage employment in the rural areas, has a cash and food grains component. The cash-component of SGRY is funded on 75:25 sharing basis between the Centre and

States, while foodgrains are provided free of cost to the States and UTs. In 2005-06, 82.18 crore persondays of employment were generated with the Centre releasing Rs. 5497.43 crore as cash component and about 37.30 lakh tonnes of food grains to the States/UTs. Besides, under the special component of the SGRY, with the States/UTs meeting the cash components, Centre released 15.64 lakh tonnes of food grains to the 11 calamity affected States. In 2006-07 up to October 31, 2006, the number of person-days of employment generated under SGRY was 18.41 crore while the Centre’s contributions in

terms of cash and food grains component up to December 31, 2006 were Rs. 2,762 crore and 16.67 lakh tonnes, respectively. Under the special component, about 4.44 lakh tonnes of food grains have been released to calamity-hit States in the current year up to December 2006. In 2006-07, this scheme was in operation in only non-NREGA districts. In financial year 2007-08, while 130 more districts have been brought under NREGA, the allocation for SGRY has marginally been increased to Rs. 2800 crore, which is not a bad deal for non-NREGA districts.

National Rural Employment Guarantee Scheme (NREGS)

The NREG Act was passed in September, 2005, and the NREGS was implemented from February 2, 2006 in 200 identified districts of the country with the objective of providing 100 days of guaranteed unskilled wage employment to each rural household opting for it. The ongoing programmes of SGRY and National Food for Work Programme (NFFWP) have been subsumed under NREGS in these districts. NREGS will cover all districts of the country within five years. Its coverage has gone up to 330 districts with the addition of 130 new districts in 2007-08.

The NREGS, a demand-driven scheme, has its focus on works relating to water conservation, drought proofing (including afforestation/tree plantation), land development, flood-control/protection (including drainage in waterlogged areas) and rural connectivity in terms of all-weather roads.

Of the Rs. 11,300 crore allocated for NREGS in 2006-07(BE), Rs. 7986.02 crore was released up to February 28, 2007, thus leaving a surplus amount of approximately Rs. 3500 crore with the Rural Development ministry. As this scheme was launched in 2005-06, a surplus amount of approximately Rs. 2000 is also available for undertaking expenditure in future under this scheme. This year, however, the allocation has been marginally increased to Rs. 12000 crore and 130 more districts have been added, as mentioned above. Therefore, the total

availability of funds in 2007-08 is approximately Rs. 17,500 crore.

The physical as well as financial progress of NREGS varies across states. The tardy implementation of NREGS in high potential states (Bihar, Jharkhand, Uttar Pradesh, etc.) has been the main reason behind low levels of physical as well as financial progress of this scheme. This has also been the main factor behind reluctance of Planning Commission and the Finance Ministry to add more than 50 districts in 2007-08. They were apprehensive about the fact that once the implementation of NREGS picks up in high potential states, the funds requirement would become burdensome. It took great negotiating skills on the part of Rural Development Minister and the intervention of Prime Minister to add 130 new districts under NREGS. Also, in order to address the need for additional manpower, infrastructure upgradation and skill development of the implementing agencies and spur implementation of NREGS, the Management Cost for under NREGA has been raised from 2 % to 4 %.

Against the total release of Rs. 10800 crore so far, the states have been able to spend about Rs. 5937 crore only, which represents 55 % utilization of funds at the national level. On the physical side, a total of 3.61 crore households (approximately) have been issued job cards, out of which, approximately 1.71 crore households have demanded employment. The total number of households, provided employment until February, 2007 stood at about 1.66 crore and the number of households completing 100 days of employment stood at 7.92 lakh. A total of 64.3 crore persondays of employment has been generated so far (constituted by 25 % SCs, 37 % STs and 40 % Women), which implies that on an average 39 persondays of employment per household has been generated so far. A total of 6.85 lakh projects have been undertaken so far, out of which, 2.83 Lakh works have been completed. Also, more than half of the works undertaken so far relate to water and soil conservation, afforestation and land development.

Table 10.c. Demand for Employment under NREGA

State	No. of households issued Job Cards	No. of households who have demanded wage employment	No. of households provided employment (out of column 3)	% of households provided employment against No. of households demanded wage employment	No. of households which have completed 100 days of employment
Andhra Pradesh	4926094	1788112	1788112	100	37311
Arunachal Pradesh	16926	16926	16926	100	0
Assam	743279	500433	446981	89	6256
Bihar	3171198	893728	886916	99	33451
Chattisgarh	1815057	1122846	1045279	93	25875
Gujarat	622608	146943	146943	100	7675
Haryana	91497	39128	39128	100	2503
Himachal Pradesh	93342	56823	52632	93	9746
Jammu & Kashmir	162196	39579	16079	41	11918
Jharkhand	2098713	868919	846401	97	15757
Karnataka	771175	508798	478767	94	20323
Kerala	191752	67271	60391	90	24
Madhya Pradesh	4435996	2619570	2582117	99	258793
Maharashtra	2744127	321898	353338	110	5323
Manipur	17880	17800	17880	100	0
Meghalaya	39658	12644	12642	100	0
Mizoram	19388	19358	6666	34	0
Nagaland	27800	27800	27800	100	0
Orissa	2507736	1277280	1264957	99	40638
Punjab	37326	31008	30868	100	1820
Rajasthan	1513228	1094229	1094229	100	239342
Sikkim	5973	4211	4111	98	0
Tamil Nadu	1087595	508243	508243	100	444
Tripura	72481	66666	66656	100	0
Uttar Pradesh	3860951	2419669	2326348	96	72191
Uttarakhand	194577	107393	107192	100	67
West Bengal	4866988	2573380	2425415	94	2352
All India	36135541	17150655	16653017	97	791809

Source: NREGA website (www.nrega.nic.in), as on 28 February 2007

Table 10.d. Availability and Utilisation of Funds under NREGA

State	Total availability of funds (in Rs. Lakh)*	Total expenditure (in Rs. Lakh)	% of expenditure against total available funds (utilisation)
Andhra Pradesh	102318.84	46542.63	45.49
Arunachal Pradesh	1212.25	221.34	18.26
Assam	55211.77	32130.55	58.2
Bihar	108810.14	45176.18	41.52
Chattisgarh	66285.2	44074.37	66.49
Gujarat	11249.34	5799.71	51.56
Haryana	4552.85	2384.24	52.37
Himachal Pradesh	3482.7	2153.96	61.85
Jammu & Kashmir	3988.02	1062.65	26.65
Jharkhand	85114.8	36959.43	43.42
Karnataka	25166.68	18383.74	73.05
Kerala	3341.56	870.97	26.06
Madhya Pradesh	199928.37	138284.72	69.17
Maharashtra	48683.68	16733.47	34.37
Manipur	1932.92	950	49.15
Meghalaya	4516.28	121.28	2.69
Mizoram	1569.84	1028.34	65.51
Nagaland	1492.04	1327.91	89
Orissa	87632.68	42468.08	48.46
Punjab	3824.57	1727.12	45.16
Rajasthan	82417.3	50622.15	61.42
Sikkim	456.5	167.5	36.69
Tamil Nadu	21533.73	10787.8	50.1
Tripura	4302.3	4200.56	97.64
Uttar Pradesh	93462.19	60449.88	64.68
Uttarakhand	5886.2	3201.54	54.39
West Bengal	51834.75	25852.8	49.88
All India	1080207.49	593682.93	54.96

*includes contribution from both Centre and States' for 2006-07 and 2005-06

Source: NREGA website (www.nrega.nic.in), as on 28 February 2007

Table 10.e. Status of Employment Generation under NREGA

State	SCs		STs		Total		% of emp. generated by Women out of total Person-days of emp. generated
	House-holds	Person-days of employment generated (in Lakh)	House-holds	Person-days of employment generated (in Lakh)	House-holds	Person-days of employment generated (in Lakh)	
Andhra Pradesh	538534	154.78	232902	63.2	1788112	503.32	52.5
Arunachal Pradesh	0	0	16926	4.53	16926	4.53	30.0
Assam	38707	27.85	186378	130.41	452475	295.87	21.9
Bihar	1020212	138.86	18413	4.61	2277129	297.24	17.0
Chattisgarh	149872	47.92	499893	233.19	1084978	467.9	36.8
Gujarat	8942	5.02	94898	39.63	146943	67.89	52.0
Haryana	23501	10.45	0	0	39128	17.35	28.3
Himachal Pradesh	22598	5.17	16584	4.14	72421	17.34	10.1
Jammu & Kashmir	62000	0.63	110400	1.59	844400	9.65	0.1
Jharkhand	153330	74.17	409119	124.32	943934	308.14	34.7
Karnataka	135185	54.28	99706	34.23	478767	163.41	51.6
Kerala	11400	1.03	7000	0.79	60200	7.41	52.9
Madhya Pradesh	370883	266.66	1194757	769.92	2620242	1590.73	43.3
Maharashtra	130275	53.67	2877788	102.54	3287659	229.09	60.1
Manipur	0	0	0	8.26	0	8.26	40.1
Meghalaya	0	0	14459	2.01	14459	2.01	248.8
Mizoram	0	0	18800	2.37	18800	2.37	32.9
Nagaland	0	0	27800	11.82	27800	11.82	29.9
Orissa	301003	122.51	602325	248.03	1264903	506.64	32.9
Punjab	0	8.15	0	0	0	11.08	34.5
Rajasthan	157946	121.84	668286	522.39	1080523	806.21	64.1
Sikkim	32	0.01	4063	1.48	4111	1.55	19.4
Tamil Nadu	233962	66.41	16605	2.4	488426	129.13	48.2
Tripura	12585	7.76	38419	27.81	66656	45.58	75.3
Uttar Pradesh	1309100	351.21	34000	20.37	2252500	617.64	16.0
Uttarakhand	21811	6.55	1028	0.39	107192	26.46	28.2
West Bengal	894000	86.86	371000	38.1	2975000	280.98	16.0
All India	5595878	1611.81	7561549	2398.56	22413684	6429.6	39.9

Source: NREGA website (www.nrega.nic.in), as on 28 February 2007

11. Infrastructure

Bharat Nirman: Bharat Nirman is a time-bound business plan for action in rural infrastructure over the four year period (2005-2009). Under Bharat Nirman, action is proposed in the areas of irrigation, rural roads, rural housing, rural water supply, rural electrification and rural telecommunication connectivity. The initial target in Bharat Nirman was to bring an additional one crore hectares under assured irrigation; to connect all villages that have a population of 1000 (or 500 in hilly/tribal areas) with a road; to construct 60 lakh additional houses for the poor; to provide drinking water to the remaining 74,000 habitations that are uncovered and additional coverage to 2.8 lakh habitations that have slipped back from full coverage; to reach electricity to the remaining 1,25,000 villages and offer electricity connection to 2.3 crore households; and to give telephone connectivity to the remaining 66,822 villages. At the half way of Bharat Nirman we find that apart from rural telephone connectivity none of the sectors have been able to reach the target; in electrification and road connectivity only a quarter of the targets have been met.

A comparison of the budgetary support for some of the functions/services of the Central Government related to Bharat Nirman (i.e., rural infrastructure sectors), over the last few years show that there is no quantum jump in spending. Though there is some increase in budgetary support on the heads related to Bharat Nirman as a proportion of total expenditure of the Central Government, from 4.72% in 2003-04 (BE), to 4.78%, 5.68%, 5.17% and 5.63% in 2004-05 (BE), 2005-06 (BE), 2006-07 (BE) and

2007-08 (BE) respectively. Among the different sectors allocation on roads and bridges has almost doubled during 2003-4 to 2007-08. In the Budget 2007-8 total allocation on these sectors is Rs. 38308.72 Crores, which is Rs.9129.04 crore higher than previous year. For Bharat Nirman, as against Rs.18,696 crore (including the NER component) in 2006-07, Finance Minister has proposed to provide Rs.24,603 crore in 2007-08, which marks an increase of 31.6 per cent. It should be noted that given that a substantial part of the Bharat Nirman targets remain unachieved the allocation seems to scanty.

When we take into account the huge level of resources required for achieving the targets under Bharat Nirman, we find the budgetary support of the Centre for rural infrastructure in 2005-06, 2006-07 and 2007-08 to be meager. The strategy of the UPA Government on Bharat Nirman seems to be dependent on the fact that bulk of the outlay (required for achieving the stated targets) is already part of the expenditure budgets of the Centre and the States, and that the need for higher spending, than what has already been provided for in Budget'05-06 and 2006-07 on rural infrastructure, would arise only if the utilisation of funds is fast.

The Finance Minister has increased the Corpus fund allocation for RIDF to Rs. 12000 Crores. The state governments can avail this fund for infrastructural projects. This increase is welcome step given the increasing demand for infrastructure. There is an allocation of Rs 4000 Crores set aside for rural roads which is basically a continuation of last year.

Table 11.a. Targets and Achievements under Bharat Nirman:

Heads	Physical Target	Achievement			
		2005-06	2006-07	Total	% of Target
Irrigation	10000000 hectare	600000	3300000	3900000	39
Rural Roads	66802 habitations	5337	12198	17535	26.24
Rural Housing	60 lakh hhds	870000	1697000	2567000	42.8
Rural Electrification	1,25,000 villages	10366	19758	30124	24.1
Rural Telephone	66822 villages	17182	15054	32236	48.2
Water Supply	74,000 uncovered + 2.8 lakh fallen back habitations	56270	55512	111782	31.6

Source: Union Budgets Documents, various years

Table 11.b. Budgetary Support for Functions of the Central Government related to Bharat Nirman

	(in Rs. Crore)				
Function of the Central Government	2003-04 BE	2004-05 BE	2005-06 BE	2006-07 BE	2007-08 BE
Housing [Major Heads 2216 (Revenue), 4216 (Capital) and 6216 (Loan)]	2820.96	3354.81	3351.22	3319.63	4607.28
Major and Medium Irrigation [Major Heads 2701 (Revenue), 4701 (Capital) and 6701 (Loan)]	175.24	188.25	191.04	236.49	236.18
Minor Irrigation [Major Heads 2702 (Revenue), 4702 (Capital) and 6702 (Loan)]	133.78	107.32	115.40	136.34	116.75
Power [Major Heads 2801 (Revenue), 4801 (Capital) and 6801 (Loan)]	7211.10	7372.42	6502.97	6293.93	8967.97
Roads and Bridges [Major Heads 3054 (Revenue), 5054 (Capital) and 7054 (Loan)]	10042.90	10658.86	16234.95	16026.86	20540.54
Telecommunications* [Budgetary Provisions for the Department of Telecommunications]	357.45	956.50	2858.65	3166.46	3840
Total Budgetary Support for the Functions listed above(1)	20741.33	22637.7	29254.23	29179.68	38308.72
Total Expenditure of the Central Government (Budget Estimate) (2)	438795	477829	514344	563991	680521
(1) as a proportion of (2)	4.72 %	4.78 %	5.68%	5.17%	5.63%

Note: 1. In order to compare the policy stance of the Government in different years, we have taken Budget Estimates (BE) for each of the three years, instead of Actuals for 2003-04 or Revised for 2004-05. These figures are much higher than total fund allotted for Bharat Nirman.

2. * In the Annual Financial Statement of Budget 2005-06, the section on *Communications* has three sub-sections/ functions, viz. *Postal Services*, *Satellite Systems*, and *Other Communication Services*. Hence, we have considered here the Budgetary Provisions (of the Centre) for Demand No. 15, which is under the Department of Telecommunications of the Ministry of Communications and Information Technology.

Source: Annual Financial Statement and Expenditure Budget (Vol.I and Vol.II) of the Central Government for the years 2003-04, 2004-05 and 2005-06.

JNNURM:

The Prime Minister launched JNNURM on December 3, 2005 to encourage cities to initiate steps to bring about improvement in the existing service levels in a financially sustainable manner. The objectives of the mission, *inter alia*, include planned development of identified cities including semi-urban areas, outgrowths and urban corridors and improved provision of basic services to the urban poor. The duration of the mission would be seven years beginning from 2005-06. It is estimated that over a seven-year period, the Urban Local Bodies (ULBs) would

require a total investments of Rs. 1,20,536 crores. This includes investment in basic infrastructure and services, that is, annual funding requirement of Rs. 17,219 crores.

Union Government's allocation on JNNURM has increased merely from Rs. 4890.66 Crores in 2006-07 to Rs. 5017.5 Crores 2007-08 and Government is planning to raise the rest of the annual requirement from the participation of private players. Thus, the success of this ambitious scheme depends largely on the response that it receives from the private investors.

Table 11.c. Allocations on different components of JNNURM

Details/Year	(in Rs. Crore)			
	2004-05 RE	2005-06 RE	2006-07 BE	2007-8 BE
Sub-Mission on Urban Infrastructure and Governance	167.00	150.00	2287.15	2474.9
Sub-Mission on Urban Infrastructure Development for Small and Medium Towns	199.50	115.00	1010.00	702.22
Sub-Mission on Basic Services to Urban Poor	0	0	908.78	1322.34
Integrated Housing and Slum Development	732.75	200.00	684.73	488.04
Total	1099.25	465.00	4890.66	5017.5

Note: 1. Allocations include transfers to States and UTs through Ministry of Finance and Schemes under Ministry of Urban Development

2. The figures for the different components of JNNURM for the years mentioned have been arrived at after identifying allocations on similar schemes in the respective years from **Expenditure Budget Volume 2** detailing Notes on Demands for Grants of the Department of Urban Development and Transfers to States and Union Territories under the Ministry of Finance.

Over all, if we look at the allocations on infrastructure we find some increase in allocation here and there. But it can be safely said that given the huge plan targets the increase remains insignificant. It seems that government is planning to raise requisite funds through PPP initiatives, the merit of which is yet to be tested.

12. Panchayats

Backward Regions Grant Fund scheme

The Ministry of Panchayati Raj had been allocated Rs. 3750 crores during the last fiscal i.e., in the Budget 2006-07 under the Backward Regions Grant Fund scheme. In the Budget Estimates for 2007-08, the allocation has been increased to Rs. 4670 crores. This is up by about 20 %. The scheme is designed to cover 250 backward districts with grants to the PRIs at different levels as 'untied' funds. The scheme has critical importance for greater autonomy to the local bodies. A rough estimation indicates that Rs. 3 to 4 crores additional will be available to each of these backward districts. This is a welcome step. Depending on utilisation, good ground has been created for positive outcomes. The revised estimates for 2006-07 show that of Rs. 3750 crores allocated in 2006-07 BE to the Ministry of Panchayati Raj, only Rs. 1925 crores are proposed to be utilized.

Other Schemes of the Ministry of Panchayati Raj

It was reported in the media recently that the Ministry of Panchayati Raj had demanded Rs. 1000 crore each for the two of its new schemes viz, the *Gram Swaraj* and *Panchayat Empowerment Incentive Scheme*. These two have

been allocated Rs 67.90 crores and Rs 10 crores respectively. The *Rashtriya Gram Swaraj Yojana* is proposed to assist states to improve the capacity of Panchayats and provide the necessary administrative and infrastructure support so that they can effectively perform the functions devolved and the schemes entrusted to them. This has training and capacity building of elected representatives as a major component. The increase in allocation for Gram Swaraj by only Rs. 17.4 crore does not carry any significant support from Union Budget for this critical endeavour.

Similarly the *Panchayat Empowerment Incentive Scheme* aims at reforms to be undertaken by the State governments for effective devolution. The allocation for this has been kept the same as was in 2006-07. Ignoring the demands made by the Ministry for substantially higher allocation for this Scheme clearly points to the neglect of a critical sector which has perhaps the greatest possibilities in so far as a 'participatory democracy' is concerned.

With all the promises, no serious thinking on removal of structural bottlenecks has been done, or else such allocations would have not been the case.

13. North Eastern Region

India's North Eastern region comprises the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura is collectively known as the land of the seven sisters. This region collectively comprised of 8 percent of country's geographical area and 3.8 percent of country's population.

The north-eastern region shares only 2.7 percent of national income as against its population share of 3.8 percent and this explains the extent of its economic distance from rest of the country (Combating poverty in North East, The Assam Tribune, Feb 24, 2007). Per capita income of the most of the north-eastern States remains below all India level, but what is alarming is that the region's per capita income difference with national level has continued to get widened from Rs 1706 in 1993-94 to as much as Rs 6394 in 2003-04 at current prices.

The Assam Human Development Report 2003 pointed out that:

- “the region continues to be marked by low agricultural productivity, poor infrastructure, tenuous communications and low levels of industrial activity. **Conscious of its exceptional features (and of its strategic significance), the Centre has traditionally considered the North East as deserving of singular treatment.**
- **The States of the North East have been benefited by the fact of having been declared ‘Special Category States’. Per-capita Plan Assistance has been higher (?), and the terms on which such assistance has been extended have been more favorable.**
- **Despite these measures, there is evidence to show that the gap between the North East and the rest of the country has widened.**
- **Most importantly, the region continues to perceive itself as distant and distinct, and unable to participate in the benefits of an expanding, growing economy.**

The major part of income in these states comes by way of highly liberal central assistance and subsidies. The development concerns of these States are pursued through their respective Five Year and Annual Plans as well as those of the Union Ministries and Central Agencies.

The current budget 2007-08 has raised the total Budget for the Northeastern region from Rs 12,041 crore to Rs 14,365 crore. Having a close look at the central plan out lay under revised estimates for the North Eastern region since 2002-03 to 2007-08 affirms continuous negligence over the region. The following table shows the figures of **Plan Outlay for North Eastern Areas** as in Union budget since 2002-03 to 2007-08 fiscal years and grant-in aids under central assistance.

In comparison with the total union plan outlay, priority in terms of allocation over north eastern region has been increased but very negligibly. Taking into account the revised estimates from 2002-03 to 2006-07, the significant increase in priority is of 6.9% in the year 2005-06. This increase is 2.2% compared to 2002-03 Budget. This priority decreased by 0.02 in the succeeding year. The eleventh budget has not marked any significance increase in budget allocation for the north east region. Only a marginal increase of 0.02 is recorded this year.

Grant-in-Aid (under Ministry of DONER) **for Plan Expenditure in the N.E. States** is also increasing over the time but still the increase is very poor. The increase in grants from 2002-03 to 2006-07 is Rs.362.34 crores.

Plan Capital expenditure is low compared to Plan revenue expenditure over the years and this indicates poor development and justifies what the Assam HRD reports of low agricultural productivity, poor infrastructure, tenuous communications and low levels of industrial activity in NER.

Table 13.a. Plan Outlay for the North Eastern Areas from Union Budget (2002-03 to 2007-08)
(in Rs. Crore)

Years	Plan Outlay for North Eastern Areas			Grant-in-Aid (under Ministry of DONER) for Plan Expenditure in the N.E. States	Total Plan Outlay for N.E. Areas	Total Plan Outlay from Union Budget (Rs. Crore)	C as % of D
	A			B	C= (A+B)	D	
	Under Major Head 2552 (Revenue Account)	Under Major Head 4552 (Capital Account)	Total	Under Major Head 3601			
2002-03 RE	3465.7	1175.06	4640.76	723.17	5363.93	114089	4.7
2003-04 RE	3425.39	1359.18	4784.57	751.33	5535.9	121507	4.6
2004-05 RE	5053.63	1489.47	6543.1	886.5	7429.6	137387	5.4
2005-06 RE	7150.88	1748.26	8899.14	975.67	9874.81	143791	6.9
2006-07 RE	8607.15	1884.08	10491.23	1085.51	11576.74	172730	6.7
2007-08 BE	10787.51	2322.29	13109.8	1125.76	14235.56	205100	6.9

Source: Expenditure Budget Vol. I, and Budget at a Glance, Union Budget - various years

GLOSSARY OF KEY BUDGETARY TERMS

1. Revenue Receipts:

Revenue receipts comprise proceeds of total tax and non-tax revenues of the government. With this receipt there is no change in asset-liability position of the government i.e. it neither decreases the asset of the government nor increases its liability. The main Revenue receipts of the government are **tax revenues**, such as, income tax, corporate tax, customs and excise duties, and **non-tax revenues**, such as, interest and dividend on investments made by government, fees and other receipts for services rendered to the public and private by the government. In 2007-08 Union Budget, total revenue receipts of the Central Government is projected to be **Rs. 4,86,422 Crore**.

1.a. Tax Revenue:

Revenue from taxes constitutes the major revenue receipt of the government. In 2007-08 Union Budget, total tax revenue receipts of the Central Government is projected to be **Rs. 4,03,872 Crore**. **Direct Taxes** are the taxes of which the tax-burden cannot be shifted. That means the burden of the particular tax rests on the same person who directly pays it to the government e.g. income tax, expenditure tax, corporate income tax, property tax etc. Direct taxes are directly related to a person's ability to pay and considered the best way to reduce inequality of wealth and income in the society. **Indirect Taxes** are the taxes for which the tax-burden can be shifted. Those who initially pay indirect taxes to government can ultimately shift the tax-burden to other persons who consume the services or goods later, e.g. customs duty, excise duty and sales tax, etc. Hence, indirect taxes are considered a huge burden on the common people – even the poorest of the poor have to pay this tax when they buy or avail services irrespective of their income capacity.

1.b. Non-Tax Revenue:

Non-tax revenue is basically the revenue or money, which comprises all other government earning other than taxes and duties. Non-tax revenue mainly consists of interests and dividends on investments made by government, fees (stamp fee, etc.) and other receipts for the

service rendered by government to public as well as to private e.g. fiscal services, economic services, defence services, etc. Total non-tax revenue receipts of the Central Government during 2007-08 is projected to be **Rs. 82,550 Crore**.

2. Capital Receipts:

Capital Receipts of the government are always accompanied by a reduction in the assets or increase in the liability of the Government. Capital Receipts that are usually accompanied by a reduction in its assets are recoveries of loans given by the government in the past, proceeds from disinvestment, etc. Capital receipts through loans taken by the government, from domestic or foreign sources, lead to an increase in its liabilities. Total Capital Receipts of the Central Government for the year 2007-08 is projected to be **Rs. 1,94,099 Crore**.

3. Revenue Expenditure:

Revenue Expenditure usually does not have any impact on creation of assets or reduction of liabilities. It is usually incurred for the normal running of government and to meet the administrative expenditures of the government (e.g. salaries, pension etc.), interest charges on debt incurred by government, subsidies, etc. The grants given to State governments and other parties are also treated as revenue expenditure by the Central government, even though some of the grants may be used subsequently for creation of assets. Total Revenue Expenditure by the Central Government is estimated at **Rs. 5,57,900 Crore** in Union Budget 2007-08.

4. Capital Expenditure:

Capital expenditure refers to the government expenditure incurred with the purpose of either increasing assets or reducing liabilities. It is, however, not essential that the assets created should be productive in character or that they should even be revenue generating. After it has been decided to incur expenditure for the creation of a new or additional asset, Capital Expenditure bears all charges for the first construction of the project, while Revenue

Expenditure bears all subsequent charges for maintenance and all working expenses. Total Capital Expenditure by the Central Government is estimated at **Rs. 1,22,621 Crore** in Union Budget 2007-08.

5. Plan Expenditure:

In India, Plan Expenditure covers a part of the total expenditure, which is meant for financing the schemes and programmes especially framed under the given Plan (the Five Year Plan) or the unfinished tasks of the previous Plans. Once a programme or scheme pursued under a specific Plan completes its duration, the maintenance cost and future running expenditures on the assets created or staff recruited are not regarded as Plan Expenditure. The plan expenditure is further divided into two categories, Plan Revenue Expenditure and Plan Capital Expenditure. Total Plan Expenditure by the Central Government is estimated at **Rs. 2,05,100 Crore** in Union Budget 2007-08.

6. Non-Plan Expenditure:

Any expenditure of the government that does not fall under the Plan Expenditure is Non-Plan Expenditure. Non-Plan Expenditure is the expenses required for the maintenance and running costs (usually the administrative overheads) of the completed schemes or programmes undertaken in various plans. Since the maintenance and administrative expenses increase over the period of time, the Non-Plan Expenditure of the government are usually much higher than the Plan Expenditure. Like in Plan Expenditure, Non-Plan expenditure is also divided into two categories, Non-Plan Revenue Expenditure and Non-Plan Capital Expenditure. Total Non-Plan Expenditure in the Central Government is estimated at **Rs. 4,75,421 Crore** in Union Budget 2007-08.

7. Deficit & Debt:

The excess of expenditure over income or excess of liabilities over assets is known as 'Deficit'. In simple terms, Deficit means shortage [Deficit = Expenditure – Income]. Thus, deficit refers to a gap, and **Debt** covers that gap. The government usually raises Debt to make investments under various social and economic overheads like railways, roads,

bridges, education, health etc. Such enhanced public expenditure could not be met otherwise from the current revenues of the government. Internal Debt refers to Debt raised within the country from financial institutions and other bodies constituted in India. External Debt refers to Debt raised from foreign sources like, foreign nations, foreign banks and other foreign bodies. The total of both internal and external debt is known as 'Public Debt'. Total Public Debt of India is estimated at **Rs. 17,50,984 Crore** (of which, **Rs. 17,33,533 Crore** is from internal sources and **Rs. 17,451 Crore** is from external sources) in the Union Budget 2007-08.

7.a. Revenue Deficit:

The excess of revenue expenditure over the revenue receipts is referred as 'Revenue Deficit'. Revenue deficit basically means dis-savings on government account and use the savings of other sectors of the economy to finance the consumption expenditure of the government [Revenue Deficit = Revenue expenditure – Revenue receipts]. Revenue Deficit of the Central Government is estimated at **Rs. 71,478 Crore** (about 1.5 per cent of the projected GDP) in Union Budget 2007-08.

7.b. Fiscal Deficit:

Fiscal Deficit is the difference between the government's total expenditure and its total receipts excluding borrowing (or difference between government's total expenditure and its total non-debt creating receipts) in a given period of time. So, Fiscal Deficit is almost equal to the amount of borrowing by the government both from internal and external sources including interest payments [Fiscal Deficit = Total Expenditure (Total Revenue Expenditure + Total Capital Expenditure) – (Revenue Receipts + Recoveries of Loans + Other Capital Receipts)]. Fiscal Deficit of the Central Government is estimated at **Rs. 1,50,948 Crore** (about 3.3 per cent of the projected GDP) in Union Budget 2007-08.

7.c. Primary Deficit:

Primary Deficit is the difference between Fiscal Deficit and Interest Payments, which comes under Non-Plan Expenditure [Primary Deficit = Fiscal Deficit – Interest Payments].



Centre for Budget and Governance Accountability
A-11, 2nd Floor, Niti Bagh, New Delhi - 110 049
Telefax: +91-11-4174 1285 / 6 / 7
Email: cbadelhi@vsnl.net Website: www.cbgaindia.org

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