Reclaiming Public Provisioning

Priorities for the 12th Five Year Plan






CBGA

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Background

The 12th Five Year Plan, which would be implemented across the country during 2012-13 to 2016-17, offers a significant opportunity to the government in our country for radically improving the approach towards public provisioning for socio-economic development. However, in order to make any drastic improvement, the government needs to recognize a number of critical issues pertaining to planning and budgeting in the country and make a concerted effort to address those in the 12th Plan.

The magnitude of government expenditure could be an important indicator of the scale and relevance of any of its interventions; and, budgetary expenditure on implementing the ongoing Plan, which is the 11th Five Year Plan (2007-08 to 2011-12), has accounted for roughly one-third of the total expenditure from government budgets in our country every year. How important is this one-third share of total budgetary expenditure in the country? Among other things, this part of public expenditure is important for addressing the challenges pertaining to socio-economic development of deprived regions and disadvantaged sections of the country's population, which get neglected in the usual and long-term interventions by the Union and State Governments (i.e. the two-third part of the total budgetary expenditure, known as Non-Plan expenditure, which has been outside the purview of the Planning Commission).

In the context of planning and budgeting pertaining to government interventions for socio-economic development in the country, there is a need to strengthen fiscal decentralization at all levels, i.e. Centre to States, State Governments to rural local bodies and urban local bodies, and across the different tiers within the local bodies. The efforts in this domain would need to focus on developing robust mechanisms for planning and budgeting at the sub-national levels, devolution of adequate public resources, human resources at the sub-national levels and, most importantly, decentralisation of decision making. With respect to Five Year Plans in the country, the concerns about fiscal decentralization have often manifested in the critique of the 'one size fits all' approach underlying many Centrally Sponsored Schemes, the contentions over untied resources transferred to States for their own Plans being inadequate, the demands for transferring a significant number of Centrally Sponsored Schemes to the States, and the debate over the growing role of the Planning Commission in the federal fiscal architecture in the country. We may note here that the Draft Approach Paper to the 12th Five Year Plan (Planning Commission, August 2011) envisages a rather small increase in the magnitude of the Central Assistance for State and UT Plans over the next five years; what this implies is, unless the States are able to invest a significantly higher magnitude of their own resources for their State-specific Plans, the State-specific Plan interventions in most States would continue to suffer from the acute problem of inadequate funds.

Like the previous Five Year Plans, the next Plan too would have a larger vision, policies, priorities and strategies; but the medium for translating most of those ideas envisaged by the Planning Commission for the 12th Plan would be several development schemes. Hence, it is pertinent to pay attention to some of the major concerns pertaining to Plan schemes in our country. With regard to some of the 'flagship' Centrally Sponsored Schemes in the social sectors, research studies carried out by CBGA have identified a number of problems in the design as well as the process of implementation of the schemes across various States, which are directly related to systemic weaknesses in the government apparatus in States, and constrains the capacity of the States to increase public spending. Hence, the 12th Plan needs to pay adequate attention to the issue of systemic weaknesses in the government apparatus at the State, district and sub-district levels that have constrained the quality of implementation of several development schemes in the last decade. Non-plan expenditure shapes up to a significant extent the strength of the State Government apparatus, in terms of availability of regular qualified staff and adequacy of the government infrastructure, for implementing Plan schemes. However, over the last decade, Non-plan expenditure in social services has been checked by many States due to the emphasis of the prevailing fiscal policy on reduction of deficits through curtailment of public expenditure.

In this regard, it is worth noting that the Draft Approach Paper to the 12th Plan envisages a very small increase in the overall magnitude of the Gross Budgetary Support (GBS) for Plan by the Central Government (which comprises Plan expenditure by Central Govt. Ministries and Central Assistance for State and UT Plans) over the next five years – the GBS for Plan by the Centre is expected to increase from 4.92 percent of GDP in 2011-12 (BE) to 5.25 percent of GDP on an average during the 12th Plan years. What this implies is the 12th Five Year Plan might witness a continuation of 'cost effective' approaches to public provisioning in the social sectors and towards interventions in critical economic sectors (like agriculture and rural development), instead of promoting entitlements for people in critical sectors.

We must note in this context that the overall magnitude of public resources available to the government in India for making investments towards socio-economic development remains inadequate in comparison to several other countries, mainly owing to the low magnitude of tax revenue collected. Hence, in the context of the 12th Five Year Plan, we also need to discuss the need for and the feasibility of expanding the overall fiscal policy space for the government in our country, primarily through a higher tax-GDP ratio.

The present government at the Centre has been affected visibly by the contradictions within the ruling political alliance in a number of areas in general, and in the domain of public spending in particular. These contradictions pertain mainly to the government's perspective on the need for and the feasibility of a significant step up of public spending in the country on crucial sectors like education, health and food security. As a result, while a number of progressive legislations pertaining to basic education, food security and health have either been enacted or drafted, the acute need for a significant increase in public spending on these essential sectors has been ignored in the three Union Budgets of this government (i.e. the Union Budgets for 2009-10, 2010-11 and 2011-12). In fact, the direction of these three Union Budgets has been very clearly towards a conservative fiscal policy that strongly advocates compression of public expenditure, one of the consequences of which seems to be the Central Government's growing inclination towards promoting a greater role for private providers in social sectors.

It would be worthwhile to note here that India's total public spending every year on social sectors (i.e. combined budgetary spending by Centre and States on sectors like, education, health, water and sanitation, nutrition, etc.) continues to be less than 7 percent of GDP, while most the developed countries have been investing much greater magnitudes of public resources on such sectors for decades now. The average level of budgetary spending on social sectors in the OECD countries in 2006 (excluding social security expenditures) was 14 percent of GDP, nearly double the level of budgetary spending on social sectors in India. However, the Draft Approach Paper by the Planning Commission raises a serious concern that the 12th Plan might not steer the country towards any significant increase in its public investments on social sectors over the next five years; instead, it might witness a growing reliance by the government on private providers in such crucial sectors.

Development planning in the country saw the adoption of 'inclusive growth' as a slogan with the 11th Five Year Plan (2007-08 to 2011-12). The term, it seems, is here to stay as the Draft Approach Paper to the 12th Five Year Plan is also titled 'Faster, Sustainable and More Inclusive Growth'. In the backdrop of yet another Plan being formulated with the slogan of 'inclusive growth', it is imperative to understand the budgetary and planning processes in the country that are meant to be responsive specifically to some of the disadvantaged sections of the population.

The Planning Commission and the Government of India have recognized (since long) the need for making a distinction between 'incidental' benefits for a certain disadvantaged group and 'direct' policy-driven benefits for the group from public expenditure. This recognition has led to the adoption of Plan strategies like, the Scheduled Caste Sub Plan (SCSP), the Tribal Sub-Plan (TSP) and Women's Component Plan (WCP) and budgetary strategies like Gender Responsive Budgeting. However, the deep rooted problems in implementation of these strategies have persisted even in the 11th Five Year Plan. Hence, it is pertinent to discuss how the 12th Five Year Plan is going to be more responsive to the disadvantaged sections of the country's population as compared to the previous Plans.

The formulation of the 12th Five Year Plan has given the Planning Commission, Union Government and State Governments a major opportunity to recognize and address the fundamental gaps in the overall paradigm of development planning in our country, design of specific Plan interventions and their implementation. The present publication attempts to highlight some of these gaps in a number of critical sectors and also discusses some of the possible measures that could be adopted in the 12th Plan. We hope this publication would be useful for our policymakers and other stakeholders who are interested in the issues pertaining to public provisioning in the country.

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EDUCATION

Even as we approach the 12th Five Year Plan, a review of India's policy actions on education over the past decade reminds one of what the Navajo people of North America once said: "You can't wake a person who is pretending to be asleep." This oft-repeated Navajo proverb sadly summarises the 12th Plan's policy prescriptions to reform education. While India rightly celebrates its so-called "demographic dividend" as a national asset, the idea seems to be lacking in realism. To be precise, the Plan fails to address the gaps in the institutional machinery required to harness the potential of its assets - the children and the youth. In its current shape, the (Approach to the) 12th Plan will only further blur the goals set out for education.

Against the backdrop of the 12th Plan being finalized for the country, which would set the tone for the policies to be adhered by the government for the next five years, some of the vital concerns relating to education as a sector merit attention. These relate to concerns of (i) adequacy of resources, (ii) design and implementation of the interventions, and (iii) the overarching policy framework.

1. Adequacy of Resources

The numbers pertaining to education reveal that the country is nowhere near the Kothari Commission recommendations of 1966, which sought to step up public spending on education to 6 percent of the GDP. While this was reiterated by the UPA-I when it promised to allocate resources worth 6 percent of the GDP on education, the present total public spending on education (taking the spending by not just Education Departments at the Centre and in the states but also the other departments that spend on education) works out to a mere 3.39 percent of the GDP (2008-09).

A decline in the size of public spending on education in proportion to the GDP indicates the progressively decreasing priority of education for the Union government. When the spending on education as a proportion of the total budget is compared at the level of the states, the priority for education amounts to 16.2 percent of the total State Budget. Another indicator to assess the priority for education is to look at the per capita spending at the state level that reveals sharp fluctuations with the lowest spending by Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and West Bengal (Figure 1.1).

Despite the country being far from the target of 6 percent set over 40 years ago, the 12th Plan Approach Paper makes no mention of this goal; instead, what we find is the new "promise" of universalising secondary education by 2017 as a priority. In this regard, it is worth noting that the Union government had not allocated what had been recommended by the 11th Five Year Plan in some of the key schemes, such as Sarva Shiksha Abhiyan (SSA), Mid-Day Meal Scheme (MDMS), Integrated Child Development Services (ICDS), Rashtriya Madhyamik Shiksha Abhiyan (RMSA), Teachers' Training, University Grants Commission (UGC) and Technical Education. A comparison of Union Budget allocations for the five year period with the 11th Plan recommended outlays reveals this gap[1].

A related area of concern is that the outlays are insufficient to begin with and even these amounts are not fully spent. Table 1.1 assesses the extent of actual expenditure as a proportion to allocated funds for some of the major interventions in education for 2007-08 and 2008-09. With the exception of some schemes (Kendriya Vidyalaya Sangathan, Navodaya Vidyalaya Samitis, Directorate of Adult Education, Tibetan Schools Society Administration and Jan Shikshan Sansthan), the gap between allocations and expenditure remain significant.

As a consequence, the allocations for the next financial year are constrained as the Ministry of Finance and the Planning Commission see the inability of the states to spend the available funds as a function of their poor financial management. While this may also be responsible for low levels of fund utilisation, it is primarily due to the weak institutional mechanisms at the level of the states that constrict their ability to spend optimally. Tables 1.2.a, 1.2.b, and 1.2.c present the case of fund utilisation in SSA for three years (2008-09 to 2010-11) and find marked variations in the pattern of utilisation across states. Average utilisation as a proportion of the approved budget for the period remains less than 80 percent. The reasons for this are examined in some detail in the following sub-section.

2. Design and Implementation of the Interventions

In the scrutiny of appropriateness of any of the interventions, there is a need to assess two vital aspects relating to (a) the design of the schemes/programmes and (b) how well these get implemented. For over a decade now, most of the planned initiatives of the Union government have been in the nature of Centrally Sponsored Schemes (CSSs) and Central Sector Schemes that have a limited life-span and promote low-cost, ad-hoc interventions rather than adopting a rights-based approach to delivering critical entitlements to all.

The problem arises when there are a multitude of schemes/programmes being implemented at the sub-national level and the machinery implementing these are constrained for resources to effectively carry out the programmes and deliver results. Related to this is concern about how well the schemes are being implemented and how to provide appropriate solutions. In this regard, three main problems have been observed[2]:

<u>(i) Deficiencies in decentralised planning processes:</u> In a district, owing to multiple plans being formulated and implemented, the true spirit of decentralised planning continues to be more of a concept. Instead of several plans being made, a district plan that includes all the interventions would be more holistic and provide the implementing officials at the district level, the requisite ease to effectively see the programme through to its logical conclusion. At the time the study was conducted, there were more than 125 Plan schemes implemented in Chhattisgarh and 336 Plan schemes operational in Uttar Pradesh.

Related to this is the problem of low community involvement. Since the panchayat level functionaries are also responsible for the overall implementation of other schemes at the district level, such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and Ambedkar Gram Yojana, a sense of ownership is absent among the staff with regard to SSA. Further, the capacity of the officials involved in the planning process constrains the quality of planning considerably. It has been observed that the district plans do not reflect the actual demands from the field as plans submitted in English are mostly cut-paste jobs.

In this regard, the Planning Commission constituted a committee headed by B K Chaturvedi that has come out with its draft report (September 2011) and recommended reducing the existing 147 CSSs to 60 CSSs (that would comprise of 9 flagship programmes, 38 sectoral schemes and 13 umbrella schemes) with effect from the 12th Plan period, subject to acceptance of these recommendations. For education-related schemes, the proposed restructuring is outlined in Table 1.3.

<u>(ii) Constraints in the institutional and budgetary processes:</u> Taking SSA as an illustration, several hurdles impede effective fund utilisation. Weak reporting of financial information by the financial management staff is a vital gap. Poor capacity of the Management Information System (MIS) unit as observed in the District Project Office, Lalitpur (there being only one ad-hoc MIS data entry operator) reflects in inaccuracies in reporting. At the school level too, it was observed that no set guidelines are being followed for reporting as the Utilisation Certificate (UC) includes components of another scheme, i.e., Honoraria of Anganwadi Worker, Anganwadi Helper and the provisions for the Anganwadi Centre under ICDS.

To add to this, the Programme Delivery and the Accounts staff are overburdened with multiple reporting requirements. This is

[1] For more details, please refer to: UPA's Promises and Priorities: Is there a Mismatch? Response to Union Budget 2011-12, CBGA, March 2011, accessible at (Page 3) http://www.cbgaindia.org/publications_responses_to_union_budgets.php?action=details&id=10&page=1

[2] This section draws substantially from the findings of a Research Study by Centre for Budget and Governance Accountability (CBGA) in 2008 supported by the United Nations Children's Fund on "Constraints in Effective Utilisation of Funds in the Social Sector: A Study of Rajnandgaon and Lalitpur"

compounded by staff shortage and untrained staff. Over-burdened accounts staff seems to be engaged most of the time in managing money in transit and ensuring that related reporting gets done. It is, thus, not only counter-productive to the overall financial management processes due to undue stress on the financial staff, but it also leads to immense delays in the scheme implementation with money lying un-utilised for long periods. On the other hand, Programme Delivery staff (i.e., the teachers) also have multiple non-teaching responsibilities that keep them away from providing quality education.

Further, the problem related to weak monitoring and supervision also leads to ineffective implementation. The number of schools falling under the purview of one Cluster Resource Centre (CRC) is unmanageable. According to the norms, one CRC caters to about 10-12 schools. At the time of the field visit in Mohala block of Rajnandgaon (Chhattisgarh), there were 10 clusters and 400 schools, making each CRC cater to about 40 schools and impossible to do any effective monitoring. As of 2008, there were 6,472 Block Resource Centres (BRCs), 69,268 CRCs and 125,0775 schools in the country; this however hides a lot of regional variations as in some states/union territories, each CRC caters to over 45 schools (Rajasthan, Puducherry, Delhi)

Moreover, rigid norms and guidelines in the scheme also lead to poor fund utilisation and concomitantly poor outcomes. Stipulations under SSA such as the need for provision of Completion Certificate by implementing agencies to the Accounts division failing which the money would be treated as advance in the records, compound the problem of utilisation. In the case of the monitoring mechanism being unsound, along with poor implementation at the grassroots level, it translates into poor fund utilisation.

Another vital concern relates to the lack of decentralisation of financial powers. The District Project Coordinator (DPC) is the authority at the district level to implement the scheme but has no financial powers to sanction funds. It is the District Magistrate (DM), also the District Mission Director for SSA, who is the financial sanctioning authority. The DPC has a sanctioning authority on any amount under Rs. 25,000 (Rajnandgaon, Chhattisgarh). This constrains day-to-day implementation as even for spending Rs. 700 a day beyond the specified Rs. 25,000, the DPC needs approval from the DM's office that is time-consuming – depending on the availability of the DM, other pressing matters and the chain of command followed at the DM's office to move the file for approval.

Key to the discussion on ineffective implementation and inadequate fund utilisation is incidence of delay in fund transfers from one level of government to the other. Illustrations from the field on the time taken for funds to move from the State Project Office (SPO) to the District Project Office (DPO) and further down to the Village Education Committee (VEC), reveal that most of the money travels in the third and fourth quarters and remains parked for considerable time periods in the DPO despite having been officially disbursed. CBGA's study found that the SPO Lucknow released funds to the DPO in Lalitpur in a total of 29 installments in 2007-08. Moving on, the DPO released this money in a total of 19 installments. This substantiates the, by now, well-known problem of over-burdened accounts staff who seem to be engaged most of the time in managing the money in transit and ensuring that the related reporting gets done.

For instance, money for the BRC – Travel Allowance, teaching learning material and contingency – was disbursed from the SPO in August 2007 (second quarter of the financial year) but was released by the Basic Shiksha Adhikari DPO only by February 2008 (last quarter of the financial year). This apart, the money was parked at the SPO for 190 days. Given that the BRC serves as a professional support agency by providing decentralised training and teacher support activities, delays in receiving money disrupts implementation. Travelling to distant schools to provide continuous support to teachers and preparation of Teaching Learning Materials, are some of the critical activities that would be adversely affected.

At the school level too, delays in fund transfers are found. In 2007-08, money for all but one component came in the last two quarters, with the majority coming in the last (fourth) quarter of the financial year. While no money was received under the heads of uniform, cooking gas, teacher's learning material and maintenance, while the honorarium for Shiksha Mitra had not come since January 2008 (as of August 2008). In a primary school surveyed in Chhuria block of Rajnandgaon, funds for school grants, maintenance grant and teacher's grants reached the school by December end.

This could be an outcome of the problem of funds being transferred from the district to levels below as a cheque and the notification being sent separately as a telegraphic sanction. Despite having regional rural banks and branches of Punjab National Bank in all the districts and further down, the electronic fund transfer mechanism is yet to take off from the district level downwards.

<u>(iii) Systemic weaknesses at the sub-national level:</u> Vital to the effective utilisation of funds and proper implementation of any programme, is a strong government apparatus to support and take forward any of these development initiatives.

<u>Staff availability,</u> a critical indicator for assessing the progress of a scheme remains a challenge. This is true for both the Programme as well as Accounts staff. In Chhattisgarh, about 1,400 teacher posts need to be filled up (August 2008). At the district level (Rajnandgaon), at the time of the study visit, 28 out of 30 teacher posts were lying vacant. Further, it has been noted that the recruitment process followed for Shiksha Karmis is slow and aggravates the situation. The all-India status of vacancies in teachers' posts is presented in Table 1.4. The Finance Controller, SPO, Raipur, informed the study team that at the block level – with the

stipulated norm of ten Block Resource Persons (BRPs) for each block and with over 200 schools in the block – there was a huge shortage of BRPs. Substantial vacancies in Programme and Finance Management staff at the district and state levels also lead to ineffective implementation.

Related to the issue of staff shortage is the poor capacity of available staff. The absence of adequately trained personnel to implement the programme is reflected in the low priority given to this component in the scheme in terms of finances. In Chhattisgarh, spending on Teachers Training went down from approximately 4 percent, as a proportion of total spending under SSA in 2004-05, to less than 3 percent in 2007-08. This trend is replicated at the district level (Rajnandgaon) as well. It was found that the training funds too were hugely underutilised; the spending for teachers training for 2007-08 in Rajnandgaon had not been approved even in August 2008.

Another aspect related to human resources is the short tenure of the key implementing officials of the programme. Evidence from Lalitpur in Uttar Pradesh shows that the tenure of many important government officials has been short and there have been frequent transfers of key staff such as Basic Shiksha Adhikari, Block Development Officers, and District Magistrates who have been in office for periods ranging from 15-20 days to two or four days.

The second critical aspect relating to systemic weaknesses is poor infrastructure. Lack of basic infrastructure (buildings for schools, BRC/CRC, District Institutes of Education and Training) is responsible for poor education indicators. The national scenario on infrastructure provisions at the elementary level is presented in Table 1.5. In the absence of having a separate building, CRCs operate out of middle schools in many places in Chhattisgarh. The field survey substantiates that children sit outside in a primary school in Rajnandgaon that has only two classrooms for the 186 enrolled students. An overview of the civil works conducted by the Joint Review Mission in 2011 finds that there are 86 districts in nine states (Bihar, Uttar Pradesh, Gujarat, Haryana, Jharkhand, West Bengal, Assam, Madhya Pradesh, and Maharashtra) that continue to have a Student Classroom Ratio (SCR) of over 40.

3. Policy Framework

Moving from the micro level concerns specific to the design and implementation of some of the planned interventions (although only a specific programme was examined in detail, these problems exist in most of the CSSs), it becomes relevant to understand the macro level policy framework. As was mentioned in the beginning, a scan of the government's policy prescriptions for education reveal an asymmetry in the stated objectives, i.e., ensuring inclusive education, and the policy frame, which has been one of withdrawal of the state from provisioning for a basic entitlement such as education and encouraging private providers to deepen their engagement in the sector in multiple avatars. National Sample Survey (NSS) data reveals that in the case of higher education, not only have the inequalities increased but even the absolute levels of higher education attainments of the bottom income group seem to have fallen between 1995-96 and 2007-08. (Tilak, 2011[3]) It is a matter of grave concern that the Plan Approach Paper outlines attainment of inclusive growth through an enhanced role of the private sector.

While the policy directions emphatically point to private participation in higher education, what is more disturbing is the gradual onset of private providers in elementary and secondary levels as well. The Approach Paper recognises the importance of private schools and recommends involvement of the private sector for expansion and quality improvement while ostensibly stating that "not-for-profit prescription in the education sector should be re-examined". Another pointer in this direction is the recommendation to encourage private participation in expanding the coverage of MDMS. At the level of secondary education, the guidelines of Rashtriya Madhyamik Shiksha Abhiyan (RMSA) provide for private participation, through Public Private Partnership (PPP), which according to the policymakers is the only feasible "option to ensure adequate financing, service delivery, provision of work spaces, and training" (Approach Paper to 12th Plan). It seems that almost everything has been left to the private sector in education. This is contrary to global evidence as can be seen by the consistent public spending on education (at all levels) by most of the developed countries.

This is also the case in higher education, adult and technical education with plans to facilitate private sector entry, provision of loans and financial aid for students to access quality private institutions. The Human Resource Development Minister reducing the complex concerns prevalent in higher education sector to "a demand and supply issue[4]" (where there is a much higher demand for quality higher education and inadequate supply of institutions to cater to this demand) is an eye opener. In keeping with such an ideology, the government has opened its arms to welcome foreign private institutions and investment to cater to this demand-supply mismatch instead of strengthening the existing institutions for higher education.

While the efficacy of involving the private sector is debatable and appropriate (read economically viable) for sectors such as infrastructure, another tool might be needed to address the continuing grave inequities in education attainments and the problems with regard to the institutional mechanisms that are the conduits to accessing quality education by the most under-privileged and excluded sections of the population.

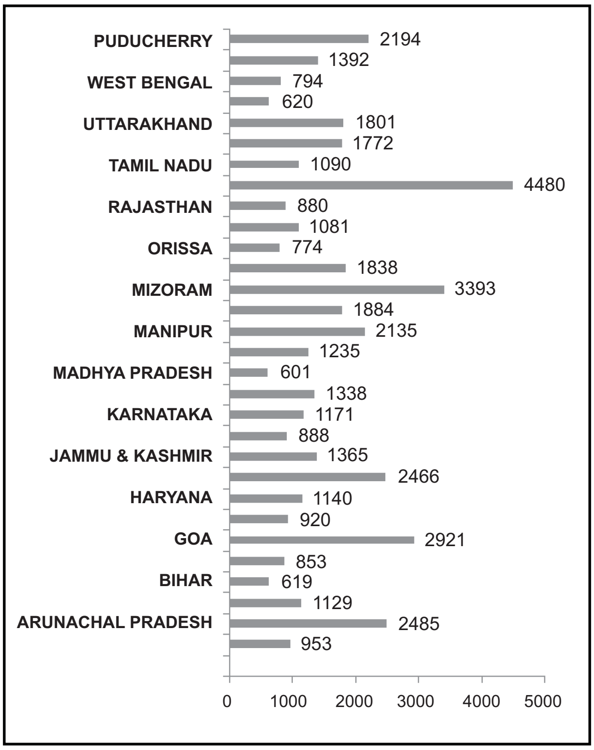
[3] Accessible at http://www.indiaeducationreview.com/article/approach-education-twelfth-five-year-plan

[4] The New York Times, A Conversation with Kapil Sibal, October 14, 2011

In sum, the following broad concerns need to be taken into consideration while planning for 'reforming' the education sector in the country:

- There is an urgent need to step up the priority for education spending and bring it to the level of 6 percent of the GDP. Critical as that is to ensuring that adequate financial resources are made available to provide quality education, it is also necessary to ensure that the spending is more equitable and uniform across the country; in this regard, it is the onus of the Union government to increase the amounts provided through the Central Assistance for State and UT Plans and Non Plan Grants to the States to encourage increases in the per capita spending on education at the State level.
- The Right to Education legislation is over a year old and there remains a lot of ambiguity with regard to the financial resource-sharing between the Union and the State governments. It is imperative for the Union government to clearly outline the composition and sharing of the resources that would be needed to ensure that standards for universal quality education are met. Further, per child spending at the elementary level needs greater scrutiny and must be made an indicator to measure progress.
- While there seems to be agreement in the government on universalisation of elementary education and the need to focus on secondary education in the 12^{th} Plan, it is clearly not supported by the evidence at hand. Thus, it is imperative to address concerns of access, quality and equity at the different levels more consistently.
- With regard to public spending on education, it is also vital to assess the quality of spending in education, i.e. focusing adequately on awareness generation, training / capacity building, monitoring and evaluation, strengthening the community / public oversight and critical institutional mechanisms. Specifically, the prevalent unit costs in most of the government schemes need to be enhanced and made more realistic to ensure quality.
- Increasing outlays alone will not ensure that the desired outcomes are attained. It is also critical to focus on more effective implementation of the government interventions by addressing gaps pertaining to inadequate decentralized planning, bottlenecks in the budgetary and institutional mechanisms, and systemic weaknesses (particularly relating to human resource and infrastructure shortage).
- Specific to the overall policy paradigm, it is a matter of concern that consecutive Plans continue to promote privatization in education in its various forms. To say the least, it is with skepticism that one views the delivery of a basic entitlement such as education being left to the private sector. The direction of the Approach to the 12^{th} Plan is firmly towards institutionalizing service delivery by the private sector, which goes against the premise of ensuring inclusive and equitable growth. This needs to be reviewed and, in this regard, constitution of an Education Commission to examine the policy framework is another much-awaited decision.

Figure 1.1: Per Capita Spending on Education in States (Rs. per annum)



Source: State Finances: A Study of Budgets 2010-11, Reserve Bank of India and Census Population Projections; National average figures computed from Union Budget 2011-12 document and Census Population Projections

Table 1.1: Actual Expenditure as percent of Budget Allocations in Select Schemes in Education

Name of Scheme / Programme	2007-08 (up to Dec'07)			2008-09 (up to Jan'09)		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Strengthening Of Teachers Training Institutes	35.8	0.0	35.8	41.5	0.0	41.5
Mahila Samakhya	77.9	0.0	77.9	88.1	0.0	88.1
National Bal Bhawan	68.4	75.0	70.4	62.6	65.6	63.5
District Primary Education Programme (EAP)	86.1	0.0	86.1	0.0	0.0	0.0
Nutritional Support to Primary Education (MDM)	55.6	0.0	55.6	73.2	0.0	73.2
National Council for Teacher Education	0.0	0.0	0.0	0.0	0.0	0.0
Sarva Shiksha Abhiyan (SSA)	87.7	0.0	87.7	82.5	0.0	82.5
Adult Education & Skill Development	19.4	0.0	19.4	12.8	0.0	12.8
Support to NGOs/ Institutions/SRCs for Adult Education & Skill Development	34.6	0.0	34.6	81.2	0.0	81.2
Directorate of Adult Education	0.0	88.2	88.2	48.8	106.3	56.8
National Literacy Mission Authority (NLMA)	30.0	0.0	29.6	0.0	0.0	0.0
Jan Shikshan Sansthan	0.0	70.2	70.2	0.0	100.0	100.0
National Council of Educational Research & Training	62.5	48.4	53.9	30.0	69.2	54.3
Kendriya Vidyalaya Sangathan	72.5	100.0	91.6	74.2	128.3	112.8
Navodaya Vidyalaya Samiti	75.0	75.0	75.0	108.6	71.3	100.1
Information & Communication Technology in Schools	86.0	0.0	86.0	55.4	0.0	55.4
Integrated Education For Disabled Children	34.9	0.0	34.9	61.7	0.0	61.7
National Institute of Open Schooling	50.0	0.0	50.0	50.0	0.0	50.0
Access and Equity	2.6	0.0	2.6	0.0	0.0	0.0
Tibetan Schools Society Administration	75.0	100.0	93.2	100.0	98.8	99.1
Vocationalisation of Education	0.0	0.0	0.0	0.0	0.0	0.0
Scheme for Universal Access and Quality at the Secondary Stage	0.0	0.0	0.0	0.0	0.0	0.0
National Scheme for incentive to Girls for Secondary Education (SUCCESS)	0.0	0.0	0.0	0.0	0.0	0.0
National Merit Scholarship Scheme	0.0	0.0	0.0	0.0	0.0	0.0
Other Programmes (School Edu & Lit.)	75.0	0.0	91.0	0.0	93.8	66.2
Secretariat	0.0	0.0	0.0	0.0	37.3	37.3
New Model Schools				0.0	0.0	0.0
Support to One year Pre-Primary in Govt. Local body Schools				0.0	0.0	0.0
Upgrading 2000 KGBVs (residential schools, hostels/girls hostels)				0.0	0.0	0.0
Literacy Programme for 35+ Age group				0.0	0.0	0.0
Special Navodaya Vidyalayas	0.0	0.0	0.0	0.0	0.0	0.0
Loan to National Merit Scholarship Scheme				0.0	0.0	0.0
Total	**66.9**	**91.9**	**67.9**	**70.9**	**112.3**	**72.4**

Source: Compiled from Scheme-wise Statement of Expenditure for 2007-08 and 2008-09, Department of School Education and Literacy, Chief Controller of Accounts, Ministry of Human Resource Development, Govt. of India

Table 1.2.a: State Level Fund Utilisation in Sarva Shiksha Abhiyan (SSA) in 2008-09

State / UT	Approved Outlay	Total Funds Available (GOI Releases + State Releases	Expenditure	Expenditure as % of Funds Available	Expenditure as % of Approved Outlay
Andaman & Nicobar	1404.0	880.9	1128.4	128.1	80.4
Andhra Pradesh	119733.6	92027.4	93526.5	101.6	78.1
Arunachal Pradesh	18133.3	16874.9	16864.7	99.9	93.0
Assam	61954.1	47740.9	55426.4	116.1	89.5
Bihar	366415.8	279983.7	209431.2	74.8	57.2
Chandigarh	1885.8	1262.3	1062.6	84.2	56.3
Chhattisgarh	90000.2	79674.9	75100.8	94.3	83.4
Dadra & N. Haveli	1002.3	470.3	622.7	132.4	62.1
Daman & Diu	292.9	90.0	139.1	154.5	47.5
Delhi	6124.8	2529.0	3905.8	154.4	63.8
Goa	1670.1	1388.0	1273.9	91.8	76.3
Gujarat	50005.2	40732.5	34076.5	83.7	68.1
Haryana	42549.7	31610.6	29943.2	94.7	70.4
Himachal Pradesh	14391.3	11751.2	10940.1	93.1	76.0
J&K	49944.8	27432.6	26622.1	97.0	53.3
Jharkhand	167281.7	111141.1	122584.3	110.3	73.3
Karnataka	96014.1	85087.1	89806.8	105.5	93.5
Kerala	18860.8	16897.1	17695.9	104.7	93.8
Lakshadweep	347.3	191.5	230.4	120.3	66.4
Madhya Pradesh	184328.3	133883.3	153094.3	114.3	83.1
Maharashtra	109234.7	103669.0	98285.2	94.8	90.0
Manipur	3929.7	717.4	782.5	109.1	19.9
Meghalaya	16613.5	10305.5	10794.8	104.7	65.0
Mizoram	6739.2	4372.5	2127.3	48.7	31.6
Nagaland	5718.3	2947.9	3204.0	108.7	56.0
Orissa	105040.5	76755.1	84525.3	110.1	80.5
Puducherry	1313.7	915.6	1141.8	124.7	86.9
Punjab	26510.5	19758.5	26102.2	132.1	98.5
Rajasthan	179803.6	170385.4	162651.3	95.5	90.5
Sikkim	2302.2	1265.6	1890.2	149.3	82.1
Tamil Nadu	78229.9	70375.2	84456.9	120.0	108.0
Tripura	7468.9	7405.0	6937.9	93.7	92.9
Uttar Pradesh	374626.6	327515.2	331477.5	101.2	88.5
Uttarakhand	27296.2	16522.8	22072.6	133.6	80.9
West Bengal	173779.3	100230.5	124384.2	124.1	71.6
Total	**2412408.3**	**1894790.7**	**1904309.0**	**100.5**	**78.9**

Source: Compiled from Statement of Release of Funds and Expenditure in 2008-09; Statement of Outlay Approved under SSA for 2008-09, 2009-10 and 2010-11, Dept. of School Education and Literacy, Ministry of Human Resource Development, Govt. of India

Table 1.2.b: State Level Fund Utilisation in Sarva Shiksha Abhiyan (SSA) in 2009-10

State / UT	Approved Outlay	Total Funds Available (GOI Releases + State Releases	Expenditure	Expenditure as % of Funds Available	Expenditure as % of Approved Outlay
Andaman & Nicobar	1351.2	0.0	0.0	0.0	0.0
Andhra Pradesh	117776.1	49455.0	72257.4	146.1	61.4
Arunachal Pradesh	18133.3	12727.9	12427.8	97.6	68.5
Assam	61954.1	55917.0	50780.6	90.8	82.0
Bihar	429454.5	220232.1	224870.2	102.1	52.4
Chandigarh	2757.2	1904.7	2063.4	108.3	74.8
Chhattisgarh	112332.1	91910.9	96340.6	104.8	85.8
Dadra & N. Haveli	1167.0	495.2	631.1	127.4	54.1
Daman & Diu	468.6	356.5	324.2	90.9	69.2
Delhi	5832.5	4588.6	3684.6	80.3	63.2
Goa	1902.3	1006.6	1440.2	143.1	75.7
Gujarat	55496.0	35132.7	40058.5	114.0	72.2
Haryana	59800.7	46000.0	45621.0	99.2	76.3
Himachal Pradesh	16640.8	14346.7	14721.9	102.6	88.5
J&K	76109.0	16658.3	22257.6	133.6	29.2
Jharkhand	156495.0	115760.2	119947.0	103.6	76.6
Karnataka	96104.1	73412.5	83028.8	113.1	86.4
Kerala	21265.4	19480.0	19233.0	98.7	90.4
Lakshadweep	291.6	260.4	245.5	94.3	84.2
Madhya Pradesh	222282.2	182549.0	194011.8	106.3	87.3
Maharashtra	119386.5	94832.0	107883.6	113.8	90.4
Manipur	3929.7	2087.3	2323.9	111.3	59.1
Meghalaya	16613.5	11238.2	12093.7	107.6	72.8
Mizoram	6739.2	8607.8	8254.5	95.9	122.5
Nagaland	5718.3	5567.4	5439.5	97.7	95.1
Orissa	139902.9	104452.2	112011.9	107.2	80.1
Puducherry	1246.4	1190.0	1124.6	94.5	90.2
Punjab	36911.8	37745.3	36772.0	97.4	99.6
Rajasthan	224061.7	194124.2	199893.6	103.0	89.2
Sikkim	2302.2	1841.7	2040.9	110.8	88.6
Tamil Nadu	86230.9	79917.0	78267.2	97.9	90.8
Tripura	7468.9	8442.8	8992.5	106.5	120.4
Uttar Pradesh	387025.3	331328.0	335048.8	101.1	86.6
Uttarakhand	33057.3	25872.8	27187.0	105.1	82.2
West Bengal	219373.2	167197.4	162540.0	97.2	74.1
Total	**2757403.7**	**2016638.3**	**2103818.9**	**104.3**	**76.3**

Source: Compiled from Statement of Release of Funds and Expenditure in 2009-10; Statement of Outlay Approved under SSA for 2008-09, 2009-10 and 2010-11, Dept. of School Education and Literacy, Ministry of Human Resource Development, Govt. of India

Table 1.2.c: State Level Fund Utilisation in Sarva Shiksha Abhiyan (SSA) in 2010-11

State / UT	Approved Outlay	Total Funds Available (GOI Releases + State Releases	Expenditure	Expenditure as % of Funds Available*	Expenditure as % of Approved Outlay*
Andaman & Nicobar	1214.2	207.8	373.7	179.9	30.8
Andhra Pradesh	223999.3	55173.7	35031.4	63.5	15.6
Arunachal Pradesh	18133.3	10763.7	4290.0	39.9	23.7
Assam	61954.1	35454.4	17380.6	49.0	28.1
Bihar	663482.5	202802.1	127790.6	63.0	19.3
Chandigarh	4000.8	2485.6	2284.1	91.9	57.1
Chhattisgarh	201078.2	73423.0	46853.4	63.8	23.3
Dadra & N. Haveli	1253.9	0.0	252.9	0.0	20.2
Daman & Diu	571.0	258.3	117.5	45.5	20.6
Delhi	10160.4	1277.9	2768.4	216.6	27.2
Goa	1943.9	454.0	236.2	52.0	12.1
Gujarat	101506.6	37916.2	43195.8	113.9	42.6
Haryana	83079.0	28186.1	20468.8	72.6	24.6
Himachal Pradesh	25481.6	7307.1	9254.9	126.7	36.3
J&K	106599.7	16068.4	15158.3	94.3	14.2
Jharkhand	200013.6	61812.3	83421.6	135.0	41.7
Karnataka	151190.8	42028.7	39486.0	94.0	26.1
Kerala	43218.6	12368.1	10230.4	82.7	23.7
Lakshadweep	385.9	299.9	66.8	22.3	17.3
Madhya Pradesh	398860.5	171761.8	126263.5	73.5	31.7
Maharashtra	210983.1	90537.0	43911.9	48.5	20.8
Manipur	3929.7	0.0	0.0	0.0	0.0
Meghalaya	16613.5	11281.0	8884.4	78.8	53.5
Mizoram	6739.2	4453.1	4279.9	96.1	63.5
Nagaland	5718.3	8636.8	1095.1	12.7	19.2
Orissa	194366.0	79155.7	64441.4	81.4	33.2
Puducherry	1423.6	335.4	525.7	156.7	36.9
Punjab	68895.4	23642.2	27285.5	115.4	39.6
Rajasthan	309979.6	165046.0	135257.2	82.0	43.6
Sikkim	2302.2	3142.5	1060.3	33.7	46.1
Tamil Nadu	147941.4	65233.1	47535.7	72.9	32.1
Tripura	7468.9	0.0	0.0	0.0	0.0
Uttar Pradesh	679464.5	216262.9	206851.2	95.6	30.4
Uttarakhand	50355.5	17552.2	14458.2	82.4	28.7
West Bengal	436595.8	166942.2	143069.8	85.7	32.8
Total	**4559742.1**	**1612269.1**	**1283581.2**	**79.6**	**28.2**

* The proportion of expenditure over approved outlay and releases is taking into account expenditure incurred in the financial year 2010-11 only up to 30 September 2010.

Source: Compiled from Statement of Release of Funds and Expenditure in 2010-11 (up to 30 September 2010); Statement of Outlay Approved under SSA for 2008-09, 2009-10 and 2010-11, Dept. of School Education and Literacy, Ministry of Human Resource Development, Govt. of India

Table 1.3: Proposed Restructuring of Schemes relating to Education in the 12th Plan

Number of Existing Schemes	2011-12 (BE) Rs. Crore	Proposed Restructuring by CSS Committee
DEPT OF SCHOOL EDUCATION & LITERACY **17 Schemes**	37232.5	**6 Schemes**
DEPT OF HIGHER EDUCATION **2 Schemes**	2066	**1 Scheme**
MINISTRY OF MINORITY AFFAIRS **3 Schemes**	1190	**1 Scheme**
MINISTRY OF SOCIAL JUSTICE AND EMPOWERMENT **10 Schemes**	3193	**3 Schemes**
MINISTRY OF TRIBAL AFFAIRS **4 Schemes**	847	**1 Scheme**

Source: B K Chaturvedi, Report of the Committee on Restructuring of Centrally Sponsored Schemes, Planning Commission, Govt. of India, September 2011.

Table 1.4: Teachers' Vacancies at the State-level in Sarva Shiksha Abhiyan (SSA) in 2011

States /UTs	Status	Total Teachers sanctioned so far	Recruitment so far	Progress (in %)
Andhra Pradesh	30.06.2011	50590	39847	78.8
Arunachal Pradesh	31.03.2010	7263	5226	72.0
Assam	31.03.2011	34874	0	0.0
Bihar	31.03.2011	421641	191983	45.5
Chhattisgarh	30.06.2011	80668	54985	68.2
Goa	31.12.2010	216	169	78.2
Gujarat	30.06.2011	38372	15052	39.2
Haryana	30.06.2011	14074	8970	63.7
Himachal Pradesh	30.06.2011	8478	3546	41.8
Jammu & Kashmir	30.06.2011	83374	39739	47.7
Jharkhand	30.06.2011	104231	83486	80.1
Karnataka	30.06.2011	34378	24278	70.6
Kerala	30.06.2011	8760	0	0.0
Madhya Pradesh	30.06.2011	197311	98287	49.8
Maharashtra	30.06.2011	50011	15311	30.6
Manipur	30.06.2010	3474	0	0.0
Meghalaya	31.03.2011	13985	12873	92.0
Mizoram	30.06.2011	3287	1886	57.4
Nagaland	30.06.2011	3780	590	15.6
Orissa	30.06.2011	103200	88442	85.7
Punjab	30.06.2011	35488	9694	27.3
Rajasthan	30.06.2011	114132	94201	82.5
Sikkim	30.06.2011	7670	185	2.4
Tamil Nadu	30.06.2011	49467	37666	76.1
Tripura	31.03.2011	9132	5694	62.4
Uttar Pradesh	30.06.2011	440367	258924	58.8
Uttarakhand	31.03.2011	16169	5998	37.1
West Bengal	30.06.2011	196808	113954	57.9
Andaman Nicobar	31.03.2011	177	67	37.9
Chandigarh	30.06.2011	1390	785	56.5
D & Nagar Haveli	31.03.2011	1030	377	36.6
Daman Diu	31.03.2011	170	127	74.7
Delhi	30.06.2011	7104	36	0.5
Lakshadweep	31.03.2011	118	36	30.5
Pondicherry	31.03.2011	169	36	21.3
Total SSA		**2141358**	**1212450**	**56.6**

Source: Compiled from Minutes of 24th National Workshop / Review Meeting of State Project Engineers, 18 -19 Aug 2011 in New Delhi, Dept. of School Education and Literacy, Ministry of Human Resource Development, Govt. of India

Table 1.5: State-level Scenario on Infrastructure in Elementary Education in 2011

	Poor performing States	Better performing States
Primary School	Assam, Bihar, J&K, Meghalaya, West Bengal	Andhra Pradesh, Mizoram, Rajasthan & Gujarat, MP
Upper Primary School	Haryana, J&K, Jharkhand, Meghalaya, Uttarakhand & WB	Andhra Pradesh, Assam, Bihar, Maharashtra, Rajasthan & UP
Additional Class Room	Bihar, Chhattisgarh, J&K, Meghalaya & MP	Andhra Pradesh, Assam, Karnataka, Rajasthan, Tripura & Punjab
Drinking Water	Bihar, Maharashtra, J&K, Uttarakhand & WB	Arunachal Pradesh, Assam, Gujarat, MP, Tripura, Jharkhand & Tamil Nadu
Toilets	Andhra, Assam, Chhattisgarh, J&K, Uttarakhand & Orissa	Karnataka, Meghalaya, Gujarat & Punjab

Source: Overview of Civil Works for the 13th Joint Review Mission, 17th - 31st January 2011, Dept. of School Education and Literacy, Ministry of Human Resource Development, Govt. of India

HEALTH

Earlier this year, eminent health experts (in a series of articles in The Lancet) expressed concern that the health system in India at present is in a state of "crisis" and called for immediate action to achieve universal health coverage. As far as the challenges are concerned, there is a near consensus among experts that the health sector is plagued by acute inequity in the form of unequal access to basic healthcare across regions and among various income/social groups, inadequate availability of healthcare services, poor quality healthcare services, acute shortage of skilled manpower along with the largest private sector with least regulation. As a consequence of the heavy reliance on the private sector for curative care, the common people (especially the 836 million people who live on a per capita consumption of less than Rs. 20 a day) bear the brunt of meagre public health expenditure, further plunging them into poverty.

Most of the issues pertaining to public health have been acknowledged by the policy makers and influenced to some extent the formulation process of the 12th Five Year Plan. It is commendable in this regard that the Approach Paper of the 12th Plan recognises the need to provide comprehensive healthcare with greater emphasis on communicable diseases and preventive healthcare, need for up-gradation of rural healthcare services to Indian Public Health Standards (IPHS) with districts as the units for planning, training and service provisioning and also the need for capital investment and bridging crucial and severe human resource gaps (Rao, 2011).

The setting up of the "High-Level Expert Group on Universal Health Coverage" by the Planning Commission to develop a blueprint and investment plan for meeting the human resource requirements to achieve "health for all" by 2020 is also praiseworthy. Although the report is yet to be finalised, the Expert Group has already made some progressive recommendations like reconfiguration of the entire health system where the government will have the dominant role to play, provision of healthcare as a National Health Package (NHP) covering all common conditions and high-impact healthcare requirements including in-patient and out-patient care free of cost (Dhar, 2011), offering cashless healthcare to all sections, dropping all forms of user fees etc. Above all, it has proposed making healthcare an "entitlement to every citizen".

Taking into consideration these objectives in the present context, the foremost priority of the government should be revamping the "health financing system" as "equitable and universal access to healthcare" critically hinges on how healthcare provision is financed. It is well known that the weaknesses in India's health financing system lie at the root of the insufficient provision and reach of quality health services as well as the inadequate financial protection against ill health. International experience suggests that “countries that have universal or near universal access to healthcare have health financing mechanisms which are single-payer systems in which either a single autonomous public agency or a few coordinated agencies pool resources to finance healthcare” (Duggal, 2011)[5]. All members of the Organization for Economic Co-operation and Development (OECD) have such kind of financing mechanisms except the US. In general, in these countries, over 90 percent of the populations have insured healthcare and 85 percent of the financing comes from public resources like taxes, social insurance or national insurance. Even in the US, public finance (Medicare and Medicaid) constitutes 44 percent of total health expenditure but one-third of the population in the US is either uninsured or under insured (Duggal, 2011). Apart from the OECD countries, a number of developing countries across the world like Costa Rica, Cuba, Argentina, Brazil, South Africa, Kenya, South Korea, Iraq, Iran, Thailand and Sri Lanka too have evolved some form of single-payer mechanisms to facilitate near universal access to healthcare (Duggal, 2011).

A sharp contrast is observed if the healthcare financing mechanism of India is compared with these countries. Health financing in India is heavily dependent on out-of-pocket payments which leads to iniquitous access. Most of the problems that India's health sector is facing is typically rooted in the inadequate public spending on health. Public spending on health at around 1 percent of the Gross Domestic Product (GDP) in 2004–05 is among the lowest in the world and the reason for private expenditures accounting for 78 percent of total health spending in the country.

Public Resources for Health:

Despite several commitments, health spending over the years remains almost stagnant. The United Progressive Alliance had made a commitment in the National Common Minimum Programme (NCMP) in 2004 that total public spending on health would be raised to the level of 2 to 3 percent of GDP. This was reiterated in the 11th Five Year Plan. But the proposals were not backed by adequate financial resources. The combined budgetary allocation (i.e., the total outlays from both Union and State Budgets) for health stood at a meagre 1 percent of GDP for 2009-10 (Budget Estimates) as shown in Table 2.1.

Table 2.1: Combined Expenditure of Centre and States on Health and Family Welfare

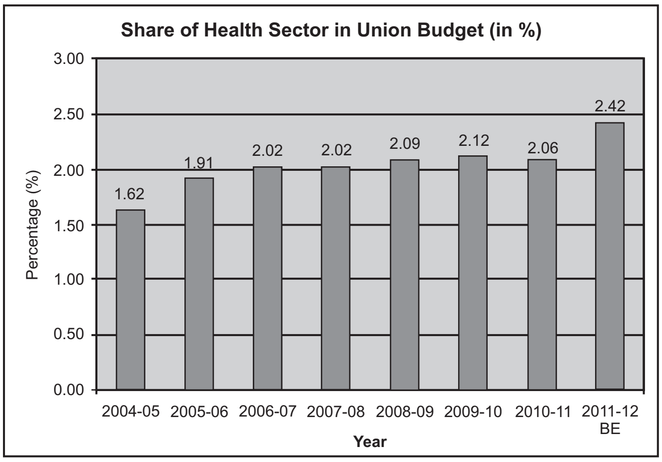
	Centre's Expenditure $ (in Rs. Crore)	States' Expenditure (in Rs. Crore)	Centre's Exp. as % of GDP	Total Exp.(Centre + States) as % of GDP @
2004-05	8085.95	18771	0.25	0.83
2005-06	9649.24	22031	0.26	0.86
2006-07	11757.74	25375	0.27	0.86
2007-08	14410.37	28907.7	0.29	0.87
2008-09	18476	38578.8	0.33	1.02
2009-10	21680	43848.18	0.33	1.00
2010-11 (RE)	25055	-	0.32	-
2011-12 (BE)	30456		0.34	-

Notes: * Figures for States' Expenditure are Revised Estimates (RE) for 2008-09 and Budget Estimates (BE) for 2009-10.
$ Centre's expenditure on Health and Family Welfare refers to the expenditure by Ministry of Health and Family Welfare only. It doesn't include the expenditure of other Ministries.
@ These figures may involve double counting of the grants-in-aid from Centre to States under Health and Family Welfare.
Source: Compiled by CBGA from Union Budget, various years, GoI and RBI: State Finances – A Study of Budgets, various years.

In 2004-05, only 1.62 percent of the total Union Budget was spent on health (Chart 2.1). The share of the health sector in the total spending of the Union Government has gradually increased to 2.4 percent in 2011-12 (BE). However, as a proportion of the GDP, the Union Government's spending on health shows a less perceptible increase, from 0.25 percent in 2003-04 to 0.34 percent in 2011-12 (BE).

[5] In fact, the U.S. and Canada stand out in sharp contrast even though they are neighbours and strong capitalist economies. Canada gives healthcare access to its entire population free of direct payments at 40 percent of the cost that the U.S. spends, and has better health outcomes (Duggal, 2011).

Chart 2.1: Share of Health Sector in Union Budget (in %)



Note: The figures for 2004-05 to 2010-11 are RE, while 2011-12 is BE.
Source: Compiled by CBGA from Expenditure Budget Vol. I, Union Budget, various years, GoI.

While significant outlays were recommended for some major schemes in the 11th Plan, only a fraction of the proposed outlays have been reflected in the Union Budget in the entire the Plan period. When the National Rural Health Mission (NRHM) was launched in 2005, it envisaged upgrading every district headquarters hospital to provide quality health facilities to all by 2012 (11th Plan). This would be a critical measure given that district hospitals play a key role in providing health services to the poor; and, substantial improvements in infrastructure and other facilities are required so that they can function more effectively. But budget allocations for this scheme have been minuscule with 19.6 percent of recommended outlays in the entire 11th Plan period. Even in the last year of the 11th Plan i.e., in the Budget 2011-12 (BE), there has been a marginal increase to Rs. 260 crore from Rs. 200 crore 2010-11 (RE). Spending on another major scheme – Human Resources for Health – also reflects a gloomy picture, being only 18.6 percent of recommended outlays in the entire period of the 11th Plan (Table 2.2).

It is a pity that even in an important programme like NRHM, only 77 percent of recommended outlays have been reflected in the Union Budgets from 2007-08 to 2011-12. Given the huge shortfall of human resources, which will be discussed in detail in the next section, more funds are required for proper functioning of NRHM. Allocations for NRHM have shown an increase from Rs.15,037 crore in 2010-11 (RE) to Rs.17924.76 crore in 2011-12 (BE), which is an increase of 19 percent. More could have been expected from the budget taking into account the huge infrastructural gaps and human resource crunch in the health sector across the country. And, considering that spending by states under NRHM has also picked up of late, it was expected that the Union Government would increase allocation.

Table 2.2: Outlays Recommended (by Planning Commission) for 11th Plan vs. Union Budget allocations in Plan Period

Plan Scheme / Programme	Proposed Outlay for 11th Plan (in Rs. Crore) [at Current Prices]	Allocations Made during 2007-08 (RE) (in Rs. Crore)	Allocations Made during 2008-09 (RE) (in Rs. Crore)	Allocations Made during 2009-10 (RE) (in Rs. Crore)	Allocations Made during 2010-11 (RE) (in Rs. Crore)	Allocations Made during 2011-12 (RE) (in Rs. Crore)	Total Budget Outlay Made in the 11th Plan (in Rs. Crore)	% of Allocation in the 11th Five Year Plan Period
National Rural Health Mission (NRHM)	**89478**	10669	11930	13378	15037	17924.8	**68938.8**	77.0
District Hospitals*	**2780**	-	68	16	200	260	**544**	19.6
Human Resources for Health *	**4000**	-	56	16.1	323	348	**743.1**	18.6

Note: * Figures for Union Budget allocations for these schemes do not include the Lumpsum provision of funds for North Eastern Region and Sikkim, if any.
Source: Compiled by CBGA from Eleventh Five Year Plan, Planning Commission, GoI; Union Budget, GoI, various years; and Detailed Demand for Grants, Ministry of Health and Family Welfare, GoI, various years.

Table 2.3: Per Capita (Per Annum) Expenditure on NRHM (in Rs.)

State / UT	2006-07	2009-10
Bihar	26	84
Chhattisgarh	83	101
Himachal Pradesh	88	251
Jammu & Kashmir	47	135
Jharkhand	31	64
MP	53	107
Orissa	51	161
Rajasthan	48	152
UP	38	114
Uttarakhand	51	147
Arunachal Pradesh	267	549
Assam	74	256
Manipur	88	263
Meghalaya	79	292
Mizoram	304	600
Nagaland	171	293
Sikkim	171	598
Tripura	88	228
Andhra Pradesh	50	93
Goa	28	112
Gujarat	41	110
Haryana	33	136
Karnataka	35	114
Kerala	12	113
Maharashtra	22	95
Punjab	33	88
Tamil Nadu	49	105
West Bengal	31	82
INDIA	**40**	**113**

Source: Compiled by CBGA from http://mohfw.nic.in/NRHM/Documents/Executive_Summery_March2011.pdf,

Over the years, there has been a substantial increase in per capita expenditure on NRHM (Table 2.3) and it is more visible in the high focus North Eastern states. However, it is still not sufficient in the light of the human resource gaps. NRHM aims to provide accessible, affordable and quality health services to the poorest rural households. With a decline in the Infant Mortality Rate and Maternal Mortality Rate, there has been an improvement in the outcomes. Several welcome initiatives have also been put in place through the scheme, such as the Monthly Health Days in rural areas, functional Sub-Centres, 24x7 Primary Health Centres, Rogi Kalyan Samitis, and Mobile Medical Units. Ensuring effective implementation and service delivery of all these initiatives in the remotest rural areas are the Accredited Social Health Activists (ASHAs). Despite NRHM emphasising human resources as reflected in the District Health Action Plans, a shortage still persists at all levels of programme delivery (Table 2.4).

Although the scheme provides for one ASHA per 1000 population, there is not even one ASHA per village in the country (638,588 villages as per Sample Registration System, 2007). Among the high focus states of NRHM, the number of ASHAs in a village is less than one in Madhya Pradesh. While Uttar Pradesh and Jharkhand have one ASHA per village, calculating it as per the 1000 rural population norm highlights the shortage. A related factor that also affects motivation of the ASHAs is that their remuneration is performance-based.

The first level of access to healthcare in rural areas is the Sub-Centre followed by the Primary Health Centre (PHC) where the main functionaries are Auxiliary Nurse Midwives (ANMs) and Male Health Workers. Although the number of ANMs at PHCs and Sub-Centres are close to the required number, the situation with respect to Male Health Workers is different. The shortage is especially acute in Arunachal Pradesh, Bihar, Tamil Nadu and Rajasthan where it ranges from 80 to 90 percent. A similar situation is seen in the case with Male and Female Assistants at PHCs. Arunachal Pradesh reports a scarcity of about 70-80 percent closely followed by Haryana, Bihar and Madhya Pradesh. Moreover, Arunachal Pradesh has no specialists at the District Hospital level. Meghalaya, Gujarat, Haryana and Jharkhand fare just as badly in this regard.

Table 2.4: Shortfall in Human Resources for NRHM (in percent)

Vacancies at the National Level	Norm (If any)	States where the situation is acute (Shortfall in %)
Accredited Social Health Activists (ASHAs) per 1000 rural population: 0.74% **Not even one ASHA per 1000 population in rural areas**	One per 1000 population	Madhya Pradesh (0.90 %) ASHAs in place: 50113 Villages: 55393 Jharkhand (1.22 %) ASHAs in place: 40,000 Villages: 32615 Uttar Pradesh (1.25 %) ASHAs in place (who have received 19 days training): 1,35,191 Targeted ASHAs: 1,36,268 Villages: 1,07,452
Auxiliary Nurse Midwives (ANMs) at PHCs and Sub-Centres: 15%	One per Sub Centre	Chhattisgarh: 30% Karnataka: 26% Maharashtra: 22%
Male Health Workers (MHWs) at Sub-Centres: 55%	One per Sub Centre	Arunachal Pradesh: 94% Bihar: 86% Tamil Nadu: 83% Rajasthan: 76% Uttarakhand: 63%
Male Health Assistants at PHCs: 46%		Arunachal Pradesh: 69% Bihar: 62% Orissa: 87% Punjab: 57%
Female Health Assistants/Lady Health Visitors at PHCs: 38%		Arunachal Pradesh: 81% Haryana: 82% Bihar and MP: 70% Uttar Pradesh: 42%
Total Specialists at CHCs (Surgeons, OB&GY, Physicians & Pediatricians): 64%		Arunachal Pradesh: 100% Meghalaya: 99% Gujarat: 92% Haryana: 89% Jharkhand: 82% Kerala and Uttar Pradesh: 73%

Source: Sample Registration System, 2007
Note: For state wise figures of ASHAs, data has been taken from Health Departments of select States.

There are many other issues which need attention.

(a) Inter-state allocation is one of the important issues. Taking Rajasthan as an example, the state accounts for about 10 percent of maternal deaths in the country. However, it received only 5.8 percent of NRHM funds from 2005-06 to 2009-10. In contrast, Maharashtra, which has lower maternal mortality figures, received more than 7 percent of NRHM funds over the same period. Looking at the statistics, it would be expected that states like Rajasthan would get a greater share of funds to improve their health outcomes, particularly for women and children. Instead, the allocation of funds seems to be driven more by the state's share in the rural population[6].

[6] Safe Motherhood, Public Provisioning and Health Financing in India, CBGA, 2009.

(b) Financial allocations under NRHM depend mostly on the Union Government. Though the first two installments are released unconditionally, subsequent ones are released subject to expenditure of at least 50-60 percent. States that fail to spend their previous installments do not receive subsequent ones. In fact, the unspent balance of the previous year is incorporated in the next year's allocation. This is a problem because states that are able to spend their funds more efficiently get more funds in subsequent rounds. Thus, instead of financial allocations under the Mission being need-based, the state's ability to spend becomes the criterion to decide the flow of funds.

Another method of assessing the quality of spending is to analyse whether funds are spent all through the year or at the end of the fiscal. During the initial years of NRHM, fund utilisation was a major problem across all states and the situation of high focus states was worse. Taking Chhattisgarh as a case study, the state's health spending during the initial years of the Mission was concentrated in the last two financial quarters. In 2005-06, about 88.1 percent of the expenditure was incurred in the last financial quarter. In subsequent years, the trend improved a little. In 2007-08, almost half the funds were spent in the last quarter of the financial year. A similar situation was observed at the district and block levels. However, it is evident from Table 2.4 that utilisation of funds (expenditure on NRHM as proportion of allocation) has been increased significantly even for the high focus group of states except Chhattisgarh and Jharkhand. But, if fund utilisation is observed in 2010-11 (up to 31.12.2010), it would be evident that a major share of the allocation is yet to be spent - in the last quarter of the financial year. This is an impediment for proper functioning of NRHM.

Table 2.5: Expenditure on NRHM in High Focus States from 2007-08 to 2010-11

	2007-08		2008-09		2009-10		2010-11	
	Exp.	Exp. as % of Allocation	Exp.	Exp. as % of Allocation	Exp.	Exp. as % of Allocation	Exp. (Up to 31.12.10)	Exp. as % of Allocation
Bihar	423.25	71.7	783.19	100.7	798.98	92.7	461.51	46.1
Chhattisgarh	197.77	88.8	162.12	62.5	239.06	81.5	147.87	44.0
H.P.	56.55	84.0	94.84	122.0	167.28	171.7	86.58	78.3
J & K	75.27	86.5	111.94	109.5	153.94	113.6	91.41	59.4
Jharkhand	124.99	46.9	299.3	101.8	194.49	55.5	189.24	47.3
M.P.	645.7	93.6	686.97	112.8	745.5	105.4	520.25	68.7
Orissa	295.07	76.9	334.05	85.0	645.31	140.6	370.94	75.2
Rajasthan	537.65	94.0	909.16	152.4	997.11	157.4	670.74	90.3
U.P.	956.47	72.2	1546.06	89.5	2212.4	118.3	1131.62	54.0
Uttarakhand	335.33	61.6	563.75	88.1	722.32	106.3	461.38	59.7
All-India Total	7010.07	78.5	10565.1	103.7	13121.95	113.1	7832.96	60.9

Source: Compiled by CBGA from Parliamentary Unstarred question No. 828 answered on 25.02.2011

(c) Health Management Information System (HMIS) data suggests that utilisation of funds at the state and district levels is not uniform across components, with states and districts being able to spend money on some activities while funds for other areas remain idle. In Rajnandgaon district of Chhattisgarh (2007-08) for instance, some items could be identified which had high levels of utilisation and others on which spending was perpetually low. Funds for Family Planning, Janani Suraksha Yojana (JSY)[7], Intensive Pulse Polio Immunisation and activities carried out by agencies like the United Nations Children's Fund (catch-up rounds) were utilised. However, the training component experienced low or sporadic utilisation. It is also evident that the issues of system strengthening like planning and monitoring received lesser focus than spending on entitlements e.g. JSY[8].

(d) Based on the study done by CBGA, one of the biggest hurdles observed in the budgetary process was delays in the flow of funds. In Uttar Pradesh, at the time CBGA did its fieldwork, funds were being sent based on demands from the districts wherein every individual demand for a specific activity was sent separately. This meant that there were a large number of releases leading to unnecessary complexity in fund management, especially at the district level. After the demand letters reached the Programme Officer in the state, it took an average of 70 days for the funds to be sanctioned. To compound the delay in fund transfers, the amounts were transferred in small and numerous instalments. In Uttar Pradesh in 2007-08, funds were sent to the blocks in 34 instalments, involving multiple line departments, and hence, causing delays.

[7] Janani Suraksha Yojana (JSY) is a conditional cash transfer aimed at reducing maternal and neo-natal mortality by promoting safe institutional delivery among poor pregnant women.

[8] For more details, see CBGA study report.

Allocation for Rashtriya Swasthya Bima Yojana (RSBY) and Occupational Safety & Health:

Rashtriya Swasthya Bima Yojana (RSBY) is another ambitious programme as it envisages financial protection to a large section of the people[9] engaged mainly in the unorganised sector. In 2010-11, allocation for RSBY increased significantly compared to the previous year. But the trend has been reversed in 2011-12. Further, in his Budget Speech, the Union Finance Minister proposed to extend the scheme to cover unorganised sector workers in hazardous mining and associated industries like slate and slate pencil, dolomite, mica and asbestos etc. This is a welcome development but seems just rhetoric, as the budgetary allocation for the purpose has been reduced substantially to Rs. 279.94 crore in 2011-12 (BE) whereas it was Rs. 445.89 crore in 2010-11 (RE). Again, considering the severity of the problem[10], the allocation is very small (Table 2.6).

The issues of Occupational Safety and Health come under the purview of Ministry of Labour & Employment. The Detailed Demand for Grants shows that the ministry allocated Rs. 72.17 crore in 2010-11 (BE) on the major head Working Condition & Safety. Under this major head, Rs. 8.73 crore was allocated for "Strengthening of Director General of Factory Advisor Services & Labour Institutes (DGFASLI) & Occupational Safety and Health in Factories Ports and Docks" and only Rs. 3 lakh was earmarked for medical treatment. The remaining amount, i.e., a major share of the Rs. 72.17 crore was meant for salaries, domestic travel expenses, office expenses, advertising and other minor works. As per the proposed National Silicosis Control Programme, the Ministry of Labour & Employment is supposed to allocate Rs. 14.21 crore in 2009-10, 2010-11 and 2011-12 budgets to run the scheme "Identification and Elimination of Silicosis in India". However, in the last three budgets, there was only some token allocation of Rs. 9 lakh in each year and the entire amount was directed towards domestic travel and office expenses. This issue must be addressed in the 12th Plan.

Table 2.6: Expenditure on Rashtriya Swasthya Bima Yojana (Rs. Crore)

	2009-2010 (Actual)	2010-2011 (RE)	2011-2012 (BE)
Social Security for Unorganised Sector Workers	264.51	445.89	279.94

Source: Expenditure Budget, 2011-12, Vol. II

National Disease Control Programme:

Disease control programmes currently come under the ambit of NRHM. It is evident from Table 2.7 that allocation for disease control programmes has declined sharply in 2010-11 compared to the previous year. Although it has been increased in the 2011-12 budget, it is still much lower than the expenditure in 2009-10. It is quite a disturbing trend, as infectious diseases still contribute 30 percent of the disease burden in India and the fact is that only a few infectious diseases are prioritised in the vertical control programmes managed by the Central Government (John et al 2011). The recent outbreak of encephalitis in eastern Uttar Pradesh is an eye opener. It was reported that 500 children died of encephalitis in 2 months and 10 in a matter of 48 hours in Gorakhpur hospitals alone. From these figures, it is evident that, infectious diseases are still a potential threat, due to which adequate financial support must be given to disease control programmes in India.

Table 2.7: Expenditure on Disease Control Programme

	2009-2010(Actual)	2010-2011(RE)	2011-2012(BE)
National Disease Control Programmes	1357.04	1054.73	1237.80

Source: Expenditure Budget, 2011-12, Vol. II

Maternal & Child Health:

Evidence from a study by CBGA, in collaboration with International Budget Partnership titled, "Safe Motherhood, Public Provisioning and Health Financing in India" 2009, in Chhattisgarh and Uttar Pradesh show that under NRHM, Empowered Action Group (EAG) states (both Chhattisgarh and Uttar Pradesh are EAG states) receive much less share of funds in comparison to better-off but much smaller states. Since the funding is based on the state's ability to spend efficiently, the backward states lose out in the competition for NRHM funds. This raises the question of whether transfers under NRHM are necessarily progressive or

[9] The National Sample Survey Organisation (NSSO) carried out a sample survey in 1999-2000 and its results showed that out of total workforce of 397 million, only 28 million workers are employed in the organised sector and remaining in the unorganised sector.

[10] The only way to get an idea of the scale of the problem is from data released by the ILO, which estimates that around 403,000 people in India die every year due to work-related problems. To give some idea of the scale -- more than 1,000 workers die every day from work-related diseases; that's about 46 every hour! Though these figures are alarming, they might be a conservative estimate as the ILO does not receive complete and reliable data from India. For example, in 2003, India reported 179 fatal accidents, while the ILO put the estimate at 47,000.

not. In addition to this, delays in transfer of funds from the Centre to the states lead to unspent balances at the year end. These unspent balances in turn lead to cuts in grants for the subsequent years. The delays seemed to take place at all levels of administrative units, i.e., Centre, state, district and block.

Another finding in the study was the existence of huge vacancies in the hospitals. The inability of NRHM to tackle the situation points to a faulty design of the Mission itself. It does not allow for permanent appointments but expects to solve the problem with contractual recruitments, leaving the responsibility of filling up vacancies to the states. A majority of the facilities visited lacked the necessary equipment required to successfully manage emergency situations during child delivery. Although the JSY provides for an incentive to promote institutional delivery, out-of-pocket (OOP) expenditure on childbirth was found to be considerably high. This is because of the meagre level of per capita public spending on maternal health in both the states. In Uttar Pradesh it was Rs.1,439 and in Chhattisgarh it was Rs.1,182 in 2007-08. Also, due to inadequate infrastructure, private hospitals were largely being accessed, indicating the large presence of the private sector in health.

Concluding Remarks:

In the previous plan periods, many ambitious targets had been set both in terms of financial allocation as well as health outcomes. However, these proposals were not adequately backed by requisite commitments on investment. As an instance, the 11th Plan target was set to raise health expenditure to 3 percent of GDP but even at the end of the Plan period, the combined expenditure (Centre + States) on health is around 1 percent of GDP. Keeping in mind the issues outlined in this paper and the recommendations of the Expert Group for Universal Health Coverage (UHC), the 12th Plan must focus on the following areas:

- Allocation for health must be increased to 2.5 percent of GDP by the end of the 12th Plan. The UHC recommends increasing it to 3 percent of GDP by 2022 and estimate that it would lead to a sharp decline in the proportion of private out-of-pocket spending on health from 73 percent at present to 33 percent by 2022.

  It is well known that of the total health expenditure of an individual, almost 70 percent goes on buying medicines. If the government is willing to reduce the healthcare burden to individuals, essential medicines must be provided by the government free of cost and it is the most cost-effective way to reduce the direct burden of out-of-pocket expenditure on health.

- The other progressive recommendations of UHC like reconfiguration of the entire health system where the government will have a dominant role to play, provision of healthcare as a National Health Package (NHP) covering all common conditions and high-impact healthcare requirements including in-patient and out-patient care free of cost, offering cashless healthcare to all sections, dropping all forms of user fees etc., bringing the drugs and pharmaceutical companies under its purview that would in turn strengthen the drug regulatory system, and above all, its proposal of making healthcare an "entitlement to every citizen" must be taken into consideration.

- The Approach Paper proposes that a publicly-financed health system be put in place where provisioning is done largely through private sector. In this regard, the UHC panel's suggestions of providing healthcare services through the public sector and contracted-in private facilities (including non-governmental organisations and non-profit groups) could be a viable option keeping in mind the other recommendations viz.

  (a) These service providers would not be allowed to accept any additional payments from individuals or through privately purchased insurance policies for non-NHP services.

  (b) Private providers opting for inclusion in the UHC system would be reimbursed at standard rates as per levels of services offered to the population, and their activities appropriately regulated and monitored.

- International evidence suggests that an insurance-based system can be effective if - and only if - there is an extremely dominant role of the government in regulating as well as provisioning (Indranil, 2011). Countries like Thailand and Costa Rica, which have strong public systems, have been more successful in ensuring universal coverage of government health insurance at reasonable costs. In India, government provisioning is weak. In order to have a successful insurance model, we need to build a public health system that provides good quality healthcare first.

- Although the Approach Paper acknowledges the lack of primary healthcare in urban areas, there is no data on government primary healthcare infrastructure in urban areas. Therefore, a comprehensive survey should be undertaken to understand the gaps and to form the basis for planning and strengthening primary healthcare in urban areas.

- The Approach Paper draws attention to the serious problems with human resources and the need to address these urgently, including the establishment of more medical colleges. This is welcome indeed. However, what the Approach Paper is silent about is whether these are to be in the private sector or the public. It is extremely important that all new medical colleges be in the public sector and located in the districts of backward states and regions. One primary reason is that doctors passing out of private medical colleges are extremely unlikely to take up public sector posts. For example, data reveals that Maharashtra, which has the highest number of medical colleges in the private sector, has more vacant posts in the public health system than West Bengal, which has fewer medical colleges and the majority in the public sector. In addition to doctors, attention must also be paid to training, in particular of ANMs and PHNs, whose training schools were virtually shut during the early years of the structural adjustment programme (Rao & Mukhopadhyay, 2011).

WATER SUPPLY AND SANITATION

The water supply and sanitation sector in the 12th Plan presents vast challenges as well as opportunities. Taking cue from the 12th Plan's Draft Approach Paper of making growth faster, sustainable and more inclusive, we attempt to analyse the challenges that abound the sector in the upcoming Plan period and look closely at the budgetary issues. Looking at the sector through the purview of macro-economic policy is essential to not only understand the concerns but also try to arrive at possible solutions.

Ever since the first Five Year Plan's programmes for drinking water supply and sanitation have been under implementation, State Governments have the responsibility to provide safe drinking water and sanitation in rural and urban areas. The Union government supports and supplements efforts of the State Governments. The sector does not get stand-alone priority in comparison to other sectors. This is further highlighted in Table 3.1 wherein the expenditure on water and sanitation as a share of the GDP is not even one percent and increasingly declines from 2008-09 to 2010-11. Hence, it is necessary to bring into focus the paucity of funding in the sector.

Some of the concerns that the Draft Approach Paper to the 12th Plan have highlighted on rural sanitation pertain to the sustainable use of toilet facilities created under various Centrally Sponsored Schemes[11] (CSSs), the quality of sanitation infrastructure, use and adaptation of new sanitation technology in diverse geographic, hydrological, climatic and socio-economic conditions, and more importantly, creating awareness and effective demand generation from the community for the state-led and target-driven sanitation programme. In rural water supply, the draft Approach Paper accentuates the importance of linking water supply and sanitation, ensuring provision of drinking water facilities to the slipped-back habitations, ensuring clean and safe drinking water free from chemical and biological contamination, proper operation and maintenance of water supply schemes. In the urban sector, infrastructure for water supply, sanitation, sewage and solid waste management is woefully inadequate and of poor quality. The worst affected are the urban poor who in many cases pay more than the middle income and high income groups while accessing water and sanitation. Box 3.1 gives a picture of the goals, targets, and the progress made in the water and sanitation sector during the 11th Plan highlighting the disparities in terms of achievements versus targets.

[11] For rural drinking water and sanitation, two CSSs are being implemented by Department of Drinking Water and Sanitation: National Rural Drinking Water Programme and Total Sanitation Campaign; for urban drinking water and sanitation, the Government interventions are though the Integrated Low Cost-Sanitation Programme implemented by Ministry of Housing and Urban Poverty Alleviation and JNNURM implemented by Ministry of Urban Development.

The Planning Commission's approach to addressing the challenges in the sector has been through various programmatic interventions in the form of Centrally Sponsored and Central Sector schemes. In this regard, the focus for the 11^{th} Five Year Plan would remain in terms of addressing systemic weaknesses in programme implementation, fund utilization in the schemes and programmes, constraints in the institutional and budgetary processes, and increasing role of the private sector in the process of service delivery.

Table 3.1: Public Investment on Water and Sanitation in India (in Rs. Crore)

	Expnditure Heads	2008-09 AE	2009-10 RE	2010-11 BE
1. Expenditure on Water Supply and Sanitation from Budgets of all States[@]	A. Revenue Expenditure	10281.28	10510.8	10690.45
	B. Capital Outlays	11330.81	11638	9906.60
	C. Loans and Advances	849.47	1683.06	2097.44
	Total Expenditure (A+B+C)	22461.56	23831.86	22694.49
2. Expenditure on water Supply & Sanitation from the Union Budget[$]	A. Expenditure on Rural water Supply & Sanitation (Budget of DDWS, MHRD)	8500.00*	9195.74[#]	10580.00
	B. Expenditure on Urban Water Supply and Sanitation (Budget of Urban Housing and Poverty Alleviation)[+]	40.03*	55.00#	71.00
	Total Expenditure (A+B)	8540.03	9250.74	10651
Total Expenditure on Water and sanitation (1+2)		31001.59	33082.6	33345.49
Gross Domestic Product (at current prices)[&]		5282086[PE]	6133230[QE]	7877947[^]
Expenditure on Water and Sanitation as % of GDP		**0.59**	**0.54**	**0.42**

Note: Limitation of this analysis: (1) Scope of Underestimation- Some part of the funds disbursed from State Budgets under major Head 3603 and 3604 (Grant-in-Aid to Local Bodies) do get used for providing water supply and sanitation services, but it is not possible to capture those figures without a detailed analysis of all state Budgets; (2) Scope for Over Estimation- Union Budget spending reported under major Head 3601 and 3602 (the Grant-in-Aid to States and Union Territories) are also get reported in the State Budgets.

[+] The budget documents do not provide segregated data on Water and Sanitation component of Urban flagship programme such as JNNRUM

[*] Revised Estimates

[#] Actual Expenditures

[&] GDP figures of 2008-09 and 2009-10 are from Economic Survey 2010-11

[^] GDP figure of 2010-11 is from "Statements laid before Parliament as required under the Fiscal responsibility and Budget Management Act 2003", Government of India (Budget Document).

[@] Source: State Finances: A Study of Budgets (2010-11)

[$] Source: Expenditure Budget (Volume II) for various years

Box 3.1: Review of Goals, Targets and Progress in Water Supply and Sanitation in the 11th Plan

Goals:

- To 'provide clean drinking water for all by 2009 and ensure that there are no slip-backs by the end of the 11th Plan'.
- To provide 100 percent coverage of water supply to rural schools.
- To provide 100 percent water supply accessibility to the entire urban population by the end of the 11th Plan in 2012
- Under Total Sanitation Campaign, to achieve 100 percent coverage by 2012.
- In urban sanitation, 100 percent population coverage
- For Solid Waste Management (SWM), 100 percent population is proposed to be covered with appropriate SWM.

Targets:

- To complete 7.29 crore individual toilets for achieving universal sanitation coverage in rural areas.The physical target is to cover 69 million households, 25,769 sanitary complexes, 1,33,114 anganwadis, all the remaining schools and Rural Sanitary Marts and Production Centres.
- In urban sanitation, 100 percent population coverage with 70 percent by sewerage facility and 30 percent by low-cost sanitation.

Progress: Achievements vs Targets (in percentage)

Rural water supply (National Rural Drinking Water Programme)

- Coverage of habitations:
  Total: 73 percent, Quality Affected: 18.2 percent, Partially Covered: 19.5 percent
- Coverage of population:
  Total: 88.6. percent, Quality Affected: 22 percent, Partially Covered: 21.4 percent

Rural sanitation (Total Sanitation Campaign)

- Individual household latrines: 65.5 percent
- Sanitary Complexes: 66.8 percent
- School toilets: 87.4 percent
- Anganwadi toilets: 77.6 percent

Rural Water Supply and Sanitation

The two major Centrally Sponsored Schemes, the National Rural Drinking Water Programme (NRDWP) and the Total Sanitation Campaign (TSC) are administered by the Department of Drinking Water and Sanitation (DDWS), Ministry of Rural Development. The Total Plan Outlay in the 11th Five Year Plan for rural water supply was Rs. 39,490 crore against which Rs. 40,150 crore has been allocated during the Plan period. For rural sanitation, the total Plan outlay for TSC in the 11th Plan was Rs.7,816 crore out of which Rs.6,690 has been allocated. Table 3.2 shows the amounts allocated and spent on rural water supply and sanitation until 2011-12. Table 3.3 suggests that the amount proposed by the DDWS is higher than what is allocated by the Planning Commission. This is further underscored in Table 3.4 whereby one can see the percentage reduction of funds sanctioned by the Planning Commission vis-à-vis funds proposed by the DDWS. The Planning Commission has considerably reduced the funds to the tune of 21.57 percent proposed by the DDWS for the year 2011-12 due to which there is a meagre increase of 3.96 percent over the budget allocation at BE stage during 2010-11.

Table 3.2: Union Government Allocations for Rural Water Supply and Sanitation

	2008-09			2009-10			2010-11			2011-12
	BE	RE	Actual	BE	RE	Actual	BE	RE	Actual	BE
Plan*	8,500.0	8,500.00	8,491.6	9,200.0	9,200.0	9,089.7	10,580.0	10,580	8,278.5	11,000
Non-Plan	1.9	2.8	2.7	2.8	4.1	4.1	3.8	4.9	5.2	5.2
Total	8,501.9	8,502.8	**8,494.3**	9,202.8	9,204.1	**9,093.9**	10,583.8	10,584.9	**8,283.8**	11,005.2

Source: Standing Committee Report on Rural Development, Dept. of Drinking Water & Sanitation, Ministry of Rural Development, Fifteenth Lok Sabha, Nineteenth Report, www.planningcommission.nic.in

Table 3.3: Planning Commission Approved Outlays vs. Funds allocated by Ministry of Drinking Water Supply and Sanitation

Year	Proposed	Allocated
2008-09	11,070.65	8,500
2009-10	10,500	9,200
2010-11	11,400	10,580
2011-12	14,026	11,000

Source: Standing Committee Report on Rural Development, Dept. of Drinking Water & Sanitation, Ministry of Rural Development, Fifteenth Lok Sabha, Nineteenth Report, www.planningcommission.nic.in

Table 3.4: Percentage reduction of funds sanctioned by Planning Commission from funds proposed by Ministry of Drinking Water Supply and Sanitation

Year	% Increase over Previous Year's Allocation	% of Reduction in Funds Sanctioned by Planning Commission
2008-09	—	23.22
2009-10	8.25	12.38
2010-11	15.00	7.19
2011-12	3.96	21.57

Source: Standing Committee Report on Rural Development, Dept. of Drinking Water & Sanitation, Ministry of Rural Development, Fifteenth Lok Sabha, Nineteenth Report, www.planningcommission.nic.in

A look at the States' expenditure in rural water and sanitation reveals that fund utilisation in the states under TSC shows a mixed picture (Table 3.5). Furthermore, utilisation in the states for NRDWP is less than 50 percent in the states of Himachal Pradesh, Jharkhand, Karnataka, Maharashtra, Tamil Nadu, Assam and Manipur (Table 3.6).

Constraints in Fund Utilization

Other than inadequacy of funding in schemes, poor fund utilisation is one of the major reasons for failure in achieving targets consequently impacting the outcomes. The reasons for poor fund utilisation can be located within three crucial areas: weaknesses in decentralized planning, constraints in the institutional and budgetary processes and systemic weaknesses (staff and infrastructural shortages).

♦ Decentralized planning

Guidelines of the TSC call for decentralised planning at the district level as the Zilla Panchayat implements the project. Similarly, at the block and village levels, the Panchayat Samiti and Gram Panchayat are involved in implementation of the Campaign. The 73rd Amendment Act, 1992, through which powers and responsibilities were devolved to the PRIs, sanitation is included in the 11th Schedule of the Constitution and is the responsibility of the Panchayats. In essence, at the district level, the true spirit of decentralised planning continues to be more of a theoretical construct owing to multiple plans being formulated and implemented as pointed out by a UNICEF-supported CBGA study on "Constraints in Effective Utilisation of Funds in the Social Sector: A Study of Rajnandgaon and Lalitpur". The study also points out that while the District Water and Sanitation Mission (DWSM) and District Panchayati Raj Office (DPRO) play a significant role in preparing the Project Implementation Plan (PIP), the plan does not reflect the local demands emerging from the block and Gram Panchayat levels. The plan preparation is either the handiwork of the District Planning Committee (DPC) or a restructured version of an existing PIP.

♦ Institutional and budgetary processes

The same study provides evidence relating to the hurdles in the existing budgetary processes under TSC that impede fund utilization. A delay in fund transfer from the Union to the State governments down to the district level is a major factor that constrains utilisation of available funds. A time motion analysis of the fund flow in Lalitpur, Uttar Pradesh (one of the districts in the study) reveals that, from the time the funds are approved to when they are received in the bank account, money remains in transit for considerable periods of time (ranging between 15 to 428 days!). To compound the delays in fund transfers, the amounts are transferred in small and numerous installments. The involvement of multiple line departments, and hence, numerous windows, also causes delay. Unspent balances in NRDWP also are a case in point. As pointed in the Standing

Committee Report on Rural Development[12], the reasons for large accumulation of unspent balances is because funds are released to the States in two installments. The second installment is released when States submit Audited Statement of Accounts and Utilisation Certificates for utilizing at least 60 percent of available funds. Most of the States submit these in November/December and the second installment, which is about 50 percent of the total allocation, is released in December. Hence, States have large balances with them.

- Systemic weaknesses (staff and infrastructural shortages)

Another key factor impeding fund utilisation are lack of sufficient staff and infrastructure. The Performance Audit Report of TSC in Bihar, 2010 substantiates this point. As per the guidelines, specialist consultants could be hired for project implementation, however; only one district co-coordinator and one computer operator were appointed for each district exclusively for TSC. Block and panchayat co-coordinators were not appointed. Keeping in view the heavy workload of the Public Health Engineering Department (PHED), the staff of PHED was not able to contribute to effective implementation of the programme. This is further highlighted by the UNICEF-CBGA study that documents several illustrations. For example, the Communication and Capacity Development Unit (CCDU) based in Raipur, Chhattisgarh had a Director with a support staff of only one stenographer, one peon, one data entry operator and two externally appointed contract staff to look after IEC activities for the entire state of Chhattisgarh. Table 3.7 presents some grim statistics in this regard wherein the original projected outlays for the 11th Plan period were brought down significantly (by about Rs.32,000 crore), thus making it critical to assess the priority for infrastructure in the 12th Plan period.

Equity in the area of rural water and sanitation is a moot point. Inputs from the Civil Society Consultations on Rural Water and Sanitation for the 12th Five Year Plan Approach Paper point to the growing trend of massive industrialization that exerts enormous pressure on the ecology and hence on water resources. Agriculture is also making huge demands on water, especially groundwater, a resource on which more than 85 percent of rural drinking water schemes are dependent. Other factors that put pressure are land use changes, energy projects, mining and other extractive industries, market based growth, deforestation, lack of a legal framework for prioritizing domestic water, lack of implementation of water and environment related policies and laws and unsustainable urbanization. The demand for freshwater is thus competitive, and is already affecting the provisioning of drinking water and water for domestic use (including sanitation and hygiene) for the people in general, and the poor in particular. The 12th Plan needs to pay attention to these concerns.

Urban Water Supply and Sanitation

In India, cities contribute over 55 percent to the GDP and the process of urbanisation is an important component of economic growth. The Jawaharlal Nehru National Urban Renewal Mission (JNNURM), a seven-year programme launched in December 2005, provides financial assistance to cities for infrastructure, housing development, and capacity development. In addition, JNNURM also focuses on the urban poor. It remains to be seen whether the programme has met its objectives (Box 3.2).

Civil society groups have highlighted the need for proper sanitation and water supply to all households in urban areas in the 12th Plan. During the current financial year, about Rs. 6,556 crore was released out of Rs.12,978 crore provided under 2010-11 (BE). Under the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT), from inception till 31 October 2010, 764 projects with a value of Rs.12,928 crore have been approved. Here too, water supply projects (65 percent) account for the largest share with sewerage (19 percent) coming second. So far, 123 projects have been completed[13].

Under urban water supply and sanitation, the implementation of JNNURM shows that decentralisation as envisaged has not reached out to the urban local bodies (ULBs); urban poverty alleviation activities continue to be in the domain of higher tiers of government. Most ULBs function without any autonomy in terms of designing urban poverty alleviation programmes and activities or in terms of determining their tax policies. This has a direct impact on provision of essential services such as water and sanitation on the urban poor. JNNURM also talks about public-private partnership (PPP) which, in all likelihood, would translate into high out-of-pocket expenditures for the urban poor. A study by Jagori-CBGA[14] reveals that in 2007-08, the share of actual expenditure on water and sanitation to total budgetary expenditure of Delhi was 7.4 percent which went down to 6.1 percent in 2010-11, thus highlighting that urban water and sanitation is still not a priority for the government. Commercialisation of water supply under JNNURM is seen as a threat to promoting equity and should be resisted under the 12th Plan. Civil society activists have also pointed out to the non-consultative formulation of City Development Plans (CDPs) under JNNURM which needs to be corrected for effective implementation of the scheme.

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[12] Standing Committee Report on Rural Development, Dept. of Drinking Water & Sanitation, Fifteenth Lok Sabha, Nineteenth Report, Government of India.

[13] 2010-11 Mid-Year Analysis, Dept. Of Economic Affairs, Ministry of Finance, Government of India

[14] Jagori and CBGA collaborated on a Research Study titled "Gender Responsive Budget Analysis in Water and Sanitation - A Study of Two Resettlement Colonies in Delhi" in 2010-11.

In the 12th Plan period, managing water scarcity would be a bigger challenge and since water is a state subject, the onus has been put on the states. JNNURM which is the mechanism for channelling resources from the Centre to the states with reforms in urban governance and finance has achieved mixed results[15].

Underlying much of the policy discourse on water and sanitation is the issue of Public Private Partnership (PPP) or the role and scope of the private sector. Even as the government has been emphasising on PPP projects, many states and local bodies lack institutional capacity to award and implement such projects. The government has said that there is an urgent need to create an enabling environment for private investment and improve delivery of public-sector projects at sub-national level and finds that to supplement the ongoing efforts of the government, private sector participation in social sectors could be one of the possible alternatives[16]. The new emerging challenges which the DDWS has flagged are ascertaining quality standards, independent laboratories for quality checks and effective enforcement, grievance redressal systems for quality-related problems, tariff, systems, source sustainability and equity[17]. Most importantly, the extent and role of the private sector in providing water and sanitation has to be brought into focus as it is felt that water supply and safe sanitation is a basic human right and an economic good.

Table 3.5: Fund Utilisation in Total Sanitation Campaign (TSC) in States from April 1999 to September 2011[b]

State	Total project outlays[a] (In Rs. Crore)	Release[a] (In Rs. Crore)	Expenditure[a] (In Rs. Crore)	% Expenditure vs Release	% Expenditure vs. Approved Outlays
ANDHRA PRADESH	1781.88	1088.2	803.2	74	45
ARUNACHAL PRADESH	67.01	35.2	29.5	84	44
ASSAM	928.14	491.1	362.2	74	39
BIHAR	2429.47	828.4	637	77	26
CHHATTISGARH	678.78	450.3	352.5	78	52
GOA	10.59	2.9	2.5	87	24
GUJARAT	659.22	507	416.9	82	63
HARYANA	230.88	201.5	154.3	77	67
HIMACHAL PRADESH	176.97	104.4	78.8	76	45
JAMMU & KASHMIR	405.99	118.4	80.1	68	20
JHARKHAND	907.28	471.9	305.4	65	34
KARNATAKA	1084.75	561.5	350.2	62	32
KERALA	221.89	224.5	176.3	79	79
MADHYA PRADESH	1702.89	994.7	817.7	82	48
MAHARASHTRA	1489.69	936.1	703.6	75	47
MANIPUR	112.74	34	29	85	26
MEGHALAYA	140.08	85.9	68.6	80	49
MIZORAM	50.4	39.4	33.6	85	67
NAGALAND	79.58	38.7	37.5	97	47
ORISSA	1562.05	661.6	453.4	69	29
PUNJAB	241.34	38.5	16.8	44	7
RAJASTHAN	952.1	379	268.5	71	28
SIKKIM	20.53	29	27.9	96	136
TAMIL NADU	1143.67	783	629.2	80	55
TRIPURA	98.39	97.3	71.6	74	73
UTTAR PRADESH	2947.26	2868.2	2498.4	87	85
UTTARAKHAND	150.91	80.4	65.9	82	44
WEST BENGAL	1741.48	826.1	708.3	86	41
All States	**22015.96**	**12977.2**	**10178.9**	**78**	**46**

Source: Department of Drinking Water Supply, Ministry of Drinking Water and Sanitation (http://tsc.gov.in/Report/Financial/RptFinMPROnMonthYear_net.aspx)
Note: [a] Total project outlays, release and expenditure cover the share of Centre, state and beneficiary
[b] The financial data is based on Financial Progress Report as per information received up to 2-11-2011

[15] M.S. Ahluwalia, 'Prospects and Policy Challenges in the Twelfth Plan' , Economic and Political Weekly, May 21, 2011
[16] Economic Survey, 2010-11.
[17] Background Note, Rural water supply, www.ddws.nic.in, accessed on 24th October, 2011

Table 3.6: Percentage of Fund Utilisation in National Rural Drinking Water Programme (NRDWP) in the 11th Plan period [a]

State	Allocation (In Rs. Crore)	Release (In Rs. Crore)	Expenditure (In Rs. Crore)	Expenditure vs. Allocation (In %)	Expenditure vs. Release (In %)
ANDHRA PRADESH	1043.3	318.5	278.4	26.7	87.4
BIHAR	355.7	250.2	148.7	41.8	59.4
CHHATTISGARH	251.2	86.5	53.6	21.3	61.9
GOA	6.7	3.9	2.3	34.5	58.9
GUJARAT	2248.1	751.9	536.9	23.9	71.4
HARYANA	555.7	194.2	127.7	23.0	65.7
HIMACHAL PRADESH	336.5	231.7	94.0	27.9	40.6
JAMMU AND KASHMIR	510.8	238.7	179.9	35.2	75.4
JHARKHAND	340.7	225.9	37.1	10.9	16.4
KARNATAKA	1052.9	407.4	168.0	16.0	41.2
KERALA	651.2	145.9	116.3	17.9	79.7
MADHYA PRADESH	727.1	347.1	276.9	38.1	79.8
MAHARASHTRA	1211.8	565.5	234.4	19.3	41.4
ORISSA	442.7	212.4	165.0	37.3	77.7
PUNJAB	489.5	176.4	168.4	34.4	95.5
RAJASTHAN	1980.0	1384.6	830.5	41.9	60.0
TAMIL NADU	681.2	214.6	84.8	12.4	39.5
UTTAR PRADESH	1340.2	563.9	294.4	22.0	52.2
UTTARAKHAND	227.0	225.0	153.6	67.7	68.3
WEST BENGAL	596.8	217.9	258.0	43.2	118.4
ARUNACHAL PRADESH	127.8	63.9	44.3	34.7	69.3
ASSAM	541.4	222.0	66.0	12.2	29.7
MANIPUR	98.7	31.5	14.4	14.6	45.7
MEGHALAYA	147.1	84.1	63.2	43.0	75.1
MIZORAM	47.5	18.5	17.6	37.1	95.1
NAGALAND	53.7	26.9	22.1	41.1	82.3
SIKKIM	16.1	6.5	10.1	62.8	154.6
TRIPURA	65.5	29.0	49.2	75.1	169.7
Total	**7994.3**	**3919.7**	**2590.2**	**32.4**	**66.1**

Source: Department of Drinking Water Supply, Ministry of Drinking Water and Sanitation
(http://indiawater.gov.in/imisreports/Reports/Financial/rpt_RWS_StatewiseAllocationReleaseExpenditure.aspx?Rep=0 accessed on 31st October, 2011)
Note: [a] the financial data based on Financial Progress Report as per information received up 31-10- 2011

Table 3.7: Investment in Infrastructure for Water and Sanitation during 11th Plan (in Rs. Crore)

	Centre	State	Private	Total
Original Projections of 11th Plan	42,003	96,306	5,421	**1,43,730**
2007-08 (Actuals)	7,201	11,845	65	19,111
2008-09 (Actuals/Estimated)	7,764	12,094	81	19,939
2009-10 (RE/BE/Proj.)	8,541	13,303	97	21,941
2010-11 (BE/Proj.)	9,395	14,633	113	24,141
2011-12 (Proj.)	10,334	16,096	128	26,558
11th Plan (Revised Projections)	43,235	67,971	484	**1,11,690**

Source: Mid-term Appraisal of the 11th Five Year Plan, Planning Commission

RURAL DEVELOPMENT AND PANCHAYATI RAJ INSTITUTIONS

The Draft Approach Paper to the 12th Plan says that the development and transformation of the rural economy requires rapid expansion of employment and income opportunities, in both on-farm and off-farm sectors. Further, rural transformation also requires improvements in rural infrastructure, livelihood, health, education and skill development with greater participation of Panchyats in the process of planning and implementation.

In order to improve the quality of life of the poor as well as basic public infrastructure, the Government of India has launched many Centrally Sponsored Schemes (CSSs) and Central Sector (CS) Schemes since the beginning of the plan era. The rural programmes/schemes emphasise mainly on eradication of poverty through employment generation and removal of unequal access to public resources through provision of employment, rural housing, drinking water and sanitation facilities, and health and education services. The prevalence of illiteracy and poverty rates is still very high in the rural areas along with poor basic public infrastructure. Around 72.2 percent of the total population (833 million people) lives in rural areas and 59 percent of the population depends on agriculture and allied activities (Census 2001).

The CSSs were given a clear mandate for a greater role in the area of rural development, but there have always been operational limitations in rural development programmes – such as having rigid norms and guidelines, poor micro planning and need assessment, inadequate fund absorption capacity of implementing agencies at the state and district level and related inherent systemic weaknesses. The guidelines do not have the desired flexibility to address the region-specific and local needs with larger community participation. The role of Panchayati Raj Institutions (PRIs) in planning and implementation of CSSs remains minimal. As per Planning Commission estimates, there are about 147 CSSs and over 800 CS schemes being implemented by various Union Ministries and Departments with the role of PRIs being mentioned in the guidelines of only 28 CSSs/CS schemes.

The Union government's commitments to the rural sector have often been without appropriate policy design and matching financial resources. Public spending within the rural economy has been witnessing a fluctuating trend over the past one decade, both as a percentage of total Union Budget and as a percentage of GDP. The expenditure on rural economy[18] accounts for 16.4 percent of the total Union Budget expenditure and 2.3 percent of the GDP at current market prices in 2011-12. This only indicates a confused policy direction and failure to recognise the precarious condition of the rural economy as a whole. Disbursements towards major rural infrastructure heads like irrigation and flood control as well as investments in village and small industries shows a stagnating trend. Poor implementation of some of the schemes for rural development like Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Indira Awaas Yojana (IAY), Total Sanitation Campaign (TSC), Swarnajayanti Gram Swarozgar Yojana (SGSY) and agricultural-related programmes have only pushed the rural economy towards further stagnation.

1. Performance under Major Rural Development Schemes

An assessment of the proposed budgetary outlays and actual allocation in the 11th Plan for some of the schemes such as MGNREGS, IAY and Pradhan Mantri Gram Sadak Yojana (PGMSY) reveals that budgetary allocations for all these schemes exceed those proposed by the Planning Commission. However, schemes like SGSY, TSC and Accelerated Rural Water Supply Programme (ARWSP) have not received the desired allocation. (Table 4.1)

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

MGNREGS is being implemented since 2006 with the broad objective of creating wage employment opportunities for unskilled workers in rural areas by providing 100 days of employment a year in order to reduce migration among rural labourers. The scheme is intended to create durable assets for sustainable development of the agrarian economy. It would also transfer the income into the hands of the rural poor; this may help in generating additional demands for goods and services within the rural economy. The scheme holds immense potential to remove disparities in regional development and act as a vehicle of socio-economic transformation of the rural sector.

It has a rights-based framework, which entails a legal guarantee of work besides provision of unemployment allowance to be paid by the state government if work is not provided within 15 days of demand. The resource availability under the scheme is based on demand from below. Furthermore, provisions have been made to ensure accountability of public delivery systems through social audit, grievance redressal and active involvement of PRIs. Despite falling short of the financial and physical targets at the national level, there are some positive features in MGNREGS that have the potential to address the inadequacies of earlier employment programmes.

Keeping these objectives in mind, four-year performance review of MGNREGS, clearly shows that fund utilisation under the scheme has been poor, varying from 72 to 73 percent over the period. It also shows that the Government has not been able to ensure Rs.100 as average daily wage per household (it remains Rs. 89 after four years of implementation) but there has been a gradual increment during the period. In terms of providing employment, the average person days has not exceeded 48 days (2008-09) per household, while only 14 percent of job seekers have received the promised 100 days of employment. The completion rate of assets undertaken has not exceeded the half-way mark. (Table 4.2)

Review of implementation of MGNREGS in several states points towards a lack of awareness among workers about the scheme. Infrastructure and human resource gaps at the Gram Panchayat (GP) level have led to non-maintenance of records and delayed measurement, which ultimately affects the quality of assets and results in delayed payment of wages. The wages under MGNREGS have been linked to Consumer Price Index for Agricultural Labour (CPI-AL). Further, the grievance redressal system is plagued by severe problems. Initiatives like enhancement of administrative cost from 4 to 6 percent will help in the deployment of dedicated staff for better supervision and administration, social audit, grievance redressal, and Information & Communication Technology infrastructure. Unfortunately, none of the states have utilized more than 35 percent of these funds. From the administrative cost, the district administration can appoint one Gram Rozgar Sahayak for each GP, one technical assistant for every 5 GPs, one programme officer per block, and two computer assistants per block. Further, the grievance redressal mechanism should be strengthened.

Swarnajayanti Gram Swarozgar Yojana (SGSY)

SGSY was initiated in 1999 to provide gainful self-employment and sustainable livelihood to rural poor by organising them into Self Help Groups (SHGs) through social mobilisation, training and capacity building, besides providing credit for income-generating assets. The overall objective of the scheme is to integrate provisions like skill upgradation, infrastructure (including

[18] Expenditure on Rural Economy includes (i) Agriculture and Allied Activities, (ii) Rural Development, (iii) Special Area Programmes, (iv) Irrigation and Flood Control and (v) Village and Small Industries

marketing development and technology for poverty alleviation) and sustainable livelihood options among the maginalised sections, particularly women. The 11th Plan envisaged that allocations for the scheme be demand-driven.

Despite huge investments made by the Government on SGSY, the physical output has not been as impressive. During the last decade, the average utilisation of the total allocations was only 74 percent (Table 4.4). During 10 years of implementation of SGSY, 3.6 million SHGs were formed, out of which only 0.08 million SHGs have taken up economic activities.

Comprehensive reviews of SGSY by the Government of India have brought into focus several shortcomings like vast regional variations in mobilisation of rural poor; poor capacity building of beneficiaries; insufficient investments for building community institutions; and weak linkages with banks leading to low credit mobilisation and repeat financing. SGSY is implemented by District Rural Development Agency (DRDA) in collaboration with NGOs and panchayats, which are also plagued by problems like inaccurate or fudged beneficiary / BPL list. There are insufficient funds for beneficiaries to explore meaningful livelihood options, increased indebtedness of beneficiaries, and lack of markets and infrastructure.

In SGSY, major problems such as target-driven SHG formation, subsidy-driven corruption, obsession with asset formation without proper marketing mechanism were observed by the Demands for Grants (2010-11) of the Ministry of Rural Development. It also noted poor administration and management of the scheme and inadequate banking staff leading to non-repayment of loans. Since 2011, SGSY has been renamed as National Rural Livelihood Mission (NRLM) along with incorporation of new provisions.

Indira Awaas Yojana (IAY)

Indira Awaas Yojana (IAY) provides financial assistance for construction of dwelling units for shelter-less rural BPL households. IAY funds are shared between Centre and states in a ratio of 75:25 for non-NE States and 90:10 for NE states. From 2010-11, the unit assistance has been revised to Rs.45,000 for new construction in plains areas (that was previously Rs.35,000) and Rs.48,500 for hilly areas (that was previously Rs.38,500). IAY too has been unable to meet its financial physical targets - a major cause for concern for the rural homeless (Table 4.5). As the Draft Approach Paper to 12th Plan also recognises that the quality of houses has been poor under the scheme and many houses are incomplete. It is believed that the enhancement of unit costs under IAY remains inadequate due to massive rise in commodity prices.

The draft Approach Paper recognises Local Self Governance and decentralised planning as critical elements for rural transformation. Thus, to reiterate, the limited role given to PRIs as an institution of governance and planning to promote rural development even after the 73rd constitutional amendment remains a core problem. In the country, except for a few states, District Planning Committees (DPCs) are non-functional. Hence, no integrated district planning exists. The PRIs receive funds mainly from the following sources to finance their development plans: (i) Own Source Revenue (OSR) (ii) CSS (iii) Funds as per recommendations of the State Finance Commissions; (iv) State Plan funds and (v) Grants-in-aid as per Central Finance Commission award. Tables 4.6 to 4.8 present the State level trends in fund utilization for MGNREGS, SGSY and IAY.

In reality, the PRIs face shrinking fiscal space in varying degrees across states. The total expenditure of PRIs as a proportion of combined expenditure of Union, state and local governments declined from 3.9 percent in 1998-99 to 3.5 percent in 2002-03 while expenditure by PRIs as a proportion of GDP stood at a miniscule 1 percent for the same period. Thus, there is a need for restructuring the fiscal assignment to PRIs in a more equitable and efficient manner to achieve inclusive growth. Control over expenditure and resource-raising capacity is essential for PRIs to be successful local self-government institutions.

2. Challenges confronting Rural Development and Recommendations for 12th Plan

Several issues relating to planning, budgetary provisioning, implementation and governance reforms for strengthening rural development programmes need to be addressed by the government while formulating the 12th Plan. During the 11th Plan, the government had stepped up the provisioning of resources for few rural development schemes. On the programme implementation front, the government has shown little sense of urgency to address existing bottlenecks in many programmes. Various reasons have been identified for poor implementation of rural development schemes which include poor scheme design, inadequate devolution of powers and functions to PRIs besides an acute shortage of trained staff, mostly at the level of PRIs.

1. Panchayati Raj Institutions (PRIs) must be accorded sufficient degree of functional responsibility and financial autonomy for decentralised planning, formulating and implementing projects with regard socio-economic development of rural areas. In this context, it is pertinent that the functions, functionaries and funds be devolved to three tiers of PRIs taking into account the “Principles of Subsidiarity”.

2. Specific to the budgets, the share of PRIs in the consolidated public expenditure should increase to at least 10 percent in 2011-12. In this regard, of the total funds allocated to the Plan schemes of the Union ministries (i.e. the Central Sector Schemes and the Centrally Sponsored Schemes), at least 30 percent of the funds should be devolved to Panchayats through State governments and these funds should be given as untied resources to Panchayats.

3. In this process, the government could drastically bring down the number of rural development CSSs. Also, the design, norms and guidelines of the scheme need to be made flexible as per regional variations and local needs.
4. There is a need to prioritise interventions for disadvantaged sections of population, like women, children, SC, ST, minorities and disabled persons within the untied pool of funds devolved to the PRIs. Appropriate guidelines in this regard should be developed and implemented by PRIs across the country.
5. Special budgetary provisions should be made for strengthening people's planning through Panchayats in all States. The government should also take steps for strengthening the process of decentralised planning in the rural development schemes of all Union ministries / departments with adequate involvement of PRIs and Community Based Organisations.
6. Budgetary support is required for setting up monitoring and grievance redressal mechanisms like 'ombudsman' for Panchayats in all States for greater accountability and transparency.
7. The government also needs to provide adequate funds for putting in place a comprehensive and regular capacity building programme for members of PRIs, Standing Committees and Panchayat functionaries at various levels. Such capacity building programmes should include exposure visits, peer learning opportunities, sharing of good practices, developing manuals and awareness generation efforts on the programmes implemented by PRIs.
8. There should be a realistic indexation of minimum wage to inflation and, in this context, it is important that real wages under MGNREGS must not be frozen. Also, since MGNREGS is a demand-driven scheme, the government must not put a cap on the number of days of employment that are being provided through the scheme.
9. The government needs to ensure significantly higher magnitude of budget outlay for IAY in order to ensure much greater coverage of the scheme for BPL population. In 2010-11, the amount of assistance per dwelling unit constructed through IAY was increased from Rs. 35000 to Rs. 45000 for new construction in the plains and from Rs. 38500 to Rs. 48500 in hilly areas which remains inadequate due to high rate of inflation.
10. Review of the implementation of MGNREGS indicates a number of problems in several States, which include – infrastructure and human resource gaps at the Gram Panchayat level, lack of awareness about the provisions in the scheme among workers and a weak grievance redressal system. The Union Government should take appropriate steps for addressing these problems, some of which would necessarily require additional budgetary support. Also, additional budgetary provisions should be made for facilitating social audits and management of information and communication infrastructure in MGNREGS.

Table 4.1: Recommended 11th Plan Outlay vs. Budgetary Allocations from 2007-08 to 2011-12 in Rural Development (in Rs. Crore)

S.N	Name of Scheme	11th Plan Outlay recommended by Planning Commission	Total Budgetary Allocations	% of Total Outlay
1	Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	100000	160000.2	160.0
2	Swarnajayanti Gram Swarozgar Yojana (SGSY)	17803	12334.3	69.3
3	Indira Awas Yojana (IAY)	26882.2	41582.75	154.7
4	Integrated Watershed Management Programme (IWMP)	17372	9319.95	53.6
5	Total Sanitation Campaign (formerly Rural Sanitation)	7815.66	6464	82.7
6	National Rural Drinking Water Programme (formerly Accelerated Rural Water Supply Programme)	39490.5	38669	97.9
7	Pradhan Mantri Gram Sadak Yojna (PMGSY)	43251	81241.98	187.8
8	Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)	26503	28274.09	106.7

Source: Compiled by CBGA from 11th Plan and Union Budget documents.

Table 4.2: Performance Review of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

	2006-07	2007-08	2008-09	2009-10*
Total Available Fund (Amount in Rs. crore)	12073.55	19305.81	37397	46502
Expenditure (Amount in Rs. crore)	8823.35	15856.89	27250.1	31490.79
Percentage of Fund Utilisation	73.08	82.14	72.87	67.72
Average Wage per day (in Rs.)	Rs. 65	Rs.75	Rs.84	Rs.89
Average Cost per day (in Rs.)	Rs. 97	Rs.110	Rs.126	Rs.130
Employment Provided to Household (Unit in crore)	2.1	3.39	4.51	4.79
Person days per Household	43	42	48	46
Percentage of Households Completing 100 Days of Employment	10.2	10.63	14.45	10.26
Percentage of Completed Physical Assets	47.15	46.04	43.76	41.42

*Data up to February 2010
Source: Compiled by CBGA from Ministry of Rural Development, Govt. of India. Demand for Grants, 2010-11, Lok Sabha Secretariat

Table 4.3: Status of Vacancies in Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

Vacancies at the National Level	Norm (if any)	States where situation is acute (Shortfall in %)
Gram Rozgar Sahayak: 21%	One per Gram Panchayat	Madhya Pradesh: 83% Uttarakhand: 63% Punjab: 51%
Accountant: 28%		Punjab: 80% Arunachal Pradesh: 44%
Engineers/Technical Assistants: 34%		Punjab & West Bengal: 70% Chhattisgarh: 56% Jharkhand: 51% Uttar Pradesh: 50%
Programme Officer: 13%	One per Block	Rajasthan & MP: 30%
Computer Assistant: 23%		Uttarakhand: 44% Bihar: 36%

Source: Compiled by CBGA from Ministry of Rural Development, GoI

Table 4.4: Financial Progress under Swarnajayanti Gram Swarozgar Yojana (SGSY) at All-India level (2009-10)

1	Total Available Fund (in Rs. Crore)	20138
2	Total Fund Utilised (in Rs. Crore)	14866
3	Percentage of Average Utilisation to Available Fund	74
4	Percentage of Average Utilisation on to Subsidy	66
5	Percentage of Average Utilisation on Revolving Fund	10
6	Percentage of Average Utilisation on Infrastructure Development	16
7	Percentage of Total Credit Mobilised	60
8	Per Capita Investment (In Rs.)	32008

Source: Compiled from Annual Report, 2009-10, Ministry of Rural Development, GoI

Table 4.5: Review of Performance of Indira Awaas Yojana (IAY)

	2007-08	2008-09	2009-10*
Total Available Fund (in Rs. Crore)	6527.17	12308.28	12308.28
Expenditure (in Rs. Crore)	5464.54	8348.34	8554.47
Percentage of Utilisation	83.72	57.35	69.5
Total Target (in Units)	2127184	2127165	4052243
Houses Constructed (in Units)	664474	1790563	2721194
Percentage of completion	31.24	84.18	67.15

*Data up to February
Source: Compiled by CBGA from Ministry of Rural Development, Govt. of India. Demand for Grants, 2010-11, Lok Sabha Secretariat

Table 4.6.a: Fund Utilisation in Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in 2008-09

State	Total Funds Available including Opening Balance (in Rs. lakh)	% Expenditure Against Total Available Fund	% Expenditure on Wages	% Expenditure on Material	% Administrative Expenditure
ANDHRA PRADESH	370669.6	79.96	80.89	19.11	5.82
ASSAM	136558	69.85	62.66	37.34	3.06
BIHAR	218785.9	60.17	66.66	33.34	3.84
GUJARAT	28126.75	69.69	77.95	22.05	5.51
HARYANA	16415.91	66.94	77.83	22.17	3.31
KARNATAKA	62007.45	57.71	68.21	31.79	4.57
KERALA	27467.84	81.75	89.35	10.65	7.99
MADHYA PRADESH	507517.1	70.05	63.12	36.88	3.9
MAHARASHTRA	61828.5	58.48	90.98	9.02	4.61
PUNJAB	11492.7	62.96	65.36	34.64	5.82
RAJASTHAN	724534.5	85.08	70.65	29.35	2.06
TAMIL NADU	180284.7	55.69	100	0	4.49
UTTAR PRADESH	470692.9	75.82	65.18	34.82	3.09
WEST BENGAL	133254.9	70.57	68.28	31.72	4.19
CHHATTISGARH	200591.4	71.51	65.31	34.69	2.86
JHARKHAND	236337.4	56.77	51.86	48.14	2.49
ORISSA	105128.9	64.52	61.18	38.82	4.07
Grand Total	**3729029**	**73.08**	**69.2**	**30.8**	**3.48**

Source: Data compiled from www.nrega.nic.in

Table 4.6.b: Fund Utilisation in Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in 2009-10

State	Total Funds Available including Opening Balance (in Rs. lakh)	% Expenditure Against Total Available Fund	% Expenditure on Wages	% Expenditure on Material	% Administrative Expenditure
ANDHRA PRADESH	538354.8	83.76	86.2	13.8	4.41
ASSAM	142472.94	72.57	63.75	36.25	3.3
BIHAR	235820.39	77.04	63.26	36.74	3.54
GUJARAT	98180.83	75.31	73.09	26.91	3.33
HARYANA	19455.21	73.79	64.63	35.37	4
KARNATAKA	335205.32	81.72	63.77	36.23	1.36
KERALA	56079.15	84.08	91.58	8.42	5.15
MADHYA PRADESH	567822.99	65.55	60.83	39.17	3
MAHARASHTRA	63532.23	51.25	84.41	15.59	6.12
PUNJAB	21127.69	70.98	66.7	33.3	4.73
RAJASTHAN	820272.52	69.11	70.77	29.23	2.03
TAMIL NADU	241131.95	73.04	100	0	2.86
UTTAR PRADESH	**713268.05**	**82.72**	**62.22**	**37.78**	**3.54**
WEST BENGAL	240854.15	87.56	69.09	30.91	3.79
CHHATTISGARH	162933.25	81.18	67.22	32.78	3.64
JHARKHAND	192450.63	71.69	61.66	38.34	3.25
ORISSA	97673.37	96.14	64.76	35.24	3.51
Grand Total	**4950771.55**	**76.57**	**69.77**	**30.23**	**3.29**

Source: Data compiled from www.nrega.nic.in

Table 4.6.c: Fund Utilisation in Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in 2010-11

State	Total Funds Available including Opening Balance (in Rs. lakh)	% Expenditure Against Total Available Fund	% Expenditure on Wages	% Expenditure on Material	% Administrative Expenditure
ANDHRA PRADESH	909450.27	59.81	66.85	33.15	7.86
ASSAM	126927.62	72.56	57.45	42.55	4.78
BIHAR	315633.8	84.41	63.5	36.5	4.11
GUJARAT	127159.37	61.99	63.89	36.11	4.91
HARYANA	23208.84	92.51	68.52	31.48	3.3
KARNATAKA	215277.19	117.86	63.64	36.36	2.41
KERALA	84332.77	83.52	94.57	5.43	4.4
MADHYA PRADESH	515236.43	70.59	61.03	38.97	3.17
MAHARASHTRA	60697.87	59	78.87	21.13	4.81
PUNJAB	23052.47	71.94	62.45	37.55	5.71
RAJASTHAN	587878.39	55.95	72.44	27.56	4.64
TAMIL NADU	277067.93	83.85	100	0	4.68
UTTAR PRADESH	**722148.1**	**77.98**	**65.11**	**34.89**	**4.01**
WEST BENGAL	273105.74	92.73	68	32	3.8
CHHATTISGARH	218676.43	74.72	74.02	25.98	4.15
JHARKHAND	163810.64	78.4	70.02	29.98	4.58
ORISSA	179187.17	85.56	62.82	37.18	3.13
Grand Total	**5280709.7**	**74.57**	**68.36**	**31.64**	**4.57**

Source: Data compiled from www.nrega.nic.in

Table 4.7: Fund Utilisation under Swarnajayanti Gram Swarozgar Yojana (SGSY) during 2007-08 and 2008-09 (in Rs. Lakh)

State/UT	Year	Total Funds available	Expenditure	% Fund Utilisation	Total Credit Target	Total Credit Disbursed	% Credit Disbursed
Andhra Pradesh	**2007-08**	12658.15	12376.54	97.78	19756.42	27763.26	140.53
	2008-09	13465.87	11034.04	81.94	20630.21	29128.94	141.2
Assam	**2007-08**	20776.13	15080.79	72.59	28492.9	13207.21	46.35
	2008-09	22625.08	17496.75	77.33	31227.08	21472.47	68.76
Bihar	**2007-08**	27998.25	15114.73	53.98	46998.97	15084.45	32.1
	2008-09	46722.7	20160.02	43.15	49077.62	25581.01	52.12
Chhattisgarh	**2007-08**	6637.73	6529.53	98.37	10437.24	10028.49	96.08
	2008-09	7714.28	6919.11	89.69	10898.87	11278.1	103.48
Gujarat	**2007-08**	4742.9	4351.63	91.75	7436.68	6326.54	85.07
	2008-09	5942.16	5147.87	86.63	7765.58	7298.96	93.99
Haryana	**2007-08**	2691.61	2685	99.75	4375.14	5399.06	123.4
	2008-09	3185.01	2997.12	94.1	4568.64	5908.58	129.33
Himachal Pradesh	**2007-08**	1290.86	854.83	66.22	1842.53	2166.05	117.56
	2008-09	1822.76	1276.63	70.04	1924.02	3490.54	181.42
	2008-09	1632.78	638.23	39.09	2381.24	1712.39	71.91
Jharkhand	**2007-08**	12018.57	8138.72	67.72	17720.82	8858.61	49.99
	2008-09	15744.93	9817.16	62.35	18504.59	3547.76	19.17
Karnataka	**2007-08**	10417.55	9879.54	94.84	14918.9	15447.1	103.54
	2008-09	11908.34	10273.27	86.27	15578.75	23128.78	148.46
Kerala	**2007-08**	4062.73	3932.09	96.78	6694.06	6536.41	97.64
	2008-09	4920.03	4402.01	89.47	6990.14	7764.56	111.08
Madhya Pradesh	**2007-08**	14286.78	13182.35	92.27	22367.53	26557.71	118.73
	2008-09	17801.56	16841.9	94.61	23356.8	27118.35	116.1
Maharashtra	**2007-08**	18896.67	18237.64	96.51	29491.02	21599.63	73.24
	2008-09	21577.41	19936.97	92.4	30795.35	24166.19	78.47
Manipur	**2007-08**	303.87	217.54	71.59	1910.14	155.7	8.15
	2008-09	440.85	202.79	46	2093.42	162	7.74
Meghalaya	**2007-08**	686.36	531.38	77.42	2140.06	186.96	8.74
	2008-09	633.03	245.65	38.81	2345.45	146.52	6.25
	2008-09	336.2	317.58	94.46	542.75	166.63	30.7
Orissa	**2007-08**	13315.46	11694.96	87.83	22597.28	17738.54	78.5
	2008-09	16609.86	13177.15	79.33	23596.7	18071.05	76.58
Punjab	**2007-08**	1346.75	1316.4	97.75	2126.27	3156.56	148.46
	2008-09	1392.48	1109	79.64	2220.32	2695.71	121.41
Rajasthan	**2007-08**	8355.24	6054.31	72.46	11328.42	13605.95	120.1
	2008-09	9957.99	7547.61	75.79	11829.44	13937.77	117.82
Tamil Nadu	**2007-08**	11026.02	10807.08	98.01	17469.02	14510.03	83.06
	2008-09	12812.92	12033.5	93.92	18241.62	13973.17	76.6
Uttar Pradesh	**2007-08**	44556.94	36606.6	82.16	67662.39	55552.52	82.1
	2008-09	54338.12	39732.65	73.12	70654.94	80697.98	114.21
Uttarakhand	**2007-08**	2295.72	2004.98	87.34	3562.33	3140.45	88.16
	2008-09	2873.2	2305.16	80.23	3719.88	4428.09	119.04
West Bengal	**2007-08**	15315.78	12645.7	82.57	25112.38	4310.56	17.17
	2008-09	19124.22	13441.87	70.29	26223.05	6052.23	23.08
Total	**2007-08**	239416.7	196597.5	82.12	374355.3	276030.8	73.73
	2008-09	298124.8	219808.1	73.73	392980.1	334304.5	85.07

Source: Compiled from Outcome Budget, Ministry of Rural Development, Government of India

Table 4.8: Fund Utilisation under Indira Awas Yojana (IAY) during 2007-08, 2008-09 and 2010-11 (in Rs. Lakh)

State/UT	Year	Total Available Funds	Expenditure	% Fund Utilisation
Andhra Pradesh	2007-08	50217.17	46838.96	93.27
	2008-09	112251.5	89937.81	80.12
	2010-11	117363.5	113480.9	96.69
Assam	2007-08	53195.53	43346.7	81.49
	2008-09	199639.5	62704.1	31.41
	2010-11	124430	93331.94	75.01
Bihar	2007-08	201957.8	149428.6	73.99
	2008-09	409960.7	215215	52.5
	2010-11	502678.2	332483.8	66.14
Chhattisgarh	2007-08	8018.87	7913.32	98.68
	2008-09	21450.1	10719.96	49.98
	2010-11	22677.24	19630.74	86.57
Gujarat	2007-08	29215.88	24229.87	82.93
	2008-09	56175.08	33836.84	60.23
	2010-11	95472.21	69276.7	72.56
Haryana	2007-08	3428.42	3666.61	106.95
	2008-09	6920.11	5257.86	75.98
	2010-11	8479.25	8226.32	97.02
Himachal Pradesh	2007-08	1332.42	1150.25	86.33
	2008-09	2617.59	2312.08	88.33
	2010-11	3124.8	2925.48	93.62
Jharkhand	2007-08	16640.24	11861.43	71.28
	2008-09	44734.8	15871.54	35.48
	2010-11	103194.4	69357.02	67.21
Karnataka	2007-08	23361.86	13473.46	57.67
	2008-09	50937.1	21783.7	42.77
	2010-11	77194.56	48249.34	62.5
Kerala	2007-08	11035.08	10186.83	92.31
	2008-09	22558.41	15196.7	67.37
	2010-11	37415.67	2378.63	63.5
Madhya Pradesh	2007-08	15579.97	15072.08	96.74
	2008-09	31871.46	40736.43	127.81
	2010-11	60473.96	32418	53.61
Maharashtra	2007-08	34253.57	35597.33	103.92
	2008-09	66280.9	54820.46	82.71
	2010-11	85575.61	105934.6	123.79
Orissa	2007-08	30178.91	34394.63	113.97
	2008-09	65721.84	24665.64	37.53
	2010-11	91463.91	69101.95	75.55
Punjab	2007-08	4180.48	3699.49	88.49
	2008-09	9511.12	4396.23	46.22
	2010-11	11878.41	7641.13	64.33
Rajasthan	2007-08	13199.17	11330.47	85.84
	2008-09	26019.57	20389.02	78.36
	2010-11	62934.09	37643.04	59.81
Tamil Nadu	2007-08	19952.1	20091.19	100.7
	2008-09	39734.98	33943.24	85.42
	2010-11	47237.57	44072.4	93.3
Uttar Pradesh	2007-08	72660.95	69977.3	96.31
	2008-09	140817.5	106152.4	75.38
	2010-11	159459.2	147833	92.71
West Bengal	2007-08	43237.24	27092.16	62.66
	2008-09	89634.97	43763.31	48.82
	2010-11	127325	79682.76	62.58
Total	2007-08	652717.4	546454.3	83.72
	2008-09	1444321	828286.4	57.35
	2010-11	1795654	1346573	74.99

Source: Compiled from Outcome Budget, Ministry of Rural Development, Government of India

AGRICULTURE

Agriculture continues to be the mainstay of the country's population. Even today, more than half the country's population is dependent on agriculture for their livelihood. However, due to a variety of factors, the growth of the sector in the past has been sluggish. Looking at the projected growth rates for the agriculture sector vis-à-vis its realisation over the five year plans, it is found that the projected growth rates have not been realised in the last two plans. Table 5.1 presents the growth rates achieved in each plan period since the 10th Five Year Plan. While the overall economy grew at 7.8 percent per year in the 10th Plan period (2002-2007) and then accelerated to 8.2 percent in the first four years of the 11th Plan period (2007-2011), the growth rates in the agriculture sector during same period have always remained below the targeted levels. Despite low levels of agricultural growth during the previous plan periods, the 12th Five Year Plan has targeted 4 percent annual growth for agriculture and 9 percent for the overall GDP growth.

Table 5.1: Sectoral Growth Rates Previous Plans and Target for 12th Plan (In %)

Sectors	10th Plan (2002-07)		11th Plan (2007-11)		12th Plan (2012-17)
	Target	Achievement	Target	Achievement	Target
Agriculture, Forestry & Fishing	4.0	2.3	4.1	3.2*	4.0
Total Gross Domestic Product (GDP)	8.0	7.8	9.0	8.2	9.0

Note: * It is likely that on revision of farm sector GDP growth rates for the previous year and an expected good harvest in 2011/12 the average for the Eleventh Plan may be higher at 3.3–3.5 percent.
Source: Compiled by CBGA from the basic data from the Tenth Five Year Plan Document and Approach Paper to 12th Five Year Plan, Government of India.

It is well recognised by subject experts, policy makers and other stakeholders that improving the farm sector is the only line of attack to tackle poverty, which has been aggravating over the years in the countryside. More so, the Approach Paper of the 12th Five Year Plan has made mention about the importance of this fact. It notes that: "The expansion of income opportunities in the farm sector and a progressive absorption into non-agricultural activity is the most potent weapon for reducing poverty"[19]. But this statement seems unsubstantiated, since it has not elaborated on the investment scenario or the formulation and implementation of progressive policies towards development of the sector.

The most worrisome feature with regard to performance of this sector is that simply targeting a higher growth rate without adequate public provisioning is meaningless, and this has been the experience over the last couple of five year plan periods. Apart from this is an apprehension about the real intention of the government in recognising the need for boosting public investment towards this sector and a whole range of public policies implemented around this subject. For instance, while talking about ensuring food security, the Approach Paper mentions that: "Given that agricultural productivity is currently half of what it is in many other countries, the solution for food productivity lies not in stopping diversion of agriculture land in all circumstances, but in increasing food production through higher land productivity. Industrialisation, urbanisation and development generally will require a diversion of land to new uses"[20]. This clearly indicates that the serving government at the Centre is more serious about the diversion of land towards other uses rather than agricultural activities.

Public Investment in Agriculture:

One of the core issues that have led to the present crisis in agriculture is the years of neglect in public investment towards the sector. Since the 4th Five Year Plan, it has been seen that the average share of public sector plan outlay in agriculture out of total public sector plan outlay is on a decline. Although, it was 14.7 percent during the 4th Plan, it came down drastically to 3.7 percent in the 11th Plan[21] (Graph 5.1). Out of total public sector plan allocation during 4th Plan, the share of total plan allocation specifically towards 'the rural sector' was 24.8 percent which came down to 18.5 percent during the 11th Plan (Table 5.2). Similarly, if one looks at the share of total combined (both by the Union and States) budgetary allocation for Agriculture and Rural Development (Ag and RD)[22] in proportion to the combined budget of the country or the GDP, the annual average shares show a declining trend since the 1980s. The shares were 10.9 percent and 2.8 percent during the 1980s which declined to 9.7 percent and 2.6 percent respectively since 2000 (annual averages of 2000-01 to 2009-2010) (Table 5.3).

In order to address the issues, some plan schemes have been initiated over the last few years. However, the percentage share of allocation towards Rural Economy and Agriculture and Allied Activities out of the total Union Budget as well as GDP is far from satisfactory (Table 5.4).

Similarly, Union Budget allocations towards the Ministry of Agriculture (MoA) during the 11th Five Year Plan constituted less than 2 percent. Further, the allocation for MoA in proportion to GDP varies between 0.22 to 0.30 percent. Primarily, the decline in absolute amount is noticeable under the Department of Agriculture & Cooperation as well as under Department of Agriculture Research and Education (Table 5.5). The Mid-Term Appraisal document of the 11th Five Year Plan suggested an increased allocation (at least 1 percent of Agri-GDP) towards agriculture research and education in the subsequent years of the Plan. However, budgetary expenditure towards Agriculture Research and Education by the Union government over the years exhibits a disappointing trend (Table 5.6). Even though there was a substantial increase in expenditure during 2010-11 compared to the allocations in 2009-10 (from Rs.3,207 crore in 2009-10 to Rs.4,932 crore). In 2010-11 RE, the allocations registered a decline. Hence, there is a need to prioritise expenditure towards agriculture research and education in the subsequent budgets of the Union government.

Union Government's Expenditure on Special Interventions in Rainfed/Dryland Agriculture

For achieving sustained growth in Agriculture and Allied sector, targeted interventions with adequate public investment are required. In this context, agricultural activities in rainfed areas are critical. Nearly 65 percent of the cultivated area is under rainfed practices, which provides a wide range of livelihood opportunities to millions of households.

The Department of Land Resources within the Ministry of Rural Development, Government of India, is the administrative unit responsible for the overall development of dryland / rainfed agriculture in the country. Table 5.7 presents the allocations towards dryland agriculture since 2006-07. The Union Budget allocations for special land development programmes (total allocation under the Department for Land Resources) have increased from Rs.1,422 crore in 2006-07 to Rs.2,706 crore in 2011-12 (BE). As a

[19] Excerpted from the Approach Paper to the Twelfth FYP, Government of India, Para 6.1, page, 78.
[20] Excerpted from the Approach Paper to the Twelfth FYP, Government of India, Para 5.28, page, 67.
[21] Jha Praveen & Nilachala Acharya (2011): "Agriculture and Rural Development in India's Budgets since 1950s: An Assessment", forthcoming issue of Review of Agrarian Studies.
[22] Components under 'Ag and RD' include: Fertiliser Subsidy, Cooperation, Agriculture and Allied Activities, Rural Development and Irrigation.

share of total Union government expenditure as well as of the GDP, this constitutes a meagre amount. For instance, its share from Union Budget expenditure was 0.24 percent in 2006-07 which has further declined to 0.22 percent in 2011-12 (BE).

With regard to the budgetary provisions made by the Union government over the past one-and-a-half decades, there is a glaring difference between the subsidies meant largely for benefitting agriculture in the irrigated regions and the budgetary outlays for the development of agricultural practices in the rainfed regions in the country. Union government subsidies meant largely for benefitting agriculture in the irrigated regions since 1997-98 accounted for Rs.11,33,111 crore as compared to only Rs.16,903 crore for the development of agricultural practices in the rainfed regions of the country (Graph 5.2).

Fund Utilisation for Key Plan Programmes / Schemes

If one looks at the trend of growth rates of the agricultural sector during previous Five Year Plans and the last four years of the 11th Five Year Plan, it is found that the sector has missed the targets set in the respective plans. In order to achieve 4 percent per annum growth rate, agriculture sector needs to grow at least 8.5 percent during 2011-12. Although several programmes and schemes have been initiated, the impact has been limited. Lack of adequate institutional mechanisms, rigid scheme guidelines, low unit costs, and improper design of the schemes, have been primarily responsible for low fund utilisation in schemes. It is important to look at the status of the proposed allocation under different schemes (across states) in agriculture during the 11th Plan and the extent of fund utilisation.

Looking at comparative figures, the total expenditure made in the Union Budgets from 2007-08 to 2011-12 for major schemes in agriculture and land development is nowhere close to the allocations recommended by the Planning Commission for the 11th Plan period (2007-08 to 2011-12). This is the case for most of the schemes under the Ministry of Agriculture, such as, the scheme for Macro Management of Agriculture, National Horticulture Mission, Integrated Watershed Management Programme (IWMP) and Rashtriya Krishi Vikas Yojana (RKVY). There is a shortfall of 44 percent in fund utilisation under National Horticulture Mission, 26 percent under the scheme Macro Management of Agriculture, 45 percent under IWMP and 10 percent under RKVY (Table 5.8).

Similarly, the Ministry of Agriculture was able to spend only 80 percent of the projected Central Plan outlay during the 11th Plan. The amount earmarked during the plan by the ministry under Central Plan (at 2006-07 prices) was Rs.54,801 crore but it could use only Rs.43,583 crore during the period[23].

State-wise release and utilisation of funds under various schemes and programmes shows a high degree of underutilisation of funds. The degree of underutilisation is found to be particularly low under schemes like RKVY, Desert Development Programme (DDP), Drought Prone Area Programme (DPAP) and National Food Security Mission (NFSM) in the 11th Plan period (Tables 5.9, 5.10 and 5.11). Under NFSM, the rate of fund utilisation against allocation in the Union budgets is 100 percent. This is because the funds released by the Union government are booked as expenditure. Several state governments were not able to utilise the amount allocated to them under various schemes; the reasons could be shortage of human resources, lack of infrastructure, rigid scheme guidelines and most importantly, lack of resources with the state governments to supplement the matching grants, as required, under various plan programmes.

Key Issues and Expectations for the 12th Plan:

The Approach Paper of the 12th Five Year Plan has set the target of annual agricultural growth at 4 percent and overall growth rate at 9 percent. In order to achieve this target, it is important to adopt the following measures:

1) Increase budgetary investment towards agriculture and allied activities.

- Continue existing appropriate Central Sector and Centrally Sponsored Schemes / programmes with adequate fund support or merge the schemes for achieving better results.
- For better utilisation of funds earmarked under various Centrally Sponsored Schemes / Programmes, adequate flexibilities must be given to the state/ implementing agencies to achieve the desired outcomes.
- Increase budgetary allocations under Central Assistance to various state plan schemes/ programmes supported by the Union government and strengthen monitoring mechanisms.
- Special budgetary allocations (may be as a part of Support to State Plans) need to be made in the Union Budget to strengthen agricultural extension services by recruiting more staff, establishing service and testing centres, creating physical infrastructure like cold storages, godowns, market yards, rural connectivity etc.

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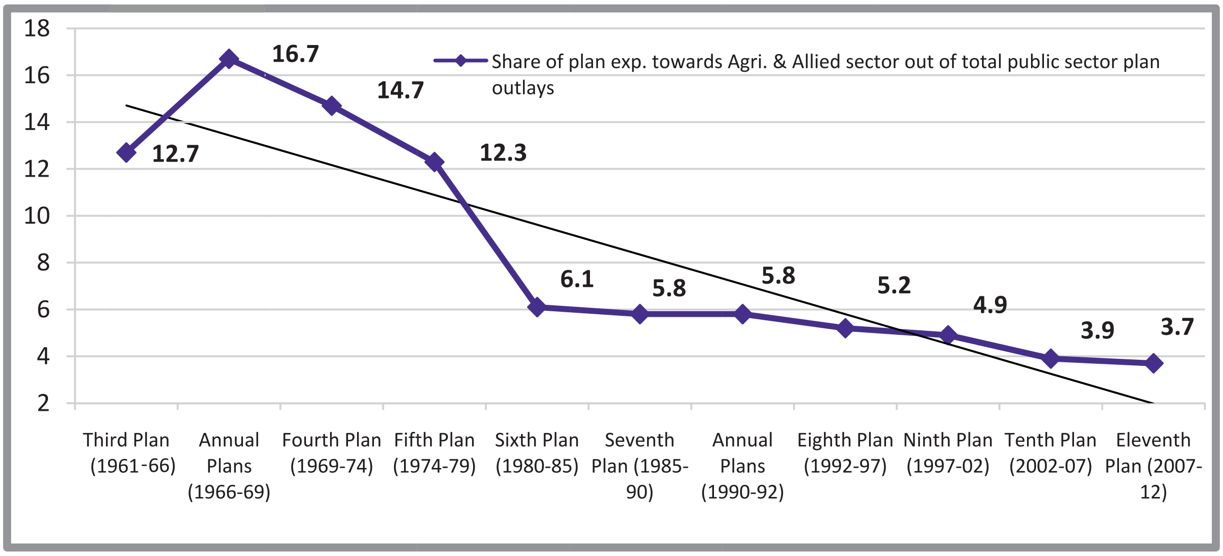
[23] Excerpts from a presentation by the Planning Commission during its full meeting in New Delhi, on 21st April, 2011.

- Raise allocation for agriculture research and education in line with the recommendations in the Mid-term Appraisal of the 11th Five Year Plan.

2) Prioritise investment towards rainfed/dryland agriculture

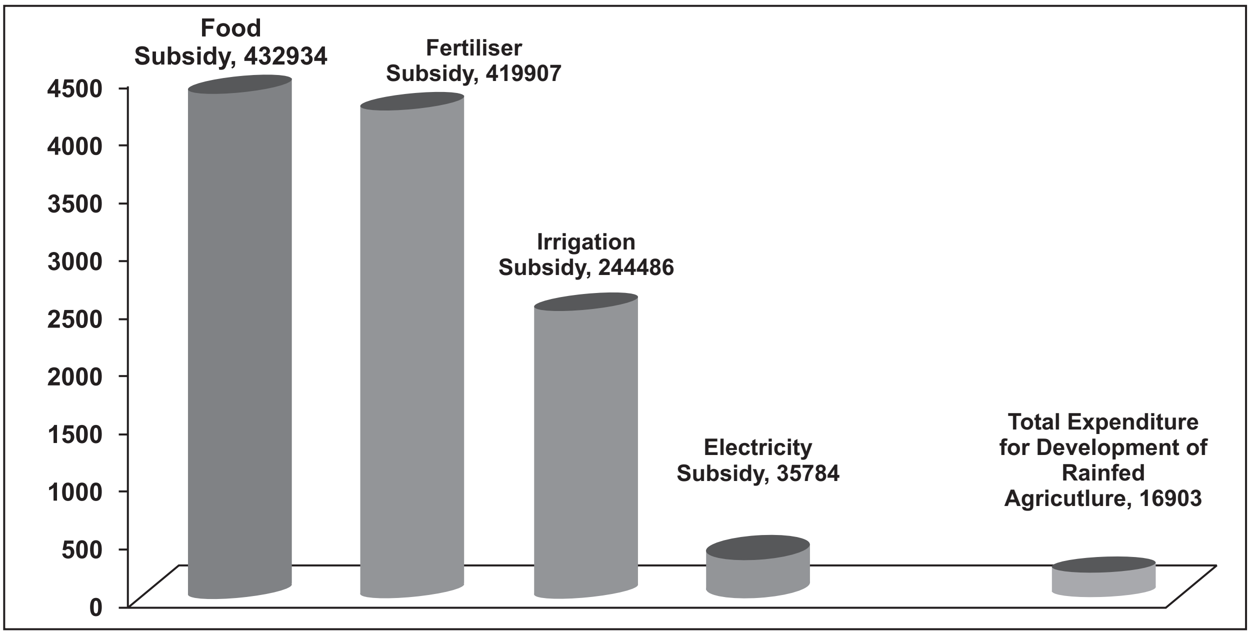
- Special allocations should be made towards improvement of dryland agriculture
- Increase allocation on irrigation projects/ watershed development projects, rain water harvesting structures etc.

Graph 5.1: Plan Expenditure on Agriculture & Allied Activities as a proportion of Total Public Sector Plan outlay since 3rd Five Year Plan (in percent)



Source: Reproduced from Jha and Acharya, 2011.

Graph 5.2: Expenditure on Agricultural Subsidies vs. Development of Rainfed Agricultural Programmes from 1997-98 to 2011-12 (In Rs. Crore and Current Prices)



Source: Compiled by CBGA

Table 5.2: Share of Plan Expenditure on Various Heads of Development (in Rs. Crore, at current prices)

Plan Periods	Agriculture and Allied Activities	Irrigation and Flood Control	Rural Development	Special Programmes	Total allocation
1	**2**	**3**	**4**	**5**	**6=(2+3+4+5)**
Fourth Plan (1969-70 to 1973-74)	2320.4	1354.1	Na	Na	3917.1
% of total plan expenditure	14.7	8.6	Na	Na	24.8
Ninth Plan (1997-98 to 2001-02)	42462	55420	74686	3649	184305.7
% of total plan expenditure	4.9	6.5	8.7	0.4	21.6
Tenth Plan (2002-03 to 2006-07)	58933	103315	121928	20879	305055
% of total plan expenditure	3.9	6.8	8.0	1.4	20.1
Eleventh Plan (2007-08 to 2011-12)	136381	210326	301069	26329	674105
% of total plan expenditure	3.7	5.8	8.3	0.7	18.5

Note: Na-Not Available.
Source: Compiled by CBGA

Table 5.3: Budgetary Expenditure on 'Ag and RD' and its Share in Combined Total Budgetary Expenditure and GDP since 1980-81 (in Rs. Crore, at current prices)

S. No.	Components of 'Ag and RD'	Annual Average (1980-81 to 1989-90)	Annual Average (1990-91 to 1999-2000)	Annual Average (2000-01 to 2009-10)
I	Fertilizer Subsidy	1814.5	6103.1	26960.7
II	Cooperation	493.5	1047.7	3535.6
III	Agriculture and Allied Activities	2063.4	8088.1	17668.6
IV	Rural Development	3320.1	13610.5	49628.0
V	Irrigation	847.0	2376.0	5673.7
VI	**Total Expenditure on 'Ag and RD' (I+II+III+IV+V)**	**8,538.4**	**31,225.4**	**1,03,466.7**
Share of 'Ag and RD' inTotal Combined Budgetary Expenditure (in %)		**10.9**	**10.8**	**9.7**
Share of 'Ag and RD' in GDP (in %)		**2.8**	**2.7**	**2.6**

Source: Computed by CBGA from the basic data given in the Indian Public Finance Statistics (IPFS), Department of Economic Affairs, Economic Division, Ministry of Finance, Government of India.
Note: 1- GDP figures are at market prices and in current prices and at base 2004-05, taken from the base data given in the Economic Survey, 2010-11, government of India.
2-Total Combined Budgetary Expenditure equals to Total Non-developmental expenditure + Total Developmental Expenditure +Net loan; and items like self balancing and transfer to funds have been deducted.
3-Data for 2008-09 and 2009-10 are revised estimates and budget estimates respectively.

Table 5.4: Union Government's Spending on Rural Economy and Agriculture and Allied Activities as a Proportion of Total Union Budget Expenditure and GDP

Year	Expenditure on Rural Economy (in %)		Expenditure on Agriculture and Allied Activities (in %)	
	As % of Total Union Budget Expenditure	As % of GDP at current market prices	As % of Total Union Budget Expenditure	As % of GDP at current market prices
2004-05	9.9	1.5	7.3	1.1
2005-06	11.3	1.6	7.4	1.0
2006-07	14.6	2.0	8.3	1.1
2007-08	13.1	1.9	9.6	1.4
2008-09	21.1	3.3	15.7	2.5
2009-10	15.7	2.5	11.4	1.8
2010-11 RE	17.9	2.8	11.9	1.8
2011-12 BE	16.4	2.3	10.3	1.4

Note: BE-Budget Estimate; RE-Revised Estimate.
Expenditure on Rural Economy includes expenditure on (i) Agriculture and Allied Activities, (ii) Rural Development, (iii) Special Area Programmes, (iv) Irrigation and Flood Control and (v) Village and Small Industries.
Source: Compiled by CBGA

Table 5.5: Allocations within Ministry of Agriculture since 2007-08 (in Rs. Crore, at current prices)

Ministry of Agriculture	2007-08 RE	2008-09 RE	2009-10	2010-11 RE	2011-12 BE
Dept. of Agriculture and Cooperation	7814	10328	11675	17695	17523
Dept. of Agricultural Research and Education	2337	2960	3210	5165	4958
Dept. of Animal Husbandry, Dairying and Fisheries	868	1016	971	1356	1696
Total allocation under Ministry of Agriculture	**11019**	**14304**	**15856**	**24216**	**24177**
Total allocation of Ministry as proportion of total Union Budget (in %)	**1.55**	**1.62**	**1.55**	**1.99**	**1.92**
Total allocation of Ministry as proportion of GDP (in %)	**0.22**	**0.26**	**0.24**	**0.31**	**0.27**

Note: RE-Revised Estimate; BE-Budget Estimate.
Source: Compiled By CBGA

Table 5.6: Expenditure on Agricultural Research and Education in Union Budgets since 1995-96 (in Rs. Crore, at current prices)

Years	Expenditure of Agriculture Research and Education	Annual Growth Rate
2002-03	1299	2
2003-04	1436	10
2004-05	1588	10
2005-06	1875	15
2006-07	2066	9
2007-08	2181	5
2008-09	2823	23
2009-10	3207	12
2010-11 RE	4932	35
2011-12 BE	4646	-6

Note: RE- Revised Estimates and BE-Budget Estimates
Source: Compiled by CBGA

Table 5.7: Expenditure by Department of Land Resources since 2006-07 (in Rs. Crore, at current prices)

Years	2006-07	2007-08	2008-09 *	2009-10	2010-11 RE	2011-12 BE
Total exp. under Department of Land Resources	1422	1406	1793	2025	2666	2706
As % of Total Union Government's Exp.	0.24	0.20	0.20	0.20	0.22	0.22
As % of GDP at current market prices	0.03	0.03	0.03	0.03	0.03	0.03

Note: * Provisional Actuals; RE-Revised Estimate; BE-Budget Estimate.
Source: Compiled CBGA

Table 5.8: Proposed Outlays vs. Spending in Major Schemes / Programmes during 11th Five Year Plan

Name of Plan Scheme / Programme	Proposed Outlay for 11th Plan (in Rs. Crore at current prices)	Total Expenditure during the 11th Plan Period (in Rs. Crore at current prices)	Total Expenditure as % of Proposed Allocation (in %)
1	2	3	4=3/2*100
National Food Security Mission	4883	4844	99
Integrated Scheme of Oilseeds, Pulses, Oil palm, and Maize (ISOPOM)	1500	1338	89
Micro Irrigation	3400	3419	101
National Horticulture Mission	8809	4905	56
Agriculture Census	80	78	98
Macro Management of Agriculture (MMA) Scheme	5500	4070	74
Rashtriya Krishi Vikas Yojana (RKVY)	25000	22432	90
Integrated Watershed Management Programme (IWMP)	17372	9593	55

Note: (1) Budget Figures for the year 2007-08 and 2009-10 are actuals. Figures for the year 2008-09 and 2010-11 are Revised Estimates and figures for 2011-12 are Budget Estimates.
(2) Allocation for the year 2009-10, 2010-11and 2011-12 excludes allocation towards North East states and Sikkim.
Source: Compiled by CBGA

Table 5.9: State-wise Expenditures in Rashtriya Krishi Vikas Yojana (RKVY) from 2007-08 to 2010-11** (in Rs. Crore, at current prices)

State	2007-08		2008-09		2009-10		2010-11	
	Allocation	Expenditure	Allocation	Expenditure	Allocation	Expenditure	Allocation	Expenditure
Andhra Pradesh	93.13	61.08	316.57	297.17	410.00	410.00	393.45*	388.20
Arunachal Pradesh	2.85	1.90	6.88	0.00	16.10	15.98	39.08	11.72
Assam	23.77		142.62	142.62	79.86	79.86	256.87*	85.16
Bihar	64.02	57.77	148.54	148.54	110.79	108.29	380.94	177.63
Chhattisgarh	60.54	52.96	116.48	117.45	131.78	136.14	461.00	398.42
Goa	2.29	0.74	6.91	0.00	11.87		11.31	4.71
Gujarat	53.71	47.61	243.39	243.39	386.19	386.19	353.45	371.43
Haryana	23.12	21.52	74.00	39.49	112.77	109.25	204.74	193.24
Himachal Pradesh	17.39	16.08	15.11	14.86	33.02	32.82	94.85	39.31
Jammu & Kashmir	6.85		16.17	1.18	42.05	33.60	162.16*	51.46
Jharkhand	61.66	55.68	58.62	29.28	70.13	70.13	160.96	96.08
Karnataka	171.97	154.30	316.57	314.14	410.00	410.00	284.03	271.83
Kerala	61.41	54.32	60.11	30.06	110.92	106.20	192.35	69.28
Madhya Pradesh	110.01	71.50	146.05	139.22	247.44	190.05	589.09	318.08
Maharashtra	142.20	127.10	269.63	239.77	407.24	214.46	653.00	306.01
Manipur	1.35		4.14	0.90	5.86	4.39	24.81	15.50
Meghalaya	7.00	6.37	13.53	6.77	24.68	24.68	46.12	27.38
Mizoram	1.05		4.29	0.00	4.15		7.49	
Nagaland	9.45	3.19	13.89	6.95	20.38	20.38	13.24	3.31
Orissa	46.59	38.05	115.44	114.85	121.49	120.32	274.40	184.18
Punjab	39.85	36.05	87.52	87.52	43.23	40.23	179.12	105.17
Rajasthan	71.68	55.76	233.75	233.76	186.12	186.12	572.47	573.88
Sikkim	2.77	2.77	11.37	5.68	15.29	15.29	6.56	2.30
Tamil Nadu	188.21	153.60	140.38	140.38	127.90	116.88	225.71	145.39
Tripura	4.69	4.16	34.02	16.08	31.28	29.19	116.86	54.05
Uttar Pradesh	116.15	103.90	316.57	316.57	390.97	390.97	635.92	569.01
Uttarakhand	30.54	24.54	20.60	10.29	71.36	26.16	2.61	
West Bengal	60.87	54.93	147.38	147.38	147.38	142.82	476.15	178.05
Total States	**1475.12**	**1205.88**	**3080.53**	**2844.30**	**3770.25**	**3420.40**	**6662.00**	**4640.78**

**Data as on 01.08.11

* Allocation of Rs. 35.00 crore for Green Revolution in Eastern India for Assam , Rs. 39.44 crore for Saffron Mission for J & K & increased allocation of Rs. 82.26 crore in respect of Andhra Pradesh is to be met from savings from overall allocation of Rs. 6755.00 crore.

Source: Compiled by CBGA from the basic data provided in the Government of India's website: http://rkvy.nic.in/Consolidated%20Statement%20Year-wise%20010811.pdf

Table 5.10: Fund Utilisation in Rashtriya Krishi Vikas Yojana (RKVY) from 2007-08 to 2010-11 (in percent)

State	2007-08	2008-09	2009-10	2010-11
Andhra Pradesh	100	100	100	90
Arunachal Pradesh	100	NA	100	40
Assam	NA	99	100	39
Bihar	100	100	98	43
Chhattisgarh	100	100	100	79
Goa	44	NA	NA	67
Gujarat	96	100	100	96
Haryana	100	100	97	85
Himachal Pradesh	99	98	99	41
Jammu & Kashmir	NA	98	NA	53
Jharkhand	100	100	100	99
Karnataka	100	100	100	96
Kerala	98	100	96	46
Madhya Pradesh	70	95	77	57
Maharashtra	99	92	53	47
Manipur	NA	100	75	100
Meghalaya	100	100	100	59
Mizoram	NA	0	NA	0
Nagaland	100	100	100	25
Orissa	97	99	99	67
Punjab	100	100	93	59
Rajasthan	100	100	100	91
Sikkim	100	100	100	35
Tamil Nadu	100	100	91	58
Tripura	100	100	93	46
Uttar Pradesh	100	100	100	82
Uttarakhand	87	100	NA	0
West Bengal	100	100	97	53
Total States	**97**	**99**	**91**	**69**

Note:
Fund utilization is taken as a proportion of total funds released
There is a under utilization of funds (53.03%) against release for Maharashtra in the year 2009-10.NA: Not Available
Source: Compiled by CBGA from the basic data provided in the Government of India's website:
http://rkvy.nic.in/Consolidated%20Statement%20Year-wise%20010811.pdf

Table 5.11: State-wise Fund Utilisation in National Food Security Mission (NFSM) from 2007-08 to 2010-11 (in Rs. Crore, at current prices)

	2007-08			2008-09			2009-10			2010-11		
	Allocation	Release	%	Allocation	Release	%	Allocation	Release	%	Allocation	Release	%
Andhra Pradesh	44.82	44.62	26.07	106.03	84.15	79.36	144.94	123.81	85.42	128.6	95.6	74.34
Assam	11.67	11.4	2.75	32.63	27.06	82.93	42.36	36.16	85.36	38.19	36.47	95.50
Bihar	36.31	36.31	13.31	109.61	81.05	73.94	127.32	44.14	34.67	83.18	51.56	61.99
Chhattisgarh	14.55	14.55	2.15	87.52	71.65	81.87	93.34	21.16	22.67	63.49	19.54	30.78
Gujarat	7.37	7.37	0.8	21.55	8.33	38.65	23.54	15.08	64.06	39.09	13.11	33.54
Haryana	21.51	21.14	3.62	27.21	11.05	40.61	34.62	28.65	82.76	39.28	31.25	79.56
Jharkhand	NA	NA	NA	13.07	9.8	74.98	17.94	4.93	27.48	27.2	16.49	60.63
Karnataka	7.86	7.87	2.21	35.81	30.15	84.19	65.74	47.65	72.48	90.32	69.52	76.97
Kerala	NA	NA	NA	1.89	1.89	100.00	3.91	2.78	71.10	2.62	2.1	80.15
Madhya Pradesh	46.47	46.11	8.97	114.58	64.38	56.19	125.7	59.33	47.20	214.8	140.7	65.50
Maharashtra	14.14	14.14	7.42	78.88	72.17	91.49	116.6	107.4	92.11	168.6	124.3	73.72
Orissa	11.34	11.34	3.82	69.26	62.24	89.86	67.02	63.41	94.61	66.56	54.12	81.31
Punjab	32.88	32.88	24.29	45.19	35.69	78.98	64.75	61.22	94.55	48.41	28.55	58.98
Rajasthan	24.62	24.59	4.08	41.7	18.83	45.16	54.17	39.16	72.29	107.6	76.05	70.68
Tamil Nadu	13.86	12.81	1.66	47.82	33.51	70.08	46.92	30.57	65.15	48.44	27.08	55.90
Uttar Pradesh	83.79	83.79	49.64	192.24	155.2	80.73	312.67	226.28	72.37	294.1	143.4	48.76
West Bengal	16	13	9.24	70.39	63.36	90.01	100.53	71.65	71.27	65.43	33.94	51.87

Source: Compiled by CBGA from the basic data provided in the Government of India's website: www.nfsm.gov.in

RESPONSIVENESS TO CLIMATE CHANGE

As the country gets set to enter into the 12th Five Year Plan period (2012-2017), there is an urgent need to integrate a strategy that tries to tackle the challenge posed by climate change within the broader framework of Indian planning and development. The 11th Five Year Plan (2007-2012) had recognised the hazards of climate change and announced a number of policy decisions relating to Adaptation and Mitigation measures, including the National Action Plan on Climate Change (NAPCC) in 1999, to address the challenge. NAPCC is the policy blueprint of eight concrete missions [24] pertaining to possible adaptation and mitigation measures that the country proposes to implement during the next Five Year Plan.

Further, at the United Nations Framework Convention on Climate Change (UNFCCC) in December 2009, India pledged to reduce its emission level (from what it was in 2005) by 20-25 percent by the year 2020. The declaration at the international forum is not legally binding but its implementation would require sector-specific action executed over the 12th, 13th and 14th Five Year Plan periods. According to the Kirit Parikh Expert Group Report on Low Carbon Strategies for Inclusive Growth (2011), the sector-specific actions, if implemented successfully, would push the country from a business-as-usual scenario (carbon intensive economy) to more determined effort scenario. The report suggests policy actions, as highlighted in the Draft Approach Paper to the 12th Five Year Plan, to reduce India's emission intensity within a definite time frame with determined interventions in crucial economic sectors such as power, transport, industry, buildings and forestry (Table 6.1).

[24] Eight missions being implemented under NAPCC: National Solar Mission, National Mission for Enhanced Energy Efficiency, National Mission on Sustainable Habitat, National Water Mission, National Mission for Sustaining the Himalayan Ecosystem, National Mission for a "Green India", National Mission for Sustainable Agriculture, National Mission on Strategic Knowledge for Climate Change.

Table 6.1: Expert Group Recommendations for Low Carbon Strategies for Inclusive Growth for 12th Five Year Plan

Critical Sectors	Suggested Policy Actions
Power	Need to adopt super-critical technologies in coal-based thermal power generation; need to invest in renewable technologies particularly solar, wind and second generation bio-fuels; sustainable development of hydro-power; need to accelerate adoption of super-efficient electrical appliances through combination of market and regulatory mechanisms; need to enhance efficiency of agricultural pump-sets and industrial equipment using power by facilitating adoption of best available technology; need to modernise transmission and distribution systems to bring technical and commercial losses down to the world average level; need for universalising access to electricity for the poor.
Transport	Need to increase the share of rail in overall freight transport; completion of dedicated rail corridor with top priority; need to improve both share and efficiency of the public transport system; need to improve fuel efficiency of vehicles through market- based and regulatory mechanisms
Industry	Identifies Iron & Steel and Cement as major sources of industrial emissions and stresses the need for adopting green-field plants by availing best-technology in the sectors; small and medium industries need to adapt green technology at an accelerated phase
Building	Need to evolve and institutionalise Green Building Codes at all levels of the government –Centre, State and Urban Local Bodies
Forestry	Need for increasing density of forestry and tree cover on forest lands, wastelands and community lands.

Source: Compiled from Draft Approach Paper to the 12th Five Year Plan 2012-17, Planning Commission, Government of India, New Delhi, pp76-77

The 12th Five Year Plan is confronted with several challenges pertaining to the issue of climate change. While some relate to planning and budgeting of Natural Resource Management in the context of interventions in highly climate-sensitive areas, others include time-bound implementation of the eight Missions of the NAPCC, synergising the policy and implementation actions of multiple levels of government, bringing in new green technologies to the existing system, and meeting the huge needs of energy in the country's economic development through promoting new and renewable energy. The following section attempts to highlight some of the challenges and concerns.

Key Concerns

1. Mainstreaming Natural Resources Management in Planning and Budgeting

Responsiveness to climate change is a complex policy issue with implications on planning and financing mitigation as also coping with/adapting to its adverse impacts on the community and population, ecosystem, economy and livelihoods. Towards adaptation measures, the plan approach is “business-as-usual”, wherein the ongoing developmental planning and budgeting are considered as adaptation-oriented, without factoring in the inputs of effects of climate change on the beneficiaries. There are certain merits in the argument that many developmental programmes would help increase the human capability of the individual to face the challenges of climate change, but it cannot be the pretext for not integrating environmental inputs to policy designing in these sectors and stepping up additional investments for climate-sensitive sectors. For the developmental projects to be effective adaptation oriented programmes, the 12th Five Year Plan needs to prioritise the field of ecological-sensitive sectors such as agriculture and allied sectors, forestry, biodiversity and wildlife conservation, water resources and disaster management, etc. Besides, environmental audits of various adaptation projects need to be inbuilt into planned expenditures at every level along with socio-economic auditing of adaptation programmes to ensure that poor and socially marginalised people benefit from these programmes and budgets.

Similar is the case of budgeting for adaptation-oriented programmes. Contrary to the government claims that it is spending a “fair amount” of budgets on adaptation oriented measures, estimates by CBGA (in 2011) show that in 2010-11 (BE), the expenditure towards enhancing human capabilities constituted more than 85 percent of the Union Government's total adaptation expenditure while the budgetary allocation for improvement in ecosystem is a meagre 0.32 percent of GDP in 2010-11 (Table 6.2). It can be observed from Table 6.2 that the adaptation expenditures are skewed towards development rather than climate-sensitive sectors. This is also reflected in the costing of three important missions under NAPCC. The CBGA estimates that three important missions under NAPCC have received inconsequential resources in Union Budget 2011-12 (BE)[25]. As Table 6.3 indicates, the National Mission on Sustainable Agriculture has received 1.44 percent of Total Budgetary Expenditure (TBE) in 2011-12 followed by National Water Mission with 0.81 percent of TBE, and Green India Mission with 0.06 percent of TBE. Therefore, the challenge before the 12th Plan is to reprioritise the existing allocations within the adaptation budgets. Besides, there are many programmes concerning climate change sensitive sectors which have not fully utilised their allocated funds in the 11th Plan period (Table 6.4). While two important programmes (National Afforestation Programme and Integrated Forest Protection Scheme) under Ministry of Environment and Forests (MoEF) have not utilised 60 percent of the total annual plan outlays, the Panchayat Van Yojana is a non-starter even after receiving a Rs. 900-crore plan outlay. Similarly, crucial projects such as Ground Water Management and Regulation and Major and Medium Irrigation have spent only 80 percent of their plan outlays.

Many nodal administrative ministries crucial to the management of natural resources such as MoEF, Ministry of Water Resources (MoWR), and Department of Land Resources (DoLR) have not received due priority in fund allocation in the Union Budget. In Union Budget 2011-12, the total departmental budget for MoEF is 0.19 percent of Total Budget Expenditure (TBE) and 0.02 percent of GDP. The budget of MoWR is 0.09 percent of TBE and 0.01 percent of GDP while the budget for DoLR is 0.21 percent of TBE and 0.03 percent of GDP in the ongoing financial year. The three important ministries/departments, with the core mandate of protecting and conservation of forestry and wildlife, bio-diversity and natural resources management, coastal management, water resources, flooding, and development of land resources including drought proofing, have not been adequately prioritised in the developmental planning of the country. It is a surprise to note that none of the ministries/departments at the Union level have implemented any specific plan/programmes pertaining to adaptation and mitigation. This reveals that there were problems of integrating environmental sustainability in the 11th Plan, and hence, the need for strengthening its holistic integration in the 12th Plan.

2. Time-bound Implementation and Synchronisation of National and State Action Plans on Climate Change

The 12th Plan needs to chalk out a time-bound schedule for implementation of the mission approach followed by NAPCC. Climate change actions and initiatives have to be extended beyond the Union Government level and percolate to the state level where the actual implementation takes place. All States and UTs should be encouraged to formulate their own state action plans on climate change as a part of their respective Five Year Plans. The state level objectives on adaptation and mitigation need to be synchronised with the national plan objectives.

3. Need for Comprehensive Articulation of Mitigation Strategy

Besides implementation of NAPCC, there is a need to comprehensively articulate the mitigation strategy. It is pertinent to reflect on the latest estimates of India's Greenhouse Gas (GHG) Inventory (2007) which suggests that emissions are highest from the energy sector (58 percent of the net CO_2eq emissions), followed by industry (22 percent), agriculture (17 percent), and wastes (3 percent). In order to contain emissions from carbon-intensive sectors, mitigation strategies need to be comprehensive and actions need to come from multiple levels of government, apart from participation of industry and private players. Indian industry and other carbon-intensive sectors such as transport and thermal power sectors need to be incentivised to adopt energy-efficient and environment-friendly practices and low carbon infrastructures so that they can constantly move towards modern low-carbon intensive manufacturing installations and processes, and move towards using clean sources of energy. In spite of having huge untapped potential for GHG mitigation, several Small and Medium Enterprises (SMEs) spread across the country are yet to incorporate climate change mitigation in their business strategy. The limited engagement of SMEs towards carbon trading stems from the lack of awareness, technical knowhow and capacity. The 12th Plan needs to formulate policies and programmes to take the implementation of NAPCC directly to the SMEs. Also, the public transport sector should get utmost priority. There is a need to extend low carbon fossil-fuel transport services such as CNG Low Floor Bus Services (under the Jawaharlal Nehru National Urban Renewal Mission) to rural and semi-urban areas.

4. Prioritisation of Green and Clean Technology and Innovation

The challenges before the 12th Plan largely stem from the necessity to integrate green and clean technology into existing research, development and innovation. There is an urgent need to scale up and expand investment in the research and development of

[25] For more details, please refer to: UPA's Promises and Priorities: Is there a Mismatch? Response to Union Budget 2011-12, CBGA, March 2011, accessible at (Page 32) http://www.cbgaindia.org/publications_responses_to_union_budgets.php?action=details&id=10&page=1

such technologies. This not only requires supportive policy framework for Research & Development, but also interventions that facilitate adoption and absorption of new technologies. Moreover, the traditional knowledge and practices need to be explored and integrated in the mainstream research and innovation.

5. Promotion of New and Renewable Energy

Finally, a vital concern before the 12th Plan is to secure energy sustainability to bolster the high-trajectory of economic development along with meeting the historically-laggard objectives of 'inclusive growth' planning. The Integrated Energy Policy (2008) estimates that India's primary energy supply will need to increase by 4-5 times and its electricity generation capacity by 6-7 times of its 2031-32 target, with primary energy supply growth of around 5.8 percent a year to meet the energy requirements of economic growth. To ensure that growth is inclusive, there will be an increase in the demand for energy, and in the likelihood of this being fossil fuel-based, it is bound to raise the level of carbon emissions significantly. MoEF forecasts that if the GDP grows at a rate of 7.51 percent over the next 20 years, India's GHG emissions are expected to be around 5.7 billion tonnes and the per capita emissions will be around 3.9 tonnes $C0_2$ eq in 2030.

India's energy profile is skewed towards fossil fuels. Hence, moving to non-fossil fuel (renewable energy) as the primary energy source needs to be considered as also on the need for its diversification in the 12th Plan period. In the 11th Plan, the focus on new and renewable energy was not significant as it constituted approximately Rs.4,000 crore as 11th Plan proposed outlays, in which the Ministry of New and Renewable Energy was able to spend only 94 percent of the total proposed outlays (Table 6.4). For the 12th Plan, there is an urgent demand to increase budgets for renewable energy and also for linking its sustainability into community participation in its productivity and conservation. Local bodies need to be incentivised to decentralise renewable energy sources and connected to livelihoods-linked renewable energy projects.

Table 6.2: Union Government Expenditure on Adaptation to Climate Change

	2007-08 (RE)		2008-09 (RE)		2009-10 (RE)		2010-11 (BE)	
Expenditure on Various Adaptation Sectors	**% of Total Exp.**	**% of GDP***	**% of Total Exp.**	**% of GDP***	**% of Total Exp.**	**% of GDP***	**% of Total Exp.**	**% of GDP***
A. Expenditure towards Enhancement of Human Capabilities								
Poverty Alleviation, Livelihood & Food Security	9.09	1.36	11.68	1.98	11.78	2.04	11.38	1.91
Health Improvement and the Prevention of Diseases	1.18	0.18	1.06	0.18	1.02	0.18	1.09	0.18
Risk Financing	0.27	0.04	0.20	0.03	0.24	0.21	0.16	0.23
Total	10.54	1.58	12.94	2.19	13.04	2.43	12.63	2.32
B. Expenditure towards Natural Resources Management and Conservation (Ecosystem Services)								
Land Development, Drought Proofing, Irrigation and Flood Control	1.07	0.16	1.12	0.19	1.2	0.19	1.38	0.24
Agriculture & Allied Sectors	0.99	0.15	1.11	0.19	1.11	0.04	1.43	0.03
Forest, Biodiversity, and Wildlife Conservation	0.12	0.02	0.10	0.02	0.09	0.02	0.08	0.01
Water Resources	0.08	0.01	0.10	0.02	0.10	0.02	0.12	0.02
Disaster Management	0.02	0.00	0.02	0.00	0.07	0.01	0.07	0.01
Coastal, Marine and Ocean Management	0.014	0.002	0.014	0.002	0.02	0.003	0.03	0.005
Total	**2.29**	**0.34**	**2.46**	**0.42**	**2.59**	**0.28**	**3.11**	**0.31**
Total (A+B)	**12.85**	**1.93**	**15.40**	**2.61**	**15.63**	**2.71**	**15.7**	**2.64**

Note: * GDP in 1999-00 Prices
Source: Compiled from budget documents for various years

Table 6.3: Union Govt. Allocation for Selected National Missions under NAPCC

Selected Missions#	2011-12 BE@ (Rs. Crore)	% of Total Budget	% of GDP
National Mission on Sustainable Agriculture	18069	1.44	0.20
National Water Mission	10149	0.81	0.11
Green India Mission	799	0.06	0.01

Source: Calculated from the Expenditure Budget, Volume 2, Union Budget 2011-12.

@ The allocation does not include the share of North Eastern States

Premises of including various schemes and programmes under these missions have been guided by the mission documents brought out by the Ministry of Agriculture, Ministry of Water Resources and Ministry of Environment and Forests respectively.

Table 6.4: Proposed vs. Actual Outlays for Key Centrally Sponsored Schemes under 11th Plan

Scheme / Programme	Proposed Outlay for 11th Plan (at Current Prices)[a]	Budget Allocation during 11th Plan Period					Total Budget Outlays during 11th Plan period	% of Actual Allocation to Recommended Outlay for 11th Plan
		2007-08 RE	2008-09 RE	2009-10 AE	2010-11 RE	2011-12 BE		
National River Conservation Programme	2100	251.85	271	261	672.93	673	2129.78	101
Integrated Forest Protection Scheme	600	48.15	55.7	47.2	44.2	44.2	239.45	40
National Afforestation Programme	2000	337.95	290.62	253.17	234.5	228	1344.24	57
Panchayat Van Yojana	900	0.01	0	0	0	0	0.01	0
Ground Water Management and Regulation	460	48.11	54.37	68.82	75	117	363.3	78
Major and Medium Irrigation	1065	88.99	145.79	169.5	181.6	277.19	863.07	81
New and Renewable Energy	4000	489.82	509.00	550.82	1007.95	1212.38	3769.97	94

Source: Calculated from the Expenditure Budget, Union Budget (various years)

a Data taken from 11th Five Year Plan Document, Planning Commission, Government of India.

Table 6.5: Expenditure of Ministry of New & Renewable Energy during 11th Plan

(Figures in Rs. Crore)	2007-08 (RE)	2008-09 (RE)	2009-10	2010-11 (RE)	2011-12 (BE)
Plan Expenditure	483.00	499.40	539.40	882.55	1063.00
Total Expenditure	712671	883956	1024487	1216576	1257729
GDP (2004-05 prices)	4947857	5574449	6164178	7877947	8980860
% of Total Budgetary Exp.	0.07	0.06	0.05	0.07	0.08
% of GDP	0.010	0.009	0.009	0.011	0.012

Source: Budget at a Glance, (Various Years), Budget Document & Handbook of Statistics on Indian Economy.

WOMEN

The Government of India has introduced a plethora of legislations and programmes/schemes to address the gender inequities prevailing in our society. However, despite successive years of planning, the policies have failed to translate into better outcomes for women and girls. This is reflected in several indicators such as sex ratio, maternal mortality rate and drop out rates of girls among others. Box 7.1 shows progress made so far vis-à-vis the targets set in the 12th Five Year Plan.

Monitorable Targets	Progress
1. Raise the sex ratio for age group 0–6 from 927 in 2001 to 935 by 2011-12 and to 950 by 2016-17.	As per provisional 2011 Census report, the child sex ratio has dropped to 914 females per 1,000 males. In fact, this is the lowest since Independence.
2. Ensure that at least 33 percent of the direct and indirect beneficiaries of all government schemes are women and girl children.	Women's Component Pan was discontinued in 2010. Gender Budgeting (GB) Statement continues to be presented by Union Government since 2005-06 which captures the quantum of allocations meant for women. However, several issues persist with regard to methodology of preparation of GB Statement.
3. Reduce IMR from 57 to 28 and MMR from 3.01 to one per 1000 live births.	IMR: 50 MMR: 2.12 per 1000 live births

Source:
For Points 1 and 3: Sample Registration System, 2007-09
For Point 2, progress based on continuous analysis of the Union Govt. Gender Budgeting methodology

As in Box 7.1, either the indicators relating to women and girls have not changed much or even worsened (as in the case of sex ratio) in the 11th Plan period. This reinforces the fact that the slew of measures taken so far have had limited impact. Although, there are a whole host of issues underlying the current situation, a set of issues pertaining to women that should be prioritised in the 12th Five Year Plan merit attention.

♦ **Abysmally low magnitude of funds in women related schemes**

Foremost among the concerns is the need to address the abysmally low magnitude of funds for schemes that specifically relate to women. Examination of the latest Gender Budgeting Statement brought out by the Union Government reveals that most of the women-specific schemes have small magnitudes of allocations. Out of the 60 women-specific schemes/ interventions reported in the "Gender Budgeting Statement" in 2011-12, only 11 schemes have allocations exceeding Rs. 100 crore of which only three (viz. Reproductive & Child Health (RCH) Flexible Pool, Rural Family Welfare Services and Indira Awas Yojana) have allocations exceeding Rs. 1000 crore. Moreover, even these three schemes do not in any way directly promote women's agency. While RCH programme focuses on interventions that solely promote women's reproductive role, Rural Family Welfare Services also is a programme through which Auxiliary Nurse Midwives (ANMs) appointed under the RCH programme are paid their salaries.

There is thus an urgent need to significantly step up allocations for women specific schemes operational across different sectors. At the next level, it is also necessary to increase the prevalent low and unrealistic unit costs in most of these schemes to improve implementation.

♦ **Most Commitments Made in the 11th Plan Remain Unfulfilled**

The 11th Five Year Plan had made commitments with the objective of strengthening women related legislations, institutional mechanisms and empowering women. However, as we track the performance made in this regard, the picture appears grim.

The 11th Five Year Plan period had envisaged Swayamsiddha and Indira Gandhi Matritva Sahayog Yojana (IGMSY) as the main interventions. However, Swayamsiddha which aimed at empowerment of women through Self Help Groups never really took off. As opposed to the approved outlay of Rs. 500 crore for the scheme, only Rs.78 crore was allocated. Moreover, in the last two years, no expenditure has been incurred in the scheme. The other major scheme envisaged in the 11th Plan, i.e. IGMSY, was also launched only in the latter part of the Plan period. Further, since it is a cash transfer scheme, it will need to be assessed before commenting on its implementation.

The 11th Five Year Plan had also mentioned some very important measures such as setting up of a High Level Committee to review SHG related policies and programmes, a National Taskforce on violence against women in conflict zones and creating effective mechanisms for implementation of Protection of Women from Domestic Violence Act (PWDVA), 2005. However, no progress has been made in this direction. For instance, the Union government has still not made allocations for implementation of PWDVA since its enactment in 2005.

Table 7.1: Allocations of Select Schemes vs. Approved Outlay for 11th Five Year Plan

Scheme (Amount in Rs. Crore)	11th Plan Approved Outlay	Total Budget Allocation in 11th Plan period	2007-08 RE	Exp.	2008-09 RE	Exp.	2009-10 RE	Exp.	2010-11 RE	2011-12 BE
Working Women's Hostels	75	51	5	2.4	11	2.4	10	9.4	15	10
STEP	100	107	20	17.03	27	16.02	15	12.29	25	20
Swadhar	108	109.2	15	13	15	14.93	15	14.97	34.21	30
Swayamsiddha	500	78.03	24.9	23.3	50.08	0	0.05	0	0	3
IGMSY	4500	671	-	-	-	-	1	0	150	520

Source: Mid Term Appraisal of the Eleventh Five Year Plan, Planning Commission

♦ **No serious efforts made towards deepening Gender Budgeting**

While some efforts had been taken in the earlier Five Year Plans to ensure a definite flow of funds from the general developmental sectors to women, it was in the 9th Five Year Plan that Women's Component Plan (WCP) was adopted as a strategy to ensure that not less than 30 percent of the funds/benefits are earmarked for women (in plan spending) in selected sectors. However, the 11th Five Year Plan noted that the progress made under WCP was sluggish. Moreover, WCP only focused on the Plan budget of the

Ministries and Departments. Subsequently, in 2010-11, the Ministry of Women and Child Development discontinued WCP and stressed the move towards Gender Budgeting.

A Gender Budgeting tool that has been institutionalized across various Ministries/Departments is the Gender Budgeting Statement (GB Statement). Since 2005-06, a separate Statement (Statement 20) is presented every year as part of the Union Budget that tries to capture all those budgetary allocations which, according to the Union Ministries/Departments, are earmarked for women and girls. The schemes with 100 percent funds meant for women and girls are reported in Part A of the GB Statement, while others (i.e. those with at least 30 percent funds, but not the entire amount of funds, earmarked for women and girls) are reported in Part B of the Statement. Many States have also started bringing out a GB Statement.

However, a range of issues persist with regard to the methodology of preparation of the GB Statement.

- One of the main issues is that the GB Statement, either in the Union Budget or in the Budget of any State, is meant to capture only those funds that are tied to clear policy guidelines or directions to ensure that it reaches women. However, very few Ministries/Departments actually have clear policy guidelines for earmarking funds for women. In the absence of any clear policy guidelines or gender disaggregated data, most Ministries/Departments are assuming that 30 to 50 percent of the funds in a composite expenditure scheme must be benefiting women and hence should be reported in the GB Statement accordingly. In fact, Ministries such as Ministry of Minority Affairs and Earth Sciences have reported 100 percent of their scheme allocations in Part B of the GB Statement in 2011-12.

- Further, since the GB Statement does not capture budgetary resources that reach women only through incidental benefits, (unless the nodal Ministry/Department has gender-disaggregated data on beneficiaries to substantiate why they are reporting specific proportions of funds in Part B of the GB Statement) important Ministries such as Drinking Water and Sanitation and schemes such as JNNURM remain out of its purview.

Following steps are suggested to refine the methodology in preparation of the GB Statement:

- The scope of the GB Statement should be expanded to cover all Union ministries and departments. Those ministries and departments, which do not have any scheme/ intervention with funds earmarked for women, should report a nil statement to the Finance Ministry.
- Total budget outlay for each of the schemes/interventions, mentioned in the GB Statement, should also be reflected in this Statement. This will help clarify the proportion of funds in various schemes/interventions, which according to the ministries/departments are earmarked for women. The GB Statement should also include a note explaining the available information on the proportion of women beneficiaries in various schemes or the assumptions being made in this regard by the Union ministries/departments.
- The GB Statement in 2012-13, apart from presenting figures for 2011-12 (Revised Estimates) and 2012-13 (Budget Estimates), should also present figures for 2010-11 (Actuals).
- In case Ministries and Departments find it difficult to report any funds or benefits earmarked for women in their existing schemes/interventions, they should formulate new schemes/interventions focusing on women.

However, it is important to highlight here that the GB Statement is only one among several tools of making budgets and policies gender-responsive. For instance, the Department of Science and Technology has devised certain low cost interventions that have far reaching impact on women's lives. Likewise, in 2010-11, Kerala initiated a “Women Friendly Infrastructure” scheme cutting across many sectors such as Ports, Public Works Department, Transport and Police that are otherwise perceived as being gender-neutral. The 11th Five Year Plan emphasised that Gender Budgeting and Gender Outcome Assessment will be encouraged in all Ministries/Departments. Also, Gender Budget Cells will be formed in every Ministry/Department and information about working of the cells will be placed in the public domain. Although, 56 Ministries and Departments have set up Gender Budget Cells, no information exists in the public domain as regards the initiatives taken by them towards making their policies gender-responsive.

Therefore, while on the one hand, the government needs to refine the methodology of GB Statement, it also must invest its energy towards exploring innovative ways of making its programmes responsive to the needs of women.

- **Most Interventions do not consider the Gender Based Disadvantages faced by Women in Critical Sectors**

There are a large number of schemes that are reported in the GB Statement. However, very few of them actually take into account the specific gender-based disadvantages confronted by women. In fact, many of them end up perpetuating the prevailing gender stereotypes or have very little impact on the way gender roles are constructed. The first step in making budgets or any policy gender-responsive is to recognize the specific gender-based disadvantages faced by women in that particular sector. However, this step is often the most neglected.

Box 7.2: Gender-Based Disadvantages Faced by Women in Some Sectors

Education: Girls face specific problems of safety and security in accessing schools. Even if they get enrolled, they drop out after attaining elementary or primary education due to multiple responsibilities. Also, girls, particularly after puberty, miss school due to lack of proper sanitary facilities for dealing with menstrual hygiene.

Water & Sanitation: Women are the primary collectors of water. Some gender based disadvantages that women confront include:

- Time and opportunity cost for work lost due to time spent in water collection.
- Exposure to physical and sexual violence while collecting water from tankers.
- Absenteeism and dropout rate of girl children from schools.
- Lack of toilets leads to severe health problems among women, loss of dignity and threat to security.

Science & Technology: Even today, there are far less number of women scientists or in technical fields than men since a majority of them discontinue pursuing higher studies owing to a variety of compulsions.

Employment: Women lack access to improved technology and skill training. Also, many women are unable to join employment or continue in the labour market owing to absence of poor service conditions such as inconvenient timing of work, lack of transport at odd hours of work etc.

Disaster Relief & Rehabilitation: Women are often discriminated and exploited during relief operations. Lack of privacy in temporary shelters often leads to exploitation of women. Further, very less attention is paid to placing gender sensitive personnel or sensitizing the personnel which leads to inaccurate assessment of loss of livelihoods, distribution of relief goods etc. Also, in the event of loss of their husbands, women might be left alone with little or no support forcing women into prostitution.

Two studies undertaken by CBGA recently have provided important insights in this regard. A study was conducted with the Department of Women and Child Development, Government of Rajasthan to assess the gender responsiveness of the government's flagship scheme – Integrated Child Development Services (ICDS). The key findings include:

1. There are several concerns at the level of policy design. The focus of the programme has been largely on the reproductive role of women; it places the complete burden of care on women and overlooks intra-household Inequalities/power relations which have an impact on women's nutritional status.

2. Looking at the organisational structure of ICDS, all frontline service providers (Anganwadi Workers, Anganwadi Helpers and Asha Sahayoginis) are women. Even the Supervisors who are supposed to monitor Anganwadi Centres at the cluster level are women in Rajasthan. What is striking is the fact that there is very little support from the State for these workers. For instance, AWWs/AWHs and Asha Sahayoginis are supposed to be honorary workers. Despite a whole host of tasks that they have to perform, they are provided a paltry honorarium. Sometimes, they are even given additional work such as election duties, pulse polio campaigns without any additional benefits. Similar is the plight of Supervisors. A Supervisor has to monitor around 20-25 AWCs in rural and urban areas. However, she is not given any vehicle to visit AWCs located in remote villages. This raises serious concerns with regard to their safety and security at work. Moreover, it was found that in none of the study blocks were the number of sanctioned Supervisors in place. Due to this, in many cases, a Supervisor carried additional burdens. The Child Development Project Officers (monitoring staff at the block level) were also found to be grossly inadequate in number. Moreover, they also carried the additional responsibility of Protection Officers under the Protection of Women from Domestic Violence Act. Thus, acute shortage of human resources is a major concern.

3. ICDS, being a Centrally Sponsored Scheme, has no scope for the States to take into account their local specificities. While the Central government has initiated an annual provision of a Flexi Fund, it is a meagre amount of Rs.1000 per AWC. Also, the unit costs of certain components need urgent revision such as travel allowance, rent for AWCs, assistance to Self Help Groups for preparing meals etc.

The second study examined the gender issues in water and sanitation in two resettlement colonies in Delhi. The study revealed that:

1. Policies and schemes for urban water and sanitation as analysed do not have much to offer women, especially those residing in JJ re-location colonies.
2. There are several incidents of sexual harassment of women while availing sanitation facilities at the Community Toilet Complexes (CTCs). Moreover, poor and faulty design of CTCs put women at the risk of being harassed. CTCs are not even open for the entire day which causes inconvenience to women to meet their sanitary needs.
3. Budgets for water and sanitation in JJ re-location colonies are woefully inadequate. Considering that the Delhi government is spending a mere Rs.30 on water supply and Rs.80 on sanitation per JJ colony resident in 2011-12, inadequate funds for these areas is surely a cause of concern.
4. In addition to paucity of funds, issues of implementation of government programmes also make water and sanitation services inaccessible to the urban poor. Issues of poor planning, shortage of human resources, poor convergence among implementing agencies are impediments to effective performance of the schemes. Women's active participation at the planning stage might be able to ensure that their needs are addressed. Successful convergence and collaboration of the various ULBs and parastatals in charge of water and sanitation may solve a large number of implementation bottlenecks.

The two studies have underscored the need to scrutinise a policy/programme with reference to the following concerns:

(i) Whether the objectives of the programme adequately respond to specific gender-based disadvantages confronting women and girls in a given sector? If not, how could the objectives / goals be made more gender-responsive?

(ii) Whether the programme has clearly identified components / interventions / policy guidelines for addressing gender-based disadvantages confronting women and girls in a given sector?

(iii) Whether the institutions involved in decentralized planning, budgeting and implementation of the programme (at the district, State and national level) are sensitive to specific gender-based disadvantages confronting women and girls in a given sector? Are they making an effort to make their programme more gender-responsive in its design, resource allocation and implementation?

- **Women continue to be unpaid and underpaid in Government's Flagship Programmes**

A notable trend in recent years is the growing reliance of government programmes and schemes on unpaid and underpaid labour of women. Several government flagship programmes are implemented through frontline service providers who invariably are women. The most telling example perhaps is that of Anganwadi Workers (AWWs) and Helpers (AWHs) under Integrated Child Development Scheme (ICDS) and of Accredited Social Health Activists (ASHAs) under the National Rural Health Mission (NRHM).For the range of activities that they are expected to perform, their 'remuneration' remains extremely low, and work conditions deplorable. What is most disturbing however is the categorisation of their work as 'honorary' or 'voluntary'. This categorisation further justifies the complete absence of support structures, rendering these women extremely vulnerable to exploitation.

Due to continuous struggle of federations of women workers across the country, some progressive measures have been taken by the Union government, and consequently by the state governments, to provide some level of social security to them. These measures notwithstanding, many issues persist. The government should recognise AWWs/AWHs and ASHAs as workers and regularise their services. Following the example set by the Pondicherry government, a rough estimation shows that the fund requirement for all sanctioned Anganwadi Centres (AWCs) across the country (which was 13.5 lakh as on 31.12.2009) would work out to Rs.11,502 crore.

- **Support Services for women in distress remains neglected**

Women in distress such as those who are deserted, survivors of natural disasters or who are victims of domestic violence are the most vulnerable. Special measures are needed to address their specific vulnerabilities. The Union Ministry of Women and Child Development is implementing two schemes aimed at women in difficult circumstances – Swadhar and Short Stay Homes. However, both women's rights groups as well as evaluation studies have highlighted several gaps in their implementation:

1. These initiatives remain limited in their scope and reach. As per the Annual Report 2010-11 of the Ministry of Women and Child Development, until 2010-11, the total number of Swadhar homes and women helplines in the country were 331 and 233 respectively. Therefore, there is not even one Swadhar home in a district. Moreover, most of the homes are concentrated in a few states such as Andhra Pradesh, Karnataka, Orissa, Tamil Nadu, West Bengal and Maharashtra. In states such as Uttarakhand where the terrain is hilly, it is all the more important to have at least one home per district.
2. The unit costs of most of the components such as salaries of staff, rent, food, among other components, are unrealistic.

3. There are many important components that have been neglected such as Information, Education & Communication and provision of a cook at the shelter homes.
4. The budgetary procedures are far too complex which leads to delay in fund flow from the Union government to the implementing agencies. For instance, for every installment, the implementing agency has to get a recommendation letter which passes through several tiers of approval before reaching the Union government.
5. There is no grievance redressal mechanism. Most implementing agencies have nowhere to go to file their complaints.
6. Monitoring systems are extremely weak.
7. Overall, the whole approach is welfare-centric and not entitlements-based.

Disappointingly, the new scheme, "Swadhar Greh" which merges both Swadhar and Short Stay Homes is marred with similar problems. Although unit costs of some components have been upscaled, it again follows a centralized approach of implementation. What is needed is a mechanism based on entitlements for women in difficult circumstances which caters to their needs in a holistic manner.

With the thrust of the 12th Plan Approach being on inclusion, it is necessary to assess the extent to which the government policies and budgets are responsive to the concerns of women, given that women continue to remain disadvantaged at several levels. The impact of any initiative in terms of its being inclusive would need to be gauged essentially in terms of the gap that it helped any disadvantaged segment of population (in this case, women) bridge.

CHILDREN

Children below the age of 18 years account for more than 40 percent of India's population. Although India has succeeded in improving several child development indicators, it fares poorly even in comparison to many developing countries. Moreover, there exist huge disparities across regions and across the states within the country.

Some Glaring Facts[26]:

- With 1.8 million deaths among children (aged below 5 years), 68,000 deaths among mothers every year and 52 million children who are stunted, India's burden of reproductive health and child health and nutrition is greater than any other country.
- India has the largest number of malnourished children in the world - over half the children in the country are moderately or severely malnourished and 30 percent of newborns are significantly underweight.
- 164 million children in India are in the 0-6 year age group, of whom about 60 million are in the age group 3-6 years. Only 4 million children in this age group are covered by pre-schooling initiatives either under the Integrated Child Development Services (ICDS) or private initiatives, excluding about 26 million children from any intervention[27].

Most of the problems are rooted in inadequate financing. Since the 12th Five Year Plan is going to shape the policy towards children in the next five years, it would be useful to find out the magnitude of resources recommended for children in the Plan as well as in the annual budgets.

1. Low Priority for Children in Government Budgets in India

To find out the magnitude of "Child Budget" within the Union Budget, Statement 22 (Budget Provisions for Schemes for the Welfare of Children) in Expenditure Budget Vol. I of the Union Budget introduced by the Union Government in the 2008-09

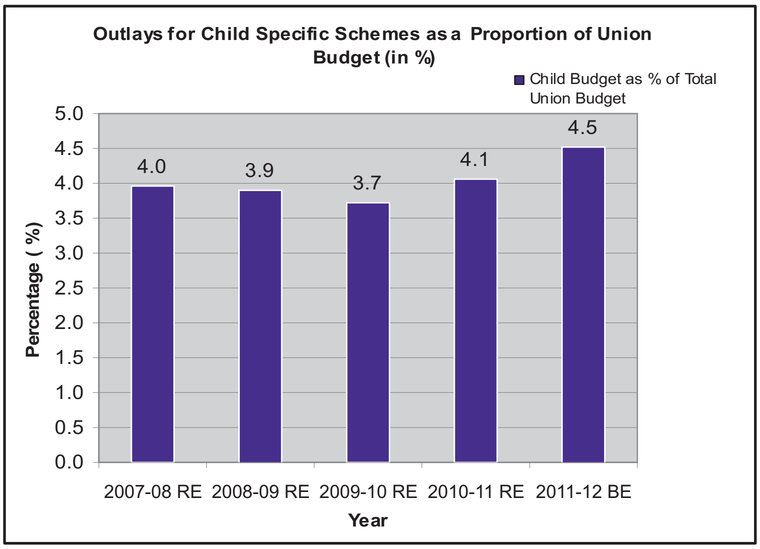
[26] Reproduced from Paul, Sachdev et al (2011) 'Reproductive health, and child health and nutrition in India: meeting the challenge', The Lancet, Vol 377 January 22, 2011

[27] BUDGET FOR CHILDREN, A Summary Report 2004-05 to 2008-09, HAQ: Centre for Child Rights, New Delhi

Budget, is referred to. This Statement "reflects provisions for expenditure on schemes that are meant substantially for the welfare of children". The rationale behind this initiative has been that "recognising that children under 18 years of age constitute a significant percentage of the Indian population, the (Union) Government is committed to their welfare and development".

The 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, stands at 4.5 percent in 2011-12 (BE). Considering the fact that children (i.e., all persons up to the age of 18 years) constitute more than 40 percent of the country's population and that many of the outcome indicators show persisting deficits in their development, the magnitude of the Child Budget at 4.5 percent of the total Union Budget in 2011-12 (BE) appears grossly inadequate.

Figure 8.1: Outlays for Child Specific Schemes as a Proportion of Union Budget



Source: Compiled from Expenditure Budget Vol. I, Union Budget, GoI, various years.

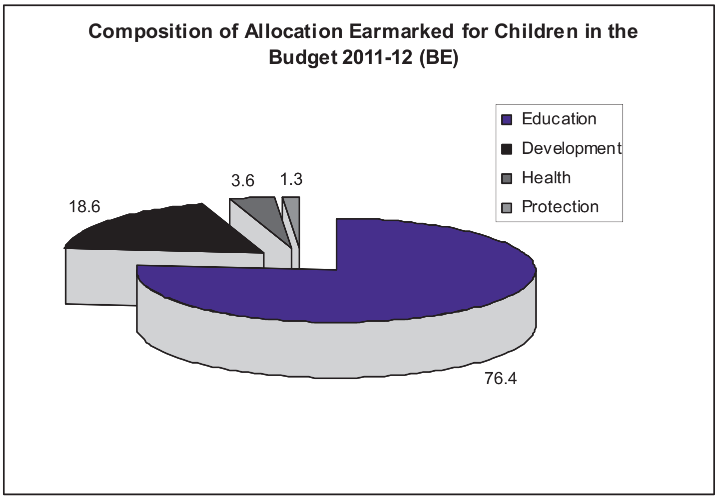
1(a). Sector-wise Prioritisation of the 'Child Budget'

Keeping in mind the different needs of children in the country, all programmes/ schemes included in the Child Budget can be categorised into four sectors, viz.,

- Child Development (referring mainly to interventions for early childhood care and nutrition);
- Child Health (referring mainly to interventions for child survival and health);
- Child Education; and

Child Protection (protection of children in difficult circumstances).

Figure 8.2: Sector-wise Composition of Total Outlay for Children



It is disappointing to note that the sector-wise prioritisation of the Child Budget continues to be skewed against Child Health and Child Protection. Within the total resources earmarked for children in Union Budget 2011-12 (BE):

- 76.4 percent is meant for Child Education,
- 18.6 percent for Child Development,
- Only 3.6 percent for Child Health and
- A meagre 1.3 percent is meant for Child Protection.

Thus, the effort of the Union government over the past few years at stepping up priorities for children in the Union Budget leaves a lot to be desired. The total magnitude of resources earmarked for children in Union Budget 2011-12 (BE) is only 4.5 percent of the total Union Budget, and inadequate to address the various problems confronting the sector. Moreover, even within this small quantum of resources earmarked for children, the sectoral composition is heavily skewed. The interventions for Child Protection[28] and Child Health sectors are still under funded.

1(b). Priority for Children in State Budgets

The inadequate and skewed allocation pattern is also visible at the level of the state budgets. CBGA has conducted child budget studies in Orissa, Bihar, Madhya Pradesh, Chhattisgarh, Rajasthan and Uttar Pradesh. Further, Haq: Centre For Child Rights has also conducted child budget studies in a number of states including Assam, Andhra Pradesh, Himachal Pradesh, West Bengal, Orissa and Uttar Pradesh. Although it varies across the states and for different time periods, most of these states spend around 13 to 15 percent of their respective budgets for the programmes/schemes focusing on children (except Assam which spends only 8 percent of the state budget on children). But child population (0-18 age group) varies between 40 to 49 percent of the total population of these states. So, considering the child population, the magnitude of the child budget is inadequate in all the states. Further, even this miniscule allocation is skewed in favour of education while other areas like health, development and protection are neglected. For instance, out of the total child budget across these states, around 85 to 90 percent allocations were earmarked child education only[29].

Table 8.1: Child Budget as Proportion of Total State Budget

	2004-05	2006-07 (BE)	2007-08 (BE)
Bihar	10.88		15.62
Chhattisgarh	13.5		10.5
Orissa	12.24		14.1
Madhya Pradesh	11.9	14.4	
Rajasthan	12.9	15.2	
Uttar Pradesh	10.7	14.8	

[2]Source: Child Budget studies conducted by CBGA.

2. Allocations Recommended in the 11th Plan vs. Actual Outlays

In the 11th Five Year Plan, some ambitious targets were set for the overall development of children. However, Table 8.2 shows that the total allocation provided in the five Union Budgets between 2007-08 and 2011-12 has been only 22 percent of the recommended outlay for Rashtriya Madhyamik Shiksha Abhiyan (RMSA) and 45.5 percent for Teachers' Training. ICDS and Mid-Day Meal Scheme (MDMS) have fared better with 92.5 and 81.1 percent respectively.

[28] "National Child Labour Project (NCLP) aims to rehabilitate children withdrawn from work through special schools with focus on children engaged in hazardous occupations. The package of benefits to child labour for their rehabilitation includes education, vocational training, nutrition, health care, recreation, stipend, etc. Allocation for NCLP has increased from Rs. 87.2 crore in 2004-05 to Rs.142.56 crore in 2008-09, which is an increase by 63.5 percent. But there is a steep decline in the allocation in 2009-10 from Rs. 142.56 crore in 2008-09 to 89 crore in 2009-10 (37.6 percent). But this decline is not understood when in the eleventh plan it has set out to extend the scheme in additional 100 districts" (BUDGET FOR CHILDREN, A Summary Report 2004-05 to 2008-09, HAQ: Centre for Child Rights, New Delhi).

[29] For details, see Child Budget studies conducted by CBGA for respective states and BUDGET FOR CHILDREN, A Summary Report 2004-05 to 2008-09, HAQ: Centre for Child Rights, New Delhi

Table 8.2: 11th Plan Recommended Outlays vs. Union Budget allocations made in the Plan Period

Scheme	Proposed Outlays for 11th Plan (in Rs. Crore) [at current prices]	Plan Allocation made in the Union Budget (in Rs. Crore)					Total Union Budget Allocation in 11th Plan (in Rs. Crore)	Union Budget Allocations as % of Proposed Outlays
		2007-08 (RE)	2008-09 (RE)	2009-10 (RE)	2010-11 (RE)	2011-12 (BE)		
SSA	71000	11295.6	12639.2	12825.4	15000	21000	72760.2	102.5
MDM	48000	5632.23	6530.48	6931.73	9440	10380	38914.4	81.1
Teachers' Training	4000	312	307	325	375	500	1819	45.5
RMSA	22620	1	511	550	1500	2424	4985.9	22.0
ICDS	42400	5193.21	6932.74	8154.52	8700	10330	39310.5	92.7

Note: SSA: Sarva Shiksha Abhiyan; MDM: Mid Day Meal; RMSA: Rashtriya Madhyamik Shiksha Abhiyan; ICDS: Integrated Child Development Services
Expenditure figures for SSA, MDM and ICDS for the years 2007-08 to 2009-10 are actual figures.
Source: Compiled by CBGA from Eleventh Five Year Plan, Planning Commission, Govt. of India; and Union Budget, Govt. of India, various years.

3. Integrated Child Development Services (ICDS)

The oldest Centrally Sponsored Scheme (CSS) in the country, Integrated Child Development Services was launched in 1975 to combat child malnutrition. Akin to most of the other Plan schemes, ICDS too is implemented by contractual staff employed at various levels of implementation. The team comprises child development project officers (CDPOs), supervisors, anganwadi workers (AWWs) and anganwadi helpers (AWHs). A CDPO is placed at the block level and thus is responsible for monitoring and supervision of all anganwadi centres (AWCs) in a block which may be 200-300 in number depending on the block size and population. Similarly, a supervisor needs to oversee 20 AWCs in rural areas, 20 AWCs in urban areas and 17 AWCs in tribal areas.

The Ministry of Women and Child Development, Government of India, is the nodal ministry for implementing this scheme. The Union ministry's database has been analysed to assess the gaps in terms of existing number of ICDS functionaries vis-à-vis the sanctioned numbers (Table 8.3). The table indicates that Chhattisgarh fares poorly with about 70 percent vacancies of CDPOs and supervisors against the sanctioned strength and 40 percent vacancies at the level of anganwadi helpers. Other states which have acute shortage of monitoring and supervision staff include Bihar, Rajasthan, West Bengal, Gujarat and Uttar Pradesh. Bihar stands out with around 90 percent shortage at the level of supervisors. The lack of sufficient number of frontline service providers (AWWs and AWHs) is common across several states including Chhattisgarh, Assam, Orissa, West Bengal and Rajasthan.

A recent phenomenon that has worsened the situation is burdening the existing officials with additional responsibilities. For instance, in several states such as Chandigarh, Madhya Pradesh, Maharashtra, Manipur, Mizoram and Rajasthan, CDPOs have been assigned the additional charge of protection officers required under the Protection of Women from Domestic Violence Act. Since Protection Officers (POs) are the primary link between the aggrieved women and the judiciary, their significance and workload cannot be overstated. A CDPO in Rajasthan who is supposed to supervise 300 AWCs is also simultaneously expected to fulfill duties that are assigned to a PO.

Table 8.3: Shortfall in Human Resources for ICDS (in %)

Vacancies at National Level	Norm (if any)	States where Situation is Acute
Child Development Project Officers/ Additional Child Development Project Officers: 36%	1 per Block	Chhattisgarh: 71 % Gujarat: 58% Rajasthan: 54% Kerala: 52% West Bengal: 45%
Supervisors: 43 %	20AWCs in rural areas 25 AWCs in urban areas 17 AWCs in tribal areas	Bihar: 93% Chhattisgarh: 69% West Bengal: 51% Orissa: 49% Uttar Pradesh: 47% Rajasthan: 46%
Anganwadi Workers: 22%	One per 1000 population	Chhattisgarh: 44% Assam: 38% Orissa: 31%
Anganwadi Helpers: 16%	One per 1000 population	Chhattisgarh: 40% West Bengal: 27%

Source: Ministry of Women and Child Development, Government of India

In this regard, some recommendations ensue:

- Outlays for child development need to be stepped up. There is a need to hike the spending on maintenance and regular upkeep within ICDS by the state governments.
- Strengthening the monitoring and supervision mechanism under the scheme is critical. Steps must be taken to ensure greater community participation with the programme implementing officials. Recruitment of staff should be expedited in an effort to reduce some of the systemic weaknesses. A two-worker per anganwadi centre norm might be considered given the huge workload on anganwadi workers. The primary responsibility of an anganwadi worker could be to take care of children under three years and pregnant and nursing mothers. The other worker could have the responsibility to ensure pre-school education for children in the 3-6 year age group and to provide supplementary nutrition to them.
- The capacity of the implementing staff needs to be strengthened in a regular and sustained manner. The regularity and quality of anganwadi worker and helper training programmes should be improved. Training is also required for supervisors and child development programme officers. The anganwadi centre being the primary unit of service delivery is a necessary pre-condition to attaining outcomes. It should have its own independent pucca (solid, permanent housing made from bricks and concrete or timber) building. Construction and maintenance grants could be made available for this purpose. A specific proportion of funds under ICDS could be earmarked for construction, as in the case of the Sarva Shiksha Abhiyan where 30 percent of the scheme outlay is provided for civil works.
- There is a need to revise unit costs and make them more realistic. Interactions with government officials associated with implementation of the scheme suggest that the existing unit costs for the Supplementary Nutrition Programme (SNP) need revision given the rising food prices. The conversion cost for the SNP should also be increased in addition to the quantity of foodgrains being currently provided.
- Rules for the financial sanction of smaller amounts from the State Finance Department to the State Department of Women and Child Development either needs to be scrapped or made more flexible. After the scheme has been sanctioned through the State Budget, ideally, an approval should not be required from the Department. The Department of Women and Child Development should be given more autonomy to spend the money in the scheme as and when required, with financial powers decentralised instead of being vested only with the Finance Department.

4. Integrated Child Protection Scheme (ICPS):

ICPS, a Centrally Sponsored Scheme, introduced in 2009-10, aims at creating safe and secure environment for children in need of care and protection, children in conflict with law and other vulnerable children. Although it envisages for providing a comprehensive set of measures for child protection through empowering States/UTs, allocations for this purpose is not adequate. Further the allocated budget has not been utilised fully. In the current year, financial proposals for release of funds under ICPS were received from 21 States / UTs and Rs. 91.52 crore have been released under the Scheme (as on 28th February, 2011).

Table 8.4: Allocations under Integrated Child Protection Scheme (ICPS)

Year	Budget Allocation (in Rs. Crore)	Amount Sanctioned (in Rs. Crore)
2009-10	Budget Estimates 60 Revised Estimates 50	42.63
2010-11 (up to 28th February 2011)	Budget Estimates 300 Revised Estimates 100	91.92

Source: Annual Report, 2011-12, Ministry of Women and Child Development

5. National Child Labour Project (NCLP)

The National Child Labour Project (NCLP) was introduced in 1988 and envisaged running of special schools for child labour withdrawn from work. In the special schools, these children are provided formal/non-formal education along with vocational training, a stipend of Rs.100 per month (this has only recently been increased to Rs.150/month with effect from April 2011), supplementary nutrition and regular health check-ups so as to prepare them to join regular mainstream schools.

Table 8.5: Outlays for National Child Labour Project (NCLP) in the Five Year Plans

Plan Period	Number of NCLPs	Budget Allocation (in Rs. Crore)
7th Plan	12	
8th Plan	76	15
9th Plan	100	250
10th Plan (Up to 3/2007)	250	602
11th Plan	271	625

Source: Report of Working Group Meeting on 12th Plan, Ministry of Labour and Employment, accessible at http://labour.nic.in/cwl/ChildLabour.htm

Under the scheme, funds are given to the District Collectors for running special schools for child labour. Most of these schools are run by the NGOs in the district. A CBGA-UNICEF collaborative study[30] found a skewed distribution of break-up of funds into various components in select districts in Chhattisgarh. Child Labour Survey, Awareness Generation and Teachers' Training have been the most neglected heads of expenditure throughout the 10th Five Year Plan. Child Labour Survey and Awareness Generation comprise only 1 percent of total spending, whereas the norms for the same are 15 percent and 4 percent respectively. Another critical input having a positive impact on quality of the outcome, i.e. Teachers' Training had a mere 0.83 percent share of the total expenditure. The maximum spending has been focused on running the schools. Shortage of staff is a major impediment for implementation of the project.

Besides the above issues, many experts and civil society groups feel that very little attention has been given to children in the Approach Paper to the 12th Plan. Many of the relevant issues have been overlooked. Adequate importance has not been given to the first 2 years of a child's life that are critical for prevention of under-nutrition and its consequences; the focus of the nutrition programmes has become supplementary nutrition and pre-school education for children aged 3–6 years[31].

Nutrition of the infant during the first month and first six months is not getting adequate attention. It is similar for the plus 6 years group. Across policy and programme information and reporting, the older child is curiously absent from official data and listed programming measures and impacts after the age of 5 or 6 years. They are only partly recognised by the 12th Plan approach. Even the primary healthcare system does not enquire about that. These must be addressed in the 12th Plan.

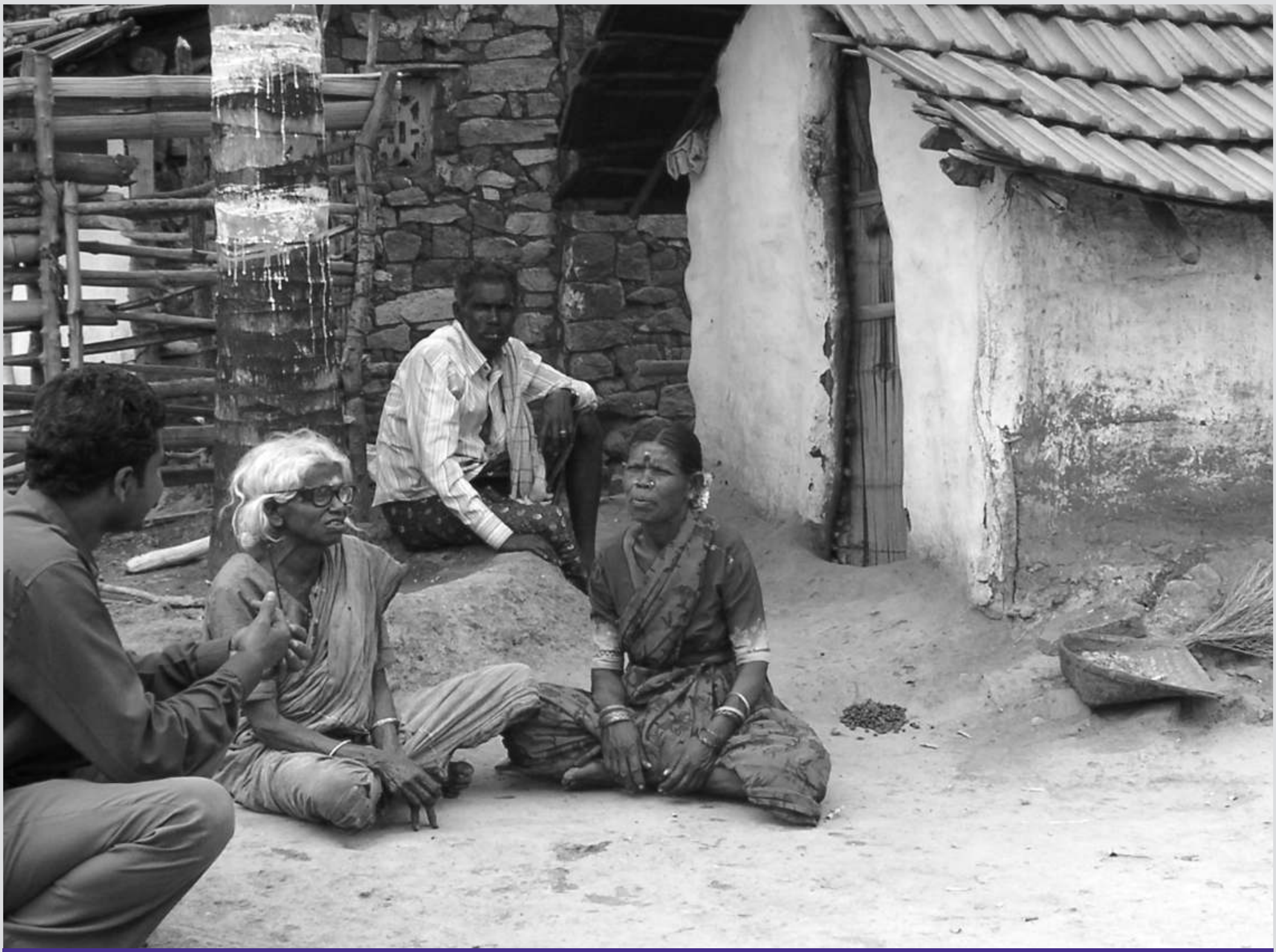
It is scientifically proved that in certain age groups (Girls: 9-11 years, Boys: 11-13 years) the girl child and the boy child experience their second growth spurt. However, no attention is being paid to address the nutrition needs of either sex. There is also little stated recognition of the survival risks and deficits confronting boy children. Is it assumed that “son preference” keeps all boys – little and big – safe and healthy?

A scan of the causes of death listed in the 2009 report of the Registrar General of India reveals continuing survival risks and survival deficits beyond the 5-year age group and up to 18 years. The children who struggled – and succumbed – faced many hazards and many service deficiencies all through childhood. It should be addressed. There is a greater emphasis on enrolment and access to schools; however, there needs to be more focus on the retention of children with disabilities, quality of education and also support services when looking at inclusive education.

In line with the recommendation of Sachar Committee in 2006, focus must be given to reducing the drop-out rates especially for girl children among the minorities. There is no information on the not-in-ICDS, not-in-school children. Consequently, there is no programme or scheme, or any budding idea, of an intervention that could reach these left-out groups. In sum, it becomes clear that a lot more focus needs to be paid to the concerns of children to ensure that the demographic dividend indeed reaps rich dividends for the country.

[30] A Research Study by Centre for Budget and Governance Accountability (CBGA) in 2008 was supported by the United Nations Children's Fund on “Constraints in Effective Utilisation of Funds in the Social Sector: A Study of Rajnandgaon and Lalitpur”

[31] Reproduced from Paul, Sachdev et al (2011) 'Reproductive health, and child health and nutrition in India: meeting the challenge', The Lancet, Vol. 377 January 22, 2011



SCHEDULED CASTES AND SCHEDULED TRIBES

Scheduled Castes (SCs) and Scheduled Tribes (STs) are among the most disadvantaged sections of Indian society, considering their socio-economic exploitation and isolation down the annals of history. They have remained neglected in the planning and implementation of development interventions by the Central and state governments. Although the 11th Five Year Plan inculcated the slogan of "inclusive growth", with a special focus on the development of SCs and STs, they continue to lag behind in nearly every aspect of development.

In the 1970s, the Planning Commission introduced specific strategies for channeling Plan funds for the development of SCs and STs, in accordance with the proportion of SCs and STs in the total population (that is, 16 percent and 8 percent respectively at the national level, as of 2001). These planning strategies are now known as the Scheduled Caste Sub Plan (SCSP) and the Tribal Sub Plan (TSP). The strategies of SCSP and TSP require the Central government to ensure that out of its total Plan budget, at least 16 percent is earmarked for the development of SCs and at least 8 percent is earmarked for the development of STs in the Union and State Budgets.

SCSP and TSP aim to ensure direct "policy-driven" benefits for SCs and STs through specific interventions as opposed to the earlier approach of relying solely upon "incidental" benefits flowing to them from various government interventions. Even after three decades since these strategies were introduced, a scrutiny of the budgetary resources earmarked for SCs and STs raises serious concerns. The magnitude of Plan allocations earmarked for SCs and STs, as reported in the budget documents of the Union Budget and in many state budgets have been at much lower levels than what is promised in the guidelines of SCSP and TSP.

There remain critical administrative bottlenecks in implementation of the development programmes/schemes. Further, sufficient administrative, executive and accountability mechanisms meant for development programmes of SCs and STs are not in place in states and districts. Budgetary processes and norms are not being followed appropriately in the fund flow process. There has been poor utilisation of the allocated funds for the welfare of SCs and STs. Funds meant for SCSP and TSP have been diverted to other sectors and purposes. There is a lack of transparency in many state budgets in terms of accessing public information on SCs and STs, as many state budgets do not publish summary statements on SCSP/TSP. Poor service delivery mechanisms at the field level also constrain attainment of development outcomes.

Realising the inadequacy in the implementation of SCSP and TSP, the Planning Commission constituted a Task Force chaired by Dr. Narendra Jadhav to review, re-examine, and revise the existing SCSP/TSP Guidelines in 2010. The Task Force found that the implementation of the guidelines has remained inadequate and hardly any Ministry is showing its SCSP/TSP outlays under a separate Budget Head (major head 2225 and minor head 789 & 796). Moreover, allocations shown by Ministries are notional and lack criteria/assumption, transparency and uniformity in fund allocation. Hence, it is impossible to quantify the total amount allocated and/or spent by the Central government under SCSP/TSP. Taking into account the problems, the Task Force recommended that substantial reforms be introduced in the SCSP/TSP from 2011-12 for Central Ministries/Departments with a further aim to refine it from the 12th Five Year Plan.

The Draft Approach Paper (DAP) to the 12th Plan has also recognised many deficiencies in development of SCs and STs and also raised concerns over the weaknesses in the process of implementation of policies and programmes meant for these communities. It talks about devising a new system in the 12th Plan to overcome the past difficulties experienced in SCP and TSP. However, the DAP has not given any specific suggestion to overcome the problems that have been existing in the sub plan for over 30 years.

Implementation of SCSP and TSP in the Union Budget

The analysis of the Union Budgets, using Statements 21 (SCs) and 21A (STs) and the Detailed Demands for Grants (DDGs), reveal several gaps in the implementation of SCSP and TSP. A look at Statement 21 from 2004-05 to 2010-11 shows that the aggregated plan allocation for SCs and STs varies from 7 to 11 percent for the combined population of SCs and STs, which was 24 percent of the total population as per Census 2001.The Statements 21 and 21 A in the Union Budget 2011-12 highlight the percentage share of allocations for SCSP and TSP to be 9 percent and 5 percent of the total plan allocation respectively, as in Table 9.1.These estimates fall far short of the recommended allocations by the Jadhav Task Force.

The combined plan allocations for SCs and STs from an analysis of the DDGs are as low as 2.54 percent in 2008-09 (Budget Estimates), 2.36 percent in 2009-10 (BE) and 2.45 percent in 2010-11 (BE). Budgetary allocation for SCs as a proportion of the total plan allocation is found to be as low as 1.10 percent (2008-09), 0.84 percent (2009-10) and 1.28 percent (2010-11). Similarly, budgetary allocations for STs range between 1.25 percent and 1.4 percent as a proportion of the total plan allocation. The DDGs also reveal that the Union Ministries of Social Justice and Empowerment and Tribal Affairs contribute a sizeable amount of funds that are allocated for the SCs and STs. Apart from these two ministries, there are some other ministries like Labour and Employment; Micro, Small and Medium Enterprises (MSME); Home Affairs (Chandigarh, Andaman & Nicobar Islands and Daman & Diu); and Food and Public Distribution that have allocated the funds. In 2011-12, the percentage share of allocation for SCs and STs in DDGs has improved and reflects the allocation in the respective major heads and minor heads of 23 departments and ministries.

The setting up of the Jadhav Task Force in 2010 and the recommendations given by it are progressive steps that reflect a sense of urgency on the part of the government to address deficits like a separate budget statement for SCs and STs, opening the minor heads and targeting the Central Plan Assistance (CPA) for the welfare of SC and STs. In Union Budget 2011-12, the government introduced two separate budget statements - Statement 21 that specifically catered to SCs and Statement 21A for STs. Allocations were thus made under separate Minor Heads (789 and 796) for 25 Central ministries and departments. Recommendation for a Non-Lapsable Central Pool of Resources (NLCPR) for SCs and another for STs is very helpful. However, there is a concern over classifying the 43 ministries/departments in a non-obligatory category under SCSP and TSP.

The scrutiny of the non-obligatory 43 ministries/departments for 2010-11 reveals that not all of them are regulatory departments/ministries. There is enough scope to create some exclusive schemes for development of SCs and STs. Besides, the percentage share of allocation determined by the Task Force under SCSP and TSP under the three remaining categories, as mentioned above, is not adequate to address the given development deficit of SCs and STs. Ministries like MSME, Commerce, Information Technology, and Science and Technology falling under Category II, have been directed to allocate less than 15 percent of the total fund under SCSP and TSP, which are critical for long-term development of SCs and ST.

Implementation of SCSP and TSP in the State Budgets

Looking at the implementation of SCSP and TSP, an assessment of the Annual Plans of five states for 2009-10 and 2010-11 reveals that there are anomalies in the figures given by the State Planning Departments and DDGs in the three states of Bihar, Rajasthan and Madhya Pradesh. As per the Planning Departments, Bihar, Odisha, Uttar Pradesh and Madhya Pradesh have allocated the funds as stipulated by the SCSP guidelines (Tables 9.2 and 9.3), whereas the analysis of DDGs shows that Rajasthan and Bihar have not set aside funds for SCs in proportion to their populations in 2010-11. The estimates of fund allocations for SCs based on an analysis of the DDGs vary widely across these five states. In Bihar, SCs were allocated 1.2 percent in 2007-08 (AE), 1.1 percent in 2009-10 (RE) and 1.2 percent in 2010-11 (BE). In the case of Rajasthan, the plan fund varies from 3 to 4 percent for SCs for the same time period. The analysis of the department and scheme-wise allocations highlight many instances of fund diversion and misappropriation of funds that were earmarked for SCs.

Fund allocations for STs in Odisha and Uttar Pradesh, as reported by the Annual Plan and the DDGs, are comparable. However, for Bihar and Rajasthan, the amounts mentioned in the Annual Plan and the DDGs vary significantly in 2009-10. Besides budgetary allocation, the nature of the quality of expenditures in the states is a matter of prime concern. In addition, there has been poor utilisation of funds due to poor absorption history in the states. An assessment of the implementation approaches under TSP reveals that Integrated Tribal Development Projects (ITDP/ITDA) are not functional due to several reasons such as lack of adequate and trained staff, poor planning processes, inadequate office infrastructure and basic facilities for staff. In many states, project officers at ITDP do not have sufficient work experience.

Analysis of the Scheme Design

Analysis of the design of a few schemes reveals that beneficiary oriented schemes have less scope of fund diversion, while benefits of infrastructure related projects are often diverted to other sectors/purposes and non SC /ST communities. In this respect, Indira Awas Yojana and SGSY, which get large allocations, also have mechanisms and guidelines to address the concerns of SCs and STs through the scheme design. This has been possible because of the clear-cut earmarking of benefits (physical and financial targets) in scheme guidelines and opening of the Minor Head code of 789 and 796 in Ministry of Rural Development. Recently, some changes have been made in the scheme design of two programmes (National Rural Health Mission-NRHM and Integrated Child Development Services-ICDS) to cover the need of SCs and STs; still, there is a lack of clarity in their guidelines regarding SCs and STs. Further, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) has no policy provision to address the development deficits of SCs and STs in urban areas. Also, schemes like NRHM and ICDS do not provide enough provisions on physical targets for SCs/STs in the guidelines data on SC and ST beneficiaries.

Key Suggestions for the 12th Plan

Taking into account the major gaps in implementation of SCSP and TSP, much more concerted efforts are required by the government to strengthen the implementation of SCSP and TSP. Following are some of the broad recommendations that emerge from the analysis, which could be incorporated in the 12th Plan.

I. Plan allocation for SCs and STs in the Union and state budgets should be made in proportion to their population.

II. Funds exclusively meant for the welfare of SCs and STs should not be used for other purposes/sectors. Several instances have been found in some of the states wherein SCSP and TSP funds have allegedly been diverted for other purposes such as expenditure on the Commonwealth Games 2010; construction of roads, bridges, stadiums, buildings and other State-owned assets like hospitals, flyovers and engineering colleges.

III. Non-Lapsable Central Pool of Resources for SCs and STs should be created and all the unspent amounts be transferred accordingly

IV. The line ministries and departments of the Central and state governments that have not allocated the earmarked funds for SCSP and TSP so far must do so by introducing special/exclusive/tailor-made projects. There are around 43 Union Ministries and Departments which have not allocated funds for SCs and STs due to their nature of engagement either as regulator, their primary role of policy making, or being responsible for creating infrastructure.

V. Without corresponding schemes and tailor-made projects, no allocation should be made for SCSP or TSP. Many departments and ministries have made notional allocations without exclusive schemes benefitting the SCs and STs. The "general sector" schemes should revise their norms and guidelines for creating special provisions and tailor-made projects for the development of SCs and STs. Several of the major development schemes of the Central government have no clear mechanism to earmark funds for SCs or STs.

VI. Most of the schemes rendering social services have very less focus on entrepreneurship and skill development. The general sector schemes (like SSA, schemes in higher education, ICDS, NRHM and JNNURM) do not have much clarity in their norms and guidelines about the specific provisions for SCs and STs. Scheme guidelines of IAY, that stipulate providing at least 40 percent of the total outlays for SCs and 20 percent of the allocation for STs, are worth emulating. Likewise, the guidelines of Swarnajayanti Gram Swarozgar Yojana (SGSY), which focuses on creating livelihood, seeks to ensure that SCs and STs would account for at least 50 percent of the assisted beneficiaries.

VII. Comparable beneficiary-disaggregated data on SCs and STs for each scheme must be provided as against the data on the scheme outlays. A few schemes present beneficiary data in their reporting format. While ICDS and NRHM report fund allocations under minor heads, the supporting data on beneficiaries is not provided. Further, important documents of the Union Ministries like Annual Reports, Outcome Budgets and Results Framework Documents (RFD) are not providing adequate information about the priority for SCs and STs in terms of physical targets and financial allocations.

VIII.Central Plan Assistance (CPA) for states should allocate funds for SCs and STs with proper revision in the norms and guidelines. Apart from the Centrally Sponsored Schemes and Central Sector Schemes, a substantial amount of funds goes through the CPA to states without outlining any physical and financial provisions for SCs and STs. Schemes like Rashtriya Krishi Vikas Yojana (RKVY), Backward Regions Grant Fund (BRGF), JNNURM and Member of Parliament Local Area Development Scheme (MPLADS) are not allocating funds for SCs and STs.

IX. The Finance Ministry in consultation with the Planning Commission and the ministries concerned at the Union and state levels must be made accountable for the allocation to SCSP and TSP as per the guidelines.

X. An independent authority/commission chaired by the Cabinet Secretary/Chief Secretary should be created for the progression of SC and STs with necessary administrative, executive and accountability mechanisms to monitor SCSP and TSP up to the district level.

Table 9.1: Union Govt. Outlays for Scheduled Caste Sub Plan (SCSP) and Tribal Sub Plan (TSP)

[Amount in Rs. Crore]	2010-11 (BE)	2010-11 (RE)	2011-12 (BE)
A. Total Plan Allocation earmarked for SCs	23795.6	23153.2	30551
B. Total Plan Allocation earmarked for STs	8989.91	9221.31	18436.15*
C. Total Plan Allocation of Union Govt. (excluding Central Assistance to State & UT Plans)	284284	302500	340255
A as % of C	**8.37**	**7.65**	**8.98**
B as % of C	**3.16**	**3.05**	**5.42**

*Statement 21A shows Rs. 17371.35 crore as total plan allocation for STs While summing up all 27 entries from ministries and department in the above mentioned table we find Rs. 18,436.15 crore, so there is a difference of Rs 1064.8 crore.

Source: Compiled by CBGA from Statement 21, Expenditure Budget of Vol-1 of Union Budget, 2011-12

Table 9.2: Variation in Scheduled Caste Sub Plan (SCSP) Estimates provided by State Planning Board and Detailed Demands for Grants (DDG) in Some States

State	2009-10 BE				2010-11 BE			
	SCP - State Planning Board		SCP – DDG		SCP - State Planning Board		SCP – DDG	
		%		%		%		%
Bihar	2497	17.6	177	1.1	3375	16.8	231.5	1.2
Rajasthan	2780	16.0	373	2.9	3674	16.4	573.0	3.9
Uttar Pradesh	8538	20.0	8538	20.0	9100	19.9	9099.8	19.9
Orissa	1563	16.4	1396	15.4	1818	16.5	1547.0	16.6
Madhya Pradesh	2856	14.8	2856	14.8	3303	15.0	3303.0	15.0

Source: Report of the study on "Implementation of Scheduled Caste Sub Plan and Tribal Sub Plan in the Union and State Budgets" conducted by National Campaign on Dalit Human Rights and Centre for Budget and Governance Accountability (based on data compiled from Detailed Demands for Grants, State Budget documents)

Table 9.3: Status of Plan Allocation under Tribal Sub Plan (TSP) in select State Budgets

States	ST as % of Total Population (2001)	TSP as % of Total Plan Allocation in 2009-10	TSP as % of Total Plan Allocation in 2010-11
Bihar	0.9	0.13*	0.14
Rajasthan	12.6	2.84*	3.94
Orissa	22.1	20.21	20.32
Uttar Pradesh	0.1	0.04	0.04

Source: Report of the study on "Implementation of Scheduled Caste Sub Plan and Tribal Sub Plan in the Union and State Budgets" conducted by National Campaign on Dalit Human Rights and Centre for Budget and Governance Accountability (based on data compiled from Detailed Demands for Grants, State Budget documents)

* Revised Estimates

MUSLIMS

As per the Census of India 2001, religious minority groups constitute around 19 percent of the total population and Muslims account for 73 percent of this minority population. The development deficit among a large section of the Muslim population in India is because of extreme poverty and lack of modern education, both during the pre and post-Independence period. The partition of the sub-continent led to many problems relating to the issues of identity and security, which the Muslim community has faced in the form of communal riots and discrimination in almost every sphere of life. The issues of identity and security have emerged as a major hindrance for addressing equity related issues. Further, despite enough constitutional provisions, there has been a continued neglect on the part of the Central and state governments to address the development deficit of Muslims in their public policies. Until 2005, no concrete policy measures had been taken for improving the conditions of the minorities.

Box 10.1: Overview of Policy Priority for Muslims

Sachar Panel Findings:

- Muslims fare worse than other religious minority groups
- Special attention to development of Muslims in areas of education, economic development and basic public amenities advocated

Government Response:

- Ministry of Minority Affairs (MMA) set up in 2006 as nodal ministry for development of Minorities
- Two-Pronged Strategy: introducing various schemes and programmes under MMA and revamping the PM's 15-Point Programme
- Promise to improve overall socio-economic condition of Minorities, with special focus on education and infrastructural development in Minority Concentrated Districts (MCDs)

15-Point Programme:

- No specific policy focus on development of Muslim community
- Narrow policy approach in terms of coverage of programme and schemes
- Proportional share of minorities in total population not kept into consideration
- No Special Central Assistance (SCA) to states
- No provision for creating awareness about interventions
- Panchayats not given adequate role in planning and implementation

MSDP:

- Follows existing guidelines of CSSs rather than formulating new norms and guidelines
- Follows area development approach rather than beneficiary approach
- No proper implementation/ institutional mechanism in many states and districts
- More focus on infrastructural development
- Only 30 percent Muslims covered through programme

Scholarships:

- Low unit costs and cumbersome application procedures

The focus of development policy shifted from Muslims to religious minorities, despite the recognition of the fact that Muslims were most deprived. Although the targets are not substantial for various programmes, they are yet to be achieved in most cases.

In 2006, for the first time, the Justice Rajinder Sachar Committee report established that the socio-economic status of Muslims in India were comparable to many socio-economic indicators among the deprived communities such as the dalits and adivasis. With development indicators varying hugely among the minority sub-set, the Muslim population fares worse than other religious minority groups. While looking for remedial measures for the backwardness among Muslims, the Sachar panel advocated special attention to the development of Muslims in the areas of education, economic development and basic public amenities along with general policy initiatives such as setting up of the National Data Bank, Equal Opportunity Commission and formulating an incentives-based Diversity Index. But in terms of implementation of the Sachar Committee recommendations, the focus of development policy has shifted from Muslims to the religious minorities.

To address the development deficit of minorities, particularly Muslims, the Government of India adopted a two-pronged strategy in terms of policy initiatives since 2006. Since 2007-08, under the aegis of the Ministry of Minority Affairs (MMA), new development programmes have been devised which mainly relate to education (scholarship schemes) and infrastructure development [Multi-Sectoral Development Programme-(MSDP)].Further, the Prime Minister's New 15-Point Programme was also announced in 2006, which envisages allocation of 15 percent of funds for minorities across ministries and departments wherever possible. The assessment shows that even after five years of policy initiatives taken in this direction, there is still a huge gap in budgetary allocation and utilisation of funds specific to the development of minorities[33].

Policy Design and Implementation Problems

In response to the Sachar panel recommendations for the overall development of minorities, 90 minority concentration districts (MCDs) have been identified across the country that are relatively backward and have statistics below the national average in terms of eight socio-economic and basic amenities indicators. Among the 90 MCDs, 66 districts belong to Muslim concentrated districts. However, only 30 percent of the total Muslims are covered under this approach.

The PM's 15-point programme was initiated with the objective of ensuring an equitable flow of public resources towards minorities. However, the details of these 11 schemes (Table 10.1) shows that not 15 percent, but a certain percentage of the physical and financial targets will be earmarked for poor beneficiaries from minority communities, which is quite ambiguous in terms of operationalisation of the schemes. Under the PM's 15-point programme, the Indira Awas Yojana, (IAY), Swarna Jayanti Shahari Rozgar Yojana (SJSRY) and Swarnajayanti Gram Swarozgar Yojana (SGSY) are beneficiary-driven schemes, while other schemes have followed the area target approach for infrastructure development. Under the area approach, MCDs, rather than the minority dominated hamlet or ward, have been considered as the unit for implementation of infrastructure projects. Hence, in many places, (like Darbhanga in Bihar and Mewat in Haryana) the Industrial Training Institutes (ITIs), Integrated Child Development Services (ICDS) centre and school buildings are found to be located in non-minority areas with only a few beneficiaries from the minority community.

1) PM's New 15-Point Programme

The revival of the PM's 15-Point Programme (PP) is a welcome step but the design of the programme and actual implementation is key to addressing development deficits of the minorities/Muslims. There have been certain weaknesses in the programme design. Under PM's New 15-Point Programme, there is no specific policy focus on the development of Muslim community. It has a narrow policy approach in terms of coverage of the programme and schemes for development of minorities focusing only on few department/ministries related to basic public services. Ministries like IT, Industry, and Trade and Commerce have been kept out of the purview of the programme. In terms of fund allocation (15 percent where possible), the proportional share of minorities in total population was not kept into consideration, which is 19 percent as per the Census 2001. Further, it is allocating the funds in a few ongoing schemes; it has not asked the ministries/departments to initiate projects in schemes/ programmes that cater to the needs of the Muslim community.

Moreover, no clear instructions were given to states by the Central government to implement the PM's 15-PP through their own state plan schemes. There was no Special Central Assistance (SCA) to those states/districts that have large populations of backward Muslims. The SCA is being provided under the Scheduled Caste Sub Plan (SCSP) and Tribal Sub Plan (TSP) to the states having backward SC and ST population. There is enough scope for fund diversion to non-minority areas under infrastructure related projects due to adoption of district approach in terms of implementation. At the state level, there is no provision for creating awareness among beneficiaries and sensitising the implementing officials of the PM's 15-PP. Also, no clear guidelines were sent to the states about fund allocation. The community and panchayats have not been given any clear role in the annual district planning and implementation of the PM's 15-point programme.

2) Multi-Sectoral Development Programme and Scholarship Schemes

MSDP faced certain lacunae in terms of programme design at the time of implementation. It has followed the existing guidelines of CSSs rather than formulating new norms and guidelines. Hence, it has not experimented with the existing schemes and no innovative projects were conceived. MSDP has followed the area development approach rather than beneficiary approach (except for IAY). It has the scope for diversion of benefits to non-minority areas like infrastructure/beneficiary related projects due to adoption of existing guidelines of CSS. In the guidelines, no specific timeframe was given for completing/ delivering the services. There is no proper implementational/ institutional mechanism in many states and districts. The focus is more on infrastructure development than on issues of livelihood security, skill improvement, creation of employment, and provision of water supply and quality education. In the guidelines, no specific provision has been made to ensure the participation of the community in the planning and implementation of the services.

Apart from MSDP, the MMA has a few schemes providing scholarships through the Maulana Azad Education Foundation, which aims to address the educational deficit among minority community. The scholarship schemes are wrought with problems, such

[33]This section draws substantially from the report titled "Promises to Keep" of a study conducted by Centre for Equity Studies (CES) in collaboration with Centre for Budget and Governance Accountability (CBGA) and Accountability Initiative, in 2010-2011, to assess the government response to the Sachar Committee recommendations in the three States of Bihar, Haryana and West Bengal.

as: the application procedure being cumbersome and lengthy; no proper institutional mechanism for submission of the application forms; and, the unit cost in terms of admission, tuition fee and maintenance cost are quite unrealistic. Although the Sachar Panel places Muslims at par with SCs and STs in terms of educational attainment, the unit cost of scholarships and eligibility criteria for SCs and STs are more realistic than those set for the minorities.

Concerns relating to Fund Utilisation

In 2009-10, the total quantum of plan funds for minorities was only 10 percent of the total plan funds while their population share was 19 percent of the total population as per Census 2001. In 2010-11, allocation for minorities had further declined to 2.29 percent. In 2009-10, under the 15-point programme, sizable allocations were made through the four Jawaharlal Nehru National Urban Renewal Mission (JNNURM) projects for urban development which constitute 78 percent of total allocation for minorities. However, operationalisation is found to be non-existent at the state and district level, while the allocation under rural development programmes like IAY and NDWP comes to around 13 percent (Tables 10.2 and 10.3).

Most allocations under JNNURM are notional as the scheme does not report actual expenditure and beneficiary data on minorities. Field surveys in West Bengal, Bihar and Haryana substantiate that the design of PM's 15-PP is inappropriate in terms of comprehensive coverage of Muslim population and addressing their development needs. There is a need for the government to introduce exclusive schemes/programme (sub plans like those for SCs and STs) for minorities. Further, the 15-PP focuses only on the Centrally Sponsored Schemes without any changes in the specific guidelines. Programmes like Industrial Training Institutes (ITIs) and SJSRY have been allocated a very small share of the total outlay. The share of MMA in the total allocation is just around 7 percent which is insignificant considering it is the nodal ministry for development of minorities (Tables 10.2 and 10.3).

A total proposed allocation of Rs. 7,000 crore was made for MMA during the 11th Plan which constituted a minuscule 0.32 percent of the total plan outlay. The average utilisation of funds accounts for 64 percent of the total proposed outlay for MMA in the last four years of the 11th Plan period. MSDP was earmarked 39 percent of the total MMA budget in the 11th Plan (Table 10.4). The fund utilisation under post-matriculation scholarship was less than 10 percent in 2007-08 (Tables 10.5 and 10.6). The reason for low utilisation under the scholarship scheme is due to poor awareness generation among the parents, cumbersome procedure of application (income, religion certificates), lack of proper institutional mechanisms (in Bihar and Haryana), low unit costs and no administrative costs being earmarked for implementing of the schemes (to hire at least contractual staff to manage the scheme). MSDP was allocated 39 percent of the total MMA budget in the 11th Plan. Of the total allocation of Rs. 2,750 crore (total plan outlay for MMA is Rs. 7,000 crore) made in the 11th Plan for MSDP, the proportion of expenditure of total projects approved (89 out of 90) was 27 percent (Table 10.7). Under MSDP, it was found that there was diversion of benefits to non-minority areas in infrastructure-related projects in Bihar, Uttar Pradesh and Haryana.

Policy Suggestions pertaining to Muslims for 12th Plan

From the analysis of programmes and schemes meant for minorities, it is clear that there are a number of problems relating to programme implementation. First, the norms and guidelines of the PM's 15-Point Programme and MSDP do not adequately address the needs and aspirations of the minorities, particularly Muslims. Second, the budgetary provisions are insufficient as compared to the total size of the minority/ Muslim population. Third, there is a lack of proper institutional mechanisms and inadequate staff strength for implementation of the schemes at the district and block levels. This has led to poor planning and delay in implementation. Fourth, most government officials and beneficiaries are not aware about the schemes and programmes run under the MMA and PM's 15-point programme, Finally, the panchayats have been kept out of the purview of the implementation process of 15-PP and MSDP.

Therefore, there is a need for sustained policy interventions that would place adequate funds, proper institutions and staff to ensure effective implementation by the states to bring religious minorities, particularly Muslims, at par with other general communities in terms of socio-economic development. There is also a need to expand and extend the coverage of MSDP, along with increased budgetary outlay beyond the 90 MCDs identified so far. Emphasis should be placed on health, skill development and financial assistance for livelihood support in MSDP. It would also help to have a separate budget heads statement on PM's 15-PP with minor heads in Detailed Demand for Grants and a separate major head for MMA. Keeping in view the fact that the minorities form such an important section of the society, clubbing them under the major head of SC, ST and OBCs is not very appropriate. At least 19 percent plan funds (in proportion to the Minority population) should be allocated for minorities, and of that, 73 percent should go to the Muslims. Some specific recommendations follow:

1. The 15-PP may be converted into a sub plan along with Additional Central Assistance (ACA) on the lines of the SCSP and TSP for SCs and STs. Muslim concentrated states like Uttar Pradesh, Bihar, West Bengal and Assam may be given priority/adequate funds through ACA due to their high degree of backwardness.

2. It would also help to have a “separate budget statement” in the Union Budget on the 15-point programme as is already being done in the case of women, children, SCs and STs (for expenditure reporting).

3. A separate major head along with a minor head may be introduced in the Detailed Demand for Grants for Minorities similar to SCSP and TSP. Clubbing the minorities under the major head of SCs, STs and OBCs (Major Head 2225) is not very appropriate in terms of programme operationalisation and fund tracking.

4. There is also a need for creating proper institutions (Minority Welfare Department at block, district and state level) and adequate staff is needed to ensure effective implementation of programmes in the states.

5. There is also a need to expand and extend the coverage of MSDP beyond the 90 Minority Concentration Districts. Now it is time to focus on Muslim Concentration Blocks. It would also be better if the benefits are located in Muslim hamlet/ bastis (on the pattern the Adarsh Gram Yojana for SCs) rather than at the village/gram panchayat level.

6. Emphasis should be laid on girls' education, skill development and financial assistance for livelihood support to Muslims under MSDP.

7. The annual report of each department and ministry should provide data on public employment given to Muslims and also beneficiary lists in schemes and programmes for minorities with break-up of religious groups (Muslims, Christians and Sikhs)

Table 10.1: Schemes under PM's New 15-Point Programme

S. No.	Schemes under PM’s New 15-Point Programme	Ministry / Department
1	Indira Awas Yojana (IAY)	Ministry of Rural Development
2	Swarnajayanti Gram Swarozgar Yojana (SGSY)	Ministry of Rural Development
3	National Drinking Water Programme (NDWP)	Jawaharlal Nehru National Urban Renewal Mission (JNNURM)
4	Integrated Housing Slum Development Programme (IHSDP)*	JNNURM
5	Urban Infrastructure Development Scheme for Small and Medium Town (UIDSSMT)*	JNNURM
6	Basic Services to Urban Poor (BSUP)*	JNNURM
7	Swarna Jayanti Shahari Rozgar Yojana (SJSRY)	Ministry Housing and Urban Poverty Alleviation
8	Industrial Training Institutes (ITIs)	Ministry of Labour and Employment
9	Sarva Shiksha Abhiyan (SSA) / Madrassa Modernisation Programme	Department of School Education
10	Integrated Child Development Services (ICDS)	Ministry of Women and Child Development

Source: Ministry of Minority Affairs, GoI
* These are projects under the JNNURM

Table 10.2: Union Govt. Outlays for Minorities in PM's 15-Point Programme and Ministry of Minority Affairs

S. No.	Scheme	2009-10 Outlay in Rs. Crore	2009-10 As % of Total	2010-11 Outlay in Rs. Crore	2010-11 As % of Total
1	Indira Awas Yojana (IAY)	2147.31	9.08	1961	26.69
2	National Drinking Water Programme (NDWP)	1087	4.60	2618	35.62
3	Industrial Training Institutes (ITIs)	25.98	0.11	42	0.58
4	Integrated Housing Slum Development* Programme (IHSDP)	1770.83	7.49	0	0
5	Urban Infrastructure (UIDSSMT)*	2533	10.72	0	0
6	Basic Services to Urban Poor* (BSUP)	5578	23.60	0	0
7	Urban Infrastructure and Governance (UIG)	8623	36.48	0	0
8	Swarna Jayanti Shahari Rozgar Yojana (SJSRY)	33.47	0.14	37	0.50
9	Ministry of Ministry Affairs (MMA)	1740	7.36	2600	35.38
10	Other Schemes**	78.1	0.33	90	1.23
11	Total	23638.59	100.00	7349	100.00

Source: Ministry of Ministry Affairs, Government of India (GOI)
*Cumulative amount of approved projects under JNNRUM, Figures in brackets are percentage share to total for the year.
** Other schemes include Madrasa modernisation, promotion of Urdu language and Haj subsidies
Note: The 15 point programme does not provide the fund allocation data for SSA, SGSY and ICDS. we have considered the allocation under JNNURM as commutative because it works in a project mode.

Table 10.3: Share of Union Government Allocation for Minorities under PM's 15-Point Programme and Ministry of Minority Affairs

	2009-10	2010-11
A. Total Plan Allocation earmarked for Minorities (in Rs. Crore)	23638.59	7,349
B. Total Plan Allocation of Union Govt. (excluding Central Assistance to States) [in Rs. Crore]	233,919	284,284
A as % of B	**10.11**	**2.59**

Source: Ministry of Minority Affairs, GoI

Table 10.4: Fund Utilisation in Ministry of Minority Affairs (in Rs. Crore)

Year	Allocation B.E.	Allocation R.E.	Expenditure	Expenditure as % of Allocation (Budget Estimates)
2007-08	500	350	196.65	39.33
2008-09	1000	650	619.09	61.86
2009-10	1740	1740	1709.42	98.24
2010-11	2600	2500	1470.29*	56.55
2011-12	2850			
Cumulative Outlay in 11th Plan				**8690**

B.E.: Budget Estimates; R.E.: Revised Estimates
* Figure as on 31st December, 2010
Source: Ministry of Minority Affairs, GoI

Table 10.5: Fund Utilisation in Education-related Schemes (in Rs. Crore)

	Merit-cum-Means Scholarship Scheme			Post-Matric Scholarship Scheme			Pre-Matric Scholarship Scheme		
Year	**B.E.**	**Actual**	**% Utilisation**	**B.E.**	**Actual**	**% Utilisation**	**B.E.**	**Actual**	**% Utilisation**
2007-08	48.6	40.8	83.95	90	9.63	10.7	72	-	-
2008-09	112.4	64.79	57.64	89.9	70.7	78.64	71.9	62.31	86.66
2009-10	90	97.43	108.26	135	148.67	110.13	180	202.74	112.63
2010-11	121.5	97.22	80.02	238.5	184.24	77.25	405	343.54	84.82
2011-12	126	-	-	405	-	-	540	-	-

B.E.: Budget Estimates
Source: Union Budget various years for BE figures and Ministry of Minority Affairs, GOI for Actual as on December 2010.

Table 10.6: Status of Physical Performance and Outlays for Minority-related Schemes in 11th Plan

Scholarship	Physical Target for 11th Plan*	Physical Achievement till 2010-11 (31st Dec 2010)*	Total Outlays in 11th Plan (Rs. In Crore)	Budget Allocations till 2011-12 BE (in Rs. Crore)	Allocation as % of 11th Plan Outlay (till 2011-12 BE)
Pre-Matric Scholarship Scheme	25	34	1400	1268.9	90.64
Post-Matric Scholarship Scheme	15	4.2	1150	958.4	83.34
Merit-cum-Means Scholarship Scheme	2.55	0.37	600	498.5	83.08
Free Coaching and Allied Assistance Scholarship Scheme	0.25	0.0475	45	56.8	126.22

*No. of students in Lakh.
Source: Union Budget, Expenditure Budget Volume II, various years; and Ministry of Minority Affairs, GoI

Table 10.7: Financial Performance of MSDPs in Major Muslim Concentrated States (in Rs. crore)

State	**No. of MCDs**	**No. of MCDs where Plans stand approved by the MMA**	**Total Cost of Projects approved for all the MCDs in a state**	**Total expenditure**	**Expenditure as % of Total Cost of Approved Projects**
Uttar Pradesh	21	21	899	273	27.7
West Bengal	12	12	684	224	32.8
Assam	13	12	454	138	30.5
Bihar	7	7	421	68	16.7
All India	90	89	3348	925	27.6

Data as on June 2011
MSDP: Multi Sectoral Development Programme; MCDs: Minority Concentration Districts
Source: Ministry of Minority Affairs, GoI

CONCERNS RELATING TO ADEQUACY OF PUBLIC RESOURCES

The fiscal space for the government in a country like India depends significantly on the overall magnitude of tax revenue, a sustainable source of government revenue. Among the other sources of revenue for the government in India, non-tax revenue, disinvestment proceeds and borrowing are the major constituents. However, excessive reliance on non-tax revenue might be regressive depending on the government services that are being targeted for such funds; while, the last two sources of funds are one-off payments and not sustainable in the long run. Hence, tax revenue plays a very important role for the overall fiscal policy space available to the government. Also, the significance of tax revenue is much more in the era of the Fiscal Responsibility and Budget Management (FRBM) Act. This is because the FRBM Acts for the Centre and the States have mandated elimination of Revenue Deficit and significant reductions in Fiscal Deficit in the Union and State Budgets seeking greater expenditure compression.

Declining magnitude of the Gross Budgetary Support for Plan:

The overall magnitude of Gross Budgetary Support (GBS) for Plan by the Centre registers a decline from 7.3 percent of GDP in 1986-87 to 4.9 percent of GDP in 2011-12 (Budget Estimates), which has been rooted in the growing adherence by the Centre to fiscal conservatism (Table 11.1). This is also linked to the shrinking fiscal policy space available with the government.

Table 11.1: Magnitude of Gross Budgetary Support (GBS) for Plan by the Centre

Year	A	B
		(B is one of the two components of A)
	Total GBS for Plan by Centre as % of GDP	Central Assistance for State and UT Plans as % of GDP
1985-86	7.1	2.5
1986-87	7.3	2.5
1987-88	6.8	2.7
1988-89	6.1	2.3
1989-90	5.6	1.9
1990-91	5.0	1.9
1991-92	4.7	2.1
8th Plan (annual average)	4.5	2.0
9th Plan (annual average)	4.0	1.7
10th Plan (annual average)	4.2	1.5
1st 3 years of 11th Plan (annual avg)	5.1	1.4
2007-08	4.5	1.3
2008-09	5.3	1.5
2009-10	5.6	1.5
2010-11(RE)	5.0	1.2
2011-12 (BE)	4.9	1.2

Source: Computed by CBGA from the data provided in Union Budget, GoI, various years.

Need for stepping up the Tax-GDP ratio:

The tax-GDP ratio[34] of India is much less both in absolute terms as well as in relative terms compared to most of the other countries. India's low level of tax-GDP ratio has been a cause for concern since long. Particularly after liberalization in the 1990s, there was a slump in the gross central taxes due to reduction in the rates of customs duties and excise. This was specifically done to open the economy to worldwide competition and enable foreign countries to utilize the advantages of terms of trade. However, the net result was that, the tax-GDP ratio for India registered a decline during the 1990s and in the early years of the present decade.

Table 11.2 shows that while there is a decelerating trend of the tax-GDP ratio of Centre in recent years (after a marginal improvement in the tax-GDP ratio of the Centre after 2005-06), the tax-GDP ratios of States are not impressive. It remains stagnant and low. Table 11.3 shows that tax-GDP ratio is relatively much higher for indirect taxes compared to direct taxes, thus reflecting the regressive tax structure of the Indian tax system. Table 11.4 presents a comparison of India's overall tax-GDP ratio with that of a number of other countries[35]. Social security contributions (SSCs) account for a sizable chunk of the tax revenue in many of the OECD countries, but they are not appplicable for countries like India and Malaysia. Taking this into consideration, comparisons based on the tax-GDP ratio including the SSCs as well as excluding the same have been made. Therefore, enhancing the tax-GDP ratio in India is imperative and it needs to be pursued seriously by the government.

[34] The tax-GDP ratio for a country measures the total tax revenue collected as a proportion of the size of the country's economy.

[35] Data for India has been obtained from Indian Public Finance Statistics (2008-09) and (2009-10). Data for USA, UK, Japan, South Korea, Mexico and Canada have been obtained from the OECD Revenue Statistics (1965-2008). For Malaysia, data has been taken from the website of the Ministry of Finance, Government of Malaysia.

Table 11.2: Centre-State Composition of India's Total Tax-GDP Ratio

Year	Central Tax-GDP Ratio	States' Tax-GDP Ratio	Total Tax-GDP Ratio
2000-01	8.97	5.55	14.52
2001-02	8.21	5.59	13.80
2002-03	8.80	5.72	14.51
2003-04	9.23	5.80	15.03
2004-05	9.41	5.85	15.26
2005-06	9.88	5.98	15.86
2006-07	11.05	6.14	17.20
2007-08	11.99	5.60	17.59
2008-09 (RE)	11.26	5.74	17.00
2009-10 (BE)	10.29	5.71	16.00

Note: Tax-GDP figures are based solely on Indian Public Finance Statistics 2009-10, GoI,
Source: Compiled by CBGA from Indian Public Finance Statistics 2009-10, GoI.

Table 11.3: Direct Taxes vs. Indirect Taxes in India's Total Tax-GDP Ratio

Year	Direct Tax-GDP Ratio	Indirect Tax-GDP Ratio	Total Tax-GDP Ratio
2000-01	3.41	11.11	14.52
2001-02	3.21	10.59	13.80
2002-03	3.56	10.96	14.51
2003-04	3.98	11.06	15.03
2004-05	4.23	11.03	15.26
2005-06	4.52	11.33	15.86
2006-07	5.40	11.80	17.20
2007-08	6.44	11.15	17.59
2008-09(RE)	6.21	10.79	17.00
2009-10(BE)	5.97	10.03	16.00

Source: Indian Public Finance Statistics, 2009-10, Govt. of India.

Table 11.4: Comparison of Tax-GDP Ratio across Selected Countries

Table 11.4 (a): Tax-GDP Ratio (including SSCs)

	1990	2000	2007
India	15.4	14.5	17.6
Malaysia	17.8	13.2	14.9
Korea	18.1	22.6	26.5
Mexico	15.8	16.9	18
Canada	35.9	35.6	33.3
UK	35.5	36.4	36.1
US	27.3	29.9	28.3
Japan	29.1	27	28.3

Table 11.4 (b): Tax-GDP Ratio (excluding SSCs)

	1990	2000	2007
India	15.4	14.5	17.6
Malaysia	17.8	13.2	14.9
Korea	17.2	18.8	21
Mexico	13.7	14.1	15.2
Canada	31.5	30.8	28.5
UK	29.5	30.2	29.5
US	20.5	23	21.7
Japan	21.4	17.5	18

Source: Compiled by CBGA from – Indian Public Finance Statistics (2008-09) and (2009-10), GoI; OECD Revenue Statistics (1965-2008), and the website of the Ministry of Finance, Government of Malaysia.

Need for progressivity in the tax structure:

A higher share of tax revenues of the Central government is accrued from direct taxes (corporation tax and income tax), which constitutes nearly 57 percent of the total tax collection by the Centre. However, taking into account the total tax revenue collected by the Centre and the States, indirect taxes account for a much larger share than direct taxes. Hence, there is a need for improving the progressivity of the overall tax regime in India by further increasing the reliance on direct taxes. Though during the period 2002-03 to 2007-08, the collections from direct taxes improved from 3.56 percent of the GDP to 5.7 percent of the GDP, it is mainly because of the changing pattern of growth of the Indian economy that generated more surpluses for the private corporate sector.

The impetus in Union Budget 2010-11 towards further reduction of the direct tax rates had raised a concern, while the increases in the duties on crude oil, petrol, and in particular, diesel, were seen as ill-timed given the persistence of the problem of price rise in the country. Table 11.5 provides a comparison of the shares of direct and indirect taxes in India and some selected countries, viz. South Korea, Malaysia, Mexico, Japan, USA, UK and Canada. It can be observed that revenue from individual income taxes is much less in India compared to other countries. An observation to the Column [Column (5)] titled as 'Taxes on goods and services' shows the regressive tax structure of the Indian economy, where the tax revenues from indirect taxes are as high as 66 percent of total tax revenues whereas the comparable average indirect tax revenues from other selected countries was 28 percent of total tax revenues.

Table 11.5: Composition of Tax Revenues (2007)

Countries	Revenue from Specific Taxes as % of Total Tax Revenue						
	(1) Individual Income Tax	(2) Corporate Tax	(3) Property Tax	(4) SSCs	(5) Taxes on goods and services	(6) Payroll Tax	**(7) Total**
INDIA	12.4	20.9	0	0	65.9	0	**99.2**
CANADA	37.4	11.0	9.9	14.4	23.6	1.9	**98.2**
USA	38.1	10.9	11	23.3	16.6	0	**99.9**
UK	30.1	9.4	12.6	18.4	29.2	0	**99.7**
JAPAN	19.5	16.8	8.9	36.4	17.9	0	**99.5**
MEXICO	27.7		1.7	15.3	52.0	1.4	**98.1**
KOREA	16.7	15.1	12.8	20.8	31.3	Negligible	**96.7**
MALAYSIA	12.2	33.8	NA	0	27.1	0	**96.0**

Note: The comparison pertains to the year 2007
Source: Compiled by CBGA from OECD Revenue Statistics (1965-2008), Indian Public Finance Statistics (2008-09), Govt. of India and Ministry of Finance, Govt. of Malaysia

Revenue foregone due to Exemptions in the Central Tax System is a key concern:

The amount of revenue raised is determined largely by the tax base and tax rates. It is also a function of a range of measures - special tax rates, exemptions, deductions, rebates, deferrals and credits - that affect the level and distribution of tax. These are known as tax preferences, which may be viewed as subsidy payments to preferred taxpayers and such implicit payments are referred to as tax expenditures[36]. There is a huge amount of tax revenue foregone due to such tax expenditures or the exemptions/ deductions/ incentives in the Central Government tax system. The total magnitude of tax revenue foregone due to exemptions/ deductions/ incentives in the Central Government tax system has (as estimated by the Union Finance Ministry) risen from Rs. 4.14 lakh crore in 2008-09 to Rs. 5.02 lakh crore in 2009-10.

What it implies is: a liberal estimate of the amount of additional tax revenue which could have been collected by the Union Government in 2009-10 if all exemptions/ deductions/ incentives (both in direct and indirect taxes) had been eliminated, stands at a staggering 8.1 percent of GDP. Further, there has been no reduction in the revenue foregone as percent of aggregate tax collection in the last two years (Table 11.6). Revenue foregone on customs duty is significant followed by excise duty, corporate income tax and personal income tax. There is a significant increase (of almost 6 percent) in the revenue foregone on excise duty during 2008-2010. If we do not consider the adjustment for Export Credit Related items, revenue foregone (as percent of aggregate tax collection) is almost 86 percent.

[36]The term 'Tax Expenditure' is used to denote the cost of tax incentives/preferences/exemptions in terms of lost potential tax revenue of the government (i.e. the estimated revenue of the government that would generate in the absence of any types of tax incentives).

There is almost a 10 percent increase in the revenue foregone during 2008-2010 reflecting among others a significant increase in the revenue loss on account of excise duty. The decline in revenue from central customs and excise are a matter of concern. Another notable point in this regard is that the effective tax rate (ETR)[37] for corporate sector in India is much less. Moreover, the public sector and small companies (lower profit making companies) are found to pay more taxes compared to private sector and higher profit making companies[38]. Revenue loss due to deduction of profits of IT, ITES, telecom and SEZs is almost three-fourth of the total revenue foregone under corporate tax. In fact, data from Receipts Budget of 2008-09 and 2009-10 reveals that the lowest effective tax rate is paid by the IT-enabled service providers, BPO service providers and software development agencies[39].

Table 11.6: Revenue Foregone by Union Govt. during 2006-07 to 2009-10 (in Rs. Crore)

Items	Revenue Foregone in 2006-07 (in Rs. crore)	Revenue Foregone as % of Aggregate Tax Collection in 2006-07	Revenue Foregone in 2007-08 (in Rs. crore)	Revenue Foregone as % of Aggregate Tax Collection in 2007-08	Revenue Foregone in 2008-09 (in Rs. crore)	Revenue Foregone as % of Aggregate Tax Collection in 2008-09	Revenue Foregone in 2009-10 (in Rs. crore)	Revenue Foregone as % of Aggregate Tax Collection in 2009-10
Corporate Income Tax	45034	9.56	62199	10.50	66901	11.08	79554	12.60
Personal Income Tax	32143	6.82	38057	6.43	37570	6.22	40929	6.48
Excise Duty	75475	16.02	87468	14.77	128293	21.25	170765	27.04
Customs Duty	137105	29.11	153593	25.95	225752	37.39	249021	39.43
Total	289757	61.51	341317	57.67	458516	75.95	540269	85.56
Less(Export Credit Related)	50045	10.62	56265	9.50	44417	7.36	37970	6.01
Grand Total	**239712**	**50.89**	**285052**	**48.16**	**414099**	**68.6**	**502299**	**79.50**

Source: Compiled from Statement of Revenue Foregone, Union Budget, various years.

Tax Evasion and Tax Avoidance continue to pose major challenges:

The draft Approach Paper to the 12th Plan recognises the need to raise additional tax resources in order to increase the existing low tax-GDP ratio[40]. Raising tax resources is important given the ever-increasing expenditure commitments of the government, thus making it crucial to check tax evasion. According to a November 2010 report by US-based research and advisory body Global Financial Integrity (GFI), India lost almost Rs. 11,24,853 crore[41] from 1948 to 2008 in illicit financial flows, with a current value of Rs. 24,39,822 crore, estimated conservatively. It also found that in the last five years, India lost illicit assets at a rate of Rs. 10,03,39 crore a year. The 12th Five Year Plan projects an increase of tax revenue by 1.51 percentage points by 2016-17 (from 7.40 percent of GDP in 2011-12 (BE) to 8.91 percent of GDP in 2016-17)[42]. This estimate could be much higher if the outflow of illegal money could be curtailed.

A number of Mauritius based companies invested around Rs. 2,90,455 crore in India since 2000. Estimates suggest that India could have earned Rs. 3159-4212 crore[43] in taxes on this amount; instead, it collected only Rs. 16 crore in non-resident taxes. Substantial taxable resources were lost due to double tax avoidance agreements with Mauritius[44]. Under the current double taxation treaty, capital gains on Indian shares held by a Mauritian company are not subject to Indian tax. Mauritian companies are taxed according to Mauritius tax laws that imply almost no taxes and highly flexible administrative and legal requirements. The process of coordination and negotiation with other countries seeking automatic Tax Information Exchange Agreements (TIEA) and relaxation of bank secrecy laws as per requirement need to be strengthened.

[37] This is the ratio of total taxes paid (calculated for a particular sector/companies) to total Profit (profit before taxes). In total taxes paid, surcharge and education cess are included, but Dividend Distribution Tax or DDT is excluded. It is expressed as a percentage. More specifically,
ETR= [{(Total taxes paid by a company+surcharge+education cess)-Dividend Distribution Tax}/Total Profit before Taxes]*100

[38] See, "Revenue foregone under the Central Tax System: Financial Years 2009-10 and 2010-11"p20-21.URL: http://indiabudget.nic.in/ub2011-12/statrevfor/annex12.pdf

[39] Ibid.,p.35.

[40] http://planningcommission.nic.in/plans/planrel/12appdrft/appraoch_12plan.pdf,p.35.

[41] This is calculated with respect to the current INR-USD exchange rate (which is 52.81INR=1 USD) in rounded figure. If this figure is deflated in the latest Real Effective Exchange Rate (REER), [the export based weight is 103.27 in 2010-11], then in real terms it is Rs. 10,931.54 crore as per the latest RBI statistics.

[42] 'Faster, Sustainable and More Inclusive Growth: An Approach to the 12th Five Year Plan'(Draft),August 2011, Planning Commission, p.33.

[43] At current exchange rate of INR-USD, this amount appears almost $600-800 million.

[44] "Tax Haven: Hot Spots" Business Outlook, October 15, 2011, Volume 6,Issue 21; p.42.

CONCERNS RELATING TO FISCAL FEDERALISM

The Indian Constitution provides for the necessary institutional framework, financial and functional devolution of responsibilities between the Centre and the states, and a defined mechanism for intergovernmental transfer to address the existing vertical and horizontal imbalances[43]. There are three main channels that govern the fiscal transfers from Centre to state. First, the Finance Commission determines the state's share in Central taxes and grants out of the Consolidated Fund of India. Second, the Planning Commission makes recommendations on the magnitude of grants and loans to be provided to the states for financing their expenditure on the targeted interventions for socio-economic development. Third, Central Sector schemes and Centrally Sponsored Schemes (CSSs) are designed by various Central government ministries in consultation with the Planning Commission, in which, the Centre's funds are transferred to the states implementing the schemes.

However, in the era of economic liberalisation, fiscal policies adopted by the successive governments at the Centre have been characterised by (i) a pronounced tendency towards conservatism with regard to the overall scope of government interventions for socio-economic development and (ii) further accentuation of the powers of the Centre in the federal fiscal architecture of the country. These are at best reflected in the imposition of the Fiscal Responsibility and Budget Management (FRBM) Act both at the Centre and the state level that put arbitrary constraints on public spending in the country. This section[44] discusses some of the significant issues pertaining to the developments in Centre-state fiscal relations in general and the role of Central government schemes in particular.

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[43] Vertical imbalances refer to the mismatch between the revenue-raising capacity and expenditure needs of the Centre and the States. Horizontal fiscal imbalances exist on account of the inability of some States to provide comparable services due to inadequate capacity to raise funds. To address these imbalances, the Finance Commissions have been given a constitutional mandate to decide on (i) the proportion of tax revenue to be shared with the States and (ii) the principles which should govern the grants-in-aid to States.

[44] This section draws substantially from - Jha, Praveen, Subrat Das and Nilachala Acharya (2011), “Centrally Sponsored Schemes: Are They the Solution or the Problem?” in Praveen Jha (ed.), Progressive Fiscal Policy in India', Sage

(i) Gross Devolution and Transfers (GDT) from Centre to States:

In the wake of the resource crunch faced by the Centre since the late 1990s (which was a consequence of the policy framework favouring liberalisation), the magnitude of financial resources transferred from Centre to states had also become compressed. Gross Devolution and Transfers (GDT) from Centre to states has fallen from more than seven percent in 1990-91 to about five percent in 2010-11. As a proportion of Total Expenditure from the Budgets of all the states, GDT from Centre to states fell from 45 percent in 1990-91 to 39 percent in 1998-99; subsequently, it slumped from 31.1 percent in 1999-2000 to 28 percent in 2003-04 (Table 12.1). There has been a gradual increase in the subsequent years to settle at about 34 percent in 2010-11 (BE).

Table 12.1: Gross Devolution and Transfers (GDT) from Centre to States

Year	Gross Devolution and Transfers (GDT) from Centre to States*(in Rs. Crore)	GDT as % of GDP	GDT as % of Aggregate Disbursements of States
1988-89	30333	7.1	45.2
1989-90	32862	6.7	42.8
1990-91	40859	7.2	44.9
1998-99	102268	5.8	39.1
1999-2000	95652	4.9	31.1
2000-01	106730	5.1	31.4
2001-02	119213	5.2	32.3
2002-03	128656	5.2	31.4
2003-04	143783	5.2	28.0
2004-05	160750	5.0	29.0
2005-06	178871	4.8	31.8
2006-07	220462	5.1	33.5
2007-08	267276	5.4	35.5
2008-09	297980	5.3	33.8
2009-10 (RE)	357466	5.5	33.1
2010-11(BE)	399192	5.1	34.0

Note: * Gross Devolution and Transfers (GDT) Upto 2007-08 include: (i) States' Share in Central taxes, (ii) Grants from the Centre, and (iii) Gross Loans from the Centre. While computing data for GDT data for the years 2008-09, 2009-10 RE and 2010-11 BE, Gross Loans from the Centre have been excluded.
GDP Figures have been taken from the Planning Commission, Government of India, available at
http://planningcommission.nic.in/data/datatable/1705/final_11.pdf
Source: Compiled by CBGA from the basic data given in the State Finances: A Study of Budget 2010-11 and Handbook of Statistics on State Government Finances-2010, Reserve Bank of India.

(ii) Role of Finance Commission in Fiscal Transfers from Centre to States:

The decline in transfer of resources from Centre to states, especially during the second half of the 1990s and early years of the subsequent decade, affected the fiscal health of the states adversely. As per Union Budget 2009-10, there were as many as 1,258 Central government schemes being implemented across the country. Given the crisis in their fiscal health, most states became heavily dependent on the Central schemes for financing new and targeted interventions for socio-economic development.

However, there are serious concerns pertaining to the Central government schemes, which range from problems in the design and implementation process of the schemes to the growing magnitude of Central funds (allocated for states in many of the major Central schemes) bypassing the State Budgets. In this context, the changing roles and perspectives of institutions like the Finance Commission and the Planning Commission have also attracted a lot of scrutiny in recent years (Table 12.2).

Table 12.2: Finance Commission-recommended Resource Transfer from Centre to States

Annual Average for the recommendation period of	Total Finance Commission Transfers		
	States' Share in Central Taxes (as % of GDP)	Grants-in-aid for States (as % of GDP)	Total Finance Commission Transfers (as % of GDP)
8th FC (1984-1989)	2.58	0.32	2.90
9th FC (1989-1995)	2.59	0.41	3.00
10th FC (1995-2000)	2.54	0.27	2.81
11th FC (2000-2005)	2.43	0.46	2.89
12th FC (2005-10)	2.94	0.60	3.54
For the years within 12th FC recommendation period			
2005-06	2.67	0.70	3.37
2006-07	2.96	0.69	3.65
2007-08	3.21	0.56	3.77
2008-09 (RE)	3.01	0.52	3.53
2009-10 (BE)	2.80	0.59	3.39

Source: Report of the Thirteenth Finance Commission (2010-2015), GoI, 2009.

Within the overall magnitude of resources transferred from Centre to States as per the Finance Commission recommendations, the proportion of states' share in Central taxes has declined steadily over the last five Finance Commission periods, which signifies that the approach of the Commission has shifted more towards gap-filling in the form of recommending a significant quantum as Grants-in-aid for the states based on their Non-Plan expenditure commitments.

(iii) Role of Planning Commission in Fiscal Transfers from Centre to States:

A closer look into the transfer of resources from the Central government budget to the states, as per the Planning Commission recommendations, reveals that the share of Central Assistance for State Plan in the Gross Budgetary Support (GBS) for Plan by Centre has declined significantly from around 36 percent in 1985-86 to 26 percent in 2009-10 (Budget Estimates), while the share of budget support for Plan expenditure by Central government Ministries in the GBS has increased steadily since the 8th Five Year Plan. This changing composition of GBS for Plan by the Centre implies the growing dominance of CSS in the domain of Plan expenditure in India. However, the overall magnitude of GBS for Plan by the Centre registers a decline from 7.3 percent of GDP in 1986-87 to 4.9 percent of GDP in 2011-12 (BE), which has been rooted in the growing adherence by the Centre to fiscal conservatism (Table 12.3).

Table 12.3: Magnitude and Composition of Gross Budgetary Support (GBS) for Plan by the Centre
(which comprises – Central Assistance for State & UT Plans and Plan expenditure by Central Govt. Ministries)

Year	A Total GBS for Plan by Centre as % of GDP	B (B is one of the two components of A) Central Assistance for State and UT Plans as % of GDP	C [C= (A–B) as % of A] Budget Support for Plan expenditure by Central Govt. Ministries as % of Total GBS	D (B as % of A) Central Assistance for State and UT Plans as % of Total GBS
1985-86	7.1	2.5	64.4	35.6
1986-87	7.3	2.5	65.2	34.8
1987-88	6.8	2.7	59.7	40.3
1988-89	6.1	2.3	62.9	37.1
1989-90	5.6	1.9	65.6	34.4
1990-91	5.0	1.9	61.7	38.3
1991-92	4.7	2.1	55.2	44.8
8th Plan (annual average)	4.5	2.0	55.2	44.8
9th Plan(annual average)	4.0	1.7	56.5	43.5
10th Plan(annual average)	4.2	1.5	65.7	34.3
First three years of 11th Plan (annual average)	5.1	1.4	72.0	28.0
2007-08	4.5	1.3	70.7	29.3
2008-09	5.3	1.5	72.1	27.9
2009-10	5.6	1.5	73.8	26.2
2010-11(RE)	5.0	1.2	76.0	24
2011-12 (BE)	4.9	1.2	75.5	24.5

Source: Computed from the data provided in Union Budget, GoI, various years.

The composition of the total grants from Centre to states (including both Finance Commission grants and Planning Commission recommended grants) has been changing since the early 1990s. It must be taken into account that almost two-thirds of the Total Expenditure from the State Budgets is Non Plan. Furthermore, within the overall public expenditure in the country, Non Plan expenditure on “Social Services” and “Economic Services” is borne mainly by the State Budgets. Hence, almost all state governments expect a higher share of Non Plan Grants within the total grants from Centre to states. However, the share of Non Plan Grants within the total grants from Centre to states has fallen from 34.8 percent in 2000-01 to about 20.5 percent in 2010-11 (RE).

Table 12.4: Composition of Total Grants from Centre to States

Year	Total Grants from the Centre to States (in Rs. Crore)	Different Types of Grants as % of Total Grants from Centre to States				
		Central Assistance for State Plan	Grants under Central Sector Schemes	Grants under Centrally Sponsored Schemes	Grants under NEC/ Special Plan Schemes	Non Plan Grants (as per Finance Commission recommendatons)
2000-01	37,784	42.9	3.0	19.0	0.3	34.8
2001-02	43,082	45.1	2.9	19.4	0.5	32.0
2002-03	45,683	43.4	3.8	19.0	0.5	33.4
2003-04	51,348	49.8	2.6	19.3	0.6	27.7
2004-05	56,857	52.6	2.3	18.4	0.5	26.2
2005-06	76,750	37.5	2.9	17.3	0.4	41.9
2006-07	94,451	42.6	2.2	18.4	0.3	36.4
2007-08	1,24,638	44.3	5.0	19.8	0.7	28.1
2008-09	1,29,923	48.8	2.0	19.9	0.4	28.7
2009-10 (BE)	1,79,206	45.5	3.6	22.8	0.5	27.4
2010-11(RE)	1,83,282	50.4	3.8	24.6	0.5	20.5

Source: Computed from the data provided in State Finances: A Study of Budgets, Reserve Bank of India, various years.

Over the last decade, within the total grants from Centre to states, the share of Central Assistance for State Plan and grants under Plan Schemes of the Central ministries has shown a rise from around 65 percent in 2000-01 to around 78 percent in 2010-11 (RE). The grants under Plan schemes of the Central ministries are mostly tied or conditional grants for the states. However, what is worth discussing is that even the Central Assistance for State Plan cannot be viewed as an untied grant anymore.

As per the Draft Annual Plan 2008-09 of the Government of Rajasthan, "of the Central Assistance (for State Plan) of Rs.3,25,000 crore, proposed in the 11th Plan (for the five years from 2007-08 to 2011-12), as much as Rs.182,000 crore – 60 percent of assistance to the states – is meant for schemes that are Centrally Sponsored Schemes, but presented as Additional Central Assistance. Examples of these are the Rashtriya Krishi Vikas Yojana (RKVY), Accelerated Irrigation Benefit Programme (AIBP), Accelerated Power Development & Reform Programme (APDRP), Jawaharlal Nehru National Urban Renewal Mission (JNNURM), and Backward Regions Grant Fund (BRGF) and so on. In fact, the Budget Estimates of Union Budget 2009-10 show that in the Central Assistance for State Plans worth Rs. 80,066.7 crore, the Normal Central Assistance accounts for only Rs. 19,110.6 crore while the rest is effectively tied to programmes like RKVY, JNNURM, AIBP and BRGF as developed by the Union Ministries.

The Draft Annual Plan 2008-09 of the Government of Rajasthan adds that "if the Additional Central Assistance (ACA), Special Central Assistance (SCA), Externally Aided Projects (EAPs) and Members of Parliament Local Area Development (MPLAD) scheme and Central Road Fund assistance are taken away, the actual untied Central assistance to State Plans comes down to only Rs.1,11,000 crore, which is 8 percent of the Centre's Gross Budgetary Support. It is also pertinent to point out that Rs.1,11,000 crore is only 10 percent of State's own resources for the 11th Plan". This is the only and truly untied assistance available to the states. Thus, the composition of total grants from Centre to states has been changing in a way that has reduced the share of the truly untied assistance available to the states, while the share of assistance tied to programmes/ schemes of the Union Ministries has been expanding.

Within the total amount of funds spent from the State Budgets as State Plan expenditure, a significant share of funds are spent on programmes/ schemes of the Union Ministries; as most CSSs, ACAs and SCAs require matching state government share. Thus, the actual flexibility available to state governments for setting up the priorities in Plan expenditure is limited further.

(iv) Role of Central Government Ministries in Fiscal Transfer from Centre to State:

Transfers to states through CSSs designed by various Union Ministries to states are subject to the discretion of these ministries (and the Planning Commission). Specific purpose grants and loans in the form of specific purpose schemes, though not termed as CSS before 1969, were a major area of discord between the Centre and the states ever since India's independence. The states preferred untied or block assistance, whereas the Central government was more inclined to provide specific purpose assistance.

Despite the decision in the National Development Council (NDC) in 1969 that Central assistance to states for their Plans should be unconditional to enable them to plan according to their priorities and that scheme-based support by the Centre to the states should not exceed one-sixth/one-seventh of the untied assistance (i.e., Normal Central Assistance), CSSs have figured prominently in successive five year plans of the Central government as schemes formulated by various Union Ministries with provision of funds in the Union Budget. The objectives, strategy and method of implementation are prescribed and funds are released to the states with due conditionalities. It has also been argued by states that many CSSs now make policy prescriptions and some schemes even seek to control Non Plan allocations.

Over the last four decades, the number of CSSs and the magnitude of funds provided in the Union Budget for these schemes has grown very fast and so has the Central Assistance for State Plans, which was originally intended to be almost exclusively in the form of NCA, has also been partly linked to programmes/ schemes of the Union Ministries (e.g., Additional Central Assistance and Special Central Assistance). Consequently, the NCA component has come down very sharply in the total Central Assistance for State Plans. Since 2005-06, the recommendations of the 12th Finance Commission have been in force and have significantly changed the composition of the Central Assistance for State Plans. To reduce the indebtedness of states, which was being caused due to a high proportion of Central Assistance for State Plans being given as loans in the non-special category States (70 percent), this assistance to most non-special category states is now being given as a grant. However, this change also led to a significant decline in the overall magnitude of the Central Assistance for State Plans and a simultaneous increase in Budget Support for Central Plan in total Plan Expenditure. Table 12.5 shows that Central Assistance to State Plan in Bihar and Orissa has been more or less constant at about one-third of the total Plan budget of the states (with the exception of 2004-05, being election year in both states, which resulted in lower level of Plan expenditure by them).

Table 12.5: Share of Central Assistance for State Plan in Plan Budget of Bihar and Orissa

Bihar

Year	Central Assistance for State Plan Schemes (in Rs. Crore)	Size of the Plan Budget of the State (in Rs. Crore)	Central Assistance as proportion of Plan Budget (in percent)
2000-01	400	3169	12.62
2001-02	690	2316	29.77
2002-03	915	3725	24.56
2003-04	1348	3219	41.87
2004-05	2265	2144a	105.67
2005-06	1551	4084	37.99
2006-07	2445	6239	39.19
2007-08	2914	11964	24.35
2008-09	3600	12336	29.18
2009-10 (RE)	5038	16076	31.34
2010-11 (BE)	5905	20000	29.53

Orissa

Year	Central Assistance for State Plan Schemes (in Rs. Crore)	Size of the Plan Budget of the State (in Rs. Crore)	Central Assistance as proportion of Plan Budget (in percent)
2000-01	601	2911	20.65
2001-02	650	2778	23.40
2002-03	1021	2789	36.62
2003-04	1049	2814	37.27
2004-05	1392	3035	45.86
2005-06	1079	3094	34.87
2006-07	1284	4205	30.54
2007-08	2232	4089	31.67
2008-09	2633	8934	29.47
2009-10 (RE)	3272	10853	30.15
2010-11 (BE)	3895	12902	30.19

Source: Reserve Bank of India, State Finances: A Study of Budgets (Various issues)

[a] 2004-05 is an exceptional year for Bihar as both the Parliamentary and Municipal Elections were held leading to a significantly lower level of Plan expenditure.

Further, Table 12.6 for Bihar and Orissa shows that the proportion of Non Plan expenditure has consistently been the larger chunk of expenditure in the State Budgets. Even in the later years of the past decade, when the percentage of Plan expenditure was increasing, it has still been only about a quarter of the total budget in both the states.

Table 12.6: Share of Plan and Non Plan Expenditure in Bihar and Orissa

	Bihar		Orissa	
	Plan Expenditure as % of Total Expenditure	Non Plan Expenditure as % of Total Expenditure	Plan Expenditure as % of Total Expenditure	Non Plan Expenditure as % of Total Expenditure
2000-01	12.2	87.7	20.6	79.4
2001-02	9.5	90.5	18.4	81.6
2002-03	13.5	86.5	15.7	84.3
2003-04	8.8	91.2	15.2	84.8
2004-05	8.6	91.4	15.8	84.2
2005-06	13.7	86.3	15.5	84.5
2006-07	15.9	84.1	17.3	82.7
2007-08	25.9	74.1	23.1	76.9
2008-09	21.5	78.5	25.0	75
2009-10 (RE)	20.6	79.4	23.7	76
2010-11 (BE)	25.4	74.6	25	75

Source: Reserve Bank of India, State Finances: A Study of Budgets (Various issues)

(v) Key Concerns relating to Centrally Sponsored Schemes (CSSs):

A. Shrinking flexibility of the State Governments

An increase in the number of CSSs results is reduced flexibility to states to design state-specific development schemes and apportion adequate resources. Increased allocation of funds to CSSs also implies that state governments have to provide matching shares for the CSSs from their resources for State Plans. Moreover, the pattern of assistance for such schemes are evolved uniformly, without taking into consideration the grassroots level problems faced by states and union territories. For example, the total amount of untied funding under Integrated Child Development Services (ICDS) available to the state governments per Anganwadi Centre amounts to Rs.1,000 annually, leaving little scope for the states to address local-specific concerns.

B. Significant quantum of Central Govt. funds (for CSSs) bypassing the State Budgets

Almost 40 percent of the total Union Budget outlay for CSSs in 2009-10 was directly transferred to autonomous bank accounts of the state/district level implementing agencies for schemes bypassing the State Budgets. The argument cited in favour of this practice is to avoid diversion of funds and delays in flow of these funds to the field level implementing agencies. Not only does such a practice violate the spirit of fiscal federalism, there is also no documented evidence to suggest that the actual flow of funds to the field level implementing agencies is faster in those CSSs where Central funds are bypassing the state budgets (Sarva Shiksha Abhiyan, National Rural Health Mission, and so on) as compared to others where such funds are routed through state budgets (e.g. Integrated Child Development Services, Mid-Day Meal Scheme) Additionally, the question of transparency arises in such funds as they do not necessarily have to be audited by the Comptroller and Auditor General of India (CAG).

C. Problems in implementation of CSSs

Various findings emerging from evaluations done by the CAG and several other studies highlight several problems in the implementation of CSSs that have been highlighted as follows:

- Uncontrolled and open-ended execution of schemes that fail to ensure the attainment of stated objectives in a cost-effective manner within a given time frame, raising questions over the qualitative and quantitative evaluation of delivery.
- Lack of monitoring mechanisms to ensure effective utilisation of funds.
- As no system of accountability for incorrect reporting and verification has been instituted, the Union Ministries are unable to ensure accuracy of data reported by implementing agencies.

- Delay in devolution of funds and flow of funds to sub-national levels.
- Indifferent attitude of states in ensuring quality of expenditure and realisation of objectives.
- Top-down approach and lack of flexibility for implementing agencies and insufficient delegation to states to change the schemes to suit local conditions, leading to a situation where the states are indifferent to their implementation.
- Plethora of schemes in operation with similar objectives targeting the same population, leading to CSSs ignoring the importance of existing State Plan schemes. Additionally, there are too many programmes implemented by the Union Government and these are often similar in nature, making it difficult to remember details of all schemes along with their guidelines and target group definitions at the grassroots level. E.g., in housing schemes like Indira Awas Yojana (new) and Indira Awas Yojana (upgraded), subsidy and loan is provided but the amounts vary. Additionally, the target groups are dissimilar giving rise to confusion.

D. Increasing Outlays for CSSs Not Leading to Improvements in Outputs and Outcomes

There have been growing concerns about how well budget outlays translate to improvements in the development outcomes in states, as highlighted by the Planning Commission and the Union Ministry of Finance, particularly with reference to CSSs as Union Budget outlays for several CSSs have visibly increased since 2004-05. An analysis of the procedural constraints in implementation of CSSs emerging through a study by Centre for Budget and Governance Accountability on "Constraints in Effective Utilisation of Funds in the Social Sector" are as follows:

(i) Low capacity of some states to increase spending and low levels of actual spending as compared to approved budgets in schemes.

(ii) Poor quality of spending with skewed fund utilisation across the financial quarters in a financial year, across different components in a scheme and even skewed across different regions within a state.

Certain factors contributing to these problems are:

(a) Deficiencies in decentralised planning manifests in staff shortage, lack of emphasis on training and capacity building of community members and staff and inadequate emphasis on community participation.

(b) Bottlenecks in budgetary processes in the schemes lead to delay in flow of funds, delay in sending sanction orders for spending, centralised decision-making within the states, inadequate delegation of financial powers to district and sub-district level authorities, prevalence of uniform/ rigid norms and unrealistic unit costs in CSSs for all states, incomprehensible guidelines of some of the CSSs, and weak monitoring and supervision of programme implementation activities.

(c) Systemic weaknesses in the government apparatus in states translates into shortage of trained, regular staff for various roles (programmatic, financial and service delivery) leading to weakening of capacity of government apparatus to implement Plan schemes. Further, the staff tenure in most cases in not fixed and the nodal implementing officials are transferred at will. Weak infrastructural facilities also have an adverse impact.

Many CSSs, being targeted interventions for addressing specific problems identified during the planning process, are not accessible for all sections of society. Furthermore, since they are supported for a limited number of years, they often promote ad-hoc interventions instead of entitlements for people. Many observers have contended that government interventions for development should promote entitlements for people, instead of piecemeal and short-term interventions in order to effectively deal with the development deficits in the country. However, the steady increase in the number of CSSs and their share in total budgetary resources in various sectors over the last few decades have been antithetical to such an approach.

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