

# Budget 2008-09 : Reaffirming Rhetoric ?

Response to the Union Budget 2008-09





### **Why are Budgets Important?**

In most countries, Budget is central to governance. It is generally considered the most vital instrument at the disposal of the State to deliver a wide range of responsibilities. Government Budgets affect almost every sector of the economy and every section of the population. The policy priorities driving the Budget and implementation of the Budget proposals are therefore of direct relevance to the entire population. In a developing country like India, with a multiplicity of socio-economic problems and many stakeholders in the democratic processes, a participatory, transparent and accountable Budget making process is of great significance.

### **Role of CBGA**

CBGA came into being at the initiative of a number of concerned individuals and organizations, many of which were already engaged with budget work: Development Initiative for Social and Human Action (DISHA) in Ahmedabad, Centre for Budget Studies (CBS) at Samarthan in Mumbai, Centre for Budget and Policy Studies (CBPS) in Bangalore, Social Watch Tamil Nadu in Chennai, and National Centre for Advocacy Studies (NCAS) in Pune.

CBGA attempts to further deepen budget work at the national level. The analysis of the Central Government's budget is done by locating it in the context of overall macroeconomic policies and from the perspective of the disadvantaged sections of society. Budget and policy analysis pursued at CBGA is closely linked with advocacy efforts through a network of countrywide alliances with grassroots civil society groups and social movements. We advocate the use of budget analysis as an instrument to seek accountability from the Government for its commitments.

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## Response to the Union Budget 2008-09



## Foreword

This is a *quick* response to the Union Budget 2008-09, prepared by the CBGA team within a few hours of the release of the Budget. This response will be circulated widely among Members of Parliament, civil society organizations, grassroots activists, academicians, policymakers and the media. Since this document was prepared in the rush of time, we apologise for any shortcomings.

There are two specific features with regard to our exercise of assessing the Union Budget, which deserve a mention here. First, of course, is that we analyse the Budget with the primary objective of revealing its implications for the poor and marginalised sections of the population. Hence, the focus of this *Response* is on agriculture, rural development, social sectors, women, children, dalits and adivasis. The second important feature of our *Response* is that it assesses the current provisions by locating these in the recent trends in budgetary provisions for the concerned sectors, over a number of years, as well as with special reference to the important demands of several progressive sections of our society.

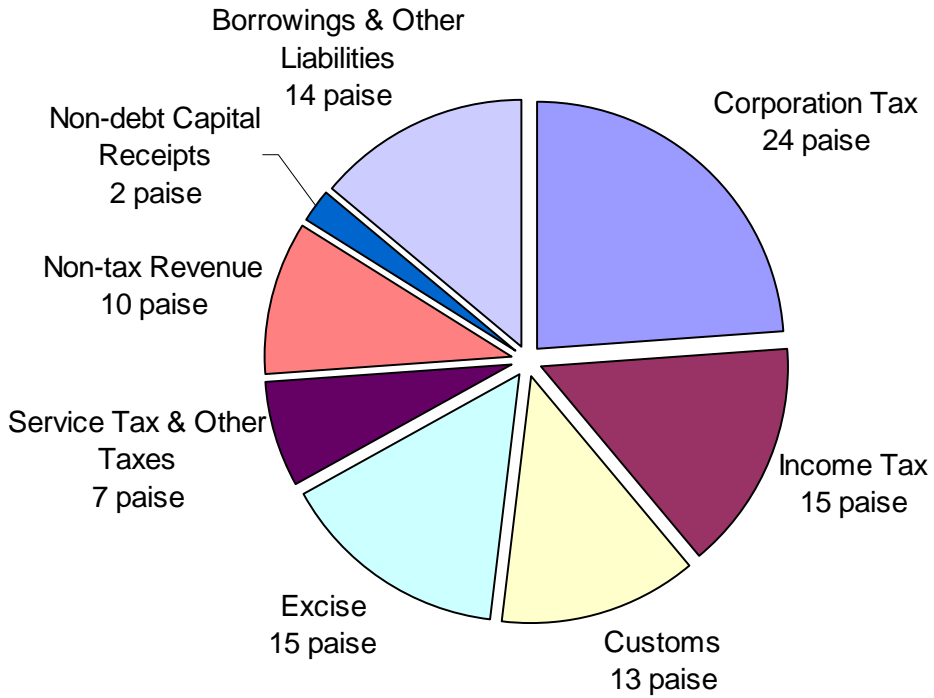
We sincerely hope this effort by CBGA will be useful in demystifying the Union Budget 2008-09. Your feedback on this document would be most welcome.



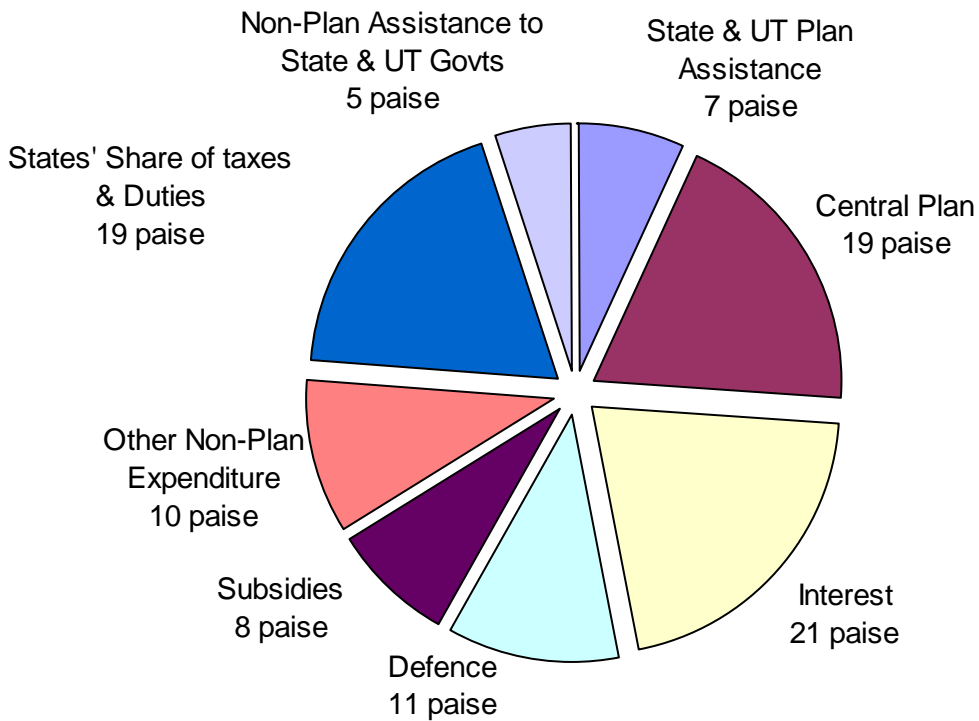
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**Rupee Comes From**



**Rupee Goes To**



## Summary

With the UPA Government approaching the fifth and last year of its tenure, hopes reined high from the Union Budget 2008-09. The Centre for Budget and Governance Accountability (CBGA) has attempted to demystify this Budget from the lens of disadvantaged sections of the population and important social and economic sectors.

### Resource Mobilisation

There has been a steady growth in the tax collections in the economy. In the year 2008-09, the tax collections are expected to increase to around 13 percent of GDP. In a regime of increasing tax collections and rapid growth in GDP, the government failed to make investment in the social sectors. Whatever has been done by the government for the social sectors is just not enough to meet the needs of the sector. Infact, the Finance Minister has religiously practiced the Fiscal Responsibility and Budget Management Act principles of deficit management and achieved the targets to a satisfactory level by reducing expenditure in almost all critical sectors.

The Plan Expenditure as percent of GDP is on the rise from 3.93 percent in 2005-06 to 4.59 percent in 2008-09 BE. The total expenditure as percent of GDP has declined from 17 percent in 2003-04 to 14.2 percent in 2008-09 BE along with a steady decline in capital expenditure. Huge amount of resources are foregone every year on account of various tax exemptions in the central tax system only. The total revenue estimated to be foregone in the central tax system alone for the year 2007-08 is around 7.2 percent of GDP. Such an amount is more than sufficient to pay for total budgetary support for Plan expenditure and more than half of the gross tax collections.

### Education

Union Budget outlay on education has been proposed to increase by 20 percent (over previous year) in 2008-09 – which is less in comparison to the increase in Union Budget outlay on Education between 2006-07 and 2007-08. The NCMP promise of 6 percent of GDP as public resources for education remains unfulfilled - with the combined outlay for the Education Depts. of Centre and States remaining at a meager 2.84 percent of GDP in 2007-08. Mid Day Meal Scheme has been extended to upper primary classes in Government and Government aided schools in all blocks — this is a welcome step from the UPA Government. Outlay for

Sarva Shiksha Abhiyan (excluding the NER component) decreased from Rs. 12,020 crore in 2007-08 (RE) to Rs. 11,940 crore in 2008-09 (BE). Contribution of the common people (through Education Cess) to universalize elementary education amounts to over 60 percent of the total Union Budget outlay on school education and literacy in 2008-09 while the Union Government's share has progressively declined from 64 percent in 2002-03 to 37 percent in 2008-09.

### Health

The Finance Minister has proposed to increase allocation on health by 15 percent (over allocations in 2007-08) to Rs.16,534 crore in 2008-09. Since 2005-06, health expenditure of States and Union Government taken together has remained stagnant at around 0.99 percent of GDP. This is not even one third of the promised 3 percent of GDP on health. The proposed allocation for NRHM is Rs. 12,050 crore which is a mere 11.4 percent increase over 2007-08 RE. This is a clear departure from UPA's commitment to increase NRHM allocation by 30 percent every year. The FM has introduced Rashtriya Swasthya Bima Yojana that will provide a health cover of Rs. 30,000 for every worker in the unorganised sector falling under the BPL category and their family and has allocated Rs. 205 crore as Centre's share. This is clearly a meager amount, and it seems the Union Government is proposing to shift the major burden of the scheme to States. A welcome step in this Budget is the proposed reduction of the customs duty on certain specified life saving drugs and on the bulk drugs used for the manufacture of such drugs, from 10 percent to 5 percent as well as to totally exempt them from excise duty or countervailing duty. This should have positive influence on price of essential drugs and thus their accessibility. Also, the proposal to set up a separate Department for Research in Health with an initial allocation of Rs. 531.75 crore. can be a very significant step in augmenting public expenditure on health research, if substantial increase in allocation is done over the years.

### Women

Total allocations for women show a very marginal increase from 3.3 to 3.6 percent of the total government expenditure (as per the Gender Budgeting Statement), a mere 0.3 percent increase. The number



of ministries and departments reporting in the Gender Budgeting Statement remains constant (with 33 Demand for Grants), which is a disappointment. Significant increase has been proposed in the allocations for Ministry of Minority Affairs from Rs. 362.83 crore to Rs. 1,013.83 crore, but still there are no schemes to address the specific vulnerabilities of Muslim women. Women specific allocations in agriculture as a percentage of total allocations in agriculture have increased while in higher education, priority for women has gone down. Allocations for RCH have gone up from Rs. 1,629.17 crore last year to Rs. 2,504.75 crore, which is welcome. However, allocations for women when compared to the total allocations in health remain stagnant at 53 percent. Considering the fact that one-third of women are engaged in the unorganized sector, it is disappointing to note that in the Union Budget 2008-09, the multifarious issues which social security entails have been largely neglected.

### **Children**

The Union Government has introduced a Statement on child specific schemes in Budget 2008-09, which is a welcome step. The total outlay for child specific schemes accounts for 5.35 percent of total outlay from the Union Budget in 2008-09. However, prioritisation of total outlay earmarked for children in the Union Budget is still very skewed, with interventions meant for protection of children in difficult circumstances getting very low magnitude of funds. Union Budget outlays for ICDS, RCH and IPCS schemes have increased noticeably (over 2007-08 Revised Estimates) in 2008-09 (BE). However, in comparison to 2007-08 (RE), the outlay for SSA has fallen in 2008-09 (BE). In comparison to 2007-08 (BE), the outlay for NCLP scheme has fallen in 2008-09 (BE). Overall there is no visible stepping up of priority for children in Union Budget 2008-09.

### **Dalits and Adivasis**

In the Union Budget 2008-09, there are some new interventions for the Scheduled Castes (SCs) and Scheduled Tribes (STs), some of which include Special focus on SC/ST women in NREGS, Rs. 130 crore allocation to make Jawahar Navodaya Vidyalayas accessible to SC/ST students in 20 districts that have large concentration of Scheduled Castes and Scheduled Tribes population, Rs. 750 crore has been allocated for National Means-cum-Merit Scholarship Scheme for the award of 1 lakh scholarships beginning 2008-09 and Rs.75 crore in 2008-09 for the Rajiv Gandhi National Fellowship Programme, which in fact is less by Rs. 13 crore compared to the previous

Budget. An analysis of Union Budget 2008-09 shows that the total Plan Outlay earmarked for Scheduled Castes as percentage of total Government Expenditure (excluding Central Assistance for State & UT Plans) has declined from 7.90 percent in 2007-08 (BE) to 7.51 percent in 2008-09 (BE). The total Plan outlay earmarked for Scheduled Tribes as percentage of total government expenditure (excluding Central Assistance to State & UT Plans) has declined from 4.77 percent in 2007-08 (BE) to 4.45 percent in 2008-09 (BE). Out of more than hundred Demands for Grants in Union Budget, less than 30 Demands for Grants had some allocations earmarked for SCs/STs.

### **Rural Development**

Agricultural sector has achieved the dubious distinction of registering negative growth. Public investment in agriculture as a proportion of GDP has declined from 0.36 percent to 0.21 percent. The proportion of people living below the benchmark consumption level, which already is an abysmally low standard of Rs. 12 per day is a staggering 30 percent. On average, prices of essential commodities have risen by more than one third over the period between 2004 and 2007. Retardation in the growth of agricultural sector, and hence, the consequential decline in the share of agriculture in GDP, is the result of gross neglect of this sector as reflected in the decelerating pace of capital formation in agrarian sector, in general, and stagnancy of public investment, in particular. Spending on subsidies as proportion of GDP has decreased from 1.37 percent to 1.26 percent. Provision of cheap inputs through raising subsidy bill of fertilisers and ensuring better remuneration for agricultural products is the bare minimum that Government owes to farming community. Although, the Government has not allocated substantial funds to address pressing concerns of the agricultural sector to eliminate the root cause of agrarian crisis that the country right now is witnessing, the Union Budget, 2008-09 does endeavour to assuage the crisis afflicted farmers by offering them a loan waiver package.

The Central Government's expenditure on rural employment as proportion of both total expenditure as well as GDP, has been retreating in the recent years. Rural employment as a proportion of total expenditure has declined from 2.56 percent in 2005-06 to 1.92 percent in 2008-09 BE. The coverage of NREGS has been extended to all the 596 districts (excluding the urban districts) in the country in 2008-09. But the large increase in coverage does not reflect a proportionate increase in allocation for 2008-09 – a mere Rs. 4,000 crore increase from Rs. 12,000 crore in 2007-08 (RE) to Rs. 16,000 crore in 2008-09.



With regard to rural infrastructure, though there is some increase in budgetary support for Bharat Nirman as a proportion of total expenditure of the Central Government from FY 2005-06 (BE) to 2007-08 (BE), in the 2008-09 (BE) it has remained constant. The poor performing components have got higher allocations in this year's Union Budget. While PMGSY has got 13 percent more allocation (Rs. 7,350 crore) compared to last year, ARWSP has also got a hike of 12 percent over last year's allocation. In 2008-09 the rural housing scheme IAY has got a significant (33%) hike. The increase of the unit cost for the construction of Indira Awas home for BPL families from the present level of Rs. 25,000 for plain areas and Rs. 27,500 for hilly areas to Rs. 35,000 and Rs. 38,000 is a welcome step in the Union Budget.

### Urban Development

The allocation for JNNURM has seen an increase by 25 percent over the last year to Rs. 6,247.98 crore. Almost half of the allocation under JNNURM has been devoted to urban infrastructure and governance (i.e. Rs. 3,100.37 crore). There has been only marginal increase in other subprogrammes under JNNURM like Urban Infrastructure Development for Small and Medium Towns, Basic Services for Urban Poor and Integrated Housing and Slum Development

Programme. The nature of allocation under the Mission clearly shows that programmes especially geared towards slum development and urban poor have been relegated to back seat, while the core focus seems to be on rapid development of the 63 mega cities.

### North East Region

The NER is largely dependent on central funding for its development. Conscious of its exceptional features (and of its strategic significance), the Centre has traditionally considered the NER as deserving of singular treatment.

A close review of the Plan outlay for the NER in Union Budgets does not reflect an ambitious and satisfactory allocation for the NER. The Budget Estimate of 2008-09 proposed 6.8 percent of Plan outlay for NER. This is clearly far less than 10 percent, which is the minimum the ministries/departments had to earmark for the region. Although, it is important to note that the outlay has increased from 4.7 percent (2002-03 RE) to the current level of 6.6 percent (2007-08 RE). However, as is the case for many ministries/departments, the Plan allocations are cut back in the Revised Estimates from the level proposed in the Budget Estimates, the similar trend gets reflected for NER. As compared to the Budget Estimate of 6.9 percent in 2007-08, the figure for 2007-08 Revised Estimates shows a decline to 6.6 percent.

## Who Does the FM Meet?

### Meeting with Agriculturists: Jan. 7, 2008

Achieve 4% growth in agriculture - was the central theme of the meeting.

Other issues:

- Rationalise taxes on agricultural commodities
- Stagnation in production of wheat and rice

### Meeting with the Economic Advisory Council: Jan. 7, 2008

Moderation in indirect taxes to stimulate consumer durables' demand was the central theme

### Meeting with Financial Advisors: Jan. 7, 2008

For the first time, the FM met with the financial advisors to various ministries and the Economic Advisory Council (EAC) to the Prime Minister headed by C Rangarajan.

- Pooling of the annual expenditure in the last quarter (Q4) was a major concern raised by the

FM. No ministry can spend more than 33 percent of its annual expenditure in the fourth qtr of the financial year.

- The focus was also on outcomes rather than on outlays and thus the Outcome budget was stressed
- Emphasis was laid on spending the allocated amount
- Expenditure on major flagship schemes was sought

### Meeting with Industrialists: Jan. 9, 2008

Lower personal and corporate taxes was the central theme of the meeting

- Cut in Corporate tax to 25 percent
- Cut in income tax to 25 percent from 30 percent for incomes above Rs. 500,000

Other issues: Introduction of Goods and Services Tax by 2010

### Meeting with Trade Unionists: Jan. 10, 2008

Larger outlays for agriculture, social infrastructure, development and health was the central theme



- Trade Unionists stressed the need to actualize the demands made by them to the FM which they feel are often ignored
- Strongly opposed the merger of nationalized banks

### **Agriculture:**

- Steps to contain the price rise of essential commodities
- Cheap rural credit
- Augmented subsidy for agriculture
- Centrally-funded comprehensive labour law to improve the conditions of informal labour

### **Meeting with Left Parties: Feb. 7, 2008**

- Curb tax-concessions to corporates and affluent sections
- Reintroduction of the long term capital gains tax

and an increase in short term capital gains tax and in the rate of Securities Transaction Tax

- Restructuring of indirect tax on petroleum
- FRBM targets not to constrain Plan Expenditure
- Gross Budgetary Support for Central Plan to be increased to atleast 60,000 crore
- Constitution of Farmers' Debt Relief Commission and interest on farm loans to be brought down to 4 per cent

### **Meeting with a delegation of women organized by the Minister of Women and Child development: Feb. 19, 2008**

- Lower home loan rates, specifically for single women
- Measures to be taken for widows of farmers
- Special Focus on skill upgradation and small scale vocational training

## Promises in Budget 2007-08: How Much Was Delivered?

Promises made in Budget Speech	Promises Delivered
<p><b>Bharat Nirman</b></p> <ul style="list-style-type: none"> <li>■ Additional irrigation potential of 2,400,000 hectares, including 900,000 hectares under AIBP</li> <li>■ Annual target of construction of 15 lakh rural houses likely to be exceeded</li> </ul>	<p>A total irrigation potential of 10 million ha by 2008-09 was the target set by Bharat Nirman. During 2005-06 and 2006-07, 1.68 million ha and 1.94 million ha of irrigation potential respectively has been created.</p> <p>During 2007-08, allocation of Rs. 4,032.70 crore had been released to DRDAs under the scheme. Upto November 2007, 9.39 lakh houses have been constructed.</p>
<p><b>Education</b></p> <ul style="list-style-type: none"> <li>■ <b>Sarva Shiksha Abhiyan</b></li> </ul> <p>SSA to be provided Rs. 10,671 crore. Appointment of 2 lakh more teachers to be made and construction of 5 lakh more classrooms to be constructed in 2007-08.</p> <ul style="list-style-type: none"> <li>■ <b>Mid-Day Meal Scheme</b></li> </ul> <p>A provision for Rs 7,324 crore for the scheme with the additional focus of covering children in upper primary classes in 3427 educationally backward blocks.</p> <ul style="list-style-type: none"> <li>■ <b>Secondary Education</b></li> </ul> <p>Introduction of National Means Cum Merit Scholarship Scheme with a creation of fund of Rs. 750 crore. Provision of 1 lakh scholarships to students in classes IX,X, XI and XII every year.</p>	<p>As on 31<sup>st</sup> March 2007, additional constructed classrooms are 3.13 Lakh and appointed teachers are 2.02 lakh</p> <p>The scope of Mid Day Meal has been extended to include upper primary schools since 1<sup>st</sup> Oct. 2007 in 3479 educationally backward blocks. The scheme is intended to cover additional 1.7 crore children with 700 calories &amp; 20 g of protein.</p> <p>Allocation of Rs. 750 crore for the National Means Cum Merit Scholarship Scheme has been made in the Union Budget, 2008-2009 so as to create a corpus of Rs 3,000 crore in four years.</p>
<p><b>ICDS</b></p> <p>Allocations increase from Rs. 4,087 crore to Rs. 4,761 crore in 2007-08.</p>	<p>The universalisation of the Integrated Child Development Services (ICDS) Scheme is underway. At the end of December 2007, 5,959 ICDS projects and 932,000 Anganwadi and mini-Anganwadi centres are functional. The beneficiaries include 629 lakh children and 132 lakh pregnant and lactating mothers.</p>
<p><b>NREGS</b></p> <p>Expansion of the scheme from 200 to 330 districts</p>	<p>It has been implemented in all the 330 districts as promised, though there have been some implementation problems. Now the Act will be implemented in 596 districts.</p>

<p><b>Targeted Public Distribution System</b></p> <p>Intitiation of a Plan Scheme for evaluation, monitoring, management and strengthening of targeted PDS from 2007-08 which will include computerization of PDS and integrated system in the Food Corporation of India.</p>	<p>Evaluation, Monitoring and Research for Foodgrains Management &amp; Strengthening of Public Distribution System (PDS) has two sub schemes: Integrated Information System for Foodgrains Management with the total plan outlay for 2007-08 of Rs. 2,450 lakh and Strengthening of PDS with the annual plan outlay for 2007-08 of Rs. 1,800 lakh. Smart card based delivery system has been proposed to be started on a pilot basis in Haryana and Chandigarh. The overall implementation is poor.</p>
<p><b>Agriculture</b></p> <p>Finalise the draft National Policy for Farmers</p> <p>A target of Rs. 225,000 crore as farm credit and additional 50 lakh farmers to be linked to the farming system</p> <p>Action on Dr. Radhakrishna Committee to address agricultural indebtedness.</p> <p>A new programme in consultation with the state governments to revive the agricultural extension system</p> <p>Expansion of Agricultural Technology Management Agency (ATMA) to another 300 districts in 2007-08.</p>	<p>On the basis of the daft prepared by the National Commission for Farmers and after consultation with the state governments and central ministries, the National Policy for Farmers was approved on 11<sup>th</sup> Sept. 2007.</p> <p>The target of Rs. 225,000 crore as farm credit has been met.</p> <p>The report has been submitted and a debt waiver and debt relief scheme for farmers has been introduced in the Union Budget 2008-09.</p> <p>A new scheme for support to state extension programme for extension reforms has been approved. The scheme, Support to States Extension Programme for Extension Reforms provides demand driven extension services through the active involvement of farmers/womenfarmers/subject matter specialists/NGOs/Krishi Vigyan Kendras etc. The gender concerns under the scheme are being mainstreamed by mandating that 30 percent of the resources on programmes and activities are allocated for women farmers.</p> <p>No information available on extension of ATMA</p>
<p><b>Social Security</b></p> <p>Extension of death and disability insurance cover through Life Insurance Corporation of India (LIC) to rural landless households under a new scheme called Aam Admi Bima Yojana (AABY) which will be implemented from 2007-08</p>	<p>Aam Aadmi Bima Yojana (AABY) was launched in Oct. 2007 to cover the death and permanent disability for the benefit of rural landless households. The premium to be charged under the scheme has been set at Rs. 200 per annum per member of which 50 per cent is to be contributed by the Central Government and the remaining by the State Government. A sum of Rs. 1,000 crore has been allocated for the scheme. However, social security has many facets which need to be covered.</p>

## National Common Minimum Programme: A Charter of Governance Mapping UPA Government's Progress

NCMP Commitment	Progress so far
<b>AGRICULTURE &amp; RURAL DEVELOPMENT</b>	
Revamp agriculture research, agriculture extension and agriculture education	In the Union Budget only 0.5 percent of the GDP has been spent on agricultural research in 2005-06 and 2006-2007.
National Horticulture Mission	The National Horticulture Mission was launched as a centrally sponsored scheme in 2005-06. The scheme covers 340 districts in 18 States and two Union Territories. In the Union Budget 2008-09, allocation of Rs.1,100 crore has been made.
Reform agriculture markets and post – harvest technology	In view of requirement of large investments for development of post harvest and cold chain infrastructure near to the fields, the Ministry of Agriculture after circulating the model Agriculture Produce Marketing Committee (APMC) Act, 2003, suggested amendments to be made in the State APMC Acts. The States were asked to make the required amendments by 2007-08.  In 12 states reforms to APMC Act have been done for direct marketing; Contract Farming and Markets in Private/ Coop Sectors. In 10 States and UTs, administrative actions have been initiated.
Catalyze new initiatives with a focus on crop yields within the next six months	National Food Security Mission was launched in 2007-2008 as a centrally sponsored scheme to increase crop yield, comprising wheat, pulses and rice to increase their production by 10 million tonnes, 8 million tonnes, and 2 million tonnes respectively at the end of XIth Five Year Plan. An outlay of Rs. 4,882 crore has been set aside for the Mission.
Prepare action plan and undertake necessary follow-up for time bound implementation of proposed actions to strengthen the rural credit system	The institutional credit target of Rs 175,000 crore set out in 2006-2007 and Rs 225,000 crore in 2007-2008 has been achieved. Radhakrishna committee was set up to study the problem of rural indebtedness. The report had been submitted. In the Union Budget 2008-09, a debt waiver and debt relief scheme for farmers has been introduced. A Kisan Credit Card scheme has been operational since 1988 for short term and medium term loans. About 705.55 lakh Kisan Credit Cards have been issued till November, 2007. Also, the scheme has been extended to all kinds of loan requirements of borrowers of State Cooperative Agriculture Rural Development Banks (SCARDBs).

Develop rural infrastructure ('Bharat Nirman')

Six components of 'Bharat Nirman' - irrigation, drinking water, electrification, roads, housing and rural telecommunications.

#### **Rural Roads**

Pradhan Mantri Gram Sadak Yojana (PMGSY) - scheme aims to provide rural roads

A target of constructing 146185 km. of rural roads, connecting 66802 habitations and upgrading 194130 km. of existing rural roads was set up.

Up to September 2007, construction of 48215 km. of rural roads was completed providing connectivity to 16444 habitations. In addition, 60934 km. of existing rural roads have been upgraded. So far, projects costing Rs.59,482 crore have been sanctioned and an amount of Rs. 24,711 crore has been spent under PMGSY up to September, 2007.

For ensuring adequate funding, a special window has been created under the Rural Infrastructure Development Fund (RIDF) of National Bank for Agricultural Rural Development (NABARD) for financing rural road projects under Bharat Nirman. About Rs.16,500 crore would be mobilized from the special window of NABARD.

#### **Drinking water**

Although the achievements have exceeded the targets for uncovered habitations in drinking water supply for the years, 2005-06 and 2006-07, however the targets for reducing the quality affected habitations have not been met.

As on 1.4.2007, the number of habitations remaining to be tackled is 29,534 un-covered habitations, 1,74,782 slipped-back habitations and 1,66,693 quality-affected habitations. During 2007-08, 1.55 lakh habitations are planned to be covered.

#### **Irrigation**

In 2007-08, the target was to create irrigation facilities for 28.50 lakh hectares which included creation of major irrigation facilities for 13.50 lakh ha, while for 15 lakh ha minor facilities were to be created. A total irrigation potential of 10 million ha by 2008-09 was the target set by Bharat Nirman. During 2005-06 and 2006-07, 1.68 million ha and 1.94 million ha of irrigation potential respectively has been created.

#### **Rural electrification**

A Scheme, Rajiv Gandhi Grameen Vidyutikaran Yojana was launched to provide electricity to all rural households by 2009. Rural Electrification



	<p>Corporation, the nodal agency, has so far received 611 proposals under RGGVY, out of which 321 projects have been sanctioned for 320 districts at a cost of Rs 11,923.52 crore.</p> <p><b>Housing</b></p> <p>Indira Awas Yojana (IAY) is being run by the Department of Rural Development in this regard. A target of 60 lakh houses has been set to be built from 2005-06 to 2008-09. During the period of 2005-08 (upto Sept. 2007), 36.81 lakh houses have been constructed. The target of construction of 21.27 lakhs houses has been fixed for 2007-08 in light of the enhanced central allocation of Rs.4,032.70 crore for the year.</p> <p><b>Rural Telephony</b></p> <p>Bharat Nirman set the target of connecting every village by telephone. Till March 2007, 48,704 villages have been connected during the first two years itself as against the target of providing 66,882 villages with Village Public Telephones (VPTs).</p>
<p>Formulate a National Rehabilitation Policy</p> <p>Computerize land records and making them available on-line</p>	<p>National Policy on Rehabilitation and Resettlement has been approved in November 2007.</p> <p>To give the policy a statutory backing two related bills: Rehabilitation and Resettlement Bill – 2007 and Land Acquisition (Amendment) Bill – 2007 were raised in the Winter Session of the Parliament.</p> <p>The data entry of 3,521 tehsils has been completed.</p> <p>Verification of 2,961 tehsils has been completed.</p> <p>2,921 computerized copies of Record of Rights have been distributed.</p> <p>1,360 manual copies of Record of Rights have been distributed.</p>
<p><b>EMPLOYMENT</b></p>	
<p>Enact the National Employment Guarantee Act and implement the scheme to give effect to it</p>	<p>The National Rural Employment Guarantee Act came into force in 2006 in initially 200 districts. The Act has since been expanded from 200 districts to 330 districts. The Act would now become operational in all districts from April, 2008.</p> <p>An initial allocation of Rs 12,000 crore (including the NER component) for NREGS in 2007 -2008 as compared to Rs.11,300 crore (including NER component) in 2006-07 in the Union Budget and sum of Rs.16,000 crore (including the NER component) in 2008-2009.</p>

<p>Provide Social Security Mechanisms for the unorganized sector</p>	<p>A National Commission on Enterprises in the Unorganised Sector was constituted under the Ministry of Micro, Small and Medium Enterprises to examine the problems facing enterprises in the unorganized sector. It submitted its report titled, 'Conditions of Workers and Promotion of Livelihoods in the Unorganised Sector' in August 2007. Following the report, two Bills were proposed - Unorganised Non-agricultural Sector Workers (Conditions of Work and Livelihood Promotion) Bill, 2007 and the Unorganised Agricultural Sector Workers (Conditions of Work and Livelihood Promotion) Bill, 2007 to cover unorganised non-agricultural workers and agricultural workers respectively.</p> <p>In addition, the Commission submitted two other reports on Nov. 2007 – 'Financing of Enterprises in the Unorganised Sector' and the other on 'Creation of a National Fund for the Unorganised Sector' (NAFUS). The report proposes to set up a statutory body funded by the Central government and financial institutions that will focus on non-farm micro-enterprises with investment of less than Rs. 5 lakh. Three social security schemes made operational are:</p> <ul style="list-style-type: none"> <li>• The Aam Admi Bima Yojana that will provide insurance cover to poor households</li> <li>• The Rastriya Swasthya Bima Yojana that will be implemented with effect from April 1, 2008; and,</li> <li>• The Indira Gandhi Old Age Pension Scheme was enlarged with effect from November 19, 2007 to include all persons over 65 years falling under the BPL category.</li> </ul>
<b>EDUCATION</b>	
<p>Raise public spending on education to 6 percent of GDP</p> <p>Introduce a cess on all central taxes to finance the commitment to universalize access to quality basic education</p>	<p>The promise remains unfulfilled. At present public spending on education stands at 2.84 percent in 2007-08. The Central Government's spending as a proportion of GDP (at Market Prices) is 0.72 percent (2008-09 BE) an increase from 0.63 percent (2007-2008 BE).</p> <p>Although, introduction of Education Cess was a welcome move by the government, it was expected that the proceeds would complement the government's own initiatives rather than substituting the same. However, if adjustments are made for the external support as well as Education Cess, the proportionate contribution made from the resources of the present government itself has in fact declined from around 64 percent in the year 2002-03 to 37 percent 2008-2009.</p>

<p>Table a bill on education as a fundamental right</p>	<p>The Centre has set up a committee to re-draft the Right to Education Bill, 2005 by addressing the issues raised by the States and other stakeholders and has proposed to introduce it in the budget session of the Parliament.</p>
<p>Ensure nationwide coverage of the mid-day meal programme</p>	<p>Coverage of MDM: 12 crore children and 9.5 lakh government schools. Upgradation of nutritional norms has occurred. Provision has been made to extend the scheme in upper primary level in 3,479 educationally backward blocks.</p>
<p>Establish the National Commission on Education</p> <p>Set up Knowledge Commission in January 2005</p> <p>Review Sarva Shiksha Abhiyan and the progress in achieving primary education goals</p>	<p>The Kothari Commission was the last commission set up on education in 1964. However, a new Education Commission has not yet been set up.</p> <p>A National Knowledge Commission was set up in October 2005.</p> <p>New funding pattern for SSA in the XIth Plan 2007-09 Centre Share: 65%; State Share: 35%</p> <p>2009-10 Centre Share: 60%; State Share: 40%</p> <p>2010-2011 Centre Share: 55%; State Share: 45%</p> <p>2011-2012 Centre Share: 50%; State Share: 50%</p>
<p><b>HEALTH</b></p>	
<p>Raise public spending in health to atleast 2-3% of GDP, with a focus on primary health care</p>	<p>Public spending in health as a proportion of GDP is an abysmal 0.99 percent.</p> <p>According to the Bulletin on Rural Health Statistics in India-2006 – Special Revised Edition, as in March 2006, there is a shortage of 20,903 Sub-Centres (SCs), 4,803 Primary Health Centres (PHCs) and 2,653 Community Health Centres (CHCs) as per 2001 population norm. Further, almost 50 per cent of the existing health infrastructure is in rented buildings.</p>
<p>Launch National Rural Health Mission</p>	<p>NRHM was launched in 2005-06 with a Plan outlay of Rs 9,801 crore 2007-08 (BE). Outlay of Rs. 10,890 crore was provided in the Union Budget 2007-08 under NRHM, out of which 3,155.32 crore was allocated for NRHM Flexible Pool for State Implementation Plans.</p> <p>As noted by its implementation so far, the devolution of power to the PRIs has not taken place. There is huge lack of investment on infrastructure, availability of drugs, and skilled human resources. It has focused more on selective interventions and aspect of universalisation is neglected. Instead of the commitment of 30 percent increase in allocations</p>

<p>Strengthen regulation in the health sector</p>	<p>under NRHM, only 18-20 percent increase has been met. Strengthening of PHC infrastructure remains grossly neglected.</p> <p>Formalisation of General Agreements in Trade and Services.</p> <ul style="list-style-type: none"> <li>• Dire consequences of GATS being accepted even in WTO.</li> <li>• Limited scope for state intervention will leave poor under the mercy of multinational health care providers.</li> <li>• High reduction of import duty from 12.5 to 7.5 percent on medical equipment. thus furthering the interests of the private health sector.</li> </ul>
<p>National AIDS Control Programme</p>	<p>There has been increase in Plan allocation from Rs. 719.5 crore in 2007-08 to Rs. 993 crore in 2008-2009 for NACO.</p> <p>NACP III for the period of 2006-2011 has been under implementation since 2006 following the principle of the 'Three Ones'- one National Plan, one implementing authority and one monitoring system. It is to be uptill 2011.</p> <p>During NACP III, an investment of Rs. 11,585 crore is required. An outlay of Rs. 11,585 crore has been approved for the next 5 years (2007-12).</p>
<p>Improve control and management of drug administration</p>	<p>Redrafting of the 2002 Drug Policy into National Pharmaceutical Policy, 2006.</p> <ul style="list-style-type: none"> <li>• Proposed control over all 354 essential drugs and 74 life saving drugs. However, the policy was criticized by MNCs and the bill got shelved.</li> <li>• The ministerial panel is in the process of reviewing the price control issue on the new pharmaceutical policy.</li> <li>• Due to pressure by the civil society and left parties, some concerns have been incorporated.</li> </ul>
<p>Reform recognizing/accrediting agencies for education /training institutions</p>	<p>Proposal for setting up six AIIMS like institutions for augmenting medical education in deficient States. For 2008-09, Rs. 490 crore has been set aside for the purpose.</p> <p>Proposal for establishment of Public Health Foundation of India based on Public Private Partnership (PPP) model.</p> <ul style="list-style-type: none"> <li>• Since it will be a PPP, exorbitantly high fees will be charged and consequently cater only to the upper strata students.</li> <li>• Graduates from the foundation will not find it lucrative to work in the rural areas.</li> <li>• Syllabus is being developed at US institutions and subsequently will be dominated by US policies on public healthcare.</li> </ul>

<b>WOMEN AND CHILDREN</b>	
Ensure complete legal equality for women in all enactments and bringing in legislation addressing domestic violence	Domestic Violence Act was passed in 2005, but the implementation remains a challenge. Although Hindu Succession Amendment Act, 2005 was passed, Muslim and tribal women are outside the purview of this law. To strengthen the Commission on Sati Prevention Act, 1987, amendments have been made. However, the amendments are facing resistance.
Take the lead to introduce legislation for one-third reservations for women in vidhan sabhas and in the Lok Sabha.	The government has failed to table the much needed Women's Reservation Bill supposedly due to lack of consensus.
Universalise the Integrated Child Development Scheme	The universalisation of the Integrated Child Development Services (ICDS) Scheme is underway. At the end of December 2007, 5,959 ICDS projects and 932,000 Anganwadi and mini-Anganwadi centres are functional. The beneficiaries include 629 lakh children and 132 lakh pregnant and lactating mothers.
Formulate a Children's Charter and a National Action Plan for Children, bringing in child friendly laws and establishing a National Commission for Children	<p>A National Plan of Action for Children, 2005 has been drawn up for time bound achievements in terms of certain indicators such as infant mortality, access to safe drinking water etc.</p> <p>National Commission for Protection of Child Rights Bill, 2006 was passed which provides for constitution of a National Commission as well as State Commissions and Children's Courts for trying offences against children. Thus, a National Commission for Protection of Child Rights, was constituted in February 2007</p> <p>Government made amendment to the Juvenile Justice (Care and Protection) Act, 2000 and Prohibition of Child Marriage Bill was introduced in Parliament Winter Session, 2006.</p>
<b>DALITS &amp; ADIVASIS</b>	
Abolition of Manual Scavenging by August 2005	<p>The total population of scavengers is 770338. Till 2002, number of scavengers rehabilitated was 427870. No fresh survey has been conducted by the state government since then.</p> <p>The Public Accounts Committee report on National Scheme for Liberation and Rehabilitation of Scavengers in August, 2007 said that the scheme is a failure. No data is available on targets and achievements of National Action Plan for Total Eradication of Manual Scavenging, 2007 formulated by the Planning Commission.</p>

<p>Revamp Special Component Plan for higher allocation on the scheduled castes for education, health and irrigation</p>	<p>Only 15 departments have made some allocation for SCSP. The total Plan outlay earmarked for Scheduled Castes as percentage of total government expenditure (excluding Central Assistance to States&amp; UT Plans) has declined from 7.90 percent in 2007-08 (BE) to 7.51 percent in 2008-2009 (BE) which is far less than the proportion of the SC in the total population, i.e., 16 percent.</p> <p>Two new windows have been initiated in 2007 namely the Central Sector Scholarship Scheme of top class education for SC students as well a Central Sector Scheme of national overseas scholarship for SCs. A provision of 49 crore was made in 2005-06 for water harvesting scheme for SC/ST farmers. The budget 2007-08 proposed creation of irrigation potential of 10 lakh hectares by 2009 under Bharat Nirman through groundwater which will primarily benefit small and marginal farmers among SCs and STs.</p>
<p>Revamp Tribal Sub-Plan for higher allocation to the Scheduled Tribes for education, health and irrigation</p>	<p>Only few Central Government Ministries have some planned allocation earmarked for STs. The total Plan outlay earmarked for Scheduled Tribes as percentage of total government expenditure (excluding Central Assistance to States&amp; UT Plans) has declined from 4.77 percent in 2007-08 (BE) to 4.45 percent in 2008-2009 (BE) which is far less than the proportion of the STs in the total population, i.e., 8 percent.</p> <p>A Central Scholarship Scheme of Top Class Education for ST students was launched in 2007-08. The aim was to encourage meritorious students to pursue studies at higher levels in 127 identified institutes under the scheme.</p>
<p>Settle land rights of tribal communities. Enhance ownership rights in respect of natural resources and implement Panchayat Extension to Scheduled Areas (amendment) Act, 1996</p>	<p>The Scheduled Tribes and other Traditional Forest Dwellers (Recognition of Forest Rights) Bill, 2006 was passed in December 2006. Panchayat Extension to Scheduled Areas (amendment) Act, 1996 has been implemented. However, all these have not been very effective in ensuring the rights of the tribals over their land and other natural resources.</p>
<p><b>FOOD SECURITY</b></p>	
<p>Revamp delivery of PDS with a view to improving delivery</p>	<p>It largely remains an unfinished agenda. High incidence of corruption plagues the current system of Targeted PDS. In addition, by its targeted nature, it leaves out a massive population out of the system owing to the flawed BPL methodology. Smart card based delivery system is to be started on pilot basis to deliver food grains under the PDS in Haryana and Chandigarh.</p>



## 1. Resource Mobilisation Efforts of the Union Budget 2008-09

- There has been a steady growth in tax collections in the economy. In the year 2008-09, the tax collections are expected to increase to around 13 percent of GDP.
- The Plan Expenditure as percent of GDP is on the rise from 3.93 percent in 2005-06 to 4.59 percent in 2008-09 BE.
- The Total Expenditure as percent of GDP has declined from 17 percent in 2003-04 to 14.2 percent in 2008-09 BE along with a steady decline in capital expenditure.
- Huge tax exemptions to the tune of 7.2 percent of GDP is estimated for the year 2007-08.

Union Budget 2008-09 is special in a sense that the UPA government is presenting last full budget of its term. In May 2004, when UPA Government assumed power, it articulated popular aspirations in the form of a National Common Minimum Programme that promised substantial efforts for the all round development of the country through its expenditure and resource mobilisation policies. The immediate task of the UPA government was to endorse the Fiscal Responsibility and Budget Management Act (FRBMA) with annual targets set for the reduction of deficits. While most of the other promises made in the NCMP remained achievements on paper (as there have been efforts in almost all fronts to set up commissions to make situation assessment), hardly any progress has been witnessed in the socio-economic indicators. In a regime of increasing tax collections and rapid growth in GDP, the government failed to make investment in the social sectors. Whatever has been done by the government for the social sectors is just not enough to meet the needs of the sector. Infact, the Finance Minister has religiously practiced the FRBMA principles of deficit management and achieved the targets to a satisfactory level by reducing expenditure in almost all critical sectors.

Budget 2008-09 is a clear expression of a shift even from the rhetoric of NCMP. The UPA government has come out with a budget that shows no respect to the mandate it had adhered to while forming its government. Of course, there is a lot to offer for the salaried middle class and the corporate sector, in the form of substantial tax cuts again, though, due to improvement in the tax administration, there is an increase in the overall revenue position of the economy. However, the increase in the proceeds has not resulted in any meaningful investment in developing infrastructure, social sectors or critical sectors like agriculture and rural development. In this

section, we have focused on the performance of the government in resource mobilisation and expenditure management front.

- The deficits of the Central Government are controlled at a level far exceeding the FRBM targets. The Finance Minister hopes that the Fiscal Deficit for the year 2008-09 BE shall be maintained at 2.5 percent of GDP compared to the FRBM target of 3 percent. The Revenue Deficit is expected to be controlled at 1 percent of GDP during 2008-09 BE. The Primary Deficit has actually turned out to be negative. The significance of Primary Deficit lies in the fact that such a deficit only focuses on the present liabilities of the government without accounting for the implications of earlier debts. A negative Primary Deficit (surplus) indicates that the government is no more interested in financing through current borrowing. Primary Deficit may be beneficial for an economy that does not have any excess capacity or has already achieved a full employment situation. In a country like India with huge excess capacity of the factors of production, a higher Primary Deficit is actually beneficial for the economy as it creates more effective demand and thereby employment in the economy.
- There has been a 6 percent increase in Total Expenditure of the Central Government from around 7.09 lakh crore rupees in 2007-08 RE to around 7.5 lakh rupees in 2008-09 BE. However, as a proportion of GDP it has declined from 15.1 percent to 14.2 percent during the period. Compared to the year 2003-04, the Revenue Expenditure as a proportion of GDP has declined from 13 percent of GDP to 12.4 percent in 2008-09 BE. The Capital Expenditure declined from 3.95 percent of GDP to 1.75 percent during this period.



Table-1.a: Deficits of the Central Government as percent of GDP

Year	GDP at MP	Revenue Deficit	Primary Deficit	Fiscal Deficit
1999-00	1952036	3.5	0.7	5.4
2000-01	2102375	4.1	0.9	5.7
2001-02	2281058	4.4	1.5	6.2
2002-03	2458084	4.4	1.1	5.9
2003-04	2765491	3.6	0.0	4.5
2004-05	3126596	2.5	0.0	4.0
2005-06	3580344	2.6	0.4	4.1
2006-07	4145810	1.9	-0.2	3.4
2007-08 RE	4693602	1.4	-0.4	3.1
2008-09 BE	5303770	1.0	-0.7	2.5

Source: Receipts Budget,

Notes: GDP at Market Price figures (Base 1999-2000; Current Prices) are taken from CSO

# Expenditure includes capital expenditure by the Government for investment in Agricultural Financial Institutions termed as "transfer of RBI stake in SBI to the Central Government" in Budget documents of 2007-08.

@ GDP for 2007-08 is Advanced Estimate provided by CSO

\$ GDP for 2008-09 is projection made by the Finance Minister in "Budget at a Glance"

Table-1.b: Revenue and Capital Expenditure as percent of GDP at MP

Year	Total Expenditure	Revenue Expenditure	Capital Expenditure
1999-00	15.3	12.8	2.51
2000-01	15.5	13.2	2.27
2001-02	15.9	13.2	2.67
2002-03	16.8	13.8	3.03
2003-04	17.0	13.1	3.95
2004-05	15.9	12.3	3.64
2005-06	14.1	12.3	1.85
2006-07	14.1	12.4	1.66
2007-08 RE# @	15.1	12.5	2.57
2008-09 BE\$	14.2	12.4	1.75

Source: Expenditure Budget Vol-1,

Note: GDP at Market Price figures (Base 1999-2000; Current Prices) are taken from CSO

# Expenditure includes capital expenditure by the Government for investment in Agricultural Financial Institutions termed as "transfer of RBI stake in SBI to the Central Government" in Budget documents of 2007-08.

@ GDP for 2007-08 is Advanced Estimate provided by CSO

\$ GDP for 2008-09 is projection made by the Finance Minister in "Budget at a Glance"

- The Non-Plan expenditure as percent of GDP has declined from 12.6 percent in the year 2003-04 to 9.6 percent in 2008-09. Even after accounting for adjustments in the Non-Plan expenditure, there is a decline from around 8.13 percent to 5.97 percent during the period. Though, there has been an increase in the total Plan expenditure by the Central Government, the Plan Assistance to States and UTs has declined from around 1.8 percent of GDP in 2003-04 to 1.2 percent in 2008-09 BE.
- Revenue Receipts as a proportion of GDP have shown a remarkable improvement during the UPA regime. From 9.54 percent of GDP in the year

**Table1.c: Plan and Non Plan Expenditure as percent of GDP at MP**

Year	Non Plan Expenditure	Plan	Interest Payments	Non -Plan Expenditure other than Interest Payment	Central Assistance to State and UT Plans	Plan Expenditure Other than Central Assistance to State and UT Plans
1999-00	11.4	3.90	4.62	6.74	1.77	2.14
2000-01	11.6	3.93	4.72	6.83	1.67	2.26
2001-02	11.4	4.44	4.71	6.74	1.80	2.64
2002-03	12.3	4.53	4.79	7.48	1.80	2.73
2003-04	12.6	4.42	4.49	8.13	1.80	2.62
2004-05	11.7	4.23	4.06	7.64	1.66	2.58
2005-06	10.2	3.93	3.70	6.49	0.97	2.95
2006-07	10.0	4.10	3.62	6.35	1.10	3.00
2007-08 RE	10.7	4.42	3.66	7.03	1.25	3.17
2008-09 BE	9.6	4.59	3.60	5.97	1.20	3.39

**Source:** Expenditure Budget Vol-1,

**Note:** GDP at Market Price figures (Base 1999-2000; Current Prices) are taken from CSO

# Expenditure includes capital expenditure by the Government for investment in Agricultural Financial Institutions termed as “transfer of RBI stake in SBI to the Central Government” in Budget documents of 2007-08.

@ GDP for 2007-08 is Advanced Estimate provided by CSO

\$ GDP for 2008-09 is projection made by the Finance Minister in “Budget at a Glance”

2003-04, the Revenue Receipts of the Central Government have increased to around 11.37 percent of GDP. This is a very favourable situation for any government committed for expansionary policies. The government has, however, chosen to meet the deficit control targets although the net annual external debt has declined from around 0.4 percent of GDP in 2004-05 to 0.2 percent of GDP in 2008-09 BE. The decline in the Capital Receipts also show a reduction on the total borrowing requirements of the country.

- We believe that if Capital Receipts are mobilised primarily by public debt and if public debt is primarily meant for capital expenditure in the economy, it creates new capacity in the economy and provide a fillip. The government's efforts to

reduce Capital Receipts is indicative of the fact that the government, under the premise of the fiscal contraction, has taken resort to restraining from various activities that require new capacity creation and investment in the economy. A simultaneous decline in Capital Receipts and Capital Expenditure indicates a squeezing size of capital account of the government.

- While there has been a substantial increase in the Tax GDP ratio from around 9 percent of GDP in 2003-04 to around 13 percent in 2008-09 BE, the proceeds from indirect taxes has also increased from around 5.4 percent of GDP to 6.08 percent during the period. There is nothing fundamentally wrong in an increasing share of indirect taxes. However, given the nature of our economy where

Table-1.d: Trend in Revenue and Capital Receipts as percent of GDP

Year	Total Receipts (Revenue+Capital)	Total Revenue Receipts	Total Capital Receipts	External Debt Net
1999-00	15.22	9.30	5.9	0.06
2000-01	15.54	9.16	6.4	0.36
2001-02	15.95	8.83	7.1	0.25
2002-03	16.74	9.39	7.3	-0.49
2003-04	17.18	9.54	7.6	-0.49
2004-05	16.20	9.79	6.4	0.47
2005-06	14.71	9.69	5.0	0.21
2006-07	13.96	10.48	3.5	0.20
2007-08 RE	15.50	11.19	4.3	0.21
2008-09 BE	14.02	11.37	2.7	0.21

Source: Receipts Budget,

Notes: GDP at Market Price figures (Base 1999-2000; Current Prices) are taken from CSO

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\$ GDP for 2008-09 is projection made by the Finance Minister in "Budget at a Glance"

the service sector, that is the largest contributor of GDP, contributes only around 9 percent of gross tax collections and 20 percent of the total indirect tax proceeds, the largest proportion of the indirect taxes is actually collected from the consumers of final products of non-agricultural commodity producing sectors. This is not a desirable situation in a demand-constrained economy, given that the government is actually not trying to divert these proceeds in boosting the demand in the economy.

- The government is still collecting a significant sum of resources through disinvestment proceeds.

While during the initial years of UPA regime, the government restrained itself from undertaking disinvestment activities, it has reverted again to increased disinvestment activities especially during the last two years. The resources from disinvestment proceeds increased sharply from around 0.01 percent of GDP in 2006-07, to around 0.77 percent in 2007-08 RE and further to 0.19 percent in 2008-09 BE.

- Though the government claims that the corporation tax rate is around 30 percent, the effective tax rate is only 20 percent on an average.

Table-1.e: Trend in Tax GDP Ratio

Year	Gross Tax Revenue	Non Tax Revenue Receipts	Dividends and Profits
1999-00	8.80	2.73	0.49
2000-01	8.97	2.66	0.65
2001-02	8.20	2.97	0.76
2002-03	8.80	2.94	0.86
2003-04	9.20	2.78	0.77
2004-05	9.75	2.60	0.73
2005-06	10.23	2.15	0.71
2006-07	11.42	2.01	0.71
2007-08 RE	12.47	1.99	0.77
2008-09 BE	12.97	1.81	0.81

Source: Receipts Budget,

Notes: GDP at Market Price figures (Base 1999-2000; Current Prices) are taken from CSO

# Expenditure includes capital expenditure by the Government for investment in Agricultural Financial Institutions termed as “transfer of RBI stake in SBI to the Central Government” in Budget documents of 2007-08.

@ GDP for 2007-08 is Advanced Estimate provided by CSO

\$ GDP for 2008-09 is projection made by the Finance Minister in “Budget at a Glance”

Table-1.f: Direct and Indirect Taxes as percent of GDP

Year	Gross Tax Revenue	Direct Taxes (Gross)	Indirect Taxes (Gross)
1999-00	8.80	2.97	5.83
2000-01	8.97	3.25	5.72
2001-02	8.20	3.03	5.17
2002-03	8.80	3.38	5.42
2003-04	9.20	3.80	5.40
2004-05	9.75	4.23	5.53
2005-06	10.23	4.40	5.83
2006-07	11.42	5.30	6.12
2007-08 RE	12.47	6.49	5.98
2008-09 BE	12.97	6.88	6.08

Source: Receipts Budget,

Notes: GDP at Market Price figures (Base 1999-2000; Current Prices) are taken from CSO

# Expenditure includes capital expenditure by the Government for investment in Agricultural Financial Institutions termed as “transfer of RBI stake in SBI to the Central Government” in Budget documents of 2007-08.

@ GDP for 2007-08 is Advanced Estimate provided by CSO

\$ GDP for 2008-09 is projection made by the Finance Minister in “Budget at a Glance”

Huge amount of resources are foregone every year on account of various tax exemptions in the central tax system only. The total revenue estimated to be foregone in the central tax system alone for

the year 2007-08 is around 7.2 percent of GDP. Such an amount is more than sufficient to pay for total budgetary support for Plan expenditure and more than half of the gross tax collections.

Table-1.g: Dividends-Profits and Disinvestment Proceeds as percent of GDP

Year	Dividends and Profits	Disinvestment Proceeds
1999-00	0.49	0.09
2000-01	0.65	0.10
2001-02	0.76	0.16
2002-03	0.86	0.13
2003-04	0.77	0.61
2004-05	0.73	0.14
2005-06	0.71	0.04
2006-07	0.71	0.01
2007-08 RE	0.77	0.77
2008-09 BE	0.81	0.19

Source: Receipts Budget,

Notes: GDP at Market Price figures (Base 1999-2000; Current Prices) are taken from CSO

# Expenditure includes capital expenditure by the Government for investment in Agricultural Financial Institutions termed as "transfer of RBI stake in SBI to the Central Government" in Budget documents of 2007-08.

@ GDP for 2007-08 is Advanced Estimate provided by CSO

\$ GDP for 2008-09 is projection made by the Finance Minister in "Budget at a Glance"

Table-1.h: Tax Revenue Foregone in Central Tax System

	2007-08 Estimated	2006-07	2005-06
Rev. Lost (in Crore Rs.)	337060	289757	244290
Rev. Lost % of GDP	7.2	7.0	6.8
Revenue loss as % of total Plan Expenditure	162	171	174
Rev Lost As % of Cent. Budget Exp.	47.5	49.7	48.3
Rev Lost as % of Gross Tax Collections	57.6	61.2	66.7

Source: Compiled from (a) Receipts Budget, (b) Expenditure Budget Vol-1, Various years

## 2. Education

- Increase of 20 percent (over previous year) has been proposed for education in the Union Budget 2008-09 – which is less in comparison to the increase in Union Budget outlay on education between 2006-07 and 2007-08.
- The NCMP promise of 6 percent of GDP as public resources for education remains unfulfilled- with the combined outlay for the Education Depts. of Centre and States remaining at a meager 2.84 percent of GDP in 2007-08.
- Union Budget outlay on education as a proportion of GDP has increased marginally from 0.63 percent in 2007-08 to 0.72 percent in 2008-09.
- In the Union Budget outlay for education in 2008-09, of the various sectors, elementary education gets the major share (56 percent), university and higher education gets 14 percent, technical education gets 11 percent, and adult education gets 7 percent.
- A Model School programme, with the aim of establishing 6,000 high quality model schools to be started in 2008-09 with a proposed allocation of Rs. 650 crore for the new scheme. Clearly, this is not enough to address the acute need for improving quality of school education in the whole country.
- Mid Day Meal Scheme extended to upper primary classes in Government and Government aided schools in all blocks— this is a welcome step from the UPA Govt.
- Outlay for Sarva Shiksha Abhiyan (excluding the NER component) decreased from Rs. 12,020 crore in 2007-08 (RE) to Rs. 11,940 crore in 2008-09 (BE).
- There was negligible spending (Rs. 1.15 crore) under Scheme for Universal Access and Quality at the Secondary Stage (SUCCESS) in 2007-08 as opposed to the allocated amount of Rs. 1,305 crore for the same year. Additional allocation of Rs. 2,235 crore has been made in 2008-09 despite severe under-spending.
- Increasing contribution of the common people (through Education Cess) to universalize elementary education amounting to over 60 percent of the total Union Budget outlay on school education and literacy in 2008-09 while the Union Government's share has progressively declined from 64 percent in 2002-03 to 37 percent in 2008-09.

The Finance Minister in his Budget Speech 2008-09 has said, “The more one does, the more one attempts, the more one is capable of doing”. In the context of allocations made in the education sector, we agree wholeheartedly with him. With the Union Budget 2008-09 being presented, the UPA government seems to have lost yet another opportunity to make some course corrections with regard to the focus given to education. The commitment made in the National Common Minimum Programme (NCMP) to raise public spending on education to 6 percent of the GDP remains as much a ‘promise’ even after five years as it was in 2004-05 when this Government began its tenure. With the Union Budget 2008-09, the UPA

Government's report card reads like a grim reminder of what could have been achieved but was not!

### Education Cess: Supplement or Substitute?

It is a matter of concern that the Union Government seems to be growing complacent on its role towards provisioning for such a critical human development component. This is clear from the increasing reliance on contributions of the common people (through the Education Cess) towards universalising elementary education in the country, which now accounts for over 60 percent of the total spending. Concomitantly, the share of the Union Government spending on education is on a decline, as denoted in the table

Table 2.a: Share of Education Cess in Total Union Budget Outlay on Elementary Education

	2006-07 RE	2007-08 RE	2008-09 BE
Total Union Budget Outlay on Elementary Education (in Rs.crore)	16895.44	20310.41	21798.2
Amount from Prarambhik Shiksha Kosh (PSK) towards Education (in Rs.crore)	8746	11128	12817
Budget Support for Elementary Education – excluding amount from PSK (in Rs.crore)	6624.89	7311.61	6960.5
Share of Common Citizens (amount from PSK) towards Education (in %)	51.8	54.8	58.8
Share of Budget Support for Elementary Education- excluding the amount from PSK (in %)	48.2	45.2	41.2

Source: Union Budget Documents; Expenditure Budget Volume II, for 2007-08 and 2008-09

below, with a fall from 64 percent in 2002-03 to 37 percent in 2008-09. There is a marginal increase observed in the Union Government's share over last year of 3 percentage points. However, it remains to be seen whether this trend would continue for a while or is merely a minor aberration.

### Union Budget Outlays on Education

The Centre's spending on education as a proportion of GDP is a mere 0.72 percent, revealing the truth behind the smokescreen of 'promised allocations' (refer table below). Since the UPA government came to power in 2004-05, the increase in its share of spending

Table 2.b: Union Government's Expenditure on Education as a proportion of GDP

Year	Union Government's Expenditure on Education* (Rs. Crore)	GDP at Current Market Prices (Rs. Crore)	Union Govt. Expenditure on Education as a Proportion of GDP (in %)
2002-03	9069.36	2463324	0.37
2003-04	10144	2760224	0.37
2004-05	13098	3121414	0.42
2005-06	17808	3529240	0.50
2006-07	23809.6	4116973	0.57
2007-08 RE	29588.7	4693602	0.63
2008-09 BE	38702.9	5303770	0.72

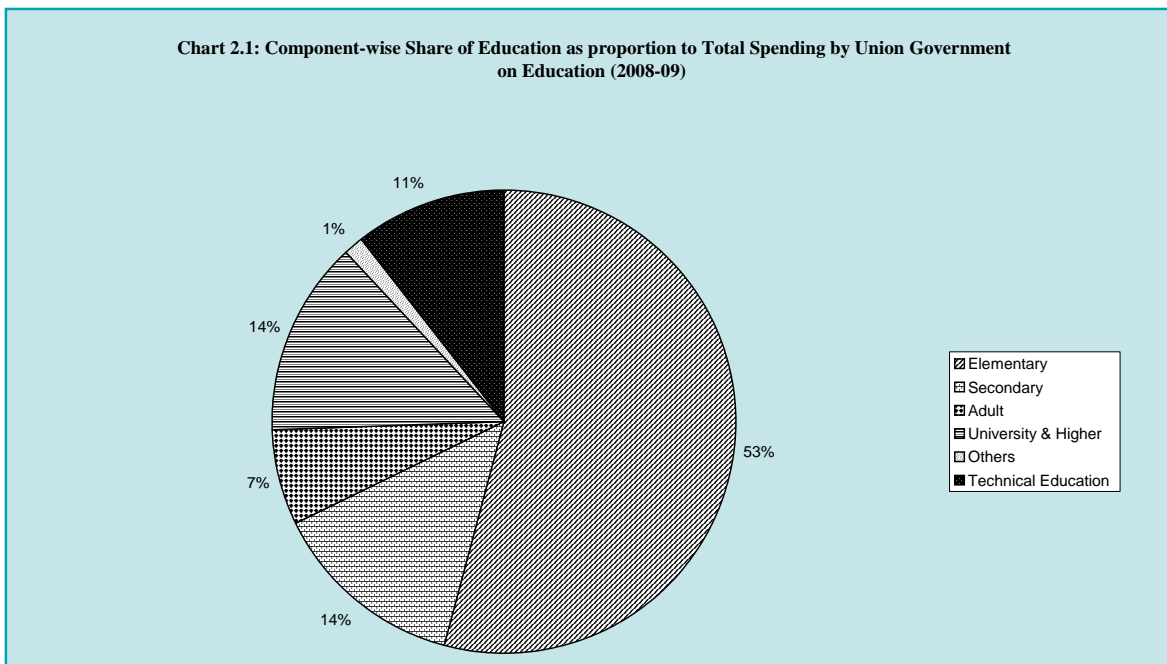
Source: 1. Expenditure Budget Volume-I for several years;  
2. Economic Survey 2006-07 and 2007-08, GOI.

Note: \*This does not include spending on education by Ministries in Government of India other than MHRD. GDP totals used for 2007-08 RE and 2008-09 BE are as cited in the Union Budget 2008-09, Government of India.



on education has been just 0.3 percentage points, disproving the government’s avowed promise of allocating 6 percent of the GDP (Centre and States together). The break-up of total allocations illustrates that the outlay for elementary education accounts for more than half of the total budget for Ministry of HRD.

Despite their umpteen promises of more and better allocations, the spending on education by the Education Departments of Centre and States taken together has remained stagnant at about 10 percent of total Union and State Budgets since 2002-03; the most disconcerting trend however, pertains to spending



Source: Expenditure Budget Volume II, Union Budget 2008-09

Table 2.c: Expenditure on Education by Central Government and State Governments combined (by the Education Departments only)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
	Actual	Actual	Actual	Actual	RE	BE
Total Expenditure on Education (in Rs. Crore)	71,298	75,607	84,111	96,365	1,19,199	1,33,284
Exp. on Education as % of Social Sector Expenditure	50.3	49.3	48.7	47.2	46.5	45.3
Exp. on Education as % of Total Expenditure from the Budgets of Centre & States combined	10.3	9.6	9.8	10	10.4	10.2
Exp. on Education as % of GDP	2.9	2.74	2.67	2.69	2.88	2.84

Source: Government of India, Economic Survey 2007-08

on education as a share of GDP that is nowhere near the promised level of 6 percent.

**Eleventh Plan and Financing of Education**

The Eleventh Five Year Plan apportions 21 percent of the total Plan outlay on education, the break up within the sectors as shown in the table 2.d. 2008-09 also marks the second year into the Eleventh Plan and with

Table 2.d: Share of Education as proportion to Total Eleventh Plan Outlay (2007-12)

Sector	Outlay in Eleventh Plan* (Rs.in Crore)	Share of Education as Proportion of Total Eleventh Plan Outlay
Elementary	110854.81	9.87
Secondary	47346.27	4.21
Higher, Technical and Vocational	75102.41	6.69
Adult	5304.9	0.47
Total on Education	238608.39	21.25
Total Eleventh Plan Outlay	1122478.63	

Source: Eleventh Five Year Plan (2007-12), Volume III, 54<sup>th</sup> NDC Meeting, 2007

\* Eleventh Plan Projections at 2006-07 Prices

all its talk about inclusive growth, grave concerns persist. It is also worthwhile to note here that the Eleventh Plan is increasingly stressing on privatization in elementary and secondary, higher and technical education sectors in education.

**Scheme-wise Overview: Financing Aspects**

A quick overview of spending on the major schemes in education reveals some disturbing trends. While outlays for *Mid Day Meal Scheme (MDM)*, *Teachers' Training*, and *SUCCESS* have not shown any appreciable increase, the amount budgeted for *Sarva Shiksha Abhiyan (SSA)* in 2008-09 registers a decline in comparison to 2007-08 (RE). This raises a serious concern about the willingness of the Government to provide adequate public resources for universalisation of elementary education, more so because SSA has been one of its flagship schemes.

With regard to financing aspects, specific to SSA, low spending on teachers' training, teaching learning equipment (TLE), innovative activities, schools, and teacher grants affects the overall quality of the programme. In Mid Day Meal scheme, absence of proper management structure in many States is a serious bottleneck.

Another area of concern is the growing role of the States towards contributing to education. Given their worsening fiscal situation, the burden of the States in supporting SSA has grown from 15 percent (Ninth Plan) to 35 percent at present, which will progressively increase to 50 percent by the end of the Eleventh Plan. Further, it is worthwhile to note that in the Teacher Education scheme, the recurring expenditure including salaries, etc., which has been fully financed by the Centre up to last year (2007-08), is proposed to be cut by 10 percent every year from 2008-09 to 2011-12; after which financing of this scheme is proposed to be fully borne by the States.



Table 2.e: Union Budget Outlays on Select Programmes and Schemes under Ministry of Human Resource Development

(Figures in Rs. Crore)

	2003-04	2004-05	2005-06	2006-07	2007-08	2007-08	2008-09
Programme/ Scheme	RE	RE	RE	RE	BE	RE	BE
Sarva Shiksha Abhiyan (SSA)	2732.3	4753.6	7166.3	10145.7	9760.3	12020.2	11940
Mid Day Meal	1375.0	1507.5	3010.8	4813.2	6591.6	6004	7200
Strengthening of Teachers Training Institutions	150.0	186.3	180.0	162.0	450.0	266.65	450
Scheme for Universal Access & Quality at the Secondary Stage (SUCCESS)*	...	...	...	...	1305.0	1.15	2235
Special Navodaya Vidyalayas*	...	...	...	...	275.0	0.15	-
University Grants Commission*	1629.1	1808.1	2099.3	2700.2	3763.5	3581.94	5104.9
Technical Education (Total)*	1465.5	1441.4	1414.9	1736.3	3870.0	2001.85	3963.25

Notes:

1. Allocations for all programmes/schemes given above (unless specifically shown with an asterisk \*) do not include the Lump sum Provision for North Eastern Areas and Sikkim. Starting from the year 2000-01, most of the Line Ministries/ Departments in the Union Government are reporting their expenditure on North Eastern Areas, under different schemes, separately under a head called "Lumpsum provision for projects/ schemes for the benefit of the North Eastern Areas and Sikkim". The amounts booked under this specific head for different schemes are not shown separately for most of the Ministries/ Departments in the Union Budget documents.
2. \* Allocations for these programmes/ schemes include the Lump sum provision for North Eastern Areas and Sikkim (if any).

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

### 3. Health

- The Finance Minister has proposed to increase allocation on health by 15 percent (over allocations in 2007-08) to Rs.16,534 crore in 2008-09.
- Since 2005-06, health expenditure of States and Union Government taken together has remained stagnant at around 0.99 percent of GDP. This is not even one third of the promised 3 percent of GDP on health.
- The proposed allocation for NRHM is Rs. 12,050 crore which is a mere 11.4 percent increase over 2007-08 RE. This is a clear departure from UPA's commitment to increase NRHM allocation by 30 percent every year.
- The FM has introduced Rashtriya Swasthya Bima Yojana that will provide a health cover of Rs. 30,000 for every worker in the unorganised sector falling under the BPL category and their family and has allocated Rs. 205 crore as Centre's share. This is clearly a meagre amount, and it seems the Union Government is proposing to shift the major burden of the scheme to States.
- A welcome step in this Budget is the proposed reduction of the customs duty on certain specified life saving drugs and on bulk drugs used for the manufacture of such drugs, from 10 percent to 5 percent as well as their exemption from excise duty or countervailing duty. This should have positive influence on price of essential drugs and thus their accessibility.
- The FM has also proposed to totally exempt from excise duty the anti AIDS drug, Atazanavir, as well as bulk drugs meant for its manufacture.
- The FM has also proposed to grant a five year tax holiday to encourage hospitals to be set up anywhere in India except in certain specified urban agglomerations, and especially in tier-2 and tier-3 towns in order to serve the rural hinterland.
- The FM has proposed to set up a separate Department for Research in Health with an initial allocation of Rs. 531.75 crore. This can be a very significant step in augmenting public expenditure on health research, if substantial increase in allocation is done over the years.

The last full budget of the UPA government has been placed. The Finance Minister has promised to increase expenditure on health only by 15 percent. When the UPA came to power in 2004, it laid out the Common Minimum Program, to identify the broad policy direction of the Government. The UPA recognized the urgency of health crisis and committed to increase total public expenditure on health in the country to 2-3 percent of GDP. This was considered to be the minimum that the Government needs to spend in order to provide basic minimum health care to the entire population. Though the UPA's tenure marks a slight shift from the NDA regime, during which the state was

made to withdraw from its responsibilities, UPA regime has not only failed to fulfill its NCMP promise, the progress so far has been quite disappointing.

#### **Broad Trends in Expenditure:**

The allocations on Health and Family Welfare by the Union Government have increased since 2004-05 over previous years, but they are still inadequate to fulfil the requirements. Notably, the total expenditure of the Union Government on Health and Family Welfare went up from Rs. 9,649.24 crore in 2005-06 in subsequent years to Rs. 14,974.34 crore in 2007-08 RE (Table 3.a.). In 2008-09 BE, the allocation has

been further increased to Rs. 18,123 crore, which is around 15 percent increase over 2007-08 BE. This is far below the expectations of the people.

The total public expenditure on health has not even touched 1 percent of GDP until now, and 2-3 percent allocation seems a distant reality. Allocations by the Central Government registered some increase over the previous years, which may provide some respite to the common people of this country, but this clearly remained inadequate. It may be noted in this regard that any mechanism to step up public funding of healthcare should involve concerted and coordinated efforts on the part of the Central as well as State Governments. Although the shape of state finances has shown some improvement in recent years (with larger VAT collections and transfers from the Centre),

the Central Government failed to take major responsibility of meeting the target set for increasing the expenditure on health as promised in the NCMP. When we compare public expenditure on health in India with other developing countries, we find the current level of public spending on health to be very low (Table: 3.b.) in India. In fact India has one of the most privatised health care systems in the world. Even some of the SAARC countries like Sri Lanka, Nepal and Bangladesh spend significantly more on health as a proportion of GDP compared to India.

Given the huge gaps between the set targets and the existing scenario, decisive intervention by the Government in this sector will be very crucial for the welfare of the poor people. Also, now that we have adopted a restrictive Product Patent Regime in the

Table 3.a: Public Expenditure on Health, Family Welfare

(in Rs. Crore)

Year	Centre's Expenditure	States' Expenditure	Total Expenditure of Centre and State	GDP at current market prices	2 as % of 5	4 as % of 5
1	2	3	2+3= 4	5	6	7
1998-99	4037.62			1740985	0.23	
1999-2000	5058.37			1936831	0.26	
2000-01	5254.84			2089500	0.25	
2001-02	5936.89			2271984	0.26	
2002-03	6503.81	17094	23597.81	2463324	0.26	0.96
2003-04	7249.14	18235	25484.14	2760224	0.26	0.92
2004-05	8085.95	19617	27702.95	3121414	0.26	0.89
2005-06	9649.24	22,031	31680.24	3529240	0.27	0.99
2006-07 RE	11757.74	28,435	40192.74	4116973	0.29	0.98
2007-08 BE	14974.34	31,283	46,257	4693602	0.32	0.99
2008-09 BE	18123			5303770	0.34	

Notes: Figures of Central Expenditure for 1998-99 to 2006-07 are Actuals, those for 2007-08 are Revised Estimates (RE), and those for 2008-09 are Budget Estimates (BE), and for States's Expenditure, 2006-07 data is Revised Estimates and 2007-08 data is Budget Estimates.

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

country, we need to increase public spending on health even further so that through public research and innovations along with increased domestic patenting activity, we shall be able to provide cheap drugs to common people.

**Expenditure on Specific Programmes:**

The financing of NRHM so far reveals that it is focused more on selective interventions and the aspect of universalisation has been neglected. According to the

Table 3.b: Public Expenditure on Health as percent of GDP in 2003 in various Developing Countries

Country	Public Expenditure on Health as % of GDP (2003)
China	2.03
Mexico	2.9
Malaysia	2.2
Brazil	3.4
Cuba	6.34
South Africa	3.2
India	1.2
Pakistan	0.7
Bangladesh	2.3
Sri Lanka	1.58
Nepal	3.8

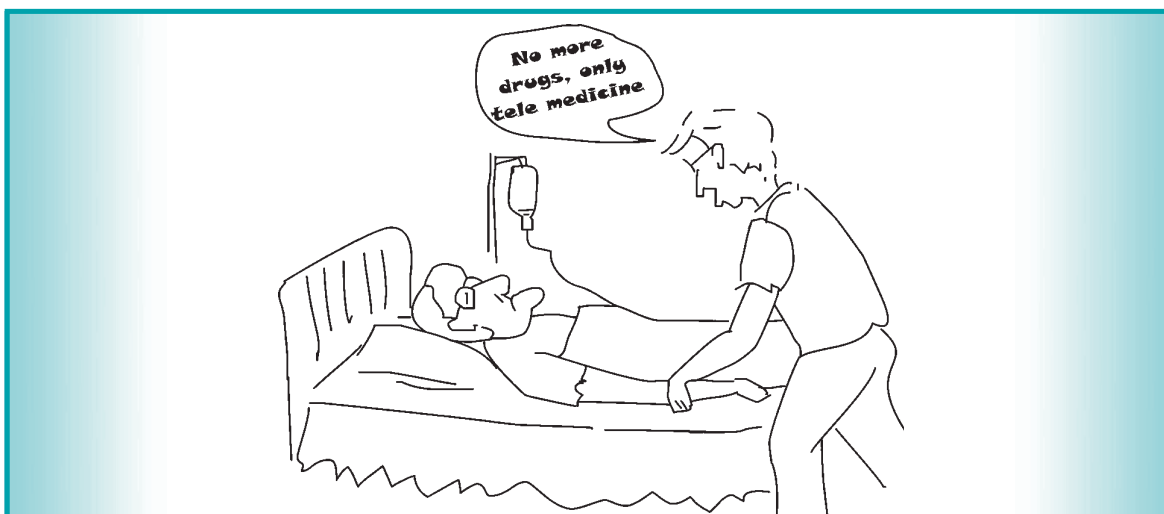
Source: UNDP, Human Development Report 2006.

**Existing Scenario of Health**

- Three completely avoidable child deaths occur every minute
- Every third malnourished child in the world lives in India (MWCD Report, 2007)
- Every second Indian child is overweight (MWCD Report, 2007)
- Nearly 8.5 million people are suffering from TB in India, every year 1.8 million new cases are found and almost 0.37 million die out of TB (MoHFW Annual Report 2006-07)
- The latest estimate of HIV prevalence is as high as 0.28 per cent (NFHS III)
- There is a shortage of 21983 Sub-Centre, 4436 PHCs, 3332 CHCs as per 2001 population norm
- Ratio of hospital beds to population in rural areas is fifteen times lower than that for urban areas
- 84 per cent of the expense on healthcare is out-of-pocket

**Time Bound Targets on Health under Eleventh Plan**

- Reducing Maternal Mortality Ratio to 1 per 1000 live births
- Reducing Infant Mortality Rate to 28 live births.
- Reducing Total Fertility Rate to 2.1.
- Providing clean drinking water for all by 2009 and ensuring no slip backs.
- Reducing malnutrition among children of age group 0-3 to half its present level.
- Reducing anaemia among women and girls by 50 percent.
- Raising sex ratio for age group 0-6 to 935 by 2011-12 and 950 by 2016-17.





Mission document, the initial allocation for NRHM for 2005-06 was proposed to be Rs. 6,700 crore, and in subsequent years 30 percent increase was supposed to take place. But for 2005-06 no separate head for NRHM was created and funds for the existing programmes were used. For 2005-06, Plan outlay on NRHM was Rs. 6,075.17 crore. It received an increased outlay of Rs. 7,155.97 crore (RE) as Plan funds in 2006-07. This has further been increased to Rs. 9,801 crore (RE) in 2007-08 and Rs. 10,742 crore in 2008-09. The Non-Plan outlays for these years remained almost stagnant at Rs. 32.29 crore (2005-06 RE), Rs. 34.40 crore (2006-07 RE), Rs. 38 crore (2007-08 BE) and Rs. 44.25 crore (2008-09 BE).

The trend so far clearly shows that the Revised Estimates are significantly less than the Budget Estimates, which essentially means that there is under-spending of approved outlays in NRHM. Even the commitment of increasing allocations by 30 percent every year has been violated. So far, the increase has been 18-20 percent in nominal terms whereas the real increase would be much lesser. Further, around four-fifth of the increase in allocations took place in four components: HIV/AIDS program, RCH, medical education and AYUSH; whereas strengthening of the PHC infrastructure remains grossly neglected.

The proposal to set up six AIIMS-like institutions was floated in 2005-06. Since then only insignificant part of the allocation gets actually spent. Out of Rs. 475 crore allocated between 2005-06 to 2007-08, only Rs. 106 crore was spent. This means that the Union Government has been going back and forth on this issue, which in turn shows the lack of commitment on the part of the Centre to carry forward its promise in this regard. In 2008-09 Budget, Rs. 490 crore has been set aside for this purpose. Out of this, Rs. 440 crore has been allocated towards capital expenditure. Since in earlier years there was no allocation for capital expenditure, this can be seen as a positive development.

In a situation where the Union Government is planning to create institutions in the line of AIIMS in different States, it is in fact weakening the AIIMS itself. The allocation for 2007-08 Budget was Rs. 490 crore. But in the Revised Estimate, allocation for the Institute has been cut down to Rs. 470 crore. Further, in 2008-09 BE, the proposed allocation for AIIMS has been reduced to Rs. 452 crore. The most disturbing trend is the diversion of Plan funds to Non-Plan activities.

The Parliamentary Standing Committee on Health and Family Welfare in its 16<sup>th</sup> report has also noted similar trends in diversion of overall Plan funds to Non-Plan

activities and expressed dissatisfaction over reduction on Plan expenditure in Actual Expenditure as against Budget Estimates. The report notes that in 2005-06, Plan allocation of Rs. 9,332.00 crore was brought down by almost Rs.1,000.00 crore (Rs. 8,500.00 crore) at the Revised Estimates stage and the Actual Expenditure reported was only Rs. 8,076.76 crore. Whereas, every year utilisation of Non-Plan fund is more than the BE allocation. This clearly depicts that Plan funds under health schemes are being diverted to Non-Plan expenditure; as a result there remains a dearth of Plan fund in Central government institutions and schemes on health.

TB and HIV & AIDS have very significant disease load and high mortality is associated with these diseases. Every year 0.37 million people die of TB and 8.5 million suffer from TB in India. Though the latest estimate of NFHS-3 shows significant reduction in estimated HIV & AIDS disease load, still there are 3.22 million people suffering from HIV & AIDS. The government has responded positively to these concerns of HIV & AIDS and raised the Plan allocation for National AIDS Control Organisation from Rs. 232 crore in 2004-05 RE to Rs. 476.5 crore in 2005-06 RE (Expenditure Budget Volume 2). It has further been raised to Rs. 636.67 crore in 2006-07 RE and to Rs. 719.50 crore for 2007-08 BE (Expenditure Budget Volume 2). In the Revised Estimate of 2007-08, the allocation has been further increased to Rs. 858.39 crore. The proposed allocation for 2008-09 BE is Rs. 993 crore. But the TB control programmes have registered a moderate increase compared to HIV & AIDS. In 2006-07 RE, the allocation was Rs. 206.5 crore, which increased to Rs. 249 crore in 2007-08 RE and in 2008-09, the amount set aside for the purpose is Rs. 263 crore. It should be clearly noted that given the complexity and magnitude of TB in India, especially in a situation where a larger proportion of the diseased population is resistant to TB drugs, the current allocation is insufficient and merits much greater attention.

### **Key Proposals in Budget 2008-09**

The proposed reduction of the customs duty on certain specified life saving drugs and on the bulk drugs used for the manufacture of such drugs, from 10 percent to 5 percent as well as their total exemption from excise duty or countervailing duty is certainly welcome. This should have positive influence on price of essential drugs. The FM has also proposed to totally exempt from excise duty the anti AIDS drug, Atazanavir, as well as bulk drugs for its manufacture. This a continuation of the initiatives started in 2007-08, where it reduced prices of some anti-AIDS and anti-Cancer Drugs.



The FM has introduced *Rashtriya Swasthya Bima Yojana* that will provide a health cover of Rs.30,000 for every worker in the unorganised sector falling under the BPL category and his/her family and allocated Rs. 205 crore as Centre's share. This is clearly a meagre amount, and it seems the Union Government is proposing to shift the major burden of the scheme to States.

The FM has also proposed to grant a five year tax holiday to encourage hospitals to be set up anywhere in India except certain specified urban agglomerations, and especially in tier-2 and tier-3 towns in order to serve the rural hinterland. This is clearly an attempt to encourage private sector in rural areas which are woefully short of health care facilities and in a way abdicate state's responsibility to provide adequate health services for all. Such crucial responsibility cannot be left at the whims of market forces. In fact, given the poor state of regulation of private sector on health and huge subsidies towards private hospitals as part of PPP, further subsidies should not be encouraged. Rather the government should invest in the establishment of wide network of Public Hospitals in rural areas with proper referral system to support.

A separate Department for research in health has been set up with an initial allocation of Rs. 531.75 crore. This can be a very significant step in augmenting public expenditure on health research if substantial increase in allocation is done over the years. But as of now it is mainly relocation of Indian Council of Medical Research to the new Department (Rs. 356 crore).

The other major intervention is for the elderly. A National Programme for the Elderly with a Plan outlay of Rs. 400 crore will be started in 2008-09. Among other measures, two National Institutes of Ageing, eight regional centres, and a Department for geriatric medical care in one medical college/tertiary level hospital in each State have been proposed to be established during the Eleventh Plan period.

To conclude, it can be said that the UPA failed to fulfil its commitment of increasing total public expenditure on health to 2-3 percent of GDP. In fact, the expenditure of Centre and States taken together remained static at around 0.99 percent of GDP in 2007-08. Issues like strengthening Public Health infrastructure and supporting it with adequate human resources were grossly neglected. Further, several initiatives have been taken to promote private health care.

## 4. And where are the Women in the Union Budget 2008-09?

- Total allocations for women show a very marginal increase from 3.3 to 3.6 percent of the total government expenditure (as per the Gender Budgeting Statement), a mere 0.3 percent increase. The number of ministries and departments reporting in the Gender Budgeting Statement remains constant (with 33 Demand for Grants), which is a disappointment.
- Significant increase in the allocations for Ministry of Minority Affairs from Rs. 362.83 crore to Rs. 1,013.83 crore but no schemes to address the specific vulnerabilities of Muslim women.
- Women specific allocations in agriculture as a percentage of total allocations in agriculture has increased from 2.52 percent (2007-08 RE) to 3.66 percent (2008-09 BE). In higher education, however, priority for women has gone down from 19.27 percent (2007-08 RE) to 17.13 percent (2008-09 BE).
- Allocations for RCH have gone up from Rs. 1,629.17 crore last year to Rs. 2,504.75 crore. This is welcome. However, allocation for women when compared to the total allocations in health remains stagnant at 53 percent.
- Allocations for women under the Ministry of Panchayati Raj have gone down from even the revised estimates of last year— from Rs. 43.92 crore to Rs. 34 crore.
- Considering the fact that one-third of women are engaged in the unorganized sector, it is disappointing to note that in the Union Budget 2008-09, apart from the Aam Aadmi Bima Yojana, the Rashtriya Swasthya Bima Yojana, and Indira Gandhi Old Age Pension Scheme (which anyways targets only BPL men and women), which have been allocated resources, the multifarious issues which social security entails have been largely neglected.

### Section 1. Introduction and Overview

The *Statement on Gender Budgeting* presented along with the Union Budget is welcome. However, it is a rather limited approach if one wants to understand what the Union Budget has to offer to women. Quite apart from numbers not matching and the patriarchal and misleading assumptions, it is the narrowness of the approach that fails to give a comprehensive picture of the gendered dimension of the budget. It is equally important to take the analysis further and to critically assess whether: (a) these women-specific schemes indeed reach women the way they intend to (i.e., moving from ex-ante analysis to ex-post analysis); and (b) even if they reach women, are they in any way transforming gender roles and constructs or are they simply reinforcing gender stereotypes by just adding to women's unpaid and reproductive work.

Moreover, since women's labour has become the backbone of the country's economy—whether in agriculture, or in the informal sector, or as construction workers, or as migrant workers, etc., — it becomes imperative that each of these respective ministries have specific policies and schemes to address women's specific concerns and vulnerabilities rather than the

predominantly MWCD-centred focus within which again the Self Help Groups (SHGs) seem to be the only vehicle that the Government of India has to offer for transforming women's lives.

The Union Budget 2008-09, being probably the last full budget of the UPA government, had much to deliver for the women of India. The NCMP promise of *ensuring equality for women in every sphere* will most certainly not be achieved unless concomitant funds are made available to make the necessary changes. The proposals for women in the Union Budget, 2008-09 in this regard seem a bit too little.

Although the FM in his budget speech this year pointed out that four more ministries/departments have set up gender budgeting cells taking the total number to 54, the number of ministries that are reporting women specific allocations remains the same (at 33 Demands for Grants).

The total magnitude of Gender Budget has gone up only marginally from 3.3 percent to 3.6 percent of total expenditure, a mere 0.3 percent increase over previous year.

## Section 2. Allocations for Women in the Union Budget 2008-09

For ease of presentation and tracking government commitments, we present allocations in the Union Budget 2008-09 in the categories used in the Eleventh Five Year Plan (Chapter 6, 'Towards Women's Agency and Child Rights'), i.e., (a) Ensuring Economic Empowerment, (b) Engineering Social Empowerment, (c) Enabling Political Environment, (d) Effective Implementation of Women Related Legislations, and

While women have always played a key role in agricultural production, their importance both as workers and as managers of farms has been growing, as an increasing number of men move to non-farm jobs. Today 53 percent of all male workers but 75 percent of all female workers, and 85 percent of all rural female workers, are in agriculture. Women constitute 40 percent of the agricultural work force and this percentage is rising (Report of the Gender and Agriculture Subgroup created by the Planning Commission).

Table 4.a. Summary of the allocations on women as presented in the Gender Budgeting Statements

(in Crore Rupees)

	No. of Demands*	Total Allocations under Part A of the statement**	Total Allocations under Part B of the statement***	Total magnitude of Gender Budget
2005-06	10	Rs. 8,273.88 (RE)	Rs. 15,966.63 (RE)	Rs. 24,240.51 (RE) (4.77%****)
2006-07	24	Rs. 4,618.95 (RE)	Rs. 17,632.46 (RE)	Rs. 22,251.41 (RE) (3.8%)
2007-08	33	Rs. 8,428.66 (RE)	Rs. 13,919.43 (RE)	Rs. 22,348.09 (RE) (3.3%)
2008-09	33	Rs. 11,459.61 (BE)	Rs. 16,202.06 (BE)	Rs. 27,661.67 (BE) (3.6%)

\* In Union Budget covered under the Gender Budgeting Statement.

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

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

\*\*\*\* Proportion of total Union Government Expenditure, shown in brackets.

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

(e) Creating Institutional Mechanisms for Gender Mainstreaming and Strengthening Delivery Mechanisms. We now assess budgetary outlays for each of these categories.

### 2.1: Ensuring Economic Empowerment

#### A. Agriculture

The criticality of agriculture in our economy, the agrarian crisis and the growing feminization of agriculture calls for specific and targeted interventions to address the specific vulnerabilities of women in agriculture. This has been identified as a critical area of concern even in the Eleventh Five Year Plan document.

Recognising the gendered dimension of the changing demographics in agriculture, the Eleventh Five Year Plan committed itself to the following:

The challenge in the Eleventh Plan is to improve the availability of agricultural inputs, credit, marketing facilities, technology and skill training for the increasing number of women farmers. Resources pooling and group investment, financial and infrastructural support will be provided. Women in Agriculture will be on the top of the Eleventh Plan agenda and a two-pronged strategy will be adopted: a) Ensuring effective and independent land rights for women and b) strengthening women's agricultural capacities. (Chapter 6, 'Towards Women's Agency and Child Rights', Eleventh Five Year Plan)

Moreover, a specific scheme to address women’s vulnerabilities was also to be devised by the MWCD to identify and help women in States where agrarian crisis has ravaged families. However, the allocations in Union Budget 2008-09 to address women’s specific vulnerabilities, seem grossly inadequate to meet these commitments.

**B. Food Supply and PDS**

In the context of the growing agrarian crisis and the declining per capita food grain availability (as pointed out by Utsa Patnaik), the eroding public distribution system has grave consequences. NFHS-3 data shows that the proportion of underweight children among all children under the age of 3 years in the country was as high as 46 percent in 2005-06. Moreover, this proportion has remained practically stagnant over the last decade. The National Commission on Farmers has calculated that the cost of reaching food to around 80 per cent of our population, which is either malnourished or at risk of malnutrition, (i.e. is food insecure) will be Rs. 35,876 crore at current prices. The total subsidy needed for the universal public distribution system is as little as 1 per cent of the GDP.

Furthermore, food security is a deeply gendered issue. Most certainly if food security is hit, the consequence will be felt most by the women and the household and the women in the household will be the first to get lesser food. Yet, there was no measure for expansion of PDS in the recent years and this year’s budget does not offer anything significant in this regard.

In fact, as a percentage of total expenditure allocations on food subsidy have actually gone down.

**C. Skill Development and SHGs**

Recognising the need for providing women with vocational training, credit support, marketing support and technological support the Eleventh Five Year Plan, through such support services seeks to strengthen women’s entrepreneurial activities. The table below gives a broad sense of the allocations on some of the major schemes for this.

Although increases in allocations for these schemes are indeed welcome, one has to be cognizant of the limitations of a predominantly SHG-centred approach to women’s empowerment.

**2.2. Engineering Social Empowerment**

Recognising the neglect of women in almost every sphere, engineering social empowerment has been identified as one of the core strategies in the XIth Plan to address the challenges of gender equity. Some stark indicators are summarized in the table below:

**A. Health**

Health has been a critical area of concern from women’s perspective. The indicators in the table above underscore the point. However, in respect of allocations to meet commitments and targets, priority accorded to women has actually gone down as shown in the tables 4.e. and 4.f.

Table 4.b: Women Specific Allocations under Allocations for Agriculture

	2006-07 RE	2007-08 RE	2008-09 BE
Total Allocations	9454.06	11018.94	14476.88
Women-specific Allocation*	4.99	277.46	530.19
% Share	0.05	2.52	3.66

\*As per the Gender Budgeting Statement, various years

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

Table 4.c. Allocations for Food Subsidy

(in Rs. Crore)

	2005-06 RE	2006-07 RE	2007-08 RE	2008-09 BE
Allocations for Food Subsidy	23,200.00	24,203.92	31,545.59	32,666.59
% Share of Total Expenditure	4.56	4.16	4.68	4.35

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

Table 4.d: Schemes that are important for SHGs

(in Rs. Crore)

Schemes	2005-06 RE	2006-07 RE	2007-08 RE	2008-09 BE
Grants through NABARD for Strengthening Cooperatives Credit Structure (Min.of Finance)	413.63	1505.44	2046.28	3542.91
Allocations for Swarnajayanti Gram Swarozgar Yojna (SGSY) (Ministry of Rural Development)*	899.84	1080.00	1620	1933
Allocations for Support to Training and Employment Programme (STEP) (MWCD)	13.5	13.5	18	33.3
Allocations for Rashtriya Mahila Kosh* (MWCD)	0.01	10	12	31
Allocations for Swayamsidha	18.50	27	22.41	180

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

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

It is important to note that though the percentage (53.56 percent as women specific allocations) seems significant by itself, this figure needs to be taken with caution due to the flaws and overestimation in the

Gender Budget Statement. For instance, RCH is overestimated in the statement to the tune of 150 percent. The real amount actually spent on women's health is therefore likely to be much lesser.

Table 4.e: Women Specific Allocations in Health

	2006-07 RE	2007-08 RE	2008-09 BE
Total Allocation for Dept. of Health and Family Welfare	11366	14500	16968.25
Women-specific Allocation*	3362.16	7817.61	9088.55
% Share	29.58	53.91	53.56

\* As per the Gender Budgeting Statement, various years

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

Table 4.f: Allocations for RCH

	2005-06 RE	2006-07 BE	2006-07 RE	2007-08 BE	2007-08 RE	2008-09 BE
Allocation for Reproductive and Child Health	1814.27	1765.83	1338.22	1672.2	1629.17	2504.75

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

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

The significant (almost to the tune of 53 percent) increase in allocations for RCH is indeed welcome.

**B. Education**

Bridging gender concerns in education remains an important challenge even after 60 years of independence. What priority this gets in Union Budget is reflected below:

**B.1 School Education and Higher Education**

Comparison of percentage allocation for women for the last two years becomes meaningless since major schemes in elementary education like SSA and MDM have not reported women-specific allocations in this year’s Gender Budgeting exercise. This raises a serious concern. Higher education, as shown in the table 4.h. also shows a declining priority for women.

Table 4.g: Women Specific Allocations in School Education

(in Rs. Crore)

	2006-07 RE	2007-08 RE	2008-09 BE
Total Allocation for Department of School Education and Literacy	19101.04	23191.35	27850
Women-specific Allocation*	8106.3	1259	2089.05
% Share	42.43	---	---

\* As per the Gender Budgeting Statement, various years

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

Table 4.h: Women Specific Allocations in Higher Education

(in Rs. Crore)

	2006-07 RE	2007-08 RE	2008-09 BE
Total Allocation for Dept. of Higher Education	5147.96	6397.36	10852.87
Women-specific Allocation*	896.07	1232.97	1859.2
% Share	17.41	19.27	17.13

\* As per the Gender Budgeting Statement, various years

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

Stark Indicators	Monitorable Targets in the XIth Plan
Overall Sex Ratio: 933 Child Sex Ratio: 927 (Census, 2001)	Raise the child sex ratio to 935 by 2011-12 and to 950 by 2016-17
Maternal Mortality Ratio 301 (SRS 2001-2003)	Reduce MMR to 100 per 100,000 live births by 2011-12
Incidence of Anemia in: Pregnant women: 57.9% Ever-married women: 56.2% Among children: 79.2% (NFHS-3)	Reduce anemia among women and girls by 50% by the end of XIth Plan
Drop-out rate: Primary level: 29% Elementary level: 50.8%	Reduce drop-out rate for primary and secondary schooling by 10% for girls and boys.



### C. Reaching Marginalised and Vulnerable Women:

The Ministry of Women and Child Development and some other ministries (like the Ministry of Social Justice and Empowerment) have a few schemes for special interventions for working women and women in distress. A quick snapshot on what the government has allocated for some of these schemes is in the table 4.i.

### D. Minority Women

It is common knowledge today that some religious minorities, especially the Muslims bear the brunt of discrimination and non-inclusion. The Sachar Committee Report has highlighted a dismal picture of social, educational and economic conditions of Muslims in India. Using the framework of intersectionality of discrimination, Muslim women face double discrimination and are more vulnerable. Thus, targeted interventions for Muslim women are essential.

#### Target Areas identified by the Eleventh Plan

- Make education accessible for Muslim girls
- Link Muslim girls to employment
- Link Muslim women to credit, markets, technical training, leadership training, skill development especially for home based female entrepreneurs and workers
- A pilot scheme for 'Minority Women' will be launched by the Ministry of Women and Child Development

Unfortunately, the Ministry of Minority Affairs, as of now, has no schemes targeted specifically towards women. It is therefore imperative that the Government formulate a sub-plan for minorities, and earmark specific allocations for women

The significant leap in the allocations for Ministry of Minority Affairs is a positive step. Disappointingly

Table 4.i: Allocations for Some of the Important Schemes under MWCD

(in Rs.Crore)

Schemes	2005-06 RE	2006-07 RE	2007-08 RE	2008-09 BE
Allocations for Rajiv Gandhi National Creche Scheme for Children of Working Mothers (under MWCD)	41.40	93.80	100	96.10
Allocations for Hostels for Working Women (under MWCD)	4.50	4.50	5	20
Allocations for Short Stay Homes (under MWCD)	15	15.72	15.9	15.9
Allocations for Schemes for Rescue of Victims of Trafficking (under MWCD)	0.25	0.45	4.50	9
Allocations for Machinery for Implementation of PCR Act 1955 & Prevention of Atrocities Act 1989 (under MSJE)	36.91	36.91	39.40	39
Allocations for Deendayal Disabled Rehabilitation Scheme (under MSJE)	74.00	72.00	69	60.50
Allocations for Implementation of the Persons with Disabilities Act including scheme with Disabilities (under MSJE)	--	9.00	13.10	15.50
Allocations for Assistance to Voluntary Organisations for Old Age Homes (under MSJE)	19	16.50	18.00	31.70

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

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



Table 4.j: Total allocations to the Ministry of Minority Affairs

(in Rs. Crore)

	2005-06 RE	2006-07 RE	2007-08 RE	2008-09 BE
Allocations for Ministry of Minority Affairs	...	143.52	362.83	1013.83

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

though, all the allocations/schemes under this Ministry last year and this year were gender neutral and there is not even a single scheme/allocation targeted at minority women. The gender blindness of the Sachar Committee report is also reflecting in the allocations for this Ministry.

The ability to recognize and address specific deprivations has been identified as the real test of the agenda set for the XIth Plan.

### 2.3 Enabling Political Environment

Allocations for women under the Ministry of Panchayati Raj (as reported in the Gender Budgeting Statement) has gone down from even the revised estimates of last year— from 43.92 crore to 34 crore.

### 2.4 Effective Implementation of Women Related Legislations

Many women’s groups would be disappointed yet again to note that there is no allocation even in this year’s budget towards the implementation of the Domestic Violence Act (i.e., Protection from Domestic Violence Act, 2005), despite the passing of this Act as well as the finalization of the Rules and Regulations of

the Act. The passing of this act has been a historic achievement for women of this country and the result of a long struggle. Thus, lack of any allocation puts a question mark on the government’s commitment to ensure that this Act becomes a reality for women and does not remain confined to the law books.

### 2.5 Creating Institutional Mechanisms for Gender Mainstreaming and Strengthening Delivery Mechanisms

The table 4.k.captures allocations for two such institutional mechanisms important for women.

Making resources available for women is critical if one wants to address the structural disadvantages faced by them. Equally critical is to take our analysis beyond outlays to look at outcomes for women. In India, quality of expenditure is also a serious concern.

Thus, on the whole the chapter flags some issues related to resources earmarked for women. However, the difference in the Budget Estimate figures for the year 2007-08 in the 2007-08 Gender Budget Statement and this year’s Statement both in Part A and B is a serious cause for concern. The reason behind such deviations needs to be explained clearly so as to enable its effective usage.

Table 4.k. Allocations to Strengthen Institutional Mechanisms (under MWCD)

(in Rs. Crore)

Schemes	2005-06 RE	2006-07 RE	2007-08 RE	2008-09 BE
Allocations for National Commission for Women	5.77	6.45	6.20	7.25
Allocations for Gender Budgeting	--	--	1.00	3.00

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

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

## 5. Resources for Children

- The Union Government has introduced a Statement on child specific schemes in Budget 2008-09, which is a welcome step.
- The total outlay for child specific schemes accounts for 5.35 percent of total outlay from the Union Budget in 2008-09.
- Prioritisation of total outlay earmarked for children in the Union Budget is still very skewed, with interventions meant for protection of children in difficult circumstances getting very low magnitude of funds.
- Union Budget outlays for ICDS, RCH and IPCS schemes have increased noticeably (over 2007-08 Revised Estimates) in 2008-09 (BE). However, in comparison to 2007-08 (RE), the outlay for SSA has fallen in 2008-09 (BE). In comparison to 2007-08 (BE), the outlay for NCLP scheme has fallen in 2008-09 (BE).
- Overall there is no visible stepping up of priority for children in Union Budget 2008-09.

Some of the recent evidences, such as those generated by the National Family Health Survey (NFHS-3), have pointed out the glaring deficiencies in the development of children in India. It is disturbing to note that these deficiencies have persisted over the last decade in case of several of the outcome indicators for children. In light of this, it is pertinent to discuss the possible implications of the Union Budget for the development of children in the country.

All kinds of public expenditure meant for the development of a community can be expected to have some benefits for children as well. However, since children are one of the most disadvantaged sections of our population, there exists a strong case for identifying that part of the public expenditure which is meant specifically for addressing the needs of children. Such an exercise requires segregating those schemes from all developmental schemes, which are specifically meant for addressing the needs of children. The total magnitude of budget outlays on child specific schemes is referred to as the magnitude of 'Child Budget'. Thus, 'Child Budget' is not a separate budget, but a part of the usual government budget. In India, 'Child Budgeting' has emerged as an analytical tool for assessing the priorities accorded by governments to children in public spending.

We must note here that in Union Budget 2008-09, the government has introduced a Statement on 'Child Budgeting' (called *BUDGET PROVISIONS FOR SCHEMES FOR THE WELFARE OF CHILDREN*,

Statement 22, Expenditure Budget Vol. I, Union Budget 2008-09). This is certainly a welcome step. This Statement captures most of the child specific schemes which figure in the Union Budget. In the analysis presented here, however, we have included several schemes that do not figure in the said Statement. As a result, the magnitude of 'Child Budget' as shown here exceeds the magnitude of 'Child Budget' as per the new Statement in the Union Budget.

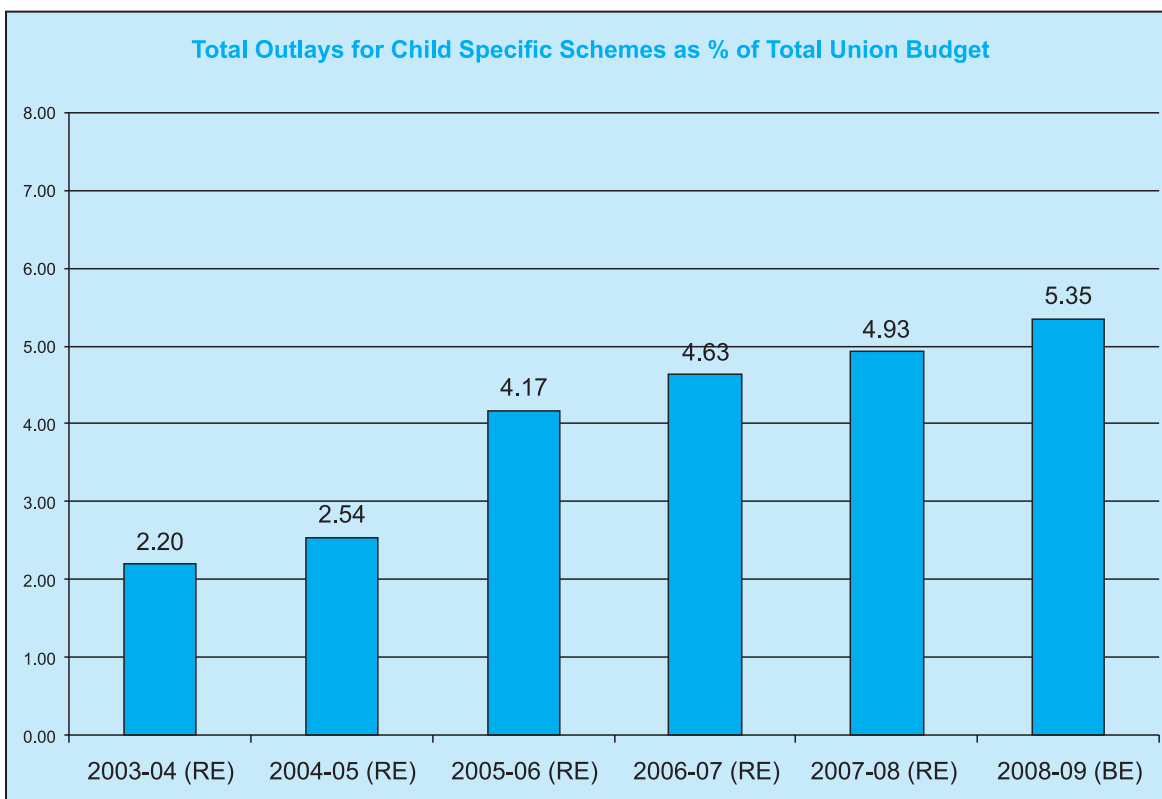
The Union Government Ministries which have child specific schemes, are: *Women and Child Development, Human Resource Development, Health and Family Welfare, Labour and Employment, Social Justice and Empowerment, Tribal Affairs, Minority Affairs, and Youth Affairs and Sports.*

### Magnitude of the 'Child Budget' in Union Budget 2008-09

As shown in Chart 5.1, the magnitude of total 'Child Budget' within the Union Budget, i.e. the aggregate outlay for child specific schemes as a proportion of total budget outlay by the Union Government, has increased from 4.93 percent in 2007-08 (RE) to 5.35 percent in 2008-09 (BE).

If we take into account 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 for children show the persisting deficits in the development of children; the magnitude of 'Child Budget' at 5.35 percent of the

Chart 5.1: Outlays for Child Specific Schemes as a proportion of Total Union Budget (in %)



Note: The figure for Total Expenditure from Union Budget in 2007-08 (RE) used in the present analysis does not include the Rs. 35,531Crore worth of non-plan transaction undertaken in 2007-08 relating to the transfer of RBI's stake in SBI to the Government.

Source: Government of India, Expenditure Budget Vol. I & II, Union Budget, various issues.

total Union Budget in 2008-09(BE) cannot be regarded as adequate.

The increase in the magnitude of 'Child Budget' within the Union Budget 2008-09 (BE) is mainly on account of the increases in Union Budget outlays on *Integrated Child Development Services (ICDS)*, *Reproductive and Child Health (RCH) programme* and higher outlays for elementary and secondary education under the Department of School Education and Literacy. These are certainly welcome steps in the latest Union Budget.

**Prioritisation of Outlays Earmarked for Children in Union Budget 2008-09**

While the magnitude of 'Child Budget' is still inadequate, the prioritisation of this total amount earmarked for children in Union Budget 2008-09 shows a skewed pattern. The present analysis divides the entire 'Child Budget' into four categories, viz. Early

Childhood Care & Development, Child Health, Child Education, and Child Protection, based on the different needs of children. Each of the child specific schemes selected from the Union Budget is considered only under any one of these four categories.

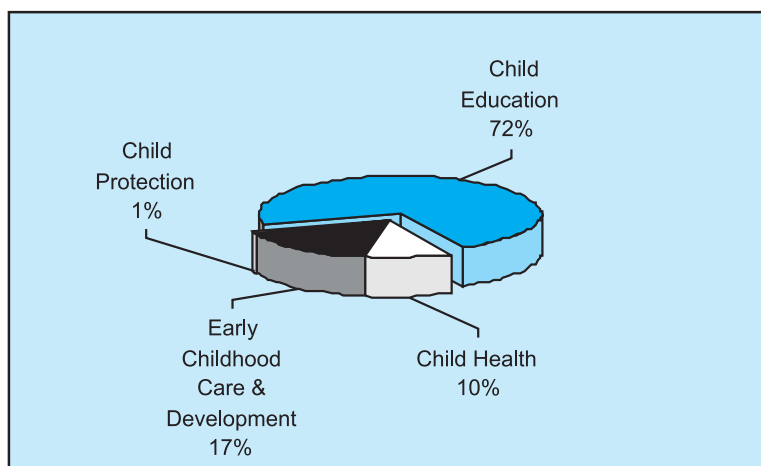
Chart 5.2 shows the sectoral composition of the total 'Child Budget' in Union Budget 2008-09. What it implies is: within the total resources earmarked for children in Union Budget 2008-09, 72 percent is meant for Child Education, 17 percent is meant for Child Development, 10 percent is meant for Child Health and only 1 percent is meant for Child Protection. This is very disturbing given that many recent evidences have highlighted the vulnerability of children in the country, especially those children who are in various kinds of difficult circumstances.

Outlays for (schemes under the sector) **Early**

**Childhood Care & Development** as a proportion of total outlays by the Union Government has increased from 0.84 percent in 2007-08 (RE) to 0.89 percent in 2008-09 (BE). We may note here that Union Budget outlay for ICDS has been increased from Rs. 4,857 crore in 2007-08 (RE) to Rs. 5,665 crore in 2008-09 (BE). Outlays for (schemes under the sector) **Child Health** as a proportion of the total Union Budget outlay shows an increase from 0.45 percent in 2007-08 (RE) to 0.54 percent in 2008-09 (BE). We

education in the country. Hence, there can be no doubt about the fact that even Child Education remains under-funded in the government budgets in India. However, it is the Child Protection sector which appears most neglected in the Union Budget. The outlay on (schemes meant for the sector) **Child Protection**, registers an increase from 0.04 percent of the total Union Budget in 2007-08 (RE) to 0.06 percent of the total Union Budget in 2008-09 (BE). While the outlay for Integrated Child Protection

Chart 5.2: Sectoral Composition of the Total Outlay for Children in Union Budget 2008-09



may note here that outlay for RCH has been stepped up from Rs. 1,629 crore in 2007-08 (RE) to Rs. 2,505 crore in 2008-09 (BE). This is a welcome step given the alarming state of outcomes relating to survival and health of children in the country. However, the Union Government and the States also need to take strong measures to ensure effective utilization of these outlays.

Outlays for Child **Education** (schemes under the sector) register an increase from 3.6 percent of the total Union Budget in 2007-08 (RE) to 3.86 percent of the total Union Budget in 2008-09 (BE). While the outlays for many programmes/ schemes have been increased, the outlay for SSA, the flagship scheme of the UPA Government, shows a decline between 2007-08 (RE) and 2008-09 (BE). Despite the relatively higher magnitude of Union Budget outlays for Child Education, the total public spending on education in the country continues at a low level. According to the Economic Survey for 2007-08, the total budget outlay for Education Departments in the Centre and States combined stood at a meager 2.84 percent of the GDP in 2007-08. Education Departments account for a substantial chunk of the total public spending on

Scheme (ICPS) has gone up, the outlay for National Child Labour Project (NCLP) has been decreased in 2008-09 (BE) in comparison to 2007-08 (RE).

**New Schemes for Children in Union Budget 2008-09**

With Union Budget 2008-09, the Government has some new schemes for children. Table 5.b. given below, compiles these new schemes for children. While the launch of these schemes is a welcome step, the magnitude of funds provided for these schemes does not present a promising picture.

Based on the discussion presented above, we may conclude that the efforts of the Union Government over the last few years at stepping up priorities for children in the Union Budget leave a lot to be attained. The total magnitude of resources earmarked for children in Union Budget 2008-09, at only 5.35 percent of the total Union Budget, appears inadequate to address the various problems confronting children in India. Moreover, even within this small quantum of resources earmarked for children, the sectoral composition is heavily skewed. The interventions in Child Protection sector are still grossly under funded.

Table 5.a: Union Budget Outlays for Child Specific Schemes

	2004-05 (RE)	2005-06 (RE)	2006-07 (RE)	2007-08 (RE)	2008-09 (BE)
Budgetary Provisions for Early Childhood Care & Development (Rs.Crore)	2291.39	3947.91	4864.55	5642.24	6695.33
Allocations for Child Development as a proportion of Total Expenditure of Union Government	0.45	0.78	0.84	0.84	0.89
Budgetary Provisions for Child Health (Rs. Crore)	1576.71	2806.72	2649.33	3016.29	4064.33
Allocations for Child Health as a proportion of Total Expenditure of Union Government	0.31	0.55	0.46	0.45	0.54
Budgetary Provisions for Child Education (Rs. Crore)	8831.41	14294.1	19236.26	24244.56	29009.55
Allocations for Child Education as a proportion of Total Expenditure of Union Government	1.75	2.81	3.31	3.60	3.86
Budgetary Provisions for Child Protection (Rs. Crore)	152.87	173.04	183.53	283.79	429.9
Allocations for Child Protection as a proportion of Total Expenditure of Union Government	0.03	0.034	0.032	0.04	0.06
Total Outlays for Child Specific Schemes (Rs. Crore)	13092.38	21597.82	26933.67	33186.88	40199.11
Total Outlays from Union Budget (Rs. Crore)	505791	508705	581637	673842	750884
Total Child-Specific Outlays as % of Total Outlays from Union Budget	2.59	4.25	4.63	4.93	5.35

Notes:

1. BE: Budget Estimates; RE: Revised Estimates.
2. Expenditure Budget Volume II (Notes on Demands for Grants) in the Union Budget documents does not give Actuals, hence we have taken Revised Estimates for the years from 2004-05 to 2008-09.
3. Total Expenditure figures for 2004-05 to 2007-08 are also Revised Estimates
4. The figure for Total Expenditure from Union Budget in 2007-08 (RE) used in the present analysis does not include the Rs. 35,531 Crore worth of non-plan transaction undertaken in 2007-08 relating to the transfer of RBI's stake in SBI to the Government.

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

Table 5.b: New Schemes for Children in Union Budget 2008-09

Ministry/ Dept.	Scheme (Allocation for 2008-09)	Objective
School Education & Literacy  (Secondary Education)	Support to One Year Pre-Primary in Government Local Body Schools <b>(Rs 100 crore)</b>	To formulate a new Centrally Sponsored Scheme for providing assistance for pre-primary classes in government/local body schools.
	Scheme for upgrading 2000 KGBVs (residential schools/girls hostels) <b>(Rs. 80 crore)</b>	To establish one girls hostel in each educationally backward block, about 3500 in all.
	New Model Schools <b>(Rs.58.80 crore)</b>	To set up 6000 new high quality schools, one in every block of the country.





## 6. Dalits and Adivasis

- The total Plan outlay earmarked for Scheduled Castes as percentage of total government expenditure (excluding Central Assistance for State & UT Plans) has declined from 7.90 percent in 2007-08 (BE) to 7.51 percent in 2008-09 (BE).
- The total Plan outlay earmarked for Scheduled Tribes as percentage of total government expenditure (excluding Central Assistance to State & UT Plans) has declined from 4.77 percent in 2007-08 (BE) to 4.45 percent in 2008-09 (BE), and
- Out of more than hundred Demands for Grants in Union Budget, less than 30 Demands for Grants had some allocations earmarked for SCs/STs.

In the **Union Budget 2008-09**, there are some new interventions for the Scheduled Castes (SCs) and Scheduled Tribes (STs), like,

- Special focus on SC and ST women in NREGS,
- Rs. 130 crore allocation to make Jawahar Navodaya Vidyalayas accessible to SC/ST students in 20 districts that have a large concentration of Scheduled Caste and Scheduled Tribe population,
- To set up additional 410 Kasturba Gandhi Balika Vidyalayas for the girls belonging to SC, ST, OBC and minority communities. Rs. 80 crore has been allocated for setting up these Vidyalayas and for upgradation of the existing 1,754 KGB Vidyalayas,
- For National Means-cum-Merit Scholarship Scheme, Rs. 750 crore has been allocated for awarding 1 lakh scholarships beginning 2008-09. For pre and post-matric scholarship programmes for SCs and STs, Rs. 804 crore and Rs. 195 crore have been allocated respectively, and
- Rs. 75 crore in 2008-09 has been allocated for the Rajiv Gandhi National Fellowship Programme, which in fact is less by Rs. 13 crore compared to the previous Budget.

It is well known that among the various socially disadvantaged groups, the Scheduled Castes (SCs/Dalits) and Scheduled Tribes (STs/ Adivasis) are the most excluded, which gets reflected in the lower attainment of various development indicators in comparison to the rest of the population. In the post-independence era, successive governments have

formulated laws, special programmes and policies for reaching these excluded sections of population; however seldom have actually reached them.

### Plan Outlay for Dalits (SCs) in Union Budget 2008-09

In the Union Budget 2008-09, 26 Departments in the Central Government had some amount of Plan allocations earmarked for SCs and STs. It is certainly welcome that Union Budget 2008-09 presents an improvement in terms of the total number of Demands for Grants in the Budget showing some Plan allocations earmarked for SCs and STs compared to the previous years.

But it is quite disturbing to see that the total magnitude of Plan allocation earmarked for SCs, as per the information presented in Expenditure Budget Vol. I in Union Budget 2008-09, still falls far short of the proportion recommended under the strategy of Special Component Plan(SCP) for SCs (which has been renamed as Scheduled Caste Sub Plan).

It is very much disappointing that the proportion of total Plan outlay of the Central govt. earmarked for SCs has decreased from 7.90 per cent in 2007-08 (BE) to 7.51 percent in 2008-09 (BE). Again, these percentage figures are far below the proportion of SC population in total population of the country, i.e. roughly 16 percent, which grossly violates of the strategy of SCSP for SCs.

Plan Outlay for Adivasis (STs) in Union Budget 2008-09

The scenario in terms of the Plan allocations earmarked for the Scheduled Tribes (STs) in the Union



Table 6.a: Plan Outlay Earmarked for SCs by Central Government Departments/ Ministries

Department/ Ministry	Total Plan Allocation for the Dept./ Ministry in Union Budget (in Rs. Crore)		Plan Allocation Earmarked for SCs (in Rs. Crore)		Proportion of Total Plan Allocation of the Min./Dept. Earmarked for SCs (in %)	
	2007-08 BE	2008-09 BE	2007-08 BE	2008-09 BE	2007-08 BE	2008-09 BE
Dept. of Science & Technology	1526	1530	3.0	3.0	0.20	0.20
Ministry of Social Justice & Empowerment	2001	2400	1525.24	1820.69	76.22	75.86
*Department of Rural Development	27500	31500	2893	2876.6	10.52	9.13
*Ministry of Labour & Employment	325.48	771.5	0.66	0.60	0.20	0.08
*Ministry of Women & Child Development	5793	7200	1464	1134	25.27	15.75
*Dept. of Higher Education (Ministry of HRD)	6480.5	7593	769.86	1043.6	11.88	13.74
*Dept. of School Education & Literacy (Ministry of HRD)	22191	26800	3747.8	4225.6	16.89	15.77
*Ministry of Youth Affairs and Sports	700	890	22.5	3.88	3.21	0.44
*Ministry of Agriculture	8090	12865.67	96.2	249.2	1.19	1.94
*Department of Information Technology	1500	1680	20	22.4	1.33	1.33
*Department of Health & Family Welfare	13875	15580	1704.72	1871.4	12.29	12.01
*Ministry of Micro, Small & Medium Scale Industries	530	1794	137.8	406.08	26.00	22.64
*Ministry of Textiles	2243	2500	88	89.2	3.92	3.57
*Department of Biotechnology	675	900	2.5	2.0	0.37	0.22
*Ministry of Culture	557	600	3.2	3.6	0.57	0.60
*Ministry of Panchayati Raj	4770	4780	28.6	20	0.60	0.42
*Union Territory of Chandigarh	267.63	304.65	10.83	11.28	4.05	3.70

Note:

\* The Union Budget documents do not segregate the total allocations earmarked for SCs/STs further to show allocations separately for SCs and STs in these Ministries/ Departments. We assume here that following the proportion of SCs and STs in total population of the country (i.e. 16.2 % for SCs and 8.2 % for STs as in Census 2001), out of the total funds earmarked for SCs and STs together, roughly two-third would be spent for SCs.

Source: Expenditure Budget Vol. I and Vol. II, Union Budget- 2007-08 & 2008-09.

Table 6.b: Status of Implementation of SCSP for SCs by the Union Govt. in 2007-08 & 2008-09

Total Plan Outlay in Union Budget (excluding Central Assistance for State & UTs) (in Rs. Crore)		Plan Allocations Earmarked for SCs by all Departments/ Ministries (in Rs. Crore)		Proportion of Total Plan Outlay of the Central Govt. Earmarked for SCs (in %)	
2007-08 BE	2008-09 BE	2007-08 BE	2008-09 BE	2007-08 BE	2008-09 BE
158491	183528	12517.91	13783.13	7.90	7.51

Budget is not much different from that for SCs. The proportion of total Plan outlay of the Central govt. earmarked for STs has also decreased from 4.77 percent in 2007-08 (BE) to 4.45 percent in 2008-09 (BE). This is also grossly inadequate considering the proportion of ST population in total population of the country, i.e. roughly 8 percent, which is again in violation of the strategy of Tribal Sub Plan (TSP) for STs.

Therefore, the Plan allocations earmarked for SCs and STs in the Union Budget 2008-09 are far below the norms of both Scheduled Caste Sub Plan (SCSP) and Tribal Sub Plan (TSP). Since 2008-09 is the second year of the Eleventh Five Year Plan, the lack of willingness on the part of the Central Government to seriously pursue the strategies of SCSP and TSP is a matter of serious concern.

Table 6.c: Status of Implementation of TSP for STs by the Union Govt. in 2007-08 & 2008-09.

Total Plan Outlay in Union Budget (excluding Central Assistance for State & UTs) (in Rs. Crore)		Plan Allocations Earmarked for STs by all Departments/ Ministries (in Rs. Crore)		Proportion of Total Plan Outlay of the Central Govt. Earmarked for STs (in %)	
2007-08 BE	2008-09 BE	2007-08 BE	2008-09 BE	2007-08 BE	2008-09 BE
158491	183528	7556.98	8172.79	4.77	4.45



Table 6.d: Plan Outlay Earmarked for STs by Central Government Departments / Ministries

Department/ Ministry	Total Plan Allocation for the Dept./ Ministry (in Rs. Crore)		Plan Allocation Earmarked for STs (in Rs. Crore)		Proportion of Total Plan Allocation of the Dept. Earmarked for STs (in %)	
	2007-08 BE	2008-09 BE	2007-08 BE	2008-09 BE	2007-08 BE	2008-09 BE
Dept. of Science & Technology	1526	1530	3.0	3.0	0.20	0.20
Ministry of Tribal Affairs	1719.71	2121	1719.71	2121.0	100.00	100.00
*Ministry of Social Justice & Empowerment	2001	2400	56.51	65.83	2.82	2.74
*Department of Rural Development	27500	31500	1446	1438.3	5.26	4.57
*Ministry of Labour & Employment	325.48	771.5	0.34	0.30	0.10	0.04
*Dept. of Women & Child Development	5793	7200	732	567	12.64	7.88
*Dept. of Higher Education (Ministry of HRD)	6480.5	7593	384.93	521.8	5.94	6.87
*Dept. of School Education & Literacy (Ministry of HRD)	22191	26800	1873.89	2112.8	8.44	7.88
*Ministry of Youth Affairs and Sports	700	890	11.3	1.94	1.61	0.22
*Ministry of Agriculture	5560	12865.67	48.08	124.6	0.86	0.97
*Department of Information Technology	1500	1680	10	11.2	0.67	0.67
*Department of Health & Family Welfare	13875	15580	852.36	935.7	6.14	6.01
*Department of Small Scale Industries	530	1794	15.7	203.04	2.96	11.32
*Ministry of Textiles	2243	2500	44	44.6	1.96	1.78
*Department of Biotechnology	675	900	1.25	1	0.19	0.11
*Ministry of Culture	557	600	1.6	1.8	0.29	0.30
*Ministry of Panchayati Raj	4770	4780	14.3	10	0.30	0.21
*Union Territories of Andaman & Nicobar Island, Daman & Diu, Dadra & Nagar Haveli and Lakshadweep	1523.7	1519.81	342.01	8.88	22.45	0.58

Notes: \* The Union Budget documents do not segregate the total allocations earmarked for SCs and STs further to show allocations separately for SCs and STs in these Ministries/ Departments. We assume here that following the proportion of SCs and STs in total population of the country (i.e. 16.2 % for SCs and 8.2 % for STs as in Census 2001), out of the total funds earmarked for SCs and STs together, roughly one-third would be spent for STs.

Source: Expenditure Budget Vol. I and Vol. II, Union Budget- 2006-07, 2007-08 and 2008-09.

## 7. Rural Economy

### 7.1 Agriculture

- Agricultural sector has achieved the dubious distinction of registering negative growth. Public investment in agriculture as a proportion of GDP has declined from 0.36 percent to 0.21 percent.
- The proportion of people living below the benchmark consumption level, which already is an abysmally low standard of Rs. 12 per day is a staggering 30 percent.
- On average, prices of essential commodities have risen by more than one third over the period between 2004 and 2007.
- Retardation in the growth of agricultural sector, and hence, the consequential decline in the share of agriculture in GDP, is the result of gross neglect of this sector as reflected in the decelerating pace of capital formation in agrarian sector, in general, and stagnancy of public investment, in particular.
- Spending on subsidies as proportion of GDP has decreased from 1.37 percent to 1.26 percent.
- Provision of cheap inputs through raising subsidy bill of fertilisers and ensuring better remuneration for agricultural products is the bare minimum that government owes to farming community.
- The Government has not allocated substantial funds to address pressing concerns of the agricultural sector to eliminate the root cause of agrarian crisis that the country right now is witnessing, the Union Budget, 2008-09 does endeavour to assuage the crisis afflicted farmers by offering them a loan waiver package.

Agriculture is the source of livelihood for the majority of the population in our country. Hence, by corollary, the wellbeing of the masses is necessarily contingent upon the health and progress of agriculture sector. However, by all counts, agriculture sector is afflicted with some deep-rooted problems that need urgent

attention of the policy makers. Ever rising rate of farmer suicides even in relatively prosperous states, like Maharashtra, Gujarat and Punjab, let alone the cases of suicides in destitute states like Orissa and Chattisgarh, in itself is a telling tale of the magnitude of the agrarian crisis.

Table 7.1.a: Central Government Spending on Composite Rural Development as proportion of GDP at MP

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Agriculture and Allied Activities	1.12	1.26	1.19	1.16	1.05	1.16	1.42	1.30
Rural Development	0.27	0.48	0.44	0.30	0.44	0.79	0.37	0.35
Irrigation and Flood Control	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Village and Small Industries	0.04	0.05	0.05	0.05	0.05	0.05	0.04	0.05
Composite Rural Development	1.45	1.80	1.69	1.52	1.55	2.00	1.84	1.70

Source: Annual Financial Statement, Union Budget for various years

Table 7.1.b: Spending by Ministry of Rural Development as a proportion of GDP at MP

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Rural Development	0.46	0.61	0.56	0.44	0.60	0.59	0.61	0.59
Land Resources	0.04	0.04	0.03	0.03	0.04	0.03	0.03	0.05
Drinking Water Supply	0.09	0.09	0.10	0.11	0.13	0.13	0.16	0.16
Ministry of Rural Development	0.59	0.74	0.70	0.58	0.77	0.75	0.80	0.80

Source: Expenditure Budget Volume I, Union Budget for various years

First and foremost, it is pertinent to realise that development is a long term and gradual process. The direction and pace of development outcomes is determined by the cumulative impact of various macroeconomic policies pursued by the government. So it is the series of interventions that should be taken into account while assessing the impact of a particular policy initiative. During the last fifteen years that India has been pursuing the so-called neoliberal policies, the budget document of the coming financial year forms only a part of the overall macroeconomic agenda of the incumbent government. The overall picture suggests that this government firmly believes in deflationary economic policies to safeguard the interests of monopoly capital.

As an evidence of the above hypothesis, one needs to look at the size of agriculture sector in the recent years. An unambiguous trend that emerges in the era of onslaught of economic reforms is that the size of the government sector has been allowed to be squeezed considerably. In order to divert the attention from this disturbing trend of gradual withdrawal of state activism, the government machinery has started a new mission, essentially the brainchild of World Bank and its votaries, to propagate the illusionary idea that

allocation is not a problem, what matters is the utilisation of allocated funds. Commonsense argument suggests that if the meager funds being allocated are not utilized properly, then there is an unequivocal and sufficient case for the advocacy of allocation of more funds to get the desired results, rather than the contrary. In this context, we would like to argue that shortage of funds has affected the agricultural sector pretty ruthlessly. There is a well-known maxim in policy related literature, which unambiguously asserts that higher allocation is significantly correlated with the quality of the outcomes desired.

Several factors can be held accountable for the present crisis; the most notable, *inter alia*, being monsoon dependent crops, inadequate access to irrigation facilities, lack of access to institutional credit at affordable rates, virtual absence of any marketing facilities for farmers to sell their products at remunerative prices. As a result, agriculture has now turned into an unviable occupation. In order to revive the viability of this neglected sector, substantial investment is needed. The input prices have risen substantially, and crop prices received by farmers have stagnated, thereby making agricultural occupation totally non profitable. Under these circumstances,

Table 7.1.c: Spending by Ministry of Agriculture as a proportion of GDP at MP

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Agriculture & Cooperation	0.29	0.10	0.08	0.09	0.09	0.12	0.13	0.14	0.14
Agricultural Research & Education	0.06	0.06	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Animal Husbandry & Dairying	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.02
Min. of Agriculture	0.36	0.16	0.15	0.15	0.16	0.19	0.20	0.21	0.21

Source: Expenditure Budget Volume I, Union Budget for various years

Table 7.1.d: Public and Private Investment in Agriculture and Allied Sectors and its Share in Total GDP at Market Prices (1999-00 Prices)

Year	Public Investment	Private Investment	Total	GDP at market price	Share (%) in Total		
					Public	Private	Total
2002-03	8733	46935	55668	2216260	0.4	2.1	2.5
2003-04	10805	43035	53840	2402248	0.4	1.8	2.2
2004-05	11038	46215	57253	2602235	0.4	1.8	2.2
2005-06	14144	49987	64131	2842478	0.5	1.8	2.3
Tenth Plan (2002-03 to 2005-06)	44720	186172	230892	10063220.6	0.4	1.9	2.3

Source: Central Statistical Organisation

private investment, as these are induced by profit motive, cannot be expected to be forthcoming. Thus, it becomes obvious that government will have to assume the responsibility of reviving this material producing sector by investing more and more. It is pertinent to note here that agriculture belongs to the State list, and hence, ideally, States will have to share the major responsibility of rejuvenating the sector. But state finances are constrained due to skewed and disparate division of the scope of resource generation. Given these facts, it is the Central government which should take concrete measures by directing more resources towards agriculture, which will in turn assist in creating additional quality irrigation facilities, strengthening of infrastructure base of Food Corporation of India through creation of warehouses and godowns in rural areas. To make agricultural occupation viable, there is an acute need of providing cheap agricultural inputs, including subsidized fertilizers, regular supply of electricity, better warehousing and cold storage infrastructure. Besides, to alleviate the problems of farmers, Minimum Support Prices have to be increased, concomitant with the estimation of rise in input and rent costs. There is nothing wrong in raising the MSP. Offering farmers adequate amount of required grains by increasing food subsidy bill can compensate those farmers who are 'net' purchasers of foodgrains.

However, the irony of the situation is that the incumbent government is following a deflationary fiscal and monetary policy, of course under the tutelage of finance capital hegemony. Under relentless pressure exerted by the votaries of neo-liberal reforms, the

government passed a bill, the so called Fiscal Responsibility and Budget Management Act, 2004, which restricts the government to pursue its macroeconomic policies independently to satisfy the needs of the crisis ridden populace. It is apparent; the UPA coalition government believes that it is its pious duty to adhere to FRBM targets, rather than fulfilling the needs of the common man. Needless to say, the *Aam Aadmi* needs subsidies to maintain his consumption expenditure at the present level, which already is at an abysmally low level. The government policy induced transfers of resources from the poor to the rich, as inferred from the burgeoning interest payments and rising indirect taxes. The *Aam Aadmi* needs substantial transfers from the government to maintain his relative position, in so far as the distribution of assets and income is concerned. The target of the government is to eliminate revenue deficit and to reach the pre determined lower bound of fiscal deficit and debt-GDP ratio, though these targets are at best ludicrous and at worst, a sign of fiscal management bankruptcy. These targets have to be achieved, as far the policy of the government is concerned, by resorting to a cut in budgetary expenditure, in general, and dissipating capacity creating capital expenditure in particular. In order to appease the finance capital and corporate sector, tax concessions and exemptions, the so-called 'tax subsidies' will not be touched upon. Even in the face of backlog of reserve army of unemployed and underemployed, the policy of the government is to abstain from maintaining human development and capacity related expenditure in the name of stabilization of inflation. Though, the same

Government is more than willing to cut petroleum subsidies, which raises the prices of petroleum products, having cascading effects on whole range of prices.

In order to protect the interests of the finance capital, the Government is following a high interest rate policy and stable inflation, which doubly protects the net realised real returns on money invested by foreign institutional investors.

Periods of economic crisis for agriculture in developing countries have been marked in history by declining incomes and worsening employment possibilities, resulting in adverse outcomes of loss of land rights against debt and declining nutrition levels for the poorer section of population. All these features are more than obvious in the present agrarian distress. At

of growth of employment intensive industrial sector, that is the prime mover of poverty stagnant growth.

In this context, it needs to be asserted that macroeconomic policy and the entire growth strategy has been biased against agricultural sector, as far as the remuneration of this subsistence sector is concerned. The movement of the values of implicit sectoral GDP deflators (i.e., the ratio of sectoral GDP at Current Prices to Constant 1999-00 Prices) distinctly allude to the fact that the terms of trade of agriculture *vis-à-vis* other sectors, during the period from 2001-02 to 2006-07, have deteriorated significantly.

The table 7.1.g. portrays the dismal state of affairs of the absolute deprivation faced by the rural as well as urban people. As the figures presented in the table suggest, the proportion of people living below the

Table 7.1.e: Index Reflecting Deceleration in Remuneration of Agricultural Sector via a vis Other Sectors (Implicit Deflator Based)

(1999-00=100)

	Agriculture	Economy	Manufacturing	Hotels & Restaurant	Construction	Real Estate, Ownership of Dwellings & Business Services
2000-01	100.4	103.3	105.6	105.1	103.4	106.9
2001-02	102.1	106.3	108.1	106.8	107.3	113.6
2002-03	106.9	110.4	111.0	110.9	111.1	119.4
2003-04	109.4	114.2	116.9	114.7	115.1	124.2
2004-05	113.7	120.5	125.6	124.3	134.5	129.5
2005-06	119.0	125.4	132.0	132.6	143.6	136.0
2006-07	130.6	132.3	140.2	143.0	154.8	143.3

Source: Based on GDP (at Factor Cost) figures of CSO, 2008

present, there are islands of corporate prosperity in the middle of the sea of massive hunger and destitution as reflected in the stagnant poverty ratio, even taking the official estimates at its face value. As is evident from the table 7.1.f., rate of poverty reduction shows a dismal picture. During the the last twelve years, an era of “unprecedented” growth led by service sector boom, though jobless, has, predictably, been unable to deliver on poverty front. It is basically the stagnant performance of agriculture and relatively sluggish pace

benchmark consumption level, which already is an abysmally low standard of Rs. 12 per day is a staggering 30 percent. Any further comment on this issue is trivial.

Retardation in the growth of agricultural sector, and hence, the consequential decline in the share of agriculture in GDP, is the result of gross neglect of this sector as reflected in the decelerating pace of capital formation in agrarian sector, in general, and stagnancy of public investment, in particular. At the same time,

Table 7.1.f: Poverty Ratios (per cent) By Uniform Recall Period (URP) Method

	1993-94	2004-05
Rural	37.3	28.3
Urban	32.4	25.7
All India	36	27.5

Source: Economic Survey 2007-08, Table 10.4



Table 7.1.g: Extent of Absolute Deprivation (Per capita MPCE)

% of Rural Population		% of Urban Population	
	Below Rs. 12 per day		Below Rs. 19 per day
Orissa	57	Bihar	55
Chhattisgarh	55	Orissa	50
Madhya Pradesh	47	Uttar Pradesh	44
Bihar	46	Chhattisgarh	44
Jharkhand	46	Madhya Pradesh	43
Uttar Pradesh	33	Rajasthan	36
Karnataka	32	Jharkhand	33
Maharashtra	30	Andhra Pradesh	33
Tamil Nadu	26	Karnataka	31
Andhra Pradesh	25	West Bengal	29
All India	30	All India	30

Source: NSS, 61st Round, 2004-05, Report No. 508 Table P3

other sectors have registered phenomenal rate of growth.

Given these dismal figures on poverty and livelihood front, stagnant allocations, as percentage of GDP, on rural development and agriculture related heads in recent years by the Central Government Ministry clearly shows these “people with power” have, in

adversely affects both savings as well as investment. Thus, containment of inflation is high on the government’s agenda. The anti-inflationary instruments at the disposal of the government include, among other things, subsidies, control and prevention of hoarding and black marketeering, rationalization of excise and import duties of essential commodities, to lighten the burden on the poor, effective supply-

Table 7.1.h: Spending on Subsidies as a proportion of GDP at MP

Subsidies	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Grants to NAFED	0.02	0.01	0.01	0.00	0.01	0.01	0.02	0.01
Food	0.77	0.98	0.91	0.83	0.65	0.58	0.67	0.62
Food + Petroleum Subsidy	0.77	1.20	1.14	0.92	0.72	0.64	0.73	0.67
Total Subsidies	1.37	1.77	1.60	1.47	1.33	1.29	1.40	1.26

Source: Expenditure Budget Volume I, Union Budget 2008-09

effect, turned a deaf ear towards these concerns. The neglect of agricultural and rural sector is visible in the allocations of various departments/ministries, responsible for investing in the sectors.

### **Rising Inflation Dwindling Subsidies: Is there any Causal Relation!**

As is well-known, high inflation, more specifically, the surge in the prices of essential commodities hurts the poor the most. Putting pressure on interest rates

demand management of sensitive items through liberal tariff and trade policies, and strengthening the public distribution system.

A large part of the consumption expenditure of the poor people consists of spending on food grains and other essential commodities. Though their consumption expenditure has remained, at best stagnant, even in nominal terms, their command over real commodities must have declined on account of the sharp rise in the prices of essential commodities,

Table 7.1.i: Average retail prices of Essential Commodities Retail Prices (Rs. /kg.)

Essential Commodities	As on					% Increase over the entire period
	14.1.2004	19.1.2005	18.1.2006	17.1.2007	16.1.2008	
Rice	10.8	11.4	11.6	12.6	14.3	32
Wheat	10	9.8	11.3	13.9	13.3	33
Gram	21.8	21.3	27.4	38.2	32.7	50
Tur	29.8	29.3	30.3	31.9	40.9	37
Gur	13.9	17.8	18.5	18	17	22
Groundnut	66.9	63.6	62.9	72.4	84.9	27
Milk	15.8	16.4	16.5	17.5	19.4	23
Potato	5.8	6.5	9.5	10.5	10.5	81
Salt (loose)	2.5	2.7	2.8	3.1	3.4	36

Source: Economic Survey of India, 2007-08

including food grains, salt, potato, milk, and edible oils. The table 7.1.i. below expressly shows the extent of surge in the prices of these commodities. On average, prices of these commodities have risen by more than one third over the period between 2004 and 2007.

There has been a loss of dynamism in the agriculture and allied sectors in recent years. Public investment in agriculture has plummeted and private sector does not find it profitable to invest in this stagnant sector because of unattractive returns. (Economic Survey, 2007-08)

In recent years, agricultural sector has achieved the dubious distinction of registering negative growth. The gap between the growth of agriculture and non-agriculture sector began to widen since the initialization of neo-liberal reforms, and the situation became increasingly more palpable during the period of Ninth and Tenth Plan. It is apposite to mention here that it was the Tenth Plan period when the Government aggressively pursued the policy of 'fiscal (ir) responsibility and budget (mis) management'. The hallmark of this fiscal fundamentalism has been the sincere urge, on the part of the government, to achieve arbitrarily determined deficit reduction targets at any cost. In this process, public expenditure on capacity creation in the economy has been cut to the bone. (For more elaboration on the issue of deleterious impact of FRBM on Social Sector expenditure, please see CBGA's publication, FRBM- A Review, SS Mohanty et al., at [www.cbgaindia.org](http://www.cbgaindia.org)). Agriculture and

rural development sector has bore the brunt of the expenditure compression imposed by the policy of adherence to deflationary provisions of the FRBM Act, 2004. As has been noted in the most recent Economic Survey, retardation in the agricultural activities is the resultant of drastic decline in agricultural capital formation. Both as percentage of GDP and gross capital formation in the economy, investment in agriculture plummeted precipitously in the new millennium.

### Some Reflections on Farm Loan Waiver Announcement

The Budget for 2008-09 was particularly crucial in view of the rather dismal picture of the Indian economy on employment and livelihood front, in general, and relieving the crisis stricken farmers out of destitution trap, in particular. The Economic Survey 2007-08 has painted rather a depressing picture on this account. 'Besides weather-based fluctuations, output of this sector has been affected due to reduced capital investment and plateauing of yield levels in major crops', the survey said. It further notes, 'the rate of growth of foodgrains production decelerated to 1.2 percent during 1990-2007, lower than the annual rate of growth of population, averaging 1.9 percent'. The survey observed that boosting farm growth was vital for sustaining overall economic expansion and for price stability in the light of hardening international prices of food, fuels and edible oils.

Some of the pertinent issues need to be pondered over while appraising the consequences of the set of policies

announced for the agricultural sector in the Budget. As is well known, agriculture is a State subject. However, the financial discipline imposed on the States through the enactment of fiscal prudence legislations has severely damaged the ability of the state governments to stand up to the challenges posed by the recent agrarian distress. Given the fiscal crunch faced by States, it is the responsibility of the Union Government to lead from the front, and allocate sufficient financial resources to ameliorate the depressed agrarian sector through providing direct monetary relief and simultaneously investing a substantial sum in this subsistence sector to pull it out of the present crisis.

In his Budget speech, the Finance Minister has announced a relief package of Rs. 60,000 crore. However, before commenting on this issue of loan waiver, it is worthwhile to itemise some critical issues inflicting the farm sector.

Few years back, in 2003, to assess the conditions of Indian farmers, the National Sample Survey Organisation (NSSO) conducted the Situation Assessment Survey of Farmers (SAS). The survey was conducted only in the rural sector of the country. The findings of the survey are appalling; some of them are listed below:

- Rural households: 14.8 crore, of whom 60.4 percent were farmer households.
- Out of 8.94 crore farmer households, 4.34 crore (48.6 percent) were indebted.
- Worst Hit States: Andhra Pradesh (82.0 percent), closely followed by Tamil Nadu (74.5 percent) and Punjab (65.4 percent).
- Number of indebted farmer households wise ranking of states: Uttar Pradesh (69 lakh), followed by Andhra Pradesh (49 lakh) and Maharashtra (36 lakh).
- According to principal source of income, 57 percent farmer households were cultivators of which 48 percent were indebted.
- More than half (58.4 percent) of indebted farmer households had taken loan for the purpose of expenditure in farm business and 6.75 percent for non-farm business.
- Major source of loans in terms of percentage of outstanding loan amount were banks (36 percent), followed by moneylenders (26 percent).
- Average outstanding loan per farmer household was highest in the State of Punjab, followed by

Kerala, Haryana, Andhra Pradesh and Tamil Nadu. Indeed, these are the states where reported suicide rates among farmer households are high.

- 80 percent of indebted farmers possessed land of size 2 ha or less. Only 7.6 percent of indebted farmers possessed land of the size 4 ha or more.
- Out of total outstanding loans against farmer households, only 57.7 percent were from institutional sources, including scheduled commercial banks, whose share is merely 35.6 percent. The share of indigenous moneylenders was more than a quarter.
- The bigger the size of the land possessed, the greater the access to institutional credit. In other words, smaller and marginal farmers are being discriminated in the disbursal of institutional loans. Hence they are being forced to approach to indigenous lenders who charge exorbitant rates of interest.
- Total loans outstanding against farmer households were to the tune of Rs. 1,12,447 crore in 2002-03, at an average of Rs. 12,585 per farmer household.
- Daily Consumption Expenditure (Per Capita) of 85 percent of the farmer households was Rs. 19 or less and these farmer households shared the burden of Rs. 76,127 crore (68 percent of the total loans outstanding against farmer households).

The announcement of loan waiver package for farmers, to the tune of Rs. 60,000 crore, in effect, is supposed to cover the lending of public sector banks amounting to Rs 55,341 crore. The advances by RRBs and various Cooperative Societies and Government loans to agriculture sector have, effectively, been left out of the whole exercise of providing relief to crisis ridden farmers. Furthermore, a significant portion of agricultural loans is provided by non-institutional and unregulated agencies (42% of farmer loans), including indigenous moneylenders and traders (around 26% of total loans outstanding against farmer households) who charge exorbitant rates of interest. Until and unless this usurious practice of exploitation is abolished altogether, and the mistreatment of farmers by this segment is brought under effective state control and regulation, any policy to ameliorate the situation of aggrieved peasantry will prove to be a futile exercise.

In addition, the provision that only those farmers who possess land up to 2 ha will be eligible for the loan relief is riddled with potential of excluding a certain section of the farmers who cultivate dry lands. It is

ridiculous to assume that the productivity of land in Gangetic plain and desert land is identical. Similarly, the provisions under loan waiver announcements make no distinction between irrigated and non-irrigated land holdings. Last but not the least, while announcing the debt waiver package, Finance Minister has not provided even a lip service to financing aspects of the debt waiver proposal.

In retrospect, one may claim that the persistence of agricultural indebtedness is closely linked with issues of rapidly rising input costs, unstable crop prices and the virtual absence of market access to sell crops at remunerative prices. Therefore, it is to these aspects of production conditions in agriculture that policy intervention must now be directed. The government endeavour, in terms of chasing away the problems through capacity creation and adequate provisioning of inputs to farmers at an affordable cost, can be termed at best, as palpable.

To emancipate the peasantry class out of debt traps, it is necessary to confront the problems currently afflicting the viability of cultivation. As mentioned

earlier, provision of cheap inputs through raising subsidy bill of fertilisers and ensuring better remuneration for agricultural products is the bare minimum that government owes to farming community. In addition, there is an urgent need to invest a huge amount of funds in creation of irrigation facilities to realise the irrigation potential (at present, only 70 percent of the potential has been realised, Approach Paper, Eleventh Plan, Vol.III as estimated by the Planning Commission).

However, having enumerated some of the pertinent concerns of the farm sector, one must say that though the government has not allocated substantial funds to address pressing concerns of the agricultural sector to eliminate the root cause of agrarian crisis that the country right now is witnessing, the Union Budget, 2008-09 does endeavour to assuage the crisis afflicted farmers by offering them a loan waiver package. Indeed, this is a welcome step in right direction targeting the symptoms of the crisis, though not long enough to chase away the uninterrupted problems of agrarian sector.

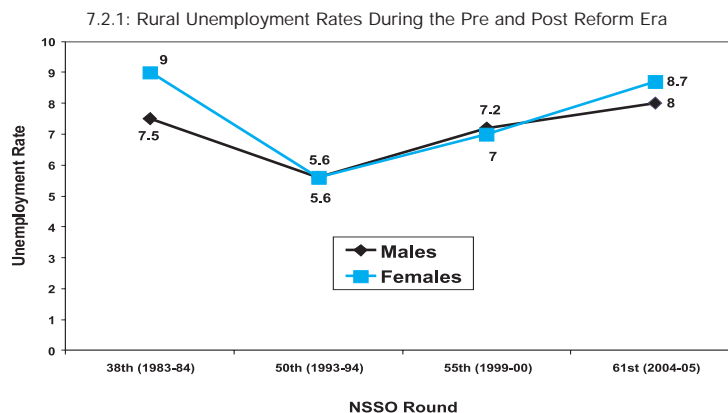
## 7.2 Rural Employment

- The Central Government's expenditure on rural employment as a proportion of both total budgetary expenditure as well as GDP has been retreating in the recent years. Rural employment as a proportion of total budgetary expenditure has declined from 2.56 percent in 2005-06 to 1.92 in 2008-09 BE.
- The coverage of NREGS has been extended to all the 596 districts (excluding the urban districts) in the country in 2008-09. However, the large increase in coverage does not reflect in the increase in allocation for 2008-09 – a mere Rs. 4,000 crore increase over previous year's allocation (Rs. 12,000 crore in 2007-08 RE for 330 districts and Rs. 16,000 crore in 2008-09 for 596 districts).
- The overall fund utilization under NREGS has fallen from 73.08 percent over available funds in 2006-07 to 63.37 percent in 2007-08 (till 29 February 2008).
- In spite of the poor implementation of NREGS, there is more than one reason to celebrate this most important policy initiative of our times. The growing participation of most marginalized sections – Dalits, Adivasis and Women, is a clear indication of overall socioeconomic wellbeing. Out of the total 100.87 crore persondays employment generated during 2007-08, Dalits (27 percent) and Adivasis (31 percent) together account for a whopping 58 percent. Women alone account for 43 percent of the total persondays of employment generated.
- As the coverage of NREGS extends, the average per district allocation (Centre) and expenditure (Centre + State) is witnessing a steep decrease. The average per district allocation by Centre has declined drastically from Rs. 56.5 crore in 2006-07 (RE) to only Rs. 26.85 in 2008-09 (BE). The average per district expenditure has decreased from Rs. 44.12 crore in 2006-07 to Rs. 32.73 crore in 2007-08 (till 29 February 2008).

The growth tickled Indian economy has been witnessing a sea change in the recent years. Unacceptably, the professed inclusive growth has failed to reach out to the large sections of the rural population that have been starving for a remedy to overcome poverty, indebtedness and unemployment. Though the recent growth story is fascinating, a contrastingly lower agricultural growth and increasing destabilization

of labour force have minimized the livelihood options in rural India. With no access to quality education and healthcare, many in the rural India have been forced to live in much worse than ordinary conditions.

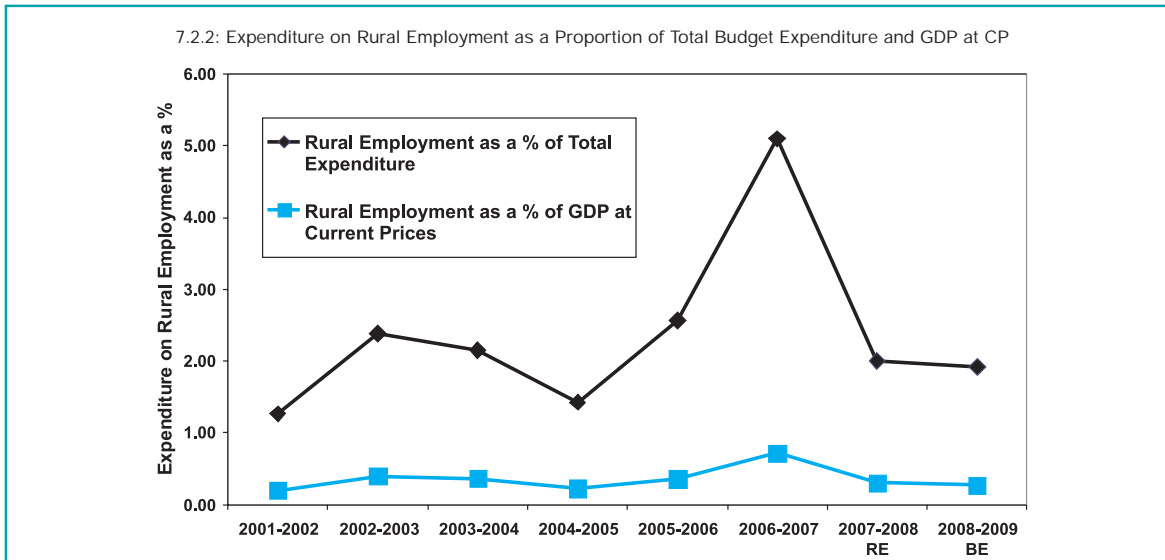
While the UPA Government has been claiming to have offered a 'new deal' to these sections, the rhetoric and reality have remained the same in practice.



Note: Unemployment Rates using Current Daily Status (CDS) method  
Source: NSSO for various rounds

The rural unemployment rates have increased rapidly during the liberalisation era. As per the NSSO, the unemployment rate among the rural males has increased from 5.6 percent in 1993-94 to 8 per cent in 2004-05. During the same period unemployment rate among the rural females has increased from 5.6 percent to 8.7 percent. These bleak statistics have

continuously drawn the attention of the civil society and academia. However, the governments' response over these years has remained toothless. As can be seen from the graph 7.2.2. and table 7.3.a., the Central Government's expenditure on rural employment as a proportion of both total budgetary expenditure as well as GDP, has been retreating in the recent years. Rural



Note: \* Excluding the Lump Sum Provisions for NER & Sikkim

^ The figure for 2006-07 is inflated due to the Special Securities issued to Food Corporation of India for Rs. 16, 200 crore in settlement of past claims under SGRY

Source: Expenditure Budget Volume II, Union Budget for various years

Table 7.2.a: Central Government Expenditure on Rural Employment over the Years\*

Year	Total Rural Employment (in Rs. Crore)	Rural Employment as a % of Total Expenditure	Rural Employment as a % of GDP at Current Prices
2001-2002	4591.39	1.27	0.20
2002-2003	9870.56	2.39	0.40
2003-2004	10129.18	2.15	0.37
2004-2005	7118.35	1.43	0.23
2005-2006	12954.88	2.56	0.36
2006-2007 ^	29727.08	5.10	0.72
2007-2008 RE	14220.00	2.00	0.30
2008-2009 BE	14400.00	1.92	0.27

Note: \* Excluding the Lump Sum Provisions for NER & Sikkim

^ The figure for 2006-07 is inflated due to the Special Securities issued to Food Corporation of India for Rs. 16, 200 crore in settlement of past claims under SGRY

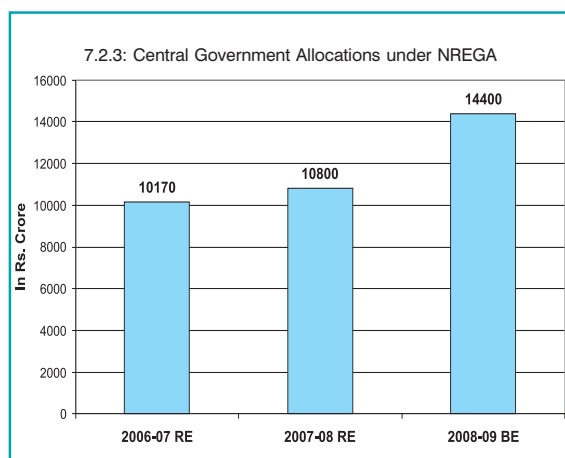
Source: Expenditure Budget Volume II, Union Budget for various years



employment as a proportion of total budgetary expenditure has declined from 2.56 percent in 2005-06 to 1.92 in 2008-09 BE.

### National Rural Employment Guarantee Scheme (NREGS)

The National Rural Employment Guarantee Act (NREGA) was passed in September, 2005, and the NREGS was implemented from February 2, 2006 in 200 identified districts of the country with the objective of providing 100 days of guaranteed wage employment to each rural household opting for it. The coverage had gone up to 330 districts with the addition of 130 new districts in 2007-08. The ongoing programmes of Sampoorna Grameen Rozgar Yojana (SGRY) and National Food for Work Programme (NFWP) were subsumed under NREGS in these districts. The coverage of NREGS has been extended to all the 596 districts (excluding the urban districts) in the country in 2008-09. But the large increase in coverage does not reflect in the increase in allocation



Note: \* Excluding the Lump Sum Provisions for NER & Sikkim

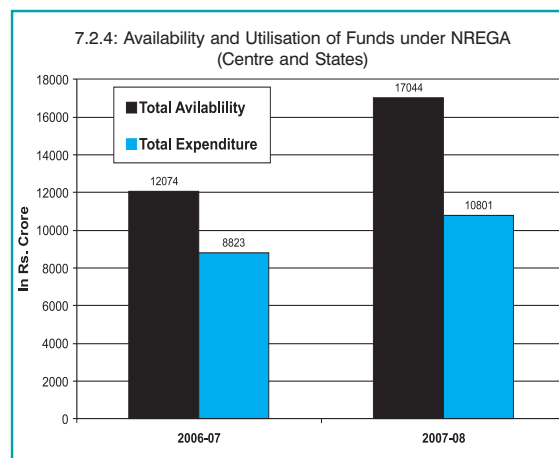
Source: Expenditure Budget Volume II, Union Budget for 2007-08 & 2008-09

for 2008-09 – a mere Rs. 4,000 crore increase from Rs. 12,000 crore in 2007-08 (RE) for 330 districts to Rs. 16,000 crore in 2008-09 for 596 districts. Of the Rs. 12,000 crore allocated by the Centre in 2007-08 (BE), Rs. 11,144.72 crore was released (by Centre) up to February 29, 2008. While the fund release has shown greater improvement, utilization remains a major concern.

The physical as well as financial progress of NREGS has continued to vary across States. The implementation in many high potential States like Maharashtra, Karnataka, Bihar, West Bengal and

Orissa is well below the national average in both physical and financial progress during 2007-08. Maharashtra which has been topping the farmers' suicide chart could utilize only 25 percent of the total available funds in 2007-08 (till 29 February 2008). While some states have shown good progress in implementation over the previous year, many have retreated. In particular, Orissa could utilize only 51.76 percent of the available funds in 2007-08 against 82.39 percent in 2006-07. The overall fund utilization at the national level has also fallen from 73.08 percent of available funds in 2006-07 to 63.37 percent in 2007-08 (till 29 February 2008).

On the physical side, a total of 6.2 crore households (approximately) have been issued job cards, out of which, approximately 2.83 crore households have demanded employment during 2007-08 (till 29 February 2008). The total number of households, provided employment until 29 February 2008 stands at about 2.81 crore and the number of households



Note: ^ Data for 2007-08 is only till 29 February 2008 as reported in the NREGA website

\* Total availability include left over funds from previous year, release of funds last year but received in current/ accounting year, funds released in current/accounting year and miscellaneous receipts

Source: NREGA website (<http://www.nrgea.nic.in>), as on 29 February 2008

completing 100 days of employment is only 13.86 lakh. In spite of the poor implementation of NREGS, there is more than one reason to celebrate this most important policy initiative of our times. The growing participation of the most marginalized sections – Dalits, Adivasis and Women, is a clear indication of overall socioeconomic wellbeing. Out of the total 100.87 crore persondays employment generated during 2007-08,



Table 7.2.b: Availability and Utilization of Funds under NREGS (Centre + States)

S. No.	States	2006-07			2007-08 ^		
		Total Avail-Ability (in Rs. Crore)*	Total Expenditure (in Rs. Crore)	Total Expenditure as a % of Total Available Funds	Total Availab-ility (in Rs. Crore)*	Total Expenditure (in Rs. Crore)	Total Expenditure as a % of Total Available Funds
1	Andhra Pradesh	1142.24	680.20	59.55	2109.32	1336.31	63.35
2	Arunachal Pradesh	12.11	2.21	18.27	3.75	2.31	61.54
3	Assam	707.69	592.53	83.73	724.36	342.23	47.25
4	Bihar	1191.18	712.76	59.84	1310.70	683.75	52.17
5	Gujarat	123.75	85.85	69.38	118.58	62.68	52.86
6	Haryana	46.53	35.95	77.26	55.76	35.17	63.07
7	Himachal Pradesh	57.19	39.40	68.89	131.05	86.66	66.13
8	Jammu & Kashmir	50.12	34.54	68.92	82.37	35.52	43.12
9	Karnataka	341.31	248.30	72.75	419.42	196.08	46.75
10	Kerala	48.35	27.90	57.7	85.16	53.38	62.68
11	Madhya Pradesh	2133.68	1862.69	87.3	3053.48	2088.95	68.41
12	Maharashtra	486.94	174.61	35.86	464.28	114.54	24.67
13	Manipur	20.38	20.26	99.41	40.53	20.78	51.28
14	Chhattisgarh	840.89	668.82	79.54	1357.69	947.21	69.77
15	Meghalaya	25.84	21.12	81.74	59.17	40.94	69.18
16	Mizoram	25.98	16.43	63.24	41.86	29.95	71.55
17	Nagaland	15.96	14.58	91.33	29.70	14.91	50.21
18	Orissa	890.19	733.47	82.39	716.16	370.70	51.76
19	Punjab	38.39	25.00	65.12	46.73	18.16	38.86
20	Rajasthan	856.17	693.06	80.95	1132.26	1027.24	90.72
21	Sikkim	4.57	2.62	57.37	15.57	7.60	48.81
22	Tamil Nadu	252.11	151.64	60.15	665.01	437.31	65.76
23	Tripura	49.78	45.08	90.56	174.99	147.17	84.1
24	Uttar Pradesh	1028.71	779.67	75.79	1799.99	1276.69	70.93
25	West Bengal	630.23	394.63	62.62	1156.84	596.13	51.53
26	Jharkhand	982.21	711.55	72.44	1104.81	768.39	69.55
27	Uttranchal	71.05	48.50	68.25	144.18	60.29	41.81
Total		12073.56	8823.36	73.08	17043.73	10801.04	63.37

Note: ^ Data for 2007-08 is only till 29 February 2008 as reported in the NREGA website

\* Total availability include left over funds from previous year, release of funds last year but received in current/ accounting year, funds released in current/accounting year and miscellaneous receipts

Source: NREGA website (<http://www.nrgea.nic.in>), as on 29 February 2008

Dalits (27 percent) and Adivasis (31 percent) together account for a whopping 58 percent. The NREGS is also proving to be a greater source of empowerment for rural women. Women alone account for 43 percent of the total persondays of employment generated – a marginal increase from 41 percent in 2006-07. It's really inspiring to see that in Rajasthan, where workforce participation rate for rural women on the basis of Current Daily Status is only 29 percent (2004-05, NSSO); women have generated 70 percent of the total persondays of employment generated during 2007-08.

As the coverage of NREGS extends, the average per district allocation (Centre) and expenditure (from total available funds i.e. Centre + States + Miscellaneous Receipts) is witnessing a steep decrease. The average per district allocation by Centre has declined drastically from Rs. 56.5 crore in 2006-07 (RE) to only Rs. 26.85 crore in 2008-09 (BE). The average per district expenditure has also decreased from Rs. 44.12 crore to Rs. 32.73 crore in 2007-08 (till 29 February 2008). As the trend suggests, when average per district allocation (by Centre) decreases, overall average per

district expenditure is witnessing relative decline. Though the Finance Minister has promised to make funds available for NREGS as demand arises, the past experiences of fund utilization under centrally sponsored schemes put forward a hazy picture.

Many reasons are attributed to low utilization of funds. When we study the utilization pattern of Government schemes, late releases and meager allocations emerge as major reasons for low fund utilization. In the case of NREGS, both late release and meager allocation of funds have been creating roadblocks. The Centre released about Rs. 382 crore only in 2007-08 which was supposed to be spent during 2006-07. The Central Government should abstain itself from engaging in any activity that would hamper the wholehearted implementation of NREGS. When one seems to be realizing the potential of NREGS, why not allocate adequate funds in one go, Mr. FM? If we go by the National Advisory Council's estimate of Rs.100 crore fund requirement per district, the fund requirement for 2008-09 under NREGS would be as high Rs. 59,600 crore. This is almost four times of what has been proposed in the Budget.

Table 7.2.c Average Per District Allocation and Expenditure under NREGS

(in Rs. Crore)#

Year	Reported Average Per District Expenditure (Centre + State + Miscellaneous Receipts)*	Average Per District Allocation by Centre ^
2006-07	44.12	56.50
2007-08	32.73	36.36
2008-09	NA	26.85

Note: # Number of Districts used for calculating average per district allocation/expenditure are 200 Districts for 2006-07; 330 Districts for 2007-08; and 596 Districts for 2008-09

\* Figures calculated using information provided in the NREGA website as on 29 February 2008

^ Figures calculated using Revised Budget Estimates for 2006-07 & 2007-08 and Budget Estimates for 2008-09 including Lump Sum Provisions for NER & Sikkim

Source: Expenditure Budget Volume II, Union Budget for 2007-08 & 2008-09; and NREGA website (<http://www.nrega.nic.in>), as on 29 February 2008

## 7.3 Rural Water Supply and Sanitation

- There has been an increase in allocation of 13.9 percent in the total rural water supply and sanitation sector
- Between 2007-08 RE and 2008-09 BE, the allocation for rural water supply has been increased to the tune of 14.2 percent and for rural sanitation, it has been increased to 13.2 percent.
- 2008 is the International Year of Sanitation; however percentage of increase in allocation for rural sanitation is less than the last year

Budget speech and National Common Minimum Programme (NCMP) promises

- The Finance Minister in his Budget speech last year had proposed to enhance the allocation for the two Flagship schemes- Rajiv Gandhi Drinking Water Mission (RGDWM) from Rs. 4,680 crore in 2006-07 to Rs. 5,850 crore in 2007-08 and for Total Sanitation Campaign (TSC) from Rs. 720 crore (2006-07) to Rs. 954 crore (2007-08). In the latest budget speech 2008-09, he has proposed to increase the allocation for RGDWM to Rs.7,300 crore with an initial outlay of Rs.200 crore and for TSC to Rs. 1,200 crore (including the NER component).
- The NCMP through Bharat Nirman had also promised a time-bound plan to build rural infrastructure, under which rural drinking water is a major component. The time period for which the targets were set spans from 2005-06 to 2008-09. Keeping in mind that this may be the last year of the UPA government, it is necessary to assess if the promises have been delivered. Being one of the main components of Bharat Nirman, in the last three years, the financial allocations for rural water supply and sanitation have shown an increase on the whole.
- The Outcome Budget 2007-08 of the Dept. of Drinking Water Supply of Govt. of India proposes to increase the water supply coverage of areas with less than 100 habitations as well as to reduce the distance factor by relaxing the present norm of 1.6 km in plain areas or 100 metres elevation in hilly areas. This is meant to reduce the drudgery of water collection by women and subsequently include a component of gender budgeting in rural water supply and sanitation. Access to safe drinking water and sanitation facilities is directly linked to an improvement in general health status and well-being of women.

- In the light of the fact that 2008 is the International Year of Sanitation, it is even more significant to assess the financial allocations to this sector. The total allocation for rural water and sanitation is Rs. 8,501.90 crore for the year 2008-09. The increase has been only 13.9 percent which is less than the percentage increase of 42.6 percent of the 2007-08 Budget. The trends for total expenditure on Rural Water Supply and Sanitation as a proportion of total Union Government expenditure for the last 5 years have shown a modest increase. For 2007-08, it has been 1.05 percent and is showing an increase of 1.13 percent in 2008-09 as shown in the following Table 7.3.a.

### Accelerated Rural Water Supply Programme

The Tenth Plan aimed at providing safe drinking water to all rural habitations within its period of operation (2002-07). The same objective has also been envisaged by the Eleventh Five Year Plan. The Accelerated Rural Water Supply Programme under the Department of Drinking Water Supply is being implemented through the Rajiv Gandhi National Drinking Water Mission. The Central allocation of funds for ARWSP has been stepped up from Rs. 5,750 crore in 2007-08 (RE) to Rs. 6,570 crore in 2008-09 (BE).

### Total Sanitation Campaign

The Central Rural Sanitation Programme, restructured in 1999 as Total Sanitation Campaign (TSC) is one of the flagship schemes undertaken by the UPA government. The Campaign itself has set a target to achieve 100 percent sanitation coverage by the end of the Eleventh Plan i.e., by 2012. The thrust areas for TSC include construction of individual household latrines, coverage of rural schools, solid waste management, and School Sanitation & Hygiene Education (SSHE).

The TSC has taken up projects in 578 districts covering 30 States/UTs with an outlay of Rs. 13,426 crore

Table 7.3.a: Union Government's Expenditure on Rural Water Supply and Sanitation

(in Rs. Crore)

Year	Rural Drinking Water Supply and Sanitation*	Union Govt. Expenditure on Water Supply and Sanitation as a proportion of Total Expenditure from Union Budget (in %)
2004-05 RE	3301.39	0.65
2005-06 RE	4761.52	0.93
2006-07 RE	5301.63	0.91
2007-08 RE	7461.8	1.05
2008-09 BE	8501.9	1.13

Source: Expenditure Budget Volume 2 - for various years.

Notes: \* Union Budget Outlay for Deptt.of Drinking Water Supply under Ministry of Rural Development

(Economic Survey 2007-08).The total sanitation coverage is estimated to be 50.8 percent as per Department of Drinking Water Supply (DDWS), Ministry of Rural Development (MoRD).

For TSC, Union Budget outlay has been increased from Rs. 954 crore in 2007-08 (RE) to Rs. 1,080 crore (excluding the lumpsum provision for NER and Sikkim). Table 7.3.b shows the rural water supply and sanitation allocations from 2006-07 to 2008-09.

### Rural Water Supply under Bharat Nirman

Rural water supply is one of the six components of Bharat Nirman, which has been conceived as a plan to be implemented in four years from 2005-06 to 2008-09.

A detailed analysis of the physical targets set and achieved in the last two years has been summarised in table 7.3.c. As can be seen, in 2006-07, the targets for new coverage and quality affected habitations have not been met. Similarly, in 2007-08, the targets have

not been achieved. Out of 1.55 lakh habitations to be covered in 2007-08, till November 2007, 80,521 habitations have been covered/addressed.

In the area of drinking water supply, a major problem has been that there is no clear definition of 'coverage'. Keeping in mind that slippage takes place in various degrees, the partially covered, not covered and fully covered habitations need to be redefined as per the slippage.

As per the latest figures of DDWS, MoRD, the total rural sanitation coverage in the country is estimated to be 50 percent. This is a marked improvement from 2001 Census, when it was a meager 22 percent. However, one must keep in mind that Government statistics are based on expenditure and number of assets created rather than on access, usage and status of the infrastructure created which can seriously hamper the analysis and assessment of performance and progress.

Table 7.3.b: Allocations for Rural Drinking Water and Sanitation

(in Rs. Crore)

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Source: Expenditure Budget Vol II, Union Budget 2008-09.

Notes: \*Total allocations for schemes do not include the lumpsum provision for schemes for benefit of the NER and Sikkim

Table 7.3.c: Physical Targets and Achievements under Bharat Nirman for Rural Water Supply (Till Nov'2007)

(No.of habitations)

Year	2006-07			2007-08		
	New Coverage	Slipped Back Habitations	Water Quality Affected Habitations	New Coverage	Slipped Back Habitations	Water Quality Affected Habitations
Targets	18,120	40,000	15,000	16,886	90,000	48,613
Achievements	12, 440	89,580	5,330	4,548	31,411	44,562

Source: www.rural.nic.in

## 7.4 Infrastructure

- After four years of UPA governance, the four components of the Bharat Nirman Programme (2005-09) - irrigation, rural housing, drinking water, and rural roads have failed to achieve 60 percent of the targeted objectives set in the Union Budget Speech of 2005-06. However, the two other components of rural telephony and rural electrification have performed considerably well.
- Though there is some increase in budgetary support for Bharat Nirman as a proportion of total expenditure of the Central government from FY 2005-06 (BE) to 2007-08 (BE), in the 2008-09 (BE), it has remained constant.
- The poor performing components have got higher allocations in this year's Union Budget. While PMGSY has got 13 percent more allocation (Rs. 7,350 crore) compared to last year, ARWSP has also got a hike of 12 percent over last year's allocation. In 2008-09, the rural housing scheme Indira Awas Yojana has got a significant (33%) hike.
- The increase of the unit cost for the construction of Indira Awas home for BPL families from the present level of Rs.25,000 for plain areas and Rs. 27,500 for hilly areas to Rs. 35,000 and Rs. 38,000 is a welcome step in the Union Budget.

**Bharat Nirman:** The UPA Government, in its early years of governance, unveiled an ambitious Bharat Nirman Program --as time-bound business plan for action-- in accelerating rural infrastructure over the four year period 2005 to 2009, spanning the last two years of the Tenth Five Year Plan and first two years of Eleventh Plan. It proposed to cover six important areas of irrigation, rural roads, rural housing, rural water supply, rural electrification and rural telecommunication connectivity. In terms of physical progress vis-à-vis targets, while Accelerated Irrigation Benefit Program (AIBP), Pradhan Mantri Gram Sadak Yojana (PMGSY), Accelerated Rural Water Supply Programme (ARWSP) and Indira Awas Yojana (IAY) have achieved 39, 30, 52 & 54 percent respectively ; the components such as rural electrification and rural telephony in Rajeev Gandhi Grameen Vidyutikaran Yojana (RGGVY) and Village Public Telephony (VPT) have made satisfactory progress

The Eleventh Plan document has also underlined the under-performance of some of the above components and sought to extend the timeline till the end of the Plan period along with an additional set of objectives. To illustrate, while the Eleventh Plan has targeted to create 16 mha irrigation potential; the remaining Bharat Nirman targets for new connectivity and upgradation of rural roads are proposed to be met in 2009-2010 (Eleventh Plan Document, pg 132). For the housing component of the Bharat Nirman, a target of constructing about 150 lakh houses under IAY is fixed for the Eleventh Plan, therefore an annual target of 30 lakhs houses.

The budgetary provision for the ambitious four-year projects of Bharat Nirman are however moving at a snail's pace. Comparisons of the budgetary provision for some of the services of the Central government related to Bharat Nirman (i.e., rural infrastructure sectors) suggest that there is no quantum jump in spending. The budgetary provision for some of the services of the Central Government related to Bharat Nirman as a proportion of total expenditure of the Central government from FY 2005-06 (BE) till 2008-09 (BE) have remained stagnant.

The three components of Bharat Nirman which are not doing well have got higher allocations in this year's Union Budget. While PMGSY has got Rs. 7,350 crore allocation compared to last year Rs. 6,500 crore which is a 13 percent increase, another poor performing scheme ARWSP has got a hike of 12 percent compared to last year's budgetary allocation. However, 2008-09 Union Budget has given a 33 percent hike to the rural housing scheme IAY. In 2008-09, budgetary allocations for the selected services of the Central Government related to Bharat Nirman has been significantly increased to Rs. 31,280 crore which is a hike of 27 percent over last year's allocations of Rs. 24,600 crore.

The Rural Infrastructure Development Fund (RIDF), which is the main instrument to channelize bank funds for financing rural infrastructure, has got a 17 percent hike in this Union Budget. It has got a separate window under RIDF-XIV for rural roads with a corpus of Rs. 4,000 crore. This will help the State Governments to finance various rural infrastructure projects.

Table 7.4.a: Targets and Achievements under Bharat Nirman

Components	The Bharat Nirman Program's Objectives	Achievements				
		2005-06	2006-07	2007-08	Total	% of targets
Irrigation(AIBP) (Figures in hectare)	10000000	1676916	1942324	292564#	3911804	39
Rural Roads (PMGSY) (Figures in number of habitation)	66,802	8031	8279	3485*	19795	30
Rural Housing (IAY) (Figures in number of house)	6000000	1551923	1448818	228672\$	3236559	54
Rural Electricity (RGGVY) (Figures in number of Village)	1,25,000	10169	40233	25602 ^	76004	61
Rural Telephony (Figures in number of villages)	66,822	17182	15054	20116!	52352	78
Drinking Water (ARWSP) (Figures in number of habitation)	55,067 uncovered habitation + 2.8 lakh slipped back habitation + 2.17 lakhs quality affected habitation	97215	107350	80521@	285086	52

Source: Reported till September 2007, <http://mowr.gov.in/bharatnirman/ach2007-08.htm>

\*Reported till December 2007, Outcome Budget (Mort) 2007-08; Annual Report 2006-07 (Mort); <http://www.omms.nic.in/government/ims/report/spw.asp?statername=All%20States&cmbyear=2000&ReportLevel=0>

\$Reported till February 2008, <http://rural.nic.in/IAY/Framemon.asp>; Annual Report 2006-07 (Mort); Outcome Budget 2007-08 (Mort)

^ Reported till February 2008, [http://powermin.nic.in/JSP\\_SERVLETS/internal.jsp](http://powermin.nic.in/JSP_SERVLETS/internal.jsp).

@ Reported till November 2007, <http://ddws.gov.in/bharatnirman/water.html>.

! Economic Survey, various years; and Annual Report 2006-07, Department of Telecommunication.

The Finance Minister (FM) was expected to address various concerns and issues in the Bharat Nirman programme. For irrigation, there is a need to empower the economic status of the small and marginalized farmers; correction of erratic power supply; subsidy for the development of ground water; and provision of better irrigation facilities in the hard rock areas (The Eleventh Plan Document, pg 51). The concern for rural roads is not of one time construction but its long term maintenance and management. For the housing component, though the unit cost, from the present

level of Rs. 25,000 for plain areas and Rs. 27,500 for hilly areas has been increased to Rs. 35,000 and Rs. 38,000 respectively, still the focus areas of IAY need to be reoriented towards houseless communities such as de-notified tribes. For 'safe' drinking water supply to rural areas, the issues are more acute as most of the ground water is contaminated with iron, fluoride, salinity, nitrate, and arsenic. Some of the fully covered households have now slipped back to partially covered; therefore the issue of sustainability is a matter of concern.



Table 7.4.b: Budgetary Support for Functions of the Central Government related to Bharat Nirman

Service of the Central Government	2005-06 BE	2006-07 BE	2007-08 BE	2008-09 BE
Housing [Major Heads 2216 (Revenue), 4216 (Capital) and 6216 (Loan)]	3351.22	3319.63	4607.28	5922
Major and Medium Irrigation [Major Heads 2701 (Revenue), 4701 (Capital) and 6701 (Loan)]	191.04	236.49	236.18	308.22
Minor Irrigation [Major Heads 2702 (Revenue), 4702 (Capital) and 6702 (Loan)]	115.40	136.34	116.75	158.7
Power [Major Heads 2801 (Revenue), 4801 (Capital) and 6801 (Loan)]	6502.97	6293.93	8967.97	8795
Roads and Bridges [Major Heads 3054 (Revenue), 5054 (Capital) and 7054 (Loan)]	16234.95	16026.86	20540.54	22261.28
Telecommunications* [Budgetary Provisions for the Department of Telecommunications]	2858.65	3166.46	3840	4140
Water Supply and Sanitation** [Budgetary Provisions for the Department of Drinking Water Supply]	4751.42	6001	7561	8501
Total Budgetary Support for the Functions listed above(1)	34005.65	35180.71	38308.72	50086.2
Total Expenditure of the Central Government (Budget Estimate) (2)	514344	563991	680521	750884
(1) as a proportion of (2)	6.61%	6.62%	6.74%	6.67%

Note: 1. In order to compare the policy stance of the Government on Bharat Nirman Program from 2005-06 to 2008-09, we have taken Budget Estimates (BE) for each of the four years. These figures are much higher than total fund allotted for Bharat Nirman.

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

\*\* The section on Water Supply and Sanitation, the referred data includes budgetary allocation for both ARWSP and TSC as well as the allocation for North Eastern Areas, viz. DEMAND NO.82, Notes on Demands for Grants, (Expenditure Budget Vol-II of FY 2006-07, 2007-08, & 2008-09)

Source: Annual Financial Statement and Expenditure Budget (Vol.I and Vol.II) of the Central Government for the years 2003-04, 2004-05 and 2005-06, 2006-07, 2007-08 and 2008-09.



## 8. Urban Development

### Highlights on JNNURM

- Total expenditure of the government on urban development and housing and urban poverty alleviation taken together is around Rs. 10,111.13 crore which is 1.3 percent of the total budgetary allocation for the year 2008-09.
- The allocation for JNNURM has seen an increase by 25 percent over the last year to Rs. 6,247.98 crore.
- Almost half of the allocation under JNNURM has been devoted to urban infrastructure and governance (i.e. Rs. 3,100.37 crore).
- There have been only marginal increases in other subprogrammes under JNNURM like Urban Infrastructure Development for Small and Medium Towns (Rs. 879.69 crore); Basic Services for Urban Poor (Rs. 1,656.54 crore) and Integrated Housing and Slum Development Program (Rs. 611.38 crore).
- The nature of allocation under JNNURM clearly shows that programmes specially geared towards slum development and urban poor have been relegated to back seat.
- The core focus of JNNURM seems to be on rapid development of the 63 mega cities, while the development projects for small and medium towns have assumed relative unimportance.

The rate of urbanization in India has been particularly slack with only 27.8 percent of its population residing in urban agglomerations vis-à-vis other Asian countries such as China (32%), Indonesia (37%), Japan (78%), South Korea (83%), and Pakistan (35%). With the annual growth rate in urban population registering a decline (3.8 percent in 1971-81 to 2.7 percent in 1991-2001), the issue of urban development is hardly considered pertinent enough to be a policy priority. However, in India, in absolute terms, the size of urban population is about 331 million persons distributed over 5161 cities and towns of different sizes and an annual low growth rate of 2.7 percent actually translates into an annual addition of about 9 million persons. Moreover, in economic terms the crisis in urban development is well reflected from the fact that while cities and towns in 1999-2000 held about 51.7 percent share of country's GDP, the NSSO 61<sup>st</sup> round suggests that 26 percent of poor live in urban agglomerations and for the period 1993-94 to 2004-05 urban poverty has actually increased by about 5.8 percent. The growth in urban poverty in this period (the same period actually saw a decline in rural poverty) is notwithstanding the fact that contribution of urban sectors to India's GDP has been continuously increasing; present contribution being around 62-63

percent of GDP and is expected to increase to 75 percent by 2021. This contrasting development in recent years presents a tell-tale sign of increasing marginalization of urban poor and also increasing rural-urban migration which has put immense pressure on urban infrastructure like water supply, sewerage and drainage, uncollected solid waste, parks and open spaces and traffic congestion. Moreover, the distribution of urban population is highly skewed with the Class I cities in India accounting for 68.9 percent of urban population and this proportion has been growing. Table 8.a. clearly shows high incidence of population growth rates in seven major urban agglomerates in India.

### Status of Urban Basic Services

Urban infrastructure services, comprising provision of water and sanitation, disposal of waste, road and transport system, and electricity are a prerequisite to the activities of households and economic production. In 2001, they accounted for 9.9 percent of the total urban (main) workforce, and generated 7.4 percent of the total urban net domestic product (NDP). These estimates exclude solid waste disposal services, a labour-intensive activity with important inter-sectoral linkages.

Table 8.a Population Growth Rate for Some Major Cities in India

City	Population (in millions)	Average Annual Growth Rate (1991-2001)	
		Core	Periphery
Mumbai	16.37	1.82	2.62
Kolkata	13.22	0.40	1.82
Delhi	12.79	3.09	4.18
Chennai	6.42	0.93	1.70
Bangalore	5.69	4.79	3.20
Hyderabad	5.53	1.58	2.42
Ahmedabad	4.52	2.00	3.11

Source: India Urban Report: A Summary Assessment 2007, NIPFP.

The slackness in the growth of urban infrastructure and the lopsided rise in urban population in some cities has led to severe pressure on the provision of basic urban amenities. This has been accentuated more by the slow transition of lower tier cities and towns into upper levels and hence inability of these cities and towns to absorb the rise in urban population.

### Investment Needs in Urban Development

Given the burgeoning gap between the demand for urban infrastructure and the provisioning for it, investment requirement in this sector is huge. It is estimated that operation and maintenance cost of only four basic services – water supply, sanitation, street lights and roads – at 2006-07 prices is around 2.2

#### Water Supply:

- According to the 54<sup>th</sup> round of NSS, 70 per cent of urban household are reported being served by tap and 21 per cent by tube well or hand pump.
- 66 per cent of urban households reported having their principal source of water within their premises while 32 per cent had it within 0.2 kms.
- 41 per cent had sole access to their principal source of drinking water and 59 per cent were sharing public source.
- On average, water is available for 2.9 hours/day across cities and towns.
- The non-revenue water, an euphemism for thefts, distributional leakages and inefficiencies in water distribution, account for 40-60 percent of total water released. The concept of 24 X 7 water supply is no longer a key goal in any of the cities.

#### Sewerage:

- 54<sup>th</sup> round of NSS reports that 26 per cent of households have no latrines, 35 per cent only use septic tank and only 22 per cent are connected to sewerage systems.
- In urban areas sewerage connections varies from 48 per cent to 70 per cent.
- According to CPCB estimates, waste water generated in 300 Class I cities is around 15800 million litres a day, while treatment plant exists for hardly 3750 million litres a day.

#### Solid Waste Management

- It is estimated that about 1,15,000 MT municipal solid waste is generated daily in the country.
- Per capita waste generation in cities varies between 0.2 – 0.6 kg per day and it is increasing 1.3 per cent per annum.
- With the growth of urban population the increase solid waste is estimated at 5 per cent. Out of the total waste generated in million plus cities hardly 30 per cent is treated before disposal.

Source: i) XI<sup>th</sup> Five Year Plan Document (2007-2012), Volume III;  
ii) India Urban Report 2007, NIPFP, New Delhi.

percent of GDP. This estimate however leaves out operation and maintenance of sewerage systems, salaries and wages, capital investment and establishment charges. To gear up the urban infrastructure in only 63 major cities, it is estimated that over a seven-year period, the Urban Local Bodies (ULBs) would require a total investment of Rs.1,20,536 crore which amounts to an annual funding requirement of Rs.17,219 crore. The following table gives a break up of the total as well as annual fund requirement.

**Rationale for Jawaharlal Nehru National Urban Renewal Mission (JNNURM)**

The Union Government initiated JNNURM in December, 2005 with the overtly stated mission objective of encouraging reforms and fast-tracking development of 63 major cities with a specific focus on efficiency in urban infrastructure and service delivery mechanisms, community participation, and accountability of ULBs/Parastatal agencies towards citizens. The JNNURM lays thrust on two basic areas of:-

- a. Urban infrastructure and governance: The core focus area of the Sub-Mission is on infrastructure projects relating to water supply and sanitation, sewerage, solid waste management, road network, urban transport and redevelopment of old city areas with a view to upgrading infrastructure therein, shifting industrial and commercial establishments to conforming areas, etc.
- b. Basic services to the urban poor: The main thrust of the Sub-Mission shall be on integrated development of slums through projects for providing shelter, basic services and other related civic amenities with a view to providing utilities to the urban poor.

The Union Government envisages that with the initiation of JNNURM it would serve to catalyze the flow of investment into the urban infrastructure sector across the country. Funds from the Central and State Government will flow directly to the nodal agency designated by the State, as grants-in-aid. The funds for identified projects across cities would be disbursed to the ULB/Parastatal agency through the designated State Level Nodal Agency (SLNA) as soft loan or grant-cum-loan or grant. The SLNA/ULBs in turn would leverage additional resources from other sources. The fund allocation details for each State and Union Territories under the various sub-missions under JNNURM given below.

**Budgetary Provisions for JNNURM**

Union Government’s allocation for the year 2008-09 on urban development and housing and urban poverty alleviation taken together is around Rs. 10,111.13 crore which is 1.3 percent of the total budgetary allocation and a meagre 0.2 percent of the GDP. The allocation of fund under JNNURM has been detailed in the table below. The total allocation under the programme has been increased by around 25 percent over the previous year, however the actual allocation of fund for the sub-missions of UIDSSMT and IHSDP being very low, with half of the total allocation being devoted to urban infrastructure and governance.

Clearly, the focus of the JNNURM is to develop the 63 mega cities as engine of urban growth. What is irreconcilable in this outlook is that to achieve faster pace of urban growth and rectify the skewed growth process in favour of some large cities, urban infrastructure in small and medium towns need to grow at a faster rate than that in the mega-cities.

Table 8.b Urban Sector Investment Requirement

(in Rs. Crore)

Category of Cities	Number of Cities	Investment Requirement (over 7 years period starting 2005-06)	Annual Fund Requirements
Cities with over 4 million population	7	57,143	8163.3
Cities with 1-4 million population	28	57,143	8163.3
Selected Cities with less than 1 million population	28	6,250	892.9
<b>Total</b>	<b>63</b>	<b>1,20,536</b>	<b>17219.5</b>

Source: Overview of JNNURM, <http://www.jnnurm.nic.in/toolkit/Overview.pdf>

Table 8.c State/Component-wise Indicative Allocation of Funds under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) in India (2005-12)

(in Rs. Crores)

States/UTs	Infrastructure	UIDSSMT	BSUP	IHSDP	Total
Major States					
Andhra Pradesh	1718.45	490.31	868.46	579.71	3656.94
Assam	173.2	101.29	111.94	47.25	433.68
Bihar	442.41	254.78	496.54	140.06	1333.79
Chhattisgarh	148.03	134.78	44.36	68.44	395.61
Goa	20.94	22.11	1.43	15.79	60.27
Gujarat	2078.81	351.82	865.56	213.54	3509.74
Haryana	223.32	195.59	32.31	133.05	584.27
Jharkhand	641.2	114.52	291.09	113.33	1160.13
Karnataka	1374.59	443.14	362.28	137.34	2317.36
Kerala	474.76	232.82	215	165.69	1088.27
Madhya Pradesh	978.5	438.43	266.1	230.53	1913.56
Maharashtra	5055.55	664.76	3272.56	484.82	9477.69
Orissa	172.35	181.79	58.74	140.85	553.73
Punjab	507.75	226.6	394.46	143.8	1272.62
Rajasthan	598.69	401.43	348.45	353.8	1702.36
Tamil Nadu	1950.66	705.97	1032.8	291.15	3980.58
Uttar Pradesh	2119.41	947.92	1005.22	712.01	4784.55
West Bengal	3018.4	315.25	2084.98	271.51	5690.14
Special Category					
Arunachal Pradesh	7.4	7.46	2.57	4.52	21.95
Himachal Pradesh	30.66	17.44	21.29	16.19	85.58
Manipur	52.87	12.6	11.83	12.35	89.65
Meghalaya	56.68	7.19	23.7	8.97	96.54
Mizoram	48.22	8.24	27.63	7.65	91.73
Nagaland	16.28	10.28	5.89	6.79	39.25
Sikkim	6.13	1.2	2.66	0.9	10.89
Tripura	40.18	13.76	13.66	8.36	75.96
Uttaranchal	205.34	46.7	67.84	43.58	363.47
Delhi	2723.18	1.12	1456.28	0	4180.58
Union Territories	277.67	15.22	168.4	17.81	479.1
Total	25500	6400	13650	4450	50000
(%age)	51	12.8	27	8.9	100

Source: www.indiastat.com

Development of small and medium towns is also necessary from the point of view of absorption of urban population growth and rural-urban migration in large cities. While development of mega-cities has assumed a centre stage in JNNURM, slums which are a key feature of any large urban agglomeration in India has received scant attention under the programme with only a meager sum of Rs. 611.38 being devoted to IHSDP. An important criticism that is often raised against JNNURM is that a key cornerstone of its implementation process is public-private partnership

quantum of allocation is quite meager so as to take care of the needs of urban poor.

While urban poor and slums have been relegated to the backseat in JNNURM, there is little respite for the poor on other development programmes run by the Ministry of Urban Development and Ministry of Housing and Urban Poverty Alleviation. Allocations under the Major Head - Other Development Schemes run by Ministry of Urban Development has witnessed considerable decline (more than half) from the last year. The Swarna Jayanti Shahri Rozgar Yojana

Table 8.d Allocations on different components of JNNURM

(in Rs. crore)

Details/Year	2005-06 RE	2006-07 RE	2007-08 BE	2007-08 RE	2008-09 BE
Total	290.00	3595.93	4987.50	5488.00	6247.98
Sub-Mission on Urban Infrastructure and Governance (UIG)	175.00	1771.93	2474.9	2474.00	3100.37
Sub-Mission on Urban Infrastructure Development for Small and Medium Towns (UIDSSMT)	115.00	740.00	702.22	1204.00	879.69
Sub-Mission on Basic Services to Urban Poor (BSUP)	-	722.00	1322.34	1022.00	1656.54
Integrated Housing and Slum Development (IHSDP)	-	362.00	488.04	788.00	611.38

Source: Expenditure Budget Vol. I, Union Budget 2008-09.

which often compromises the social obligations of the government, as private initiative is forthcoming only in sectors which are profitable.

The total expenditure of the ministries excluding central allocation for JNNURM is given in the following table. The allocation for Ministry of Urban Development has witnessed considerable fluctuations and has effectively increased only marginally from the levels of 2005-06. However, the increase can be attributed to the initiation of JNNURM in that period. On the other hand, allocation under the Ministry of Housing and Urban Poverty Alleviation has almost doubled but the actual

(SJSRY) which aims at providing gainful employment to urban unemployed and under-employed poor, has witnessed considerable rise in allocation. However the actual quantum of allocation is very low considering the extent of unemployment in urban sector which is even more than the rural sector in India. Valmiki Ambedkar Awas Yojana (VAMBAY) which is a centre-state partnership scheme to improve the living conditions of slum households has been discontinued from year 2007-08.

To sum up, while total allocation for urban development has increased and the entire gamut of

issues pertaining to urban development has been brought under one single umbrella programme, i.e. JNNURM to have a comprehensive approach, a lot remains to be done. The approach and total allocation

under JNNURM although noteworthy, has failed to address the more humane aspects of urban development and has put more emphasis on physical infrastructure and that too is mega-city centric.

Table 8.e Total Expenditure of Ministry of Urban Development and Housing and Urban Poverty Alleviation

(in Rs. Crores)

	Actuals 2005-06	Actuals 2006-07	2007-08 (R.E.)	2008-09 (B.E.)
1. Urban Development	3956.92	2989.96	4524.00	4128.75
1.1 Revenue	1522.49	1632.21	1663.39	1727.55
1.2 Capital	2434.43	1357.75	2860.61	2401.20
2. Housing & Urban Poverty Alleviation	359.68	372.79	509.75	856.50
2.1 Revenue	354.07	367.46	504.14	855.00
2.2 Capital	5.61	5.33	5.61	1.50
Total (1+2)	4316.6	3362.75	5033.75	4985.25

Table 8.f Urban Development Schemes other than JNNURM

(in Rs. Crores)

	2005-06 (R.E)	2006-07 (R.E)	2007-08 (B.E.)	2007-08 (R.E.)	2008-09 (B.E)
Other Urban Development Schemes	48.67	87.51	304.63	190.99	122.63
Valmiki Ambedkar Awas Yojana (VAMBAY)	186.62	49.34	-	-	-
Swarna Jayanti Shahri Rozgar Yojana (SJSRY)	159.99	250.00	344.00	344.00	515.00

Source: Notes on Demand for Grants, Expenditure Budget Vol. II, Union Budget 2008-09.



## 9. Panchayati Raj

One of the most noteworthy measures the UPA government has taken is the formation of a separate Ministry of Panchayati Raj in 2004. However, the figures pertaining to Union Budget outlays for this Ministry indicate that the notion of local self government has been granted only a nominal place in national planning and budgeting.

The Ministry of Panchayati Raj was created in 2004

Table 9.a Union Budget Outlay for the Ministry of Panchayati Raj

Year	Total Budget of the Ministry (in Rs.crore)
2004-05 RE	10.2
2005-06 RE	50.5
2006-07 RE	2000.4
2007-08 BE	4770.5
2007-08 RE	3700.4
2008-09 BE	4780.5

Source: Expenditure Budget Vol. II, Union Budget, various issues.

and in that year the total allocation for this Ministry was about Rs. 10 crore only (in 2004-05 RE). All one can say in light of such a meager allocation is that the creation of this separate Ministry was not taken very seriously by the Government. In the next fiscal i.e., year 2005-06, the budget for this Ministry was increased to a Rs. 50.5 crores total. It was only in 2006-07 (RE) that the total budget went up to Rs. 2,000 crore- a quantum leap.

This was accounted for by the introduction of the **Backward Regions Grant Fund (BRGF)** - a grant for State Plan Schemes. The fund addresses poor districts with low agricultural productivity and unemployment and attempts to fill critical gaps in

physical and social infrastructure. In 2007-08 (BE), the BRGF was allocated Rs. 4,670 crore which has remained the same this year in 2008-09 (BE).

The Rashtriya Gram Swaraj Yojana is meant to assist states to improve the capacity of Panchayats and provide the necessary administrative and infrastructure support so that they can effectively perform the functions devolved and the schemes entrusted to them. Last year the scheme had an allocation of Rs. 67.90 crore, which has been brought down to less than half in the 2008-09 BE i.e., it is only Rs. 30 crore.

The Panchayat Empowerment Incentive Scheme aims at reforms to be undertaken by the State governments for effective devolution. The allocation for this has been kept the same in this fiscal as was in 2006-07 and 2007-08 Budget Estimates at Rs.10 crore.

A few new programmes and schemes have been initiated under the Ministry of Panchayati Raj, which is welcome. Rural Business Hubs (RBHs) scheme aims at moving from mere livelihood support to promoting rural prosperity, increasing rural non-farm incomes and augmenting rural employment. This has an allocation of Rs. 2 crore only.

The Panchayat Mahila Evam Yuva Shakti Abhiyan is a programme planned to be implemented with a view to organize the elected women and youth representatives of Panchayati Raj Institutions so as to increase their voice, visibility and work performance. It has an allocation of Rs. 4 crore.

A National Panchayat Fund has been created. This fund would be a window for Panchayats which would help them to build bankable revenue earning assets such as Commercial Complexes, Storage facilities etc. with an allocation of Rs. 1 crore only.

So overall there is a lip service to new schemes and programmes; reduction in a major scheme i.e., the *Rashtriya Gram Swaraj Yojana*; no increased allocation to the Backward Regions Grant Fund and an overall increase in the budget of the ministry by Rs. 10 crore only.



## 10. Union Budget and North East India: Some Reflections

- Plan Outlay for the NER in Union Budgets does not reflect an ambitious and satisfactory allocation for the NER.
- Although, it is important to note that the outlay has increased from 4.7 percent (2002-03 RE) to the current level of 6.6 percent (2007-08 RE) and further to 6.8 percent (2008-09 BE), the same is clearly far less than 10 percent, which is the minimum the ministries/departments had to earmark for the region.
- A comprehensive nation building approach is a pre-requisite to resolve the complex issues of the NER

North Eastern Region (NER) of India is comprised of the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura and is collectively known as 'seven sisters'. Sikkim is the latest entrant to this list. The region best known for its ethnic, linguistic, cultural, religious and physiographical diversity is geographically isolated from the mainland India and is connected through a 'chicken neck' of 20 kms. 96 percent of this region is surrounded by international border and shares only 2.7 percent of national income as against its population share of 3.8 percent. Since independence, this region has been lagging behind the national average of development despite the fact that the per-capita plan outlays of the NE states have, over a period of time, been considerably higher than the national average.

The Assam Human Development Report, 2003 pointed out that 'the region continues to be marked by low agricultural productivity, poor infrastructure, tenuous communications and low levels of industrial activity'. Conscious of its exceptional features (and of its strategic significance), the Centre has traditionally considered the NER as deserving of singular treatment.

The NER is largely dependent on central funding for its development. All the States in the NER are 'Special Category States' whose development plans are centrally financed on the basis of 90 percent Grant and 10 percent Loan. Further, the Special Category States are allowed to use up to 20 percent of the Central Assistance for Non-plan expenditure. Jairam Ramesh (Seminar 550-June 2005) pointed out that the percentage of central funding is 85 percent of in Arunachal Pradesh, for Assam - 51 percent, Meghalaya - 70 percent, Manipur - 80 percent, Nagaland - 80 percent, Tripura -70 percent, Mizoram - 72 percent and Sikkim - 40 percent. In short, he found that out of

30,000 crore spent in this region in a year, Rs. 20,000 crore comes as direct transfer from the central government.

Among the few remarkable steps taken for the development of NER include the creation of North Eastern Council, 1972 (NEC) and the Ministry of Development of North Eastern Region (DONER) in 2004. The NEC was created for securing balanced development of the NER and for inter-State coordination. The Council is also entrusted with the task of reviewing the measures taken by the states of NER for the maintenance of security and public order in the Region. DONER was formed as Department under Ministry of Human Resource Development in September, 2001 and then was made a Ministry in May 2004. The Ministry coordinates with Central Ministries and other agencies for follow up of development schemes for the NER. Creation of NEC, DONER has raised high expectations in the minds of the people for a new 'development paradigm' but hardly any remarkable change is seen as a result of functioning of these bodies.

Another major policy announcement made in the 1998-99 budget was that all central ministries/departments will earmark at least 10 percent of their plan budget for specific programme of development in the NER and the unspent balance of earmarked 10 percent be transferred, at the end of each financial year to Non-lapsable Central Pool of Resources (NLCPR) to be used for funding development projects in the NER. This deposit is maintained by the Ministry of Finance out of which yearly budget allocation is made to the Ministry of DONER for development projects under NLCPR funding.

Though these initiatives are significant, still a close

review of the Plan outlay for the NER in Union Budgets does not reflect an ambitious and satisfactory allocation for the NER. The Budget Estimate of 2008-09 proposed 6.8 percent of Plan outlay for NER. This is clearly far less than 10 percent, which is the minimum the ministries/departments had to earmark for the region. Although, it is important to note that the outlay has increased from 4.7 percent (2002-03 RE) to the current level of 6.6 percent (2007-08 RE). As is the case for many ministries/departments, the Plan allocations are cut back in the Revised Estimates from the level proposed in the Budget Estimates, the similar trend gets reflected for NER. As compared to the Budget Estimate of 6.9 percent in 2007-08, the figure for 2007-08 Revised Estimates shows a decline to 6.6 percent.

Apart from fund allocation, ‘the ethnicity, diversity, geography and history of the region demand a comprehensive nation building approach for resolving the complex issues’ as recommended by Administrative Reforms Commission in its 5<sup>th</sup> report.

The report further points out that fair reconciliation of conflicting interests in the region, adequate local empowerment with accountability, infrastructure development, economic growth, greater economic linkages with neighbouring regions and better governance and democratic legitimacy must together form the foundation of durable peace and prosperity in the region. These recommendations must be worked out for proper development of NER

**Table 10.a: Plan Outlay for the NER from Union Budget (2002-03 to 2008-09)**

(In Rs. Crore)

Years	Plan Outlay for NER			Grant-in-Aid (under Ministry of DoNER) for Plan Expenditure in the N.E. States	Total Plan Outlay for NER	Total Plan Outlay from Union Budget	C as % of D	
	A							B
	Under Major Head 2552 (Revenue Account)	Under Major Head 4552 (Capital Account)	Total					Under Major Head 3601
2002-03 RE	3465.7	1175.06	4640.8	723.17	5363.93	114089	4.7	
2003-04 RE	3425.39	1359.18	4784.6	751.33	5535.9	121507	4.6	
2004-05 RE	5053.63	1489.47	6543.1	886.5	7429.6	137387	5.4	
2005-06 RE	7150.88	1748.26	8899.1	975.67	9874.81	143791	6.9	
2006-07 RE	8607.15	1884.08	10491.2	1085.51	11576.74	172730	6.7	
2007-08 RE	10806.39	1649.35	12455.4	1161.76	13617.16	207524	6.6	
2008-09 BE	13186.96	1840.05	15027.01	1221.55	16248.56	243386	6.8	

**Notes :**

Major Head 2552: Revenue Expenditure for Special Category States, North East Region

Major Head 4552: Capital Expenditure for Special Category States, North East Region

Major Head 3601: Revenue Expenditure, Grant-in- Aid to DONER

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

## Glossary of Key Budgetary Terms

### 1. Revenue Receipts:

Revenue receipts comprise proceeds of total tax and non-tax revenues of the government. With this receipt there is no change in asset-liability position of the government i.e. it neither decreases the asset of the government nor increases its liability. The main Revenue receipts of the government are **tax revenues**, such as, income tax, corporate tax, customs and excise duties, and **non-tax revenues**, such as, interest and dividend on investments made by government, fees and other receipts for services rendered to the public and private by the government. In 2008-09 Union Budget, total revenue receipts of the Central Government is projected to be **Rs. 6,02,935 Crore**.

#### 1.a. Tax Revenue:

Revenue from taxes constitutes the major revenue receipt of the government. In 2008-09 Union Budget, total tax revenue receipts of the Central Government is projected to be **Rs. 5,07,150 Crore**. **Direct Taxes** are the taxes of which the tax-burden cannot be shifted. That means the burden of the particular tax rests on the same person who directly pays it to the government e.g. income tax, expenditure tax, corporate income tax, property tax etc. Direct taxes are directly related to a person's ability to pay and considered the best way to reduce inequality of wealth and income in the society. **Indirect Taxes** are the taxes for which the tax-burden can be shifted. Those who initially pay indirect taxes to government can ultimately shift the tax-burden to other persons who consume the services or goods later, e.g. customs duty, excise duty and sales tax, etc. Hence, indirect taxes are considered a huge burden on the common people – even the poorest of the poor have to pay this tax when they buy or avail services irrespective of their income capacity.

#### 1.b. Non-Tax Revenue:

Non-tax revenue is basically the revenue or money, which comprises all other government earning other than taxes and duties. Non-tax revenue mainly consists of interests and dividends on investments made by government, fees (stamp fee, etc.) and other receipts for the service rendered by government to public as well as to private e.g. fiscal services, economic services, defence services, etc. Total non-tax revenue receipts of the Central Government during 2008-09 is projected to be **Rs. 95,785 Crore**.

### 2. Capital Receipts:

Capital Receipts of the government are always accompanied by a reduction in the assets or increase in the liability of the Government. Capital Receipts that are usually accompanied by a reduction in its assets are recoveries of loans given by the government in the past, proceeds from disinvestment, etc. Capital receipts through loans taken by the government, from domestic or foreign sources, lead to an increase in its liabilities. Total Capital Receipts of the Central Government for the year 2008-09 is projected to be **Rs. 1,47,949 Crore**.

### 3. Revenue Expenditure:

Revenue Expenditure usually does not have any impact on creation of assets or reduction of liabilities. It is usually incurred for the normal running of government and to meet the administrative expenditures of the government (e.g. salaries, pension etc.), interest charges on debt incurred by government, subsidies, etc. The grants given to State governments and other parties are also treated as revenue expenditure by the Central government, even though some of the grants may be used subsequently for creation of assets. Total Revenue Expenditure by the Central Government is estimated at **Rs. 6,58,119 Crore** in Union Budget 2008-09.

### 4. Capital Expenditure:

Capital expenditure refers to the government expenditure incurred with the purpose of either increasing assets or reducing liabilities. It is, however, not essential that the assets created should be productive in character or that they should even be revenue generating. After it has been decided to incur expenditure for the creation of a new or additional asset, Capital Expenditure bears all charges for the first construction of the project, while Revenue Expenditure bears all subsequent charges for maintenance and all working expenses. Total Capital Expenditure by the Central Government is estimated at **Rs. 92,765 Crore** in Union Budget 2008-09.

### 5. Plan Expenditure:

In India, Plan Expenditure covers a part of the total expenditure, which is meant for financing the schemes and programmes especially framed under the given Plan (the Five Year Plan) or the unfinished tasks of

the previous Plans. Once a programme or scheme pursued under a specific Plan completes its duration, the maintenance cost and future running expenditures on the assets created or staff recruited are not regarded as Plan Expenditure. The plan expenditure is further divided into two categories, Plan Revenue Expenditure and Plan Capital Expenditure. Total Plan Expenditure by the Central Government is estimated at **Rs. 2,43,386 Crore** in Union Budget 2008-09.

### 6. Non-Plan Expenditure:

Any expenditure of the government that does not fall under the Plan Expenditure is Non-Plan Expenditure. Non-Plan Expenditure is the expenses required for the maintenance and running costs (usually the administrative over-heads) of the completed schemes or programmes undertaken in various plans. Since the maintenance and administrative expenses increase over the period of time, the Non-Plan Expenditure of the government are usually much higher than the Plan Expenditure. Like in Plan Expenditure, Non-Plan expenditure is also divided into two categories, Non-Plan Revenue Expenditure and Non-Plan Capital Expenditure. Total Non-Plan Expenditure in the Central Government is estimated at **Rs. 5,07,498 Crore** in Union Budget 2008-09.

### 7. Deficit & Debt:

The excess of expenditure over income or excess of liabilities over assets is known as 'Deficit'. In simple terms, Deficit means shortage [Deficit = Expenditure – Income]. Thus, deficit refers to a gap, and **Debt** covers that gap. The government usually raises Debt to make investments under various social and economic overheads like railways, roads, bridges, education, health etc. Such enhanced public expenditure could not be met otherwise from the current revenues of the government. Internal Debt is refers to Debt raised within the country from financial institutions and other bodies constituted in India. External Debt refers to Debt raised from foreign sources like, foreign nations, foreign banks and other foreign

bodies. The total of both internal and external debt is known as 'Public Debt'. Total Public Debt of India is estimated at **Rs. 18,84,985.73 Crore** (of which, **Rs. 18,65,775.8 Crore** is from internal sources and **Rs. 19,209.93 Crore** is from external sources) in the Union Budget 2008-09.

#### 7.a. Revenue Deficit:

The excess of revenue expenditure over the revenue receipts is referred as 'Revenue Deficit'. Revenue deficit basically means dis-savings on government account and use the savings of other sectors of the economy to finance the consumption expenditure of the government [Revenue Deficit = Revenue expenditure – Revenue receipts]. Revenue Deficit of the Central Government is estimated at **Rs. 55,184 Crore** (about 1.5 per cent of the projected GDP) in Union Budget 2008-09.

#### 7.b. Fiscal Deficit:

Fiscal Deficit is the difference between the government's total expenditure and its total receipts excluding borrowing (or difference between government's total expenditure and its total non-debt creating receipts) in a given period of time. So, Fiscal Deficit is almost equal to the amount of borrowing by the government both from internal and external sources including interest payments [Fiscal Deficit = Total Expenditure (Total Revenue Expenditure + Total Capital Expenditure) – (Revenue Receipts + Recoveries of Loans + Other Capital Receipts)]. Fiscal Deficit of the Central Government is estimated at **Rs. 1,33,287 Crore** (about 3.3 per cent of the projected GDP) in Union Budget 2008-09.

#### 7.c. Primary Deficit:

Primary Deficit is the difference between Fiscal Deficit and Interest Payments, which comes under Non-Plan Expenditure [Primary Deficit = Fiscal Deficit – Interest Payments]. Primary deficit for the financial year 2008-09 has been estimated to be **Rs. 57,520 crore** (1.1 percent of GDP at Market Prices)

## Acronyms

<b>AABY</b>	- Aam Aadmi Bima Yojana	<b>FICCI</b>	- Federation of Indian Chambers of Commerce and Industry
<b>AAV</b>	- Antyodaya Anna Yojana	<b>FIIIs</b>	- Foreign Institutional Investors
<b>AIBP</b>	- Accelerated Irrigation Benefit Programme	<b>FM</b>	- Finance Minister
<b>AIDS</b>	- Acquired Immune Deficiency Syndrome	<b>FRBM</b>	- Fiscal Responsibility and Budget Management (Act)
<b>AIIMS</b>	- All India Institute of Medical Sciences	<b>GDP</b>	- Gross Domestic Product
<b>AITUC</b>	- All India Trade Union Congress	<b>GOI</b>	- Government of India
<b>APL</b>	- Above Poverty Line	<b>HIV</b>	- Human Immunodeficiency Virus
<b>APMC</b>	- Agriculture Produce Marketing Committee	<b>IAY</b>	- Indira Awaas Yojana
<b>ARWSP</b>	- Accelerated Rural Water Supply Programme	<b>ICDS</b>	- Integrated Child Development Scheme
<b>ASSOCHAM</b>	- Associated Chambers of Commerce and Industry of India	<b>ICPS</b>	- Integrated Child Protection Schem
<b>BE</b>	- Budget Estimate	<b>IEEMA</b>	- Indian Electrical and Electronics Manufacturers' Association
<b>BPL</b>	- Below Poverty line	<b>IFPRI</b>	- International Food Policy and Research Institute
<b>BRGF</b>	- Backward Regions Grant Fund	<b>IHSDP</b>	- Integrated Housing and Slum Development
<b>BSUP</b>	- Basic Services to Urban Poor	<b>IMR</b>	- Infant Mortality Rate
<b>CAP</b>	- Comprehensive Action Plan	<b>INTUC</b>	- Indian National Trade Union Congress
<b>CBGA</b>	- Centre for Budget and Governance Accountability	<b>IWDP</b>	- Integrated Wasteland Development Programme
<b>CDS</b>	- Current Daily Status	<b>JNNURM</b>	- Jawaharlal Nehru National Urban Renewal Mission
<b>CHC</b>	- Community Health Centre	<b>KGBV</b>	- Kasturba Gandhi Balika Vidyalaya
<b>CII</b>	- Confederation of Indian Industries	<b>LDP</b>	- Language Development Programmes
<b>CPCB</b>	- Central Pollution Control Board	<b>MDM</b>	- Mid-day Meal (Scheme)
<b>CSOs</b>	- Civil Society Organisations	<b>MH</b>	- Million Hectares
<b>CSS</b>	- Centrally Sponsored Schemes	<b>MHRD</b>	- Ministry of Human Resource Development
<b>CVD</b>	- Countervailing Duty	<b>MIS</b>	- Market Intervention Scheme
<b>CWS</b>	- Current Weekly Status	<b>MMR</b>	- Maternal Mortality Rate
<b>DDP</b>	- Desert Development Programme	<b>MRP</b>	- Mixed Recall Period
<b>Dept.</b>	- Department	<b>NABARD</b>	- National Bank for Agricultural and Rural Development
<b>DoNER</b>	- Development of North Eastern Region	<b>NAFED</b>	- National Agriculture Cooperative Marketing Federation
<b>DPAP</b>	- Drought Prone Area Programme		
<b>DPCs</b>	- District Planning Committees		
<b>FCI</b>	- Food Corporation of India		
<b>FDI</b>	- Foreign Direct Investment		



<b>NAIS</b>	- National Agricultural Insurance Scheme	<b>SCP for SCs</b>	- Special Component Plan for SCs
<b>NCMP</b>	- National Common Minimum Programme	<b>SCs</b>	- Scheduled Castes
<b>NEN</b>	- North East Network	<b>SCSP</b>	- Scheduled Caste Sub Plan
<b>NER</b>	- North Eastern Region	<b>SGRY</b>	- Sampoorna Gramin Rozgar Yojana
<b>NFWP</b>	- National Food for Work Programme	<b>SGSY</b>	- Swaranjayanti Gram Swarozgar Yojana
<b>NREGA</b>	- National Rural Employment Guarantee Act	<b>SHGs</b>	- Self Help Groups
<b>NREGS</b>	- National Rural Employment Guarantee Scheme	<b>SJSRY</b>	- Swarna Jayanti Shahari Rozgar Yojana
<b>NRHM</b>	- National Rural Health Mission	<b>SLNA</b>	- State Level Nodal Agency
<b>NSS</b>	- National Sample Survey	<b>SSA</b>	- Sarva Siksha Abhiyan
<b>NSSO</b>	- National Sample Survey Organisation	<b>STs</b>	- Scheduled Tribes
<b>MDM</b>	- Mid Day Meal	<b>SUCCESS</b>	- Scheme for Universal Access and Quality at the Secondary Stage
<b>MSJE</b>	- Ministry of Social Justice and Empowerment	<b>TB</b>	- Tuberculosis
<b>PDS</b>	- Public Distribution System	<b>TLE</b>	- Teaching Learning Equipment
<b>PMGSY</b>	- Pradhan Mantri Gram Sadak Yojana	<b>TSC</b>	- Total Sanitation Campaign
<b>PMSM</b>	- Pre-Matric Scholarship for the Minorities	<b>TSP</b>	- Tribal Sub Plan
<b>PPP</b>	- Public Private Partnership	<b>UEE</b>	- Universalisation of Elementary Education
<b>PPS</b>	- Procurement Support Scheme	<b>UIDSSMT</b>	- Urban Infrastructure Development for Small and Medium Town
<b>PSK</b>	- Prambhik Siksha Kosh	<b>UIG</b>	- Urban Infrastructure and Governance
<b>RBI</b>	- Reserve Bank of India	<b>ULB</b>	- Urban Local Bodies
<b>RCH</b>	- Reproductive and Child Health	<b>UNDP</b>	- United Nations Development Programme
<b>RE</b>	- Revised Estimate	<b>UPA</b>	- United Progressive Alliance
<b>RGDWM</b>	- Rajiv Gandhi Drinking Water Mission	<b>URP</b>	- Uniform Recall Period
<b>RIDF</b>	- Rural Infrastructure Development Fund	<b>UT</b>	- Union Territory
<b>RSVY</b>	- Rashtriya Sam Vikas Yojana	<b>UWEP</b>	- Urban Wage Employment Programme
<b>GGVY</b>	- Rajiv Gandhi Grameen Vidyutikaran Yojana	<b>VAMBAY</b>	- Valmiki Ambedkar Awas Yojana
<b>SBI</b>	- State Bank of India	<b>VAT</b>	- Value Added tax
<b>SCARDBs</b>	- State Cooperative Agriculture Rural Development Banks	<b>VPTs</b>	- Village Public Telephones
		<b>WHO</b>	- World Health Organisation



### **Major Activities of CBGA**

Spreading awareness about budgets and economic literacy is one of the major activities of CBGA. In order to facilitate this, we undertake advocacy workshops and capacity building exercises with our partners in different regions of the country.

CBGA collaborates with national and international budget groups on issues of budget transparency and accountability.

Engaging with policy makers, legislators, experts and the media to bring about a change for advancing the rights of the underprivileged sections of society is an important and ongoing activity of CBGA.

CBGA responds with a rigorous analysis of budgetary allocations and proposals of the Union Budget, within 24 hours of its presentation in the Parliament.

Study of public policies and priorities driving budgets; trend analysis of budgetary allocations and expenditures; and socio-economic indicators is the focus of our research.

The key areas of research are Agriculture, Rural Development, Poverty Alleviation, Health, Education, and Marginalised Sections (dalits, adivasis, women, children, etc).

The newsletter Budget Track (published thrice a year), articulates our opinion on relevant developments related to budget and public policy issues in the country.



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