Policy Asks from Union Budget 2016-17

Submission to the Union Ministry of Finance

January 2016

CBGA

Centre for Budget and Governance Accountability
on behalf of
People Budget Initiative

I. Adequacy of Budgetary Resources for Social Sectors

The Union Government is now sharing a higher magnitude of untied funds with the States following the recommendations of the 14th Finance Commission, but the increased autonomy to States (in terms of the untied resources available to them) has been accompanied by reductions in Union Government's financial assistance to States for their Plan spending and its budget outlays for a number of Central schemes in the social sectors. In several of the social sector programmes, the States are now expected to provide additional budgetary resources from their untied funds to compensate for the reduced budget outlays by the Union Government.

In this context, the already available evidence shows that the overall resources transferred from Centre to States (i.e. combined figure for *State's Share in Central Taxes* and *Grants-in-Aid from the Centre*) is expected to increase in 2015-16 (BE) for a number of States (like Chhattisgarh, Madhya Pradesh, Odisha and Tamil Nadu); however, this amount of overall resources transferred from Centre is projected to decline in 2015-16 (BE), as compared to the figure for 2014-15 (BE), for some of the States (e.g. Bihar, Maharashtra and Rajasthan). Hence, it appears that while all States have gained more autonomy in setting their budgetary priorities, some of the States are apprehending a reduction in the overall magnitude of Central transfers. This raises a concern especially for the poorer States whose dependence on Central transfers (in terms of mobilising resources for the State Budgets) is relatively higher. In this context, it is necessary that the Union Government does not reduce the priority for social sectors in its budgets.

Many States have presented Supplementary Budgets for 2015-16, which help us in assessing the reprioritisation of budgets being pursued by different States this year. Preliminary analysis of the State Budgets and Supplementary Budgets for some of the States (viz. Bihar, Chhattisgarh, Madhya Pradesh, Maharashtra, Odisha, Rajasthan and Tamil Nadu) indicates that many of the States are increasing the priority (in terms of the share of a sector in the total State Budget) for sectors like *Energy* and *Public Works*. At the same time, the priority for *Rural Development and Panchayati Raj* in the total State Budget has shown a decline in 2015-16 in case of some of these States.

In terms of the social sector programmes, *Integrated Child Development Services*, *SABLA*, *Mid-Day Meal*, and *National Rural Drinking Water Programme* seem to be particularly affected in terms of the overall budget allocations. These programmes show a decline in their allocations in a number of States (among the seven States mentioned above) even after the State Governments presented Supplementary Budgets for 2015-16. Hence, we would like to urge the Union Ministry of Finance to provide adequate resources for social sector schemes in general, and the schemes identified above in particular, both in the Revised Estimates for 2015-16 and the Budget Estimates for 2016-17.

We welcome the decision taken by the Union Government, in consultation with States through the Niti Aayog's Panel of Chief Ministers on Centrally Sponsored Schemes, to recognise a number of social sectors as Core of the Core interventions and a host of others as Core interventions for the coming years. However, the interventions in both of these categories could face serious resource constraints unless the Union Budget outlays for the same are increased substantially. Hence, we would urge the Union Ministry of Finance to step up significantly the budget outlays in 2016-17 for all programmes / schemes, which have been recognised as Core of the Core / Core interventions.

II. Enhancing Budget Transparency at the District and Sub-District Level

Public access to information on government budgets has been constrained in our country in a number of ways. The access to budget information diminishes drastically as we go deeper from the level of the Union Government to the subnational level, particularly at the district and sub-district levels; this gap has significantly constrained public engagement in budget processes at the grassroots level.

The experiences of civil society organisations working on budget related issues indicate that *relevant* and *timely* information on budgets could be very useful for public engagement with budget processes. It would include: district-specific, block-specific, and facility-specific information on budgets. However, such information is not being 'published' by government authorities almost anywhere in the country at present.

Since 2014-15, the funds provided by the Union Government in all Central schemes are flowing through the Treasury System in the States. Hence, it is now possible for the Treasury Office in a District to publish information on budgets in timely manner, which is locally relevant in the district concerned. More than 10 States have made considerable progress towards making their Treasury information (i.e. unaudited information on fund disbursements) available online though only a part of such information is accessible to public.

However, since the presentation of budget information is based primarily around codes / 'heads of accounts' (i.e. Major Heads, Sub-Major Heads, Minor Heads and so on) which are hardly used in popular discourse, even when such Treasury information is available in public domain it does not enable any meaningful assessment of expenditures in development programmes / schemes. Hence, there is also a pressing need to enhance the 'usability' of the Treasury information among public.

Hence, the Union Government needs to encourage the States to enhance transparency in fund flow and fund utilisation at the district level by putting out in public domain *timely*, *relevant*, and *accessible / usable* information on fund flow and fund utilisation at regular intervals during the course of the year. The Union Ministry of Finance can encourage the States to address this pressing need by providing financial resources for hiring a Data Analyst for the Treasury (or Treasuries) in each District across the country. The Data Analyst could be made responsible for ensuring that information on fund flows into the District Treasury and disbursements from the Treasury under different programmes and schemes is put out in the public domain in a timely and accessible manner once every month.

To begin with, the Data Analyst in the District Treasury could be made responsible for such information for all Central schemes (i.e. any programme / schemes, where the Union Government is contributing at least a part of the financial resources). A rough estimation of the cost of this initiative indicates that with around Rs. 15 lakh per district per annum, almost all districts across the country can use Data Analysts at an annual budget outlay of around Rs. 100 crore. The Union Ministry of Finance can usher in an era of enhanced budget transparency in the country with an annual investment of just Rs. 100 crore, which could lead to much better results from development expenditure being incurred by the Union and State governments in various sectors.

III. Women

1. Addressing violence against women

- **Union Government schemes for preventing and addressing violence against women:**

The high rates of crimes against women in the country point to the need for substantive interventions for both prevention and effective redressal of violence against women. Given the magnitude of the problem, the Union Government must supplement the efforts of the States in this domain. In this regard, important schemes of the Ministry of Women and Child Development such as, Comprehensive scheme for combating trafficking, Assistance to States for implementation of Protection of women from Domestic Violence Act, 2005, Assistance for construction of shelter homes for single women / destitute and widows that were not allocated resources in Union Budget 2015-16, must be retained and provided adequate budgetary outlays in the forthcoming Union Budget.

- **Utilisation of Nirbhaya Fund:**

Nirbhaya Fund, with an allocation of Rs. 3,000 crore is one of the key interventions in the Union Government for the safety and security of women. Allocations under the Fund remained unutilised for two years following its introduction in 2013-14.

It has been reported that proposals of more than Rs.600 crore appraised and recommended under the Nirbhaya Fund**.** These include interventions by the Ministry of Women and Child Development (One Stop Centre with total project cost of Rs. 18.58 crore and universalisation of Women Helpline with Rs. 69.5 crore.) and Ministry of Home Affairs (Central Victim Compensation Fund for supporting the States/UT Administrations for implementation of Victim Compensation Scheme of Rs. 200 Crore and Investigative Units for Crime against Women in all police districts of the country of Rs. 324 Crore).

Effective prevention and redressal of violence requires a holistic approach; in this regard, the Nirbhaya fund should be utilised to institute substantive interventions in sectors like health, urban development, public transport and education and other sectors that have a bearing on the safety of women.

2. Meeting nutritional needs of women and girls

- **Scaling up Indira Gandhi Matritva Sahayog Yojana:**

Introduced in 2010-11, the scheme provides part compensation (Rs. 6,000/-) to pregnant and lactating women for wage loss, both prior to and after delivery of the child. The scheme, which is being implemented in 53 districts across the country on a pilot basis, witnessed a marginal increase in the allocations from Rs. 400 crore in 2014-15 (BE) to Rs. 438 crore in 2015-16 (BE). The scheme should be extended to cover all pregnant and lactating women, as mandated by the National Food Security Act, 2013 backed by adequate budgetary outlays. To universalise the scheme as well as for clearing the backlog demands for maternity entitlement since the enactment of NFSA, there is a need for adequate budget provisioning in the Union Budget 2016-17.

- **Review and scaling up of Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (SABLA):**

Introduced in 2010, SABLA is an important scheme to address the nutritional and health needs of adolescent girls. The scheme is being implemented in 205 districts on a pilot basis. The allocations to the scheme came down from Rs.700 crore in 2014-15 (BE) to Rs. 410 crore in 2015-16 (including Supplementary budget). Necessary steps should be taken to review and scale-up the scheme to all districts, backed by adequate budgetary outlays.

- **Allocations for Integrated Child Development Services Scheme (ICDS):**

ICDS, an important intervention to meet the nutritional needs of women and girl children suffered significant budget cuts in 2015-16. The allocations to the scheme came down from Rs. 18,391 crore in 2014-15 (BE) to Rs. 12,354 crore in 2015-16 (including Rs. 3,600 in the Supplementary Budget). Consequently, implementation of the scheme has been adversely impacted, as has been highlighted in media reports. Given the vital importance of the scheme, the Union Government must ensure that the outlays to the scheme are protected.

3. Strengthening 'Gender Responsive Budgeting'

Gender Responsive Budgeting (GRB) has been recognised an important strategy to mainstream gender concerns in government interventions. In the context of re-structuring of Union Budget 2015-16, States have a higher degree of autonomy in determining their expenditure priorities. It is important, therefore that States strengthen their efforts towards engendering their schemes and programmes.

In this context, apart from strengthening the implementation of the strategy at the Union level, the Union Government also has an important role in its implementation at the state level.

- **Encouraging States that have not yet initiated Gender Responsive Budgeting to adopt the strategy:**

The respective line Ministries and the Ministry of Finance could play an important role in urging States that are yet to adopt the strategy to initiate GRB. The Union Government could provide a framework and guidelines to States for the same.

- **Training and capacity building:**

Training and capacity building efforts by the Union Government have contributed to deepening the understanding of the strategy in both the Union Government departments as well as State level. It is important to continue to prioritise the efforts in this domain.

- **Sharing of best practices:**

The respective nodal Ministries could play an important in facilitating exchange of best practices adopted in various sectors across States.

IV. Children

1. Allocations for the nodal ministries and flagship schemes for children need to increase in 2016-17

The share of children in Union Budget has seen a downward trend over the years. In Union Budget 2015-16, the allocation for children observed severe cuts. The allocations for the Ministry of Women and Child Development were cut down by almost 51 percent in the last year's budget. Similar budget cuts were made for other key ministries related to child welfare such as the Ministry of Human Resource Development (17 percent), Ministry of Health and Family Welfare (13 percent) among others.

In Union Budget 2015-16, children received a mere 3.26 percent of total financial resources, which is a significant 29 percent less than what children received in Union Budget 2014-15 (4.51%). Allocations for most of the children specific centrally sponsored schemes (CSS) were cut down severely. For example, allocation for ICDS stand cut to 54 percent, for Sarva Shiksha Abhiyan (SSA) the allocation was reduced to 21 percent, for Mid-day meal scheme and Rashtriya Madhayamik Shiksha Abhiyaan (RMSA) the allocation was cut down to 30 percent and 28 percent respectively.

Due to such heavy budget cuts, implementation of children related programmes are hampered. Good governance for children cannot be ensured without adequate financial resources. Therefore, in the forthcoming Union Budget 2016-17, the allocations for these key ministries and flagship Centrally Sponsored Schemes must increase.

2. Timely disbursal, utilisation and a proper monitoring mechanism needed to achieve outcomes

Under expenditure in some of the major schemes affects implementation. Only the proper utilisation of funds would indicate the adequacy of allocations and the change in strategy that needs to be adopted. Effective measures of monitoring and accountability must be developed to curb under-expenditure. Timely disbursal, utilisation and a proper monitoring mechanism will reduce under-spending.

3. Children related legislations and commitments should be adequately resourced

The legislations meant for ensuring the protection of child rights must have financial provisions budgeted in the budget documents. For example, Sarva Shiksha Abhiyan (SSA) is the vehicle for implementing the Right to Free and Compulsory Education Act and SSA is one of the Centrally Sponsored Scheme. Likewise, other child rights legislations must also have the financial vehicles designed to ensure smooth implementation of these legislations. POCSO, one of the most effective legislations enacted to combat child sexual abuse does not have any financial backing built in the budget. Thus, such legislations and commitments must be budgeted in the upcoming budget 2016-17.

4. Union Government is responsible towards the Centrally Sponsored Schemes (CSS) related to children

CSS related to children must be majorly financed by the Union Budget and States' role in implementation of these schemes should be seen as supplementary. Thus, as highlighted in the Chief Minister's Sub Group Report on rationalization of CSS, children related schemes are one of the critical elements of National Development Agenda and as per the recommendation, these programmes must be kept in the ***"Core of the Core Schemes"*** category and Centre should majorly finance these schemes.

Although, devolution of Central taxes to State governments is expected to increase revenue of States, the States' revenue is not going to increase by multiple folds. Also, as most of the weaker States are not fully equipped to generate resources on their own, children related schemes are not likely to form the State's core agenda. Thus in order to fulfill the National Development Agenda, States cannot be left on their own without significant support from the Central government. Thus, as we observed in the Union Budget 2015-16, allocations for Centrally Sponsored Schemes were severely cut citing "Devolution" as the main reason. The upcoming budget must not repeat the same trend and the recommendations of Chief Minister's Sub Group report on CSS must be taken into consideration by the Finance Ministry while finalising the allocations.

V. Persons with Disabilities

1. Data disaggregation:

Articles 4 & 31 of the Convention on the Rights of Persons with Disabilities (CRPD) mandate 'maximum utilisation of all available resources, and statistics and data disaggregation', respectively. Currently, disaggregated budget data on persons with disabilities is available only on select programmes of schemes (such as physical data on SSA, MGNREGA & IAY to some extent.). Further, sex disaggregated data is not available for any of the programme pertaining to persons with disabilities. Census 2011 provides constituency wise disaggregated data up to the district level but not beyond. Lack of disaggregated data (both physical and financial) for programmes and schemes has a direct impact on understanding the effectiveness of any programme and for further planning, implementation and accountability.

Towards this end, it is highly desirable that:

- **A separate budget statement** should be produced, in the Union Budget for allocations made for persons with disabilities across Departments and Ministries**.**
- Expenditure related to persons with disabilities should be **presented as a minor head across all major heads of expenditure presented in the budget statement** so that tracking of expenditure is possible
- All the reports produced by the various Ministries should be mandated to **report on the constituency-wise coverage of persons with disabilities, gender disaggregated** (both physical and financial data).

2. Ensuring full and effective participation in planning and implementation of programmes

Article 4 of the CRPD mandates involvement of persons with disabilities across all levels of planning and implementation of policies, programmes and legislations. Through the 'Accessibility India Campaign', formulation of the Rights of Persons with Disabilities Bill 2014, some efforts are being made to involve persons with disabilities at the implementation level. However, it will be most effective only if participation is ensured at all levels, particularly from the stages of conceptualisaion of programmes, to planning, budgeting, implementation and monitoring of programes meant for Persons with Disabilities.

3. Provisioning of Social Audit of programmes for persons with disabilities

Impact assessments are not done for any of the programmes for persons with disabilities. It is thus suggested that social audit for all programmes related to persons with disabilities should be initiated and must ensure that the existing social audit mechanisms for other programmes are inclusive of persons with disabilities**. Hence, additional budget provisioning in the Union Budget programmes would be required to set up a mechanism for social audit in monitoring the same meant for persons with disabilities.**

4. Review of existing programmes, policies and legislations

In line with Article 4 of CRPD, existing policies and programmes should be reviewed in consultation with persons with disabilities. Though almost all the social security / protection policies and programmes include some mention of or reservation for persons with disabilities, the elements that would make these programmes responsive need to be incorporated so that these programmes will have an impact on persons with disabilities.

Towards this end, it is recommended:

- **To review all social protection programmes** such as NSAP, IAY, Swaach Bharat Abhiyan, MGNREGA, SSA and amend the design of these programmes with the required additional financial commitments so that these programmes are gender and disability responsive.
- **To review all legislations and align them with CRPD**. The Rights of Persons with Disabilities Bill to be amended in lines with CRPD & passed with the necessary financial commitments.
- **To relook the procurement policies** and ensure all procurements related to works, products and services are accessible and universally designed to effectively include persons with disabilities.
- **To relook ADIP**: Persons with disabilities require a range of assistive devices including wheel chairs, alternative and augmentative communication devices and services. This involves research, procurement, distribution, up-gradation and maintenance ensuring quality, affordability and availability. The commitment made by the Government in 2014-15, shall only be realised with augmenting resources for existing programmes under the Ministry of Social Justice and Empowerment to include a range of assistive devices.
- **Review health insurance policies** to include persons with disabilities with enhanced allocation and the components included should cover disability specific medication, products, corrective surgeries, habilitation and rehabilitation services.

5. Initiating new programmes

In order to ensure and promote the rights of persons with disabilities in line with CRPD, it is important that new programmes are initiated for the following areas:

- **Reasonable accommodation**: Provision of reasonable accommodation such as provision of temporary ramps, using sign language pool for interpretation, temporary modifications to toilets, workspace, classrooms etc., involve cost. This has to planned and allocated for. There is no policy / programme that provides for reasonable accommodation. This calls for a new policy mandating earmarking by Ministries across different service sectors and economic sectors a reasonable amount for providing for reasonable accommodation.
- **Community support network and personal assistants**: According to census 2011 approximately 20 per cent of the population of persons with disabilities are experiencing high restriction in participation and require community support network and services of personal assistants for a range of services. Therefore, a new policy should be developed towards this and cost of human resources, implementation processes, accountability, monitoring should be budgeted for.
- **Community living arrangements and de-institutionalisation**: Recommendations to meet this include (i) Initiation of community based inclusive development programme focusing on habilitation and rehabilitation without institutionalising persons with disabilities. (ii)

Transition programmes for people who are institutionalised_such as housing, community shelters, empowering PHCs, awareness and support services. (iii) The existing social protection programmes should be inclusive and responsive and provide for disability additional costs.

VI. Dalits and Adivasis

1. Strengthening the implementation of the Scheduled Caste Sub Plan (SCSP) and Tribal Sub Plan (TSP)

The strategies of SCSP and TSP were conceptualised to address the multiple developmental deficits faced by the *Dalits* and *Adivasis* across sectors. However, despite the strategies being in operation for more than three decades, these have not been implemented as effectively as desired (12th Five Year Plan). The allocations under both the SCSP and TSP have consistently remained below the stipulated norms of 16.6 % and 8.6 % respectively, over the years. Further, gaps exist not just in earmarking stipulated budgetary outlays, but also in the way reporting under SCSP and TSP is being done.

In this regard it is recommended to:

- **Ensuring needs-based planning**: The approach for planning under SCSP and TSP should encourage all Ministries to: (i) identify what could be the additional challenges confronting these groups in their sectors of concern, (ii) what kind of measures could be taken by them to address these challenges, and (iii) how much additional resources would be required for such special measures. These additional resources devoted for the special measures for *Dalits* and *Adivasis* should then be earmarked under SCSP and TSP respectively.

- **Developing alternative norms for reporting allocations in SCSP and TSP**: With the reduction in the Central Plan Outlay in the Union Budget 2015-16, it was expected that "…to keep the Budget for such programmes unchanged, States are to contribute from their enhanced resources. It is estimated that any shortfall in SCSP/TSP on account of FFC award will be made up by the States from their enhanced resources." However, how far this would be made up by the various State governments and whether all States would be able to meet this resource gap equally, still remains to be seen. In such a scenario, how best can the Union Budget outlays across sectors be prioritised for the *Dalits* and *Adivasis*, needs to be reassessed keeping in mind the restructured budget.

  One such approach could be to make earmarking under SCSP and TSP applicable to the both the Plan and Non Plan outlays of various ministries. This could be done on lines of the recommendations of the Narendra Jadhav Committee Report, which suggested that various ministries need not earmark uniform proportions of their respective budgets under SCSP and TSP; rather the earmarking could differ, based on the nature of the ministry.

- **Putting in place institutional mechanisms for monitoring of SCSP and TSP**: In absence of Planning Commission, which had the nodal responsibility for monitoring of these strategies earlier, there is an absence of a designated body / entity to monitor the implementation of SCSP and TSP. While the Ministry of Tribal Affairs (MoTA) has been trying to take up the responsibility for the monitoring of TSP[1], the Ministry of Social Justice

[1] A National Council for Tribal Welfare under the chairmanship of Hon'ble Prime Minister and Chief Ministers of Schedule- V and Schedule VI states, Union Minister and secretary, Tribal Affairs, as members has been constituted. Its mandate includes monitoring of the TSP. Further, a Co-ordination Committee, chaired by Secretary Ministry of Tribal Affairs with representatives of Ministry and Departments of Central Government (not below the rank of Joint Secretary) for regular monitoring and approval of reengineering of processes and activities under TSP, is already in place.

and Empowerment (MSJE) has not taken any initiative in this direction. Hence, it is important that either the NITI Aayog takes up this role or the nodal ministries, MSJE and MoTA, are given the responsibility to coordinate with other ministries for earmarking under SCSP and TSP and monitor their implementation.

- **Improving design of Statement 21 and Statement 21A**: SCSP Statement (Statement 21) and TSP Statement (Statement 21A) should be made more comprehensive by providing additional information on the rationale behind reporting a scheme under the SCSP or TSP Statement. Similar information for all the schemes and programmes, under all the ministries, should be reported in their respective Annual Reports and Outcome Budgets. This information should be made available in the public domain and be accessible for all.

2. Addressing the problem of staff shortage in tribal areas

Implementation of schemes and programmes has largely remained poor in tribal areas leading to poor quality of governance and access to essential services. Programme delivery and various services have deteriorated primarily due to shortage of staff. Tribal areas are often isolated and lack basic services and infrastructure because of which government servants are reluctant to work in these areas. This is revealed by an analysis of staff data across a number of sectors. The 12th Five Year Plan noted that there is a need for administrative strengthening of the implementing agencies in the tribal areas so as to enable taking up implementation of various programmes in these areas. In this regard, it is important that:

- Vacancies in Vth and VIth Scheduled Areas should be filled on a priority basis and no vacancies should be left vacant, since human resource constraints can derail functioning in these areas.
- Incentives should be provided to personnel for serving in the isolated tribal areas.
- Sensitisation of the government officials serving in the tribal areas, with regard to the socio-cultural context of the tribals is important.
- Preference could be given to engaging people from the tribal community itself in the areas predominantly inhabited by tribals for government efforts at spreading education, health and extension services, nutrition, public distribution, etc.

VII. Minorities

1. Budget allocation and timely fund release for the Ministry of Minority Affairs (MoMA)

The budgetary allocation or releases for MoMA has been slow to address the huge developmental deficits being faced by the religious minorities, particularly, Muslims. The details of expenditure/allocation under MoMA since 2012-13 (first four years of the 12th FYP) shows that the total allocation during the first four years amounts to Rs. 12018.25 crore, which is 69 percent of the total proposed allocation of Rs. 17,323 crore in the 12th FYP. In the first two quarter of financial 2015-16, only 30 percent of releases from total allocation have been made to implementing agencies by MoMA.

2. Budgetary allocations and unit costs of scholarships need to be enhanced

Schemes like Free Coaching and Allied Scheme, Merit-cum-means scholarship and Post-Matric Scholarship have not been able to meet even 50 percent of the targets in fund allocation, in the 12th Plan, which is a cause of concern. Further, given the level of educational backwardness among Muslims, funds for scholarship schemes are inadequate. DISE data reveals that as of 2011-12, around 11 Muslim children were vying for one scholarship. Moreover, a comparison of the unit costs under the scholarships for Minorities with the scholarships for SCs and STs reveals that the same is lower for minorities as compared to the other two social groups (which are also low and need to be increased further). Unit costs for the same level of education should be uniform, across all groups. Hence, the unit costs of the scholarships for minorities need to be increased.

The scholarship schemes also have basic design-related problems, particularly the application procedures, which are cumbersome and time consuming. Most scholarship schemes entail opening bank accounts and providing supporting documents such as income, domicile and religion certificates. The prevalent eligibility norms supporting not more than two students from a family for the scholarship, constrain comprehensive coverage of beneficiaries. Hence the procedure for applications needs to be simplified.

3. Greater Transparency in the financial and physical progress in schemes under the MSDP and PM's 15-Point Programme

There are instances where funds meant for minorities get diverted to non-minority areas due to lack of clarity in the guidelines of MSDP and 15 PP. With regard to provision of housing facilities under MSDP, there is no data available at national level on minorities who have benefited from *Indira Awas Yojana* (IAY). The Union Ministry of Minority Affairs collates scheme wise information on the 15 PP; however, for a number of important schemes like SSA, ICDS, and SGSY (renamed as *Ajeevika)*, only the data on physical achievements is reported without the information on their financial performance. Hence, the Union Budget 2015-16 should introduce a statement on fund allocations for the welfare of minorities in all programmes and schemes covered in the 15 PP, as is being done for Scheduled Castes and Scheduled Tribes through Statements 21 and 21 A, Expenditure Budget, Volume I. Further, the concerned ministries should be urged to report their achievements, both physical and financial, under their respective schemes for the benefit of minorities. The same needs to be reported on a regular basis to the Ministry of Minority Affairs, which has been maintaining this information.

4. Allocating budgets for creation and maintenance of a National Data Bank for Minorities

Creation and maintenance of a national data bank for minorities with religious break-up for documenting socio-economic, educational and employment status of Minorities for informed policy formulation and effective development interventions.

VIII. Urban Poor

1. Housing for the Urban Poor

- **Budget allocation for Housing for all**

As per recent developments, the housing component of JNNURM (BSUP and IHSDP) will come under the *Pradhan Mantri Awas Yojana-Housing for all (PMAY-Housing for all) by 2022*. The government has set a target of constructing 20 million houses by 2022; roughly 3 million houses every year. Budget allocation must be stepped up for this intervention because the private sector might not be forthcoming in this initiative as expected by the government in many sectors. It is estimated that the Housing for All by 2022 will cost the Union government about Rs. 3,00,000 crore in the next seven years or approximately Rs. 42,850 crore per annum.

- **Shelter for homeless population**

The Union Government has initiated Housing for all in order to provide housing facility to slum dwellers and the urban poor. What is, however, ironical is that the mission does not include the homeless population in its guidelines. According to Census of India (2011), there are 17.7 lakh homeless people in India. This includes poorest of the poor and the most vulnerable sections of our society; children, women and the old. The trend in urban areas is worrisome as the number of homeless persons has increased from 7.8 lakh in 2001 to 9.4 lakh in 2011.

The only major intervention for the homeless - Scheme of Shelter for Urban Homeless (SUH) is one of the six sub-components under the National Urban Livelihood Mission (NULM). While the allocation for NULM has remained stagnant in the last few years, it has actually declined in 2015-16 (BE) to Rs. 510 crore from 1003 in 2014-15(BE).

There is an urgent need to come up with a comprehensive policy to address the challenges of urban homeless population, which goes beyond construction of makeshift shelter homes. The government, therefore, needs to increase budget allocation for this intervention.

2. Urban Infrastructure: AMRUT and Smart Cities

Besides housing for all, two major schemes for urban development are: (i) Atal Mission for Rejuvenation and Urban Transformation (AMRUT), meant to provide basic infrastructure and sanitation in cities; and (ii) the scheme for Smart Cities for development of 100 cities across the country. It is estimated that the two schemes along with PMAY-Housing for all will cost the Union government approximately Rs. 4,00,000 crore in the next six years. Clearly then, the budget allocation needs to be stepped up substantially to address various challenges arising from the growing urbanisation in the country.

IX. Social Security for Unorganised Workers and Old Age Pension

1. Budgetary allocation for enhanced coverage of Social Security for Unorganised Workers

The government should increase budgetary allocations for enhancing the overall social security coverage for unorganised workers. There is a need for inclusion of MGNREGA workers under various existing social security provisioning of the government. There is also a need to increase amount provisioned for rehabilitating bonded and child labour.

2. Creating and strengthening institutional mechanisms for enhancing safety and social security of unorganised workers

Considering the vulnerability of the unorganised sector workers to exploitation, harassment, and physical hazards due to harsh and unsafe conditions at the workplace; the Union Government should create institutional systems and mechanisms to strengthen the safety and security of these workers.

Towards this end, it is necessary to:

- Establish Worker 'Support Centres' in major cities and industrial centres to provide counselling on various issues. These centres can work as walk-in support centres, offering a range of services which reduce the vulnerability and exclusion that these workers are subjected to;
- Set up a phone based centralised labour helpline for workers in distress. This helpline can provide workers with distress counselling; emergency support and legal counsel, information about their rights; and linking them with support agencies;
- Set up fast-track dispute redressal mechanisms for the unorganised workers. In cities, with large populations of migrant and unorganised worker population, the government should consider setting up special legal service authorities (in addition to the labour courts), which provide mediation services and help workers in seeking redressal faster;
- Set up unorganised workers welfare board. A special commission / board for welfare and protection of the rights and social security of unorganised women workers, *tendu* leaf pluckers, inter-state and intra-state migrant workers should be created at the earliest, in line with other existing commissions in the country
- Strengthen labour departments of the State Governments to address the acute shortage of human resources. The government should make appropriate provisions in the Union Budget 2016-17 for this purpose.

3. Enhancing the resources and timely payment of Old Age Pension

The government needs to increase budgetary allocations for increasing the amount provisioned under the National Old Age Pension Scheme as well as universalising the scheme to provide pensions to all.

The disbursement of Social Security Pension (covering National Old Age Pension, Disability Pension, and Pension for Destitute and Widow Pension) needs to be done in a timely manner.

X. Agriculture and Food Security

1. Need for adequate provisioning for Agriculture Research and Education

Agricultural research has a vital role in agricultural transformation and in reducing hunger and poverty in the country. The 12th FYP has stressed the need to enhance spending on National Agricultural Research System (NARS) and proposed an annual average spending of 1 percent of agricultural GDP by the end of the Plan period. However, budgetary allocation for Agriculture Research and Education in the Union Budget 2015-16 BE has increased marginally to Rs. 6320 crore, from Rs. 6144 crore in 2014-15 BE. It is imperative to increase budget provision for agriculture education and research_in the Union Budget 2016-17 so that the average spending under this head could meet the 12th FYP target.

2. Provisioning for a comprehensive and universal Crop Insurance Scheme

The Union Budget allocation for all crop insurance schemes (which include: National Agriculture Insurance Scheme, Weather Based Crop Insurance Scheme and Modified National Agriculture Insurance Scheme) for the year 2015-16 (BE) is Rs. 2588 crore, and the same for 2014-15 BE was Rs. 2541 crore.

As is known, agriculture production in India is vulnerable to sharp fluctuations in weather, pest attacks, crop diseases, etc., which mostly affect the small and marginal farmers, tenant farmers and farmers with oral lease. Comprehensive crop insurance scheme could provide a crucial cover against such vulnerabilities. The recent report of the Committee on Medium-term Path on Financial Inclusion headed by Deepak Mohanty also noted that there is a need for universal and affordable crop insurance schemes to counter agrarian distress, particularly the distress that small and marginal holders are facing at this juncture. Hence, there is a need for extending crop insurance to all farmers, for all crops and considering lower units (that is individual farmers' crop) as the unit of insurance with hundred percent insurance premiums to be borne by the government.

3. Increased budgetary allocation along with strengthening the institutional mechanisms for better utilisation of funds available under RKVY

Implementation of *Rashtriya Krishi Vikas Yojana* (RKVY), with adequate flexibility given to States to articulate local needs of the sector, has played an important role in the improving performance of agricultural sector in the past few years. However, inadequate human resources, targeted investments, lack of proper decentralised planning and proper monitoring mechanisms are some of the major problems in implementation of this scheme, which still need to be fixed. Further, following the implementation of the recommendations of the Fourteenth Finance Commission, the Centre's share of allocation under RKVY has reduced to 50 percent from the earlier level of 100 percent (Funds under RKVY was part of Centre's Additional Central Assistance to State Plan).

As a result of this, Union Budget allocation for RKVY reduced from Rs. 9954 crore in 2014-15 BE to Rs. 4500 crore in 2015-16 BE. The expectation was that State governments would put money for RKVY in their own budgets after the increased untied share that they might have received as part of the Fourteenth Finance Commission grant. However, a preliminary analysis of budgets of the states does not reflect any increased allocation for RKVY. Hence, there is a need for increasing allocation under RKVY in the forthcoming Union Budget to fulfil the objectives of RKVY by the end of 12th Five Year Plan period.

4. Provisioning of higher credit and other input subsidies to small and marginal farmers, tenant farmers and farmers with oral lease

The Agriculture Census (2010-11) recorded that out of 138 million farm holdings in the country, 117 million (85 per cent) are small and marginal holdings. The All-India Debt and Investment Survey (2013) offers an explanation for the causes of continuing agrarian distress, revealing that more than half of the rural households are marginal farmers who own less than one hectare of land. The degree of relative of indebtedness of these farmers is higher due to limited access to formal sources of credit and heavy dependence on private moneylenders. Given this situation, providing credit facilities to these farmers at a lower rate of interest (with interest subvention schemes) could be beneficial. While there has been a significant increase in the budgetary allocation in the Union Budget 2015-16 BE (Rs. 13000 crore) compared to the allocation made in the Union Budget 2014-15 BE (i.e. Rs. 6000 crore), the benefits of such provisioning needs to reach the small and marginal farmers through properly institutionalised monitoring and tracking systems.

5. Ensuring Minimum Income for Farmers

Given the declining returns to agriculture in the country in the past decade, it is necessary to ensure minimum income for farmers. A National Farmer Income Commission needs to be set up for ensuring minimum income for farmers. Further, there is a need to adopt the recommendations of the M.S. Swaminathan Committee (in particular that of adding 50 per cent margin to the cost of cultivation) when setting Minimum Support Price (MSP).

6. Higher budgetary allocation for National Mission for Sustainable Agriculture (NMSA) under Krishi Unnati Yojana

National Mission for Sustainable Agriculture (NMSA) which aims at transforming Indian agriculture into a climate-resilient production system became a part of the originally conceived National Action Plan on Climate Change (NAPCC). For undertaking interventions to address issues on climate change, water conservation, water management and water efficiency, soil fertility and sustainability of natural resource use, budgetary allocation under NMSA (which is now part of *Krishi Unnati Yojana*) needs to be increased substantially.

7. Increasing allocation and proper functioning of the PDS for ensuring Food Security

There is a need for increasing the budget for food subsidy from the existing level provisioned in the Union Budget to include pulses, edible oil and other essential commodities into the ambit of existing Public Distribution System. Further, there is a need for expediting the process of releasing funds to Food Corporation of India (FCI) to ensure smooth functioning of public distribution system. It has been noticed that the total amount of food subsidy released to FCI (as on 31 December, 2015) has been Rs. 66.367 crore while, FCI has already incurred Rs. 118,734 crore.

XI. Rural Development

1. Timely payment of wages in MGNREGA

The delays in wage payment to worker in Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) have affected the main objective of securing livelihood for the poor. Despite the legal mandate of payment of wages within 15 days, the percentage of delayed payments has increased from 42.4% in 2012-13 to 70.84% in 2014-15. With regard to the fund flows, it was found that the practice of multiple levels of fund releases and placing of funds in multiple accounts is still persisting.

Reports of huge amount of unpaid wages to the tune of Rs. 4800 crores have emerged in the year 2013-14 under MGNREGA. Accounting for these unpaid wages, the effective allocation for the programme in the current year stands at only about Rs. 29,200 crore. This figure is less than last year’s allocations, despite the fact that in the detailed guidelines of the MGNREGA there also exists a provision for the payment of compensation for delays in payment of wages beyond the sixteenth day of closure of muster rolls. According to the MGNREGA MIS, the share of payments generated within 15 days was 57.5 percent in 2012-13 and 45.6 percent in 2013-14. This shows that in 2012-13 and 2013-14, about 42 and 54 percent of the payments respectively, were delayed beyond the stipulated 15-day limit.

It is necessary that the Union government follows the demand-based fund-release system as envisaged in the Operational Guidelines 2008 and complies with its statutory mandate of releasing funds to match the state governments' expenditure at all times, including the expenditure for payment of compensation in lieu of delay in payment of wages to workers. As provisions under MGNREGA are demand driven, it is of utmost importance to ensure adequate availability of work and timely payment of wages, to keep the scheme operational.

2. Increase in allocation for inflation indexing the wage rates under MGNREGA

For inflation indexing the wage rates under MGNREGA it is essential to increase the budgetary allocation for this programme. The actual expenditure in MGNREGA in 2010-11 was Rs. 39377 crore which can be used as the base to inflation indexing the wage rates and calculation of actual requirement of allocation. The rate of inflation as per CPI - RL (Consumer Price Index - Rural Labourers) has been: 9.9 % in 2010-11, 8.3 % in 2011-12, 10.1 % in 2012-13, 11.6 % in 2013-14 and 6.7 % in 2014-15. Hence, in the subsequent years, if the overall expenditure in MGNREGA had been maintained at the same level as in 2010-11 (taking into account inflation on the basis of CPI - RL), the budget outlay for MGNREGA in 2015-16 should have been Rs. 61,445 Crore, but the allocation made in this year falls far short of it.

XII. Education

1. Need to recruit trained and qualified teachers as per the provisions of RTE Act

As per RTE Act, within six months from the commencement of the Act, the government has to ensure specified pupil-teacher ratio in each school and vacancy of teacher in a school to not exceed 10 percent of its total sanctioned strength. However, after five years of commencement of the RTE Act, there is a shortage of 9.4 lakh teachers in government schools (5.86 lakh in primary schools and 3.5 lakh in upper primary schools). Around 8.3 percent primary schools have only single teachers. Both the Union and the State Governments should raise their budgetary allocations until every school achieves the suggested teacher pupil ratio.

Approximately 83 percent of teachers have professional qualifications and about 6.3 lakh teachers are unqualified (do not have professional qualifications). The teachers not possessing professional qualifications need to be trained as per the RTE norm, and the District Institutes of Education and Training, which have become defunct institutions, need to be strengthened. As 90 percent of the pre-service teacher education courses are in the non-government sector, the state needs to play a more active role in improving the institutional capacity of its training centres, especially in the eastern and north eastern parts of India.

2. Increase Allocation for Training of SMC and Strengthen Community Mobilisation

Strengthening federal governance and ensuring cooperative federalism is one of the key objectives of the Union government. However, the process of decentralisation is not showing at school education level. The RTE Act (Clause 21) made it mandatory for all government/ government aided schools to constitute School Management Committee (SMC); and the school grants are to be allocated as per the School Development Plan (SDP) recommended by SMCs unlike the current practice of providing predetermined schematic budgets. This would help strengthen cooperative federalism.

In 2015-16, all the states have reported constitution of SMCs in all schools. However, not all SMCs are preparing SDPs and hence not getting required school grant for their schools. Only 84 percent school constituted SMCs have prepared SDPs, and in West Bengal it is as low as 40 percent (DISE 2013-14). The reasons being:

- Lack of awareness among SMC members about formation of SMC and grants entitled to spend.
- There are issues of capacity of SMCs to make a SDP as per school's need. (Most states spend one percent or less of SSA budget on community mobilization and training of SMCs, DISE, 2013-14).
- Untimely flow of funds to schools affects the SMC's ability to spend funds according to its plans.
- SDPs are not collated for incorporating into the district level AWP&B, and hence school level plans not reflected in the State's planning and budgeting process.

Hence, to ensure greater control of communities over school education, the Government needs to empower SMCs through proper training, and hence there should be adequate resource allocation for community mobilisation and training of SMC members.

3. Increasing budgetary allocation for Secondary Education and universalising Education for Children upto 18 Years

Secondary education provides an indispensable link between elementary and higher education system. However, until the last five years or so, both levels of government had given priority to policy development and financial investments in elementary education. Whereas elementary education has witnessed a near-universal enrolment, only 62 percent of children of the (15-18) age group are enrolled at secondary level (Class IX-XII) (2013-14).

Recognising the importance of continuing education, the government introduced the *Rashtriya Madhyamik Shiksha Abhiyan* (RMSA) in 2009 to improve access, quality and equity in secondary education. However, the budgetary allocation for RMSA was not adequate and in 2015-16, it was reduced by 29 percent from 2014-15 budget estimates. Moreover, following the recommendation of NITI Aayog sub-group on restructuring centrally sponsored schemes (CSSs), from 2016-17 onwards, the Union Government is going to reduce its current share on RMSA from 75% to 60% for all general states. Therefore, the need is to increase resource allocation at secondary level. There is a need for universalisation of education for children up to 18 years.

4. Improving financial transparency in *SSA*

Availability of information in the public domain would strengthen the implementation of SSA and thereby improve the implementation of RTE Act 2009 across the country. This can be done by:

- **Tracking of SSA funds from state treasury to SSA implementation society**

From 2014-15, Union Budget funds for SSA are being routed through the state budgets and hence the state treasury system (before 2014-15, the funds from Union Government were directly reaching district SSA implementation society bypassing the state budget). This has certainly strengthened accountability mechanisms within the government apparatus and has enhanced budget transparency. However, information on the fund flow from state treasury to SSA implementation society is not available in public domain yet.

- **Fund transfer during the financial year**

A major concern in the states is the untimely distribution of SSA funds. The spending is not distributed evenly throughout the year, but there is a 'rush of funds' in the last two quarters. This results in delayed release of funds to the district level and subsequently to the school level.

- **Timely uploading of procurement plan on state SSA websites**

The Manual on Financial Management and Procurement directs preparation of an annual procurement plan under SSA by the state. The state should upload the same on the state's SSA website under intimation to MHRD, within one month of the approval of the Annual Work Plan and Budget by the PAB at the National level.

- **Strengthening Management Information System (MIS)**

For enhancing efficiency in delivering services, strengthening of MIS is important. As per the manual, the scope of MIS under SSA is to provide information on (i) Access, retention and quality related issues (ii) Intervention-wise progress of SSA implementation. However, concerns of faulty information, incomplete data entry and lack of information at a disaggregated level with the MIS of SSA need to be addressed.

XIII. Health

1. Addressing shortage of vacancies in health sector

A huge vacancy of doctors, nurses and frontline service providers across the country hamper the functioning of the public health system and erodes its credibility. Shortage of doctors and nurses amounts to about 76 percent and 52 percent respectively. To reclaim the public health system all vacancies should be fulfilled following at least the IPHS norms; appropriate budgetary allocations are needed to make this possible. Introducing compulsory public service by all medical/ nursing graduates for three years can help tackle shortage of health personnel in the country.

2. Benchmarks should be followed before finalising resources

Adequate budgetary provision for expansion of quality infrastructure is imperative for improving the coverage and quality of services in health sector. Costing benchmarks should be established for each type of service so that optimal budget allocations can be made. For example the cost to run a PHC for a population of 30,000 people is around Rs.75 lakhs and Rs.200 lakhs along with sub-centres, a district hospital should receive a budget of at least Rs. 7,50,000 for a 500 bedded facility.

3. Free medicines and diagnostics at all public health facilities

Medicines constitute over two-thirds of out of pocket spending by households. It has been estimated that Out of Pocket (OOP) expenditure in India was around 2 percent of GDP and 58 percent of the total health expenditure in 2012. Ensuring access to affordable medicines should be a priority in the Union Budget 2016-17. Further, all user charges need to be done away with.

4. Expanding Community Based Monitoring Plan (CBMP)

While the CBMP process had been piloted in 10 states, it is now functioning robustly only in Maharashtra. The impact of CBMP in Maharashtra is huge in terms of improved service delivery and so it needs to be extended across the country.

5. Strengthening participatory planning in health

The National Health Mission has a great opportunity of participatory engagement in health planning and budgeting through the project implementation plans (PIPs), formulation of which remains a clerical exercise. It needs to be pushed to involve larger civil society so that need or demand based budgeting and planning happens. Adequate budget to make such PIP formulation possible must be done.

6. Reviewing maternal health budgets

There is a need to increase allocation towards maternal health programmes by putting an end to budget calculations based on Expected Levels of Achievement (ELA) for sterilisation and long-acting IUCDs etc, and promoting women's rights to informed choice in contraception. The schemes need to be upscaled from a pilot basis to cover every needy woman. There is an urgent need to deploy increased human and budgetary resources in the tribal areas for a proper implementation of all maternal health programmes. Scheme-wise detailed reporting and availability of data related to maternal health status and coverage of programmes by social and religious groups is also necessary.

7. Public private partnership and insurance based access to healthcare services

The current approach towards universalizing healthcare is based on a model of PPP financed through individual insurance programmes. This is encouraging a privatized healthcare system. This approach needs to be reviewed and reversed. Healthcare needs to be recognised as a fundamental right and for this the National Health Bill must be finalised and passed. User fees in the public health system must be immediately abolished.

XIV. Drinking Water and Sanitation

Provision of safe drinking water and sanitation facilities is vital in improving the health condition of the people. Besides health, improved sanitation ensures dignity and safety to the vulnerable population — children, women and the differently-abled. Inadequate provision of sanitation facilities also has economic costs for the economy as a whole; according to a World Bank report it cost India nearly 6.4 percent of its GDP in 2006. According to Census 2011, about 53 percent of the country's population has no access to latrines. In rural India this proportion is as high as 69.3 percent.

1. Eradication of Manual Scavenging

According to Census 2011, there are 7.9 lakh dry latrines. The practice of manual scavenging is still widely prevalent across the country. The Swachh Bharat Mission (SBM) also envisages the total eradication of Manual Scavenging; however, the rehabilitation process of manual scavengers is not being properly implemented and is far from meeting requirements for total eradication. This can be achieved with technological intervention and mechanisation of cleaning of IHHL (Individual Household Latrine) and septic tanks. Towards this purpose, the government needs to increase allocation for SBM.

2. Increase in the Unit cost of IHHL under SBA (Urban)

The Swachh Bharat Mission (Urban) is guided by the objective of making 1.04 crore IHHL in urban areas with unit cost of Rs. 4000 per toilet. This is much lower than rural IHHL. As the materials cost are higher in urban areas, this amount is not adequate to meet the demand. Research shows that some states are allocating higher unit cost (around Rs. 16,000) with their own contribution and from the urban local bodies. The Union government needs to increase the unit cost of IHHL in SBM (Urban).

3. Prioritising Drinking Water

Due to the strong focus by the Union government, the Swachh Bharat Mission has not only been prioritised by the line ministries and departments, but also at the sub-national level. Data from Census 2011 reflects that women in 20 percent of Indian households have to travel more than half a kilometer for acquiring drinking water. There are also serious concerns regarding the quality of water and issues of equity in access to drinking water across social categories.

It is evident from the allocations for the National Rural Drinking Water Programme, both at the Union and States level that the focus has shifted from drinking water to sanitation. The Parliamentary Standing Committee Report on Water and Sanitation too has pointed out the negative fallout of the decrease in allocation for drinking water. Hence, the government needs to acknowledge the importance of drinking water and make necessary allocations for drinking water in the forthcoming Union Budget.

XV. Taxation Policies

Domestic Taxation

1. Increasing the Tax-GDP Ratio

India's total tax revenue and the country's total public spending as percentage of its GDP stood at 17.9 per cent and 27 per cent respectively (for the financial year 2013-14). These figures remain well below the average for OECD countries. Figure 1 finds that in comparison with other BRIICSAM countries, India's tax-GDP ratio remains at the lower end of the spectrum.

Considering the need to have adequate resources required for government schemes and social sector spending, **it is imperative that the government increases its tax revenue base through a progressive tax system**. The magnitude of spending by the Union government has decreased over the years from 15.7 percent in 2008-09 to 12.6 percent in 2015-16 (BE).

2. Increasing the proportion of Direct Taxes in India's total tax revenue

Direct taxes (including personal income tax, corporation tax and wealth tax) are seen as *progressive* in nature, as it is collected directly from the person or organization that the tax is imposed on. Indirect taxes on the other hand (like service tax or sales tax) are *regressive* in nature, as the burden of the tax can be passed on from the producer to the consumer - thus indiscriminately affecting poorer sections of the population since the proportion of one's income going towards consumption taxes tends to be higher at lower levels of income.

The proportion of indirect taxes in the government's tax revenue has been increasing in the last few years. The Tax Administration Reform Commission, in its third report, has stated that it is possible to **increase the tax base from the current 35 million to about 60 million**. In this regard, **we would recommend emphasizing direct taxes over indirect taxes, for expanding the tax base**.

3. Corporate Tax Rates and Tax Exemptions

The official corporate tax rate in India stands at 30 per cent along with a surcharge, the current effective tax rate is about 23.2 per cent. For firms with an annual profit less than Rs. 1 crore, the effective tax rate is 26%, while for firms with annual profits of more than Rs. 500 crores it is 21%.

The sector-wise effective tax rate reported to be:

- Cement, Mining, Leasing, Film Distributorship: Less than 10%
- Paper, Power and Energy: 10-15%
- Drugs & Pharmaceuticals, Petroleum, Steel: 15-25%

The tax incentives offered or the government's 'tax expenditures on corporate taxpayers' resulted in a significant amount of revenue foregone by the government. **The revenue forgone in 2012-13 was Rs. 57,793 crores and the projected revenue foregone in 2013-14 stands at Rs. 62,398 crores**.[2] The **reform of the corporate tax system** becomes crucial in this regard, to mobilize adequate domestic resources.

[2] Statement of Revenue Foregone, Union Budget 2015-16

4. Wealth Tax

Wealth tax was abolished in 2015-16, by citing low yield of tax and high costs of collection for the same. However, there are high numbers of millionaires (around 2.5 lakhs) and billionaires (close to 100) in the country. These figures are expected to multiply significantly by 2023 and India's growth of high net worth individuals (HNWIs) is the second fastest in the world. Wealth tax thus provides a significant opportunity for generating additional revenues. **Therefore, it is essential to bring back wealth tax at least for the group with incomes more than Rs 1 crore per annum.**

5. Inheritance Tax

Inheritance tax contributed about 0.4% towards direct taxes when it was abolished in 1985. Considering that the number of HNWIs has grown substantially since then, even the conservative estimate of 0.4% would yield over Rs. 3,000 crores in taxes for the government. Inheritance tax is also in line with the Sustainable Development Goal of reducing inequality. Given these reasons, **we recommend reinstating inheritance tax.**

International Taxation

1. Automatic Exchange of Tax Information

We congratulate you for your leadership in India's decision to become an early adopter of the new global standard for Automatic Exchange of Information (AEOI). As the legislation to enable AEOI may be imminent, you may please consider some of the **'best practices' regarding AEOI**:

- Information should be collected for residents from all jurisdictions (OECD's 'wider approach') and sent to authorities, rather than for those jurisdictions that have signed up for AEOI. This practice would make the integration of new countries into the AEOI legislation easier, along with eliminating the need for tax authorities to keep updating lists, guidelines and legislation for information from residents of new countries.
- There is a lack of reliable data on the size and composition of the offshore financial markets. If information is collected for all account holders, the data would be available for authorities to aggregate it into "totals" by country of residence, without identifying any account holder (eliminating confidentiality concerns), but would be able to show the size of assets and number of accounts held by residents from each jurisdiction in the world, enabling better understanding of the size and composition of offshore finance.

2. Transparency on Beneficial Ownership of Companies, Trusts and Legal Entities:

Shell companies are entities that are used to disguise the identity of their true or beneficial owner. The recent scams in the country involving Bank of Baroda[3] and the Ashtavinayak Group[4] made the use of fake or shell companies to siphon off about Rs.7,000 crores.

The Supreme Court-constituted Special Investigation Team (SIT) on Black Money focuses on shell companies and beneficial ownership in its Third SIT Report. Along with flagging that 2,627

[3]Indian Express, October 15, 2015: accessible at http://indianexpress.com/article/business/business-others/rs-6000-cr-forex-scam-more-banks-may-be-involved-exports-went-to-afghanistan/
[4]DNA, March 14, 2015: accessible at http://www.dnaindia.com/mumbai/report-godown-keeper-was-a-director-in-shell-company-2068643

individuals hold directorships in more than 20 companies (thus violating the Companies Act which caps this figure), the report also highlights 345 addresses that are being used by at least 20 firms each.[5]The SIT has asked the Serious Fraud Investigation Office to adopt a twofold strategy to curb the problem of shell companies: detection through intelligence gathering; and deterrent penal action against persons involved in the creation of shell companies.[6]

We would therefore **urge the Government to consider collecting beneficial ownership information** on companies, trusts, and other legal entities registered in India and making this information **publicly available in central registers.**

3. Country-By-Country Reporting of Multi-National Enterprises

In an increasingly interconnected world, national tax laws struggle to keep pace with multi-national enterprises (MNEs), fluid movement of capital, and the rise of the digital economy. Increasing evidence shows that opacity, at both country and firm levels, facilitates tax avoidance, tax evasion and other illicit capital flows. Firms' accounting standards play a central role in enabling illicit capital flows.

The loopholes in national tax laws are often exploited to reduce the tax bills paid by MNEs and global corporations, thus undermining the fairness and integrity of tax systems. Conservative estimates indicate annual losses ranging from 4-10% of global corporate income tax revenues, i.e. $100 to 240 billion annually.[7]

In this regard, we **call upon the Government to consider public country by country reporting of MNEs**, to ensure that multinational companies will provide information "on their global allocation of the income, economic activity and taxes paid among countries" on a country-by-country basis instead of aggregated figures (Point 13 of BEPS Action Plan). Public country-by-country reporting would enable tax authorities to ensure that multinational corporations submit individual reports with basic financial information such as revenue, profits, taxes, and number of employees for each jurisdiction in which they operate.

These country-by-country reports would strengthen efforts to monitor corrupt practices, corporate governance and responsibility, tax payments, and world trade flows, along with enabling tax authorities to respond to tax base erosion and profit shifting by MNEs.

*****

[5]Live Mint, November 4, 2015: accessible at http://www.livemint.com/Politics/3CckPBbnIHdJtV5g7iO1LJ/Black-money-SIT-flags-shell-companies-beneficial-ownership.html

[6] Recommendations of SIT on Black Money as Contained in the Third SIT Report, Press Information Bureau, accessible at: http://pib.nic.in/newsite/PrintRelease.aspx?relid=123677

[7]http://www.oecd.org/ctp/beps-about.htm

Prepared by:

Accessibility
Agate Technologies
Bapu Trust, Pune
Budget Analysis and Rajasthan Centre
Centre for Budget and Governance Accountability
Centre for Rural Studies and Development
Centre for Youth and Social Development
Child Rights and You
Centre for Social Equity and Inclusion
Disability Legislation Unit, Vidya Sagar
Ektha
EQUALS - Centre for Promotion of Social Justice
Grameen Development Services
HAQ: Centre for Child Rights
IMSC, Chennai
Institute of Sustainable Development and Governance
Life Education & Development Support
Jagori
National Alliance for Maternal Health and Human Rights
National Foundation for India
National Campaign for People's Right to Information
North East Network
SAHAYOG
Samarthan
Sanket Development Group
Satark Nagrik Sangathan
Social Watch – Tamil Nadu
Vikas Samvad

Submitted on behalf of *People Budget Initiative* by: Centre for Budget and Governance Accountability

For more information, please contact:
Centre for Budget and Governance Accountability
B-7 Extn/110A (Ground Floor) Harsukh Marg
Safdarjung Enclave, New Delhi- 110029
Tel: (11) 49200400/401/402
Website: www.cbgaindia.org
Email: info@cbgaindia.org