Has the Tide Turned?

Response to Union Budget 2014-15

July 2014

CBGA

Contents

S. No.	Section	Page No.
	Overview	1
1	Education	9
2	Health	15
3	Drinking Water and Sanitation	21
4	Rural Development	27
5	Agriculture	35
6	Food Security	40
7	Renewable Energy	48
8	Women	54
9	Children	63
10	Dalits and Adivasis	68
11	Muslims	79
12	Persons with Disabilities	85
13	Urban Poor	92
14	Taxation	99
15	Sharing of Resources between Centre and States	107
	Understanding Budget Concepts and Terminologies	112

OVERVIEW

Union Budget 2014-15 is the first budget of the new government at the Centre. Some of the complex issues like price rise and corruption were central to the General Elections held in early 2014; hence, the new government faces the formidable challenge of tackling such deep rooted problems to fulfil the expectations of people from different economic strata. The government announced a number of policy changes in the run up to the presentation of the Union Budget 2014-15 in Parliament, such as, allowing FDI in defence, reforms in environmental clearances, allowing hike in prices of non-subsidized LPG cylinders, raising train fares by 14.2 percent and freight rates by 6.5 percent, and declaring potato and onion as essential commodities by bringing them under the Essential Services Maintenance Act (ESMA). However, the Union Budget 2014-15 came as the first holistic policy document of the new government, expected to deal with a range of issues plaguing the country through fiscal policy measures. It is in this context that people from different sections of our society were likely to have high expectations from this budget.

Major Challenges in the Sphere of Socio-Economic Development

Around mid-2014, the economy was burdened with three major problems. The first was the high rate of inflation led by an almost double digit rate of food price inflation; food-articles had registered an inflation of 9.5 percent, over the last year led by an increase in the prices of commonly consumed vegetables such as onion and potatoes and cereals. Second, there had been a significant slowing down of the rate of growth of GDP. The rate of growth of GDP at 4.5 percent and 4.7 percent in 2012-13 and 2013-14 respectively has been primarily due to the collapse in the industrial growth rates. The rate of growth of industrial growth, provisionally estimated at 0.5 percent, implies almost nil absolute increase in outputs in 2013-14 compared to the previous year. The growth rate in the agriculture sector had remained around 4 percent in the last year. However, the rate of growth of the service sector, although still the highest at almost 9 percent (Economic Survey 2013-14), had also been affected negatively. Finally the third and the last problem faced by the economy was on the external side. The increase in the Current Account Deficit (CAD) specifically in 2013 had a negative impact upon the exports and it had also raised the import bills substantially. While the Economic Survey 2013-14 reported a decline in CAD from 4.7 percent of GDP in 2012-13 to 1.7 percent of GDP in 2013-14, such declines do not appear to be sustainable given the measures to control CAD were temporary in nature.

However, these problems on the economic front also lead to major challenges of economic and social inequalities confronting the new government. The spending gap between the rich and the poor in India has almost doubled in the last five years. The education and health indicators in India fare poorly in comparison to other developing countries. Every third illiterate person in the world is an Indian; of approximately 200 million children in the 6-14 age-group, only 120 million are enrolled in school; more than 35 percent of children drop out from school before reaching class VIII. India accounts for 21 percent of the world's global burden of disease (WHS, 2013). India is home to the greatest burden of maternal, newborn and child deaths in the world. Infant Mortality Rate at 44 per 1000 live births in 2011 and Maternal Mortality Ratio at 178 in 2010–2012 (RHS, 2012) put India far behind the targets set by the global MDGs.

Apart from health and education, inequality in terms of access to land and livelihood for a large section of rural population also constitute a major problem. Access to land is directly linked with the concerns over food security, environmental sustainability and cycles of poverty. In India rural landlessness has been on the increase as per government's own estimates.

Finally, social exclusion, discrimination and exploitation based on caste and gender inequalities in several of the above-mentioned aspects continue to persist. These often form the core of the uneven redistribution of the gains from economic growth. The evidence for such exclusions is rampant in terms of access to essential services and other aspects of socio-economic development.

Keeping in mind the major economic and social problems, there is thus a growing need for government intervention through pro-active policy interventions to remove such discrepancies. It also requires adequate provisioning in social sectors through annual budgetary outlays. It is in this context that the Union Budget 2014-15 presented by the new government, raised expectations in terms of providing a comprehensive roadmap for addressing the above issues.

Policy Priorities in the Union Budget 2014-15

The budget speech of the Union Budget 2014-15 began with a mention of most of the challenges indicated above. However, the policy priorities underlying the proposals and allocations in the budget do not seem to be much different from those of the erstwhile government. The policy paradigm followed in the last five years specifically was that of fiscal parsimony, with a certain adhocism in the approach towards public provisioning of essential services and social protection for the underprivileged sections. In the wake of the government's inability to step up the tax-GDP ratio, the approach was marked by expenditure compression policies followed by the government in order to contain the fiscal deficit, which eventually resulted in inadequate provisioning for the social sectors. The new government, on the other hand, has also been under pressure from the private sector to showcase its commitment towards a sustained, long term high rate of growth of GDP in its policies, implying a continuation of similar policy direction, minus the minimum adhoc support to social sectors displayed by the previous government. If we look at the Union budget as one of the major fiscal policy instrument for the government providing a roadmap for future policy direction, it is important to carefully dissect the figures in order to ascertain the broader policy direction that the new government has adopted.

Overall Magnitude of the Union Budget

The total size of the Union Budget in 2014-15 is pegged at Rs. 17.94 lakh crore as compared to Rs. 17.63 lakh crore in the Interim Budget (IB). Of this increase of Rs. 31000 crore, between the IB and the main budget, two-third is in the Plan Expenditure domain, which has increased from Rs. 5.55 lakh crore to Rs. 5.75 lakh crore while the remaining one third has been accounted for by Non-Plan Expenditure. The total projected expenditure in the Union Budget 2014-15 is 13.9 percent of GDP, compared to 13.7 percent of GDP in the Interim Budget for 2014-15 (IB) (see Table A).

Table A: Total Outlay of Union Budget (in Rs. Crore)

	2012-13 (Actuals)	2013-14 (BE)	2013-14 (RE)	2014-15 (IB)	2014-15 (BE)
GDP (at current market prices)	10113281	11355073	11355073	12876653	12876653
Total Union Budget	1410367	1665297	1590434	1763214	1794892
as % of GDP	13.9	14.7	14.0	13.7	13.9
Total Plan Expenditure	413625	555322	475532	555322	575000
as % of GDP	4.1	4.9	4.2	4.3	4.5
Total Non-Plan Expenditure	996747	1109975	1114902	1207892	1219892
as % of GDP	9.9	9.8	9.8	9.4	9.5

Source: Union Budget 2014-15

Resource Mobilisation Policies

On the resources side, the budget proposes to finance the incremental spending in the current fiscal year from the additional receipts targeted to come mainly from higher Non-Tax Revenue; this budget projects a total receipt of Rs. 2.12 lakh crore from Non-Tax Revenue while the figure for this head projected in the interim budget was Rs. 1.8 lakh crore. This is because the new government expects higher amounts to accrue from 'Dividends and Profits' (up from Rs. 77,229 crore to Rs. 90,229 crore, which includes Dividends from PSUs as well as Surplus of RBI, Nationalised Banks and Financial Institutions to be transferred to the government) and 'Non-Tax Revenue from Economic Services' (such as, communication services, roads and bridges, and receipts from power, petroleum, coal & lignite, new & renewable energy etc.). Also it is important to be aware of the possible impact of a higher dependence on Non-Tax Revenue from Economic Services in a period of high inflation. The government also projects to raise Rs. 58,425 crore by way of divesting PSUs as compared to the target of Rs 51,925 crore in the IB, both the figures being difficult to achieve given that in 2013-14 FY the disinvestments receipts have been at Rs. 20,841 crore compared to the targeted Rs. 55,814 crore.

The tax revenue, the most important source of revenue for the government, has been estimated at Rs. 977,258 crore as against the figure of Rs. 986,417 crore in the IB. Putting in place a 'stable and predictable tax regime' to spur growth and ensure an investor-friendly environment was shared as one of the top priorities for this government. In this regard, the primary focus in the domain of taxation should have been on efforts to step up the country's tax-GDP ratio, which is much lower than that in most developed countries and a host of other developing countries. At around 17 percent of GDP, India's tax-GDP ratio constrains the fiscal policy space available to the government for providing resources for public provisioning of essential services and social protection for the poor and underprivileged sections. The revenue situation as percentage of GDP is provided below in Table B. It clearly shows that tax revenue as share of GDP remains stagnant and the rise in revenue receipts is based on marginal increases in non-tax revenue collection.

Table B: Revenue and Capital Receipts as Share of GDP

		2012-13 Actuals	2013-14 BE	2013-14 RE	2014-15 IB	2014-15 BE
A	Revenue Receipts	879232	1056331	1029252	1167131	1189763
	as % of GDP	8.7	9.3	9.1	9.1	9.2
	Of which,					
	Net Tax Revenue	741877	884078	836026	986417	977258
	as % of GDP	7.3	7.8	7.4	7.7	7.6
	Non-Tax Revenue	137355	172252	193226	180714	212505
	as % of GDP	1.4	1.5	1.7	1.4	1.7
B	Capital Receipts (net of Borrowings and other Liabilities)	40950	66468	36643	67452	73952
	as % of GDP	0.40	0.59	0.32	0.52	0.57
C	Fiscal Deficit	490190	542499	524539	528631	531177
	as % of GDP	4.8	4.8	4.6	4.1	4.1

Source: Union Budget, 2014-15

Note: A+B+C sum up to 13.9 percent which is the size of the current budget. The tax revenue figures are net of states' share. The gross tax revenue to GDP for India has been around 17 percent in the last few years. A detailed discussion on that is available in Section 14 of this document.

Also, according to the Union budget 2014-15, the aggregate amount of revenue foregone due to all kinds of exemptions in the central taxes is projected to be Rs. 5.73 lakh crore (equivalent to 5 percent of GDP) for the year 2013-14. But the budget proposals do not have any strong measure towards reducing the amount of tax revenue forgone due to the plethora of exemptions in the central tax system. The budget speech of the Finance Minister did make substantive references to the proposed transition to *Goods and Services Tax* and the *Direct Taxes Code*. These proposed reforms would bring in stability in the tax laws as demanded by the private investors but in its present form, these would not help the government in augmenting the country's tax-GDP ratio.

Public Expenditure Priorities

On the expenditure side, the allocations for most of the development sectors in this budget have either been retained at the same level as those proposed in the IB or have been marginally increased. As has been mentioned at the outset that Rs. 31000 crore more has been allocated in Union Budget 2014-15 compared to IB. Given this, major increases in allocations have been observed for Ministries of Defence and Road Transport and Highways by Rs. 6000 crore and Rs. 3000 crore respectively. Apart from this, allocations for most Ministries pertaining to social sectors have been retained at the same level or have been increased marginally. While most social sector Ministries such as the Urban Development, Health and Family Welfare, Women and Child Development show meagre increases by Rs. 500 crore and Agriculture and Human Resources by a little more than Rs. 1000 crore, the high allocations for Defence and Road and Transport does reflect policy priorities of the current government (Refer Table C below).

Table C: BUDGETARY OUTLAYS FOR SELECT UNION MINISTRIES (Figures in Rs. Crore)

		2012-13 (Actuals)	2013-14 (BE)	2013-14 (RE)	2014-15 (IB)	2014-15 (BE)
1	**Agriculture** (including Special Central Asst. for State Plans, like, RKVY)	24254.42	29772.83	26070.87	29962.94	31062.94
	as % of GDP	0.24	0.26	0.23	0.23	0.24
2	**Consumer Affairs, Food and Public Distribution**	86676.52	91591.45	93339.86	115948.99	115952.63
	as % of GDP	0.86	0.81	0.82	0.90	0.90
3	**Defence** (including Defence - Civil Estimates)	230642.11	253346.51	253788.01	279202.87	285202.87
	as % of GDP	2.28	2.23	2.24	2.17	2.21
4	**Drinking Water and Sanitation**	12968.63	15265.70	12006.24	15266.85	15266.85
	as % of GDP	0.13	0.13	0.11	0.12	0.12
5	**Health and Family Welfare**	27885.19	37330.00	30847.31	38737.82	39237.82
	as % of GDP	0.28	0.33	0.27	0.30	0.30
6	**Housing and Urban Poverty Alleviation** (Figures for 2014-15 IB and BE include the BSUP and IHSDP components of JnNURM, which were earlier reported under MoF)	933.18	1468.02	1207.72	6008.62	6008.62
	as % of GDP	0.01	0.01	0.01	0.05	0.05
7	**Human Resource Development**	66054.67	79451.00	74621.30	81441.10	82771.10
	as % of GDP	0.65	0.70	0.66	0.63	0.64
8	**Minority Affairs**	2174.29	3530.98	3130.84	3734.01	3734.01
	as % of GDP	0.02	0.03	0.03	0.03	0.03
9	**Petroleum and Natural Gas**	97423.04	65188.41	85566.13	63543.00	63543.00
	as % of GDP	0.96	0.57	0.75	0.49	0.49
10	**Road Transport and Highways** (Figures include the Special Central Asst. for State Plans)	22536.58	31302.14	30338.53	31257.20	34345.20
	as % of GDP	0.22	0.28	0.27	0.24	0.27
11	**Rural Development**	53180.99	80250.50	61863.93	82261.46	83852.46
	as % of GDP	0.53	0.71	0.54	0.64	0.65
12	**Social Justice and Empowerment**	4939.72	6725.32	5723.35	6845.63	6845.63
	as % of GDP	0.05	0.06	0.05	0.05	0.05
13	**Tribal Affairs** (Including Special Central Asst. for State Plans)	3072.63	4295.94	3896.05	4397.96	4497.96
	as % of GDP	0.03	0.04	0.03	0.03	0.03
14	**Urban Development**	8465.00	10363.75	9548.20	19589.46	20009.46
	as % of GDP	0.08	0.09	0.08	0.15	0.16
15	**Women and Child Development**	17035.72	20440.00	18285.65	21093.88	21193.88
	as % of Total Union Budget	1.21	1.23	1.15	1.20	1.18
	as % of GDP	0.17	0.18	0.16	0.16	0.16

Source: Union Budget, 2014-15

In terms of some of the major Centrally Sponsored Schemes such as the National Rural Employment Guarantee Scheme (NREGS), National Rural Health Mission (NRHM), Sarva Siksh Abhiyan (SSA), etc, the allocations however have not seen much increase compared to the IB allocations. The allocation for MGNREGA is pegged at Rs. 34000 crore and that for Food Subsidy at Rs. 1.15 lakh crore. However, with the apprehension of drought conditions in certain parts of the country this year due to deficient monsoon, the allocations for MGNREGA and Food Security should have been stepped up. Also there is an unpaid wage bill of Rs. 5000 crore pending since last fiscal year in MGNREGA. Removing that component of pending wages, the allocations are much lesser than what is required. On the food security front, the deficiencies in financing the National Food Security Act (for which CBGA's estimation indicates the requirement of resources worth Rs. 1.37 lakh crore for 2014-15) would persist this year as well.

The 2014-15 Union Budget has retained the same amount of resources for schemes like SSA, NRHM, ICDS and so on as the interim budget. However, the budget also proposes free medicines for all and long term interventions for improved health infrastructure. The intention of setting up new institutions under healthcare, such as the four new AIIMS, rural health research centres and new medical colleges, expressed in the budget, is certainly a welcome step. Also, the increases in excise duties for tobacco and related products and aerated colas would also have a positive impact. The budget does acknowledge the shortage of staff in health and education sectors but is yet to make adequate provision to this respect. However, the issue of shortage of Doctors and Nurses for better delivery of public healthcare services as well as that of shortage of various kinds of staff in school education, both of which have been acknowledged in the latest Economic Survey, do not find any emphasis in this budget.

A number of new schemes and pilot projects for safety of women and gender sensitization were listed out in the budget speech, but most of these have small allocations. It is doubtful whether even the existing amount of resources available under the *Nirbhaya* Fund would get utilized completely in 2014-15, as there have been few initiatives taken by the Union Ministries to seek these resources for carrying out substantive interventions for tackling violence against women. A large number of schemes with an allocation of Rs.100 crore or less has been proposed for a range of sectors/sections of population including senior citizens, tribal development, rural youth, welfare of girl children, safety of women and gender sensitization, minorities, urban transport, good governance, climate change, R&D in agriculture, tourism and so on, without any clear guidelines for implementation. While these announcements do cater to the much needed sectors/sections of the population and are in the right direction, the allocations are paltry and there are no guidelines. These would need to be developed and allocations would have to be stepped up immensely for such schemes to have the desired impact.

As regards agriculture and allied sectors, the emphasis on crop insurance, soil health, agricultural marketing, animal husbandry and fisheries etc. is certainly welcome. However, the issue of income security for farmers seems to have missed the attention of the government despite the promise in this regard in the election manifesto of BJP. The creation of a Price Stabilization Fund (for cereals and vegetables) with an allocation of Rs. 500 crore is perhaps the only concrete measure in the budget to deal with the problem of rising prices of essential commodities, while a lot more was being expected from this government to tackle the issue of inflation that is troubling a large section of the population.

Also, the government should have provided additional resources for strengthening the administrative machinery (like, the CBDT, CBEC, Financial Intelligence Unit, Enforcement Directorate etc.) that deals with issues of black money and has been struggling with shortage of staff (to the tune of 30,000 as of 2012 as per CBDT's figures).

The new proposals in the Union Budget 2014-15 seem to be centred heavily around the development of infrastructure and transport based on a renewed approach to the PPP model of development. However, the budget speech did not mention any policies or interventions to address the possible concerns of displacement due to urbanisation and land acquisition issues.

Centre-State Sharing of Resources

Apart from the above concerns, another important concern linked to the long-term expenditure commitments of the Centre pertains to the sharing of resources between the Central Government and the State Governments which would have a long term bearing upon stable and responsive governance in the country. Over the last two decades, i.e. since early 1990s, fiscal policies adopted in India have strengthened the Central Government's position vis-à-vis the States in terms of control over fiscal resources. The overall quantum of fiscal resources transferred from the Central Government to the States has not kept pace with the growth in expenditure commitments by the States. Moreover, the composition of the overall quantum of fiscal resources transferred from the Central Government to the States has changed in terms of the share of untied resources within such total transfers falling in the last one and a half decades. The policies of the Central Government seem to have neglected the need for greater magnitudes of untied resources being transferred to State Governments.

The B. K. Chaturvedi Committee on restructuring the CSSs, which submitted its report in 2011, had recommended increasing the 'Central Assistance to State and UT Plans'. Some of the changes with regard to the Central Schemes recommended by the B. K. Chaturvedi Committee were incorporated by the erstwhile government in the Interim Budget for 2014-15; these changes have been retained in the budget presented by the new government.

Starting from 2014-15, the contentious practice of Central Scheme funds bypassing the State Budgets (in schemes like SSA, NRHM, NBA, MGNREGS etc.) has been discontinued and those funds are first getting transferred to State Finance Departments. Thus, starting with 2014-15, the Union Budget funds for all Central Schemes are first getting transferred to the State Finance Department (as has been the practice in some of the schemes like ICDS and MDM) and then the funds for different schemes are being provided to the Line Departments or Autonomous Implementing Agencies concerned through allocations in the State Budget. This step can be expected to improve transparency and internal accountability in the implementation of the Central Schemes in the States (as these would come under the direct purview of the CAG audit every year).

However, the erstwhile government had reported in the Interim Budget for 2014-15 a large part of the money meant for Central Schemes under 'Central Assistance to State and UT Plans'. The main budget for 2014-15 too has adopted this new and rather baffling practice of reporting the Union Budget allocations for many Central Schemes (particularly the schemes with large allocations) under a head called 'Assistance for State and UT Plans' within the budget documents of the central ministries. Based on this change in reporting, a drastic increase in the quantum of the 'Central Assistance for State and UT Plans' (from Rs. 1.11 lakh crore in 2013-14 RE to Rs. 3.3 lakh crore in 2014-15 BE) has been shown in the budget documents. However, in practice, in most of these central schemes, now reported under 'Assistance for State and UT Plans', there is only a 10 percent flexible fund component for the States and the remaining 90 percent of the funds are still tied to the respective scheme guidelines set by the nodal central ministries. Hence, this artificially inflated figure for 'Central Assistance for State and UT Plans' needs to be corrected.

Thus, on the whole, it would not be an exaggeration to say that the erstwhile UPA-II and the present NDA government seem to share similar views on fiscal consolidation and so far the policy direction too remains the same. Nonetheless, it is crucial for the new government to focus on stepping up the coverage and quality of public provisioning of essential services and social protection measures. The government would do well to not pay much attention to the misconception that public provisioning for the poor is equivalent to 'populism'. Such steps would definitely augur well for the overall growth of the economy by bringing down the levels of social and economic inequalities and would go a long way to achieve a path of sustained development.

1. EDUCATION

Major proposals/announcements in Union Budget 2014-15

- Provision of toilets and drinking water in all girls' schools
- Setting up of five new IITs and five new IIMs with an allocation of Rs. 500 crores
- Revision of the scheme 'Restructuring and Reorganization of Teacher Education' as 'Pandit Madan Mohan Malviya New Teachers Training Programme' and Rs. 500 Crore allocation for the same.
- Rs. 30 crore allocation for School Assessment Programme
- An additional Rs. 100 crore for modernization of madrasas

Key Findings

- A marginal increase in allocation for elementary, secondary and higher education compared to 2013-14(BE) and 2014-15(interim budget)
- A focus on education of girl child through some interventions like construction of girls' toilets, introduction of a campaign called '*Beti Banchao Beti Padhao*', although allocations are grossly inadequate.
- Share of education in total budgetary allocation for 2014-15 has decreased from 2012-13 and 2013-14 expenditure share.
- After three years of 12th Five Year Plan (FYP), allocation for SSA, MDM, RMSA are much lower than proposed outlay recommended in 12 FYP
- No intervention to improve shortage of human resources in education sector

Budgetary Allocations for Some Major Schemes on Education (in Rs. Crore)

Major Schemes	2012-13 (Actuals)	2013-14(RE)	2014-15 (IB)	2014-15 (BE)
Sarva Shiksha Abhiyan (SSA)	23873	26608	27758	28258
Mid- Day Meal (MDM)	10849	12189	13125	13215
Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	3172	3123	5000	5000
Schemes for setting up of 6000 model schools at block level	717	995	1200	1200
The Scheme for Providing Education to Madrasas/Minorities	183	200	0	275
Pre-Matric Scholarship for Minorities	786	980	1100	1100
Pre Matric Scholarship for SCs	931	617	685	685
Pre Matric Scholarship for ST Students		212		
Rashtriya Uchcha Shiksha Abhiyan (RUSA)		240	2200	2200
Union Govt. Expenditure on Education	**66055**	**74621**	**81441**	**82771**

Source: Union Budget, expenditure Budget, Volume-II, various years

1.1 Introduction

Like most other countries, education has been assigned a high priority in the development policy objectives in India. But, despite this optimism, India failed to produce an appreciable progress report in the education sector. Expansion of education in India has been remarkably slow as compared to BRIICSAM countries (Brazil, Russia, India, Indonesia, China, South Africa and Mexico) in terms of adult education as well as Government spending on education. As per the UNDP figures (2012), India records a meagre 4.4 mean years of schooling received by people aged 25 and above, which is much lower than rest of the BRIICSAM countries. The public spending on education in India is also one of the lowest among BRIICSAM countries (Chart 1.1 & 1.2).

Chart 1.1 Mean Years of Education Received by People Aged 25 and Above

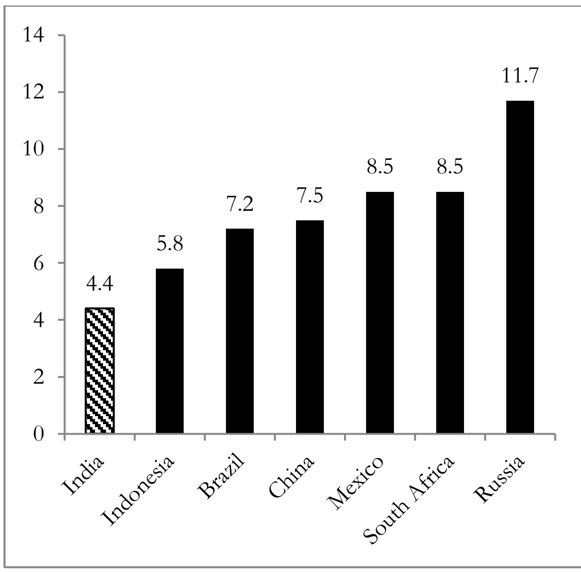
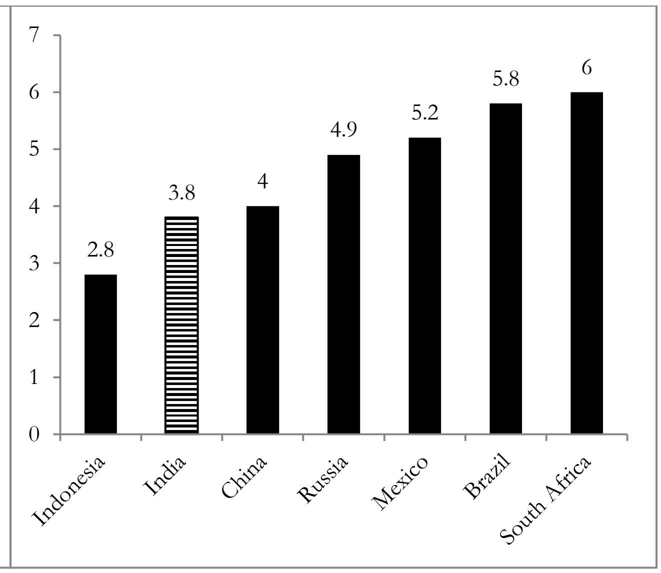


Chart 1.2 Public Spending on Education as Share of GDP (in Percent)

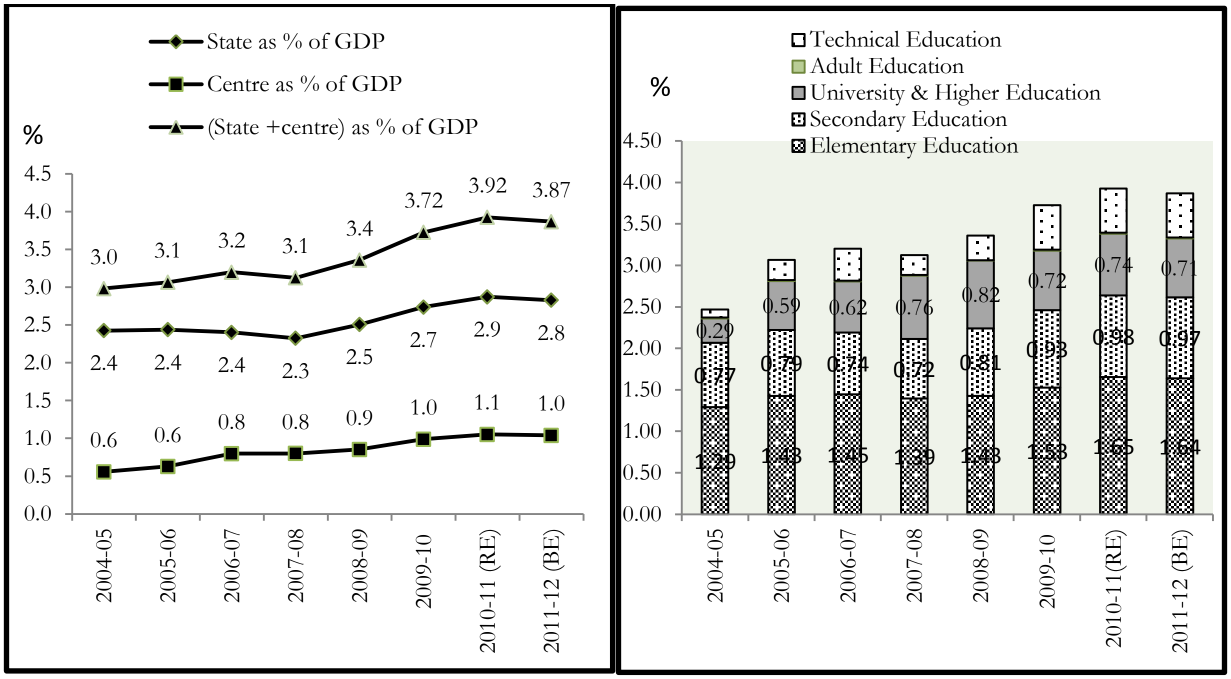


Source: UNDP open data portal (https://data.undp.org)

1.2 Public Expenditure on Education

The pattern of Central and State Government expenditure in a particular sector reflects the priority for the sector in the overall policy paradigm in the country. In 1966, the Kothari Commission had recommended that public spending on education in India should be raised to the level of 6 percent of Gross National Product (GNP) by 1986. Subsequently, many references have been made to the need for stepping up total public spending on education in India to the level of 6 percent of GDP. The BJP election manifesto also mentions that **education needs an urgent solution** and as one of the measures, **public spending on education would be raised to 6 percent of the GDP, and involving the private sector would further enhance this.** However, the situation in this regard still remains a cause for serious concern.

Chart 1.3 Composition of Public Expenditure on Education as % of GDP

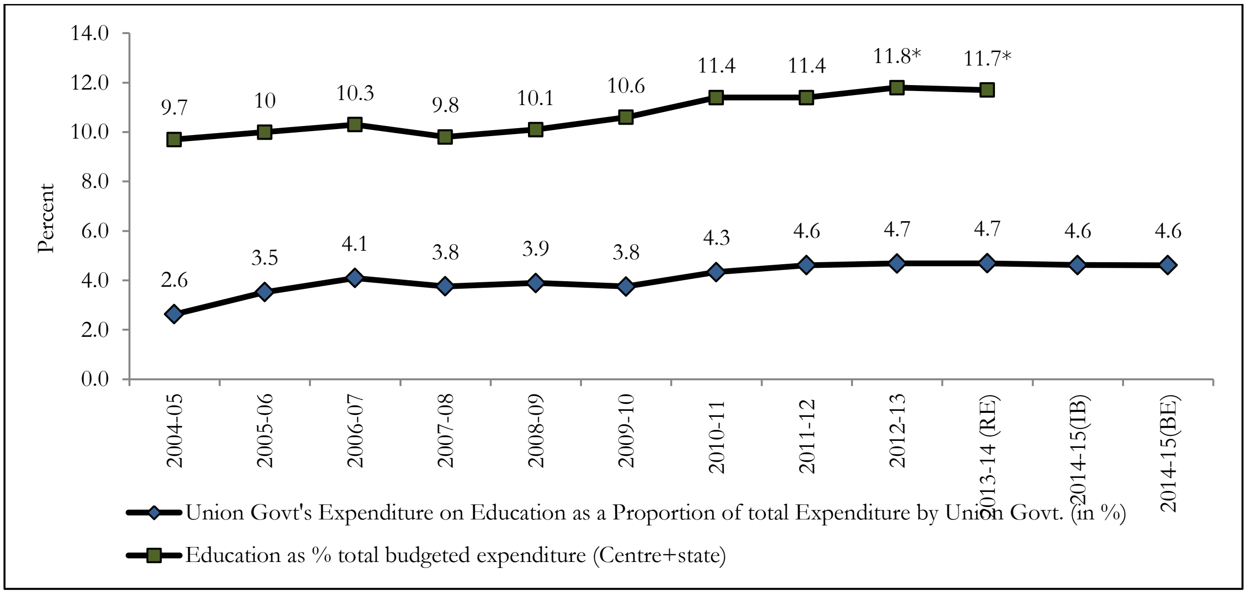


Note: GDP figures are at current market price; Source: Analysis of Budgeted Expenditure on Education 2009-10 to 2011-12, Planning and Monitoring Unit, Department of Higher Education, MHRD (2013); GDP figures are from National Account Statistics, 2014, CSO

India's Combined Public Expenditure (Centre plus States) on Education, as a proportion of GDP, was around 3.0 percent in the year 2004-05. It has increased over the last decade, but at a very modest pace. The present level of combined public spending on education (of not just Education Departments at the Centre and in the States but also the other departments that spend on education) works out to 3.87 percent of the GDP (in 2011-12(BE)). Even this proportion falls much short of the 6 percent of GDP for education, recommended in 1966 by the Kothari Commission. The sectoral break up shows major share of allocation goes for elementary education; though overtime a marginal improvement in allocation is observed in elementary and secondary level of education, however, 2008-09 onwards, allocation for University and higher education has gone down and continuously decreasing in the following years.

Over the last ten years, from 2004-05 to 2014-15 (BE), Union Government's spending on education as a proportion of total Union Budget has increased by 2 percentage points only (Chart 1.4). However, a marginal decrease in share is observed in 2014-15 allocations as compared to 2012-13 and 2013-14 (RE). The combined expenditure on education by Union and State Government shows that States accounts for a much larger share in the country's total budgetary spending on education as compared to Union Government. Though education is the responsibility of both Union and the State (as in the concurrent list), but Union government having a larger scope for augmenting revenues, should take a larger responsibility towards provisioning of financial resources for education.

Chart 1. 4 Trends in Total Budgetary Spending on Education (in %)



Note: Union Government's expenditure on Education covers expenditures by Education Department only; * Education figure for centre and state combined are for 2012-13 (RE) and 2013-14(BE) Source: Union Budget ,Expenditure Budget, Volume II, MHRD, various years and Economic Survey, various years, Govt. of India.

1.3 Outlay towards Education in the 12th Plan

Table 1.1 shows that the Union governments' allocation for some major education schemes such as SSA, MDM, RMSA and RUSA have not been in line with the outlays recommended in 12th Five Year Plan. As, with the three years budgets gone by, allocation for none of the schemes reach 60 percent share as should be in the ideal case.

Table 1.1 Recommended 12th Plan Outlay vs. Budgetary Allocation for Education

Plan/Scheme	12th Five Year Plan Outlay	Union Budget Allocation (in Rs. Crore) 2012-13 (actual)	2013-14 (RE)	2014-15 (BE)	Union Budget Allocation corresponding to 12th Plan period (in Rs. Crore)	% of outlay
SSA	192726	23873	26608	28258	78739	40.9
MDM	90155	10849	12189	13215	36253	40.2
RMSA	27466	3172	3123	5000	11295	41.1
Dept. of School Education and Literacy	343028	45631	50136	55115	150883	44.0
State Universities and colleges including RUSA*	25000	107	2093	4090	6290	25.2
Dept. of Higher Education	110700	20423	24485	27656	72564	65.6

Note: *For our analysis we have included the following schemes/programmes: Assistance to State Governments for Degree Colleges, Improvement in Salary Scale of University and College Teachers, National Mission on Teachers and Teaching, Rashtriya Uchcha Shiksha Abhiyan (RUSA) Source: 12th Five Year Plan document, Vol-III; Union Budget, Expenditure Budget, Vol-II

1.4 Financing Right to Education (RTE)

There is clear consensus that improved education holds the key to India's future and the passage of the RTE stands testimony to this. *The Right of the Children to Free and Compulsory Education Act, 2009* came into effect from April1, 2010, with an objective to ensure quality elementary education to every child in India. The RTE Act lays out a clear five year time period to reach its provision. On the eve of last year of RTE time line, it is high time to relook at the implementation of the scheme. The Union Government has mandated SSA as the main vehicle through which the Union and State Governments are carrying out their measures for implementing the provisions of this legislation across the country. The 12th Plan has recommended an allocation of Rs. 1,92,726 crore for SSA (for the Plan period) from the Union Budget, which amounts to Rs. 38,545 crore per year. Against this, the budgetary allocations for SSA by the Union Government for 2012-13, 2013-14 and 2014-15 have seen shortfalls of Rs. 12990 crore, Rs. 11287 crore and Rs. 10287 crore respectively (Table 1.2).

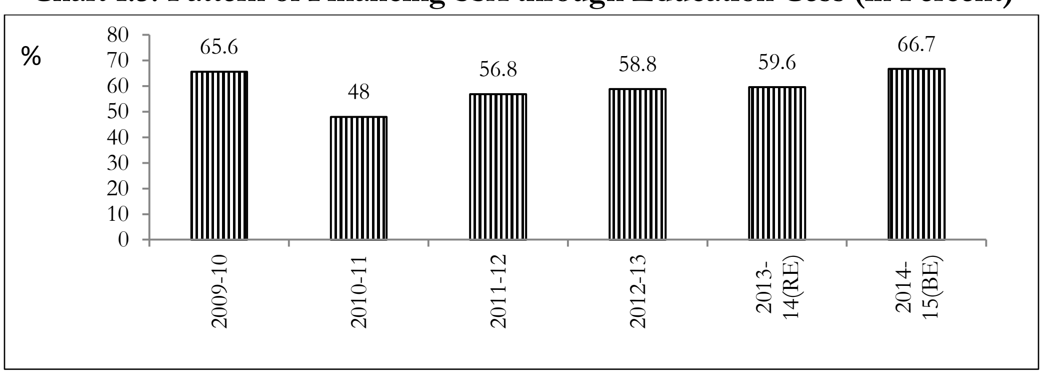
Table 1.2: Union Govt. Allocation and Expenditure under SSA (Figures in Rs. Crore)

	2012-13	**2013-14 (RE)**	**2014-15(BE)**
Allocation (BE) for SSA	25555	27258	28258
Expenditure (actual) under SSA	23873	26608	-
Shortfall of allocation compared to proposed allocation	12990	11287	10287
Shortfall of expenditure compared to proposed allocation	14672	11937	-

Note: BE- Budgetary Estimate, RE-Revised Estimate; Source: Expenditure Budget, Vol II, MHRD, Various years

1.4.1 Financing RTE through Cess

Chart 1.5: Pattern of Financing SSA through Education Cess (in Percent)



Source: Union Budget, Expenditure Budget, Vol-II, MHRD, various years

Over the last few years, the major chunk of government financing of elementary education had been through education cess. The Department of Elementary Education and Literacy receives the proceeds from the cess, which the Union Government levies on all central taxes and maintains under a non-lapsable fund called the *Prarambhik Shiksha Kosh* (Fund created at Union Government level to finance elementary education).

While the collection of cess began as a measure to inject additional amounts to supplement government's own support, it grew to be more of a substitute. After a check in 2010-11, the subsequent years observed a continuous increase in the share of *Prarambhik Shiksha Kosh* as part of the Union Government's financing of

RTE In 2014-15(BE), about 67 percent of the SSA financing has been planned through education cess (Chart 1.5).

Though there is an improvement in SSA allocation for education over the years, the problems in utilisation of funds allocated for SSA and other schemes in education have been a matter of serious concern. As reported by MHRD, nearly 25% of the funds allocated by the Union and State Governments for SSA remain unutilized. The shortage of human resources in education sector as recognized by government is one of the major reasons for under- utilization of fund (Economic Survey, 2013-14). However, this issue was neither addressed in the Budget Speech and nor reflected in the budgetary allocation.

1.5 Higher Education

Realizing the country's potential 'demographic dividend', there is an overriding emphasis on higher education in the 12th Plan. The new government also recognizes this need and has proposed for a large number of world class centres for higher learning including five new IITs and five new IIMs all over the country. However, only Rs. 500 crore is earmarked for this in 2014-15(BE). The overall increase in the budget of the Department of Higher Education as compared to the previous year is only 3.4 percent.

1.6 Union Budget towards Inclusive Education

The 12th Five Year Plan defines inclusive education as "a process of strengthening the capacity of the education system to reach out to all learners". Some new interventions have been taken up by the new government towards reducing inequality in education. The provision of toilets and drinking water in the girls' school has emerged as a prominent agenda for the new government. The '*Van Bandhu Kalyan Yojana*', an umbrella programme for the welfare of tribals with the objective of setting up an education network for the tribals has also been introduced. To improve minority education, an additional allocation of Rs. 100 Crore has been announced for the modernisation of madrasas (a detail analysis is available in sections 8, 10 and 11).

While allocations have been retained at similar levels as proposed by the IB, there have been marginal increases in the allocation for select schemes and programmes in the current budget. Given the fact that India currently is undergoing a demographic dividend, a much higher financial provisioning is needed for providing quality education to reap its benefits. There is an immediate need to address issues like under-allocation and under-utilisation of funds through strengthening of the overall government apparatus.

2. HEALTH

Major proposals/announcements in Union Budget 2014-15

- Free drug service and free diagnosis service to achieve 'Health for All'
- Four AIIMS like institutions and twelve government medical colleges to be set up
- Fifteen model rural health research centres for better healthcare facilities in rural India
- Central assistance to strengthen the States' Drug Regulatory and Food Regulatory Systems by creating new drug testing laboratories and strengthening the 31 existing state laboratories
- A national programme in mission mode to improve the deteriorating malnutrition situation in India
- Increase of specific excise duties on tobacco products and aerated waters

Key Findings

- Only five percent increment in budgetary health allocation for 2014-15 from 2013-14(BE)
- Allocations in the first three years of the 12th Five Year Plan (FYP) for Ministry of Health and Family Welfare compared to the total recommended outlays in 12th FYP illustrates an under-allocation of funds by more than 25 percent
- No special announcement under National Health Mission (NHM**).** The allocations shows a nine percentage point dip from 2012-13 actual expenditure and eight percentage point decrease from 2014-15 interim budgets
- The scheme 'Human Resources for Health' is modified as 'Human Resources for Health and Medical Education' in 2014-15 (BE), however, the budgetary allocation for the scheme has increased only by 22 percent from 2013-14(BE) and no change in allocation from 2014-15 interim budget

Allocations by the Union Government in Some Major Schemes of Health (in Rs. Crore)

Major schemes	2012-13 (actual)	2013-14(RE)	2014-15 (IB)	2014-15 (BE)
NRHM-RCH Flexi Pool*	8584	9620	-	-
National Vector Borne Disease Control Programme (NVBDCP)*	302	-	-	-
Routine Immunisation*	1001	-	-	-
Pulse Polio Immunisation*	1380	-	-	-
National Health Mission (NHM)	18047	16396	24691	21912
Pradhan Mantri Swasthya Suraksha Yojana(PMSSY)	989	1377	1456	1906
Rastriya Swasthya Bima Yojna(RSBY)	1002	789	1434	1434
Indira Gandhi Matritwa Sahajog Yojana (IGMSY)	145	300	400	400
Union Govt. Expenditure on Health**	27885	30847	38738	39238

Note: *from 2013-14(BE) all these interventions are reported under NHM; ** only refers to expenditure by Ministry of Health and Family Welfare (MOHFW), NRHM- National Rural Health Mission, RCH- Reproductive Child Health; Source: Union Budget, Expenditure Budget, Volume-II, various years

The communique of the recently held BRICS Health Ministers' Meetings in Geneva (on 20th May 2014) indicated that the BRICS countries have agreed to collaborate on health as a priority to collectively enhance, not just their own partnership, but those with other countries as well through bilateral and multilateral mechanisms. In this meeting, India has also shown its willingness towards improving its health systems and the overall health and well-being of Indian citizens. However, when the health scenario of India is compared with the other BRICS countries, the lack of public health provisioning is reflected in the poor health indicators (Table 2.1). The health indicators seem starker when compared to these countries, as the corresponding income level and pace of growth of GDP in India has been almost similar but their health indicators fare better than India.

Table 2.1: Major Health Indicators across BRICS Countries, 2010-12

Indicator	Brazil	Russian Federation	India*	China	South Africa
Infant mortality rate (IMR) (per 1000 live births)	21	7	44	13	47
Maternal mortality ratio (MMR) (per 100 000 live births)	56	34	178	37	300
Total fertility rate (per woman)	1.8	1.5	2.5	1.7	2.4
Crude birth rate (per 1000 population)	15.1	11.8	21	13.4	21.1
Crude death rate (per 1000 population)	6.2	14.6	8	6.5	11.6

Source: Global Health Repository Data, WHO, *updated India figures are from RHS, 2012 and SRS Bulletin, Census of India

2.1 Public Spending on Health

This sluggish improvement in the health indicators of outcomes is the result of an inefficient health system plagued by decades of inadequacy in financing, governance and management. Currently, India's total spending on health is just 4.2 percent of GDP of which more than two percent is out of pocket (OOP) expenditure incurred by households **(World Health Statistics, 2013).** Such high levels of OOP spending are pushing a large number of people below the poverty line. About 38 million people in India every year fall below the poverty line due to healthcare expenses (Planning Commission, 2013).

The election manifesto mentions that health needs urgent solutions and the budget speech by Finance Minister also proposed some specific and welcome measures like higher excise duties on tobacco products and aerated waters, free drug service and free diagnosis service towards achieving universal health coverage and a number of new medical colleges under *Pradhan Mantri Swasthya Suraksha Yojana* (PMSSY). However, only Rs. 39,238 crore has been allocated for Ministry of Health and Family Welfare (MOHFW) in 2014-15(BE), which is a 27 percent increase over 2013-14(RE) and a 5.1 percent increase over 2013-14 (BE).

Although the State and Union Governments' expenditure in absolute terms have increased in the last ten years, from 2004-05 onwards, a steady decline is observed in the Union Governments' spending on health. Presently, Union and State governments together **spends only 1.2 % of GDP on** public health care. An increase to 2.5 per cent of GDP by 2017 anticipated in the country's 12th Five Year Plan, is in itself one of the lowest proportions recorded anywhere in the world. Union Budget 2014-15 belies this expectation of people by allocating only 0.3 percent of its GDP on health (Table 2.2). As health is a 'State' subject, it is the obligation of states to provide free and universal access to quality healthcare services to its citizen. However, given that Union government has larger scope for augmenting revenues, it should take a larger responsibility towards provisioning of financial resources for health sector.

Table 2.2: Public Expenditure on Health and Family Welfare (in Rs. Crore)

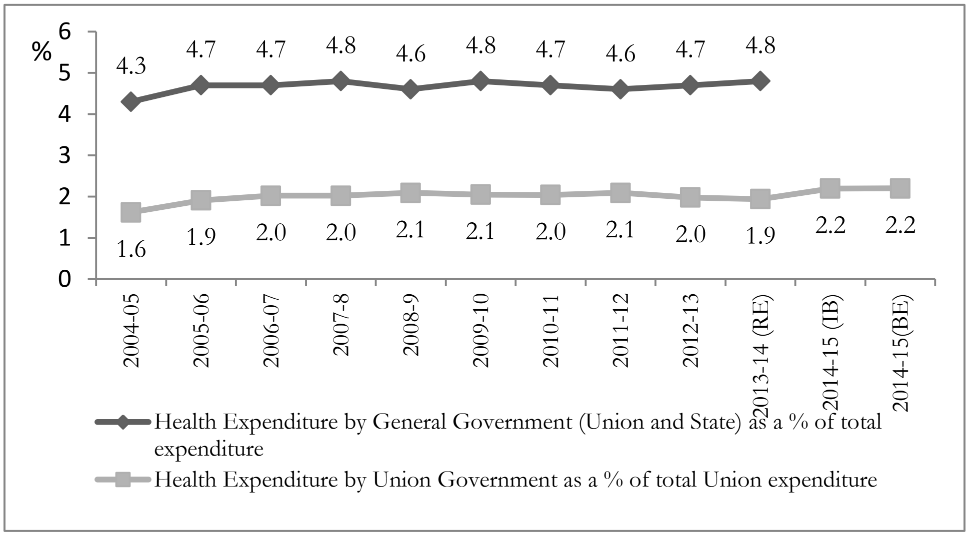
	Union Govt. expenditure[$]	State Govt. expenditure[@]	Combined expenditure	Share of Union's expenditure to GDP (%)	Share of State's expenditure to GDP (%)	Share of Combined expenditure to GDP (%)
2004-05	8086	18771	26857	0.25	0.58	0.83
2005-06	9649.2	22031	31680	0.26	0.6	0.86
2006-07	11757.7	25375	37133	0.27	0.59	0.86
2007-08	14410.4	28907.7	43318	0.29	0.58	0.87
2008-09	18476	34500.4	52976	0.33	0.61	0.94
2009-10	20996.1	45590.2	66586	0.32	0.7	1.03
2010-11	24449.9	50415.6	74866	0.31	0.65	0.96
2011-12	27198.6	55038.4	82237	0.3	0.61	0.91
2012-13	27885.2	**99825.2	127710	0.28	0.99	1.26
2013-14 (RE)	30847.3	**113867.3	144715	0.27	1.0	1.27
2014-15(BE)	39238	-	-	0.30	-	-

Note: State's Expenditure for 2012-13 is Revised Estimate and 2013-14 is Budgetary Estimate; GDP figures at current market price;

[$] Centre's expenditure on *Health and Family Welfare* refers to the expenditure by Ministry of Health and Family Welfare only. It doesn't include the expenditure of other Ministries. [@] These figures may involve double counting of the grants-in-aid from Centre to States under *Health and Family Welfare*; Source: Union Budget, Expenditure Budget, Vol-II, MOHFW, various years, GoI and RBI: State Finances – A Study of Budgets, various years.

In the last five years, health has constituted less than five percent of the total budgeted expenditure of the Central and State Governments. Between 2004-05 and 2013-14(BE), the allocation increased only by 0.5 percentage points. The Union Government's health expenditure to total expenditure increased from 1.94 percent in 2013-14 to 2.2 percent in the current year's Budget Estimates (BE) (Chart 2.1). The last ten years trend in budgetary spending both by the Union and State governments clearly indicates that health does not figure anywhere in their priority list of the development agenda.

Chart 2.1: Trends in Budgetary Spending on Health (in Percent)



Note: Union Government's expenditure on health covers expenditures by MOHFW only; Health expenditure data for general government for 2012-13 is Revised Estimates and 2013-14 is Budgetary Estimates Source: Union Budget ,Expenditure Budget, Volume II, MoHFW, various years and Economic Survey, various years, Govt. of India.

2.2 Outlays towards Health in the 12th Plan

The Government had committed to raising its expenditure on health from roughly 1 percent of the GDP to 2.5 percent of the GDP by the end of 12th Plan. The table above shows that for the four departments under the Ministry of Health and Family Welfare (MOHFW), the total 12th Plan outlay is Rs. 3,00,018 Crore (Table 2.3). The allocations in the first three years of the 12th Plan when compared to the total recommended outlays, illustrate an under-allocation of funds by the Union Government. With three years having already lapsed, the allocation must be nearly 60 percent of the total recommended outlays, though only 32.7 percent has been allocated. With just two years left in the Plan period, it is a big challenge to devise efficient strategies to utilise more than 65 percent of the remaining recommended outlays.

Table 2.3: Recommended 12th Plan Outlay vs. Budgetary Allocation in Health

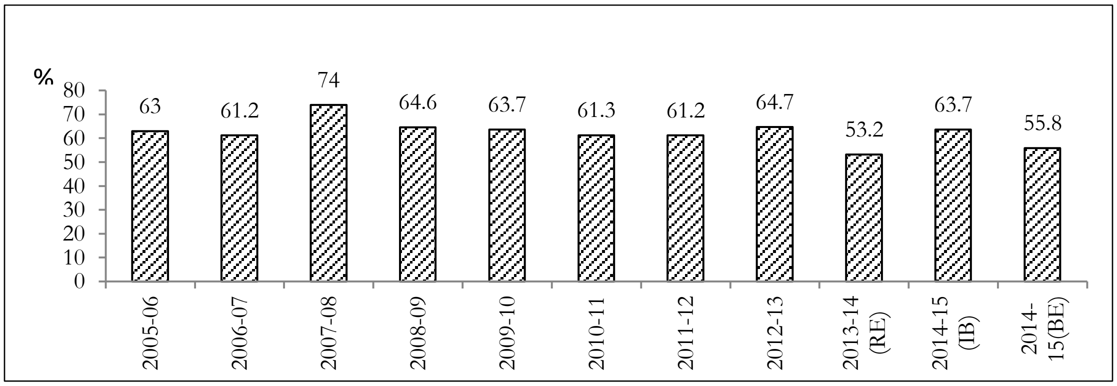
Departments	12th Plan Outlay	2012-13	2013-14 (RE)	2014-15 (BE)	Total Allocations for 3years of the 12th Plan	Allocation as % of Outlay
Dept. of Health and Family Welfare	268551	25133	27531	35163	87827	32.7
Dept. of Ayush	10044	715	936	1272	2923	29.1
Dept. of Health Research	10029	720	881	1018	2619	26.1
Dept. of Aids Control	11394	1316	1500	1785	4601	40.4
Total MOHFW	300018	27885	30847	39238	97970	32.7

Source: Compiled by CBGA from 12th Plan Document and Union Budget Documents, various years.

2.3 National Health Mission (NHM): A Landmark Development?

In 2005, the Ministry of Health and Family Welfare (MOHFW) launched the National Rural Health Mission (NRHM), a landmark programme to provide universal quality healthcare in rural areas across the country. In 2013-14, the NRHM has been extended to include the National Urban Health Mission (NUHM) which has a directive to meet the health needs of the urban population with a special focus on the urban poor. The NRHM and the NUHM were together converted into the National Health Mission (NHM) with the objective of meeting the essential primary healthcare needs of households and reducing their out-of-pocket expenses.

Chart 2.2: Share of NHM in Total Health Expenditure by Union Government (in %)



Note: The Union Govt. health expenditure figure is for MOHFW only. Since the year 2012-13, the NRHM has included the Urban Health Mission and is called the NHM. The figure reflects expenditure on NHM for these years. Source: Union Budget, Expenditure Budget, Vol-II, MOHFW

With the roll-out of the NHM, some major interventions of the MOHFW, like the NRHM-RCH Flexi pool, the NUHM Flexi-pool, the National Vector Borne Diseases Control Programme (NVBDCP), the Routine Immunisation, Pulse Polio Immunisation and others, have been brought under its ambit.

The pattern of allocation under NHM shows (Chart 2.2) that more than half of the total health budget is assigned for the NHM. However, 2014-15(BE) allocation shows a nine percentage point dip from 2012-13 NHM expenditure and eight percentage point decrease from 2014-15 interim budgets. Though the NHM talks about providing healthcare service to the urban poor, it is not reflected in the spending pattern, as no substantial increase in spending is observed in 2013-14(RE) and 2014-15(BE). The BJP election manifesto promised to initiate a **'National Health Assurance Mission',** with a clear mandate to provide universal healthcare, accessible and affordable for the common man. However, there was no such announcement in the current health budget. Rather, the reduction of allocation for NHM, which was welcomed as a positive intervention towards universal health coverage, poses a contradiction regarding government's intention towards providing free access to healthcare service to all rural and urban people. However, the proposal for setting up of four AIIMS like institutions, 12 new government medical colleges and 15 model rural health research centres to undertake research on local health issues is a welcome policy intervention.

2.4 Interventions for improvement of Maternal and Child Health

In view of the consistently higher IMR and MMR figures, along with the increasingly disturbing dynamics of the declining child sex ratio and persistent malnutrition, the 12th Plan recommended special interventions under NRHM and an impact assessment of existing schemes. These include the *Janani Suraksha Yojana* (JSY) and the *Janani Shishu Suraksha Karyakram* (JSSK), two major interventions under Reproductive Child Health (RCH) and the Indira Gandhi *Matritva Sahayog Yojana*- a Conditional Maternity Benefit (IGMSY-CMB) by the Ministry of Women and Child Development, which are designed to reduce the mortality rates among women and children and provide health facilities to pregnant and lactating mothers free of cost. In 2012-13, the Union Government's allocations for the JSY and JSSK were Rs. 2,050.8 and Rs. 357 crore respectively, which together constitutes only 13 percent of the total NRHM allocation. Under IGMSY, Rs. 400 crore has been allocated in 2014-15(BE), a 33 percent increase over 2013-14(RE). In addition to these schemes, the Budget has also promised to introduce a national nutrition programme in mission mode within six months to improve the deteriorating malnutrition situation in India.

The *Rashtriya Swasthya Bima Yojana* (RSBY) was introduced in 2007 with an aim to provide health insurance to unorganised sector workers, which constitute about 94 percent of the labour force. The allocation for 2014-15(BE) for RSBY is Rs. 1,434 crore, a 25 percent increase from 2013-14(BE) and an increase of 82 percent from 2013-14(RE).

While there are promising proposals for free medicines and long term interventions for improved health infrastructure, the issue of shortage of human resources for better delivery of public healthcare services which have been acknowledged in the latest Economic Survey lacking serious consideration in the current budget. Insufficient allocation for the overall health sector and programmes like the NHM indicates a possibility of a Public-Private-Partnership (PPP) in the near future. To ensure universal healthcare services, the new government should work on increasing financial resources, ensuring health security to every citizen and implementing guidelines with adequate checks and balances on private health care providers.

3. DRINKING WATER AND SANITATION

Major proposals/announcements Union Budget 2014-15

- Rs. 3,600 Crore earmarked under National Rural Drinking Water Programme (NRDWP) allocation to address the problem of water quality. The allocation would be used to install community water purification plants in 20,000 water quality affected habitations over the next three years.
- Government would strive to provide toilets and drinking water in all the girls' schools
- Rs. 50,000 Crore allocated to *Pooled Municipal Debt Obligation Facility* to address service delivery and infrastructure facilities including water supply, sewerage and solid waste management in urban areas.
- The budget proposes universal sanitation by 2019 through *Swatchh Bharat Abhiyan* (SBA), though there is no allocation made under SBA. The budget allocations have been made under *Nirmal Bharat Abhiyan*.

Key Findings

- The allocations for Rural Drinking Water and Sanitation programme under the Ministry of Drinking Water and Sanitation remains unchanged at Rs. 15,260 Crore in Union Budget 2014-15 as compared to 2014-15 (IB) and 2013-14 (BE)
- Total allocation to the sector is 0.9 percent of the total Union Budget expenditure 2014-15 (BE) while it is 0.13 percent of the GDP for 2013-14 (AE)
- To achieve open defecation free status by the year 2019, funding to *Nirmal Bharat Abhiyan* needs to be stepped up.

Allocations for Important Schemes/Programmes (in Rs. crore)

Major Schemes	2012-13 (Actuals)	2013-14(RE)	2014-15 (IB)*	2014-15 (BE)*
National Rural Drinking Water Programme (NRDWP)	10,490	9,700	11, 000	11, 000
Nirmal Bharat Abhiyaan (NBA)	2,473.50	2,300	4, 260	4, 260

*Figures include lump sum provision for North East region

3.1 Introduction

Access to clean drinking water and sanitation has become an important development agenda over the past decade. The issue has not only captured the Indian development discourse but is also considered important by the United Nations (UN). The UN proclaimed the period 2005-2015 as the International Decade for Action 'Water for Life'. Access to clean drinking water and sanitation are essential for the realization of all human rights. India achieved the Millennium Development Goal (MDG) of halving the proportion of the population without sustainable access to safe drinking water in the year 2010 and by 2012 it increased the coverage to 93 percent of the population. However it lags behind in achieving the target related to providing access to improved sanitation facilities to its people. According to the Census 2011, around 70 percent of the rural population does not have access to toilets.

The newly elected Government has expressed a commitment to address this critical development challenge, as reflected in its Election Manifesto. The Manifesto mentions the provision of potable water as a major thrust area for rural development. The Government will be aiming to create a *Swachh Bharat* by the year 2019.

3.2 Progress on Water Supply and Sanitation: A Comparison between India and Select countries

India has done relatively well in increasing the coverage of clean drinking water but lags behind in provision of improved sanitation facilities to its people. Of the 1001 million people having no access to improved sanitation facilities in South Asia, 792 million live in India.[1] Table 3.1 shows the dismal situation of sanitation coverage in India as 64 percent of population continues to access unimproved sanitation facilities. However, substantial progress is observed in supply of drinking water as more than 90 percent population is covered by improved sources of drinking water.

Table 3.1: India's Progress on Water Supply and Sanitation vis-à-vis Select Countries

	Use of Drinking water Sources (as % of population)		Use of Sanitation facilities (as % of population)	
Country	**Improved**	**Unimproved**	**Improved**	**Unimproved^**
Afghanistan	64	36	29	71
Bangladesh	85	15	57	43
Bhutan	98	2	47	53
India	**93**	**7**	**36**	**64**
Maldives	99	1	99	1
Nepal	88	12	37	63
Pakistan	91	9	48	52
Sri Lanka	94	6	92	8

Source: Progress on drinking water and sanitation, 2014 Update, UNICEF & WHO

Note: Improved Water Sources include total improved, piped on premises, other improved while unimproved mean other unimproved and surface water

^Unimproved sanitation facilities include open pit latrine, shared facility, no facility, hanging toilet.

[1] Progress on Drinking Water and Sanitation - 2014 update, WHO and UNICEF

3.3 Rural Drinking Water and Sanitation

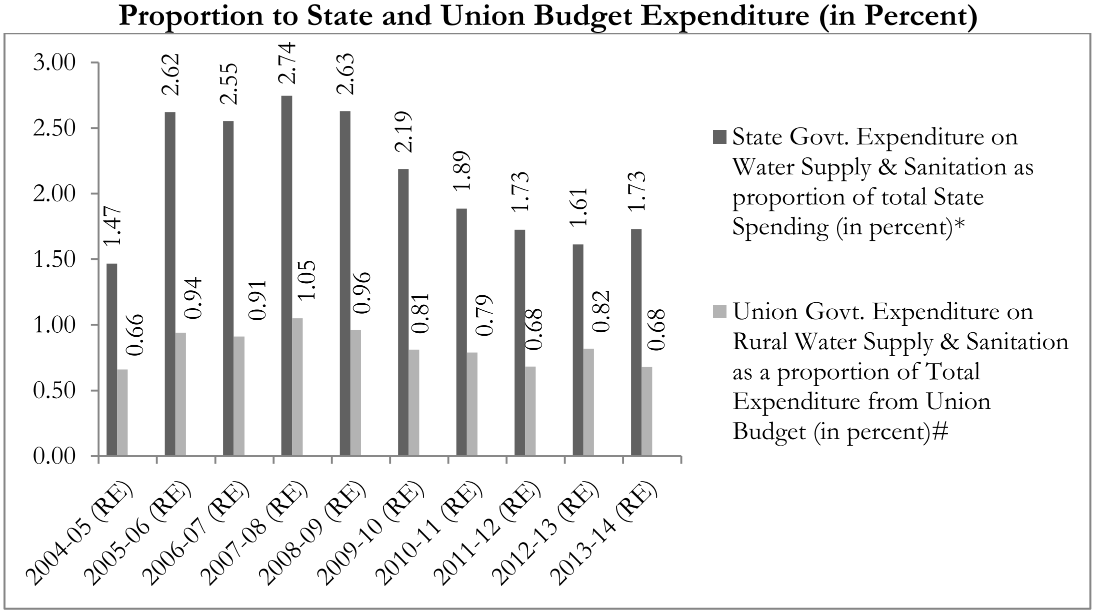
In India, Ministry of Drinking Water and Sanitation (MDWS) implements two programmes for rural drinking water and sanitation – the National Rural Drinking Water Programme (NRDWP) and the *Nirmal Bharat Abhiyaan* (NBA). The 12th Five Year Plan set forth a target of providing access to 55 litres per capita per day (lpcd) of water within the household or within 100 metres, to 50 percent of the rural population. The main objective of NBA is to accelerate the sanitation coverage in rural areas by 2022 and achieve open defecation free status by the end of the 12th Plan. However, the new government has revised the timeline for this target to 2019.

The report of the Working Group on Rural Water Supply and Sanitation for the 12th FYP (2012-17) focused on the sustainability of water resources and schemes, appropriateness of technology and contamination of water sources as serious challenge to the drinking water sector. The Finance Minister addressed the issue of water quality in this budget and proposed to earmark Rs. 3,600 crore from the total allocation of Rs 11000 Crore under NRDWP to install community water purification plants in 20,000 qualities affected habitations, across the country over the period of three years.

3.3.1 State and Union Budget Spending

The Constitution of India specifies Water and Sanitation as a State subject. Although it is the responsibility of the states to provide clean drinking water to the people, the Union Government started investing in the sector from the 4th FYP onwards. The chart 3.1 shows the expenditure by the States and the Union Government on the drinking water and sanitation.

Chart 3.1: Union and State Government Spending on Drinking Water and Sanitation Programme as Proportion to State and Union Budget Expenditure (in Percent)

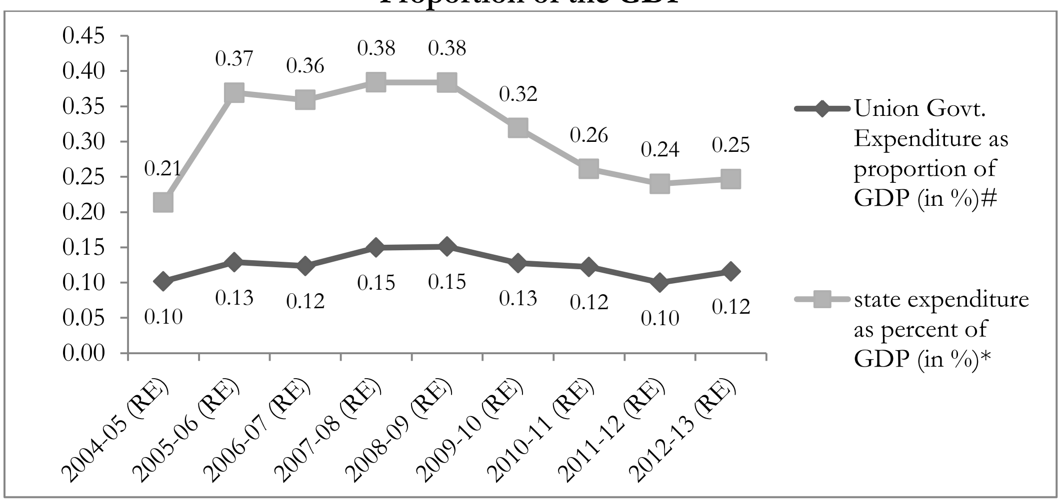


Source: Union Budget documents for various years, State Finances: A Study of Budgets, RBI State Finances
Note: 1. State expenditure includes Water Supply and Sanitation for both rural and urban areas and excludes the amount for Centrally Sponsored Schemes like NRDWP and NBA.
2. Union Expenditure includes amount for rural water supply and sanitation

The state spending on drinking water and sanitation as a proportion of their total expenditure remained above 2 percent from 2005-2006 to 2009-2010. Post 2010, there has been a decline in this proportion to an average of 1.74 percent till 2013-14. Besides this, the proportion of Union Government expenditure on rural drinking water and sanitation to the total expenditure never crossed the one percent mark except for the year 2007-08.

Chart 3.2 compares the State spending on water supply and sanitation with the Union spending, as proportion of GDP. It could be seen that the Union spending as proportion to GDP has decreased over the years. The state spending for Water supply and sanitation for both rural and urban area has decreased but remains stagnant for the last three years. The Union government needs to increase its spending on the sector as the states find it difficult to generate adequate revenue to expend in the sector.

Chart 3.2 Union and State Government Expenditure on Water Supply and Sanitation as a Proportion of the GDP



Source: Ibid

3.3.2 Trends in Allocation for Schemes

The year 2014-15 is the third year of the 12th Plan. Table 3.2 shows the allocations made by the Union Government for Rural Water Supply and Sanitation programmes vis-à-vis the proposed outlays for the 12th Five Year Plan. Till the year 2014-15, 47.7 percent of the proposed amount has been allocated under NRDWP; while the same is 32.7 percent for NBA.

Table 3.2: Allocations made by the Union Government for Rural Water Supply and Sanitation Programmes (in Rs. Crore)

	Outlay for 12th FYP	Allocations made during			Budgetary Allocations against Plan outlay (in %)
		2012-13	2013-14 (RE)	2014-15 (BE)	
NRDWP	1,22,570	10,490	8,730	11,000	47.7
NBA	44,116	2,474	2,070	4,260	32.7

Source: Fortieth Report, Standing Committee Report on Rural Development, 15th Lok Sabha, Expenditure Budget Volume I & II, Union Budget, various years.
Note: Figures for 2012-13 and 2013-14 do not include the *Lumpsum Provision of Funds for the North Eastern Region and Sikkim* while 2014-15 (BE) include NER component.

The Union Government expenditure for rural drinking water and sanitation for the year 2014-15 (BE) is Rs. 15, 265 crore which is same as 2013-14 (BE) and 2014-15 Interim Budget. It was expected that the new government would increase the allocation under NBA considering the importance it gave to sanitation in its Election Manifesto and in the election campaign in the last General Election. The aim of achieving an open defecation free status by the year 2019 would definitely require more allocations and efforts on the part of the Union Government.

3.4 Urban Drinking Water and Sanitation

One of the emerging challenges at present is the dismal state of drinking water and sanitation condition in urban areas. The level of urbanization increased from 27.8 percent in 2001 to 31.2 percent in 2011 (Census of India 2011). 25 percent of the population in Indian cities lives in slums. The Ministry of Urban Development in its National Urban Sanitation Policy envisions open defecation free cities with proper waste disposal. The sanitation programmes in urban areas are funded through schemes like JNNURM and UIDSSMT but it is difficult to trace the amounts allocated to the urban sanitation programme through these schemes. Beside these programmes Ministry of Housing and Poverty Alleviation (HUPA) administers a Centrally Sponsored Scheme, Integrated Low Cost Sanitation (ILCS) Programme, for urban areas.

Table 3.3: Budgetary Allocation for ILCS Programme under MoHUPA (in Rs. crore)

2009-10	2010-11	2011-12	2012-13		2013-14		2014-15
			BE	RE	BE	RE	BE
55	106.01	69.76	25.00	100.00	125.00	22	5

Source: Expenditure Budget Vol. II for various years

The above table shows the allocations made under HUPA for ILCS; the allocations made are minimal. This is significant, keeping in mind that 18 percent of the urban households with no access to any form of latrine facility and defecate in the open.[2] The allocations for urban water supply are met from funds under JNNURM (UIG). A total of 193 projects with an approved cost of Rs. 23039.23 crore were sanctioned till March 31, 2014.

The other major challenge in the urban sanitation is solid waste management and sewerage management for which projects are funded through various sources.

The High Powered Expert Committee (HPEC) for estimating the Investment Requirements for Urban Infrastructure Services in its report estimates a budgetary requirement of Rs. 320908 crore for Water Supply in Urban areas for the period 2012-31. Water supply projects top the list of projects under JNNURM and constituted about 34 percent of the total approved amount under JNNURM (UIG) till March 31, 2014.

3.5 Conclusion

The amount allocated for Rural Drinking Water and Sanitation remains the same for 2013-14 (BE), 2014-15 (IB) and 2014-15 (BE). While sanitation was much talked about in the election campaign of the Government and that India lags behind in achieving the MDG of providing improved sanitation, the

[2] Report on Indian Infrastructure and Services, HPEC, March 2011.

stagnation of funds is an issue of concern. 5 percent of the central allocation for NRDWP is earmarked for water quality as per the scheme guidelines. However, in this budget the allocation of Rs. 3600 Crore in 2014-15 (BE) is marginally higher than the required norms. This needs to be raised substantially to address the issue of water quality. The budget recognises the importance of toilets and clean drinking water in schools but the allocations do not reflect upon it adequately. It was expected that the budget would earmark a higher allocations for sanitation. It is also imperative that the Ministry of Drinking Water and Sanitation starts reporting under the Gender Budget Statement given the need for clean and private spaces for toilets are a priority requirement for well-being of young girls and women.

Further, the monitoring and reporting of the programme should include a provision for social audits. Both rural and urban sanitation programmes should focus more on the usage of toilets, apart from construction. Capacity building, training and IEC should be emphasised to bring about behavioural changes. There is lot more that needs to be done and a more serious approach to drinking water and sanitation that affects health, nutrition and security is expected.

4. RURAL DEVELOPMENT

Major Proposals in the Union Budget 2014-15

- MGNREGA linked to asset creation and Agriculture and Allied Activities.
- *Shyama Prasad Mukherji* Rurban Mission for urbanisation with Rs. 100 crore outlay
- Provision of bank loan for women SHGs in 100 districts under *Ajeevika* (NRLM). Start-up Village Entrepreneurship Programme (an initial sum of Rs. 100 crore allocated)
- *Neeranchal* scheme under Integrated Watershed Management Programme with Rs. 2142 crore outlay
- *Deendayal Upadhyaya Gram Jyoti Yojana* for feeder separation to augment power supply to rural areas (Rs. 500 crore outlay)

Key Findings

- No change in Union Budget 2014-15 allocations for most of the flagship programmes under MoRD over the 2014-15 Interim Budget (IB).
- Only marginal increase in allocations under PMGSY over IB.
- Allocations in MGNREGA amount to Rs. 34000 crore in Union Budget 2014-15, same as that of IB. Allocations in MGNREGA have remained stagnant around the same amount over the past few years.
- Allocations for IAY have remained the same as in IB 2014-15. But Rs. 8000 crore allocation have been increased for National Housing Bank (NHB).
- Public Private Partnership (PPP) mode of service delivery in rural areas has been given a lot of emphasis in the budget.

Allocations across Major Schemes under Ministry of Rural Development (MoRD) (in Rs. crore)

Major Schemes	2012-13 (Actual)	2013-14 (BE)	2013-14 (RE)	2014-15 (IB)	2014-15 (BE)
Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)	30274	33000	33000	34000	34000
Ajeevika/National Rural Livelihood Mission (NRLM)	2195	4000	2600	4000	4000
Indira Awaas Yojana (IAY)	7869	15184	13184	16000	16000
Pradhan Mantri Gram Sadak Yojana (PMGSY)	8884	21700	9700	13000	14391
Integrated Watershed Management Programme (IWMP)	2891	5387	2284	3500	3500
Shyama Prasad Mukherji Rurban Mission	-	-	-	-	100
Village Entrepreneurship Start-up Programme	-	-	-	-	100
Total MoRD	53181	80251	61864	82261*	83852*

Note: 1. All figures have been rounded off
2. The figures are inclusive of the NER component
* Includes the allocations for NSAP (Rs. 10618 crore), which was earlier reported under Ministry of Finance
Source: Compiled by CBGA from Union Budget documents (various issues)

4.1 Introduction

India has a large share of rural population whose livelihood mainstay is still agriculture. India's rural population has declined from more than 80 percent in 1960s to 66 percent currently (Census, 2011). In other emerging economies like Brazil and China the decline in rural population has been much sharper. In Brazil the proportion of rural population decreased from about 54 percent in 1960 to 16 percent in 2010 and in China from about 84 percent to 51 percent over the same period. Thus, given the large rural economy in India, there is an evident need for concerted focus on rural development both in terms of policies and budgetary allocations.

According to the Standing Committee on Rural Development (Report No. 41, 2012-13), in developing countries like India, in addition to agriculture, the focus is on rural poverty. The Committee recommended that the Union Budget for rural development should be assessed, keeping in mind budget requirements of agriculture, food security, social justice, drinking water & sanitation and empowerment of panchayats for integrated development of rural India.

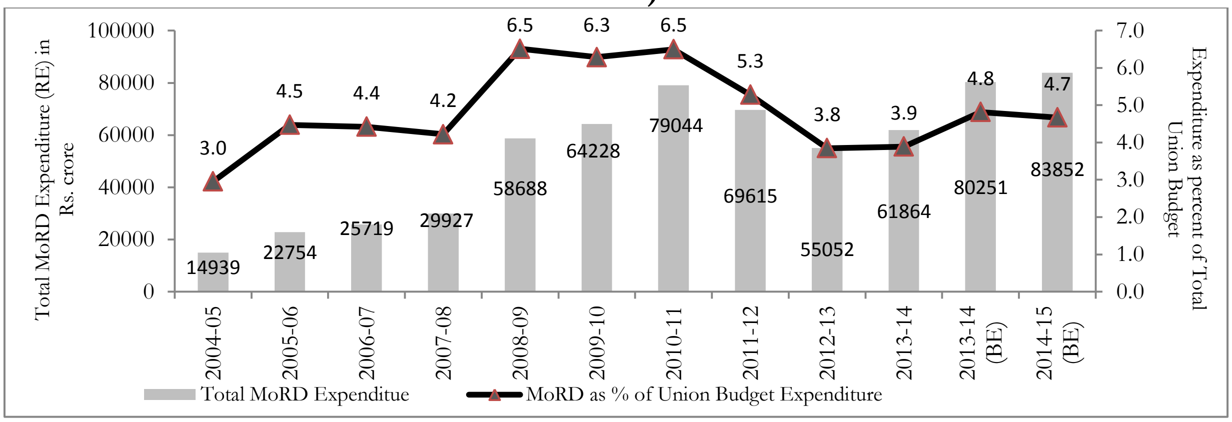
With a change of guard at the Centre, it would be interesting to witness how the plan for rural India unfolds. In the elections for the 16th Lok Sabha, the BJP had announced specific agenda for the rural sector in its election manifesto. The manifesto had envisioned the idea of Rurban – "urban amenities to rural areas while retaining the soul of the village" and a focus on improving village level infrastructure. Accordingly, the *Shyama Prasad Mukherji* Rurban Mission and the Village Entrepreneurship Start-up Programme have been introduced with an initial allocation of Rs. 100 crore in each. The preferred mode of delivery under the Rurban Mission is PPP.

4.2 Trends in Budgetary Allocations for Rural Development: Union and State

There are a number of programmes/schemes being carried out by the Ministry of Rural Development (MoRD) at the Centre in addition to those by different States. The major flagship programmes which account for bulk of the allocations in the Ministry include the MGNREGA, *Ajeevika*/NRLM, IAY, PMGSY, and the IWMP. Some of the important schemes related to power supply in rural areas like the *Rajiv Gandhi Grameen Vidyutikaran Yojana* (RGGVY) and the recently introduced *Deendayal Upadhyaya Gram Jyoti Yojana* come under the Ministry of Power.

Chart 4.1 above, traces the ten-year expenditure trend of the MoRD on the primary vertical axis and the expenditure of MoRD as percent of total Union Budget (UB) on the secondary vertical axis. There is a rising trend in the nominal MoRD expenditure from 2004-05 (RE) to 2014-15 (BE). The total expenditure more than doubled between 2006-07 and 2008-09 due to the introduction of several rural development programmes by the government mainly the flagship programme MGNREGA, which came into operation in the year 2006-07. The expenditure shows a relative dip after 2010-11 as the Department of Drinking Water and Sanitation was taken out of the MoRD and made a separate ministry.

Chart 4.1: Expenditure in MoRD as percent of Total Union Budget from 2004-05 to 2014-15 (in Rs. crore)



Note: The figures include allocations for Department of Rural Development (DoRD) and Department of Land Resources (DoLR)

Source: Compiled by CBGA from Expenditure Budget, Vol. I and II (various issues)

Although there is an increase in total allocations for MoRD in 2014-15 (BE) from 2013-14 (RE), quite a substantial portion of this increase is due to the National Social Assistance Programme (NSAP) allocation (Rs. 10618 crore), which from 2014-15 is being reported under the MoRD. Earlier it was reported under the Ministry of Finance (MoF). If compared to 2013-14 (BE), the increase due to NSAP inclusion more than accounts for the total increase in MoRD budget allocations in 2014-15 (BE). As percent of the total UB, there was a sudden increase in expenditure of MoRD from 4.2 percent in 2007-08 to 6.5 in 2008-09. It again decreased to a low of 3.8 percent and has remained in the range of 3.8 to 4.7 percent since then.

Table 4.1 below compares the outlay and expenditure during the 11th Five Year Plan (FYP) period with the 12th FYP outlays across different flagship schemes under the MoRD. The outlays under some of the schemes like PMGSY and NRLM show a substantial increase for the 12th FYP over the 11th Plan outlay across all the schemes. However, the outlays in the 12th FYP are much below those proposed by the MoRD.

Table 4.1: Expenditure in 11th FYP and Outlay in 12th FYP (in Rs. crore)

Scheme	Recommended Outlay for the 11th Plan	Expenditure over the 11th Plan	Proposal by MoRD for 12th Plan 2012-17	12th Plan as communicated by the Planning Commission
MGNREGA	100000	156301	358763	165059
NRLM/*Ajeevika*	17803	12153	48906	29006
IAY	26882	41486	149930	59585
PMGSY	43251	65002	203000	124013
IWMP	17372	-	-	29296

Source: Report 41, Standing Committee on Rural Development (2012-2013); Approach Paper to 12th FYP; NIRD Statistics

In almost all the schemes the outlays approved by the 12th FYP are nearly half of those proposed by the Ministry. For instance, under MGNREGA the MoRD had proposed about Rs. 3.6 lakh crore for the 12th

Plan period but the Planning Commission approved only Rs. 1.6 lakh crore. For some other schemes like IAY, the 12th Plan amount approved was less than half of the amount proposed by the MoRD.

Table 4.2 shows that the allocations made in the first three years as percent of the total 12th Plan outlay have varied across different schemes. Under NRLM, PMGSY and IWMP the allocations in the first three years have been less than 50 percent of the total Plan outlay and relatively larger amounts remain to be allocated in the last two years of the Plan.

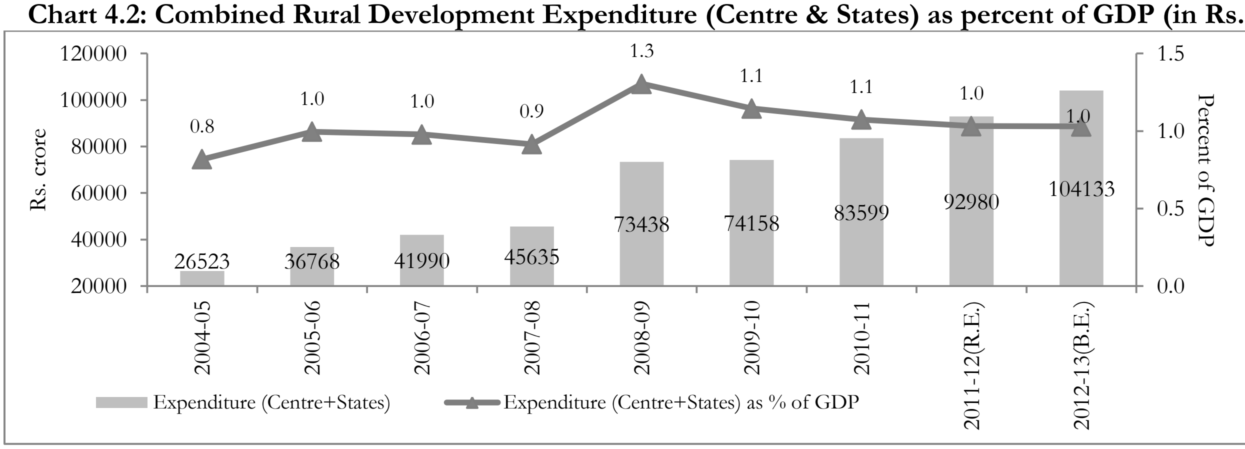
Table 4.2: Allocations (BE) over different years in the 12th FYP (in Rs. crore)

Scheme	12th Plan Allocations as communicated by the Planning Commission	2012-13 BE	2013-14 BE	2014-15 BE	Allocation in first three years as percent of total 12th Plan outlay
MGNREGA	165059	33000	33000	34000	60.6
NRLM/*Ajeevika*	29006	3915	4000	4000	41.1
IAY	59585	11075	15184	16000	70.9
PMGSY	124013	24000	21700	14391	48.5
IWMP	29296	3050	5387	3500	40.7

Source: Report 41, Standing Committee on Rural Development (2012-2013); Approach Paper to 12th FYP; NIRD Statistics

It is worth noting that the expenditure being incurred on the rural development sector forms a very small proportion of the total GDP of the economy. Chart 4.2 below shows the combined expenditure of Centre and States in the rural development sector, in absolute amount and as percent of GDP. There is an increasing trend in the total expenditure (Centre and States combined) over the years since 2004-05. However, the combined expenditure of Centre and States as a percent of GDP has remained at around one percent throughout the 10 year period.

Chart 4.2: Combined Rural Development Expenditure (Centre & States) as percent of GDP (in Rs. crore)



Source: Compiled by CBGA from National Account Statistics, CSO; Indian Public Finance Statistics, 2012-13

4.3. Major Schemes: Physical and Financial Achievements over the Years

An analysis of some of the major schemes under MoRD shows that MGNREGA constitutes the largest share followed by PMGSY and NRLM.

4.3.1 Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

Under the MGNREGA, the expenditure as percent of total available funds has been in the range of 73-83 percent in most of the years since the inception of the Scheme, exceeding the total available funds in the year 2012-13. However, the person-days of employment per household generated have been in the range of 42-54 days, much less than the guaranteed number of 100 days. Thus, the performance under this scheme has been less than satisfactory. It has been reported that under MGNREGA there were enormous unpaid wages in the year 2013-14, amounting to a sum of Rs. 4,800 crore. Further, in the Union Budget 2014-15 the allocations have not seen much increase over the previous years. It must be noted that the allocations under the MGNREGA over the past few years have remained stagnant. Given the forecast of a bad monsoon this year, the allocations were expected to be higher. The Union Budget 2014-15 notes that "wage employment would be provided under MGNREGA through works that are more productive, asset creating and substantially linked to Agriculture and Allied Activities." With an outlay of Rs. 33000 crore in 2013-14, MGNREGA provided 219.72 crore person-days of employment to 4.78 crore households with an average wage employment of 46 person-days (Economic Survey, 2013-14.

Table 4.3: MGNREGA - Financial and Physical Progress

Years	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Financial Progress							
Items	200 Districts	330 Districts	615 Districts	619 District	625 Districts	635 Districts	636 Districts
Budget Outlay (Rs. crore)	11300	12000	30000	39100	40100	40000	33000
Central Releases (Rs. crore)	8641	12610	29940	24714	10383	9952	32550
Total available fund (including OB) (Rs. crore)	12074	19306	37397	45682	52649	41564	38835
Expenditure (Rs. crore)	8823	15857	27250	37910	39377	37549	39440
Expenditure (% against available funds)	73%	82%	73%	83%	75%	90%	101%
Expenditure on wages (as % of total expenditure)	66%	68%	67%	69%	58%	64%	69%
Physical progress							
Total Job Cards Issued (in crore)	3.8	6.5	10.0	11.3	12.0	12.3	12.6
Households provided Employment (in crore)	2.1	3.4	4.5	5.3	5.5	5.0	5.0
Total Employment days (in crore)	90.5	143.6	216.3	283.6	257.2	211.4	210.8
Person-days of employment per HH	43 days	42 days	48 days	54 days	47 days	42 days	44 days
Average Wage paid per person-day (in Rs.)	65	75	84	89	99	113.54	121.38

Source: National Institute of Rural Development (NIRD) Statistics, 2012-13

4.3.2 National Rural Livelihood Mission (NRLM)/*Ajeevika*

The NRLM was launched in 2011, remodeling the *Swarn Jayanti Gram Swarozgar Yojana,* in a Mission mode with a demand driven strategy. The avowed objective of the NRLM/*Ajeevika* is "to reduce poverty by enabling the poor households to access gainful self-employment and skilled wage employment opportunities…" For this, one of the main objectives is the establishment of Self-Help Groups (SHGs). There is a provision of bank loan to the women SHGs at a lower rate of 4 percent on prompt repayment, which is in operation in 150 districts. In the Union Budget 2014-15, this facility is being extended to another 100 districts. In addition, a Start-Up Village Entrepreneurship Programme has been initiated for encouraging rural youth to take up entrepreneurship programmes. For this, an initial sum of Rs. 100 crore has been allocated.

Table 4.4: NRLM/*Ajeevika* - Financial and Physical Progress

Financial Progress									
Items	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13***
Total Allocation	1333	1333	1466	2269	2643	2689	3116	2866	2878
Total Funds Available	1511	1558	1724	2394	3003	3496	3752	3202	1801
Total Funds Utilised	1291	1339	1424	1966	2285	2779	2804	2318	413
Percent Utilisation of Funds Available	85	86	83	82	76	80	74	72	23
Percent Utilisation to Allocation	97	101	97	87	86	103	90	81	14
Physical Progress									
SHGs formed	266230	276414	246309	306688	563530	389259	311314	233713	61924
Women SHGs formed	191666	213213	176712	231670	404972	292788	207280	153558	40949
Percent of Women SHGs	72	77	72	76	72	75	67	66	66

Note: * Up to November, 2012

Source: National Institute of Rural Development (NIRD) Statistics, 2012-13

Table 4.4 above shows that funds utilised as a percent of total available funds have remained in the range of 70-85 percent. In terms of physical progress, out of the total SHGs formed, women SHGs constitute around 70 percent . Women have been the focus group under the scheme with targeted sub-components like the *Mahila Kisan Sashaktikaran Pariyojana*. With less than satisfactory achievements under the scheme, the Standing Committee on Rural Development (2012-13) had recommended that the DoRD must work towards encouraging rural women SHGs.

4.3.3 *Pradhan Mantri Gram Sadak Yojana* (PMGSY)

The primary objective of PMGSY is to provide good all-weather connectivity to all eligible unconnected habitations in the core network with a population of 500 (as per Census 2001) and above. As shown in Table 4.5 below, the expenditure over the years, as percent of allocations under the scheme have been quite satisfactory. Similar is the case with physical achievements in terms of number of habitations covered and the length of road works completed. In the Union Budget 2014-15, the allocation under PMGSY has been reduced to Rs. 14389 crore as compared to 2013-14 (BE). However, as compared to the Interim Budget 2014-15, there is a small increase of about Rs. 1,391 crore. During 2013-14, a total of 25,316 km of all-weather road including new connectivity to 6560 habitations had been completed at an expenditure of Rs. 13,095 crore (Economic Survey, 2013-14).

Table 4.5: PMGSY - Financial and Physical Progress

Financial Progress								
Years	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13*
Allocation (in Rs. crore)	4220	6274	11000	15280	17840	22000	20000	24000
Expenditure	4100	7304	10619	15162	18833	22400	19342	6758
Expenditure as percent of Allocation	97	116	97	99	106	102	97	28
Physical Progress								
(Target) No. of Habitations to be Connected	7895	9435	12100	18100	13000	4000	4000	4000
(Achievement) No. of Habitations Connected	8202	10801	11336	14475	7877	7584	6537	4,657
(Target) Length of Road Works to be Completed (in Km.)	17454	27250	39500	64440	55000	34090	30566	30000
(Achievement) Length of Road Works Completed (in Km.)	22891	30710	41231	52405	60117	45109	30995	14,685

Note: The figures include assistance from World Bank/Asian Development Bank

*Up to December 2012

Source: Outcome Budgets and Annual Reports, MoRD

4.3.4 *Indira Awaas Yojana* (IAY)

The IAY is another flagship scheme of the MoRD which aims at providing houses to below the poverty line (BPL) families in the rural areas. The Annual Report (2012-13) of the MoRD notes that the role of the State Government is limited to releases and to facilitate use of appropriate technology. In Table 4.6 below it is shown that physical achievement over the years has been largely satisfactory in terms of targets, though since 2009-10 the number of houses constructed have fallen short of the target. The physical target for construction during 2013-14 was 24.81 lakh houses, of which 10.93 lakh had been constructed and 23.76 lakh were under construction. During 2013-14, a total of about Rs. 13895 crore was allocated for construction of 24.81 lakh houses and Rs. 12970 crore was released (Economic Survey, 2013-14).

Table 4.6: IAY - Financial and Physical Progress

	2004-05	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Central Allocation (Rs. in lakh)	246067	273240	290753	403270	564577	849470	1005370	949120
Central Release (Rs. in lakh)	288310	273823	290753	388237	879579	863574	1013945	986478
Utilisation (Rs. in lakh)	326209	365409	425343	546454	834834	1329236	1346573	1292633
Target (No. of Houses, in lakh)	15.62	14.41	15.33	21.27	21.27	40.52	29.08	27.26

Houses Constructed/Completed	15.21	15.52	14.98	19.92	21.34	33.86	27.15	24.71

Source: Annual Report, 2012-13, MoRD

In the Union Budget 2014-15, the allocation has remained the same as in the Interim Budget 2014-15. As compared to the budget allocations in the year 2013-14, the increase has been only marginal from Rs. 15184 crore to Rs. 16000 crore. The Budget 2014-15 has proposed an increase in the allocation to Rs. 8000 crore (for 2014-15) for National Housing Bank (NHB) to expand and continue support to rural housing.

Under the Integrated Water Management Programme (IWMP), the budgetary allocations have remained the same as in the Interim Budget 2014-15. A new programme '*Neeranchal*' has been introduced with an initial outlay of Rs. 2142 crore in the financial year 2014-15.

4.4 Conclusion

The Union Budget 2014-15 does not show any substantial increase in the allocations under any of the flagship programmes of the Government under MoRD. In fact, in most of the schemes there is no change from the allocations presented in the Interim Budget. The total allocation for the MoRD has increased from Rs. 80251 crore in 2013-14 (BE) to Rs. 83852 crore in 2014-15 (BE). However, this has been largely due to the fact that Rs. 10618 crore for the NSAP is now being reported under the MoRD which was earlier under the MoF. The allocations under important programmes like the MGNREGA have remained stagnant over the past few years and there are huge unpaid wages reported under it. Given the importance of wage-employment generating programmes like MGNREGA, it is important for the Government to ensure proper functioning and adequate allocations for such programmes. There is an overall increase in the emphasis on the choice of Public Private Partnership (PPP) as the mode of delivery. In India the combined expenditure of Centre and States on rural development has remained around only one percent of GDP over the past decade. Given the fact that more than 65 percent of the population still reside in rural areas and that the rural-urban inequalities in the last decade have been increasing, as shown by government's own statistics, it is imperative that the government augment its expenditure commitments towards rural development and improve the adequacy of funds as well as other systemic bottlenecks that act as deterrent to the development process in rural areas.

5. AGRICULTURE

Major proposals/announcements for the sector in Union Budget 2014-15

- Two agri-research institute with an allocation of Rs. 100 crore and creation of an Agri-Tech Infrastructure Fund with an allocation of Rs. 100 crore.
- Two Agricultural and Horticulture Universities with an allocation of Rs. 200 crore each.
- Price Stabilisation Fund for Cereals and Vegetables with a proposed allocation of Rs 500 crore.
- *Pradhan Mantri Sinchai Yojana* with proposed allocation of Rs. 1000 crore and Soil Health Card scheme with a proposed allocation of Rs. 100 crore and Rs. 56 crore for 100 Mobile Soil Testing Laboratories.
- Creation of Warehouse Infrastructure Fund with a proposed allocation of Rs. 5000 crore.
- Creation of Long Term Rural Credit Fund with NABARD, an initial corpus of Rs. 5000 crore has been allocated.
- Kishan TV programme with an allocation of Rs. 100 crore for real time information dissemination on new farming techniques, water conservation, organic farming.

Key findings

– A meagre increase in allocation for the MoA in the current budget, i.e. Rs. 31,063 crore compared to Rs. 29,963 crore in 2014-15 IB.
– Increased allocation under crop insurance schemes in the current budget over the previous budgets.
– No budgetary allocation under Integrated Scheme for Farmer's Income Security.
– Interest subvention scheme for short term crop loans will continue at an interest rate of 4 percent.
– Target for the farm credit has been pegged at Rs. 8 lakh crore.

Budget Allocation for Select Schemes by MoA and DoLR (in Rs. Crore)

Scheme	2012-13	2013-14 RE	2014-15 IB	2014-15 BE
Rashtriya Krishi Vikas Yojana (RKVY)	8400	7089	9864	9954
National Food Security Mission (NFSM)	1722.86	1737.6	2205	2030
National Horticulture Mission (NHM) [Mission for Integrated Development of Horticulture (MIDH)]	1089.27	1867.6	2524	1958
National Mission on Sustainable Agriculture (NMSA)	0	0.1	1859	1550
National Project on Management of Soil Health and Fertility/Soil Health Card	12.73	24.50		100
National Oilseed and Oil Palm Mission	398.48	554.77	501	426
Integrated Watershed Management Programme (IWMP)	2891.4	1834.78	3464	3500
Accelerated Irrigation Benefit & Flood Management Programme (AIBFMP)	6491.6	6162	10750	8992.2
NAIS/MNAIS/WBIC	1549.18	2150	2176	2940
Integrated Scheme for Farmer's Income Security	0	1	0	0
Pradhan Mantri Krishi Sinchai Yojana	0	0	0	1000
Price Stabilization Fund for Cereals and Vegetables	0	0	0	500
Schemes on Agricultural Marketing	504.71	843.62	682.76	755.67

Source: Compiled by CBGA

Agriculture, as a sector, has been playing a significant role in shaping the overall growth of the Indian economy since Independence. However, the contribution of the 'primary sector' in the overall Gross Domestic Product (GDP) of the country has come down significantly from 52 percent in 1950-51 to 29.5 percent by 1990-91 and shrank further to 13.9 percent in 2013-14. Further, the share of 'agriculture' alone was recorded at a low of 11.8 percent in 2012-13, from a much higher share (in GDP) of 41.8 percent during 1950-51. However, in spite of this decline in its share in the country's GDP, it employs 54.6 percent of total population of the country. As a source of raw materials for a number of industries, contribution in the country's total export and the linkages with overall economic growth as well as securing food for the nation, the sustained growth of the agriculture sector is imperative.

Post 1990s, the gap between the overall GDP growth rate and that of the growth of the primary sector has widened. For instance, the annual average growth of GDP in the decade of 1990s and 2000s were 5.81 percent and 7.26 percent respectively, whereas the same for the primary sector was recorded at 3.39 percent and 2.68 percent respectively. This clearly indicates that the primary sector growth is lagging behind the overall economic growth. However, a revival of the growth of agri-GDP has been noticed during the last couple of years. In fact, the annual average growth rate of agriculture registered at 4.1 percent during the 11th Five Year Plan; and 1.4 percent and 4.7 percent during the first two years of the 12th plan period. However, concerns relating to inadequate public provisioning (particularly, through budgets) and its associated low priorities in the annual budgets of the Union and State governments have been a major concern.

Lofty promises have been made in the election manifesto of the present government at the Centre. In the run up to the country's general election, 2014, it was promised to the people of the country that it would, increase public investment in agriculture, enhance profitability in agriculture by ensuring a minimum of 50 percent profits over the cost of production, cheaper agriculture inputs and strengthen and expand rural credit, welfare measures for farmers above 60 years in age, small and marginal farmers and farm labours, … implement farm insurance scheme to take care of crop loss, etc. Keeping in view the stunted growth of the agriculture sector over the years, and the objective of "faster and inclusiveness", the 12th FYP document had also promised to increase budgetary investment in this sector.

Considering the promises made in the election manifesto as well as deficient rainfall as has already been experienced (which would hit agriculture production), one would expect the Union Budget 2014-15 to give top priority to this sector, particularly a boost to rural employment under MGNREGS and for agricultural activities in the dryland. But there has only been a slight increase in the present budget compared to allocations of the previous budgets.

5.1 A Snapshot of the Budget for the Ministry of Agriculture

Agriculture is a subject which falls under states' responsibility for its overall development. However, the Union government through the Ministry of Agriculture (MoA) has been spending a substantial part of its resources through its annual budgets. The allocation for the Ministry of Agriculture in the 2014-15 BE has shown a marked increase to Rs. 31,063 crore over the revised budget of 2007-08 RE (which was Rs. 11,019 crore). In fact, the annual budget of the MoA increased by almost 3 times during the period 2007-08 RE and

2014-15 BE. The growth of such expenditure of the Ministry has been noticed in the Plan head, which is a welcome step. The formulation and implementation of the Rashtriya Krishi Vikas Yojana (RKVY) has been instrumental to such a growth of the Plan expenditure of the Ministry and is also evident from the growing Plan budget of the Department of Agriculture and Cooperation. However, agricultural research and education, which has been playing an important role in the research and development of new technologies to cope with the increasing demand of foodgrains in the country, has not been given priority in the annual budgets of the Ministry except for the new announcement of the opening up of two agricultural universities. Likewise, the budgets for the Department of Animal Husbandry, Dairying and Fisheries of the MoA, has also not been accorded due priority. In fact, during 2007-08 RE, the Plan allocations for the Department of Agriculture Research and Education and the Department of Animal Husbandry Dairying and Fisheries were Rs. 1,434 crore and Rs. 810 crore; this has increased to Rs.3,715 and Rs. 2,174 crore in the 2014-15 BE respectively (Table 5.a).

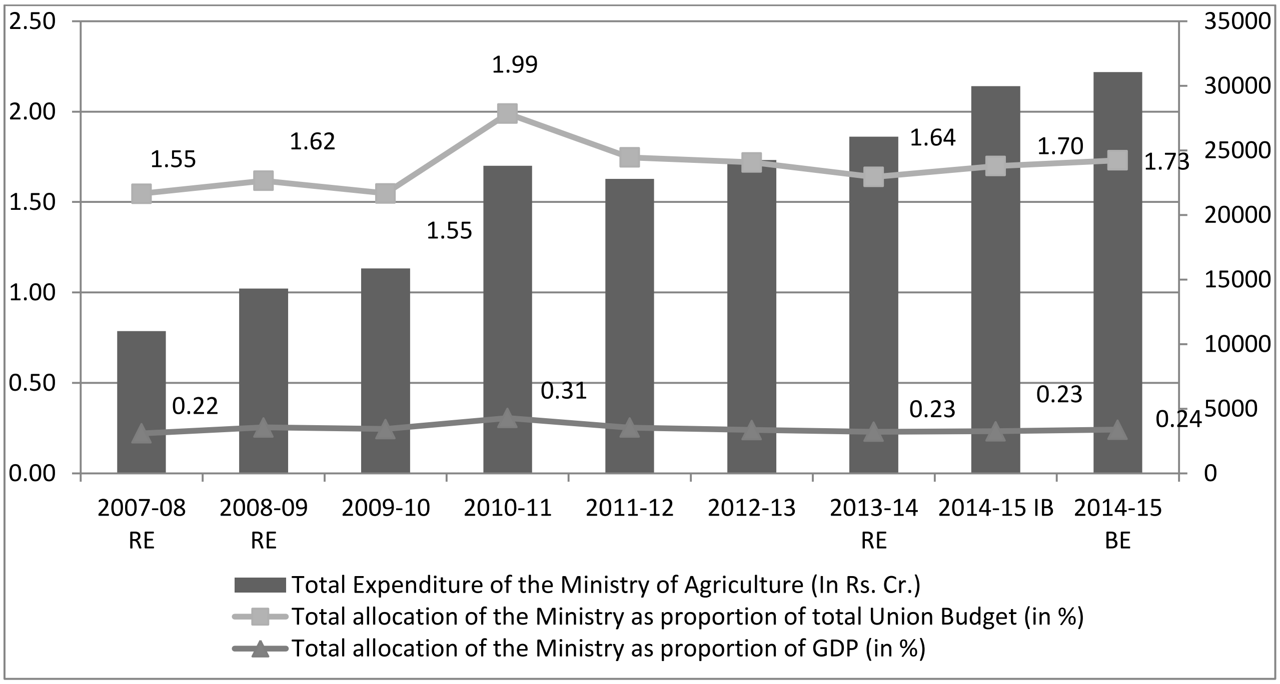
Table 5.1: Allocations for Three Departments of the Ministry of Agriculture since 2007-08
(Rs. Crore)

Year	Types of Expenditure	Dept. of Agriculture and Cooperation	Dept. of Agricultural Research and Education	Dept. of Animal Husbandry Dairying and Fisheries	Total Expenditure by the Ministry of Agriculture
1	2	3	4	5	6=3+4+5
2007-08 (RE)	Plan	6928	1434	810	9172
	Non-Plan	886	903	58	1847
	Total	7814	2337	868	11019
2008-09 (RE)	Plan	9800	1760	940	12500
	Non-Plan	528	1200	76	1803
	Total	10328	2960	1016	14303
2009-10	Plan	10623	1707	871	13201
	Non-Plan	1051	1503	100	2655
	Total	11675	3210	971	15856
2010-11	Plan	16967	2522	1096	20585
	Non-Plan	277	2864	93	3234
	Total	17245	5386	1189	23819
2011-12	Plan	16524	2573	1230	20327
	Non-Plan	195	2156	103	2454
	Total	16719	4729	1333	22781
2012-13	Plan	17655	2461	1716	21833
	Non-Plan	298	2048	76	2421
	Total	17953	4510	1792	24254
2013-14 (RE)	Plan	19000	2600	1800	23400
	Non-Plan	307	2281	83	2671
	Total	19307	4881	1883	26071
2014-15 (IB)	Plan	21609	3415	2074	27098
	Non-Plan	343	2429	92	2865
	Total	21952	5844	2166	29963
2014-15 (BE)	Plan	22309	3715	2174	28198
	Non-Plan	343	2429	92	2865
	Total	22652	6144	2266	31063

Source: Compiled by CBGA from Union Budget documents

Further, in 2007-08 RE the share of allocation for the MoA out of the total Union Budget and GDP were 1.55 and 0.22 percent respectively, which has increased slightly to 1.73 and 0.24 percent respectively in 2014-15 BE. This clearly indicates that the annual budget for the Ministry of Agriculture, Government of India, has not been prioritised for a long time (Chart 5.1).

Chart 5.1: Share Expenditure of the Ministry of Agriculture out of the Total Union Budget and GDP since 2007-08.



Note: RE-Revised Estimate; BE-Budget Estimate; and IB-Interim Budget
Source: Compiled by CBGA from Union Budget documents

5.2 Union Government Expenditure on Special Interventions for Rainfed / Dryland Agriculture

Given that nearly two-thirds of the country's cultivated area is under rainfed agriculture and related activities, policies supported by adequate budgets are critical for achieving sustained agricultural growth. In the past, there have been a few policy announcements for the development of rainfed agricultural practices in the country; however, inadequate budget allocations to facilitate their implementation have led the expected outcomes to nought. Though programmes like Bringing the Green Revolution to the Eastern Region of India (BGREI)and the National Mission of Sustainable Agriculture (NMSA) have been receiving an increased budget over the years, the amount required to implement such programmes, continue to remain inadequate.

It is useful to take a look at the allocations/expenditure provisioned under the Department for Land Resources (DoLR) within the Ministry of Rural Development, the administrative unit responsible for the development of dryland/rainfed agriculture in the country. The purpose and function of this administrative department pertains to implementing the programmes and schemes for dryland/rainfed agriculture.

Table 5.2 Expenditure by the Department of Land Resources since 2007-08 (in Rs. Crore)

Items/Year	2007-08 RE	2008-09 RE	2009-10	2010-11	2011-12	2012-13	2013-14 RE	2014-15 IB	2014-15 BE
Total exp. under Department of Land Resources	1404	1805	2025	2618	2426	2994	2808	3759	3759
As % of Total Union Government Expenditure	0.20	0.20	0.20	0.22	0.19	0.21	0.18	0.21	0.21
As % of GDP at Market Prices	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.03	0.03

Source: Compiled by CBGA from Union Budget documents

The Union Budget allocations for the special land development programmes (total allocation under the Department for Land Resources, in absolute terms) has increased from Rs.1,404 crore in 2007-08 RE to Rs.3,759 crore in 2014-15 BE. But, as a share of the total Union Government expenditure as well as GDP, this constitutes a meagre amount. For instance, its share from Union Budget expenditure was 0.20 percent in 2007-08 RE, which declined to 0.18 percent in 2013-14 RE before increasing slightly to 0.21 percent in the current budget. The expenditure by the Department of Land Resources as a share of the country's budget shows a stagnating one since 2007-08 RE (Table-5.2).

As noted in the Economic Survey 2013-14, due to implementation of RKVY and related sub-schemes like BGREI, there has been increased paddy production in implementing states by 7 percent in 2012-13 over 2011-12. Further, implementation of ISOPOM has led to increase in production of oilseeds in the country. However, the allocation trend of such schemes in the Union Budget during the last couple of years (including current year) is not impressive, particularly allocation for the 2014-15 BE, which sees only a marginal increase in allocation. For instance, the allocation under NFSM decreased in the budget estimate of 2014-15 compared to 2014-15 IB, and similarly for NMSA, NHM, and AIBFMP. However, increased budgetary allocation under RKVY, IWMP, Crop Insurance Schemes and Schemes for Agricultural Marketing has been noted in 2014-15 BE compared to the budgets of previous years. Further, new schemes have been announced in the budget 2014-15 BE, such as: *Pradhan Mantri Sinchai Yojana* (Rs. 1000 crore), Price Stabilisation Fund for Cereals and Vegetables (Rs 500 crore) and Soil Health Card (Rs. 100 crore), which could help the sector if implemented well.

The development and sustainability of agriculture in India critically depends on public investment in the sector. Further, for the growth process to be inclusive and sustainable, adequate allocations were expected from this Union Budget. With regard to provision for farm credit, increasing the targets each year might not be beneficial for the large proportion of small and marginal farmers as they do not have access to such formal sources of credit. Given the expected shortfall in rain, the Union Budget 2014-15 has ignored giving the agricultural sector its due priority (in terms of higher budgetary allocation).

6. FOOD SECURITY

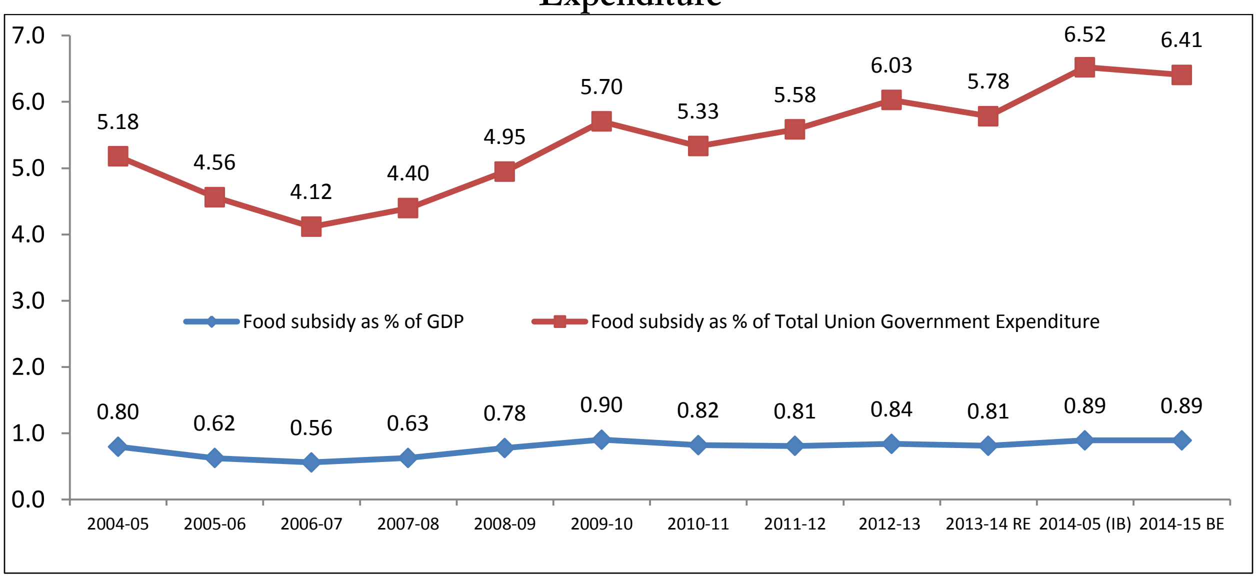
Major Proposals made in Union Budget-2014-15

- Restructuring FCI, reducing transportation and distribution losses and efficacy of PDS would be taken up on priority basis.
- Government is committed to provide wheat and rice at reasonable prices to the weaker sections of the society.
- If need be government will undertake open market sales to keep prices under control.
- To combat malnutrition, a national programme in Mission Mode with comprehensive strategy including detailed methodology, costing, time lines and monitorable targets will be put in place within six months.

Key Findings

- The total subsidy as a share of the total Union Budget was 9.22 percent in 2004-05 which increased to 17.71 percent in 2012-13 and started declining thereafter. It has declined to 14.5 percent in the current budget.
- The share of food subsidy in the total Union Budget during 2004-05 was 5.18 percent. This has increased to 6.41 percent in the current budget.
- As a proportion to the GDP, share of food subsidy stood at less than 1 percent since 2004-05.
- An additional outlay of Rs. 55,618 crore would be required over and above the current budgetary allocation under Food Subsidy in order to distribute @ 35 kgs. of cereals per month per household with a coverage of 80 percent of total households in the country.

Union Budget Allocation for Food Subsidy as % of GDP and Total Union Govt. Expenditure



Source: Compiled by CBGA from Union Budget documents.

The number of people plagued with hunger and undernourishment in the world has remained unacceptably high, as 842 million people - or one in eight people in the world - do not have enough to eat. Out of this, Asia has the highest number of people with hunger, constituting 66 percent, followed by Sub-Saharan Africa (27 percent) and Latin America and the Caribbean (6 percent). Almost 98 percent of the world's undernourished people live in developing countries. Further, hunger and malnutrition has its own gender dimension as 60 percent of the world's hungry happen to be women. It is indeed a shocking statistic that 50 percent of pregnant women in developing countries lack accesses to adequate dietary care which possibly is a major contributor to almost 2.4 lakh maternal deaths annually from childbirth. The severity of the situation of hunger and malnutrition is even worse with children. Due to inadequate food and nutrition for mothers, one in six children is born with a low birth weight in developing countries and the annual incidence of under-five mortality in these countries is around 45 percent. This means that hunger and its related diseases leads to the loss of a child every 10 seconds!

India's record in mitigating hunger and malnutrition is quite unsatisfactory. In fact, during 2010-12 the incidence of undernourished people in total population was as high as 17.5 percent (compared to 20.9 percent in 2004-06); the incidence of underweight children in the total under-five age group was 40.2 percent in 2008-12; the incidence of anemia in the age 6- 59 months is reported to be as high as seventy percent. Due to the lack of proper nutrition among the children under-five years of age, 'wasting' is inflicted on almost 20 percent, 43 percent are underweight and 48 percent are 'stunted'. Further, hunger and malnourishment have their own social geography (as the Scheduled Castes/Tribes (SCs/STs) are relatively worse off) as well as physical-economic geography, with a number of Indian states being comparable to the worst cases in Sub-Saharan Africa. For instance, the prevalence of wasting among the children from the ST community is 28 percent, compared to 20 percent for the overall relevant population.

Despite several major schemes in place for decades, such as the Integrated Child Development Services (ICDS), the Mid-Day Meal, *Anganwadi* Centres and others, the core problem of hunger and malnutrition of its children continues to haunt the country on a significant scale. The implementation of many of these schemes is quite tardy and is illustrated by the following numbers - only 33 percent children receive any service from an *Anganwadi* Centre (AWC); less than 25 percent receive food supplements through the scheme; and only 18 percent have their weights measured in an AWC.

Given such a scenario, the enactment of the National Food Security Bill (2013) by the Union Government of India, is certainly a welcome step. However, a number of issues pertaining to this Bill are yet to be resolved, in particular issues related to public provisioning (food subsidy in the budgets) and other implementation issues. Further, in the run-up to the country's general election 2014, the present government at the Centre had also promised to secure people's right to food and nutrition in its election manifesto.

Before proceeding into the details of the policy announcements and the budgetary allocations in the Union Budget 2014-15 on food subsidy, it will be useful to take a look at the trend of the overall subsidy given in the Union Budget since 2004-05.

Box 6.1: Promises Made in the Election Manifesto

The BJP's election manifesto promised that, "… 'universal food security' is integral to national security…. and that the right to food does not remain an act on paper or a political rhetoric". This means that the right to food will be a reality for all instead of being targeted at select groups. Further, a review of the Public Distribution System (PDS) was promised in order to benefit the common man with a radical transformation of the Food Corporation of India (FCI). In the Union Budget 2014-15, there has been a mention on 'unbundling FCI operations into procurement, storage and distribution for greater efficiency'.

Table 6.1 Major Subsidies Given in the Union Budget since 2004-05 (in Rs. Crore)

Items/Year	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 RE	2014-05 (IB)	2014-15 BE
A. Major Subsidies	**44633**	**44220**	**52935**	**66638**	**123206**	**134658**	**164516**	**211319**	**247493**	**245452**	**246397**	**251397**
Food Subsidy	25798	23077	24014	31328	43751	58443	63844	72822	85000	92000	115000	115000
Indigenous (Urea) Subsidies	10243	10653	12650	12950	17969	17580	15081	20208	20000	26500	31000	36000
Imported (Urea) Subsidies	494	1211	3274	6606	10079	4603	6454	13716	15132	12045	12300	12300
Sale of decontrolled fertiliser with concession to farmers	5142	6596	10298	12934	48555	39081	40766	36089	30480	29427	24670	24670
Total Fertiliser Subsidy	15879	18460	26222	32490	76603	61264	62301	70013	65613	67972	67970	72970
Petroleum Subsidy	2956	2683	2699	2820	2852	14951	38371	68484	96880	85480	63427	63427
B. Other Subsidies	**1324**	**3302**	**4190**	**4288**	**6502**	**6693**	**8904**	**9586**	**2315**	**10065**	**9310**	**9260**
Total Subsidies	**45957**	**47522**	**57125**	**70926**	**129708**	**141351**	**173420**	**220905**	**249808**	**255516**	**255708**	**260658**
Total Subsidies as % of GDP	1.42	1.29	1.33	1.42	2.30	2.18	2.23	2.45	2.47	2.25	1.99	2.02
Total Subsidies as % of Total Union Government Expenditure	9.22	9.40	9.79	9.95	14.67	13.80	14.48	16.94	17.71	16.07	14.50	14.52
Food Subsidy as % of GDP	0.80	0.62	0.56	0.63	0.78	0.90	0.82	0.81	0.84	0.81	0.89	0.89
Food Subsidy as % of Total Union Government Expenditure	5.18	4.56	4.12	4.40	4.95	5.70	5.33	5.58	6.03	5.78	6.52	6.41

Source: Compiled by CBGA from Union Budget documents

The data presented in Table 6.1 reveals that there has been a significant increase in nominal terms in the allocation of the overall subsidy of the Union Government since 2004-05. In fact, the total subsidy in the Union Budget for 2004-05 was Rs. 45,957 crore, which increased to Rs. 260,658 crore in 2014-15 BE. However, total subsidy as a share of GDP is around 1.4 percent to 2 percent during the said period. Similarly, total subsidy as a share of the total Union Budget was 9.22 percent in 2004-05, which increased to

17.71 percent in 2012-13 and started declining thereafter. In fact, it has declined to 14.5 percent in the current budget.

Following the enactment of the National Food Security Bill (2013), the allocation under food subsidy in the Union Budget shows a significant hike with a view to ensure food for all. Though there has been an increase in allocation under food subsidy in absolute terms in the current budget, compared to the budgets of the earlier years, food subsidy as a proportion of the GDP and the total Union Budget has declined since 2009-10. Food subsidy as a proportion to the GDP stood at less than 1 percent since 2004-05. However, the trend relating to the share of food subsidy in the total Union Budget of the country has seen an increase since 2004-05. The share of food subsidy in the total Union Budget during 2004-05 was 5.18 percent, which increased to 6.03 percent in 2012-13 and further to 6.41 percent in 2014-15 BE (Table 6.1). With the enactment of the National Food Security Bill and following the promises made in the election manifesto, it was expected that the maiden budget of the newly formed government at the Centre would accord priority to the food subsidy budget to cover the requirements for expanding the scope and entitlements - however, no such signals have been seen in this budget.

The Union Finance Minister in his budget speech did mention restructuring the Food Corporation of India (FCI), reducing transportation and distribution losses and efficacy of the Public Distribution System (PDS) on a priority basis; the budget is silent universal food entitlements. There has been no increase in the allocation under food subsidy compared to the provisions made in the Interim Budget 2014-15.

It is important to note that the allocations in the Union Budget on food subsidy is equal to the difference between the Economic Cost (EC-borne by the FCI) and the Central Issue Price (CIP-collected from the consumers) plus charges for carrying buffer stock (comprising of elements like freight, storage and interest charges). The EC includes: pooled cost of grains, procurement incidentals, acquisition cost and distribution cost. A major part of the funds provided for food subsidy in the annual budget of the Food and Public Distribution Department is given to the FCI to carry out its operations. However, a part of this fund is also given to some of the states or their agencies as per the norms under the DCP scheme, which is in operation since 1997-98. As of now, there are more than 10 states (or their agencies), which have taken the responsibility for procuring foodgrains for the central pool - the Union Government is providing the subsidies for these procurements. The information given in Table 6.2 shows the amount of subsidy released to the FCI and the DCP states.

Table 6.2 Amount of Food Subsidy Released to FCI and DCP States since 2009-10 (Rs. in crore)

FCI/ States	2009-10	2010-11	2011-12	2012-13	2013-14
To FCI	**46867.1**	**50729.6**	**59525.9**	**71980.0**	**75500.0**
Andhra Pradesh	NA	NA	NA	225.5	1554.8
Madhya Pradesh	1434.3	2013.8	2964.8	3356.7	3398.9
Uttar Pradesh	5368.6	2485.3	1219.6	39.3	5.2
West Bengal	1103.2	1241.1	1481.7	1816.1	1551.1
Chhattisgarh	1007.5	1923.5	1670.4	2345.4	2374.9

Uttarakhand	229.9	299.4	218.0	243.8	318.2
Tamil Nadu	672.4	1501.0	1897.7	1176.3	1007.5
Gujarat	40.3	20.2	59.6	115.1	0.0
Orissa	1282.0	2244.0	2934.7	2731.5	3041.1
Karnataka	0.0	0.0	0.0	0.0	493.0
Kerala	237.2	471.8	398.4	524.3	427.8
Rajasthan	0.0	0.0	0.0	0.0	67.5
To DCP States	***11375.3***	***12200.0***	***12845.0***	***12574.0***	***14240.0***
Total (FCI + States)	**58242.5**	**62929.6**	**72370.9**	**84554.0**	**89740.0**

Source: Reproduced from the data reported by the Department of Food and Public Distribution, GoI

Table 6.2 presents information related to the release of the subsidy in the Union Budget to the FCI and the DCP states since 2009-10. It has been observed that out of the total subsidy reported by the Department of Food and Public Distribution, GoI, on an average, almost 15 percent annually is given to the states which have opted for the DCP scheme and rest amount is given to the FCI.

6.1 Food Subsidy in State Budgets

Apart from the money being received as food subsidy by the states under the DCP scheme, state governments do allocate budgets for food subsidy in their annual budgets, either for expanding the coverage of household/population or by increasing the entitlement under the PDS. The table below shows the budgetary provisions for food subsidy by the state governments.

Table-6.3 Food Subsidy* by Select States during 2008-09 and 2012-13 (Rs. in Cr.)

States/Year	2012-13	2011-12	2010-11	2009-10	2008-09
Odisha	1189.79	978.52	940.93	852.77	568.98
Kerala	894.97	699.58	359.82	279.18	221.38
Andhra Pradesh	2692.08	2358.58	2328.58	2481.24	2428.01
Tamil Nadu	4900	4900	3950	4020	2780
Karnataka	990.93	791.43	926.15	1164.41	726.17
Maharashtra	312.60	326.23	604.82	908.25	3.91
Gujarat	NA	NA	173.51	152.91	168.10
Rajasthan	437.91	255.90	225.96	NA	NA
Chhattisgarh	NA	1328.88	1370.37	NA	NA
Himachal Pradesh	154.01	106	80.55	115.52	140.12

Note: * includes subsidy on food, grants to state civil supply corporation and Annapurna under NSAP, subsidy for domestic gas cylinder etc.; NA- Not Available.
Source: Compiled by CBGA

As mentioned above, the data presented in table 6.3 on food subsidy by the state governments, is over and above the food subsidy budget of the Union Government. This reveals that states like Odisha, Kerala, Andhra Pradesh, Tamil Nadu and Karnataka have been allocating a substantial amount under the food subsidy head in their respective annual budgets. In fact, the annual food subsidy budget for Odisha has increased from Rs. 569 crore in 2008-09 to Rs. 1190 crore in 2012-13. The same trend is seen in Kerala, Andhra Pradesh, Karnataka and Tamil Nadu. In fact the amount provisioned under food subsidy by the government of Tamil Nadu stands at Rs. 4900 crore in 2012-13. Chhattisgarh had provisioned Rs. 1329 crore in 2011-12 for food subsidy. It has been reported that these states have been doing very well with respect to the functioning of PDS in the country with a provision of near universal system. The point worth emphasizing here is that given the fiscal burden that the poorer states are confronting right now, an implementation of the provisions under the National Food Security Act for these states would be an added burden unless the Union Budget takes the responsibility of providing adequate budgets under the food subsidy head. Probably, that is the reason why only eleven states have so far implemented the Act fully or partially.

6.2 Financing Food Security for the Country: An Alternative Way of Provisioning for near Universal Public Distribution of Food Grains (Rice and / or Wheat and Millets)

The provision of food subsidy in the Union budgets (through the Department of Food and Public Distribution) is based on the allocation of foodgrains grounded on the figures of the population for the year 2000, taking household size as 5.5 and using 1993-94 poverty estimates. The allocation under the Targeted PDS is being made by the Central Government to States and UTs on the accepted number of 6.52 crore Below Poverty Line (BPL) households [including 2.43 crore Antodya Anna Yojana households (AAY)]. Further, the provision of food subsidy is also based on the Central Issue Price (CIP) of foodgrains to different categories of households. At present, the CIP of per quintal of wheat for AAY, BPL and Above Poverty Line (APL) is Rs. 200, Rs. 415 and Rs. 610 respectively. Similarly, the CIP of per quintal of rice for AAY, BPL and APL is pegged at Rs. 300, Rs. 565 and Rs. 830 (for Grade 'A') respectively. The present provision of food subsidy has been made on the basis of the EC of per quintal of wheat and rice, i.e., Rs. 1993.7 and Rs. 2755.8 respectively.

To put in place a near universal PDS and for the provisioning of rice and/or wheat and millets, the following exercise could be undertaken to arrive at an estimation of the food subsidy which needs to be provisioned in the forthcoming Union Budgets.

The exercise is based on the following assumptions:

- Total number of households at present is 24 crore (approximate); and coverage of 80 per cent of households (leaving apart the top 20 percent of households by using any rationale exclusion criterion), which comes to 19.2 crore households.
- Provision of distribution of rice under PDS at 20 kg per month per household;
- Provision of distribution of wheat under PDS at 10 kg per month per household;
- Provision of distribution of millet (coarse cereals, over and above the rice and/or wheat) under PDS at 5 kg per month per household;
- EC of wheat and rice will not increase from their present levels of Rs. 1993.7 and Rs. 2755.8 per quintal of wheat and rice respectively; and assuming Rs. 1,500 per quintal for millets.

Based on the above assumptions, the total amount of cereals (rice, wheat and millet) needed for distribution through the PDS would be around 80.64 million tonnes. Out of this, the amount of rice, wheat and millet needed for distribution would be around 46.08, 23.04 and 11.52 million tonnes respectively. For distribution of these foodgrains, the total amount of food subsidy required per annum would be Rs. **170,618** crore (after deducting CIP). The food subsidy bill (only for the Union Government) accounted for Rs. **115,000 crore in 2014-15 BE.** Thus, an additional outlay of **Rs. 55,618** crore would be needed in the forthcoming Union Budget (Table 6.4).

Table 6.4 below suggests that an amount of Rs.170, 618 crore would be required to have a near universal PDS in place that would have a coverage of around 80 percent of households and an entitlement of 35 kg of cereals per month per household. This is to reiterate again that the amount mentioned above is only to put in place a near universal distribution of rice and/or wheat and millet, with the set of assumptions noted above. However, this estimate takes into account only the distribution of rice and / or wheat and millet to 80 per cent of households across regions. Ideally, in addition to rice and/ or wheat and millet, other essential items such as pulses, edible and cooking oils, sugar etc. should also be included in the ambit of the PDS, as these items are being distributed by a couple of states. However, this would further add to the resource requirements.

Table 6.4 Estimating the Amount of Food Subsidy Required for a Near Universal PDS of Cereals

Sl. No	Description	Units	Amount
A	**Total Amount of Foodgrains Required (I+II+III)**	Million tonne	**80.64**
I	Amount of rice required to be distributed (per annum) at **20** kg per month per household	Million tonne	46.08
II	Amount of wheat required to be distributed (per annum) at **10** kg per month per household	Million tonne	23.04
III	Amount of millet required to be distributed (per annum) at **5** kg per month per household	Million tonne	11.52
B	**Central Issue Prices (CIPs)**		
IV	Proposed CIP for Rice per ton (Rs. 3 per kg x 1,000 kg)	In Rs.	3,000
V	Total amount to be recovered for the distribution of rice (per annum) (I x IV)	In Rs. Cr.	13,824
VI	Proposed CIP for wheat per tonne (Rs. 2 per kg x 1,000 kg)	In Rs.	2,000
VII	Total amount to be recovered through CIP for the distribution of wheat (per annum) (II x VI)	In Rs. Cr.	4,608
VIII	Proposed CIP for millet per tonne (Rs. 1 per kg x 1,000 kg)	In Rs.	1,000
IX	Total amount to be recovered through CIP for the distribution of millet (per annum) (III x VIII)	In Rs. Cr.	1,152

C	**Total amount which would be recovered through CIP (V+VII+IX)**	**In Rs. Cr.**	**19,584**
D	**Economic Costs (EC)**		
X	EC per tonne of rice (Rs. 2755.8 x 10)	In Rs.	27,558
XI	Total EC for the distribution of proposed amount of rice	In Rs. Cr.	126,987
XII	EC per tonne of wheat (Rs. 1993.7 x 10)	In Rs.	19,937
XIII	Total EC for the distribution of proposed amount of wheat	In Rs. Cr.	45,935
XIV	EC per tonne of millet (Rs. 1,500 x 10)	In Rs.	15,000
XV	Total EC for the distribution of proposed amount of millet	In Rs. Cr.	17,280
E	**Total EC for the distribution of rice, wheat and millet (XI+XIII+XV)**		**190,202**
F	**Amount of Food Subsidy to be required per annum (E-C)**	**In Rs. Cr.**	**170,618**
G	Present Budgetary Provision as Food Subsidy (2014-15 BE)	In Rs. Cr.	115,000
H	**Food subsidy required for the coming Union Budget over and above the existing provision (H=F-G)**	**In Rs. Cr.**	**55,618**

Source: Computed by CBGA

7. RENEWABLE ENERGY

Major proposals/announcements in Union Budget 2014-15

- Proposed initial sum of Rs 100 crore for preparatory work for a new scheme "Ultra-Modern Super Critical Coal Based Thermal Power Technology" to promote cleaner and more efficient thermal energy
- Proposed Rs. 500 crore to take up Ultra Mega Solar Power Projects in Rajasthan, Gujarat, Tamil Nadu, and Laddakh in J&K
- New schemes on solar pumps (Rs. 400 crore), solar energy parks (Rs. 500 crore) and solar parks near irrigation canals (Rs.100 crore)
- Provision of Rs. 1 crore in 2014-15 BE for implementation of Green Energy Corridor
- Exemption in excise duty for solar equipment along with concessional basic customs duty of 5 percent on machinery and equipment required for setting up of domestic solar energy plant
- Increase in coal cess from Rs. 50 to Rs.100 per tonne
- To promote the usage of branded & clean petrol, the budget reduced the central excise duty from Rs.7.50 per litre to Rs.2.35 per litre.

Key findings/ Concerns

- The Percentage of allocation for MNRE in Total Expenditure Budget is declined from 0.08 percent in 2013-14 BE to 0.05 percent in Union Budget 2014-15
- Union Budget 2014-15 proposed decrease by 44 percent in Gross Budgetary Support (GBS) for MNRE in comparison to the 2013-14 BE. However, GBS is increased by 46 percent in comparison to 2014-15 Interim budget
- A major decline of 33 percent in the allocations for the scheme of Renewable Energy for Urban, Industrial and Commercial Applications in 2014-15 BE, in comparison to 2013-14 BE
- Allocation for investments in Grid Interactive and Distributed Renewable Power has been increased substantially, from Rs 1144.83 crore in 2013-14 RE to Rs 1,949 crore this year
- More than 50 percent of 12th plan outlay that is, Rs.36,004 crore is yet to be allocated in the remaining 12th plan period
- Union Budget 2014-15 does not include proposal for encouraging decentralised and off- grid applications of RE in remote areas.

Allocations for Important Schemes/Programmes (in Rs. crore)

Major Schemes	2012-13 (Actuals)	2013-14 (RE)	2014-15 (IB)	2014-15 (BE)
Renewable Power and Distributed Renewable Power	874	1144.83	995	1949
Renewable Energy (RE) for Rural Applications	116.53	103.75	149.5	132.5
RE for Urban, Industrial and Commercial Applications	15.17	10.1	17	14
Research, Design and Development in RE	100.23	130	123	149
Supporting Programme	25.29	43.78	50.65	63.25

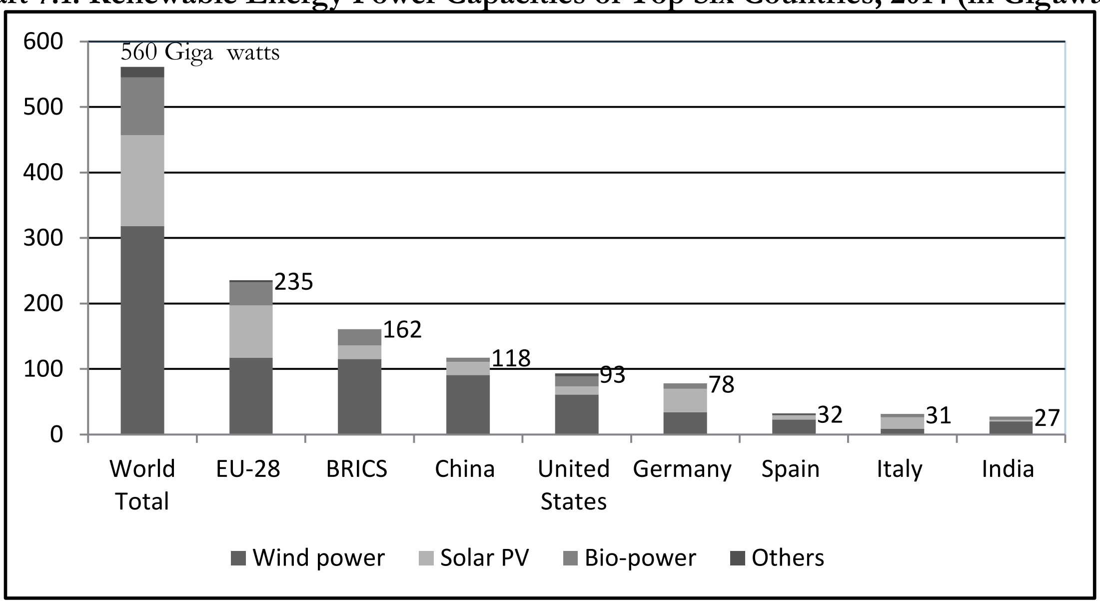
Source: Union Budget Documents, 2014-15

7.1 India's Position in Renewable Energy

India faces a formidable challenge of meeting its energy requirements and provisioning adequate energy access to all in a sustainable manner. With conventional fossil fuels having dominated the energy mix for the last few decades, there remain concerns over the possible long-term supply constraints of conventional sources, the geographical distribution of these resources, and the increasing urgency to mitigate the greenhouse gas (GHG) emissions.

All over the world, investment in Renewable Energy Sources has been increasing. Indian ranks 6th in the world, in term of renewable energy capacity, with annual growth rate of 11 percent against the global annual growth rate of 14 percent in year 2013. Globally, position of India has declined from 5th in the year 2010 to 6th position in 2014, which indicates decelerating actions for development of this sector.

Chart 7.1: Renewable Energy Power Capacities of Top Six Countries, 2014 (in Gigawatts)



Source: REN 21, Global Status Report, 2014
Note: Above presented status of RE capacities exclude Hydro Energy.

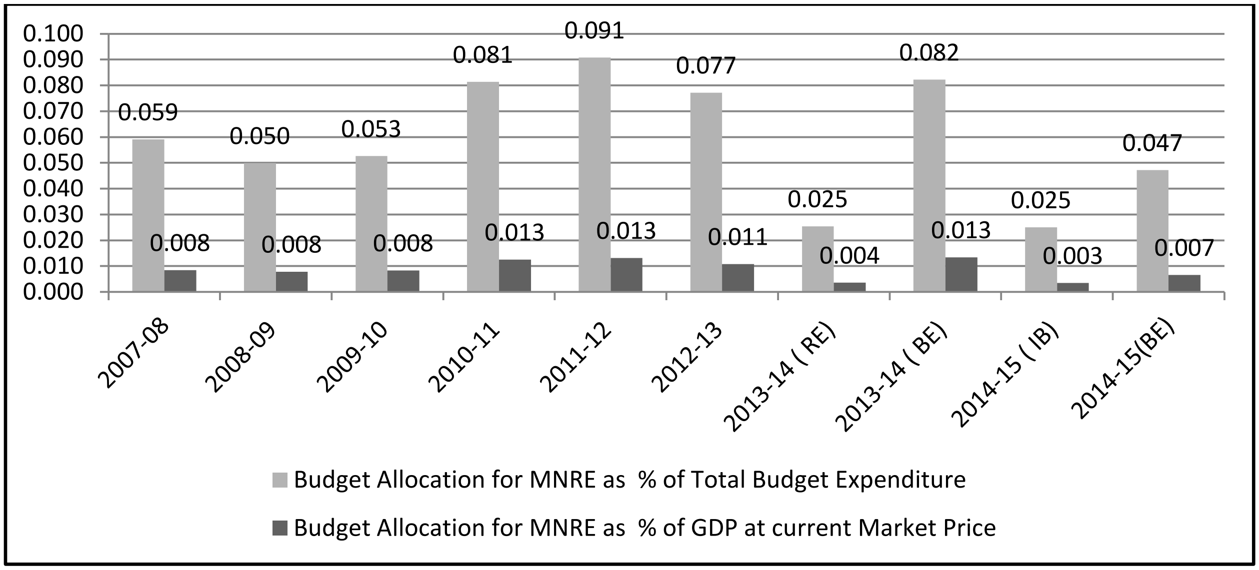
7.2 Budgetary Allocations for Ministry of New and Renewable Energy

Contrary to the huge potential for renewable power generation, which has been estimated at 2, 45,000 MW (Question N0. 735 answered on 04.03.2013 'Potential for Renewable Energy Sources' by Ministry of New and Renewable Energy; Rajya Sabha, Government of India), the budgetary investments to realize this potential have always been inadequate. It has been observed that the average allocation for this sector for the whole 11th plan period was merely 0.072 percent of the Total budgetary Expenditure, which increased to 0.077 percent in 2012-13 and drastically declined to 0.027 percent in 2013-14.

The Union Budget 2014-15 proposed an increased allocation for this sector, with an increase of 46 percent in allocation of MNRE, in comparison to Interim Budget 2014-15. The allocation for MNRE as a proportion of the Total Expenditure Budget is 0.05 percent in Union Budget 2014-15, which has doubled in comparison to the proportion in the Interim Budget 2014-15, when it was merely 0.025 percent. Chart 7.2

provides Budget allocation for the Ministry of New and Renewable Energy (MNRE) as a percent of Total Budget Expenditure (TBE) and GDP at current market prices since 2007-08 till 2014-15.

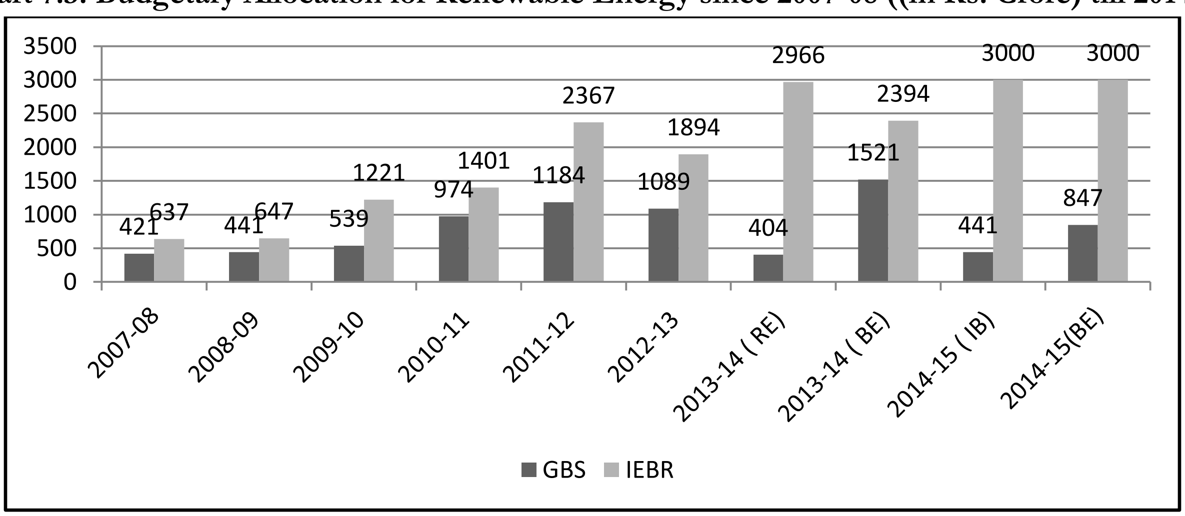
Chart 7.2: Budget Allocation for MNRE as Percent of TBE and GDP at current market price since 2007-08 till 2014-15



Source: Compiled by CBGA from Union Budget Documents, Govt. of India, Various years
Note: Percentage is estimated based on Gross Budgetary Support

Union Budget 2014-15 has registered an increase of Rs. 406 crore over Gross Budgetary Support (GBS) in the Interim Budget 2014-15. It is important to observe that contrary to GBS, the Internal and Extra Budgetary Resources (IEBR) for the public sector entities, particularly Indian Renewable Energy Development Agency (IREDA), has received significant budgetary allocation in the post-NAPCC phase. Similar trend has been followed in the Union Budget 2014-15 with regard to GBS versus IEBR allocations. Chart 7.3 provides budgetary allocation for Renewable Energy since 2007-08 (in Rs. Crore).

Chart 7.3: Budgetary Allocation for Renewable Energy since 2007-08 ((in Rs. Crore) till 2014-15



Source: Compiled by CBGA from Union Budget Documents, Govt. of India, Various years

7.3 Financial Performance of Schemes under 12th Five Year Plan

The capacity addition under this sector for the 12th Plan period has been pegged at 30, 000 MW (30 GW) for grid-interactive, which excludes other sources like hydro, nuclear, gas and coal. As per the 12th Plan, the share of renewable energy in 2021 would be around 2percent of the total energy consumption, unless substantiated with proactive planning and significant budgetary allocations.

The proposed outlay for the Renewable Energy in the 12th Plan was Rs.40,876 crore. This budgetary allocation for the five years for MNRE does not appear to be significant when compared to the plan outlays approved for the Ministry of Power and the Ministry of Petroleum and Natural Gas; which have been earmarked allocations as high as Rs. 8.8 lakh crore for the 12th Plan period. More than 50 percent of 12th plan outlay, that is, Rs. 36,004 crore is yet to be allocated in the remaining 12th plan period .The skewed allocations across Union Budgets may affect the capacity of the implementing agencies to utilize resources effectively. (See Table 7.1)

It has also been observed that there has been a major decline of around 50 percent in the allocations for RE for Urban, Industrial and Commercial Applications in the Union Budget 2014-15 BE in comparison to the Union Budget 2013-14 BE. This decline in allocations may discourage activities such as building solar cities and energy efficient buildings.

Table 7.1: Financial Performance of the Key Programmes under the Ministry of New and Renewable Energy under 12th Plan (in Rs. Crore)

Key Programmes	Outlays for 12th Plan Proposed by MNRE*	2012-13 (Actuals)	2013-14 (RE)	2014-15 (IB)	2014-15 (BE)	Reqd. allocation in the remaining 12th Plan period
Renewable Power and Distributed Renewable Power	27,732	874	1, 144.83	995	1,949	23,764.17
RE for Rural Applications	3,195	116.53	103.75	149.5	132.5	28,42.22
RE for Urban, Industrial and Commercial Applications	1,724	15.17	10.1	17	14	1,684.73
Research, Design & Development in RE	2,300	100.23	130	123	149	1,920.77
Supporting Programme	5,925	25.29	43.78	50.65	63.25	5,792.68
Total GBS	**4,0876**	**1,131.22**	**1,432.46**	**1,335.15**	**2307.75**	**36,004.57**

Source: Compiled by CBGA from Expenditure Budgets (Vol-II) of various years. Above figures includes funds made available from National Clean Energy Fund

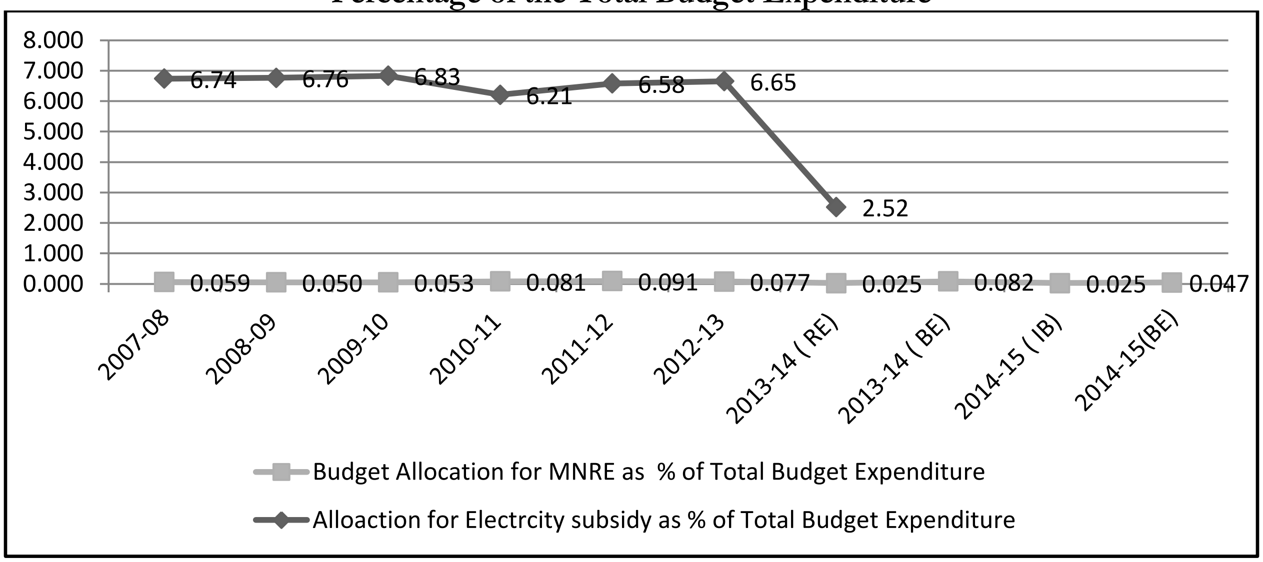
* The proposed figures compiled from the Departmentally Related Standing Committee Report of MNRE on DDG 2012-13

7.4 Replacing Electricity Subsidy with Renewable Energy

India has historically subsidized energy with the objective of protecting its consumers from international price volatility and providing energy access for its citizens, especially the poor. However, energy subsidies place a heavy burden on the government budgets. Electricity subsidy has been increasing over the years because of the policy of the some of the States to provide electricity at subsidized rates to agriculture and domestic consumers. Chart 7.4 presents proportion of electricity subsidy and budgetary allocations for RE as a proportion of the Total Budget Expenditure. Budgetary allocations for Renewable Energy are just a fraction of the allocation on electricity subsidies. Hence there is need for establishment of long term plan for phasing out the electricity and fuel subsidy and replacing a part of it by increasing allocations for renewable energy.

In the above context of curbing fuel subsidies, announcement in the Union Budget 2014-15 of launching a new scheme with outlay of Rs. 400 crore for solar power driven agricultural pump sets and water pumping stations for energizing one lakh pumps, is a proposal in the right direction.

Chart 7.4: Proportion of Electricity Subsidy and Budgetary Allocation for Renewable Energy as Percentage of the Total Budget Expenditure



Source: Compiled by CBGA from Annual Report 2013-14 on working of State Power utilities and Electricity Department, Planning Commission and Expenditure Budgets (Vol-II) of various years.
Note: Electricity subsidy includes subsidy to agricultural, domestic consumer and interstate sales

7.5 Opportunity and Gaps presented in the Union Budget 2014-15

Overall, the Union Budget 2014-15, seems to be in accordance with the BJP's Election Manifesto which mentioned providing "Power for All by 2022" and giving thrust to renewable sources of energy as an important component of India's energy mix; expanding and strengthening the national solar mission and setting up small-hydro power generation projects to harness the hydropower with local support.

Some of the **opportunities** send up under the proposals of Union Budget 2014-15 are:

- Union Budget has announced of exemption in excise duty for solar equipment, along with concessional basic customs duty of 5 percent on machinery and equipment required for setting up of domestic solar energy, wing energy and compressed biogas plants (Bio-CNG). This is a step in right direction for encouraging private developers in the sector, who at present owns 86 percent of the installed RE capacity in the country.

- Announcement in Union Budget 2014-15 of launching a new scheme with outlays of Rs. 400 crore for solar power driven agricultural pump sets and water pumping stations for energizing one lakh pumps, will go a long way in curbing burgeoning electricity/ fuel subsidies.
- Increase in Coal Cess from Rs. 50 to Rs. 100 per tonne, to meet the expanded utilization of Cess for research and initiatives in cleaner environment, is also a welcome measure.

Some of **gaps** and concerns which should have been addressed in the Union Budget 2014-15 are:

- Skill development of youth for operation and maintenance of renewable energy equipment at the local level should have been given special attention while making budgetary allocations for supporting activities under MNRE budgets. Funds could have been allocated for training modules on the subject of RE and establishment of training centers in remote areas for this purpose.
- Fund allocation for capacity building and strengthening of the implementing agencies at the state level for RE projects. This should have included the budgetary allocations for developing master database on actual RE potential and master plan for installation of Renewable Energy in remote areas.
- Measures for encouraging RE based mini- grid technology installations have not been included in the Union Budget 2014-15. The budget does not appreciate distributed and scalable nature with big potential which lies with decentralised and off grid solar solutions.
- Adequate budgetary allocations should have been provided for establishment of green corridors, which should be accelerated to increase evacuation of RE and accelerate inter-state transferability of RE, from resource rich states like Gujarat, Tamil Nadu etc. In 2014-15 BE, an amount of Rs. 1 crore has been allocated under the Ministry of Power for Green Energy Corridor. The resources required for this, however, are far larger than budgeted.
- Union Budget should have mandated solar purchase obligation and driving compliance annually, not only for the States, but also for industries that generate power for self-consumption using diesel. This will achieve multiple goals of driving solar demand, cutting GHG emissions and bringing down consumption of subsidized diesel by the industries.

7.6 Conclusion

The Union Budget 2014-15 has laid down several incentives for the development of the renewable energy in India, in keeping with the Election Manifesto of the BJP. Yet there have been some missed opportunities as well, especially in addressing some of the most fundamental problems plaguing the sector such as non-availability of skill manpower at rural area for this sector and limited capacity of state nodal agency to implement RE projects . It remains to be seen how far the commitment expressed by the government towards growth of renewable energy is met in its forthcoming budgets and sectoral policies. In addition to encouraging private investment in the sector, the government's own investment and overall policy framework has an important role to play in boosting the growth of this sector.

8. WOMEN

Major proposals/announcements in Union Budget 2014-15

- Announcements pertaining to three programmes under Nirbhaya Fund made in Union Budget 2014-15. These include setting up "Crisis management Centres" in all districts of NCT of Delhi in government and private hospitals, pilot testing a scheme on "Safety for Women on Public Road Transport" by Ministry of Road Transport and Highways and a scheme to increase the safety of women in large cities by Ministry of Home Affairs.
- A new scheme *'Beti Bachao, Beti Padhao'* has been introduced in Union Budget 2014-15 with an allocation of Rs.100 crore to be implemented by Ministry of Women and Child Development
- Focus on campaigns to sensitise people towards the concerns of the girl child and women
- Provision of bank loan for women SHGs at 4% on prompt repayment under *Ajeevika* extended in another 100 districts
- An announcement that the Government would strive to provide toilets and drinking water in all the girls schools made in Union Budget 2014-15.

Key Findings

- Total magnitude of the Gender Budget Statement in Union Budget 2014-15 (BE) is Rs. 98,030 crore, a negligible increase from the allocations in the Interim Budget-Rs.97,533 crore. Several new departments/ministries have started reporting in the Gender Budget Statement in 2014-15
- The allocations to Ministry of Women and Child Development have increased from Rs.20,440 crore in 2013-14 (BE) to Rs. 21,193 crore in 2014-15 (BE). Most schemes of MWCD for women have either the same allocations as 2013-14 or have witnessed a marginal increase in the allocations.
- Allocations under some schemes by Ministry of Women and Child Development such as One Stop Crisis Centre, 24 hour National Women's Helpline Restorative Justice to Rape Victims, *Rashtriya Mahila Kosh* , Scheme for implementation of Protection of Women from Violence Act remained unutilised in 2013-14
- A number of promises in the Election Manifesto of BJP pertaining to women such as programme for women's healthcare in a mission mode , creation of an acid attack victim's welfare fund, enhancing the remuneration of *Anganwadi* workers not addressed in Union Budget 2014-15

Allocations for Important Schemes/Programmes (in Rs. Crore)

Major Schemes	2012-13 (AE)*	2013-14 (RE)	2014-15 (IB)	2014-15 (BE)
Swadhar	52.23	55	115	115
Restorative Justice to Rape Victims	0.34	0	30	30
Indira Gandhi Matritva Sahyog Yojana	82.07	300	400	400
National Mission for Empowerment of Women	10.04	31	90	90
Integrated Child Development Services	15,712	16,43	18,691	18,691
Scheme for Implementation of Protection of Women from Violence	0	0	50	50
One Stop Crisis Centre	0	0	20	20
Assistance for construction of shelter homes for single			20	20

*Figures do not include lumpum provision for NER and Sikkim

8.1 Introduction

The persistence of gender inequality reflected in socio economic indicators and the rising incidence of violence against women continue to be serious challenges facing the country. Significant gender gaps exist across almost all indicators pertaining to education, health, participation in the workforce and participation in decision making. Similar comparisons at the global level also present some concerns. India's Gender Inequality Index[3] (GII) value stands at 0.61, ranking it 132 out of 148 countries according to the 2012 GII. Table 8.1 captures India's performance on these indicators vis-à-vis select countries.

Table 8.1: Development Indicators for Women in Select Countries

	Population with at least secondary education, female/male ratio# (2010)	Maternal mortality ratio⋆ (2012)	Sex Ratio at birth ⋆⋆ (2010)	Labour force participation rate, female-male ratio* (2011)	Shares in parliament, female-male ratio** (2012)
Bangladesh	0.78	240	1.05	0.68	0.25
Brazil	1.05	56	1.05	0.74	0.11
China	0.78	37	1.2	0.85	0.27
India	**0.53**	**200**	**1.08**	**0.36**	**0.12**
Nepal	0.45	170	1.08	0.09	0.5
Pakistan	0.50	260	1.08	0.27	0.27
Russian Federation	0.97	34	1.06	0.79	0.13
South Africa	0.98	300	1.03	0.72	0.7
Sri Lanka	0.98	35	1.04	0.46	0.06

Source: http://hdr.undp.org/
Note: #Percentage of the population ages 25 and older who have attained a secondary or higher level of education
⋆Ratio of the number of maternal deaths to the number of live births in a given year, expressed per 1, 00,000 live births
⋆⋆Number of male births per one female birth
*Ratio of female to male of the working-age population (ages 15–64) that actively engages in the labour market, by either working or actively looking for work
**Ratio of seats held by a respective gender in a lower or single house or an upper house or senate, where relevant

In the light of disadvantages faced by women in almost all spheres, there is an urgent need for substantive measures to address these gaps. Budgets, as an important policy statement of the Government, therefore need to recognise and address gender based disadvantages confronting women and girl children. In recognition of these disadvantages, the new Government in their election Manifesto shared key areas of action that would focus on bridging the gender gap across sectors and address discrimination faced by women at multiple levels. A useful starting point to assess the gender responsiveness of the Union Budget 2014-15 would be to highlight the commitments made towards women by the new Union Government in their manifesto. Some of the key commitments are given below:

[3] Gender Inequality Index is a composite measure which captures the loss of achievement, within a country, due to gender inequality, and uses three dimensions to do so: reproductive health, empowerment, and labour market participation. It was introduced in Human Development Report 2010

- A national campaign for saving and educating the girl child - *Beti Bachao – Beti Padhao*.
- A comprehensive scheme, incorporating best practices from past successes like the *Balika Samriddhi Yojana, Ladli Laxmi* and *Chiranjeevi Yojana* to support and encourage a positive attitude amongst families towards the girl child.
- Programme for women's healthcare in a mission mode, especially focusing on the domains of Nutrition and Pregnancy - with an emphasis on rural, SCs, STs and OBCs.
- Enable women with training and skills - setting up dedicated Women ITIs and a, women's wing in other ITIs.
- Formulate modalities for dispensation of the Fund for the relief and rehabilitation of rape victims on a priority basis.
- Creation of an acid attack victim's welfare fund to take care of the medical costs related to treatment and cosmetic reconstructive surgeries of such victims.
- Set up an All Women Mobile Bank to cater to women.
- Expand and improve upon the network of women / working women hostels.
- Enhance the remuneration of *Anganwadi* workers.
- Special adult literacy initiative for women with a focus on SCs, STs, OBCs, and slum residents.
- Loans to Women Self Help Groups at low interest rates.
- Special programmes aimed at girls below the poverty line, tribals and indigent women.
- Correspondence courses in new domains for self-employment, family run businesses, entrepreneurship and innovation to be provided to women for free.

Against these commitments, the key new proposals pertaining to women in the Union Budget 2014-15 are introduction of the *Beti Bachao – Beti Padhao Yojana* to be implemented by the Ministry of Women and Child Development (MWCD), campaigns to sensitise people towards the concerns of women and girls and introducing a chapter on gender mainstreaming in the school curriculum. Schemes for women's safety and security under the *Nirbhaya Fund* (discussed in detail later in the section) have also been announced in Union Budget 2014-15 . .. Another proposal in Union Budget 2014-15 is the extension of the provision of bank loan for women SHGs at 4% on prompt repayment in another 100 districts in addition to the provision of this facility in 150 districts. An announcement that the Government would strive to provide toilets and drinking water in all the girls schools was also made in this budget.

To analyse the responsiveness of the Union Budget 2014-15 towards women further, the following chapter will focus on an analysis of the Gender Budget Statement, and an overview of the allocations to key schemes of the MWCD. It l also presents key interventions to address violence against women in the Union Budget 2014-15.

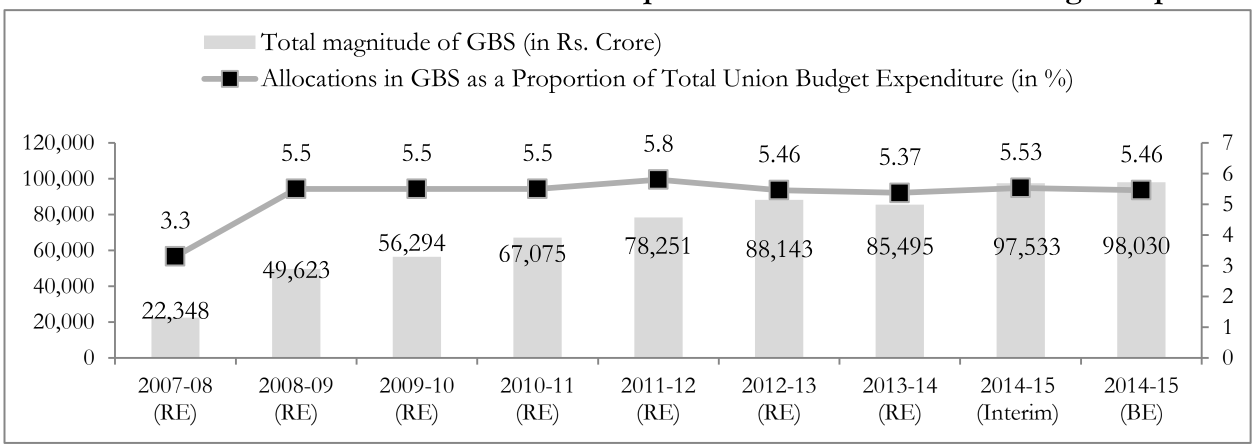
8.2 Analysis of the Gender Budget Statement in the Union Budget

The Gender Budget Statement (GBS), first presented in the Union Budget 2005-06, aims to capture budgetary resources earmarked for women and girl children by the Union ministries and departments. The

Statement is presented in two parts: Part A enlists schemes and programmes meant entirely for the benefit of women and girls; and Part B reports schemes with at least 30 percent of funds earmarked for women and girls. Gender Budgeting has come a long way since its adoption at the Union level in 2005-06. A number of improvements have taken place in the methodology adopted in the preparation of the Statement and the scope of the GBS has broadened to include a number of 'indivisible' sectors since its introduction. However, there also remain a number of concerns with regard to the exercise. These have been discussed in greater detail later, with reference to Union Budget 2014-15..

Chart 8.1 depicts the total quantum of funds reported in GBS and also as a proportion of the Total Union Budget Expenditure since 2007-08. As can be seen from the chart below, though the allocations reported in GBS have been increasing across years in absolute terms, as a proportion of the Total Union Budget Expenditure, it has ranged between 3.3 percent to 5.5 percent.

Chart 8.1: Allocations under the GBS and as a Proportion of the Total Union Budget Expenditure



Source: Compiled by CBGA from Union Budget documents, various years

The overall magnitude of the GBS 2014-15 (BE) is Rs. 98,030 crore, a marginal increase from Rs. 97,134 crore in 2013-14 (BE). There has been a decrease in allocations reported in Part A from Rs. 27,248 crore in 2013-14 (BE) to Rs.21,888 crore in 2014-15 (BE). The decrease has taken place primarily due to shifting of some schemes from Part A of the GBS to Part B, signifying a revision of the reporting of schemes by ministries in GBS.

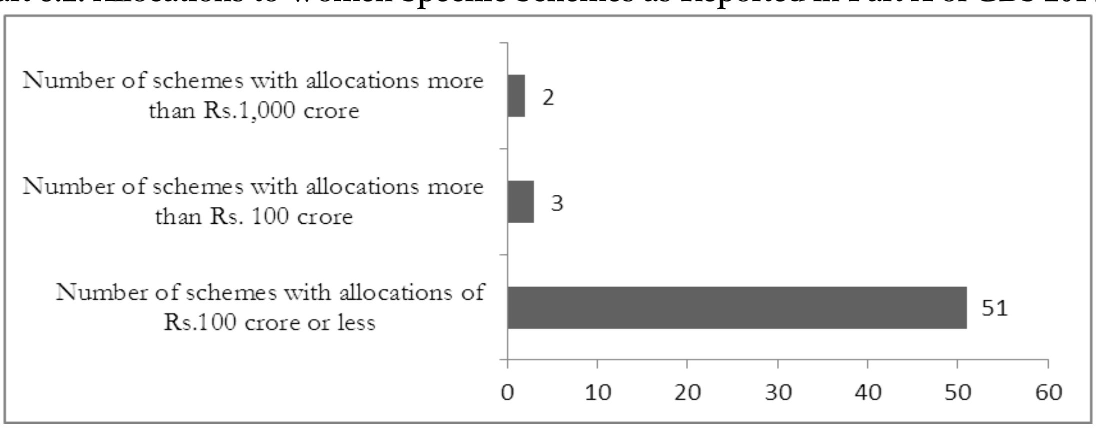
A total of 41 demands (including Union Territories) have reported allocations in the GBS in Union Budget 2014-15. Some ministries/departments have started reporting in the GBS from this Union Budget- namely, Department of Posts, Department of Financial Services, Department of Industrial Policy and Promotion, Ministry of Road Transport and Highways and Department of Chemicals and Petrochemicals. The recently formed Department of Disability Affairs has also started reporting as a separate demand in Part B of the GBS.

However, it is important to note that Gender Budgeting has remained a limited exercise at the Union level owing to the approach that most ministries/departments adopt to report their schemes in the GBS. Most departments/ministries report their gender sensitive outlays in the GBS after allocations to schemes have been made; very little effort is made identify gender based disadvantages in the respective sectors based on which measures should be introduced and allocations reported in the GBS. Some concerns that persist with regard to the format of the GBS is that, for schemes reported in Part B of the statement, no rationale is provided to validate the proportions being reported as benefiting women under each scheme. In the absence of such rationale, it is difficult to establish the extent to which the outlays reported in the GBS under the various schemes are benefiting women.

Additionally, some ministries continue to report entire allocations for schemes in Part B of the GBS. These include Ministry of Labour and Employment (Improvement in working conditions of child/women labour), Ministry of Minority Affairs (Pre Matric and Post Matric Scholarship for Minorities), and Ministry of New and Renewable Energy (Biogas Programme). Such anomalies are indicative of the limited attention paid by departments and ministries to Gender Budgeting. However, some changes in reporting of schemes by certain ministries in the GBS in 2014-15 indicate that the assumptions underlying the reporting of these schemes have been revised. These include (i) shifting of Reproductive and Child Health (RCH) from Part A of the GBS to Part B. Until last year, this scheme was being reported as a scheme exclusively for women, which was an incorrect assumption. From 2014-15, the scheme has been shifted to Part B. (ii) Similarly, the reporting under *Sarva Shiksha Abhiyan* by the Department School Education and Literacy in 2014-15 seems to be based on the scheme guidelines rather than enrollment data (as was being done until last year).

A scrutiny of the GBS in the Union Budget 2014-15 also points to the fact that most of the Union Government interventions meant specifically for women are meagerly funded. The total quantum of funds meant exclusively for women, as reported in Part A of the GBS is Rs. 21,888 crore in 2014-15 (BE). As reflected in Chart 8.2, only two schemes, meant to cover the entire country have allocations exceeding Rs.1, 000 crore (Infrastructure Maintenance by the Ministry of Health and Family Welfare and IAY by the Ministry of Rural Development). Likewise, just three schemes meant only for women and girls report allocations over Rs.100 crore; these being *Swadhar*, SABLA and *Indira Gandhi Matritva Sahyog Yojana* by the MWCD. Most of the schemes meant exclusively for women have allocations of Rs100 crore or less.

Chart 8.2: Allocations to Women Specific Schemes as Reported in Part A of GBS 2014-15



Source: Statement 20, Expenditure Budget Volume I, Union Budget 2014-15

Note: Schemes reported in the Chart include demands made by Union Territories

8.3 Outlays towards Key Schemes of the Ministry of Women and Child Development

The 12th Five Year Plan (12th FYP) proposed an outlay of Rs. 1, 17, 707 crore for the five-year period from 2012-13 to 2016-17 for the MWCD. Against this, the allocations to the Ministry for 2012-13 (BE) and 2013-14 (BE) have been Rs.18, 584 crore and Rs. 20, 440 crore respectively. The total outlay for the MWCD for 2014-15 (BE) has witnessed a marginal increase from the previous year's allocation and stands at Rs.21, 193.88 crore. Table 8.2 presents the allocations towards some of the key schemes of the Ministry for the same period.

Table 8.2: Outlays Towards Key Interventions by MWCD (in Rs. Crore)

S.No	Schemes	Allocations made in Union Budget 2012-13		Allocation made in Union Budget 2013-14		Allocation made in Union Budget 2014-15	
		(BE)	(RE)	(BE)	(RE)	(IB)	(BE)
1.	Integrated Child Development Services	15,952.8	15,858	17,846	16,432	18,691	18,691
2.	*Rashtriya Mahila Kosh*	100	0	20	0	20	20
3.	Support to Training & Employment of Women	20	7.5	20	10	20	20
4.	Central Social Welfare Board	80.85	64.48	70.85	71.95	80.91	80.91
5.	*Indira Gandhi Matritva Sahyog Yojana*	520	84	500	300	400	400
6.	*Beti Bachao-Beti Padhao Yojana*	-	-	-	-	-	100
7.	*Ujjawala*	12	7.4	13	13	16	16
8.	Integrated Child Protection Scheme	200	136.6	150	135	200	200
9.	*Priyadarshini*	15	14	15	13.5	15	15
10.	National Mission for Empowerment of Women	25	11	55	31	90	90
11.	Hostels for Working Women	10	8.3	20	15	25	25
12.	One Stop Crisis Centres	5*	0	9*	0	20	20
13.	24 hour National Women's Helpline	2*	0	18*	0	10	10
14.	Restorative Justice to Rape Victims	20	0	85	0	30	30
15.	Implementation of Protection of Women from Domestic Violence Act (PWDVA)	20*	0	67.5*	0	50	50
16.	National Commission for Women	15.13	15.57	19.13	18.35	19.95	19.95
17.	Gender Budgeting	1	0.71	1	1	1	1
18.	Conditional Cash Transfer for Girl Child with Insurance Cover *(Dhanlakshmi)*	5	5	10	5	5	5
19.	*Swadhar*	100	55	75	55	115	115
20.	Assistance for construction of Shelter Homes for Single women/destitute and widows	-	-	-	-	20	20

Source: Expenditure Vol 1, and Expenditure Budget Vol 2, Union Budget, Various Years

Note: Allocations for schemes include lump sum provision for North EastRegion, * Does not include lump sum provision for North East Region

As can be seen from the table above, allocations to most schemes have remained the same as 2013-14 or have increased marginally. A notable increase has taken place in the allocations to *Swadhar and National and* Mission for Empowerment of Women A major concern with regard to schemes being implemented by MWCD, has been the non-utilisation of funds in schemes such as the *Rashtriya Mahila Kosh*, One Stop Crisis Centre, Women's Helpline, Restorative Justice to Rape Victims and scheme for the implementation of Protection of Women From Domestic Violence Act in 2013-14. As observed in the report by Department-Related Parliamentary Standing Committee on Human Resource Development (Report No. 254), absence of necessary approvals and delays in finalisation of these schemes is resulting in their non-implementation .The *Dhanlakshmi* scheme, which aimed at ending discrimination against the girl child through cash transfers provided to the family on fulfilling certain conditionalities is being discontinued. However, an allocation of Rs.5 crore has been made under the scheme in 2014-15 for meeting the past committed liabilities. Additionally, the *Indira Gandhi Matritva Sahyog Yojana* seems to be to be implemented in a pilot phase in 2014-15 as well.

A new intervention to be implemented by MWCD announced in the Union Budget 2014-15 is the *'Beti Bachao, Beti Padhao Yojana'*. The scheme aims to generate awareness and also help in improving the efficiency of delivery of welfare services meant for women. The scheme has been allocated an amount of Rs. 100 crore in 2014-15 (BE). Also , a scheme for shelter homes for single women /destitute and widows with an allocation of Rs.20 crore , introduced in the Interim Budget 2014-15 has been retained in the Union Budget 2014-15.

A look at the allocations to the key schemes being implemented by MWCD also reflects that most of the allocations towards schemes for women are towards nutrition, under the Integrated Child Development Scheme, a critical component to ensure women's well-being. However, other aspects such as economic and political empowerment, awareness generation and protection of women, among others have not received adequate priority in this budget.

8.4 Interventions to Address Violence against Women in the Union Budget 2014-15

Recent data by the National Crimes Records Bureau reveals that the incidence of violence against women has been rising at an alarming rate. Union Budget 2014-15 emphasises that "Women's safety is a concern shared by all the honourable members of this House. We need to test out different approaches that can be validated and scaled up quickly". While interventions to address violence against women at the Union level are primarily led by the MWCD (refer to scheme no. 6-20 in table 8.2), some other ministries also have programmes to prevent and respond to the issue

Table 8.3: Allocations by Union Ministries to Address Violence against Women in the Union Budget 2014-15 (in Rs. crore)

Ministry	Scheme	2012-13 (BE)	2013-14 (BE)	2014-15	
				(IB)	(BE)
Labour and Employment	Improvement in working conditions of child/women labour***	75	100	87.5	87.5

Ministry	Scheme	2012-13 (BE)	2013-14 (BE)	2014-15	
				(IB)	(BE)
Ministry of Social Justice and Empowerment	Machinery for Implementation of PCR Act 1955 and Prevention of Atrocities Act 1989**	29.40	26.40	26.46	26.46
	National Commission for Scheduled Castes**	3.83	3.77	4.11	4.11
	Assistance to Voluntary Organisations for Old Age Homes**	10.80	12	13.77	13.50
	Assistance to Voluntary Organisations for providing Social Defence Services**	1.50	0.90	0.90	1.20
Home Affairs	Gender sensitisation and other interventions for Indo Tibetan Border Police#	0.21	0.4	0.2	0.2
	Gender sensitisation and other interventions for Central Reserve Police Force #	37	41.5	30	30
	Gender sensitisation and other interventions for *Sashastra Seema Bal* #	1	0.42	0.42	0.42
Overseas Indian Affairs	Legal Assistance to Indian Women facing problems in NRI marriages	0.75	0.75	1	1

Source: Statement 20, Expenditure Budget Vol I, Union Budget, Various Years
Note: Figures include the lump sum provision for NER
***Allocations towards this scheme reported in the Gender Budget Statement reflect the total allocations towards the scheme. Assuming 50% of the allocation benefits girl children, half of the total allocation has been included in the table
** Reported in Part B of the Gender Budget Statement; reflects part of the total allocation towards the programme
# Other Interventions include opening of creche, day care center, health centre, nutritional care centre, women's rest rooms etc.

As can be seen from the table above, programmes to address violence against women (as reflected in the GBS) have only been instituted by a limited number of ministries. Moreover most of these interventions have very limited budgetary outlays. A number of crucial sectors such as health, public works, railways, sanitation, urban development etc. are yet to introduce adequate measures to prevent and respond to the issue of violence against women. There is a need to adopt a more holistic approach towards women's safety with a wider range of ministries recognising the specific measures through which violence against women can be prevented and addressed in their respective sectors. Based on this, appropriate interventions backed by adequate budgetary outlays and necessary convergence between the concerned departments/ministries needs to be ensured.

It is also important to note that a significant commitment pertaining to the creation of an acid attack victim's welfare fund and expanding the network of working/working women's hostels have not found mention in the Union Budget 2014-15.

8.5 Conclusion

Issues pertaining to women, especially violence against women, have in recent times, been at the forefront of the public discourse. A number of critical concerns relating to women were also identified by the new government and these featured prominently in their Manifesto. However, an analysis of this budget from a gender lens reveals that a number of fundamental concerns remain unaddressed with regard to the gender responsiveness of the Union Budget in 2014-15 . While some of these commitments do require a longer time frame to be introduced, a number of commitments, such as the setting up of a fund for victims of acid attacks, enhancement of remuneration of *Anganwadi* workers and expanding the network of hostels for women are important measures, to name a few could have been addressed in the Union Budget 2014-15 itself. Given that the government has displayed a strong commitment towards women , it is hoped that the concerns regarding the responsiveness of budgets towards women will be addressed in the subsequent budgets that will follow in the coming years.

Nirbhaya Fund

The Union Budget 2013-14 had allocated Rs.1000 crore to the '*Nirbhaya'* Fund to empower women and ensure their security. The Ministries/Departments concerned were requested to formulate proposals to utilise the resources under the Fund with a view to enhance the safety and security of women in the country. The amount of Rs 1000 crore could be transferred only during the first Supplementary Demand for Grants. The Appropriation Bill was approved by Parliament and received the assent of the President in September 2013, indicating that the actual allocation of funds did not take place until September 2013.A welcome measure, in the Interim Budget 2014-15 was declaring the fund as non-lapsable. However, apart from an amount of Rs. 3 crore utilised by the Delhi Police, under the scheme for 'backend integration of distress signal from victims with mobile vans and control rooms' (as reflected in the GBS 2014-15),the amount allocated to the Fund remained unutilsied in 2013-14.

In the Union Budget 2014-15, three programmes pertaining to women's safety under the *Nirbhaya Fu*nd have been announced. These are:

- A pilot testing a scheme on "Safety for Women on Public Road Transport" by the Ministry of Road Transport and Highways with an allocation of Rs.50 crore
- A scheme to increase the safety of women in large cities by the Ministry of Home Affairs with an allocation of Rs.150 crore
- Setting up of "Crisis Management Centres" in all government and private hospitals across all districts of NCT of Delhi this year.The Fund, one of the key interventions to strengthen women's safety in the Union Budget has been allocated a meagre amount of Rs.1000 crore, which is hardly 0.05 percent of the Total Budget Expenditure of the Union Government. Moreover, the non-utilisation of the Fund in 2013-14 indicates the lack of priority that has been accorded towards its effective implementation. It is only this year that a few programmes, introduced in a pilot phase, have been announced under the *Nirbhaya* Fund. The Government could have used the implementation of the *Nirbhaya* Fund as an opportunity to introduce a comprehensive set of measures by a wider range of ministries to enhance women's safety and security.

9. CHILDREN

Key Findings

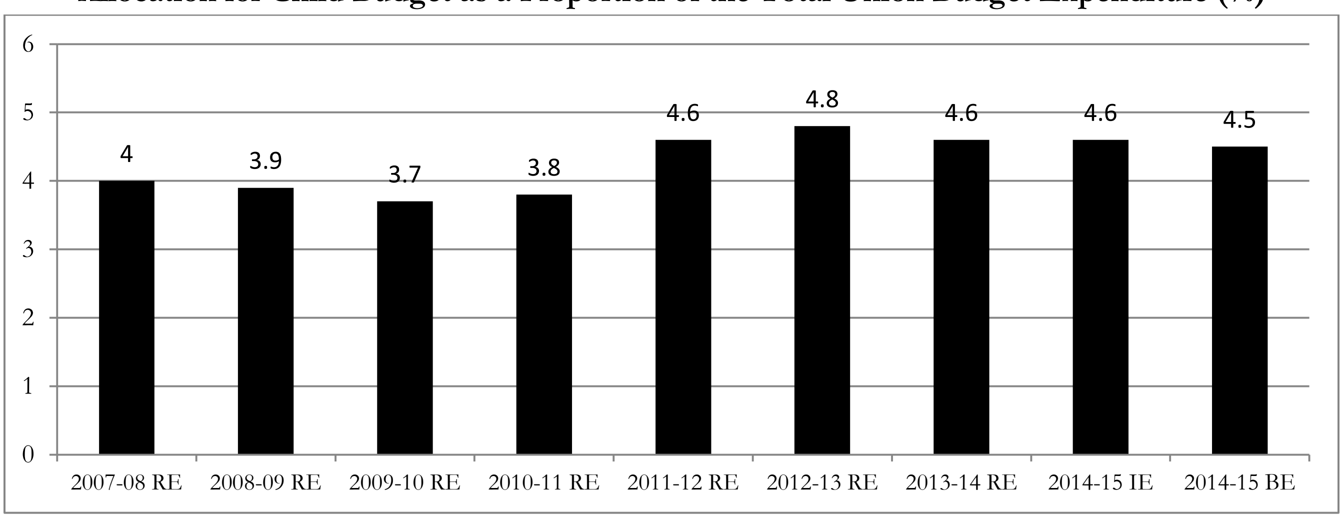
- Rs. 50.62 crore increase in 2014-15 (BE) over Interim Budget of Rs. 81,024.64 crore in 2014-15.
- As a proportion of the Total Union Budget Expenditure, allocation under the Child Budget has gone down to 4.51 percent in 2014-15 (BE) from 4.63 in 2013-14 (BE).
- As a proportion of GDP, the Child Budget has decreased from 0.67 in 2013-14 (BE) to 0.62 percent in 2014-15 (BE).
- FM during his budget speech proposed to sensitize people of this country towards the concerns of the girl child and women.
- Apart from this, no new announcement for children were made in this budget.
- Allocation of Rs. 156.34 crore under Manufacturing of Sera and BCG vaccine is Rs. 83 crore less than the Interim Budget 2014-15

Allocations for Important Schemes/Programmes (in Rs. Crore)

Major Schemes	2012-13 (Actuals)	2013-14 (RE)	2014-15 (IB)	2014-15 (BE)
SSA	23873.4	26608.0	27758.0	27758.0
MDM Scheme	10849.2	12189.2	13215.0	13215.0
ICDS	15711.6	16432.0	18691.0	18691.0

Note: Allocation includes lump sum amount of NER. 2014-15 onwards, Ministry reports, National Nutrition Mission and ISS NIP by World Bank under ICDS; Source: Expenditure Budget, Vol. II, and Union Budget of Various Years.

Allocation for Child Budget as a Proportion of the Total Union Budget Expenditure (%)



Source: Compiled by CBGA from Union Budget, Expenditure Budget Vol. I.

9.1 Introduction

This government has made too many promises regarding the safety, equity, development and care of women and child before coming to power. But, this government has failed to provide necessary space required for children in its first budget. During the 11th Five Year Plan (FYP), the total expenditure on children related schemes was around Rs. 210,972.2 crore.[4] This Plan period saw an expansion of the Anganwadi Centres, introduction of the *Indira Gandhi Matritava Sahyog Yojana* (IGMSY) and the Rajiv Gandhi Scheme for the Empowerment of Adolescent Girls (SABLA), the Right to Education Act, the setting up of the National and State Commissions on the Protection of Child Rights, the Integrated Child Protection Scheme (ICPS) and the passing of the Protection of Children from Sexual Offences Act 2012. Despite these efforts on the part of the government, nearly one lakh children below 11 months die of diarrhoea annually in India. The sex ratio of children of the age group 0-6 has seen a negative growth rate of 3.08 percent in a decade. The Infant Mortality Rate (IMR) and the Maternity Mortality Rate (MMR) in India are around 42 and 178 respectively. India, with an estimated 50,000 maternal deaths contributes 17 percent to the world total MMR. In 2010, the percentage of neo-natal deaths to total infant deaths was 69.3 percent at the national level, varying from 61.9 percent in urban areas to 70.6 percent in rural areas. At the beginning of 12th FYP, India had the highest U5MR in the world, which is 1.4 million children dying before reaching their fifth birthday.[5] The rate of malnourishment, despite the functioning of the ICDS, is around 36.03 percent in India.

Thus, when 12th FYP (2012-17) was taking shape it recognised the urgency and importance of addressing the vulnerabilities of almost 43 crore children of India's population.[6] It asserts that 'more inclusive growth begins with children'. It also suggests a number of policies and programmatic intervention to deal with the remaining gaps left by the 11th FYP. It puts forth monitorable objectives – reduction of IMR to 25; MMR to 100, under-nutrition to 27 percent by 2017 – for the ongoing Plan period. With the change of government at the Centre and 2014 being the year of mid-term review of this Plan, it is an opportune time to assess the budgetary allocations, specific for children.

9.2 Resources Earmarked for Children in Earlier Union Budgets

It can be observed from the Chart above that there has been a downward shift in 11th FYP except in the last year. This rose slightly to 4.8 percent of the total Union Budget expenditure during the first year of the 12th Plan period, but came down to 4.55 percent in 2013-14 (RE), implying a cut of 6.13 percent (Rs.4739.74 crore) on Child Welfare Schemes. A sector-wise analysis of allocations under the Child Budget reveals that the major share goes to the Education sector, which gets over 70 percent throughout the Plan (Chart 9.1). This scaling up of allocation for Education is an indication of the Government's commitment towards universalization of education and enactment of RTE Act in 2009. During 11th FYP, Rs. 77,428.7 crore was allocated for SSA. The 12th FYP has estimated that Rs. 192,726 crore would be required for RTE/SSA.

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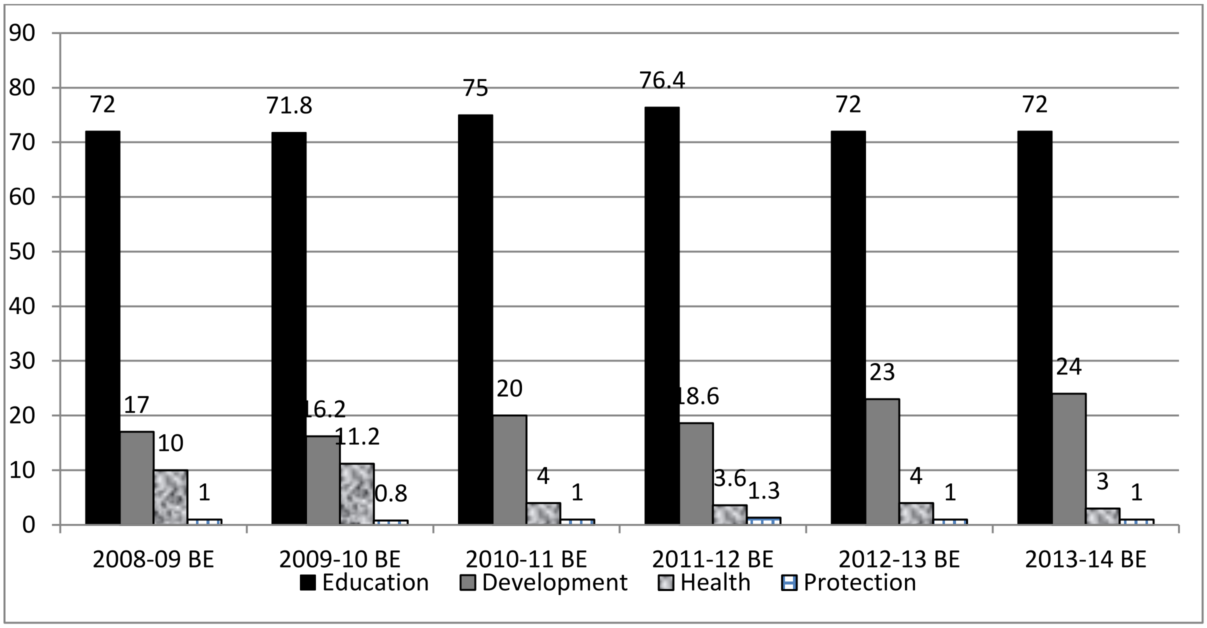
[4] Union Budget, Vol. 1, Statement 22 for the year 2007-08 to 2011-12 (RE) has been taken.
[5] The Millennium Development Goals Report 2014, United Nation, 2014, p. 26.
[6] 12th Five Year Plan, Vol. III, p. 182.

Chart 9.1: Sector-wise Share of Total Allocation on Children (%)



Source: Compiled by CBGA from Union Budgets, Statement 22 (Child Budget).

The development sector which caters to the need of survival, supplementary nutritional diet and care receives the second largest portion in Child Budget, a significant share of which is received by ICDS. Next follow the Child Health and Child Protection sectors respectively. The Protection sector which receives the least allocation is badly neglected. Given the condition of health and crime against children, it is necessary to have enhanced allocations for both the sectors. It is noteworthy that allocations made by the previous government were below the projected allocations for different government committees on children.

Table 9.1: Project Amount for Important Child Related Schemes and Year-wise Allocation (in Rs. Crore)

Key Programmes	Projected Financial Requirement during 12th Plan Period	Annual Projection of Required Fund	Allocation In 2012-13 (Actual) Union Budget	Allocation In 2013-14 (RE)	Allocation In 2014-15 (IB)	Allocation In 2014-15 (BE)
ICDS*	183,000	36,600	15,711.55	16432.0	18691.0	18691.0
ICPS	5,300	1060	400.0	270.0	400.0	400.0
RG National Creche Schemes	1920	384	110.0	99.0	125.0	125
Strengthening of NCPCR	75	15	12.0	13	15	15
SSA	192,726	38545.20	23873.38	26608.01	27758.0	27758.0
MDM	90,155	18,031.0	10849.15	12189.16	13215.0	13215.0

Source: Working Group Report on Child; Union Budget 2012-13, Expenditure Vol. 1, p.99 & 12th FYP, Vol. III, P: 122. *2014-15 onward ICDS includes National Nutrition Programme and ISS NIP by World Bank

9.3. Allocation for Children Welfare Schemes in 2014-15 (BE)

As the new government promised to lay special emphasis on vulnerable children, especially from communities like the SCs, STs, OBCs, migrants, slum dwellers, street dwellers and those with disabilities, expectation ran high in Children's sector. But the first budget of the government has not given much thought to it and follows the same pattern of allocation as its predecessors. In other words, it is a routine budgetary response to such a vast section of population. The total Child Budget is Rs. 81,075.26 crore. Though in absolute number, it is meagre increase of Rs.50.62 crore compared to Interim Budget 2014-15, however, as a percentage of total Union Budget Expenditure and the GDP, the allocation has gone down. Table 3 shows that there has been .05 percent decline in 2014-15 (BE) as compared to 2013-14 (BE)

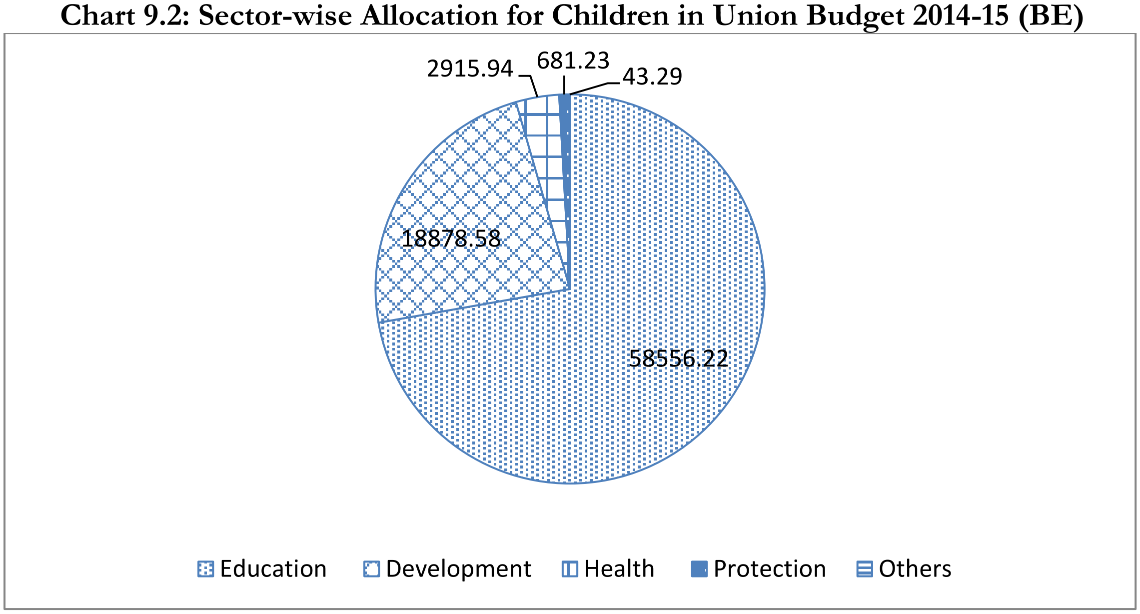
Table 9.2 Child Budget as a Percentage of Total Union Budget Expenditure and GDP (in Rs. Crore)

Year	Total Child Budget	Expenditure on Child welfare as % of Total Union Budget Expenditure	Expenditure on Child welfare as proportion of GDP
2012-13 (BE)	71028.11	4.76	0.69
2012-13 (RE)	67060.59	4.68	0.66
2013-14 (BE)	77235.95	4.6	0.67
2013-14 (RE)	72496.21	4.55	0.64
2014-15 (IB)	81024.64	4.59	0.63
2014-15 (BE)	81075.26	4.51	0.62

Source: Statement 22, Expenditure Vol. I, Union Budget of various years.

The sector-wise shares for Education, Development, Health and Protection broadly remain the same. Chart 9.2 given below indicates that Education got 72.22 percent of total allocation, followed by development (23.28), Health (3.59), Protection (0.84) and others (0.05) percent.

Chart 9.2: Sector-wise Allocation for Children in Union Budget 2014-15 (BE)



Source: Compiled by CBGA from Union Budget, Expenditure Vol. I, Statement 22.

9.4 Conclusion

The Election Manifesto of the newly elected government talked about effective implementation of RTE, Integrated Child Protection Scheme (ICPS) and addressing the issue of anaemia. But, the Budget has allocated a mere Rs. 400 crore for ICPS against an annual allocation of Rs. 1,060 crore recommended by the Working Group Report on Children (2012). With this allocation for ICPS, the comprehensive needs of children in conflict with law, in contact of law, in need of care and other vulnerable groups will not be met. Similarly, other important schemes are marred by under-funding and under-utilisation of funding. And, if we look at the outcomes or qualitative changes in the lives of children, there is a lot more that remains to be achieved. An analysis of the effect of the RTE proved that 79 percent of children in Standards I and II could barely read and recognize single digit numbers. By 2012, only 68 percent of children surveyed in Standards I and II could read, and only 71 percent could recognize numbers. Moreover, 44 lakh children are even today employed as labour and out-of-school in India. This is defeating the whole purpose of the goal of providing quality education to each and every child. Hence, the government needs to step-up its concern regarding children like it is doing for its "rurban" dream.

10. DALITS and ADIVASIS

DALITS

Major proposals / announcements in Union Budget 2014-15

- To provide credit enhancement facility for young start-up entrepreneurs from Scheduled Castes, who aspire to be part of the neo-middle class, a sum of Rs. 200 crore has been allocated. It will be operationalised through a scheme by Industrial Finance Corporation of India and is being set up as a Venture Capital Fund for SCs

- Allocations under Scheduled Caste Sub-Plan increased to Rs. 50548.16 crore in 2014-15 (BE)

Key Findings

- There has been a small increase of 4 percent in the allocations under SCSP from Rs. 42,707 crore in 2014-15 (IB) to Rs. 43,208 crore in 2014-15 (BE), excluding the allocations for NREGA.
- Allocations under SCSP as a proportion of the Budget Support for Central Plan of Union Govt., has remained almost same; with the proportion being 10.4 percent in 2014-15 (BE) and 10.8 percent 2014-15 (IB).
- Allocations under some schemes such as SCA to SCSP and Self-Employment Scheme of Liberation & Rehabilitation of Scavengers (SESLRS) have declined from 2014-15 (IB) to 2014-15 (BE). While the allocations under SCA to SCSP has declined from Rs. 1,213 crore in 2014-15 (IB) to Rs. 1,038 crore in 2014-15 (BE); the allocations under SESLRS have decreased from Rs. 537 crore in 2014-15 (IB) to Rs. 439 crore in 2014-15 (BE).

Allocations for Important Schemes/Programmes (in Rs. crore)

Major Schemes	2012-13 (Actuals)	2013-14 (RE)	2014-15 (IB)	2014-15 (BE)
Allocations for Ministry of Social Justice and Empowerment	4939.72	5723.35	6212.74	6212.74
Allocations under Scheduled Caste Sub-Plan (excluding allocation for NREGA in 2014-15 (IB and BE))	28218.81	35800.6	42707	43208
Pre-Matric Scholarship for SC Students (Class IX & X)	931.37	685	834	834
Post-Matric Scholarship for SCs	1654.65	1870.37	1500	1500
Pradhan Mantri Adarsh Gram Yojana	-	25	100	100
Implementation of PCR Act 1955 and PoA Act, 1989	97.48	128	90	90
Pre-matric Scholarship for children of those engaged in unclean occupations	10	20.1	10	10
SCA to SCSP	872.05	783	1231.4	1038
Self-Employment Scheme of Liberation & Rehabilitation of Scavengers	20	69.5	537.04	439.04

ADIVASIS

Major proposals

- Scheme for Mechanism for Marketing of Minor Forest Produce (MFP) through Minimum Support Price (MSP) and Development of value chain for MFP introduced in 2014-15 (IB) has been retained in 2014-15 (BE), with allocation of Rs. 317 crore
- Allocations under Tribal Sub-Plan (TSP) increased to Rs. 32,386.84 crore in 2014-15 (BE) from Rs. 30,726 crore in 2014-15 (IB)

"*Van Bandhu Kalyan Yojana*" has been launched with an initial allocation of Rs. 100 crore for the welfare of tribals.

Key Findings

- There has been a marginal increase in allocations under TSP from Rs. 26,174crore in 2014-15 (IB) to Rs. 26,715 crore in 2014-15 (BE), excluding the allocations for NREGA.
- Allocations under TSP as a proportion of the Budget Support for Central Plan of Union Govt., has remained almost identical; with the proportion being 6.4 percent in 2014-15 (BE) and 6.6 percent 2014-15 (IB).
- Budgetary outlays in 2014-15 (BE) of almost all the schemes have been retained at the allocations in the Interim Budget 2014-15.
- There is no information with respect to the design of *Van Bandhu Kalyaan Yojana*. It has been reported with 'Other Programmes for Welfare of STs' in the budget of the Ministry of Tribal Affairs

Allocations for Important Schemes/Programmes (in Rs. crore)

Major Schemes	2012-13 (AE)	2013-14 (RE)	2014-15 (IB)	2014-15 (BE)
Allocations for Ministry of Tribal Affairs	3072.63	3896.05	4397.96	4497.96
Allocations under Tribal Sub-Plan (excluding allocation for NREGA in 2014-15 (IB and BE))	16723.73	22030.47	26173.91	26714.96
Ashram Schools in Tribal Sub-Plan Areas	61	72.17		
Schemes for PMS, Book Bank and Up-gradation of Merit of ST students	731.06	625		
Pre-Matric scholarship for ST students	111.4	201.52		
Schemes of Hostels for ST Girls and Boys	78	105.8		
Mechanism for Marketing of Minor Forest Produce (MFP) through Minimum Support Price(MSP) and Development of value Chain for MFP	-	122	317	317
Umbrella Schemes for Education of ST Children	-	--	1058	1058
Special Central Assistance to Tribal Sub-Plan	852.54	1050	1200	1200
Assistance for schemes under proviso(i) to Article 275(1) of the Constitution	820	1097.14	1317	1317
Other Programmes for welfare of STs and *Van Bandhu Kalyan Yojana*	326.98	496.28	353.05	508.84

Source: Union Budget 2014-15

10.1 Introduction

The manifestation of age-long discrimination, exploitation and isolation has led to *Dalits* and *Adivasis* becoming among the most marginalised sections in society today. Not only do they fare poorly in most socio-economic indicators compared to other social groups, they also lack access to basic services. Table 10.1 highlights some glaring gaps in the status of *Dalits* and *Adivasis* in certain key indicators of development. They have lower literacy rates, health indicators, restricted access to basic services, as well as form a greater proportion in the casual labour force.

Table 10.1: Development Indicators for *Dalits* and *Adivasis*

Indicators	Year	***Dalits***	***Adivasis***	Other Groups
Literacy Rate (Rural) %	2011	66.1	59	73
Employment Status in Rural Areas (%) [2009-10]	Self-employed	30.8	44	47.4
	Labourer	59	46.5	40.4
	Others	10.3	9.5	12.2
Employment Status in Urban Areas (%) [2009-10]	Self-employed	26.2	23.3	34.7
	Wage / Salaried	39.4	38.4	39.7
	Casual Labourer	25.1	21.1	13.4
	Others	9.2	16.9	12.1
Women with BMI < 18.5 (%)	2005-06	41.2	46.6	29.3
Women with Anaemia (%)	2005-06	58.3	68.5	51.2
Infant Mortality Rate (per 1000)	2005-06	66.4	62.1	48.9
Households with access to sanitation (%)	2011	33.9	22.6	46.9
Households with access to safe drinking water (%)	2011	71.5	88.6	85.5
Asset less Households	2011	22.6	37.3	17.8

Source: India Human Development Report 2011, Towards Social Inclusion, Institute of Applied Manpower Research, Planning Commission, GoI (computed from NFHS, NSS various years) and India Exclusion Report 2013-14, Centre for Equity Studies, et al. Books for Change

The recognition of this deprivation is being increasingly acknowledged by the government and certain steps have been initiated to bridge the developmental gaps and bring them at par with the rest of the population. However deficits still persist.

10.2 Commitments in the Election Manifesto of the BJP

The *Bharatiya Janata Party* (BJP) clearly outlined its strategy for the development and upliftment of the *Dalits* and *Adivasis* in its Election Manifesto. The party stated that it is committed to bridging the gaps between the *Dalits* and *Adivasis* and the rest of the population following the principles of social and economic justice along with political empowerment. Steps would be taken to create an enabling environment for the upliftment of the community through creating equal opportunities in education, health and livelihood. In view of the increasing violence against *Dalits* and *Adivasis*, especially women, the manifesto reiterated its commitment to ensuring their security through prevention of atrocities against them.

The main provisions stated in the election manifesto are:

- Eliminating manual scavenging
- Allocation of funds for schemes and programmes for *Dalits* and *Adivasis* to be utilized effectively
- Mission mode project to be followed for housing, education, health and skill development- Special focus on the children, especially the girl child, with regard to health, education and skill development
- Programme for women's healthcare in mission mode, especially focusing on the domains of nutrition and pregnancy,-with emphasis on *Dalits* and *Adivasis*

The manifesto stated that tribal development in particular, would be a focus area for the new government. The party committed "to make a comprehensive, all-encompassing long-term strategy to empower tribals and ensure their welfare. The goal would be to ensure tribal development while preserving the unique identities of this community." The manifesto referred to the model developed by the governments of Gujarat, Madhya Pradesh and Chhattisgarh for the overall development of the tribals which would be replicated at the Union level for the welfare of the tribal population. The party promised to initiate *'Van Bandhu Kalyan Yojna'* at the national level to be overseen by a 'Tribal Development Authority', on the lines of the programme being followed in Gujarat, which would focus on the all-round development of the tribals in addition to provisioning of basic services and connectivity to the tribal hamlets.

The promises made in the election manifesto of the BJP focus on the overall development and empowerment of the two communities. The manifesto also states some of the good practices that would be followed at the Union level, along with its commitment to allocating requisite budgetary resources and ensuring a proper implementation of the concerned schemes and programmes. It is to be seen to what extent the stated commitments are met in the forthcoming budgets and government policies.

10.3 Budgetary Strategies and Allocations for the Development of the *Dalits* and *Adivasis*

At the Union level, Ministry of Social Justice and Empowerment (MSJE) and the Ministry of Tribal Affairs (MoTA) have the nodal responsibility for the overall policy and planning of programmes for the development of *Dalits* and *Adivasis* respectively. However it was realized that the benefits of growth do not reach the communities, nor could they benefit from the various developmental initiatives of the government, owing to multiple reasons.

To ensure direct policy driven interventions for these communities, important plan strategies –Scheduled Caste Sub-Plan (SCSP) and Tribal Sub-Plan (TSP) – were introduced by the Planning Commission in the 1970s. The main objective of SCSP and TSP is to channel Plan funds for the development of Scheduled Castes (SCs) and Scheduled Tribes (STs) in proportion to their share in the total population (16.2 and 8.2 percent respectively, according to Census 2001). The strategies require the ministries to identify the specific disadvantages facing *Dalits* and *Adivasis* in their respective sectors, recognizing the measures that could be taken by them to address those special challenges and earmarking additional resources that would be required for such special measures. These additional resources devoted to special measures for SCs/STs should then be reported under SCSP and TSP.

Over the years there have been some improvements in the structure of SCSP and TSP. The ministries have been asked to introduce Minor Heads 789 (for SCSP) and 796 (for TSP) in their respective Detailed Demands for Grants to denote allocations earmarked for SCs and STs in their developmental schemes and programmes. Further, allocations under the SCSP and TSP are reported under Statement 21 (for SCs) and Statement 21A (for STs), which was bifurcated into two parts in the Union Budget 2011-12, under Expenditure Budget, Volume I. The statements for the first time reported figures of Actuals in the last Union Budget (2013-14), which could be seen as a step towards greater transparency.

The sections below trace the major trends in allocations under SCSP and TSP, along with the budgetary allocations for major schemes under the two nodal ministries of MSJE and MoTA.

10.4 Allocations under the Scheduled Caste Sub-Plan and Tribal Sub-Plan

Until the Union Budget 2013-14, the allocations under SCSP and TSP were computed as a proportion of the Budget Support for Central Plan, which was computed as:

Budget Support for Central Plan = Total Plan Expenditure - Central Assistance to State and UT Plans

So the share of SCSP and TSP in the Budget Support for Central Plan was computed as:

$$\text{Share of SCSP/TSP} = \frac{\text{Allocation in SCSP}/TSP}{\text{Total Plan Expenditure} - \text{Central Assistance to State and UT Plans}}$$

However, from the Interim Budget (IB) 2014-15, there have been certain changes in reporting of the schemes. These include:

(i) Centrally Sponsored Schemes (CSSs) which were previously a part of the Central Plan, have been restructured and reclassified as Central Assistance to State and UT Plans

(ii) A flexi fund component has been introduced in the plan outlay for these schemes

(iii) This flexi fund component should be at least 10 percent of the Plan budget of each CSS (see box below)

As per the guidelines[7], concerned Central Ministries have been asked to "keep at least 10 percent of their Plan budget for each CSS as flexi-funds, except for schemes which emanate from a legislation (e.g. MGNREGA), or, schemes where the whole or a substantial proportion of the budgetary allocation is flexible (e.g. RKVY)".

[7] Guidelines for Flexi-Funds within the Centrally Sponsored Schemes issued by Plan Finance-II Division, Department of Expenditure, Ministry of Finance, Government of India (dated 21.01.2014)

This change has increased the amount being reported under the Central Assistance to State and UT Plan, which is considered as untied transfers for the states. However, the actual quantum of untied funds is not as high as is being reported now ─ Rs. 3,38,408 crore[8].

Thus, when we compute the allocations under SCSP or TSP as a proportion of the Budget Support for Central Plan, this change needs to be kept in mind. The amount which should be deducted from the Total Plan Expenditure is only the quantum of untied funds being devolved to the State and UT Plans, and not the entire amount being reported. The untied transfers in this case are:

(a) Allocations for schemes reported under Central Assistance for State and Union Territory Plans till last Union Budget 2013-14 (in Statement 16, Expenditure Budget, Volume I)

(b) 10 percent of allocations for Centrally Sponsored Schemes which have started reporting in Statement 16 from Union Budget 2014-15 [which is the 10% flexi fund component]

The denominator for computing shares of SCSP and TSP in this case would be:

Denominator for computing share of SCSP and TSP = Total Plan Expenditure – (a) – (b)

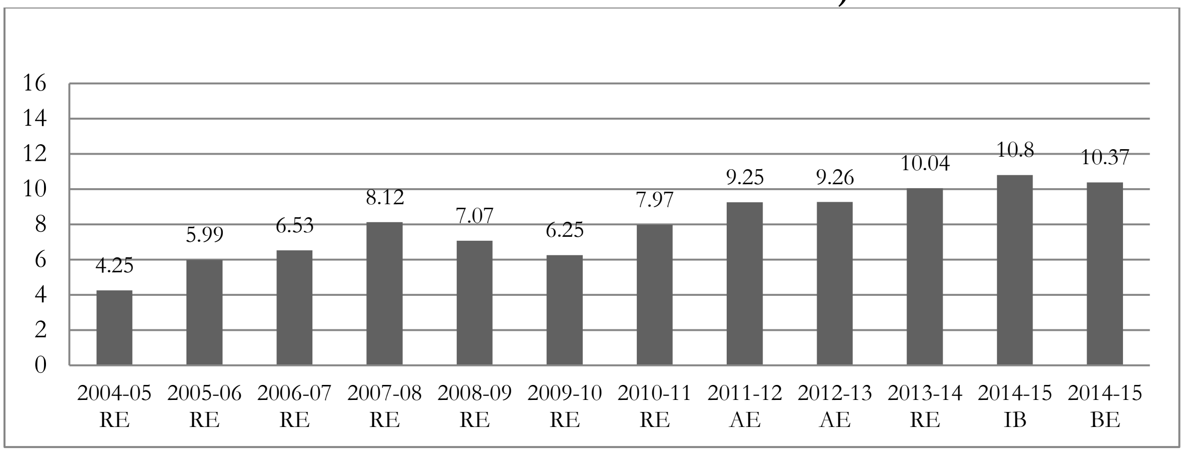
Though the guidelines have asked for at least 10 percent flexi-funds, which can exceed 10 percent in some cases, for our analysis we have kept a lower approximation of 10 percent plan allocations under the CSSs as flexi-funds.

As per Statement 21, the government's allocation under the Scheduled Caste Sub Plan (SCSP) has increased to Rs. 50,548 crore in 2014-15 (BE) from Rs. 35,801 crore in 2013-14 (RE). However, this year, the allocations for MGNREGA[9], which is a wage employment scheme, have also been reported under the SCSP. If one deducts the allocation for MGNREGA from the amount reported under SCSP, the allocation for SCSP is Rs. 43,208 crore. This is merely 10.4 percent of the Budget Support for Central Plan ─ less than the stipulated 16.2 percent mark. Proportion of allocations under the SCSP have seen a fluctuating trend, reaching 10.04 percent in 2013-14 (RE); however it had largely remained in the range of 9 to 10 percent of the Total Plan Allocation of Union Govt. (Excluding Central Assistance to States and UTs) till the last Union Budget.

[8] As reported under Statement 16, Expenditure Budget Volume I of the Union Budget 2014-15

[9] As per the Guidelines of Planning Commission (2006) for the implementation of the SCSP and TSP, "Wage component, especially under rural employment schemes, should not be included under SCP/TSP".

Chart 10.1 Plan Allocations under SCSP as % of Total Plan Allocation of Union Govt. (Excluding Central Assistance to States and UTs)

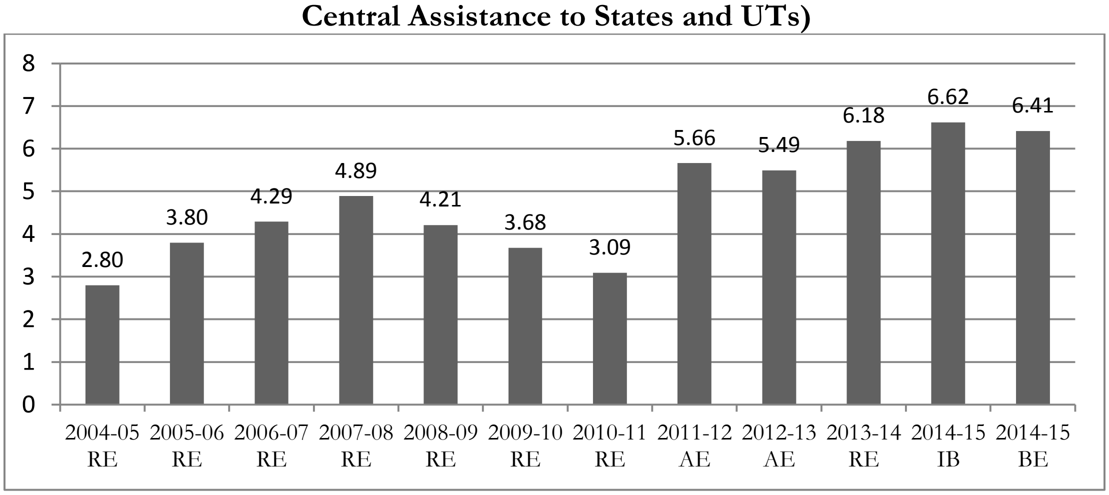


Source: Compiled by CBGA from Union Budget documents, various years

As per Statement 21A, the allocations under the Tribal Sub Plan (TSP) is around Rs. 26715 crore, excluding the allocations for MGNREGA[10]. This is only 6.4 percent of the Budget Support for Central Plan ─ less than the stipulated 8.2 percent mark. The allocations under TSP in this budget, is a nominal increase from Rs. 22,030 crore in 2013-14 (RE).

The share of TSP in the Total Plan Allocations of the Union Budget (excluding Central Assistance to States and Union Territories) has increased to 6.41 percent in 2014-15 (BE) as compared to 6.18 percent in 2013-14 (RE), primarily due to restructuring of the CSSs (see chart 10.2). This is a marginal increase over the share of TSP that was allocated in the Interim Budget 2014-15.

Chart 10.2 Plan Allocations under TSP as % Total Plan Allocation of Union Govt. (Excluding Central Assistance to States and UTs)



Source: Compiled by CBGA from Union Budget documents, various years

10 As per the Guidelines of Planning Commission (2006) for the implementation of the SCSP and TSP, "Wage component, especially under rural employment schemes, should not be included under SCP/TSP".

Though the absolute allocations under both the SCSP and the TSP have been increasing over the last few years, their proportionate shares in the Budget Support for Central Plan have consistently remained below the stipulated norm.

The number of Demands being reported under both SCSP and TSP has increased marginally over the previous year (2013-14), due to separate reporting by the Department of Disability Affairs which was earlier a part of the MSJE. The number of Demands under SCSP has increased from 25 in 2013-14 (RE) to 27 in 2014-15 (BE); and under TSP from 32 in 2013-14 (RE) to 33 in 2014-15 (BE).

10.5 Issues in implementation of SCSP and TSP

The implementation of the SCSP and TSP has been fraught with a number of issues. The total outlay reported under these statements has fallen short of the required 16 and 8 percent of plan allocations across all the years. It has also been seen that reporting under these statements has been restricted to only a few ministries. Though there has been an increase in the number of ministries and departments reporting under the SCSP and TSP, the so-called indivisible sectors have largely remained outside the ambit of these strategies.

Further, there is lack of clarity on the rationale for reporting a scheme or programme under the SCSP and TSP. Most often, the schemes reported do not entail any direct benefits to, or have specific provisions for these communities and the ministries are merely assuming incidental benefits from the schemes for the *Dalits* and *Adivasis*. Reporting under SCSP and TSP has largely remained in the nature of 'retrospective reporting' wherein the ministries earmark allocations for SCs and STs, after finalizing their respective budgets. There is hardly any additional effort by the ministries to identify and address the specific disadvantages faced by the communities at the stage of planning itself.

Even the *Narendra Jadhav* Task Force has focused primarily on the issue of how the stipulated proportions of Plan allocations under all the Union Ministries taken together can be met and which ministries should earmark funds for *Dalits* and *Adivasis* and in what proportions. The Task Force suggested that of all Union ministries, only 25 ministries should be responsible for implementing SCSP and only 28 ministries should be responsible for implementing TSP, with distinct shares in the total pool for these strategies; 43 ministries were exempted from reporting under these. The recommendations of the Task Force do not encourage the 'indivisible sectors' to think through and identify the specific concerns of these communities in their respective sectors and initiate measures to address the concerns by introducing some new interventions or amending the existing programmes, with requisite budgetary outlays.

10.6 Allocations under the Ministry of Social Justice and Empowerment

The Plan allocation proposed under the 12^{th} Five Year Plan (12^{th} FYP) for the MSJE was Rs. 32,684 crore, out of which the Ministry has been allocated Rs. 18,705 crore, at the end of the first three years of the 12^{th} FYP. There remains a difference of Rs. 13,979 crore to be met in the next two Union Budgets. Looking at the average annual allocations for the Ministry (approximately Rs. 6,000 crore) it seems quite likely that the required amount would be allocated to the Ministry as per the proposal of the current Five Year Plan.

Allocations for most of the schemes have seen a marginal increase in 2014-15 (BE) over the 2013-14 (BE) (see Table 10.2). However, the reduced allocations under certain schemes, from the Budget Estimates of

2012-13 and 2013-14 to their respective Revised Estimates, are a cause of concern. Some schemes like the Special Central Assistance to Scheduled Castes Sub-Plan, Self-Employment Scheme for Liberation and Rehabilitation of Manual Scavengers and *Pradhan Mantri Adarsh Gram Yojana* (PMAGY) have experienced a decline in their allocations at the Revised Estimates and Actual Expenditure stage (for 2012-13 and 2013-14). It is surprising to note that the PMAGY was allocated a meagre amount of Rs. 1 crore in 2012-13 (BE), despite having an actual expenditure amounting to Rs.100 crore in 2011-12 (AE). The steep decline in the Revised Estimates for the Scheme for Liberation and Rehabilitation of Manual Scavengers in the Revised Estimates of 2013-14 is a matter of concern, especially in view of the enactment of the "Prohibition of Employment as Manual Scavengers and their Rehabilitation Act, 2013," which re-affirms the government's commitment to the eradication of this practice. At the same time, there are also schemes such as Pre-Matric Scholarship for SC Students, Implementation of PCR Act 1955 and PoA Act, 1989 and PMS for children of those engaged in unclean occupations, which have seen an increase in their respective allocation in the 2013-14 (RE) over the 2013-14 (BE).

Table 10.2 Allocations under Major Schemes of the MSJE (Rs. in Crore)

	2012-13		2013-14		2014-15	
Major Schemes	**BE**	**RE**	**BE**	**RE**	**IB**	**BE**
Pre-Matric Scholarship for SC Students (Class IX & X)	805.5	929	882	685	834	834
Post-Matric Scholarship for SCs	1470	1462	1470	1870.37	1500	1500
Pradhan Mantri Adarsh Gram Yojana	1	0.01	100	25	100	100
Implementation of PCR Act 1955 and PoA Act, 1989	98	82	88	128	90	90
Pre-matric Scholarship for children of those engaged in unclean occupations	10	9	9.5	20.1	10	10
Special Central Assistance to Scheduled Caste Sub-Plan	1176	1028	1030	783	1231.4	1038
Self-Employment Scheme of Liberation & Rehabilitation of Scavengers	98	20	557	69.5	537.04	439.04

Source: Compiled by CBGA from Union Budget documents, various years

10.7 Allocations under the Ministry of Tribal Affairs

The 12th FYP proposed a Plan outlay of Rs. 7,746 crore for the MoTA during its course. The MoTA has had an average annual plan outlay of around Rs. 4,000 crore, which makes the cumulative allocations to the Ministry at the end of the first three years of the Plan period, Rs. 12,866 crore. This has already exceeded the Plan outlay proposed in the 12th FYP, which indicates an increasing priority for the tribals.

The total allocation for the Ministry of Tribal Affairs has witnessed an increase from Rs. 4,295.94 crore in 2013-14 (BE) to Rs. 4,497.96 crore in 2014-15 (BE). A new scheme, 'Mechanism for Marketing of Minor

Forest Produce (MFP) through Minimum Support Price (MSP) and Development of Value Chain for MFP' was launched in the Interim Budget 2014-15, with its allocations being reflected from the Revised Estimates of 2013-14. The scheme is expected to have a huge social dividend for MFP gatherers, the majority of whom are tribals, by enhancing their income level and ensuring fair returns to their efforts at collecting MFP. It has been retained in the 2014-15 (BE) with an allocation of Rs. 317 crore. Also, as per its commitment in the election manifesto, *Van Bandhu Kalyan Yojana* has been introduced in the Union Budget 2014-15 with an allocation of Rs. 100 crore. However, the scheme needs to be scrutinised in greater detail to evaluate the scheme design or adequacy of budget for its implementation.

Allocations under the Central Assistance for State Plans (includes Special Central Assistance to Tribal Sub-Plan and Assistance for schemes under proviso (i) to Article 275(1) of the Constitution)) has declined from Rs. 2,517.00 crore in 2013-14 (BE) to Rs. 2,147.14 crore in its Revised Estimates. The allocations under this were reduced in the Revised Estimates of 2012-13 as well. The Departmentally Related Standing Committee Report on Detailed Demand for Grants 2013-14 of the Ministry of Tribal Affairs (DRSCR 2013-14) noted that "due to slashing of the budget, no grant could be released by the Ministry to seven States, namely Bihar, Goa, Jammu & Kashmir, Maharashtra, Tamil Nadu, Uttarakhand and Uttar Pradesh. Moreover, nine States, namely Andhra Pradesh, Assam, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Manipur, Tripura and West Bengal could receive only partial allocation" (in 2012-13).

Table: 10.3 Allocations under Major Schemes of the MoTA (Rs. in Crore)

	2012-13		2013-14		2014-15	
Major Schemes	**BE**	**RE**	**BE**	**RE**	**IB**	**BE**
Ashram Schools in Tribal Sub-Plan Areas	75	61	75	72.17	-	-
Schemes for PMS, Book Bank and Up gradation of Merit of ST students	629.7	628.84	625	625	-	-
Pre-Matric scholarship for ST students	81	106.73	202.19	201.52	-	-
Schemes of Hostels for ST Girls and Boys	68	68	105.8	105.8	-	-
Mechanism for Marketing of Minor Forest Produce (MFP) through Minimum Support Price(MSP) and Development of value Chain for MFP	-	-	-	122	317	317
Umbrella Schemes for Education of ST Children*	-				1058	1058
Special Central Assistance to Tribal Sub-Plan	1200	852.54	1200	1050	1200	1200
Assistance for schemes under proviso(i) to Article 275(1) of the	1317	820	1317	1097.14	1317	1317

Constitution						
Other Programmes for welfare of STs and *Van Bandhu Kalyan Yojana*[#]	483 .21	335.49	496.28	496.28	353.05	508.84

Source: Compiled by CBGA from Union Budget documents, various years

Note: *The Umbrella Scheme for Education of ST Children is being implemented to fill the critical gap in the education of ST children. It provides a number ofoptions to be picked by the states out of the following components 1. Strengthening and Establishment of Ashram schools and hostels; 2. Establishment of Vocational Education Centres within *Ashram* Schools; 3. Pre.-Matric Scholarship; 4. Post matric Scholarship; 5. Top Class Education

An amount of Rs. 100 crore is kept for *Van Bandhu Kalyan Yojana* in 2014-15 (BE); this scheme has been introduced this year itself

10.8 Conclusion

The budgetary allocations under the SCSP and the TSP have increased only marginally over the previous budgets; however the increase seems to be greater when seen as a proportion of the Total Plan Allocation of the Union Government (excluding Central Assistance for State and UT Plans). This is primarily owing to the restructuring and reclassification of the CSSs and doesn't translate into additional resources flowing to the *Dalits* and *Adivasis*. The issues in reporting under the SCSP and TSP remain largely unaddressed. Some new schemes have been introduced in the current Union Budget for the *Dalits* and the *Adivasis* (as per the commitments in the Election Manifesto); however it remains to be seen how well they are able to meet the desired objectives in future.

Overall development of *Dalits* and *Adivasis* cannot be attained through allocations in one Union Budget alone. This can be achieved only through sustained and dedicated commitment on the part of the government in the forthcoming government policies, programmes, budgetary outlays as well as their implementation. It is to be hoped that as per the promises made in the manifesto, the government will prioritise needs of these excluded communities adequately.

11. MUSLIMS

Major proposals/announcements in Union Budget 2014-15

- A new scheme "Upgradation of Traditional Skills in Arts, Resources and Goods" was announced for promoting and preserving the traditional craft, arts for development of minorities through skill upgradation; but there was no information on fund allocation in the Notes on Demands for Grants of the Ministry of Minority Affairs or any other ministry.

- An additional allocation of Rs. 100 crore was made for Madrasa Modernisation Programme, under the Department of School Education.

Key Findings

- Only 0.7 percent of total plan funds of Union Budget 2014-15 has been earmarked for minorities.
- The total allocations for minorities made in the Interim Budget for 2014-15 have been retained in the main Union Budget for 2014-15.
- In 2014-15 (BE), total allocation for Ministry of Minority Affairs (MoMA) has increased to Rs. 3,734 crore from Rs. 3,130.84 in 2013-14 (RE).
- Looking at the coverage of MSDP in 710 blocks of 196 districts, the current allocation of Rs. 1250 crore for MSDP seems inadequate.
- The design of Multi-Sectoral Development Programme (MSDP) and the PM's 15 Point Programme guidelines do not have much scope for creating a tailor-made project. The norms and guidelines of the existing Centrally Sponsored Schemes are being adopted without any flexibility.

Status of Fund Allocation and Utilisation under Ministry of Minority Affairs (in Rs. Crore)

Year	Allocation		Expenditure	Utilisation* (in %)
	B.E	R.E		
2007-08	500	350	196.65	39.33
2008-09	1000	650	619.09	61.86
2009-10	1740	1740	1709.42	98.24
2010-11	2600	2500	2080.86	77.26
2011-12	2850	2750	2292.27	80.43
2012-13	3154.70	2218	2174.29	69
2013-14	3531	3130.84	-	-
2014-15	3734.01	-	-	-

Note: *Utilisation has been reported taking into account BE figures.
BE: Budget Estimate; RE: Revised Estimate
Source: Compiled by CBGA from Ministry of Minority Affairs, Govt. of India

11.1. Introduction

As per the National Commission for Minorities Act, 1992, the religious minorities include Muslims, Christians, Sikhs, Buddhists, Parsis, and Jains. Among the total religious minority population in India, the Muslim community comprises the largest share – more than 70 percent. According to the *Sachar* Committee Report (2006), the Muslim community lags behind almost all socio-religious communities in the country. Poverty indicators (2004-05) show that about 12.4 percent of the Muslims in rural areas and 27.9 percent in urban areas fall below the poverty line. Indicators also reveal that in 2005-06 around 35 percent of Muslim women had Body Mass Index (BMI) less than 18.5 and 54.7 percent women were anaemic. The indicators with respect to children are also dismal with the Infant Mortality Rate (IMR) around 52.4 and under-5 Mortality Rate as high as 70 per 1000 live births in 2005-06. Most of the Muslims are either landless or have marginal land-holdings as of 2009-10 (India Exclusion Report 2013-14 and Human Development Report, 2011).

Ministry of Minority Affairs (MoMA) was set up as the nodal ministry for the welfare and empowerment of the religious minorities in 2006. In addition, two development strategies designed to address the development shortfalls faced by the religious minorities are being implemented – the Prime Minister's 15 Point Programme (15 PP) and the Multi-Sectoral Development Programme (MSDP).

The 15 PP, which had been operational since the 1980s, was revamped by the Union Government in 2006. It brought to focus the vital concerns of education, employment and skill development, living conditions and security among Muslims/minorities by bringing within its ambit select flagship schemes and interventions. Currently, 11 Union Government ministries/departments report their involvement in implementing the 15 PP.

MSDP is an area development programme for improving the education levels, nutritional standards, work participation and access to basic public services in Minority Concentrated Districts (MCDs). MSDP was launched in 90 MCDs in the 11th Five Year Plan (FYP); among the 90 MCDs, 66 districts were Muslim concentrated. In 12th FYP, MSDP was extended to 710 development blocks of 196 districts and 66 towns.

11.2 Allocations for the Ministry of Minority Affairs

In 2014, the BJP manifesto had promised to give adequate focus on the development of minorities, particularly Muslims. However, the manifesto did not address the real development issues such as social exclusion, low share in public employment and educational institutions, poverty and illiteracy. The important promises made in the manifesto include modernisation of *Madrasas*, empowering *Waqf* Boards in consultation with religious leaders, taking steps to remove encroachments on and unauthorised occupation of *Waqf* properties, preservation and promotion of Urdu and ensuring a peaceful and secure environment where there is no place for either the perpetrators or exploiters of fear.

In Union Budget 2014-15 the Finance Minister introduced a new scheme "Up gradation of Traditional Skills in Arts, Resources and Goods" for promoting and preserving the traditional craft, arts for development of minorities through skill up-gradation. However, no mention on budgetary allocation has been made in the Note on Demand for Grants of Ministry of Minority Affairs or any other ministry for

2014-15. An additional allocation of Rs. 100 crore for Madrasa Modernisation programme being run under Department of School Education was also announced.

Only 0.7 percent of total plan funds of Union Budget 2014-15 has been earmarked for minorities. In 2014-15 (BE), total allocation for MoMA has increased marginally by 16 percent, from Rs. 3, 130.84 in 2013-14 (RE) to Rs. 3, 734 crore to 2014-15 (BE). Also, the total allocation made for MoMA in the Interim Budget has been retained. There has been an increase of Rs. 409 crore in the allocation for MSDP. It has increased to Rs. 1, 250 crore in 2014-15 (BE) from Rs. 841 crore in 2013-14 (RE). Looking at the coverage of large number of MSDP blocks and districts, which was increased in the 12th FYP, the current allocation seems inadequate.

The *Maulana Azad* Education Foundation (MAEF) works as a vehicle to implement educational schemes for minorities. The Finance Minister proposed to allocate Rs. 113 crore for MAEF.

Table 11.1 shows scheme wise details of allocation in 2012-13, 2013-14 and 2014-15. Looking at the expenditure/allocation in the first three years of 12th FYP for MoMA, it was found that the total allocation amounts to Rs. 8, 980 crore, which is hardly 50 percent of the total proposed allocation of Rs. 17, 323 crore.

Table 11.1: Scheme-wise Plan Allocation by MoMA in 12th Five Year Plan (in Rs. Crore)

Schemes/Programmes	**12th Plan Proposed Allocation**	**2012-13 (Actuals)**	**2013-14 (RE)**	**2014-15 (BE)**
Secretariat – Social Services	0	0.96	1.20	1.50
Grants-in-aid to *Maulana Azad* Education Foundation	500	0	160	113
Free Coaching and Allied Scheme for Minorities	120	14	22.34	22.5
Research/Studies, Monitoring and Evaluation of development schemes for Minorities including Publicity	220	31.05	42.12	44.70
Merit-cum-means scholarship for professional and technical courses of undergraduate and post-graduate level	1580	181.18	242.82	302
Pre-Matric Scholarship for Minorities	5000	786.14	885.19	990
Post-Matric Scholarship for Minorities	2850	326.43	490.14	538.50
Multi-Sectoral Development Programme for Minorities in selected MCDs	5650	641.26	841.54	1250
Maulana Azad National Fellowship for Minority Students	430	66	50.10	45
Grants-in-aid to State Channelising Agencies(SCA) engaged for implementation of NMDFC programme	10	0	1.80	1.80

Support for Students clearing Prelims conducted by UPSC, SSC, State Public Services Commission etc.	75	0	1.66	3.60
Scheme for promotion of education in 100 minority concentration towns/cities, out of 251 such town/cities identified as backward*	50	0	0	0
Village Development Programme for Villages not covered by MCB/MCD*	50	0	0	0
Support to District Level Institution in MCDs*	90	0	0	0
Free Cycle for Girl Students of Class IX*	13	0	0	0
Scheme for Leadership Development of Minority Women	75	10.45	13.24	12.50
Computerisation of records of State *Waqf* Boards	17	0.89	2.70	2.70
Strengthening of the State *Waqf* Boards	25	0	1.23	6.30
Interest subsidy on Educational Loans for overseas studies	10	0	0.59	3.6
Skill Development Initiatives	60		15	31
Scheme for containing population decline of small minority community	10	0	0.66	2
NMDFC	600	99.64	35.64	108
Maulana Azad Medical Aid Scheme		0	0	1.80
Provision for NER		110.98	303.03	230.5
Total Plan Allocation under Minority Affairs Ministry	**17323**	**2157.98**	**3111**	**3711**

Source: Compiled by CBGA from Ministry of Minority Affairs, Expenditure Budget Vol.II
*scheme has been dropped in 2013-14

While assessing the implementation of the provisions under the 12th FYP, not much headway has been made, except for expanding the coverage of MSDP from 90 to 196 MCDs and implementing and planning of MSDP at the block level. However, the design of MSDP and the 15 PP do not have much scope for creating a tailor-made project that suits the needs of the Muslim community. In both these programmes, the norms and guidelines of the existing Centrally Sponsored Schemes (CSSs) are being adopted without any flexibility.

11.3 Issues with Fund Utilisation under the Ministry of Minority Affairs

The performance of MoMA in terms of fund utilisation has been unsatisfactory in the 11th FYP. The ministry was able to utilize merely 78 percent (average) of the total outlay earmarked in the 11thFYP period. The MoMA noted that poor utilisation has primarily been due to a delayed start in implementation of major schemes such as pre-matric scholarship and MSDP for select MCDs. Further, non-receipt of/insufficient proposals for scholarship schemes from the North-Eastern States also account for delays in fund disbursement. It was also shared that the MoMA had not received 'in-principle' approval of the Planning

Commission to initiate four proposed schemes. Moreover, the scheme for Leadership Development of Minority Women could not take off in the 11th FPY.

Fund utilisation under all the four scholarship improved slightly in the later period of 11th FYP, though three schemes, i.e. Pre-Matric, Post–Matric, and Merit-cum-Means, continued to report inadequate utilisation. The low rate of utilisation is mostly reflective of the government's inability to make these schemes popular among the beneficiaries. Rigid procedures in filling applications and large number of documents required such as opening banks accounts, income, castes and domicile certificates make schemes less accessible to beneficiaries.

11.4. Issues with Implementation of 15 PP and MSDP

The assessment of implementation of 15 PP and MSDP during last seven years shows that the policy initiatives of the government towards the development of minorities, in general, and Muslims, in particular, leave a lot to be desired. There are still huge gaps in the resource allocation, utilisation of funds and programme implementation specific to the development of minorities..

With regard to the quantum of budgetary resources provided for the development programmes for minorities, it was estimated that around six percent of the total Plan funds in 11th FYP (excluding Priority Sector Lending) had been earmarked for them. We must note here that the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) accounted for almost 70 percent of the total allocations meant for the minorities. However, with regard to the benefits of JNNURM accruing to Muslims/minorities, the reporting system does not provide actual expenditure figures or beneficiary data on minorities separately. Thus, the JNNURM allocations shown as being earmarked for minorities appear to be 'notional' allocations.

MSDP being the largest programme to address the socio-economic deficits among Muslims was allocated 42 percent of the total MoMA budget in the 11th FYP. However, non-submission of complete proposals by the State governments for MSDP and delays in the submission of Utilisation Certificates led to delays under the programme. These implementation bottlenecks are greater under MSDP where factors like lack of institutional arrangements for implementation at the district level, inadequate planning capacity, shortage of staff and infrastructure, delayed submission of detailed project reports and insufficient funds to monitor the programmes have crippled the effective working of these schemes.

There are also 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. Further, there is an absence of separate minor head or a budget statement under minority related programmes which makes it difficult to track the funds flowing for minorities' welfare across schemes and programmes in various sectors.

11.5. Policy Priorities for Development of Muslims/Minorities in 12th Five Year Plan

In the 12th FYP, certain corrective measures were suggested pertaining to increase in budgetary allocations, design problems and implementation of 15 PP and MSDP. In the plan document, adequate focus was given on the development of Muslims through special provisions for inclusion of the community in public policies and programmes. The Plan document noted that in order to ensure adequate funds, the existing guidelines of earmarking '15 percent wherever possible' was revised to '15 percent and above in proportion to the size of minority population.'

The plan document also stated that there is a need for expansion of the coverage and scope of the 15 PP in a large number of programmes and also expanding the coverage of MSDP to more MCDs. It was suggested that the annual targets and/outlays of 15 PP/MSDP should be broken down to hamlet/ward level. The population criterion to identify MCDs will be brought down from 25 percent to 15 percent. The revised MSDP guidelines will do away with the 'topping up' approach in existing CSS; emphasis will be on local need based plans to overcome deficits.

MSDP and 15 PP will work in synergy rather than the former duplicating the latter. Also, 15 PP will take care of sectoral investments/ongoing CSS while MSDP will fill gaps that particular communities/or settlements, which are not covered by existing CSS. Minority concentrated villages/towns (having a total of 50 percent minority population in the total population) outside MCDs will have a separate programme.

Further, it suggested regular revision in the unit cost of scholarship schemes to factor in the effects of inflation. The 12th FYP also suggested for doing away with the two child norm in scholarship schemes; all eligible minority students will be covered following a demand driven approach.

11.6 Conclusion

From the analysis, it is evident that promises made in the Election Manifesto and the commitments made in 12th Plan have not reflected adequately in the Union Budget 2014-15 in terms of policy priorities and budgetary allocations. Considering the problems in the guidelines and designs of the schemes, the 15 PP could be implemented along the lines of the Scheduled Caste Sub Plan and the Tribal Sub Plan with Additional Central Assistance (ACA). There is no separate budget statement on minority related programmes. It would also help to include minorities in the budgetary processes through having "separate budget statement" in the Union Budget on minority related programmes as is already being done in the case of women, children, SCs and STs (for expenditure reporting). Thus, the need of the hour is to put in place targeted, well designed interventions and strategies for the overall development of the Muslims.

12. PERSONS WITH DISABILITIES *

Major proposals/announcements in Union Budget 2014-15

"To create more inclusive society inclusive of differently abled people"

1. Assistive Devices for persons with disabilities to include contemporary modern assistive devices
2. National Institute for in Inclusive Universal design
3. National Institute for Mental Health,
4. National centre for Disability Sports
5. 15 new Braille press and modernize existing ones
6. Currency notes with Braille signs

Key Findings

- Issues of persons with disabilities are not seen as cross-sectoral and developmental
- The Demands for Grant Statement is exactly the same as that of the Interim Budget. There is no revision.
- No specific allocation for the Budget Announcements made on National Institute of Inclusive Universal Design, National Institute of Mental Health, Braille Presses and National Centre for Disability Sports
- The data on persons with disabilities in the Result frame work document and outcome budget document of MSJE are not gender disaggregated.
- No data : Physical performance or allocation could be culled out in programmes that are subsumed under larger programmes ex: IEDSS.

Allocations for Important Schemes/Programmes (in Rs. crore)

Major Schemes	2012-13 (Actuals)	2013-14 (RE)	2014-15 (IB)	2014-15 (BE)
DDRS	46.99	80.50	80	80
National Institutes	104.69	136	147.16	147.16
SSA	793.312	450.83	Data Not Available	Data Not Available
National Mental Health Programme	87	30	200	200

* This section has been prepared by EQUALS, Chennai- a disability rights organisation

12.1 Development Indicators

As a nation we are yet to arrive at development indicators for persons with disabilities. The existing indicators do not include persons with disabilities. This could be indicative of the fact that the processes of arriving at these indicators are not responsive to the issues of persons with disabilities.

The United Nations Convention on the Rights of Persons with Disabilities (UNCRPD), which India ratified in 2007, mandates the recognition of the issues of persons with disabilities as cross-sectoral and developmental. The 11th and 12th plan documents giving effect to the mandates of the Convention, committed to earmark adequate outlays to all Ministries and Departments across all levels of governance, including local self-governments, for the benefit of persons with disabilities. These commitments and mandates are only on paper though and are yet to garner the attention of policy makers and decision makers towards effective realisation.

Analysis of the result framework document and outcome indicators of various Ministries and Departments reflect that the issue of inclusion of persons with disabilities find no mention except in the Ministry of Social Justice and Empowerment (MSJE), the nodal Ministry, and the Ministry of Human Resource Development (MHRD) under Sarva Shiksha Abhiyan (SSA). The Ministry of Rural Development (MoRD) has looked at the coverage of persons with disabilities under its various flagship programmes only as "Care for the Differently Abled". This highlights the fact that the perspective towards persons with disabilities finds no shift away from charity model.

The guidelines for producing outcome budgets announced by the Union Government have also failed to mandate data disaggregation on persons with disabilities.

12.2 Division of Responsibility between Union and State

Department of Disability Affairs, MSJE, perceives that issues of welfare of persons with disability are a State subject and the Union Government takes minimum responsibility. All the programmes of the department are implemented through Non-Governmental Organisations. With their limited involvement, the State Government just plays the role of a recommending / approving authority.

Examining the flagship programmes of MHRD and MoRD reveals that the Union Government takes more responsibility to achieve targets and to maintain disaggregated data. At the State level there is no disaggregated data available on the coverage of persons with disabilities. Interviews with key government officials revealed that there is no mandate for the same.

The other Ministries such as Ministry of Women and Child Development (MWCD) and the Ministry of Urban Development do not maintain any data on coverage of persons with disabilities though some of their programmes, such as ICDS, mentions persons with disabilities as one of their target groups but fails to provide disaggregated data.

12.3 Trends in Union Budget spending on Persons with Disabilities

MSJE / Department of Disability Affairs

It needs to be noted that it was only in the Interim Budget 2014 that the Department of Disability Affairs produced a separate demands for grant statement, though the division for the welfare of persons with disabilities gained status as a separate Department in May 2012.

Table12.1 Spending by MSJE / Department of Disability Affairs

Schemes (Rs in Crore)	2007-08(Actual)	2008-09 (Actual)	2009-10 (Actual)	2010-11 (Actual)	2011-12 (Actual)	2012-13 (Actual)	2013-14 (RE)	2014-15 (Interim)	2014-15(BE)
DDRS	69	60.5	61.56	82.27	86.16	46.99	80.50	80.00	80.00
National Institutes	73.79	80.82	82.42	91.93	107.63	104.69	136	147.16	147.16
ADIP	59.05	69.5	67.35	69.68	75.99	70.60	96	98	98
PWD Act Implementation	13.1	14.5	10.84	50.41	34.91	20.03	58.50	71	71.00
Scheme for the employment of the physically challenged		7	1	0	0.5	0.50	1.00	1.80	1.80
Other programmes for the welfare of the physically handicapped	11.02	9.97	6.82	6.40	5.86	7.71	60.70	70.10	70.10
Post Matric Scholarship for students with disabilities						0.00	.05	10.70	10.70
NHFDC		18	9	45	45	20	31	33	33
ALIMCO								20.00	20.0
Indian Spinal Injury Centre									
RCI	3	3.58						6.25	6.25
Rajiv Gandhi Fellowship								15.30	15.30
National Programme for persons with disabilities								5.00	5.00
Social security and welfare								142.69	142.69
Total	228.96	263.87	238.99	345.69	356.05	270.52	463.75	632.89	632.89

Source: Union Budget and Economic Survey Government of India

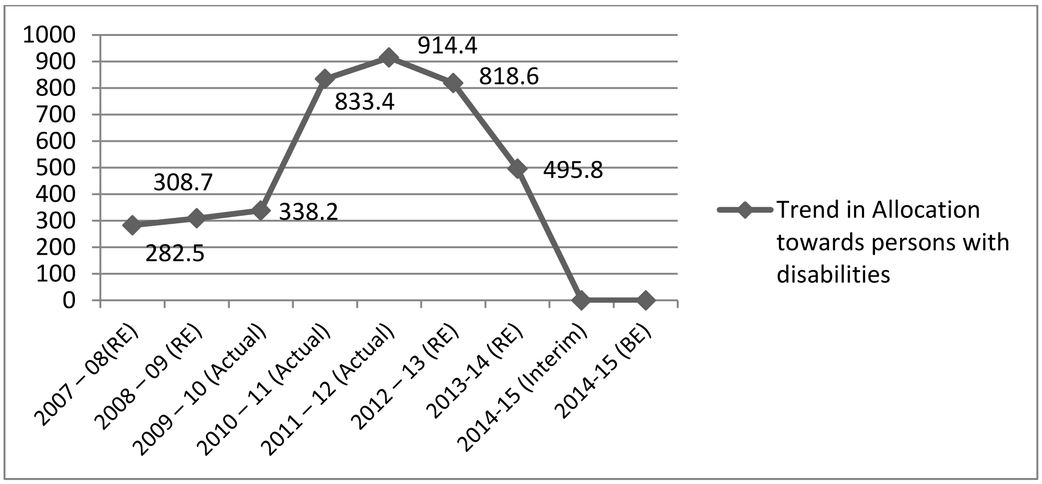
It could be observed that issues of persons with disabilities gaining a departmental status does not seem to bring about the necessary changes in the nature and design of the schemes towards ensuring the protection and promotion of rights as envisaged by UNCRPD. There has been no effort to reframe the existing schemes or introduce new schemes in line with UNCRPD.

Education – MHRD

MHRD has committed to 'Education for All' in primary, secondary and higher education through programmes such as SSA, IEDSS and HEPSEN. During the 12th Plan period, it was planned that IEDSS and HEPSEN will be subsumed under Rashtriya Madhyamik Shiksha Abhiyan (RMSA) and other Higher Education programmes. This has made it difficult to disaggregate data on persons with disabilities and in turn understand the effectiveness of these programmes.

Department of School Education

Chart 12.1 Allocation towards Persons with Disabilities



Source: Demand for Grant and the Application filed under the Right to Information Act 2005

Note: We could get data on SSA only up to the year 2013-14 as the expenditure on persons with disabilities appear only as an object head. IEDSS is also subsumed under RMSA and therefore the chart shows zero allocation.

Though there has been an overall increase in allocation for the Department of School Education, allocation towards persons with disabilities has been decreasing, with a reduction by approximately 40% since 2010-11. For the year 2013-14, the allocation for Inclusive Education Component is Rs. 450.8 crore, whereas the spending till 12th November 2013 (the third quarter of the financial year) is only 35.2 crore, 7.8 % of the total allocation. This could be due to the delayed release by the Union Government or due to delayed submission of Utilisation Certificates by the State Governments.

Ministry of Rural Development

Programmes such as *Indira Awaas Yojana*, *Swarna Jaynthi Grama Swarojgar Yojana* (SGSY) /National Rural Livelihood Mission (NRLM) /*AJEEVIKA*, Mahathma Gandhi Rural Employment Guarantee Scheme (MGNREGS) includes persons with disabilities as one of their target groups. But there remain issues related to reporting by the Ministry on persons with disabilities such as:

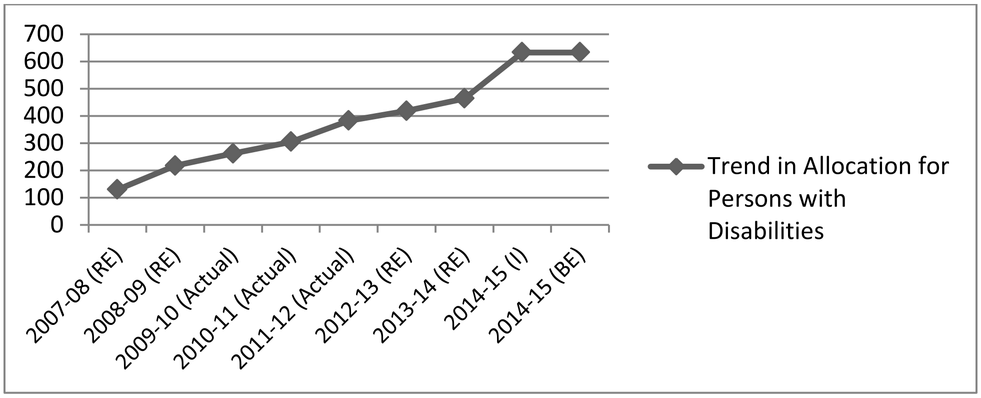
1. Lack of financial data disaggregation on persons with disabilities.
2. Maintaining the perspective of "caring for persons with disabilities"
3. The NSAP not addressing social participation needs of persons with disabilities.

The details of the physical performance as far as the availability of data are provided in the annex tables to this section.

Ministry of Health and Family Welfare

Department of Health

Chart 12.2 Allocation for Persons with Disabilities by Ministry of Health and Family Welfare



Source: Union Budget and Economic Survey, GoI

There is a steady increase in allocation to various institutes of excellence and rehabilitation. The analysis of the allocation to National Mental Health Programme revealed that the revised estimate for 2013 -14 is Rs. 30 Crore as opposed to the Budget Estimates of Rs.133.28 Crore. This is telling of the inefficiency in performance.

Ministry of Labour & Employment

The Director General of Employment and Training (DGET), under the Ministry, deals with vocational training. This directorate lists assistance to persons with disabilities through enhancing their capabilities for wage employment and self-employment as one of its functions. Towards achieving this, they run Vocational Rehabilitation Centres (VRC) specifically for disabled people. This programme was started in 1968 with 2 VRC's and has now expanded to 20 VRC's, with 1 VRC specifically dedicated to train women with disabilities.

Table 12.2 Financial Outlay for the Vocational Rehabilitation Centres

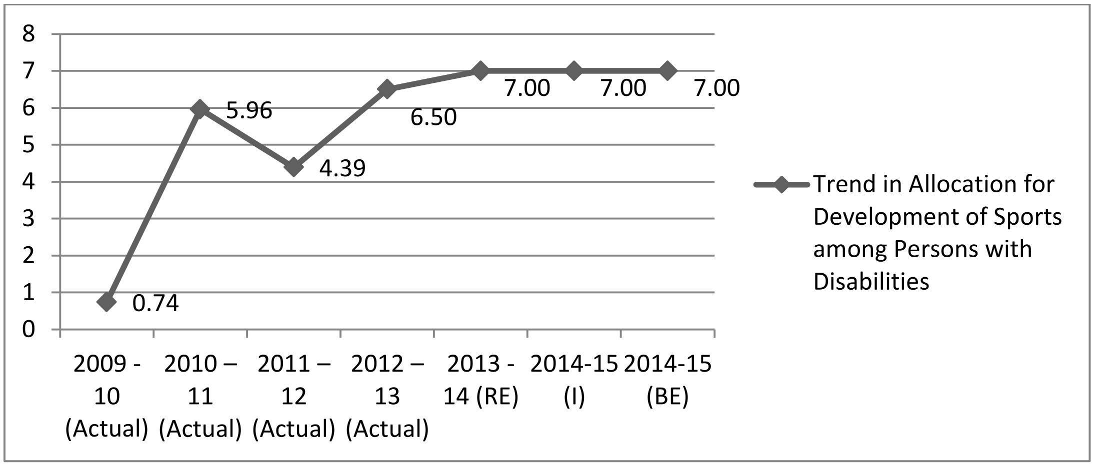
Year (Rs in crore)	**Expenditure towards VRCs**	**Total outlay for Employment and Training**	**Total Outlay of the Ministry**	**Expenditure towards employment of the disabled people as % of outlay for employment& Training / total Ministry's outlay**
2008-09 (Actual)	13.9326	396.62	1972.39	3.512 / 0.7
2009-10 (Actual)	18.1488	446.92	2233	4.06 / 0.81
2010-11 (Actual)	14.72	467.29	2767.74	3.15 / 0.53
2011-12(RE)	18.65	480.86	2902.05	3.87 /0.64
2012-13 (RE)	18.98	999.44	4042.19	1.89 /0.46

Source: Union Budget & Economic Survey / detailed demands for grant Ministry of Labour & employment

We observe that around 4 percent of the outlay towards employment and training under the Ministry is earmarked for VRCs for disabled people.

Ministry of Youth Affairs and Sports (MYAS)

Chart 12.3 Allocation for 'Development of Sports among Persons with Disabilities' (in Rs. Crore)



Source: Union Budget and Economic Survey

The 12th Plan has observed the need for a Disability Sports Centre. Also, there is a need for investing towards an accessible environment, affordable sports equipment and quality training services for all sports persons with disabilities. The Budget has not paid enough attention to these requirements.

Table 12.4 Major Announcements in tune with the announcements made by BJP

Announcements of BJP (Manifesto)	**Announcements made in Budget 2014-15**
Enact Rights of Persons with Disabilities Bill	☒
Low cost quality education through e-learning	☒
Universal ID card	☒
Support and aid voluntary organization for care of differently abled	Already exists
Higher Tax relief for families of persons with disabilities	☒

Annex Table:

Total Houses Sanctioned under the Indira Awaas Yojana and the Houses allotted to Persons with Disabilities

Year	**Houses Sanctioned**	**Houses Sanctioned to Disabled People**	**% of Total Sanctions**
2008-09	**3005084**	**53791**	**1.79**
2009-10	4238474	74483	1.75
2010-11	3159297	47380	1.5
2011-12	2687422	34612	1.28
2012-13	2215637	37274	1.6%

SGSY / NRLM

Coverage of Persons with Disabilities Under the Schemes SGSY/ NRLM/ AJEEVIKA

Year	Total Swarozgaris	Coverage of Persons with Disabilities	%	Total investment (Credit+Subsidy)	Per Capita Investment for Disabled Swarozgari
2007-2008	776408	36113	4.6	8500.92	23540
2008-2009	1861875	42315	2.27	9958.28	23534
2009-2010	978045	45869	4.7	12854.29	28024
2010-2011	1281221	40838	3.1	12989.84	31808
2011-2012	608602 (till Dec 2011)	Data not available	0.64	Data not available	Data not available
2012-13		1742 (till December 2012)		Data not available	Data not available

The Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MGNREGA), Operational Guidelines, 2013, states, if a rural disabled person applies for work, work suitable to his/her ability and qualifications will have to be given, adaptations and accommodations required in the equipments used during work etc,.. This may also be in the form of services that are identified as integral to the programme. Provisions of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 will be kept in view and implemented.

The reporting of the disabled people covered under this scheme has been inconsistent, which makes it non-conducive for any kind of analysis for fund utilisation purposes.

Coverage of Persons with Disabilities under MGNREGA

Year	Persons with disabilities covered under MGNREGA
2007-2008	Benefits accrued to disabled persons were in 230179 households out of 25749968*
2008-2009	204552
2009-2010	184241
2010-2011	Data not available
2011 –2012	282915
2012- 2013	316692

Source: MORD website/ Annual Reports

*There is no clarity as to whether it the household with a disabled adult or a disabled person who has got the employment under the scheme.

Indira Gandhi Disability Pension is available for the persons with multiple disabilities belonging to household below poverty line, between the ages 18years to 64 years at the rate of Rs. 200 per persontill1st April 2011. From the year 2012 this has been increased by Rs.100. The age has since been revised to 18-59 years beyond which they are covered under the Indira Gandhi Old Age Pension Scheme.

Year	Estimated beneficiaries to be covered
2009-10	1500000
2010-11	14 00000
2011-12	1500000
2012-13	700000

13. URBAN POOR

Major proposals/announcements for the sector in Union Budget 2014-15

- Housing for all by 2022. Rs 4000 crore allocated to National Housing Bank for flow of cheaper credit for affordable housing to the urban poor/EWS/LIG segment under Mission on Low Cost Affordable Housing.
- Slum development in the list of Corporate Social Responsibility (CSR) activities
- Corpus of Pooled Municipal Debt Obligation Facility, set up in 2006 to promote and finance infrastructure projects in urban area, proposed to be increased from current Rs. 5,000 crore to Rs. 50,000 crore
- 500 habitations will be provided support for next ten years through PPP for renewing infrastructure , housing and other services.

  Mission for Development of 100 Smart Cities under JNNURM allocated Rs. 6217 crore.

Key Findings

- JNNURM, which was earlier reported under the Ministry of Finance, has been transferred to MoUD and MoHUPA.
- Allocation under *Rajiv Rinn Yojana* (Rs.699 crore), NULM (Rs. 1003 crore) and RSBY (Rs. 1434 crore) kept unchanged from Interim Budget (IB) 2014-15.
- Minor increase in allocation under JNNURM from Rs. 11247 crore in 2014-15 IB to Rs. 11270 crore in 2014-15 BE.
- Mission for Development of 100 Smart Cities included with UIDSSMT and UIG under Sub-mission I of JNNURM
- Emphasis on private capital through Public Private Partnership (PPP) and Foreign Direct Investment (FDI) for providing various services and development of infrastructure in urban areas.

Allocations for Important Schemes/Programmes (in Rs. crore)

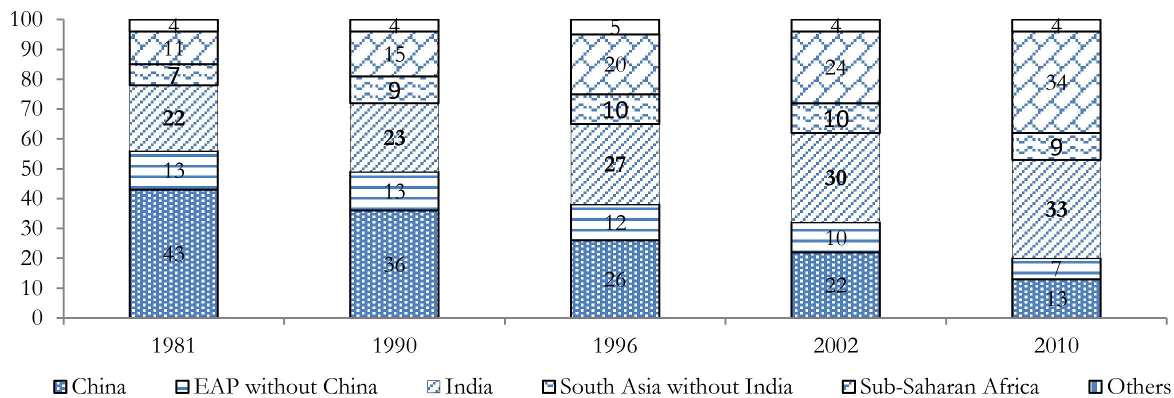
Major Schemes	2012-13 (Actuals)	2013-14 (RE)	2014-15 (IB)	2014-15 (BE)
Jawaharlal Nehru National Urban Renewal Mission (JNNURM)	5357	1040	11247	11270
Swarna Jayanti Shahari Rozgar Yojana (SJSRY)/NULM	794	778	1003	1003
Rashtriya Swasthya Bima Yojana (RSBY)	1002	789	1434	1434
Rajiv Rinn Yojana RRY	5.01	50.0	698.9	698.9

13.1 Introduction

Poverty has always been at the centre stage of the policy debate in India with a major focus on agriculture and rural development. The discourse on urban development was restricted to industry. Urban poverty was not recognised initially and was focused upon only after the 7th Plan.

A brief comparison across the globe shows that poverty has reached an alarming height in India. In 2010, the number of extreme poor in India was the same as Sub-Saharan Africa as seen in Chart 13.1.

Chart 13.1: Regional Share of the World's Extreme Poor Population (in percent)



Source: Pedro Olinto and Hiroki Uematsu, Poverty Reduction and Equity Department, World Bank, 2011

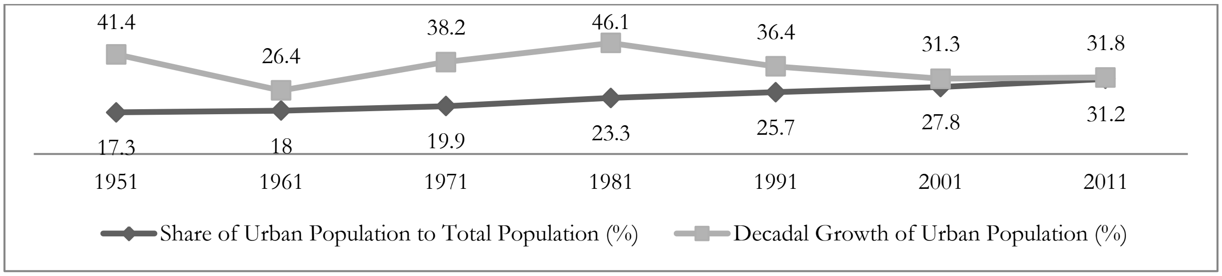
Extreme poverty in the world has decreased considerably in the past three decades. In 1981, more than half the citizens in the developing world lived on less than $1.25 a day. This rate dropped dramatically to 21 percent in 2010 (World Bank, 2013). However, in India, 400 million people still live in extreme poverty. This constitutes one third of the global extreme poor population in 2010, increasing from 22 percent in 1981. On the other hand China's extreme poverty has declined from 43 percent in 1981 to just 13 percent in 2010 (Chart 13.1).

13.2 Urbanisation

Like many other developing countries, India has witnessed rapid urbanisation in the last fifty years. According to the latest estimates 31.2 percent of the Indian population lives in urban areas. However, with urbanisation, inequalities and inequities have also increased. The continuous increase in the number of people living in slums with deplorable living conditions is an evidence for this. The gap between the demand and supply of essential services has widened due to the continuing influx of migrants and this has resulted in poor living conditions in these areas.

By 2030, 575 million people, double the current urban population, will live in urban areas. Projections show that Mumbai and Delhi will be amongst the five largest cities in the world.(Urban Poverty, Oxfam India. Also available at www.oxfamindia.org/what-we-do/emerging-themes/urban-poverty).

Chart 13.2: Urban Population in India, 1951-2011



Source: Compiled from Census of India, various years

13.3 Urban Poverty

Poverty estimation has always been a contentious issue in India. The national poverty line, using the Tendulkar methodology, is estimated at Rs. 816 per capita per month in rural areas and Rs. 1,000 per capita per month in urban areas. According to this criterion, 21.9 percent of the population in the country was below the poverty line in 2011-12.

The latest report on poverty estimation, submitted by the Rangarajan Committee, has put urban poverty at 26.4 percent as compared to 13.7 percent based on the Tendulkar methodology. The Rangarajan Committee recommended the new poverty line at per capita per day consumption expenditure of Rs. 32 for rural areas and Rs. 47 for urban areas.

Table 13.1: Percentage and Number of Poor Estimated by Tendulkar Method

Year	Number of Poor (Million)			Poverty Ratio (%)		
	Rural	Urban	Total	Rural	Urban	Total
1993-94	328.6	74.5	403.7	50.1	31.8	45.3
2004-05	326.3	80.8	407.1	41.8	25.7	37.2
2011-12	216.5	52.8	269.3	25.7	13.7	21.9
2011-12*	260.5	102.5	363	30.9	26.4	29.5

**Poverty estimates by Expert Group (Rangrajan), 2014*

Source: Press Note on Poverty Estimates, 2011-12, Planning Commission, Government of India, 2013 and Report of the Expert Group to Review the Methodology for Measurement of Poverty, Planning Commission, GoI, June 2014

Though urban poverty has declined over time, the rate is slower than the fall in rural poverty. Also, the fall in incidence of urban poverty is quite uneven. Nearly 40 percent of the urban poor are concentrated in the States of Bihar, Madhya Pradesh, Orissa, Rajasthan, and Uttar Pradesh, all of which have witnessed an increase in urban poverty. On the other hand, States like Punjab, Gujarat, Kerala and Tamil Nadu have registered a significant decline in urban poverty (Report of the Working Group on Urban Poverty, Slums, and Service Delivery System, Planning Commission, 2011). Inequality in urban India is starker as compared to rural India. According to National Sample Survey (NSS) 68th Round (2011-12), the richest 10 percent of the rural population had an average Monthly Per Capita Expenditure (MPCE) of Rs. 3459.77, about 6.9 times that of the bottom 10 percent. However, richest 10 percent of the urban population had an average MPCE of about 10.9 times that of the bottom 10 percent.

Quality of employment is also an important factor that has a direct bearing on urban poverty. Distribution of workers in urban areas shows that casualisation of workers has increased after 2004-05 (Table 13.2). Total share of self-employed and casual workers constitutes 58.6 percent of the total workers. This requires generation of quality employment in the form of secured income for urban workers.

Table 13.2: Percentage Distribution of All Workers by Status of Employment in Urban Areas

	1993-94	1999-2000	2004-05	2009-10
Self Employed	42.3	42.2	45.4	41.1
Regular	39.4	40	39.5	41.4
Casual	18.3	17.7	15	17.5

Source: Employment and Unemployment in India, NSSO, various Rounds

13.4 Major Schemes for Urban Poor and Budgetary Allocations

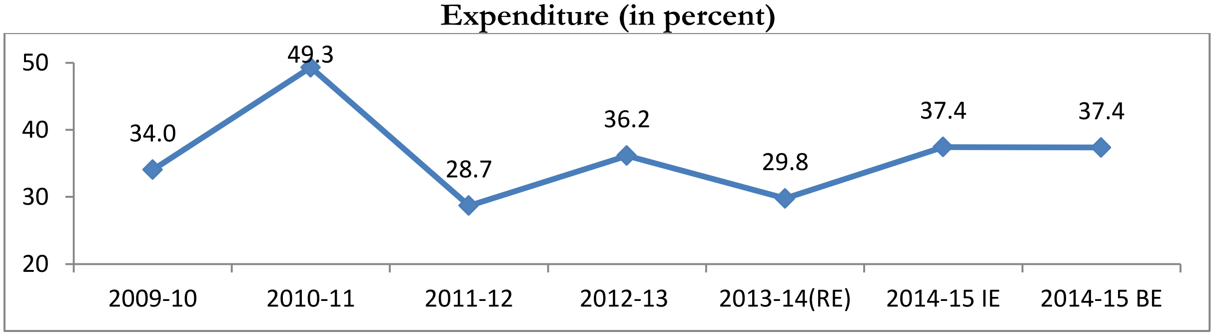
The most significant policy intervention in urban development is the recent emphasis on urban renewal through the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) in the 10^{th} Five Year Plan (FYP). There are also other schemes which address various vulnerabilities of the urban poor. Some of these schemes and budgetary allocations under them are discussed in the following sub-sections.

13.4.1 JNNURM

This is an umbrella programme under the Ministry of Urban Development (MoUD), which has two sub-missions, which cater to the infrastructure demands of the cities. These are, namely, the Urban Infrastructure Development Scheme for Small & Medium Towns (UIDSSMT) and the Urban Infrastructure and Governance (UIG) Scheme in sub-mission I.

The Basic Service for Urban Poor (BSUP) and the Integrated Housing & Slum Development Programme (IHSDP) in sub-mission II come under the Ministry of Housing and Urban Poverty Alleviation (MoHUPA). The basic objective of these sub-missions is to strive for holistic slum development which includes adequate shelter and basic amenities for slum dwellers of the identified urban areas. The share of these two sub-missions along with the *Rajiv Awas Yojana* (RAY), a scheme for slum free city planning, in total JNNURM expenditure, has declined over time from 34 percent in 2009-10 to 28.1 percent (RE) in 2013-14.

Chart 13.3: Combined Share of BSUP, IHSDP and RAY Expenditure in Total JNNURM Expenditure (in percent)



Source: Union budget, Expenditure Budget Vol. I and Vol. II, MoUD and MoHUPA, various years

Allocation for JNNURM in 2014-15 is almost equal to the amount allocated in the Interim Budget (Table 13.4). A new mission named "Mission for Development of 100 smart cities" has been added to sub-mission I and allocation for UIDSSMT and UIG has been cut down to Rs. 6216.8 crore for this mission (Table 13.4).

Table 13.4: Expenditure under JNNURM (in Rs. crore)

	2009-10	2010-11	2011-12	2012-13	2013-14 RE	2014-15 IB	2014-15 BE
UIDSSMT+UIG	4052	2704	5248	3420	7191	7037	7060*
BSUP+ IHSDP+RAY	2092	2629	2111	1937	3048	4210	4210
JNNURM TOTAL	6144	5332	7359	5357	10240	11247	11270

*Rs. 6216.8 crore for Mission for development of 100 smart cities
Source: Union budget, Expenditure Budget Vol. I and Vol. II, MoUD and MoHUPA, various years

Budget allocation under MoUD reflects a steep increase from Rs. 9548.2 crore in 2013-14 RE to Rs. 20009.5 crore in 2014-15 BE. Similarly for MoHUPA the allocation was Rs. 1207.7 crore in 2013-14 RE which increased to Rs. 6008.6 crore in 2014-15 BE. However, the increase is misleading in the sense that from 2014-15 IB onwards Special Central Assistance for JNNURM, which was earlier reported under the Ministry of Finance, has been transferred to the Line Ministries, namely, MoUD and MoHUPA (Table 13.3).

Table 13.3: Union Budget Allocations/Expenditure for MoHUPA and MoUD

	2012-13 Actuals	2013-14 BE	2013-14 RE	2014-15 IE	2014-15 BE
MoHUPA	933.18	1468.02	1,207.00	6008.62*	6008.62*
MoUD	8465.00	10363.75	9548.17	19589.46^	20009.46@

*of which JNNURM component (including RAY) is Rs. 3618 crore
^ of which Rs. 7037 crore for JNNURM (BSUP and IHSDP)
@ of which Rs. 7060 crore for JNNURM (UIG, UIDSSMT and Mission for development of 100 smart cities)

Renewal of urban cities is a welcome step but at the same time rehabilitation of slum dwellers needs to be carefully planned. Many beneficiaries of slum rehabilitation complain that they have been pushed to the peripheral areas of the city which has resulted in an increase in the distance needed to commute to earn their livelihood. Such problems may defeat the purpose of rehabilitation as people may start migrating back into the cities.

13.4.2 National Urban Livelihood Mission (NULM)

The pace of urbanisation in India is expected to accelerate in the future and this will also add to the number of migrants seeking employment. As per its manifesto, the government wants to look at it as an opportunity rather than a threat.

Swarna Jayanti Shahari Rozgar Yojana (SJSRY) was the only scheme focusing on urban poor livelihood since 1997. However, the scheme was not able to deliver for many reasons the most important being poor allocation of funds. NULM was launched in the mission mode approach, replacing SJSRY, on the line of

National Rural Livelihood Mission (NRLM) in September 2013. It aims to cover 786 cities in its first phase under the 12th FYP. The mission aims at enabling the urban poor to access gainful self-employment and skilled wage employment. The mission would also address the livelihood concerns of the urban street vendors by facilitating access to suitable spaces, institutional credit and social security. The budgetary allocation for NULM shows that there is no significant difference from fund allocation under SJSRY, the same reason for which SJSRY was replaced (Table 13.5).

Table 13.5: Budgetary Allocations/Expenditure under SJSRY(NULM) (in Rs. crore)

Scheme/Programme	2009-10	2010-11	2011-12	2012-13	2013-14 RE	2014-15 IB	2014-15 BE
SJSRY(NULM)	472.12	626.95	820.35	793.61	777.53	1003	1003

Source: Union Budget, Expenditure Budget Vol. II, MoHUPA, various years

13.4.3 *Rashtriya Swasthya Bima Yojana* (RSBY)

The Government has vowed to strengthen the pension and health insurance safety nets for all kinds of labourers. The RSBY provides a safety net to low income workers against health shocks. Allocation under this scheme grew significantly till 2011-12 but has fallen in 2013-14 RE. Despite current government's promise in its election manifesto of Strengthen the pension and health Insurance safety nets for all kinds of labourers the allocation under RSBY in 2014-15 has remained exactly same in as in interim budget of 2014-15 (Table 13.5).

Table 13.6: Budgetary Allocations/Expenditure under RSBY (in Rs. crore)

Scheme/Programme	2009-10	2010-11	2011-12	2012-13	2013-14 RE	2014-15 IB	2014-15 BE
Rashtriya Swasthya Bima Yojana (RSBY)	264.5	511.6	925.7	1001.7	789	1434.3	1434.3

Source: Union Budget, Expenditure Budget Vol. II, Ministry of Labour and Employment, various years

13.4.4 *Rajiv Rinn Yojana* (RRY)

The RRY is a Central Sector Scheme that addresses the housing needs of the economically weaker sections (EWS) and the low income groups (LIG) in urban areas. It has been formulated by modifying the Interest Subsidy Scheme for Housing the Urban Poor (ISHUP). The RRY provides for an interest subsidy of five percent on loans granted to the EWS and LIG categories to construct their houses or extend the existing ones. The overall target for the 12th Plan period is one million dwellings across the country including slum and non-slum dwellers. About 10215 beneficaries were covered with an interest subsidy release of Rs. 9.2 crore till 2011-12 (Annual Report, MoHUPA, 2012-13).

Table 13.7: Budgetary Allocations/Expenditure under ISSHUP/ *Rajiv Rinn Yojana* (in Rs. crore)

Scheme/Programme (Rs. crore)	2009-10	2010-11	2011-12	2012-13	2013-14 RE	2014-15 IB	2014-15 BE
Interest Subsidy Schemes for Housing for Urban Poor (ISSHUP)/ *Rajiv Rinn Yojana* 2013-14 RE onwards	0.83	12.83	5.09	5.01	50.0	698.9	698.9

Source: Union Budget, Expenditure Budget Vol. II, MoHUPA, various years.

13.4.5 Other Proposals for Urban Poor

Housing is a major problem in urban areas. The government has proposed to work towards housing for all by 2022. Besides tax incentive on home loans, a Mission on Low Cost Affordable Housing which will be anchored in the National Housing Bank (sic) for urban poor/EWS/LIG segment was announced by the Finance Minister. A sum of Rs. 4000 crores for NHB was allocated for 2014-15 for this mission. FDI in this sector will be given incentive.

Slum development has been included in the list of Corporate Social Responsibility (CSR) activities to encourage the private sector participation in this sector. However, what components of slum development will be included and how it will be operationalised under CSR activities will be keenly watched in the future.

The government has also set a vision to provide support to at least 500 habitations in next ten years with housing and other infrastructure and provisions of safe drinking water and sewerage management, use of recycled water for growing organic fruits and vegetable, solid waste management and digital connectivity. Private capital and expertise through PPP will be harnessed for this purpose.

Corpus under Pooled Municipal Debt Obligation Facility, started in 2006 with participation of several banks to promote and finance infrastructure projects in urban area, is proposed to be enhanced from Rs. 5000 crore to Rs. 50,000 crore.

There is a major focus on housing for the urban poor and lots of promises were made before the election and in the budget speech as well but fund allocation for major schemes shows that there is no difference from the interim budget of the previous government (Rs. 23 crore increase in JNNURM and no increase in *Rajiv Rinn Yojana*).

Urbanisation will increase in the future and policy makers must use it as an ‘opportunity’ where cities can act as growth centres. This opportunity will be missed and it can become a ‘threat’ if the carrying capacity of cities is not improved accordingly. The biggest challenge in this direction would be to maintain a balance between development of modern infrastructure and appropriate slum rehabilitation policies. To cover the enormous cost for providing urban infrastructure, the new government is keen on tapping private investment through FDI, Corporate Social Responsibility (CSR) and Public Private Partnership. However, the assumption that private sector which is driven by profit, would work with the government for the welfare of the urban poor will need to be looked into with some caution.

14. TAXATION

Major proposals/announcements in Union Budget 2014-15

- Government to consider comments received from all stakeholders on the revised Direct Taxes Code (DTC) bill and form a view on the whole matter.
- Government hopes to get the legislation which would enable the introduction of Goods and Services Tax (GST) approved within a year.
- Increase in Income Tax exemption limit from Rs 2 lakh to Rs 2.5 lakh.
- All fresh cases arising out of the retrospective amendments of 2012 to be scrutinized by a High Level Committee to be constituted by the Central Board of Direct Taxes (CBDT) before any action is initiated in such cases.
- 5 percent hike in excise duty to be levied on aerated drinks with added sugar and an 11 percent to 72 percent hike in excise duty on tobacco products.
- Introduces 'Roll Back' provision in the Advance Pricing Agreement (APA) scheme. Range concept introduced in Transfer Pricing regulations for determination of arm's length price.
- Extends obtaining advance tax ruling in respect of income tax liability to resident taxpayers as well.
- Rs. 8.93 crore allocated for managing infrastructure and logistical requirements for the Special Investigation Team (SIT) constituted to address black money.
- Kisan Vikas Patra (KVP), savings option for small savers, reintroduced. Potential of KVP to address black money in the system needs to be further examined.
- 10 year tax holiday to the power sector.

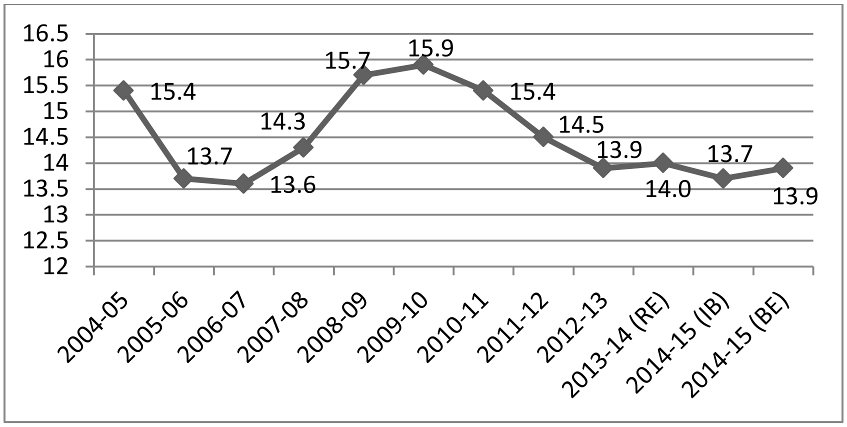
Key Findings

- Union Government's Total Expenditure to GDP ratio has seen a noticeable drop from a peak of 15.9 percent in 2009-10 to 13.9 percent in 2014-15 (BE), further shrinking the fiscal policy space available to the government.
- No comprehensive roadmap to step up the country's tax to GDP ratio, which is at a low level of 17 percent.
- No measures to address the lack of progressivity in the country's tax structure, which depends on Indirect Taxes to the extent of almost two-third of total tax revenue.
- Retains the surcharge on the income tax of the super-rich introduced last year, but continues to neglect progressive property tax reforms such as re-introducing inheritance tax and reforming wealth tax.
- The aggregate amount of revenue foregone due to all kinds of exemptions in the central taxes is projected to be Rs. 5.73 lakh crore (equivalent to 5 percent of GDP) for the year 2013-14. But the budget proposals do not have any strong measures towards reducing the amount of tax revenue forgone due to the plethora of exemptions in the central tax system.
- Retention of retrospective amendments welcome; important towards addressing tax dodging.
- No allocation to strengthen administrative machinery of various agencies required to address black money related issues. Staff shortage in such agencies pegged at 30,000 in a report on black money by Central Board of Direct Taxes (CBDT).

14.1 Size of the Union Budget

With a marginal increase of Rs. 31,000 crore from the Interim Budget (IB) for 2014-15, the Union Budget 2014-15 is estimated at Rs 17,94,892 crore which is 13.9 percent of GDP. Hence, Union Government's Total Expenditure to GDP ratio has seen a noticeable drop from a peak of 15..9 percent in 2009-10 to 13.9 percent in 2014-15 (BE), further shrinking the fiscal policy space available to the government (Chart 14.1).

Chart 14.1 Magnitude of Union Budget Spending in India



Source: Compiled by CBGA from the Union Budget documents

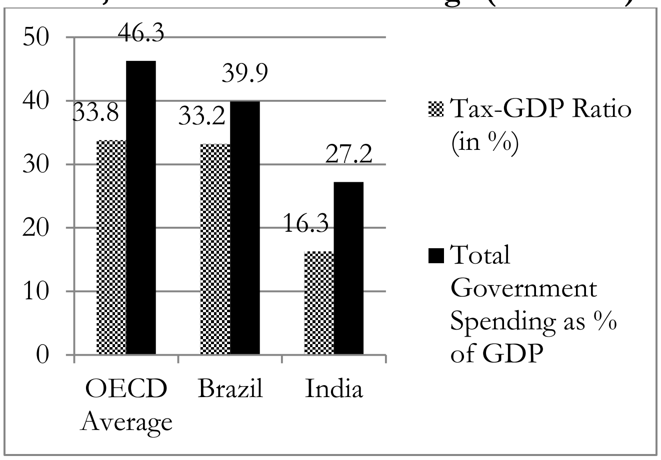
Even if we include the budgetary spending of the States to that from the Union Budget, the country's Total Budget Spending has not exceeded 28 percent of GDP in the last two decades. Within this, the total budgetary spending on social sectors in India is still at 7 percent of GDP of which the Union Government's contribution is a meagre 2 percent of GDP.

The total amount of government spending, as compared to the size of the country's economy, has been much higher in most of the developed countries as well as in some of the developing countries like Brazil and South Africa. As of 2010, the total government spending as a proportion of the country's GDP was 27.2 percent for India (for 2010-11), while it was 39.9 percent for Brazil and 46.3 percent for the OECD countries on an average.

When the quantum of government spending is higher, the government does get a larger fiscal space; this in turn allows the government to carry out substantive public provisioning of essential services and other development interventions for the people. The persistence of development deficits in the country in many areas of human development is a problem that seems to have been rooted, among other factors, in the deficiencies in public provisioning.

The inadequate level of public resources available to the government in India as compared to several other countries is attributable to the low magnitude of tax revenue collected in the country. The tax-GDP ratio for the country is low compared to most developed countries and some developing countries, as depicted in Chart 14.2. It was just 16.3 percent for India, while it was a much higher 33.2 percent for Brazil and 33.8 percent for the OECD countries on an average as of 2010.

Chart 14.2: Comparison of Tax-GDP Ratio and Total Government Spending as % of GDP India, Brazil and OECD Average (as of 2010)



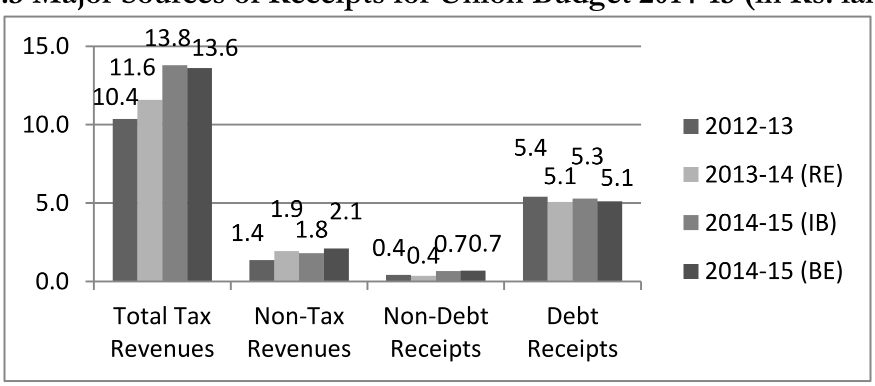
Source: Compiled by CBGA from (i) IMF (2014), "World Economic Outlook - Recovery Strengthens, Remains Uneven", April 2014 (ii) OECD (2014), OECD Factbook 2014: Economic, Environmental and Social Statistics, OECD Publishing (iii) Government of India (2013), "Indian Public Finance Statistics 2012-13", Ministry of Finance.

The Finance Minister in his budget speech, stressed on the "urgent need to generate more resources to fuel the economy". He also pointed out that "the tax to GDP ratio must be improved" and acknowledged that the decline in fiscal deficit was "mainly achieved by reduction in expenditure rather than by way of realization of higher revenue." Despite this realization, there are no concrete measures to raise the tax to GDP ratio for the country. One fears that retaining the fiscal deficit target of 4.1 percent of GDP as announced by his predecessor in the Interim Budget without significant measures to raise revenues will lead to the continuation of an expenditure compression policy. As emphasized in the Election Manifesto of BJP, the focus of this budget seems to be on "providing a non-adversarial and conducive tax environment".

14.2 Resource Mobilization

As mentioned earlier, there is an increase of Rs. 31,000 crore in the size of the budget from the Interim Budget. Plan Expenditure has gone up from Rs. 5.55 lakh crore to Rs. 5.75 lakh crore while Non-Plan Expenditure part has increased from Rs. 12.07 lakh crore to Rs. 12.19 lakh crore.

Chart 14.3 Major Sources of Receipts for Union Budget 2014-15 (in Rs. lakh crore)



Source: Receipt Budget 2014-15, Interim Budget 2014-15

As Chart 14.3 shows, the additional resource mobilization is expected to come mainly from higher Non-Tax Revenue; this budget projects a total receipt of Rs. 2.12 lakh crore from Non-Tax Revenue while the figure for this head projected in the interim budget was Rs. 1.8 lakh crore. The major component of Non-Tax Revenues will be 'Dividends and Profits' (which includes Dividends from PSUs as well as Surplus of RBI, Nationalised Banks and Financial Institutions to be transferred to the government) that's expected to yield Rs 13,000 crore and 'Non-Tax Revenue from Economic Services' (such as, communication services, roads and bridges, and receipts from power, petroleum, coal & lignite, new & renewable energy etc.). It needs to be scrutinized in detail what could be the possible impact of this higher dependence on Non-Tax Revenue from Economic Services in a period of high inflation.

14.3 Tax Structure

Ideally, the tax structure in a country like India should be progressive, i.e. the proportion of tax levied on the individual, group of individuals, organizations or companies should increase as their net wealth or income or returns from property increase. Progressivity in the tax structure is born out of the principles of equity and justice and the share of Direct Tax revenue in the Total Tax revenue of the country is one of the indicators of the same. Unlike Indirect Taxes, which affect the rich and poor alike, Direct Taxes are linked to the tax-payer's ability to pay, and hence are considered to be progressive.

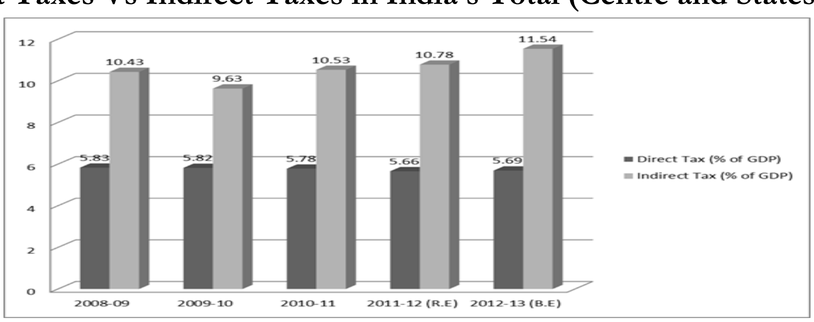
Piketty and Qian (2009), in a paper comparing income tax reforms in China and India, note that progressive taxation is "one of the least distortionary policy tools available that controls the rise in inequality by redistributing the gains from growth".

Table 14.1 Direct Taxes vs Indirect Taxes in India's Total (Centre and States) Tax-GDP Ratio (%)

Year	Total Direct Tax (Percent GDP)	Total Indirect Tax (Percent GDP)	Tax-GDP Ratio (Percent)
2008-09	5.9	10.5	16.4
2009-10	5.8	9.7	15.5
2010-11	5.8	10.5	16.3
2011-12 (RE)	5.6	10.7	16.4
2012-13 (BE)	5.7	11.6	17.2

Source: Indian Public Finance Statistics 2012-13

Chart 14.4 Direct Taxes Vs Indirect Taxes in India's Total (Centre and States) Tax-GDP ratio



Source: Indian Public Finance Statistics 2012-13

India's Direct Tax revenue as a proportion of total tax revenue at 37.7 percent is far below the G20 average of almost 50 percent. Even developing countries such as South Africa (57.5 percent), Indonesia (55.85 percent) and Russia (41.3 percent) have a more progressive tax structure. Property Taxes (which include tax on wealth, tax on immovable property and estate, inheritance and gift tax) constitutes only 0.40 percent of total tax revenue of the country as opposed to 4.85 percent (BRICS average) and 7.60 percent (G20 average). Against this background, reforms in our property tax regime would have been useful, especially focusing on re-introducing inheritance tax and reforming wealth tax. Unfortunately, there's nothing in the budget that addresses the lack of progressivity in our tax structure. In addition to that, Income Tax exemption limit has been raised to Rs 2.5 lakh which is expected to yield a loss of Rs 22,200 crore in Direct Tax revenue.

14.4 Transfer Pricing

Looking at the rising number of Transfer Pricing (TP) issues in India, certain policy measures were initiated during the UPA II regime to deal with TP litigation issues more judiciously and expeditiously. Advance Pricing Agreement (APA) scheme was introduced in the Finance Act, 2012. Advance Pricing Agreement (APA) is a vehicle for tax authorities and the concerned firms to agree well in advance of an audit on a particular transfer pricing methodology and the way that it will be applied, thereby minimizing disputes at a later date.

The present government in the Budget 2014-15 acknowledges the importance of APA in dealing with TP litigation issues and has emphasized on the enforcement of this scheme in the current year. Further, the government has gone ahead with another step by introducing a 'Roll Back' provision in the APA scheme so that an APA entered into future transactions may also be applied to international transactions undertaken in previous four years in specified circumstances.

The Budget 2014-15 has also introduced the range concept to compute arm's length price and the use of comparable prices of similar transaction for multiple years. While these measures have long been recommended by trade and industry groups and multinationals, the possible impact of these measures on revenue generation needs to be examined closely.

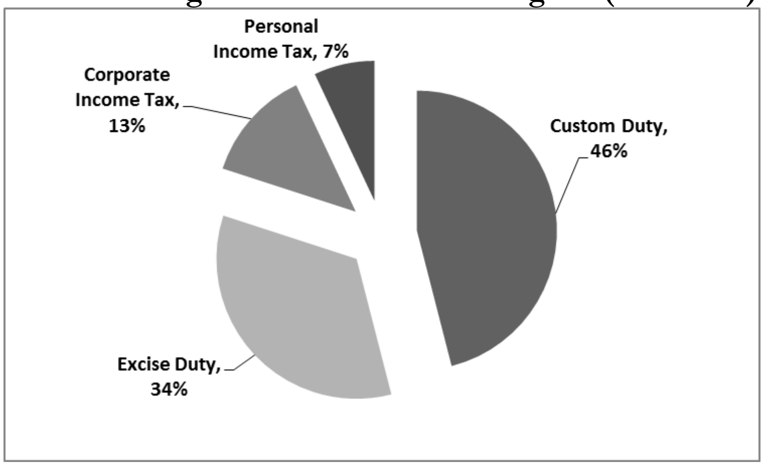
14.5 Revenue Foregone due to Tax Exemptions

Tax Exemptions refer to the exceptions to the general rule (pertaining to the specific tax law) rather than a complete removal of taxation. These are also referred to as tax concessions, incentives or deductions. The total magnitude of revenue foregone in the Central government tax system has been as high as 5.9 percent of GDP for 2011-12, 5.7 percent of GDP for 2012-13 and 5.0 percent of GDP for 2013-14. Although there has been a marginal decrease in revenue foregone as percentage of GDP, the Ministry of Finance notes that in terms of the absolute magnitude of revenue foregone, there is an upward trend.

It is important to note that such an exercise of estimation by the Ministry of Finance is based on certain assumptions and it cannot be assumed that the actual revenue that could be collected if all such exemptions are removed would be around 5 or 6 percent of GDP. However, the actual revenue potential would still be quite large and requires further examination. The Economic Survey 2013-14, while noting the need for caution in interpreting the revenue foregone data, has also stressed the need to review these exemptions.

Contrary to popular opinion, the highest proportion of tax revenue foregone is not on account of Corporate Income Tax but Customs Duties. The following chart provides the proportions of revenue foregone for different categories of taxes.

Chart 14.5 Revenue Foregone due to Exemptions in Specific Taxes as a Percentage of Total Revenue Foregone (in 2013-14)

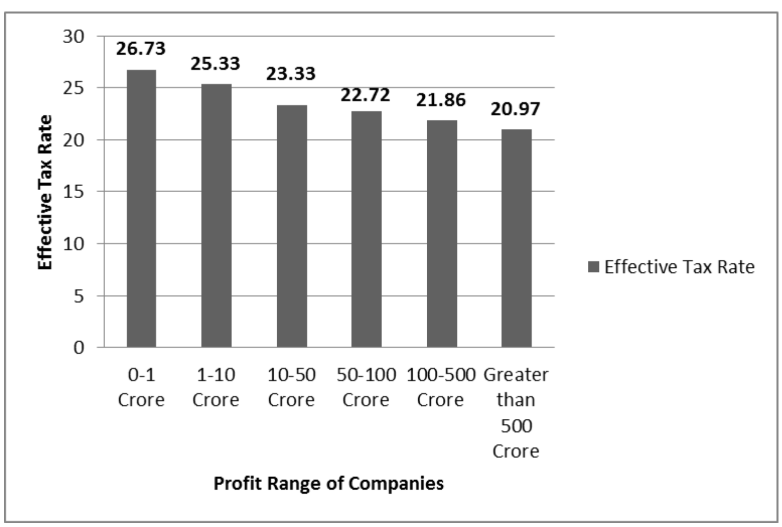


Source: Compiled from Union Budget 2013-14, Ministry of Finance, GoI

A detailed review of all the tax exemptions is required to understand which incentives are still justified with sound social and economic reasons. A cost-benefit analysis for each type of exemption is required on a periodic basis to understand their effectiveness in terms of the basic objectives of such exemptions.

With respect to the corporate sector, larger profit-making companies paying a lower Effective Tax Rate (ETR) than lower profit-making companies, remains a concern. Despite a Statutory Tax Rate of 30 percent, companies that made a profit greater than 500 crore paid an effective tax rate of only 20.97 percent.

Chart 14.6 Effective Income Tax Rate: Small Vs Large Companies (2012-13)



Source: Compiled from Statement of Revenue Foregone, Union Budget 2014-15, Ministry of Finance

There is a need for an in-depth industry-level review of the extent to which the anticipated benefits of tax exemptions are being fulfilled in certain industries, e.g. software development agencies, power and energy, petroleum and petrochemicals, and drugs and pharmaceuticals, given that the effective tax rates (ETRs) for these are much lower, as reflected in the Union Budget documents. Revenue forgone in the Central tax system on account of deduction of export profits for Export-oriented Units (EOUs), Special Economic Zones (SEZs) and accelerated depreciation[11] are substantial.

14.6 Tax Dodging and Retrospective Amendments

Illegal forms of tax evasion, legal forms of tax avoidance and everything in between, has increasingly come under global scrutiny. The recently launched project by G20/OECD countries examining international tax reforms needed to address tax dodging by MNCs, called Base Erosion and Profit Shifting (BEPS), has further reinforced the need to plug loopholes that are draining government revenues. This is especially significant in developing countries like India with huge infrastructure and development challenges that need to be funded.

The White Paper on Black Money published by the Ministry of Finance in 2012 noted that the Vodafone tax case was an instance of 'misuse of corporate structure for avoiding the payment of taxes'. Against this background, the retention of the retrospective amendments introduced in 2012 is welcome. The Finance Minister has also announced that all cases arising from those retrospective amendments will be further reviewed by a High Level Committee to be constituted by the CBDT before decisions are taken.

14.7 Black Money

The establishment of SIT on Black Money, as per Supreme Court orders, has reinvigorated the debate on offshore bank accounts held by Indians. Rs. 8.93 crore has been allocated in this Budget for managing infrastructure and logistical requirements for the Special Investigation Team (SIT). In addition, the re-introduction of Kisan Vikas Patra, a savings option for small savers, is being seen as having potential to address black money in the system which needs further examination. While the continued political spotlight on black money is welcome, there needs to be a greater focus on addressing the generation and outflow of illicit money rather than on bringing it back. Though Budget measures to address the complex issue of generation and outflow of black money is limited, some important reforms are possible.

Despite a number of legislations to address issues related to the illicit economy, little attention is paid to the administrative machinery needed to implement these. As per the report on black money by the Central Board of Direct Taxes (CBDT), staff shortage across various agencies (such as CBDT, CBEC, ED, FIU etc.) has been estimated to be around 30,000. A recent report by the Asian Development Bank (April 2014), which undertook a comparative analysis of tax administration in Asia and the Pacific, noted that India has one of the most under-resourced and understaffed revenue bodies, in proportion to the size of their

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[11] Accelerated Depreciation: It is a practice of several companies to avail tax benefits by charging high depreciation of assets in the initial years of their operation. It provides a way of deferring corporate income taxes by reducing taxable income in current years.

This chapter has drawn on the findings from the following CBGA publications: Bandyopadhyay, Sankhanath (2013): Tax Exemptions in India- Issues and Challenges, Bandyopadhyay, Sankhanath (2013): Tax Dodging: An Overview and Prakash, Prashant (2013): Property Taxes Across G20 Countries: Can India Get it Right?

population, in Asia. Strengthening the administrative bodies is crucial to ensure implementation of any reforms to address black money.

The role of tax treaties, especially India-Mauritius, has come under scrutiny for its role in round-tripping which may further induce outflow and generation of black money. With no data on transactions that accrue of treaty benefits, there is no clarity on the extent of revenue losses as a result of signing these treaties and the extent of their role in round-tripping of black money generated in India. A comprehensive review of all Double Taxation Avoidance Treaties signed by India is necessary to understand its impact on revenue generation and financial transparency.

15. SHARING OF RESOURCES BETWEEN CENTRE AND STATES

- Restructuring of Centrally Sponsored Schemes have been provided importance

- Fund flow under CSS have been restructured

- Funds for CSS like SSA, NRHM etc. would not bypass the State budgets and would follow the Treasury Route

- This increases the transparency and accountability of flow of funds under CSS

- In terms of providing greater flexibility of fund management under CSS, only 10 percent flexibility in CSS money for the states.

- This does not however follow the Chaturvedi Committee recommendations in its spirit.

The election manifesto of the BJP had a section on strengthening Centre-State relations and improving decentralized functioning of the States. With regard to fiscal relations between the Centre and the States, the manifesto mentioned the need to "ensure fiscal autonomy of States while urging financial discipline". Fiscal autonomy has been an important issue for the States. Substantive fiscal decentralization in the country would require a significant increase in devolution of funds, functions and functionaries from the State Governments to the Local Governments, but it also requires an increase in devolution of untied resources from the Union or Central Government to the State Governments. With regard to the latter, many State Governments have been critical of the limited increase in devolution of untied resources from the Centre to the States over the last one and a half decades, when there has been a sharp increase in the magnitude of funds flowing from the Union Budget to the States through the Central Schemes. The lack of decision making space with the State Governments in the Central Schemes, which are designed by the Central ministries as well as directed by them through the control of fund flows to implementing States, has been a major point of contention.

Sharing of Resources between the Centre and the States

There is a 'vertical imbalance' between the powers of the Centre and the States to raise revenue through taxes; the powers of revenue mobilization vested with the States are insufficient compared to their overall expenditure requirements. This kind of a 'vertical imbalance' was built into the fiscal architecture of India keeping in mind the need for the Centre's interventions to address the 'horizontal imbalance', i.e. the lesser ability of some of the States to mobilize adequate resources from within their economies (as compared to other States). In the fiscal architecture that has evolved in India, a significant amount of financial resources are transferred from the Centre every year to the States so as to enable the State Governments to meet their expenditure requirements.

In fact, for most States, a sizable part of the State Government's total revenue in a year comes from the resources transferred from the Centre in the form of *State's share in Central taxes* and *grants*. A part of the grants are 'untied' (i.e. not tied to any specific spending programme designed by the Centre), which are also known as block grants or general purpose grants. But, a sizable chunk of the grants flowing from the Union Budget to the States, mainly those flowing through the Central Schemes, are 'tied' or 'specific purpose' grants.

Among these different types of funds, which flow from the Union Budget into the Budgets of States every year, *State's share in Central taxes* and *'untied' grants* are based on some pre-designed formulae determined by the (central) Finance Commission and the erstwhile (central) Planning Commission.

The Union Budget documents provide the annual figures for the Finance Commission recommended resource transfers to States, which include their *share in Central taxes* and *Grants-in-aid*, as also the Planning Commission recommended transfers, which include *Central Assistance for State & UT Plans*. It is worth noting here that Finance Commission recommended transfers to States have usually been considered as the most flexible or untied funds for the States transferred from the Centre. The resources transferred to States on the recommendation of the Planning Commission, however, have been criticized as being subject to varying degrees of conditionalities / spending priorities imposed by the Centre.

One part of the *Central Assistance for State & UT Plans*, viz. the Normal Central Assistance (NCA), is completely flexible or untied assistance for State Plans, which is allocated on the basis of the 'Revised Gadgil-Mukherjee Formula'. The remaining parts of the *Central Assistance for State & UT Plans*, viz. Special Central Assistance and Additional Central Assistance, are considered to be subject to some conditionalities by the Centre (and hence not completely untied for the States) since the objectives or purpose of expenditure with those resources is already specified by the Central ministries.

Finally, the transfer of tied resources to the States for implementing various Central schemes, which has come under a lot of criticism over the last few years for accentuating the dominance of the Centre in the country's federal fiscal architecture, accounts for a sizable proportion of the total grants flowing from the Union Budget to the States every year.

Restructuring of Central Schemes

The B. K. Chaturvedi Committee constituted by the erstwhile Planning Commission in order to study the restructuring of the CSSs, had submitted its report in 2011. The committee had strongly recommended increasing the Central Assistance (CA) to State and UT Plans in order to provide the States with desired levels of flexibility to meet their plan spending requirements. The recommendations were in line with the States' demands for increased flexibility in financial devolution while implementing the CSS.

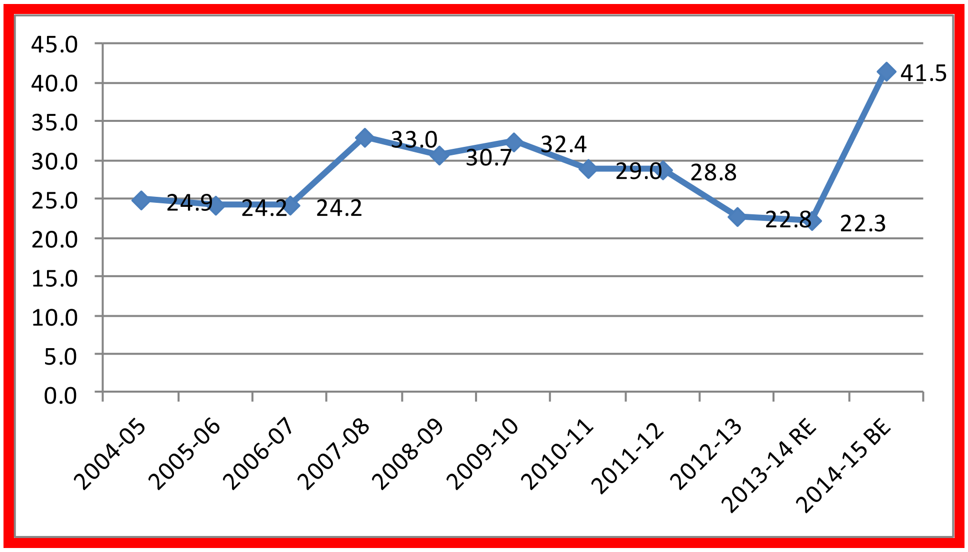
Some of the changes with regard to the Central Schemes recommended by the B. K. Chaturvedi Committee (on restructuring of Centrally Sponsored Schemes) were incorporated by the erstwhile government in the interim budget for 2014-15; these changes have been retained in the budget presented by the new government.

As a result, starting from 2014-15, the contentious practice of Central Scheme funds bypassing the State Budgets (in schemes like SSA, NRHM, NBA, MGNREGS etc.) has been discontinued and those funds are first getting transferred to State Finance Departments. Thus, starting with 2014-15, the Union Budget funds for all Central Schemes are first getting transferred to the State Finance Department (as has been the practice in some of the schemes like ICDS and MDM) and then the funds for different schemes are being provided to the Line Departments or Autonomous Implementing Agencies concerned through allocations in the State Budget. This step can be expected to improve transparency and internal accountability in the implementation of the Central Schemes in the States (as these would come under the direct purview of the CAG audit every year).

However, just as the interim budget did, the main budget for 2014-15 too has adopted <u>a new and rather baffling practice of reporting the Union Budget allocations for many central schemes (particularly the schemes with large allocations) under a head called 'Assistance for State and UT Plans'</u> within the budget documents of the central ministries. Based on this change in reporting, a drastic increase in the quantum of the 'Central Assistance for State and UT Plans' (from Rs. 1.11 lakh crore in 2013-14 RE to Rs. 3.3 lakh crore in 2014-15 BE) has been shown in the budget documents. However, in practice, in most of these central schemes, now reported under 'Assistance for State and UT Plans', there is only a 10 percent flexible fund component for the States and the remaining 90 percent of the funds are still tied to the respective scheme guidelines set by the nodal central ministries. Hence, this artificially inflated figure for 'Central Assistance for State and UT Plans' needs to be corrected.

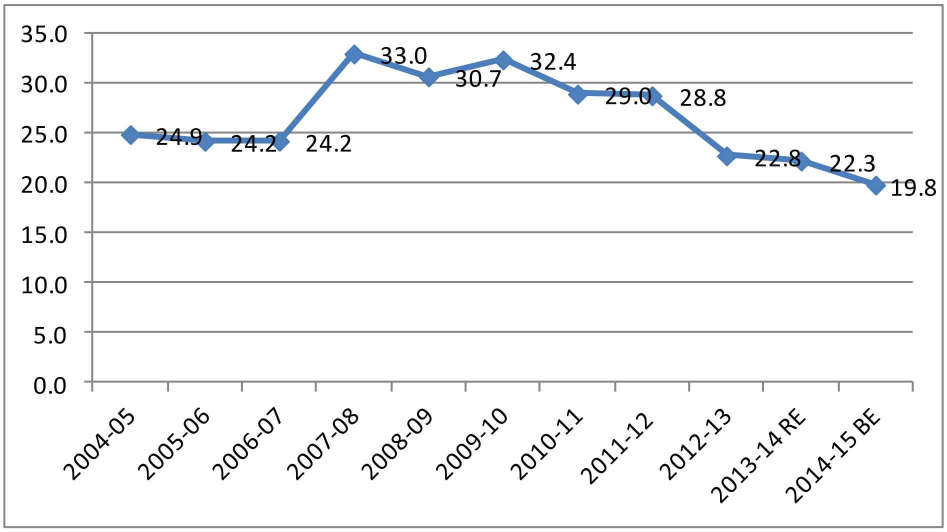
If we compute this artificially enhanced 'Central Assistance for State and UT Plans' as a share of Total Devolution (Plan + Non-plan grants), it jumps to 41.5 percent in 2014-15 IB from 22.3 percent in 2013-14 RE. However, if we deduct the sum of money transferred on account of the bigger schemes, retaining only 10 percent of it within the 'Central Assistance for State and UT Plans' (as those constitute the only flexible part within the budgets for the central schemes), the share drops to 19.8 percent in 2014-15 BE (please see Chart 15.2). So while the recommendations of B. K. Chaturvedi Committee required the Centre to increase the flexibility of Plan funds transferred to States, the share of 'Central Assistance for State and UT Plans' to total devolution seems to be declining in 2014-15.

Chart 15.1: The Artificially Enhanced 'Central Assistance for State and UT Plans' as a share of Total Devolution (Plan Grants + Non-plan Grants) from Centre to States



Source: Compiled by CBGA from the Union Budget 2014-15

Chart 15.2: Adjusted amount* of 'Central Assistance for State and UT Plans' as a share of Total Devolution (Plan Grants + Non-plan Grants) from Centre to States



(* Deducting the sum of money transferred on account of the bigger schemes, retaining only 10 percent of it within the 'Central Assistance for State and UT Plans', as those constitute the only flexible part within the budgets for the central schemes)

Source: Compiled by CBGA from the Union Budget 2014-15

That the new government upholds the step taken by the erstwhile government in the direction of strengthening the States' fiscal autonomy as well as discontinues completely the contentious practice of Central scheme funds bypassing the State Budgets, is certainly welcome. However, for greater fiscal autonomy of the States, it needs to step up the transfers under untied devolutions to States.

Understanding Budget Concepts and Terminologies

Every Budget broadly consists of two parts, viz. (i) Expenditure Budget and (ii) Receipts Budget. The **Expenditure Budget** presents the information on how much the Government intends to spend and on what, in the next fiscal year. On the other hand, the **Receipts Budget** presents the information on how much the Government intends to collect as its financial resources for meeting its expenditure requirements and from which sources, in the next fiscal year.

Classification of Government Interventions / Services

CLASSIFICATION	EXAMPLES OF GOVT. SERVICES/ FUNCTIONS
General Services The term General is meant to distinguish these services from the other two kinds of services, i.e. Economic and Social.	Interest Payments
	Repayment of Debt (taken in the past)
	Defence
	Law and Order (Police)
	Running of Different Organs of the State
	Pensions
Economic Services These are government services / functions which usually lead to income generating activities for people and promote the expansion of economic activities in the country.	Agriculture
	Irrigation
	Industry and Minerals
	Employment Generation Programmes
	Transport
Social Services These services usually refer to the interventions by the Government which are expected to promote social development. Although better outcomes in the social sector, like better education and better health, also contribute towards economic development, this effect would be indirect and take more time to be realized.	Education
	Health & Family Welfare
	Water Supply & Sanitation
	Welfare of Marginalised Sections
	Welfare of Handicapped and Destitute People
	Youth Affairs & Sports
Grants to Sub-national Governments	Grants in Aid to States
	Grants in Aid to Union Territories

Note: This table illustrates only some of the services/ functions under the various heads. Please refer to the budget documents for a comprehensive list.

The *Budget at a Glance* table, as shown above, provides a summary of both the expenditure part and the receipts part of the Union Budget, also indicating 'borrowing' (which is needed to cover the Fiscal Deficit for the year concerned) within the receipts part. Let's find out more about these and some of the other important concepts pertaining to expenditures and receipts in the following.

Classification of Government Receipts

Capital Receipts:
those receipts that lead to a reduction in the assets or an increase in the liabilities of the government.

- Capital Receipts leading to 'reduction in assets': *Recoveries of Loans* given by the government and *Earnings from Disinvestment*;
- Capital Receipts leading to 'increase in liabilities': *Debt.*

Revenue Receipts:
those receipts that don't affect the asset-liability position of the government.

- Revenue Receipts comprise proceeds of Taxes (like, Income Tax, Corporation Tax, Customs, Excise, Service Tax, etc.) and
- Non-tax revenue of the government (like, Interest receipts, Fees/ User Charges, and Dividend & Profits from PSUs).

Classification of Government Expenditure

i) Capital and Revenue Expenditure

Capital Expenditure	Revenue Expenditure
• Those expenditure by the government that lead to an increase in the assets (*construction of a new Flyover, Union Govt. giving a Loan to a State Govt)* or a reduction in the liabilities of the government (*Union Govt. repays the principal amount of a loan it had taken in the past.*)	• Those expenditure by the government that do not affect its asset-liability position. •Eg: *expenditure on Food Subsidy, Salary of staff, procurement of medicines, procurement of text books, payment of interest, etc.*

ii) Plan and Non Plan Expenditure

Most of the development sectors, like, Agriculture, Education, Health, Water and Sanitation etc. are financed by both Plan and Non-plan Expenditure

Categories of Plan Schemes

Plan Expenditure	Non-Plan Expenditure
• Those expenditure by the government that are meant for programmes / schemes formulated under the ongoing / previous Five Year Plan. •Until a Plan scheme completes its duration (i.e. until it is part of a Five Year Plan), all expenditures on the scheme, whether on creation of infrastructure or for salary of staff, are reported under Plan Expenditure	•Those expenditure by the government that are outside the purview of the Planning Commission. •All government institutions and services, which function on a regular basis irrespective of Five-Year Plans, are financed by Non-Plan expenditures. •Eg: spending on law and order, spending on legislature, salary of *regular cadre* teachers, doctors and other government officials etc.

State Plan Schemes	Central Sector Schemes	Centrally Sponsored Schemes
• Only the state government provides funds for these, with no direct contribution from the Centre. • Only the state government provides funds for these, with no direct contribution from the Centre.	• The Central Government provides entire funds for these	• Both the Central Government and the State Governments provide funds for the scheme • The ratio of their contributions depends on the design of the scheme

Deficit and Debt

Excess of government's expenditure in a year over its income for that year is known as Deficit; the government covers this gap by taking a Debt.

Fiscal Deficit	Revenue Deficit
• It is the gap between government's *Total Expenditure* in a year and its *Total Receipts (excluding new Debt to be taken)* that year. • Thus, Fiscal Deficit for a year indicates the amount of borrowing to be made by the government that year	• It is the gap between Revenue Expenditure of the Govt. and its Revenue Receipts

Budget Estimates and Revised Estimates

The estimates presented in a Budget for the approaching fiscal year are **Budget Estimates** (**BE**), while those presented for the ongoing fiscal year based on the performance in the first six months of the fiscal year are **Revised Estimates** (**RE**). The figures for the previous fiscal year, which have been audited, are known as **Actuals**.

Taxation: Concepts and Trends

The Government mobilizes financial resources required for financing its interventions mainly through taxes, fees/ service charges and borrowings.

1. Tax Revenue and Non-Tax Revenue

Tax Revenue	Non-Tax Revenue
• Tax refers to the money collected by the government through payments imposed by legislation.	• Non-Tax Revenue refers to revenue of government raised through instruments other than taxes such as fees/user charges, dividends and profit of PSUs, interest receipt, penalty or fine etc.

2. Direct and Indirect Tax

Government revenue through taxation can be broadly divided into Direct Taxes and Indirect Taxes.

Direct Tax	Indirect Tax
•Those taxes for which the tax-burden cannot be shifted or passed on are called Direct Taxes. •Any person, who directly pays this kind of a tax to the Government, bears the burden of that particular tax. •Eg: corporation tax, personal income tax and wealth tax.	•Those taxes for which the tax-burden can be shifted or passed on are called Indirect Taxes. • Any person, who directly pays this kind of a tax to the Government, need not bear the burden of that particular tax; he/she can ultimately shift the tax-burden to other persons later through business transactions of goods/ services. •Eg: Custom Duties, Excise Duties, Service Tax, Sales Tax and Value Added Tax (VAT).

Indirect tax on any good or service affects the rich and the poor alike. Unlike indirect taxes, direct taxes (i.e. Corporation Tax, Personal Income Tax, Wealth Tax etc.) are linked to the tax-payee's ability to pay and hence are considered to be progressive.

3. Division of Taxation Powers between Centre and States

The Constitution of India provides a clear division of the roles and responsibilities of the Central Government and State Governments, which has translated into a division of expenditure responsibilities and taxation powers between the two.

In India, the power to levy taxes and duties has been divided among the Governments at the three tiers, i.e. Central Government, State Governments, and Local Bodies. This division follows specific provisions in the Indian Constitution.

Central Government	State Governments	Local Bodies
•Income Tax (except tax on agricultural income, which the State Governments can levy), Customs duties, Central Excise, Sales Tax and Service Tax.	•Sales Tax (tax on intra-State sale of goods), Stamp Duty (a duty on transfer of property), State Excise (a duty on manufacture of alcohol), Land Revenue (a levy on land used for agricultural/ non-agricultural purposes), Duty on Entertainment and Tax on Professions.	•Tax on properties (buildings, etc.), Octroi (a tax on entry of goods for use/consumption within areas of the Local Bodies), Tax on Markets and Tax/User Charges for utilities like water supply, drainage, etc.

The system of Sales Tax levied by State Governments has now been replaced with Value Added Tax (VAT).

4. Distribution of Revenue collected in the Central Tax System

A Finance Commission is set up once every five years to suggest sharing of financial resources between the Centre and the States, a major part of which pertains to the sharing of revenue collected in the Central

Government Tax System. At present, the total amount of revenue collected from all Central taxes – excluding the amount collected from Cesses, Surcharges and taxes of Union Territories, and an amount equivalent to the cost of collection of central taxes – is considered as the shareable / divisible pool of Central tax revenue. In the recommendation period of the 13th Finance Commission (from 2010-11 to 2014-15), 32 percent of the shareable / divisible pool of Central tax revenue is transferred to States every year and the Centre retains the remaining amount for the Union Budget.

5. Tax-GDP Ratio

Gross Domestic Product (GDP) is an indicator of the size of a country's economy. In order to assess the extent of government's policy interventions in the economy, some of the important fiscal parameters, like, total expenditure by the government, tax revenue, deficit etc. are expressed as a proportion of the GDP. Accordingly, we need to pay attention to a country's tax-GDP ratio to understand how much tax revenue is being collected by the government as compared to the overall size of the economy.

Corporation Tax: This is a tax levied on the income of Companies under the Income Tax Act, 1961.
Taxes on Income: This is a tax on the income of individuals, firms etc. other than Companies, under the Income Tax Act, 1961. This head also includes other Taxes, mainly the 'Securities Transaction Tax', which is levied on transaction in listed securities undertaken on stock exchanges and in units of mutual funds.
Wealth Tax: This is a tax levied on the specified assets of certain persons including individuals and companies, under the Wealth Tax Act, 1957.
Customs Duties: It is a type of tax levied on goods imported into the country as well as on goods exported from the country.
Excise Duties: It is a type of tax levied on those goods, which are manufactured in the country and are meant for domestic consumption.
Sales Tax: It is levied on the sale of a commodity, which is produced/imported and being sold for the first time.
Service Tax: It is a tax levied on services provided by a person and the responsibility of payment of the tax is cast on the service provider.
Value Added Tax (VAT): VAT is a multi-stage tax, intended to tax every stage of sale of a good where some value has been added to the raw materials; but taxpayers do receive credit for tax already paid on the raw materials in earlier stages.

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