

Left Parties Proposals For:

BUDGET 2006-07 (Submitted to the Finance Minister On February 9, 2006)

The Budgetary Support for Central Plan was Rs.110385 crore in Budget 2005. Alongwith the Central Assistance for States and Union Territories' Plans of Rs. 33111.78 crore, the total Budgetary Support for the Plan in 2005-06 stood at Rs. 143496.78 crore. **The Left Parties feel that in order to meet the commitments in the Common Minimum Programme, the UPA Government should increase the total Budgetary Support for the Plan to Rs. 196296 crore in Budget 2006-07, i.e. an increase of Rs. 52800 crore over last year.** Resources for this increased outlay can be mobilized without any difficulty by implementing the proposals outlined in the note on Resource Mobilization submitted earlier. The specific proposals for increased Plan outlays are as follows:

1. A priority area for Budget 2006-07 should be Agriculture, given the continuing crisis in the sector even after the passage of nearly two years since the UPA Government assumed office. The Government should take immediate steps to implement the recommendations of the National Commission on Farmers, which has submitted its third and final Report in December 2005. Recommendations which should be considered on an urgent basis are:
 - a. Constitution of a Fund to assist farmers affected by crop losses.
 - b. Reduction of the interest rate for farm loans to 4%.
 - c. Undertaking an all-India Debt survey and taking appropriate measures for debt relief including waiver for those farmers who are in distress.
 - d. Creation of a price stabilization fund for agricultural commodities.
 - e. Revamping of Agricultural Extension services through the establishment of farm schools and village knowledge centres across the country.
 - f. Expansion of Crop Insurance to the entire country and cover all crops.

The Left Parties feel that an additional allocation of Rs. 5000 crore should be made in Budget 2006-07 to initiate the implementation of the Recommendations of the Commission.

2. On the eve of the Budget 2005-06 the Left Parties had proposed a special allocation to recapitalize the cooperative banks in keeping with the recommendations of the Task Force on Revival of Cooperative Credit Institutions. The aggregate liability to be borne by the Union Government in order to undertake the revival package had been estimated by the Task Force to be Rs. 10,839 crore (and another Rs. 4000 crore for contingency). Unfortunately, the suggestion was not incorporated in last year's Budget. **Therefore the Left Parties reiterate that an amount of Rs. 5000 crore should be allocated for recapitalization of Cooperative Credit Institutions in Budget 2006-07, which would help in improving the rural credit scenario and enable access to credit for small and marginal farmers.**
3. The Government of West Bengal had made a proposal to the Union Government for making an allocation from the Central Budget for the State Government to acquire land and distribute it as homestead land to all landless agricultural labourers. The Union Government is yet to respond to the proposal, which if implemented will go a long way in ameliorating the plight of the landless, most of whom are dalits and adivasis. The West Bengal Government has already launched this scheme by making

an allocation of Rs. 20 crore from the State Budget. **The Left Parties feel that the Union Government should make an additional allocation of Rs. 1000 crore to the Department of Land Resources of the Ministry of Rural Development in order to initiate this scheme on a national scale.**

4. In order to effectively implement the National Rural Employment Guarantee Act, the Government should step up expenditure on Rural Employment significantly. Moreover, it is also necessary to ensure that the allocations for Rural Housing and Rural Roads are also increased in tandem. The combined allocation made in the Budget 2005-06 on these heads was grossly inadequate, given the extent of rural unemployment and poverty. **The Left Parties feel that Budget 2006-07 should make an additional allocation of Rs. 15000 crore for the Department of Rural Development for Rural Employment, Roads and Housing.**
5. The commitment made in the CMP with regard to public expenditure on Education meeting the targeted 6% of GDP needs to be taken seriously by the Government. Total public expenditure on Education during 2004-05 (BE) was only 3.47% of GDP of which, the Centre's and the States' contribution was 0.67% and 2.8% of GDP respectively.⁷ **Combined Budgetary provisions for the Department of Elementary Education and Literacy and the Department of Secondary and Higher Education was Rs. 18337.03 crore in Budget 2005-06, which meant that instead of increasing the Centre's share of spending on Education actually reduced to around 0.58% of the projected nominal GDP.** Even if we set a target of 4.5% of GDP to be spent on education in 2006-07 (in order to achieve 6% by 2008-09) an aggregate amount of Rs. 160532 crore needs to be spent by the Centre and States combined. If the States' share of expenditure remains the same i.e. at 2.8% of nominal GDP, the Centre's contribution has to go up from 0.58% to 1.7% of GDP i.e. from Rs. 18337 crore to Rs. 60645 crore. This suggests that in order to do justice to the CMP promise, the Central Government has to increase its expenditure on Education in the forthcoming financial year by nearly Rs. 42308 crore over last year's Budget allocation. **In the light of this glaring mismatch between the CMP commitment and the allocation made on Education so far by the UPA government, the Left Parties feel that the Budget 2006-07 should make an additional allocation of at least Rs 10000 crore for Plan expenditure on Education.** Besides expanding the Sarva Shiksha Abhiyan, Plan expenditure on Secondary and Higher Education needs to be stepped up significantly. **An additional Rs. 5000 crore should be allocated to the Department of Women and Child Development under the HRD Ministry to initiate the universalisation of the ICDS as per Supreme Court Order.** The Government should try to achieve a target of at least 1 anganwadi per 1500 population in the next financial year (Regularisation of all ICDS workers would require a total sum of around Rs 12000 crore).
6. Combined budgetary provisions for Departments of Health, AYUSH and Family Welfare stood at Rs. 10687.11 crore in Budget 2005-06, which was merely 0.34% of projected nominal GDP. In the year 2004-05, the combined expenditure on Medical & Public Health and Family Welfare from Union and State budgets as a share of GDP was 1.3%, in which the Centre's contribution was 0.31%. In order to fulfill the CMP

⁷ The CSO estimate of India's GDP for 2004-05 is Rs. 28,43,897 crore (as on 31st January, 2006). Assuming nominal GDP growth rate of 12% per annum (8% GDP growth and 4% inflation) the projected nominal GDP figures for 2005-06 and 2006-07 are Rs. 31,85,165 crore and Rs. 35,67,384 crore respectively.

promise of raising public expenditure on Health to at least 2% of GDP, Central Budget allocations on Health should be stepped up progressively. If we target an expenditure of at least 1.5% of GDP on Health in 2006-07 and the States contribute the same proportion of public health expenditure as in 2004-05, the Centre's contribution has to increase from 0.34% to 0.51% of GDP i.e. from Rs. 10687 crore to Rs. 18193 crore. **In the light of this the Left Parties feel that the combined Plan outlay for Medical & Public Health and Family Welfare should be enhanced by around Rs. 7500 crore.**

7. A comprehensive social security scheme for the workers of the unorganised sector is long overdue. Expansion of social security, health insurance and other schemes for the unorganised workers like weavers, handloom workers, fishermen and fisherwomen, toddy tappers, leather workers, plantation labour, beedi workers etc was promised in the CMP. Nothing substantial has been done so far in this direction. **The Left Parties feel that Budget 2006-07 should make a Plan allocation of Rs 3000 crore for the Ministry of Labour and Employment in order to initiate a comprehensive social security scheme for the unorganised workers.**
8. The Board for Reconstruction of Public sector Enterprises have made several recommendations for revival of sick industries. **The Left Parties feel that the Budget 2006-07 should make an initial allocation of Rs. 500 crore to the Department of Public Enterprises in order to implement the fund based requirements of the proposals for the revival of sick industries made by the BRPSE.**
9. A cluster-development strategy for revitalising the languishing handloom sector should be immediately adopted by the Government. The NABARD is best suited to implement such a strategy. A broad-based strategy to revitalize the handloom sector would require much more resources (other than credit) from the Budget than being made available through the DC handlooms. The support currently stands at around Rs. 150 crore a year which is a pittance. Currently, the number of handloom weavers is placed at around 3 million. Since some households may have more than one weaver, the number of households with one working member dependent on handlooms would be lower, say 2 million. We can reasonably assume that if the current decline of handlooms is allowed to continue there would be at least 40 per cent (or 800,000) of these households that would be deprived of their livelihood. The government is now committed to ensuring each rural household a minimum of 100 days of employment a year at an annual cost estimated at Rs.10, 000 per household. If, therefore, 800,000 handloom households are deprived of their livelihood and avail of the government's employment guarantee, the cost to the government would be Rs. 800 crore a year. **The Left Parties feel that spending up to Rs.800 crore a year for a five years to render handlooms sustainable, would implicitly not involve any additional expenditure. Budget 2006-07 should make an allocation of Rs. 800 crore for this purpose.**
10. Besides the specific proposals for enhanced Plan allocations, the Left Parties wants the Budget 2008-07 to indicate the intention of the Union Government on two important areas:
 - i. The implementation of the recommendations of the 6th Report of the Parliamentary Standing Committee on Petroleum and Natural Gas on "Pricing of Petroleum", especially those related to excise and customs duty restructuring and withdrawal of duty drawback incentive for export of petroleum products.

- ii. Restructuring of State Governments' accumulated Debt, especially on account of borrowings from the National Small Savings Fund.