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Evading challenges in social sectors and food security

The brunt of conservative fiscal policy--reducing the scope of the budget--will be borne by the poor of India

The government wants to reduce the scope of its budget (as measured by total budgetary expenditure) compared with the size of India's economy. So, total expenditure from the budget would shrink from 15.4% of gross domestic product (GDP) in 2010-11 (revised estimate, or RE) to 14% of GDP in 2011-12 (budget estimate, or BE). The brunt of this conservative fiscal policy is going to be borne by the poor.

Despite a growing recognition of the need for significantly expanding the coverage of the public distribution system for foodgrains, and the persistence of inflation in food articles, the food subsidy outlay has been curtailed from Rs. 60,600 crore in 2010-11 (RE) to Rs. 60,573 crore in 2011-12 (BE). Further, the budget outlay for the petroleum subsidy has been reduced significantly—from Rs. 38,386 crore in 2010-11 (RE) to Rs. 23,640 crore in 2011-12 (BE). Given the predictions that crude oil prices will rise further in coming months, a reduced subsidy in 2011-12 could cause a further increase in prices of petroleum products, and hence a persistence of the inflation problem.

The total budget outlay for social sectors (excluding non-Plan capital expenditure on such sectors, which is usually small and sporadic) had gone up from 1.86% of GDP in 2009-10 to 2.06% of GDP in 2010-11 (RE). But it has now fallen to 1.96% of GDP in 2011-12 (BE). The outlay for Plan expenditure on these sectors shows a 14% increase over 2010-11(RE), but the outlay for non-Plan revenue expenditure on these sectors has registered a sharp decline, from Rs. 35,085 crore to Rs. 20,862 crore. This kind of lopsided policy for social sector spending has already given rise to acute staff shortages in most states.

Moreover, with the Centre's budget contributing funds worth only 2% of GDP to the social sectors (i.e. education, health, water and sanitation, and so on), the total budgetary spending on these will continue to be less than 7% of GDP in 2011-12. The average figure for social sector spending by governments in OECD countries is as high as 14% of GDP.

While the budget outlay for Sarva Shiksha Abhiyan (SSA) has been increased from Rs. 15,000 crore in 2010-11 (BE) to Rs. 21000 crore in 2011-12 (BE), the scheme can hardly succeed in operationalizing the Right to Education Act with this magnitude of funds. The Centre's estimation, a modest one from the point of view of quality, has indicated that additional budget outlays for elementary education required for operationalizing the Act would be Rs. 1.82 trillion over a period of five years. Hence, if just one-fifth of this had to be allocated in 2011-12, with the budget contributing only half of it, the outlay for SSA should have been increased at least to Rs. 33,000 crore.

In the health sector, while the finance minister has announced that the Rashtriya Swasthya Bima Yojana would be extended to include unorganized sector workers in hazardous occupations, the budget outlay for the scheme has been brought down from Rs. 446 crore

in 2010-11 (RE) to Rs. 280 crore in 2011-12 (BE). In Integrated Child Development Services (ICDS), the long overdue demand for increasing the remuneration of *anganwadi* workers and helpers has been recognized, with remuneration per month being doubled from Rs. 1,500 to Rs. 3,000 for workers, and from Rs. 750 to Rs. 1500 for helpers. However, what is worrying here is that the budget outlay for ICDS shows a much smaller increase from Rs. 9,280 crore in 2010-11 (RE) to Rs. 10,000 crore in 2011-12 (BE).

Thus, in terms of the priority given to social sectors and food security, Budget 2011-12 defies our expectations.

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