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Let noble thoughts come to us from all sides
Rig Veda

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Interim Budget 2014-15: What It Reveals

Sona Mitra



Even in this period of lean expenditure on development projects, it has been heartening to see that the Union Government has gone ahead with the restructuring of the CSS, following the recommendations by the B. K. Chaturvedi Committee. The government has transferred a large part of the money meant for the CSS to the states as Central Assistance to State Plan. This has come as a welcome step towards strengthening the states' financial autonomy

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STHE nation gears up for the general elections, 2014, the final budget of the outgoing government was presented last month to the 15th Lok Sabha.

With the reduction of the Fiscal Deficit in 2013-14 from the earlier estimated level of 4.8 per cent of GDP (in Budget Estimates) to 4.6 per cent of GDP (in Revised Estimates), the government continues to follow its policies of fiscal restraint. However, the 'fiscal consolidation' has been achieved solely on the basis of compression of crucial development expenditure as the government's poor record in stepping up the tax-GDP ratio has persisted in 2013-14.

The total tax revenue collected by Centre and States (combined) had fallen from 17.4 per cent of GDP in 2007-08 to 14.7 per cent of GDP in 2010-11; it has registered a rise to 17.2 per cent of GDP in 2012-13 (BE) but it still is way below the average tax-GDP ratio for BRICS countries at 22 per cent. The Gross Tax Revenue of the Centre registers a decline from 10.9 per cent of GDP in 2013-14 (BE) to 10.2 per cent of GDP in 2013-14 (RE).

On the expenditure side, therefore, the government has keenly pursued a policy of compression of development expenditure from the Union Budget. In 2012-13, the total Plan Expenditure from Union Budget was projected to be

Rs. 5.21 lakh crore (in BE); however, the actual magnitude for the year has fallen sharply to Rs. 4.14 lakh crore. Likewise, the total Plan Expenditure in 2013-14 had been projected last year as Rs. 5.55 lakh crore (in BE), but it has now been slashed to Rs. 4.75 lakh crore (in RE). Similar cuts are observed for the Non-Plan expenditure. The table 2 shows the declining trends in Plan and Non-plan expenditure since 2004-05. It was only during the years 2008-10 that expenditures were higher in order to shield the Indian economy from the global financial crisis.

Such expenditure cuts, as compared to the levels projected in Budget Estimates, have been severe in case of a number of crucial sectors, like Rural Development and Health. The actual expenditure by the Department of Rural Development in 2012-13 has been Rs. 50,187 crore, way below the BE figure for that year at Rs. 73,222 crore; for 2013-14, the Budget Estimate for the Department had been pegged at Rs. 74,478 crore but it has been slashed to Rs. 59,356 crore in Revised Estimate for this year. In health, the difference between the allocations and expenditures in 2013-14 has been Rs. 6,483 crore which marks a substantial decline in centre's share of health expenditure by 17.4 per cent since last year's projected figures. It is a major cut in expenditure in this crucial sector given that the National Rural Health Mission was transformed to include

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Table 1: Central Tax Revenue and Fiscal Deficit (as % of GDP)

Year	Gross Central Tax Revenue	Fiscal Deficit
2004-05	9.4	3.9
2005-06	9.9	4.0
2006-07	11.0	3.3
2007-08	11.9	2.5
2008-09	10.8	6.0
2009-10	9.6	6.5
2010-11	10.2	4.8
2011-12	9.9	5.7
2012-13	10.2	4.9
2013-14 BE	10.9	4.8
2013-14 RE	10.2	4.6

urban areas under the National Health Mission. While budgetary allocations to NHM last year were inadequate, a slash in expenditure (from Rs. 21,104 crore in 2013-14 BE to Rs. 18,206 crore in 2013-14 RE) seems to question the intention of the outgoing government towards universalisation of healthcare facilities.

The disturbing part of the expenditure compression has been the negligence of certain specific Centrally

Sponsored Schemes (CSS) that had gained a lot of importance in the past few years reflecting the dire need for funds in those areas of development. In MGNREGA, the funds have been stagnating at Rs. 29,213 crore in 2011-12 (Actuals), Rs. 30,273 crore in 2012-13 (Actuals), and Rs. 33,000 crore in 2013-14 (Revised Estimates). The actual expenditure by the Department of Health and Family Welfare in 2012-13 was Rs. 25,133 crore as compared to the BE figure for that year at Rs. 30,702 crore; for 2013-14, the Budget Estimate for the Department was Rs. 33,278 crore but it has been slashed to Rs. 27,531 crore in Revised Estimate for the year. Other major schemes like SSA, MDM, IAY, NHM show a decline in the revised estimates from what had been projected by the last budget (Table 3).

However, even in this period of lean expenditure on development projects, it has been heartening to see that the Union Government has gone ahead with the restructuring of the CSS, following the recommendations by the B. K. Chaturvedi Committee.

Table 2: Plan, Non-Plan and Total expenditure (as % of GDP)

Year	Non-Plan Expenditure	Plan Expenditure	Total Expenditure
2004-05	11.3	4.1	15.4
2005-06	9.9	3.8	13.7
2006-07	9.6	4.0	13.6
2007-08	10.2	4.1	14.3
2008-09	10.8	4.9	15.7
2009-10	11.1	4.7	15.8
2010-11	10.5	4.9	15.4
2011-12	9.9	4.6	14.5
2012-13	9.9	4.1	13.9
2013-14 RE	9.8	4.2	14.0

Table 3: Allocations to major Centrally Sponsored Schemes (In Rs crores)

Major CSS	2012-2013	2013-2014 BE	2013-14 RE
National Health Mission (NHM)	20822	21104	18206
Sarva Shiksha Abhiyan (SSA)	23645	27258	26608
Mid Day Meal Scheme (MDM)	11500	13215	12189
Integrated Child Development Scheme (ICDS)	15850	17700	16312
Indira Awas Yojana (IAY)	9024	15184	13184
Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA)	30273	33000	33000

The government has transferred a large part of the money meant for the CSS to the states as Central Assistance to State Plan. This has come as a welcome step towards strengthening the states' financial autonomy. Last year's budget promised a step towards restructuring the CSS and providing the states with more flexibility in terms of implementing Plan schemes. A laudable step towards that has been an increase in the quantum of the Central Assistance to State Plans from Rs. 1,36,254 crore in 2013-14 BE to Rs. 3,38,562 in 2014-15 BE via the Additional Central Assistance component. This marked increase is reflected in the budgets of most Ministries and Departments implementing the 'big-bang schemes' such as the Ministries of Minority Affairs, Tribal Affairs, Women and Child Development, Social justice and Empowerment, Drinking Water and Sanitation, Human Resource Development, Rural Development, Health and Family welfare and Panchayati Raj institutions, under a separate head of State and UT plans. This would lead to an enhancement of internal accountability in the process of fund utilization (as these would come under the direct purview of the CAG audit every year).

Nonetheless, it does not yet address the long standing concern of the States for stepping up the share of the truly untied component of funds within the Central Assistance for State Plans. The magnitude of *Normal Central Assistance for State Plans* (determined by the Revised Gadgil-Mukherjee formula) still continues to be a small part of the Centre's Gross Budgetary Support to Plan.

Given these trends of following the roadmap for fiscal consolidation based on expenditure compression, it is to be seen in the coming months whether these strategies would continue to move in the same direction or follow a reversal, both in terms of stepping up the tax-GDP ratio and granting greater financial autonomy to the states. □

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