Assessing the Changes in Structure and Processes

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Accessing disaggregated information about government expenditure in social sector programmes continues to be a challenge at the district level. Publishing such information in a timely and accessible manner and making it available in public domain can strengthen public monitoring of fund utilisation in development schemes and lead to improved results from public spending. These other important objectives too need to be integrated into the budgeting process

The string of Government decisions taken over the last two years were indicative of some major changes in budgetary processes coming off as the 12th Five Year Plan drew to a close. Correspondingly, the fourth budget of the present Government, presented on 1st February, has made way for putting into effect some of such shifts. The Union Budget for 2017-18 has shown continuity in terms of the overall policy trajectory being followed which is of fiscal consolidation. On the budget processes front, however, it came with a number of changes. It has merged the Rail Budget with the General Budget, discontinued the Plan and Non-Plan classification in Union Government's Expenditure Budget, and advanced the date of the Budget presentation by a month.

Merging Rail Budget with General Budget:

A big change introduced in this budget is the Rail Budget being presented as part of the General Budget. The decision, based on the advice of the NITI Aayog, put an end to the 92-year-old tradition of a separate Rail budget. During the British rule, in the early 1920s, railway finances were separated from the general finances. It has been argued that this merger of budgets would allow the Railways to boost economic growth.

Some have voiced concern that the merger is a mere cosmetic change; it was more important to implement the decade old recommendations of the Rakesh Mohan Committee for restructuring the Railways. The Committee had observed that Indian Railways (IR) was "going through a vicious circle of under investment, misallocation of scarce resources, increasing indebtedness, poor customer service and rapidly deteriorating economics"[1]. The core question that has haunted IR is whether it is a commercial organisation, or does it perform a social objective? The Committee had opined that reform and modernisation of India's Rail System was needed urgently; spinning off non-core activities, restructuring what remains along business lines and commercial accounting performance management systems should be adopted. There are figures on social costs borne by IR, and several Committees have recommended that the costs for these should directly be borne by the Union Government or the State Governments.

Ending Plan and Non-Plan Expenditure Classification:

The practice of classifying Expenditure Budget as Plan and Non-

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Plan was introduced in the First Five Year Plan in 1951, with the Planning Commission deciding the estimates of Plan allocation. Plan expenditure referred to the spending on programmes and schemes of the Government detailed under the prevailing Five Year Plan. It included all kinds of expenditure on programmes and schemes, whether on Recurring (or Revenue) or Capital Expenditure heads. For example, expenditure on teachers' salary under *Sarva Siksha Abhiyan*, constituted Plan Revenue Expenditure, and that on construction of school buildings was Plan Capital Expenditure. Non-Plan expenditure referred to the expenditure on all those functions or services by the government, which fell outside the purview of the Planning Commission / Five Year Planning. For instance, Government's expenditure on interest payments, subsidies, salary and pension payments (for regular cadre staff across sectors), police, defence, and expenditure on maintenance of assets or infrastructure across sectors constituted the Non-Plan budget. We must note here that Non-Plan expenditure was not meant only for purposes like defence, police or interest payments etc; in important development sectors like education and health, the salaries of all regular cadre government staff and resources for maintenance of infrastructure and assets came from the Non-Plan budgets for those sectors.

We could use a few examples to understand the classification of Plan expenditure and Non-Plan expenditure that was followed until now. Funds to the Rural Development Ministry for building roads under the *Pradhan Mantri Gram Sadak Yojana* were reported as Plan Expenditure, but their maintenance belonged to Non-Plan budget. Allocations for regular cadre teachers in *Kendriya Vidyalayas*, *Navodaya Vidyalas*, other government schools; funds for regular cadre doctors in health centres and medical colleges of the Government came from Non-Plan Budget, while salary for the contractual teachers under *Sarva Siksha Abhiyan* (SSA) and contractual doctors under National Health Mission (NHM) came from Plan budget. With the unveiling of this Union Budget, all these expenditure will be reported together.

The bifurcation of expenditure budget as Plan and Non-Plan had given rise to a misleading notion that Plan expenditure was developmental and Non-Plan was non-developmental. This had led to an excessive focus on Plan expenditure, with a corresponding neglect of items such as maintenance that was classified as Non-Plan; and neglect of Non-Plan spending requirements caused an acute shortage of regular cadre staff across sectors in most states. The bifurcation had also resulted in fragmentation of resources available for budgeting and made it difficult to ascertain the overall cost of delivering a service. Beginning from the Union Budget for 2017-18, the budget documents are reporting entire expenditure together. It is hoped that by clubbing Plan and Non-Plan expenditure, resource allocation would be easier; this will also help link outlays to outcomes in a better way. The Working Group constituted to examine the merger of Plan and Non-Plan spending had noted that doing away with the distinction between Plan and Non-Plan classification in Government's Expenditure Budget 'is meant to facilitate optimal allocation of resources with a holistic view of budget outlays for sectors and Ministries'.

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Until now, allocations for *Dalits* were reported in the Budget following the Scheduled Caste Sub-Plan (SCSP) strategy which earmarked 16.6 per cent of the Plan outlays for *Dalits*. This year's Budget presents 'Allocations for Welfare of Scheduled Castes' under Statement 10A, but it is unclear what parameters have been used by Ministries and Departments for reporting these allocations. It is important that new norms should be developed for reporting under SCSP by the Ministries and Departments.

There are quite a few states that would follow the new budgeting practice in line with the Centre and scrap this distinction. It is necessary for the Union Government to ensure that those states that decide to continue with these segments in their next budgets do not face difficulties.

While the Plan and Non-Plan distinction has been dropped, an excessive focus on 'Capital' and 'Revenue' classification of expenditure could be problematic for important social sectors like education and health, where large proportions of government spending are reported as Revenue expenditure.

In the new planning framework, the role and importance of planning, especially at the sub-national level should not be undermined. It is recognised that decentralised planning is the most important strategy for bridging the developmental gaps by keeping in mind the needs of the people. The District Planning Committee (DPC) though a constitutional institution has remained neglected. While the Five-year plan approach comes to an end, the DPCs should be strengthened to support bottom-up planning at the district and State level.

An important intent of the erstwhile five-year plan process was to correct regional imbalances by sanctioning packages. The focus should not be lost, the Union Ministries should continue to make interventions for reducing regional disparity by identifying backward regions and channelising additional public resources towards those.

Advancing of Budget Presentation by a Month:

The Union Budget was presented this time on February 1, a month in advance. Until last year, as a convention, the Budget used to be laid in Lok Sabha on the last working day of February every year. Until 2000, we had followed the British era practice of presenting the Union Budget at 5 pm; it was changed subsequently to 11 am.

The effect of tabling of Union Budget one month in advance would be that the process of getting all legislative approval for the same can get completed before the beginning of the new fiscal, thereby helping various Ministries to ensure that funds in central programmes and schemes start getting released to the States in the first quarter itself. Earlier, the budget session began in the last week of the February and ran till mid-May with a recess in between. The Appropriation Bill was cleared only in the second half of the budget session, forcing the government to seek Parliament's approval through a Vote on Account in March to withdraw money from the Consolidated Fund of India to meet regular expenditure for two to three months. By advancing the presentation of Union Budget for 2017-18 by a month, the attempt is to push all spending Ministries towards releasing funds to States and other implementing authorities right from the beginning of the new financial year.

But there are some inherent challenges here. One of the disadvantages of moving the Budget preparation to 1st February is lack of availability of comprehensive revenue and expenditure data. Until last year, by the time budget formulation process reached its final stages in mid-February, data on revenue collections and expenditure trends were available for the first nine months of the financial year. The data on GDP and sectoral-growth in the economy, used for this year's budget formulation is likely to be based only on the first two quarters of the financial year 2016-17. Besides, advancing of the date would be fraught with other difficulties too. Whether the Houses of the Parliament and the Standing Committees will get adequate time to deliberate on the budget is another question.

Consolidated Outcome Budget:

The budget speech announced presenting of a consolidated Outcome Budget covering all Ministries and Departments for the first time. It is aimed at strengthening the focus on results from public expenditure especially in the development programmes and schemes. Creation of this document will provide crucial information regarding the use of public money in achieving desired results under the government programmes.

Other steps to Strengthen Budgeting:

These changes in some of the budgetary processes focus on improving public expenditure management, and so are steps in the right direction. But these steps alone won't be enough to improve the results from the government's spending in social sector. Strengthening of District Planning Committees that are constitutionally mandated to prepare development plans will be crucial. Accessing disaggregated information about government expenditure in social sector programmes continues to be a challenge at the district level. Publishing such information in a timely and accessible manner and making it available in public domain can strengthen public monitoring of fund utilisation in development schemes and lead to improved results from public spending. These other important objectives too need to be integrated into the budgeting process. ❑

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Budget Enhancement for Sports

- Budget for sports has been enhanced by 40 per cent since last year. This is because of the initiative and interest of the Prime Minister that he is taking in sports.
- Funds for promotion of sports among differently-abled will be done now from the funds allotted from *Khelo India* Programme and hence only a token amount has been provided.
- Contributions have been asked from the Public Sector Undertakings for the National Sports Development Fund so as to enhance the sports activities and promotion of players.
- A talent search portal is being launched for identification and nurturing of sporting talent in the country. To start with, a sum of Rs. 50 lakh has been kept for this purpose. Funds have been separately designated for nurturing and developing sports talent.
- National-level competitions have been organized under the *Khelo India* Programme so as to initiate a sporting culture in the country. Also, rural games are being planned to be held in the near future.