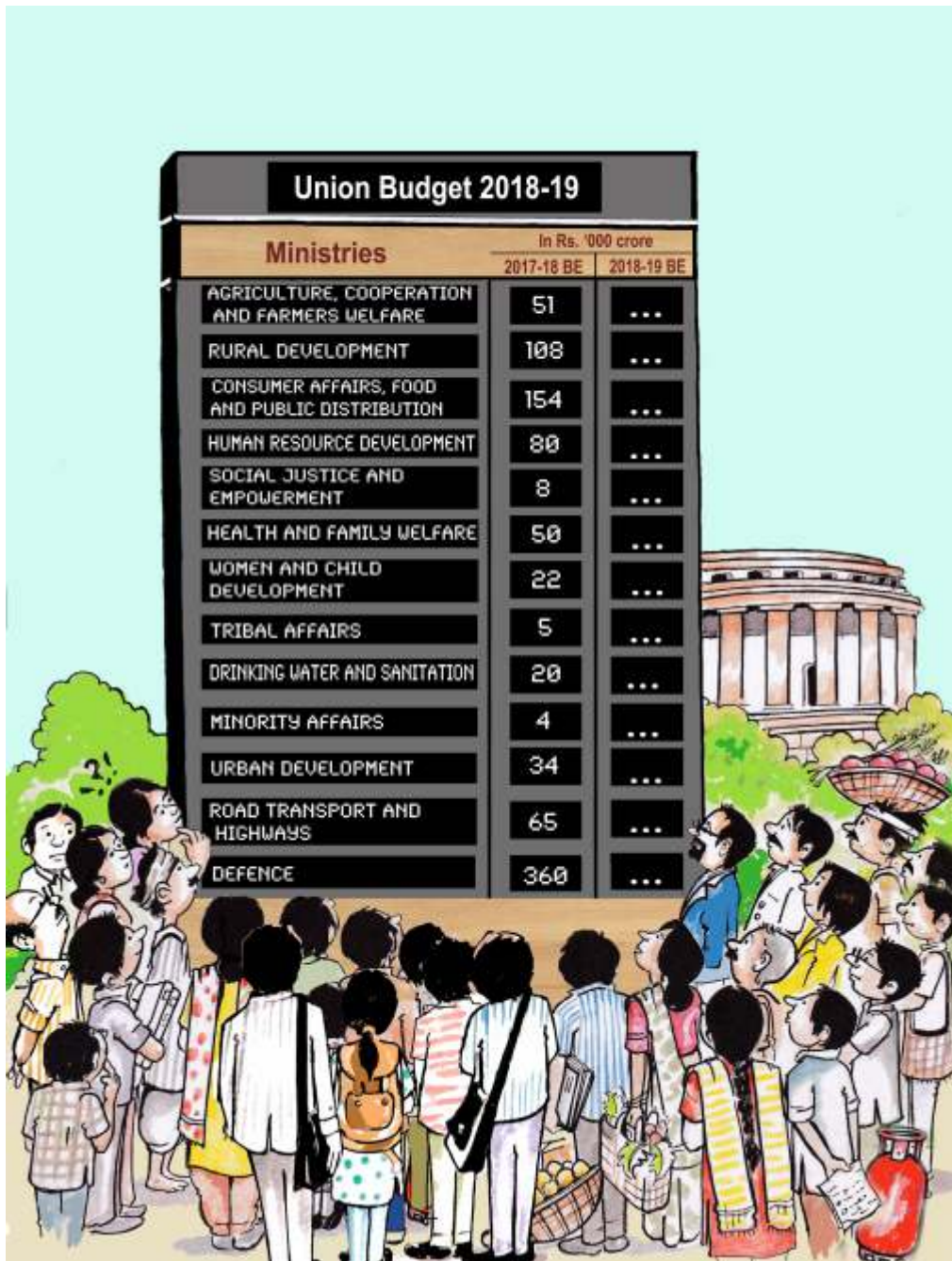


# *Of Hits and Misses*

An Analysis of Union Budget 2018-19



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Centre for Budget and Governance Accountability



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Union Budget 2018-19 is the fifth and the final full-year budget of the current ruling dispensation. The major plank on which this government was elected in 2014 with an exceptional mandate were issues of development related to reducing corruption, generating meaningful employment opportunities, tackling inflation (especially food inflation, an issue plaguing the economy at that point of time), reducing inequality, and pushing the economy on a higher growth trajectory. In that context, many would look at this year's budget from the perspective of how much has been achieved over the term of the government.

At the outset of its term, the government, by adopting the recommendations of the 14<sup>th</sup> Finance Commission (to increase the states' share of divisible pool of Central taxes), raised hopes for a strengthened federal fiscal architecture and 'cooperative federalism'. It was expected by a large section of the stakeholders that such transformative changes in governance and policies would lead to better outcomes both in the macroeconomic and development indicators. However, the two big bang reforms executed by this government, namely 'demonetisation' and a hastily implemented GST, have been highly contentious.

The current state of affairs in the economy points towards a number of critical challenges being faced. This has even been acknowledged in the Economic Survey 2017-18. The Survey notes that the economy has undergone a slowdown and faces a challenge of "*reviving agriculture and rural development*" and "*creating jobs for the young and burgeoning workforce, especially for women*".

Given this, the focus of the Union Budget 2018-19 is rightly directed towards several announcements for agriculture and rural infrastructure development, generating employment opportunities in the formal sector, providing quality healthcare for underprivileged and senior citizens and improving the provisions for education. To quote the FM, the budget focuses on "*strengthening agriculture and rural economy, provision of good health care to economically less privileged, taking care of senior citizens, infrastructure creation and working with the States to provide more resources for improving the quality of education in the country*" and emphasises "*generating productive and gainful on-farm and non-farm employment for the farmers and landless families*" (Budget Speech, Union Budget, 2018-19).

It is in this context that the report, '**Of Hits and Misses: Analysis of Union Budget 2018-19**', presents a comprehensive analysis of the budgetary provisions for important social sectors and the vulnerable sections of the population. It also presents an overview of the fiscal indicators and analyses some of the current issues related to taxation, international financial transparency, implications of GST and budgetary provisions to tackle employment challenges in the economy.

# Key Fiscal Indicators

**Table 1.1: Total Union Budget Expenditure as a Proportion of GDP**

Year	Total Expenditure from the Union Budget (Rs. crore)	GDP at Current Market Prices (Rs. crore)	Total Union Budget Expenditure as a Proportion of GDP (in %)
2012-13	1410372	9944013	14.18
2013-14	1559447	11233522	13.88
2014-15	1663673	12445128	13.37
2015-16	1790783	13682035	13.09
2016-17	1975194	15183709	13.01
2017-18 BE	2146735	16784679	12.79
2017-18 RE	2217750	16784679	13.21
2018-19 BE	2442213	18722302	13.04
	Excluding from the total Union Budget expenditure- "Funds collected from GST Compensation Cess, which are transferred to a non-lapsable fund in the Public Account"		
2017-18 RE*	2156419	16784679	12.85
2018-19 BE*	2352213	18722302	12.56

Note: \* The figures for total Union Budget expenditure, for 2017-18 RE and 2018-19 BE, do not include "Funds collected from GST Compensation Cess, which are transferred to a non-lapsable fund in the Public Account".

Source: Compiled by CBGA from Union Budget 2018-19 documents

- As compared to the Gross Domestic Product (GDP) of the country, the size of the Union Budget shows a gradual decline over the last few years from 13.37 % in 2014-15 to 12.56 % in 2018-19 (BE). However, this is partly due to the recommendations of the 14<sup>th</sup> Finance Commission, which led to a higher proportion of the divisible pool of Central taxes being devolved to States starting from 2015-16.
- The magnitude of the Union Budget registers a visible increase in absolute terms from Rs. 21.56 lakh crore in 2017-18 (RE) to Rs. 23.52 lakh crore in 2018-19 (BE); but this falls short of the extent of expansion of the Indian economy (in current prices) over these two years. Hence, total Union Budget Expenditure as a Proportion of GDP shows a small decline from 12.85 % in 2017-18 (RE) to 12.56 % in 2018-19 (BE).

**Table 1.2: Macro Indicators for the Union Budget (Figures in Rs. crore)**

Heads	2015-16	2016-17	2017-18 (BE)	2017-18 (RE)*	2018-19 (BE)*
1. Revenue Receipts of which	1195025	1374203	1515771	1444097	1635738
Tax Revenue (Net to Centre)	943765	1101372	1227014	1269454	1480649
2. Non Tax Revenue	251260	272831	288757	235974	245089

Heads	2015-16	2016-17	2017-18 (BE)	2017-18 (RE)*	2018-19 (BE)*
Capital Receipts Of which	595758	600991	630964	712322	716475
Borrowings and Other Liabilities	532791	535618	546531	594849	624276
Total Receipts (including Borrowing) [1+2]	1790783	1975194	2146735	2156419	2352213
Total Union Budget Expenditure	1790783	1975194	2146735	2156419	2352213
Fiscal Deficit	532791	535618	546531	594849	624276
<i>Fiscal Deficit as % of GDP</i>	<i>3.89</i>	<i>3.53</i>	<i>3.26</i>	<i>3.54</i>	<i>3.33</i>

Note: \* The figures for total Union Budget Expenditure and Receipts, for 2017-18 RE and 2018-19 BE, do not include "Funds collected from GST Compensation Cess, which are transferred to a non-lapsable fund in the Public Account".

Source: Compiled by CBGA from Union Budget 2018-19 documents

- Fiscal Deficit of the Union Government, as % of GDP, has declined over the last few years, and has a mirror image in the declining Total Union Budget Expenditure to GDP ratio – as Revenue Receipts have been stagnant at around 8.7 % of GDP.

**Table 1.3: Transfer of Resources to States (Figures in Rs. crore)**

	2015-16	2016-17	2017-18 (BE)	2017-18 (RE)	2018-19 (BE)
1. States' Share in Central Taxes	506193	608000	674565	673005	788093
Finance Commission Grants Of which	84579	95550	103101	101490	109373
<i>Grants for Rural Local Governments</i>	<i>19993</i>	<i>31370</i>	<i>39041</i>	<i>39041</i>	<i>45069</i>
<i>Grants for Urban Local Governments</i>	<i>6924</i>	<i>14498</i>	<i>17247</i>	<i>17247</i>	<i>19870</i>
<i>Grants for SDRF</i>	<i>8756</i>	<i>8375</i>	<i>10993</i>	<i>9383</i>	<i>9852</i>
<i>Post Devolution Revenue Deficit Grant</i>	<i>48905</i>	<i>41307</i>	<i>35820</i>	<i>35819</i>	<i>34582</i>
2. Central Schemes Related Transfers	195051	228957	212466	296724	310987
3. Other Transfers	43143	48054	48447	39386	54482
4. Transfers to UTs with Legislature	5139	5113	3996	5272	6500
Total Transfer of Resources to States and UTs (1+2+3+4)	834483	985674	1085075	1115877	1269435
Gross Revenue Receipts at the Union Level (Pre-Devolution of Taxes to States)	1706908	1988653	2200337	2059431	2336330
<i>Total Transfer of Resources to States and UTs as % of Gross Revenue Receipts at the Union Level (Pre- Devolution of Taxes to States) (Figures in %)</i>	<i>48.89</i>	<i>49.56</i>	<i>49.31</i>	<i>54.18</i>	<i>54.33</i>
<i>Total Transfer of Resources to States and UTs as % of GDP (Figures in %)</i>	<i>6.10</i>	<i>6.49</i>	<i>6.46</i>	<i>6.65</i>	<i>6.78</i>

Source: Compiled by CBGA

- The visible increase in the Total Transfer of Resources to States and UTs in 2017-18 (RE) and 2018-19 (BE), as compared to the first two years of the 14<sup>th</sup> Finance Commission's recommendation period, is on account of the provisions made for compensation to States for revenue loss on roll out of GST.



**Table 1.4: Budgets of Select Union Government Ministries (Figures in Rs. crore)**

Sl. No.	Ministries / Departments	2014-15	2015-16	2016-17	2017-18 (BE)	2017-18 (RE)	2018-19 (BE)
1	Ministry of Culture	2064	2007	2297	2738	2667	2843
2	Ministry of Drinking Water and Sanitation	12091	11081	16476	20011	24011	22357
3	Ministry of Health and Family Welfare (including AYUSH)	32154	35190	40241	50281	54852	56226
4	Ministry of Housing and Urban Poverty Alleviation	2728	1761	...	...	...	...
5	Ministry of Human Resource Development	68875	67239	72016	79686	81869	85010
6	Ministry of Labour and Employment	4138	4642	4743	7188	6581	7700
7	Ministry of Minority Affairs	3089	3655	2832	4195	4195	4700
8	Ministry of Social Justice and Empowerment	5381	5753	6516	6908	6908	7750
9	Ministry of Tribal Affairs	3852	4480	4817	5329	5329	6000
10	Dept. of Urban Development	13254	18419				
10	Ministry of Housing and Urban Affairs	...	...	36946	40618	40754	41765
11	Ministry of Women and Child Development	18539	17249	16874	22095	21237	24700
12	Ministry of Youth Affairs and Sports	1121	1423	1574	1943	1938	2196
13	Empowerment of Persons with Disabilities	403	555	773	855	955	1070
14	Ministry of Agriculture and Farmers Welfare	31917	22092	44500	51026	50264	57600
15	Ministry of Environment, Forest and Climate Change	1599	1521	2278	2675	2675	2675
16	Ministry of Rural Development	69817	78945	96728	107758	110874	114915
17	Ministry of Consumer Affairs, Food and Public Distribution (Includes Food Subsidy)	118323	140810	122399	154232	149608	175944
18	<b>Total Expenditure for the Select Ministries (1 to 17)</b>	<b>389346</b>	<b>416822</b>	<b>472009</b>	<b>557540</b>	<b>564718</b>	<b>613453</b>
19	Ministry of Road Transport and Highways	33048	46913	52232	64900	61000	71000
20	Defence Expenditure	285005	293920	351550	359854	374004	404365
	Total Union Budget Expenditure	1663673	1790783	1975194	2146735	2156419	2352213

Sl. No.	Ministries / Departments	2014-15	2015-16	2016-17	2017-18 (BE)	2017-18 (RE)	2018-19 (BE)
	<i>Total Expenditure for the Select Ministries (1 to 17) as % of total Union Budget Expenditure (Figures in %)</i>	23	23	24	26	26	26

Source: Compiled by CBGA

- Ministry of Road Transport and Highways continues to be accorded high priority in the Union Budget as the expenditure / budget for the ministry has increased from Rs. 33048 Crore in 2014-15 to Rs. 71000 Crores in 2018-19 (BE).
- Ministry of Rural Development's total expenditure / budget has increased from Rs. 69817 Crore in 2014-15 to Rs. 114915 Crore in 2018-19 (BE); but the overall allocation for the ministry has stagnated over the last two Union Budgets.
- If we take the 17 selected ministries as the expanded social sector, the total allocation for these as compared to the total Union Budget accounts for 26 % in 2017-18 (RE) as also in 2018-19 (BE).

# AGRICULTURE

## Highlights

- The allocation for the Ministry of Agriculture and Farmers Welfare is Rs. 57,600 crore for 2018-19 BE, up from Rs. 44,500 crore in 2017-18 BE.
- However, as a share of total Union Budget and GDP, no such increase is noticed since 2014-15.
- Within the Ministry's allocation, the Department of Animal Husbandry, Dairying and Fisheries depicts the highest growth.
- *Pradhan Mantri Fasal Bima Yojana* (PMFBY), National Mission on Horticulture, schemes under White Revolution and Blue Revolution received priority allocation in Union Budget 2018-19.
- Ground water irrigation scheme under Prime Minister *Krishi Sinchai Yojna - Har Khet ko Pani* received an allocation of Rs. 2,660 crore in Union Budget 2018-19, up from Rs. 1,450 crore in 2017-18 BE.
- Allocation for *Rashtriya Krishi Vikas Yojana* registered a decline in the current budget, the lowest since its implementation.
- The Budget assured that Minimum Support Price (MSP) for majority of rabi and kharif crops would be one-and-a-half times the production cost.
- There is no change in the allocation for interest subvention for providing short term credit to farmers.

The agriculture sector in India contributes 16 percent of the country's GDP and employs 49 percent of the total workforce. Poor agricultural performance can lead to inflation and farmer distress and unrest, which has been at its peak despite India achieving a record food grain production (275 million tonnes) in 2016-17). In the light of the plight of the farmer, it is pertinent to see what the Budget offers for this sector, in terms of ensuring a secured income, if not doubling it by 2022, as promised by the government.

The election manifesto of the NDA-led government at the Centre promised that the farmers would get at least 50 percent more than the cost of produce. In order to ensure doubling of the farmers' income, the Budget has assured that MSP for a majority of *rabi* and *kharif* crops would be one-and-a-half times the production cost, which is a welcome step. It is however unclear whether the MSP would be declared or offered much ahead of harvesting time itself to prevent farmers from resorting to distress sale of their produce.

The Finance Minister in his Budget Speech noted that increasing MSP was not enough to secure the income of the farmers and, hence, some other mechanism would be devised by the NITI Aayog in consultation with the Central and State governments. The mechanism would ensure one-and-a-half times the MSP to farmers, even if the amount paid is less than the market price of their produce. When and how this mechanism would take effect has not been mentioned.

More than 86 percent farmers fall under the small and marginal category and most of them do not benefit from MSP as they do not have a marketable surplus. To protect the interests of small and marginal farmers and prevent them from being forced to make distress sales, an Agri-Market Infrastructure Fund with a corpus of Rs. 2,000 crore is to be set up for developing and upgrading agricultural marketing infrastructure in 22,000 *Grameen Agricultural Markets* (GrAMs). The fund would no doubt help the farmers realise the actual value of their produce by selling directly to buyer without interference of middlemen, who in turn are controlled by traders. The big question is how the government plans to roll out such an elaborate process.

The total allocation for the Ministry of Agriculture and Farmers Welfare is Rs. 57,600 crore for 2018-19 BE, up from Rs. 44,500 crore in 2017-18 BE. The planned disbursement is on the higher side, if one looks at the growth of total Union Budget of only 9.6 percent in the corresponding period. The allocation for the Department of Animal Husbandry, Dairying and Fisheries shows the highest growth. In absolute terms, the increase is to the tune of Rs. 13,100 crore, a majority of this which has been recorded under the PMFBY, National Mission on Horticulture, schemes under White Revolution and Blue Revolution.

National Mission on Horticulture has been apportioned Rs. 2,536 crore in 2018-19 BE, an increase of Rs. 300 crore that is expected to boost horticulture crops. The proposals for launching Operation Greens (with an allocation of Rs. 500 crore) on the lines of Operation Flood, and tax concessions to promote Farmer Producers Organisations (FPOs) are also welcome steps. Another positive aspect is the extension of Kisan Credit Cards facilities to fisheries and animal husbandry farmers in order to help them meet their working capital needs.

More than two-thirds of the country's arable land is dryland or rain-fed agriculture. Given that rainfall variability induced by climate change has been adversely affecting agriculture, irrigation is the mainstay for agricultural productivity. The ground water irrigation scheme under Prime Minister *Krishi Sinchai Yojna - Har Khet ko Pani* received an allocation of Rs. 2,660 crore in the Budget, up from Rs. 1,450 crore in 2017-18 BE. Ninety-six irrigation-deprived districts with less than 30 percent land holdings under assured irrigation will benefit from this allocation. An additional budget support of Rs. 15,000 crore to complete 48 priority projects under PMKSY-AIBP would be completed by December 2019. Irrigation projects covering 17.2 lakh hectares and 15 lakh beneficiaries have received an allocation of Rs. 4,000 crore under the Ministry of Agriculture.

Another Rs. 4,000 crore has been added to the crop insurance scheme PMFBY the proposed outlay of which has gone up to Rs. 13,000 crore in the current budget. The aim of the scheme is to protect farmers against crop loss but it has so far been largely benefiting insurance companies with very little percolating down to the affected farmers. There has also been a considerable increase in claims during *kharif* 2016 (estimated at Rs. 9837.49 crore, of which approved claims are Rs. 9546.55 crore and amount paid is only Rs. 8902.96 crore) and *rabi* 2016-17 (estimated at Rs. 5084.21 crore, approved Rs. 3701.63 crore and paid only Rs. 2733.67 crore). Moreover, the sum insured under the scheme more than doubled from Rs. 69,000 crore in *kharif* 2015 to Rs. 141,625 crore in *kharif* 2016. So, the amount proposed for PMFBY in the current budget seems inadequate to meet the premium.

Setting up of Fisheries and Aquaculture Infrastructure Development Fund (FAIDF) and Animal Husbandry Infrastructure Development Fund (AHIDF) with a corpus of Rs. 10,000 crore is aimed at bolstering the sectoral growth in the long-run but the lack of budgetary support in the current budget appears to defeat that purpose.

Allocation for *Rashtriya Krishi Vikas Yojana* has shrunk to Rs. 1,150 crore in 2018-19 BE compared to the provisioning in the previous year's budget. The decline in the allocation for the *yojana* has been due to the change in the fund sharing pattern from being 100 percent additional centrally assisted till 2014-15 to only 60 percent afterwards.

The target of institutional credit flow to the sector has been set at Rs. 11 lakh crore for the year 2018-19, which is a good thing. There has been a consistent growth of flow of credit to the sector through institutional sources. However, the allocation for interest subvention for providing short-term credit to farmers has not seen any increase from the previous budget of Rs. 15,000 crore.

The announcement of a couple of long-term funds for irrigation, fisheries and animal husbandry sectors might be helpful in giving a much-needed fillip to the sectors but there are no specific schemes or programmes which would relieve the stress on the farming community reeling from the impact of crop failure and demonitisation.

The Finance Minister claimed in his Budget Speech to have provided maximum livelihood opportunities in the rural areas by spending more on livelihood, agriculture and allied activities and construction of rural infrastructure. The claim of Rs. 14.34 lakh crore investments in the rural sector includes 11 lakh crore of institutional credit, which is a financial measure that does not directly help farmers reduce cost of cultivation or increase farm income.

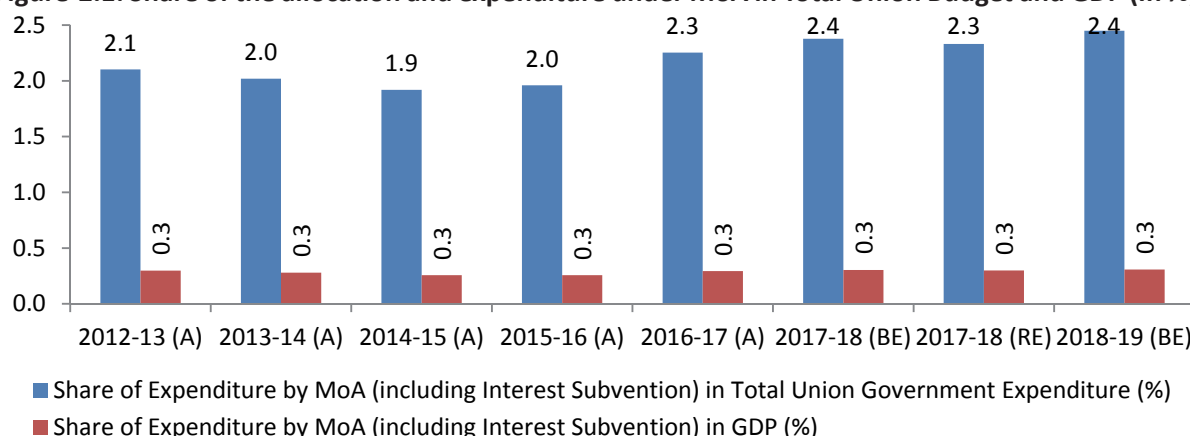
Further, there are no specific schemes for small and marginal farmers, who constitute 86 percent of the farming community and cannot avail the benefits of MSP without marketable surplus. It was expected that the Budget would come up with a special package, along with constitution of a farmers' income commission. Social security/protection is a major concern for farmers and not announcing any social security scheme for points to a lack of concern for their livelihood. Expectations from Union Budget 2018-19 were high for the sector, particularly in providing a roadmap for relieving the stress of the farming community, but the government's promises of the past seem once again to have proved rhetoric and it have not earned it the confidence of the farming community.

**Table-2.1: Union Budget Allocation under the Ministry of Agriculture and Farmers Welfare (MoA), Rs. in Crore**

	2014-15 (A)	2015-16 (A)	2016-17 (A)	2017-18 (RE)	2018-19 (BE)	Growth of expenditure over previous year's budget
<i>Department of Agriculture, Cooperation and Farmers Welfare</i>	25255	28296	<b>36912</b>	<b>41105</b>	<b>46700</b>	11.6
<i>Department of Animal Husbandry, Dairying and Fisheries</i>	1822	1410	1858	2167	3100	30.7
<i>Department of Agricultural Research and Education</i>	4840	5386	5729	6992	7800	14.7
<b>Total Expenditure under MoA with Interest Subvention (Rs. in Crore)</b>	<b>31917</b>	<b>35092</b>	<b>44500</b>	<b>50264</b>	<b>57600</b>	12.9

Source: Compiled by CBGA

**Figure-2.1: Share of the allocation and expenditure under MoA in Total Union Budget and GDP (In %)**



Source: Compiled by CBGA

**Table-2.2: Major Schematic Allocation for Agriculture Sector (Rs. in Crore)**

Scheme	2014-15 (A)	2015-16 (A)	2016-17 (A)	2017-18 (BE)	2017-18 (RE)	2018-19 (BE)
Pradhan Mantri Fasal Bima Yojana (PMFBY) *	2598	2983	11052	9000	10698	13000
Pradhan Mantri Krishi Sinchai Yojana (Under MoA)	0	1556	1991	3400	3000	4000
Pradhan Mantri Krishi Sinchai Yojana (Under Deptt. of Land Resources)	2319	1576	1658	2310	1832	2511
Accelerated Irrigation Benefit & Flood Management Programme	3261	2999	1000	0	0	0
<i>Har Khet ko Pani</i>	0	1499	440	1450	1888	2600
Pradhan Mantri Krishi Sinchai Yojana (Ministry of Water Resources, River Development and Ganga Rejuvenation)	3261	4698	1632	1827	2669	3178
Total Allocations for Pradhan Mantri Krishi Sinchai Yojana (PMKSY) **	5580	7830	5282	7537	7501	9689
Rashtriya Krishi Vikas Yojana (RKVY)	8443	3940	3892	4750	3050	3600
National Food Security Mission (NFSM)	1873	1162	1286	1720	1400	1691
Paramparagat Krishi Vikas Yojana (PKVY)	0	219	153	350	250	360
National Mission on Oil Seed and Oil Palm (NMOOP)	316	306	328	403	328	400
National Mission on Horticulture (NMH)	1625	1696	1493	2320	2190	2536
White Revolution	1415	937	1309	1634	1633	2220
Blue Revolution	388	200	388	401	302	643
<i>Interest Subvention for Providing Short Term Credit to Farmers</i>	6000	13000	<b>13397</b>	<b>15000</b>	<b>14750</b>	<b>15000</b>
National Bamboo Mission	0	0	0	0	0	300
Price Stabilization Fund in the Department of Consumer Affairs		660	6900	3500	3500	1500
Market Intervention Scheme and Price Support Scheme (MIS-PSS) in Ministry of Agriculture		48	146	199	950	200

Source: Compiled by CBGA

# RURAL DEVELOPMENT

## Highlights

- The overall budget for the Department of Rural Development (DoRD) has increased marginally in absolute terms, but has declined as a proportion to the total Union Budget from 5.1 percent in 2017-18 (RE) to 4.8 percent in 2018-19 (BE).
- The Government announced a target for 1 crore houses to be built by March 2019, with 51 lakh houses each to be built in year 2017-18 and 2018-19. As per the Government's achievements report, 12.6 lakh houses have been constructed so far, which is only 25 percent of previous year's target.
- The budget allocations to *Pradhan Mantri Aawas Yojana-Grameen* (PMAY-G) decreased by 9 percent in 2018-19 (BE) from the Revised Estimates of 2017-18
- Government announced a 37 percent increase in loan amount in circulation by the Self Help Groups (SHGs) over the previous year. This is expected to grow by 77 percent this year, to Rs. 75,000 crore by March 2019. Budget allocation to National Rural Livelihood Mission (NRLM) increased by 32 percent from 2017-18 (RE) to 2018-19 (BE).
- Half of the department's budget is allocated to Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), the allocation to which has remained the same as 2017-18 (RE). At the same time, several targets have been set for rural infrastructure and livelihood.

'Mission *Antodaya*' was among the major announcements in the previous year's budget for rural sector. It aimed at bringing one crore households out of poverty and making 50,000 *gram panchayats* poverty-free by the year 2019. However, like previous year, there has been no budget allocation for this programme in the budget 2018-19. At the same time, the allocations for PMAY-G, a flagship restructured programme of this government, have reduced in 2018-19 (BE) compared to the allocation made in 2017-18 (RE). The allocations for MGNREGA in the current budget have been pegged at Rs. 55,000 crore, same as 2017-18 (RE). Under National Social Assistance Programme (NSAP), there is only a 5 percent increase in budget, indicating that there would be no increase in its coverage or the amount of monthly pension to be provided. The NRLM's budget has increased by 32 percent in the current budget compared to the allocation in 2017-18 (RE). On the other hand, the *Pradhan Mantri Gram Sadak Yojana* (PMGSY) received an increased allocation to the tune of Rs. 5,750 crore in 2018-19 (BE), registering a growth of 12 percent over the Revised Estimates of 2016-17.

**Table 3.1 Budget Allocations for Major Schemes under DoRD (Rs. Crore)**

Select Schemes of DoRD	2014-15 (A)	2015-16 (A)	2016-17 (A)	2017-18 (RE)	2018-19 (BE)	% change	% of DoRD budget
MGNREGA	32969	37341	48215	55000	55000	0	49
NRLM	1413	2514	3158	4350	5750	32	5
PMAY-G	11105	10116	16071	23000	21000	-9	19
PMGSY	5868	18290	17923	16900	19000	12	17

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

**Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)** accounts half of the budget for the Department of Rural Development. In absolute terms, there is no increase in its budget allocations for this scheme in 2018-19 (BE) compared to the allocation made during 2017-18 (RE). In real terms (after discounting for inflation) however, the allocations for the scheme would register a decline. This is despite the fact that over the past few years, MGNREGA has been ending the year with pending liabilities from the previous year. For the year 2017-18, the liabilities are already around Rs. 5,000 crore which will reduce the availability of funds for the scheme for FY 2018-19 to Rs. 50,000 crore.



Further, as the year progresses, delays in wage payments increase, as fund availability reduces. The Government has also set physical targets for rural infrastructure such as *Anganwadi Centers*, rural roads, Vermi / NADEP compost, food storage godowns, *Gram Panchayat Bhawans and Bharat Nirman Seva Kendra*. Physical targets have also been set for livelihood in Land Development, Cattle, Poultry and Piggery Sheds. Of the 5 lakh farm pond target provided in 2017-18, the government has so far achieved 78 percent (i.e. 3.9 lakh). A further target of 10 lakh assets in this year has been set.

In this context it seems that the budgetary provision under MGNREGA would be far from the actual demand. It is also pertinent to note that the MGNREGA envisages a bottom-up planning process, with only *Gram Sabhas* having the legal powers to decide the type and quantum of works to be taken up. Given the current scenario of rural distress, there is a high likelihood that the demand for wage employment would increase further. It is expected that further allocations will have to be met through supplementary grants, as was done during last two budgets.

**Pradhan Mantri Awas Yojana – Grameen (PMAY-G)** – This revamped scheme announced in March 2016, set itself a target of building 1 crore houses for the homeless and those living in kutch houses by March 2019. Of the 51 lakh houses committed to be built in FY 2017-18, government has built only 12.6 lakh houses, indicating an achievement rate of only 25 percent. As per the guidelines, the required cost for construction of one crore houses was Rs.1,30,075 crore. Of this, the required Central Share is Rs. 81,975 crore. During the period 2016-17 (RE) to 2018-19 (BE), the Union Government has allocated Rs. 60,071 crore, which is 27 percent less than the required amount. Even though there was a big jump in the scheme’s allocations in the previous year (about 43 percent), its budget declined by 9 percent in 2018-19 (BE). This decline in allocation for the current year would defeat the efforts towards meeting the target of 1 crore houses by 2019.

**Table 3.2 Budget Allocations for Department of Rural Development (Rs. crore)**

Year	Allocations for DoRD	Total Budget Expenditure	Department Allocation as % Total Union Budget
2014-15	67,311	16,63,673	4.0
2015-16	77,369	17,90,783	4.3
2016-17	95,069	19,75,194	4.8
2017-18 (RE)	1,09,042	21,56,419	5.1
2018-19 (BE)	1,12,404	23,52,213	4.8

Note: The figures for total Union Budget expenditure, for 2017-18 RE and 2018-19 BE, do not include “Funds collected from GST Compensation Cess, which are transferred to a non-lapsable fund in the Public Account”.

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

The Ministry of Rural Development has been tasked with being the nodal ministry for the first Sustainable Development Goal, “End poverty in all its forms everywhere.” The total budget for the Department of Rural Development has increased only marginally over the previous year, and as a percentage of the total Union Budget expenditure, it has declined from 5.1% in 2016-17 (RE) to 4.8% in 2018-19 (BE). The “core” programmes such as MGNREGA, National Rural Livelihood Mission (NRLM), and National Social Assistance Programme (NSAP) are the Centrally Sponsored Schemes intended to work towards meeting this goal. However, it may be noted that there are no inherent programmatic indicators which can indicate reduction in poverty.

Also, the basis on which the 50,00 *gram panchayats* have been identified under ‘Mission *Antodaya*’ during the previous year remain unclear. Overall, the existing programmes have seen either a status quo or marginal increase in budget allocations. By not allocating adequate budgets for the rural employment and housing programmes, and not undertaking an upward revision of pension amount under NSAP, the Union Budget 2018-19 falls short of expectations, and indicates the apathy of the Union Government towards the sector.



# EMPLOYMENT CHALLENGE AND BUDGETARY PROVISIONS

## Highlights

- Promoting employment via entrepreneurship schemes as part of Skill India and Medium and Small Enterprises (MSMEs), and other self-employment programmes like National Rural Livelihood Mission (NRLM), National Urban Livelihood Mission (NULM), *Pradhan Mantri Employment Yojana* (PMEY), *Pradhan Mantri Krishi Vikas Yojana* (PMKVVY) and Micro Units Development and Refinance Agency (MUDRA) credit scheme.
- Wage-employment programmes take the form of low productive scheme based construction work; *Mahatma Gandhi National Rural Employment Guarantee Act* (MGNREGA) allocations at Rs. 55,000 crore, similar as last year.
- Incentives for formalisation of jobs announced using minor tax concessions and the EPFO provisions.

An important challenge for the economy has been to generate employment for the large section of the increasing number of working population in India. That the rate of growth of employment has been decelerating for the overall economy and specifically for the women workers, is no news. A lot has been reported in the media on the impact of demonetisation and Goods and Services Tax (GST) on informal sector employment.

While the last National Sample Survey (NSS) data on employment-unemployment in India pertains to 2011-12 and the latest estimates from the same are awaited, which makes the data on employment severely constrained, there have been several micro studies and media reports highlighting the lack of job creation for the Indian economy in the last few years. Further, a particular Federation of Indian Chambers of Commerce & Industry (FICCI) and National Association of Software and Services Companies (NASSCOM) study on the future of jobs in India, released last year, showed that one in 10 jobs in India would disappear by 2022, especially in the IT sector. This makes the situation alarming as India is also going through a phase of a demographic bulge in its working population. Under such circumstances, thus, it becomes imperative for the government to protect as well as create newer jobs for the economy.

It is thus expected that the government's policies would be directed towards employment generating macro-economic strategies. These strategies would therefore include both direct employment generating initiatives through increases in public investments in wage-employment programmes as well as provide a fiscal boost to labour-intensive sectors (such as in manufacturing sectors) which would lead to an increased demand for employment within the economy. Given that the annual budget is the only fiscal policy document of the government, the Union Budget 2018-19 is also expected to provide such a boost for employment generation within the economy. The current budget, which is the last full budget of the government that had a crucial mandate for job creation, has been analysed in this context.

## Promoting self-employment

The announcements made with regard to generation of employment make it clear that the policy for creating employment is based on a framework of promoting self-employment rather than investing in wage-employment programmes. This is clear from the thrust on a model of promoting entrepreneurship and identifying the MSMEs as the 'engine of employment growth'. The excessive emphasis on self-employment programmes such as the NRLM and NULM, specifically promoting SHGs

for women, facilitating *MUDRA* loans for setting up small scale enterprises via a Rs.500 crore Credit Guarantee Fund created under Prime Minister *MUDRA Yojana*, increasing allocations by Rs. 2,483 crore for PM *Kaushal Vikas Yojana* (skill development and entrepreneurship programme) in 2018-19, are examples of such initiatives.

On the other hand, the MGNREGA – a flagship programme for creating direct wage-employment, secures an allocation of Rs. 55,000 crores, similar to the allocations of 2017-18.

### Rural employment opportunities

In the rural areas, the Union Budget 2018-19 provisions have also claimed to create employment of 321 crore person days from an investment of Rs.14.34 lakh crore, including extra-budgetary and non-budgetary resources of Rs.11.98 lakh crore in rural infrastructure, which would be apart from the farm-based employment, but inclusive of the MGNREGA activities. The activities provisioned mainly include construction employment generated through the Centrally Sponsored Programmes such as the Prime Minister *Awas Yojana*, National Rural Drinking Water Programme, *Swachh Bharat Abhiyan*, Prime Minister *Gram Sadak Yojana*, *Krishi Sinchayee Yojana*, Prime Minister Employment Generation Programme and so on, details of which are provided in Table 4.1.

**Table 4.1: Budgetary & Non-Budgetary Resources on Agriculture and Rural infrastructure generating employment in Rural Areas (Rs. Crore)**

Name of Scheme	Infrastructure/ Livelihood / Both	2018-19 targets			
		Physical Target	Financial Target		
			GBS	EBR	Total
<b>Ministry of Water Resources, River Development &amp; Ganga Rejuvenation (Infrastructure)</b>			<b>3761</b>	<b>15000</b>	<b>18761</b>
<b>Department of Agriculture, Cooperation &amp; Farmers Welfare (DoA/FW)</b>					
<i>Pradhan Mantri Krishi Sinchayee Yojana</i>	Infrastructure	Irrigation projects covering 17.2 lakh ha	4000		4000
	Livelihood	15 lakh beneficiaries			
National Food Security Mission	Livelihood	1.81 lakh beneficiaries	1500		1500
Sub Mission on Agricultural Mechanization	Livelihood	17.81 lakh beneficiaries	1100		1100
<i>Rashtriya Krishi Vikas Yojana (RKVY)</i>	Infrastructure	10,45,878 Cold Storage, Godowns, Glass Houses, Custom Hiring Centers, Soil/ Seed Testing Labs, etc.	3100		3100
	Livelihood	116.99 lakh beneficiaries			
<b>Sub-total of D/o AC&amp;FW</b>			<b>42211</b>		<b>42211</b>
<b>Ministry of Food Processing</b>					
Scheme for Mega Food Parks	Infrastructure	12 Mega Food Parks	390	1170	1560
	Livelihood	Direct & indirect employment to 95000 persons in 2017-18 & 2018-19			
Scheme for Cold Chain and Value Addition Infrastructure	Infrastructure	101 projects	220	880	1100
	Livelihood	Direct: 12000 & indirect: 63000 employment in 2017-18 & 2018-19			

Name of Scheme	Infrastructure/ Livelihood / Both	2018-19 targets			
		Physical Target	Financial Target		
			GBS	EBR	Total
<b>Sub-total of M/o Food Processing</b>			<b>820</b>	<b>2690</b>	<b>3510</b>
<b>Department of Agriculture, Research and Education (DARE)</b>					
DARE	Livelihood	Production of 21960 tons Seeds, 255 lakh nos. planting material, 132.5 lakh nos. Animal resources	7800		7800
		1.60 lakh Frontline demonstration			
		450 Farm level trainings			
		20 lakh Human Resources development			
		Infrastructure/ Basic amenities development in 98 SAUs, 681 existing KVKs & 59 new KVKs			
<b>Sub-total of DARE</b>			<b>7800</b>		<b>7800</b>
<b>Ministry of Drinking Water &amp; Sanitation (MoDWS)</b>					
Swachh Bharat Mission (Gramin)	Infrastructure	(a) 1.88 crore Household toilets (b) Employment: 16.92 crore Persondays	15343	15000	30343
	Livelihood				
National Rural Drinking Water Programme (NRDWP)	Infrastructure	Infrastructure creation through Piped Water Supply Schemes and Community Water Purification Plants -84000 habitats	7000		7000
	Livelihood	Livelihood generation - 84000			
<b>Sub-total of M/o DWS</b>			<b>22343</b>	<b>15000</b>	<b>37343</b>
<b>Ministry of Rural Development/ Department of Rural Development</b>					
Pradhan Mantri Awaas Yojana - Gramin (PMAY-G)	Both	49 lakh houses, 46.55 crore Mandays	21000	12000	33000
Pradhan Mantri Gram Sadak Yojana (PMGSY)	Both	57,000 km roads & 28.35 crore Mandays	19000		19000
Mahatma Gandhi National Rural Employment Guarantee Programme (MGNREGA)	Infrastructure	8552 AWC, 2.60 lakh Kms. of Rural Roads, 1.83 lakh Vermi/ NADEP Compost, 675 Food Storage Godowns, 8340 GP Bhawan/Bharat Nirman Seva Kendra	55000		55000
	Livelihood	I. Cattle Shed/ Poultry Shelter/ Piggery shed -99,648			
		II. Land Development -1.65 lakh 230 cr Persondays			

Name of Scheme	Infrastructure/ Livelihood / Both	2018-19 targets			
		Physical Target	Financial Target		
			GBS	EBR	Total
National Rural Livelihood Mission- <i>Aajeevika</i> –NRLM	Livelihood under NRLM including MKSP, SVEP, Skill Development	9 lakh nos. of new SHGs to be formed	5750		5750
		Number of Mahila Kisan to be supported- 5 lakh			
		Value Chain Development Project-15			
		Number of SVEP enterprises-25000			
		Number of Trainees to be Skilled - 4 lakh			
<b>Department of Rural Development</b>			<b>100750</b>	<b>12000</b>	<b>112750</b>
<b>Department of Land Development</b>			<b>2396</b>		<b>2396</b>
<b>Ministry of Power</b>			<b>6550</b>	<b>15000</b>	<b>21550</b>
<b>Ministry of Micro, Small &amp; Medium Enterprises (MSME)</b>					
Prime Minister's Employment Generation Programme (PMEGP)	Livelihood	49000 projects 294000 Employment	1260		1260
<b>Sub-total of MSME</b>			<b>2908</b>		<b>2908</b>
<b>Ministry of Panchayati Raj</b>			<b>45417</b>		<b>45417</b>
<b>Ministry of Skill Development &amp; Entrepreneurship</b>					
PMKVY 2.0	Livelihood	18 lakh beneficiaries	1171		1171
<b>Sub-total of M/o Skill Development</b>			<b>1171</b>		<b>1171</b>
<b>Department of Financial Services</b>				<b>1138500</b>	<b>1138500</b>
<b>Total</b>			<b>236127</b>	<b>1198190</b>	<b>1434317</b>

Note: The above allocations are specific for infrastructure and livelihood development in select agriculture and rural sector which show livelihood creation

Source: compiled from Annexure I, Budget speech, Union Budget 2018-19

### Incentives for formal employment

The budget has made several announcements for providing incentives via Employees' Provident Fund Organisations (EPFOs). It has announced 12 percent contribution to EPFOs over and above the employer's contribution for three years for new employees and extended 'fixed term employment' for attracting workers in most of the labour-intensive manufacturing sectors, such as food-processing, apparels, garments, footwear, leather and so on. It has also provided extra incentives to women workers by announcing a cut in their employee's contribution to EPFOs to 8 percent while keeping the employer's contribution fixed at 12 percent for first three years, in order to enable an increase in take-home wages. The budget claims these to be tools for increasing formal employment.

However, a recent report by Ghosh and Ghosh (2017) contradicts the claims by stating that as most of the new registrations in the age group of 18-25 years with the EPFOs are not those who have got new jobs but are primarily a by-product of formalisation initiatives by the forces of demonetisation (FY-2017) and the GST, these are mere definitional changes and amount to converting informal jobs into formal jobs rather than creating new ones.

Further, the so-called incentivisation announced for women workers may be interpreted as a

compromise on their long term savings for short term benefits, which may not exactly be a good idea for attracting women into such jobs. Such announcements also institutionalise the argument that the declining work participation of women is essentially due to increasing household incomes and that women would require additional incentives to enter the workforce, while a wide range of studies have contradicted such views.

On the whole, the budgetary boost for employment mainly comes from low productive construction activities generated through a range of government schemes and promoting self-employment by encouraging credit based entrepreneurship models. There is also an emphasis on formalisation of jobs through several minor concessions, however, those may be termed as new formal sector jobs but are not new employment per se. The much needed boost via increased public investment to labour-intensive domestic as well as export industries, which would be the key to revival of the non-farm sectors and create long-term employment opportunities within the economy, does not figure in the budgetary provisions.

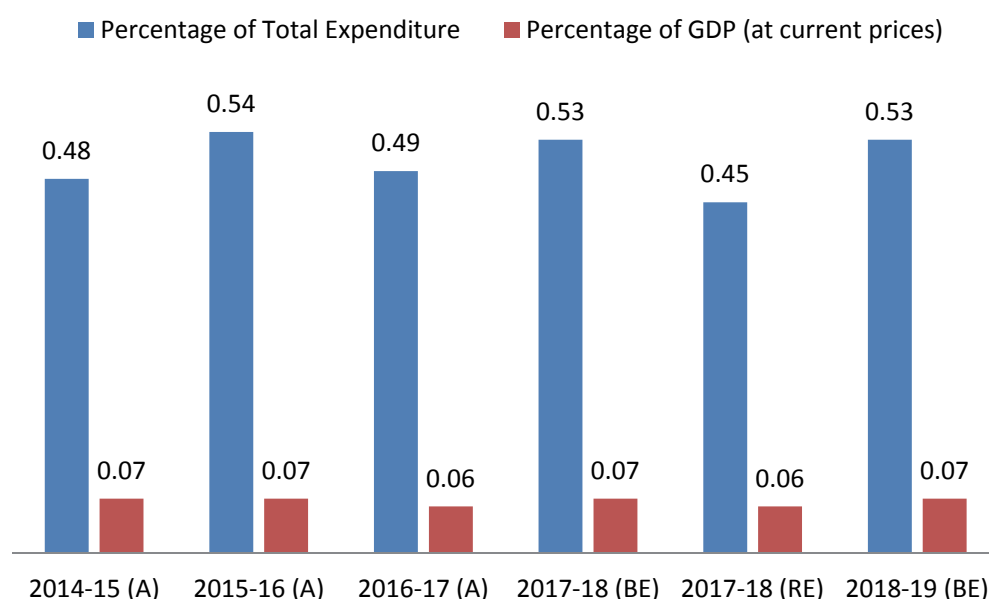
# SOCIAL SECURITY

## Highlights

- Allocation for National Social Assistance Program (NSAP) has increased from Rs. 9,500 crore in 2017-18 (BE) to Rs. 9975 crore in 2018-19 (BE).
- Allocation for the *Rashtriya Swasthya Bima Yojana* (RSBY) has doubled in 2018-19 (BE).
- Old Age Pension has received major focus among the NSAP programmes with an increment of Rs. 438 crore.
- Allocation for schemes like *Aam Admi Bima Yojana*, *Swavalamban Yojana* has gone down from 2017-18 (BE).

Social security for unorganized workers has been a critical issue in policy making during the term of this government. The total allocation for major schemes providing social security to unorganised workers have increased from Rs. 11,425 crore in 2017-18 (BE) to Rs. 12,478 crore in 2018-19 (BE). Figure 5.1 gives a snapshot of the share of allocation for the major social security schemes as a percentage of the GDP and the total Union Budget. The graph below shows the status quo of share of major social security schemes in total Union Budget Expenditure, at around 0.53 percent as well as of the GDP, at 0.07 percent.

**Figure 5.1: Share of Major Social Security Schemes (for Unorganised Workers) as percentage of GDP and the Total Union Budget**



Source: Compiled by CBGA from Union Budget Documents, various years.

The table below (Table 5.1) gives the allocations made by various ministries for providing social security to unorganised sector workers over the last few years. It shows that bulk of the allocations for social security has gone to the programmes of the *Rashtriya Swasthya Bima Yojana* (RSBY) and the National Social Assistance Programme (NSAP). The NSAP has received a five percent increment in 2018-19 (BE) as compared to the 2017-18 (BE). The *Aam Admi Bima Yojana*, with already small amounts of allocation, has further faced a reduction in its outlay. The *Swavalamban Yojana* does not show any allocation and is not clear whether it has been merged with any other scheme or has been discontinued. No announcement in this regard has been made.

**Table 5.1: Union Budget's Allocations for Major Social Security Schemes (Rs. crore)**

Ministry	Scheme	2014-15 (A)	2015-16 (A)	2016-17 (A)	2017-18 (BE)	2017-18 (RE)	2018-19 (BE)
Labour and Employment	Creation of National Platform of Unorganized Workers and allotment of an Aadhaar seeded identification number	-	45.3	0.05	100.0	0.35	50.00
	Bima Yojana for Unorganised Workers	-	-	-	-	-	50.00
	RSBY*	550.7	-	-	-	-	-
Health and Family Welfare	National Health Protection Scheme/ RSBY*	-	-	465.6	1000.0	470.5	2000
Rural Development	National Social Assistance Programme (NSAP)	7086.7	8616.4	8854.07	9500.0	8744.6	9975.0
Finance (Dept. of Financial Services)	Swavalamban Scheme	195.0	250.6	-	50.0	58.50	-
	Govt. contribution to Aam Admi Bima Yojana*	175.0	437.5	100.0	350.0	-	-
	Atal Pension Yojana	-	173.0	36.0	155.0	170.0	155.0
Finance (Dept. of Financial Services)	Interest Subsidy to LIC for Pension Plan for Senior Citizens	111.2	101.8	125.1	250.0	245.2	228.2
	Pradhan Mantri Jeevan Jyoti Bima Yojana and Pradhan Mantri Suraksha Bima Yojana (Publicity and Awareness)	-	-	4.99	20.0	20.0	20.0
<b>Grand Total</b>		<b>8119</b>	<b>9625</b>	<b>9586</b>	<b>11425</b>	<b>9709</b>	<b>12478</b>

Notes: i) Rashtriya Swasthya Bima Yojana (RSBY), originally under the Ministry of Labour and Employment, was shifted to Ministry of Health and Family Welfare and renamed as Rashtriya Swasthya Suraksha Yojana (RSSY) in 2016-17. Thus, there is no allocation for RSSY in the 2016-17 (BE) and 2017-18 (BE). National Health Protection Scheme, with similar mandate, was announced in 2016-17. However in Union Budget, 2018-19, RSBY has been reintroduced into the Health and Family Welfare Department. Hence, over the years, the allocations for health protection for unorganised workers have been recorded under different scheme names.

ii) The Aam Admi Bima Yojana was under the Department of Financial Services till 2017-18 after which it has been shifted to the Department of Labour and Employment under the name of Bima Yojana for Unorganised Workers. The allocations for the latter have been recorded from the Demands for Grants of the Department of Labour and Employment.

Source: Compiled by CBGA from various Union Budget Documents of different years.

Given that NSAP is the lion's share of total allocations in the social security programmes, a component wise analysis of NSAP is presented in the table below (Table 5.2). Within NSAP, the Indira Gandhi National Old Age Pension Scheme (IGNOAPS) has attracted the bulk of the allocations, which provides an old age pension of Rs. 200 per month. While NSAP is the major scheme that also shows an increase

of Rs. 400 crore, yet the coverage continues to remain a challenge. The current coverage for NSAP stands at approximately 3.2 crore individuals and is far from reaching a position of universal coverage. CBGA's study in 2013 revealed that the amount provisioned for the old age pension in different states varied greatly across states from Rs. 200 to Rs. 2000 per month. In this context it is evident that despite increases, the NSAP's allocations do not meet the necessary requirements, as there is an urgent need for widening the coverage and the amount of old age pension programme from Rs. 200 per month.

**Table 5.2: Allocation for different components of National Social Assistance Programme**

Schemes	2015-16 (A)	2016-17 (A)	2017-18 (BE)	2017-18 (RE)	2018-19 (BE)
Indira Gandhi National Old Age Pension Scheme (IGNOAPS)	5,562.7	5925.5	6126.8	5657.05	6564.6
National Family Benefit Scheme	639.4	622.6	774.07	708.3	772.2
Indira Gandhi National Widow Pension Scheme (IGNWPS)	2,068.9	2036.7	2221.7	2102.9	2255.9
Indira Gandhi National Disability Pension Scheme (IGNDPS)	288.0	239.6	274.3	249.0	277.1
Annapurna Scheme	56.3	8.9	75.8	-	77.8
National Social Assistance Program (Administrative Expenditure)	1.1	20.7	27.3	27.3	27.2
<b>Total - National Social Assistance Programme</b>	<b>8,616.4</b>	<b>8854.07</b>	<b>9500.0</b>	<b>8744.6</b>	<b>9975.0</b>

Source: Compiled by CBGA from various Union Budget Documents of different years.



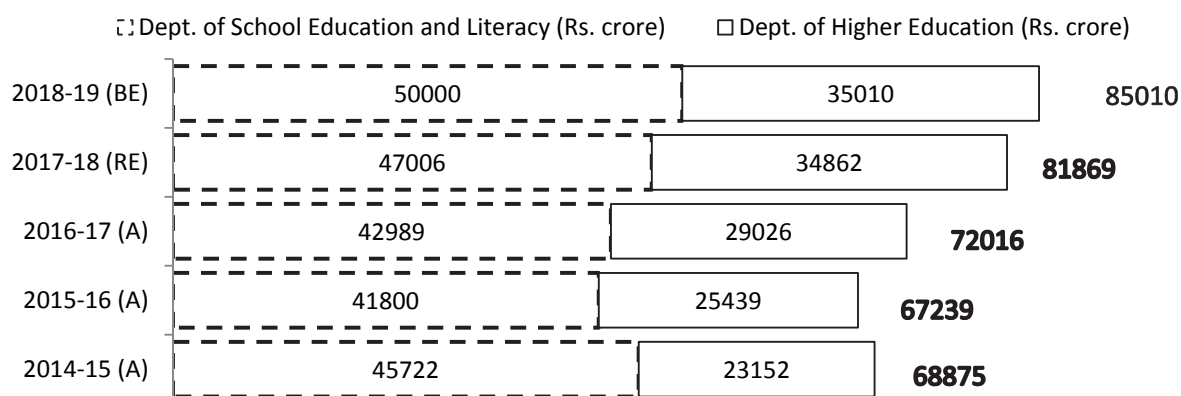
# EDUCATION

## Highlights

- A holistic development of education from pre-nursery to Class XII by removing segmentation
- An *Ekalavya* Model Residential School will be set up in every block with more than 50% Schedule Tribe (ST) population and at least 20,000 tribal persons by 2022 to provide quality education to tribal children.
- Prime Minister’s Research Fellows (PMRF) scheme to be launched covering the 1,000 best B.Tech students each year from premier institutions and providing them facilities to pursue Ph.D in IITs and IISc with a “handsome fellowship”.
- Allocation for *Kendriya Vidyalayas* is Rs. 4,425 crore, fully financed from National Investment fund

One of the major criticisms the NDA-led government has faced since it came to power is its failure to keep the single biggest promise of job creation. The increasing unemployment rate validates that India failed to capitalise its ‘demographic dividend.’ Probably keeping this in mind, the Finance Minister during his last Budget Speech before the General Election has stated that “creating job opportunities and facilitating generation of employment has been at the core of our policy-making”. The Economic Survey 2017-18 has also underscored that employment generation should be a stand-out policy focus of the government. Education is fundamental for a healthy and productive population which contributes towards nation building. Although education should be established as a basic human right, the government could have adopted the human capital approach of education to build a skilled reservoir. However, the budgetary announcement for the Education Sector does not reflect the government’s efforts towards realising this long term vision.

**Figure 6.1: Composition of MHRD Budget by Department (Rs. crore)**



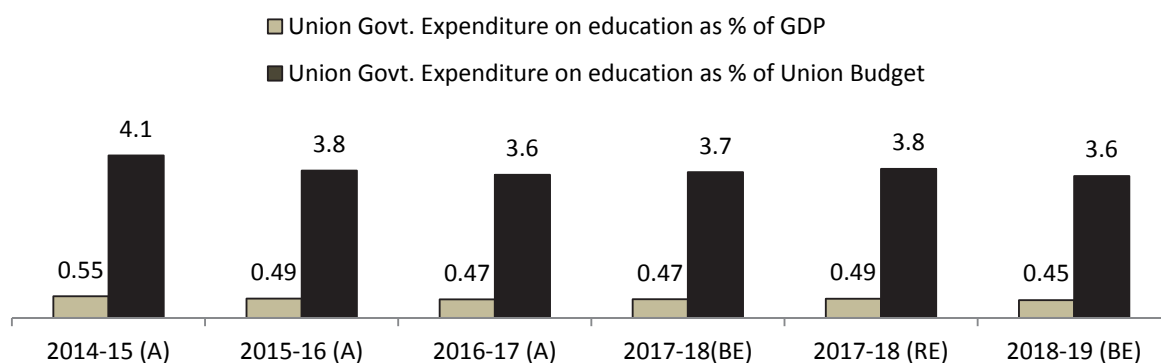
Note: Union Governments expenditure on education covers expenditure by Ministry of Human Resource Development (MHRD) only; BE-Budget Estimates, RE-Revised Estimates, GDP figures are at current market price (2011-12 series)

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

The Ministry of Human Resource Development (MHRD) has been allocated Rs. 85,010 crore in 2018-19 (BE), a seven percent increase from the previous year’s allocation (Figure 6.1). Though the education budget has increased in absolute terms, its share in total government expenditure is continuously decreasing. A similar picture is observed when the education budget is compared with the country’s GDP (Figure 6.2). This reduced priority is also highlighted in Economic Survey 2017-18. The survey said “of the 6.6 percent of GDP on social sector, 2.7 percent goes to education in 2017-18, down from 3.1 percent in 2013-14”. Though it has attributed this reduction to limited fiscal space to increase expenditure on critical social infrastructure, a state-level analysis by CBGA shows that during the first

four years of the Fourteenth Finance Commission period (which ends in 2019-20) states have actually increased their expenditure on the social sector including education.

**Figure 6.2: Union Government's Budgetary Spending on Education (Percent)**



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

### Improvement in Learning Outcome: Where is the Money?

NITI Aayog in its three years' action agenda report highlighted improvement in learning outcomes as the first action point for school education reform. The Budget Speech reiterates the need for professionally qualified teachers for improving the quality of education. However, as per government records, out of 66.41 lakh teachers at the elementary level, 11.00 lakh are still untrained (of this, 5.12 lakh are in Government and Aided Schools and 5.98 lakh in private schools). In an effort to ensure that all teachers meet the minimum required qualification, the government recently amended the Right to Education (RTE) Act by extending the deadline to acquire the prescribed minimum qualification of teachers till 2019. Towards this, the current budget has announced an integrated B.Ed. programme for teachers. So far, the issue of untrained teachers has mostly been addressed through in-service teacher training under *Sarva Siksha Abhiyan* (SSA) and *Rashtriya Madhyamik Siksha Abhiyan* (RMSA). But these Centrally Sponsored Schemes only provide a running cost for refresher courses. They do not cover the costs for institutional establishment. The immediate need is for building the institutional infrastructure for teacher education to cater to this large number of professionally underqualified teachers. The budget has allocated Rs. 550 crore for strengthening teacher training institutions, a Rs. 70 crore increase from previous year's Budget Estimates.

### Holistic Development or Mere Merger of Schemes?

The country's policy makers have always seen growth and development of elementary and secondary education separately instead of keeping a holistic view for school education. As a result, though the country has more than 1.5 million schools as of 2015-16 figures with over 260 million students enrolled in Class I-XII, around 65 million children in the 6-17 age group are out of school. In ensuring continuity in free school education and arresting the dropout rate, the Central Advisory Board of Education (CABE) committee has recommended bringing pre-school and Classes IX-X within the ambit of RTE Act, thereby expanding the range of free education for children across India. In line of that recommendation, the Budget has announced holistic development of education from pre-nursery to Class XII by removing the segmentation of pre-primary, primary, upper primary and secondary from the school education system. Children's learning needs and methods for learning change as they pass through different age groups and stages of education. Hence, it is an underestimation to term important academic stages as mere segmentation in spite of the need for cohesion across these stages. However, there is no clear articulation of the policy framework for the proposed announcement and there is no discussion on how the government is going to finance the endeavour. In fact, even the cumulative allocation deficits in some of the important schemes of school education have not been addressed in this year's budget (Table 6.1).

**Table 6.1: Budgetary allocation For Select Schemes in School Education (Rs. crore)**

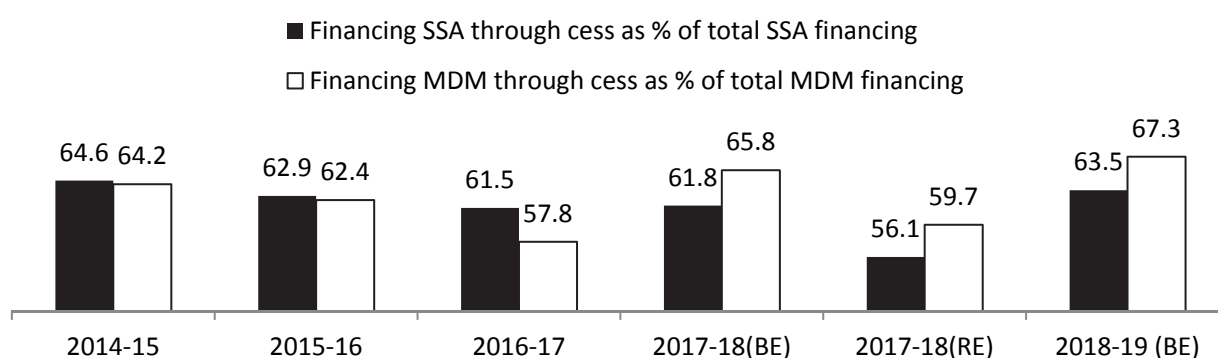
Scheme	2014-15 (A)	2015-16 (A)	2016-17 (A)	2017-18 (BE)	2017-18 (RE)	2018-19 (BE)
National Education Mission	29070	27066	27616	29556	29556	32613
SSA	24097	21661	21685	23500	23500	26129
RMSA	3398	3563	3698	3830	3915	4213
Mid- Day Meal	10523	9145	9475	10000	10000	10500
Teachers Training and Adult Education	1158	916	817	926	841	871

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

In this context, the MHRD's concept note has shared with the state governments to merge SSA, RMSA and Scheme of Restructuring and Reorganisation of Teacher Education (STE) for universalisation of elementary and secondary education. If the holistic development of school education system ends up in a mere merger of three schemes, the good intentions may lead to bad policy decisions for the whole school education system.

### Increasing Dependence on Education Cess: A Good Sign of Governance?

The Budget Speech has proposed replacing the existing three percent education cess with a four percent 'Health and Education Cess' to take care of the education and health needs of poor and rural families. In the past five years, a larger chunk of the education budget was financed through education cess. The three percent cess on personal income tax and corporation tax comprises of two percent cess for primary education and one percent for secondary and higher education. The Department of Elementary Education and Literacy receives the proceeds from the education cess and maintains under a non-lapsable fund called the *Prarambhik Shiksha Kosh*. This fund is getting used to finance SSA and Mid-Day Meal (MDM) scheme. In the five years of the NDA government, more than 60 percent of the RTE and MDM budget has been financed through cess (Table 6.2). While the collection of cess began as a measure to inject additional amounts to supplement the government's own support, it grew to be more of a substitute.

**Figure 6.3: Financing of Elementary Education through Education Cess (Percent)**

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

Moreover, while a significant amount has been raised from education cesses, it has not been utilised properly. A recently released CAG report shows "against the total collection of Rs. 83,497 crore as Secondary and Higher Education Cess (SHEC) in the Consolidated Fund of India during 2006-2007 to 2016-2017, no amount could be transferred to the earmarked fund in public account". In this Union Budget, for the first time, there is a reporting of the schemes financed from Secondary and Higher Education Cess (Table 6.2).

**Table 6.2: Schemes Financed from Secondary and Higher Education Cess (Rs. crore)**

Schemes	2018-19 (BE)
Rastriya Madhyamik Shiksha Abhiyan( RMSA)-Total	4213
<i>Support from Madhyamik and Uchhatar Shiksha Kosh</i>	<i>3648.05</i>
National Scheme for Incentive to Girl Child for Secondary Education-Total	255.9
<i>Support from Madhyamik and Uchhatar Shiksha Kosh</i>	<i>227.00</i>
Rastriya Uchhatar Shiksha Abhiyan (RUSA)-Total	1400
<i>Support from Madhyamik and Uchhatar Shiksha Kosh</i>	<i>1200</i>

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

If the financing of education depends on collection of cess, allocation for schemes like SSA, MDM or RMSA would always be uncertain. It also raises the basic question of why a cess is necessary when tax revenues have been growing steadily over the years.

### Skewed Allocation for Higher Education: Encouraging Privatisation?

The state of India's higher education is much worse than that of its school education. In 2016-17, India had more than 40,000 colleges, 11,669 stand-alone institutes and 864 universities but the Gross Enrolment Ratio (GER) for higher education in the 18-24 age group was as low as 25 percent. In 2018-19 (BE), Rs. 35,010 crore has been allocated for the Department of Higher Education, which is only five percent higher than 2017-18 (BE). Historically, the budget is skewed towards technical education. As per the Economic Survey 2018-19, while USA has 4,231 Ph.D researchers per million, China has 1,113 while India has only 156. It appears that the higher attraction towards technical education is reducing enrolment for higher education in the general stream. In the last few years, this has increased the demand for educational loans for higher education. This also reflects in the Union Budget. While the budget for *Rastriya Uchhatar Shiksha Abhiyan* (RUSA) has increased only by Rs. 100 crore, the budget for Interest Subsidy and Contribution for Guarantee Funds for education loan has increased by Rs. 1,950 crore to Rs. 2,150 crore. The budget also announced the government's plan to launch a major initiative named "Revitalising Infrastructure and Systems in Education (RISE) by 2022" with a total investment of Rs.100,000 crore in the next four years to step up investments in research and related infrastructure in premier educational institutions. The allocation under Higher Education Financing Agency (HEFA) has increased from Rs. 250 crore to Rs. 2,750 crore. This clearly shows public investment in higher education has been way lower than required. If the government continues to withdraw its resources for higher education, it would give a further boost to privatisation of the sector.

**Table 6.3: Budgetary allocation for Select Schemes/Institutes for Higher Education (Rs. crore)**

Schemes	2014-15 (A)	2015-16 (A)	2016-17 (A)	2017-18 (BE)	2017-18 (RE)	2018-19 (BE)
RUSA	417	926	1416	1300	1300	1400
Indian Institute of Technologies (IITs)	3936	4365	5380	7856	8244	6326
Indian institute of Managements (IIMs)	321	464	722	1030	1068	1036
University Grant Commission (UGC)	8906	4186	4472	4692	4923	4723

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

### Why These Token Announcements?

Economic Survey 2018-19 has a pink coloured cover as a symbol of support to women's empowerment but the effort of gender empowerment through education is not reflected in the budget. The allocation for National Scheme for Incentive to Girl Child for Secondary Education has decreased from Rs. 320 crore in 2017-18 (BE) to Rs. 256 crore in 2018-19 (BE). With all its hype, against an allocation of Rs. 100 crore in 2016-17 (BE) under '*Beti Bachao Beti Padao*', only Rs. 29 crore has been utilised.

# HEALTH

## Highlights

- “Ayushman Bharat”: Two major initiatives towards Universal Health Coverage
  - National Health Protection Scheme (NHPS) to be launched to cover 50 crore beneficiaries.
  - Rs. 1200 crore for Health and Wellness Centres.
- 24 new Government Medical Colleges and Hospitals by upgrading existing district hospitals.
- Additional Rs. 600 crore to provide for nutritional support to all TB patients at the rate of Rs. 500 per month for the duration of their treatment.
- Raising limit of deduction for health insurance premium and/or medical expenditure from Rs.30,000 to Rs.50,000 under section 80D. All senior citizens can claim benefit of deduction up to Rs.50,000 per annum in respect of any health insurance premium and/or any general medical expenditure incurred.
- Raising limit of deduction for medical expenditure in respect of certain critical illness from Rs.60,000 for senior citizens and from Rs.80,000 for very senior citizens to Rs.1 lakh for all senior citizens under section 80DDB.

This is the last full budget of the present government. The allocations for Ministry of Health and Family Welfare (MoHFW) (including for AYUSH) have increased from Rs. 47,352 crore in 2017-18 (BE) to Rs. 52,800 crore in 2018-19 (BE) – a 12 percent increase. However, from 2017-18 (RE) the increase is much lower, of about 2.5 percent. It may be noted that the corresponding increase in 2017-18 (BE) over 2016-17 (BE) was 27 percent.

The Union Budget allocations for the health sector have stagnated at 0.3 percent of Gross Domestic Product (GDP). The National Health Policy (NHP) 2017 targets 2.5 percent of GDP as health expenditure by Government (both Centre and States) of which 40 percent should come from the Centre. This amounts to one percent from the Union coffers and if the allocations are stagnating at the current 0.3 percent of GDP, it would require a much greater thrust to achieve the target by 2025.

**Table 7.1: Health Sector - Allocations across Different Departments/Ministries (Rs. crore)**

Ministry/Department	2014-15	2015-16	2016-17	2017-18 RE	2018-19 BE
Department of Health & Family Welfare (including Department of AIDS control)	30626	33121	37671	51551	52800
Department of Health Research	911	993	1324	1743	1800
Total Ministry of Health & Family Welfare (MoHFW)	31537	34114	38995	53294	54600
Ministry of AYUSH	617	1075	1246	1558	1626
Total (MOHFW + AYUSH)	32154	35190	40241	54852	56226

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

For the flagship programme National Health Mission (NHM), there is a slight decline (of about two percent) in 2018-19 (BE) from 2017-18 (RE). In the total NHM budget, while the National Urban Health Mission (NUHM) increases by 34 percent, the National Rural Health Mission (NRHM) budget decreases by about 5 percent between 2017-18(RE) and 2018-19 (BE).

**Table 7.2: Allocations across Select Schemes in the Health Sector (Rs. crore)**

Schemes	2014-15	2015-16	2016-17	2017-18 RE	2018-19 BE
National Health Mission (NHM) (including National AYUSH Mission)	19751	20213	22872	31292	30634
Pradhan Mantri Swasthya Suraksha Yojana (PMSSY)*	822	1578	1953	3175	3825
Rashtriya Swasthya Bima Yojana (RSBY)**	551	NA	466	471	2050
Jan Aushadhi Scheme#	NA	17	50	75	84

Notes: i)\*PMSSY is the scheme for “establishment of AIIMS type super-speciality hospitals-cum-teaching institutions and upgrading of State Government hospitals”;

ii)\*\*figures include the allocations for RSBY under both the Ministry of Health & Family Welfare and Ministry of Labour & Employment. Since 2015-16, RSBY has been divided into two distinct components - Social Security for the unorganised workers and provision for health services. The card would be provided by Ministry of Labour and Employment and the health services would be provided by Ministry of Health & Family Welfare. The RSBY was renamed RSSY in 2016-17 and NHPS in 2017-18 budget documents

iii) # the Jan Aushadhi scheme is under the Department of Pharmaceuticals, Ministry of Chemicals & Fertilisers

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

The allocations for maternal and child health are covered under NHM, comprising nearly a quarter of the NHM budget in 2018-19. The Reproductive and Child Health (RCH) component in 2018-19 (BE) has declined by 33 percent from 2017-18 (RE). Along with this we must note that the allocation for *Pradhan Mantri Matru Vandana Yojana (PMMVY)*, which was earlier called the Maternity Benefit Scheme, has also decreased by eight percent over 2017-18 (RE). Thus, overall we see reduced allocations for the specific schemes/programmes devoted to maternal and child health. This decline acquires significance given that India has the largest number of women affected by anaemia in the age-group of 15-49 years (Global Nutrition Report 2017). Under the Sustainable Development Goals (SDGs), Goal 3 incorporates specific indicators related to maternal and child health into health and well-being to encourage country-wise progress which is to be met by 2030. However, we still have not been able to meet even the Millennium Development Goals (MDGs) for maternal and child health, which were set to be achieved by 2015.

**Table 7.3: Allocations for Select Schemes (Rs. crore)**

Schemes/Programmes	2016-17(A)	2017-18 RE	2018-19 BE
RCH Flexi Pool (incl. RI, PPI, NIDDCP, etc.)	7151	11113	7411
Health System Strengthening	5247	8396	9753
PMMVY <sup>§</sup>	76	2595	2400

Note: § Reported under the Ministry for Women & Child Development

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

The component of Health Systems Strengthening under NRHM for improved infrastructure has increased by 16 percent in 2018-19 (BE) over 2017-18 (RE). The allocation of Rs. 1200 crore announced for the Health and Wellness Centres (HWCs) may be reflecting in this increase. The upgrading of 1.5 lakh sub centres to HWCs was announced in the Union Budget 2017-18, but till date there have been no examples of these centres getting established anywhere in the country except for some implementation in Kerala. Moreover, the government has invited contribution from the private sector in the establishment of HWCs in line with the recommendations of NHP 2017 for strategic purchase of healthcare services from private players.

With shortages prevailing in healthcare infrastructure across States, the first objective must be to build structures and provide basic amenities in these. As per Rural Health Statistics (2017), the shortfalls in sub centres (SCs), primary health centres (PHCs) and community health centres (CHCs) were 19 percent, 22 percent and 30 percent respectively as on March 31, 2017. The audit of NRHM for the period 2011-12 to 2015-16 by the Comptroller and Auditor General of India (CAG) has already highlighted gaping shortfalls in health infrastructure across States and the dilapidated conditions of the existing ones.



The shortages in human resources are also stark under various categories such as 82 percent shortage (against required) of Specialists (including Surgeons, Obstetricians & Gynaecologists, Physicians & Paediatricians) at CHCs. About 6,371 SCs are functioning without Auxilliary Nurses and Midwives (ANMs). Even if the posts have been sanctioned, the positions are lying vacant, for instance, there is 14 percent positions for ANMs at SCs and PHCs lying vacant against the sanctioned.

Although there has been an announcement for establishment of 24 new Medical Colleges by upgrading District Hospitals, the allocation for this particular sub-head under NHM has decreased from Rs. 3300 crore in 2017-18 (RE) to Rs. 2888 crore in 2018-19 (BE), a decline of about 12 percent. One can only hope that the Ministry of Finance (MoF) would provide for the required allocation in the supplementary budget.

The Budget Speech 2018-19 announces that “Only *Swasth Bharat* can be a *Samriddha Bharat*”. Thus, with a sort of ‘hashtag Health for New India’ the government promises a big move towards Universal Health Coverage where ‘Coverage’ implies expanding the insurance coverage. Touting NHPS to be the world’s largest government funded healthcare programme, 50 crore beneficiaries from poor and vulnerable families are to be targeted from the present 30 crore under the *Rashtriya Swasthya Bima Yojana* (RSBY). It may be recalled that the NHPS was announced by the Prime Minister in the Independence Day speech in the year 2016, but nothing concrete has come out till date.

In order to meet the promises in the Budget Speech, the MoF has proposed ‘education and health cess’ of four percent, which is estimated to generate an additional Rs. 11,000 crore. But with three percent of education cess already being levied, there is a lack of clarity as to what would be the division.

According to some media reports, the MoF has shared that it would take another six months to finalise the details of the scheme and that the States would have to bear a part of the financial burden for this. The NHPS could either be an insurance model or a Trust model as is being tried out by some States such as Karnataka and Kerala. The number of persons covered under the government sponsored schemes is nearly 33 crores which have been gradually increasing from 72 percent of the total persons insured under different kind of insurance in 2012-13 to 78 percent in 2016-17.

**Table 7.4: Number of Persons Covered under Health Insurance (in lakh)**

Categories	2012-13	2013-14	2014-15	2015-16	2016-17
Government Sponsored Schemes including RSBY	1494	1553	2143	2733	3350
Group Business (other than Govt. Business)	343	337	483	570	705
Individual Business	236	272	254	287	320
Grand Total	2073	2162	2880	3590	4375

Source: Annual Report 2016-17, Insurance Regulatory and Development Authority of India (IRDAI)

The Union Budget 2018-19, the NHP 2017, the NITI Aayog documents and other recent draft bills for National Medical Council (NMC) and Pharmaceuticals have all been arguing and working towards pushing for an insurance based healthcare model and increasing the role of private sector in healthcare. However, the recent National Health Accounts (for 2014) have brought to light that the Out of Pocket (OOP) expenditure is as high as 63 percent of the total health expenditure. The high OOP expenditure is owing to the high costs incurred due to private healthcare and expenditure on medicines and diagnostics.

The draft Pharmaceutical Policy asserts the government’s intention of promoting generic prescriptions and the *Jan Aushadhi* Scheme renamed as “*Pradhan Mantri Bhartiya Janaushadhi Pariyojana*” (PMBJP) plans to add 1,000 more centres to the existing target of 3,000 centres. The scheme was introduced

in 2008 to ensure enhanced availability of medicines at affordable prices to all, especially the poorer sections, but the allocation has increased only marginally and remains low with about 850 centres in operation across the country. Further, the draft NMC Bill has already been rejected by the medical fraternity, one of the reasons being the push for privatisation of medical education.

In order to realise the vision of New India 2022 and achieve a healthy *Bharat* there is a need to rethink the policy framework for the health sector in India. There are worthy examples in some developing countries like Thailand and South Africa which have successfully implemented the public provisioning of universal healthcare. Thus, in India if the deficits in health indicators are to be met and an '*Ayushman Bharat*' to be realised, the government should rather be making provisions for universal access to healthcare services instead of working towards promoting 'universal health coverage'.

(We acknowledge the valuable inputs provided by Mr. Ravi Duggal on this section and various other sections in the publication).



# WATER AND SANITATION

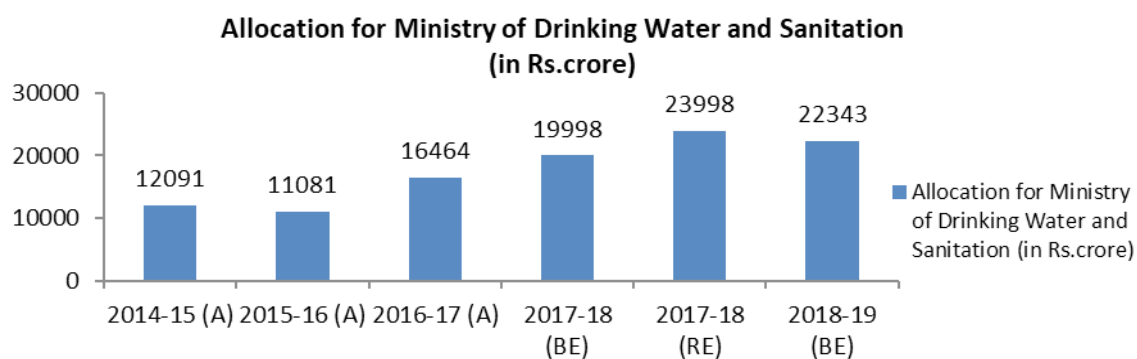
## Highlights

- The total allocation for the *Swachh Bharat* Mission - Rural and Urban (SBM R+U) is Rs. 17,843 crore with SBM (R) at Rs. 15,343 crore and SBM (U) at Rs. 2,500 crore in 2018-19 (BE). This is slightly lower than the previous year's allocation of Rs. 19,248 crore in 2017-18 (RE).
- For National Rural Drinking Water Programme (NRDWP), the allocation dropped marginally from Rs. 7,050 crore in 2017-18 (RE) to Rs. 7,000 crore in 2018-19 (BE).
- The allocations for AMRUT have increased from Rs. 4,998 crore in 2017-18 (RE) to Rs. 6,000 crore in 2018-19 (BE).
- A new scheme Galvanizing Organic Bio-Agro Resources *Dhan* (GOBAR-DHAN) for management and conversion of cattle dung and solid waste in farms to compost, fertiliser, bio-gas and bio-CNG was announced.

## Key Budgetary Observations and Developments in Drinking Water and Sanitation

The Union Budget 2018-19 has been much anticipated for the drinking water and sanitation sector. However, allocations for drinking water and sanitation in the current budget have not shown any increase. The Ministry of Drinking water and Sanitation has instead witnessed a decrease in allocations for 2018-19 (BE) of around 7 percent from the previous year (Figure 8.1).

**Fig 8. 1: Budgetary Allocations for Ministry of Drinking Water and Sanitation (Rs. crore)**



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

The expectation of an increase in the NRDWP budget from the previous year was not met despite the demand for higher allocations for rural drinking water in the last few years' budgets. Similarly, enhanced allocations under SBM (U) towards enhancing the unit cost of toilets was another policy and budgetary ask that was not fulfilled. Notwithstanding the actual picture on allocations and lauding the progress made in the SBM programme, the Finance Minister announced in his Budget speech on the government's plans to construct around 2 crore toilets. In urban water and sanitation, under the *AMRUT* programme, the Finance Minister said, State level plans of Rs. 77,640 crore for 500 cities have been approved. Water supply contracts for 494 projects worth Rs. 19,428 crore and sewerage work contract for 272 projects costing Rs. 12,429 crore has been awarded". (FM Budget Speech, Union Budget 2018-19). Towards the resolve of making the country's villages open defecation-free and aiming to improve the life of its villagers, a new scheme called Galvanizing Organic Bio-Agro Resources *Dhan* (GOBAR-DHAN) for management and conversion of cattle dung and solid waste in farms to compost, fertiliser, bio-gas and bio-CNG was announced in the Budget speech of 2018.

**Table 8.1: Allocations for Schemes under Ministry of Drinking Water and Sanitation and Ministry of Urban Development (in Rs. crore)**

Key Programmes	2014-15 Actuals	2015-16 Actuals	2016-17 Actuals	2017-18 (BE)	2017-18 (RE)	2018-19 (BE)
National Rural Drinking Water Programme	9,242.30	4,369.55	5,980	6,050	7,050	7,000
Swachh Bharat Mission (R)	2,841	6,703.40	10,484	13,948.27	16,948.27	15,343.10
Swachh Bharat Mission (U)	859.5	765.84	2,135	2,300	2,300	2,500

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

### Achievements and Targets in drinking water and sanitation:

Water and sanitation programmes have been a political priority for the current government with massive achievements being made in the SBM programme. The SBM (R) has made rapid progress with 76.6 percent of rural population being covered. 10 states - namely Sikkim, Himachal Pradesh, Kerala, Uttarakhand, Haryana, Gujarat, Daman & Diu and Chandigarh - 304 districts and 3 lakh villages have been declared open defecation-free (Ministry of Drinking Water & Sanitation, GoI). These are positive indicators towards achieving an open defecation-free country by 2019.

A look at the Output-Outcomes framework for schemes in 2018-19 (Table 8.2) shows the targets to be achieved in the current year. A noteworthy point in this year's budget for water and sanitation is that although there has been a slight decrease in allocation for 2018-19 (BE), there has been a significant jump, in 2017-18 (RE) from 2017-18 (BE) (Table 8.1). The outputs and outcomes for the current year seem to be ambitious given the time frame of one year. The coverage of quality affected habitations mentioned as an output in the framework indicates that the Ministry has taken it as a serious issue. Nonetheless, the problem of water quality persists and there has not been much information on the implementation status of the National Sub-Mission to address fluoride and arsenic-affected habitations budgeted at Rs. 25,000 crore, that was announced in last year's Budget speech.

**Table 8.2: Projected Output-Outcome Framework for Schemes 2018-19 Under Ministry of Drinking Water & Sanitation and Ministry of Urban Development**

Name of the Scheme	Financial Outlay 2018-19 (in Rs. crore)	Outputs / deliverables against the outlay 2018-19	Projected Medium term Outcomes
NRDWP	7,000	<ul style="list-style-type: none"> <li>Coverage of 60,000 partially covered (PC) habitations</li> <li>Coverage of 9,000 Quality Affected habitations</li> </ul>	<ul style="list-style-type: none"> <li>Reduction in partially covered habitations from 18.37% to 17.37%</li> <li>Reduction in Quality Affected habitations from 4.21% to 4.10%</li> </ul>
SBM (R)	15,343.10	<ul style="list-style-type: none"> <li>Construction of 188 lakh Individual Household Latrines.</li> </ul>	<ul style="list-style-type: none"> <li>Reduction in open defecation from 20% to 10%</li> <li>Improvement in Solid and Liquid Waste Management of Gram Panchayats</li> </ul>

SBM (Urban)	2,500	<ul style="list-style-type: none"> <li>No. of ODF towns – 2,000 Cumulative (Till 2018-19) - 3,494 ODF towns.</li> <li>Waste to Compost Production 7 Lakh Metric Tonne Cumulative Waste to Compost Production-20.11 Lakh Metric Tonne</li> <li>Waste to Energy Generation 100 MW Cumulative Waste to Energy Generation- 188.42MW</li> <li>% of Wards with 100% Door-to-Door Collection 17% (14,042 Wards) Cumulative% of Wards with 100% Door-to-Door Collection 80% (66,082 Wards)</li> </ul>	<ul style="list-style-type: none"> <li>Improved cleanliness and reduction in incidences of diarrhoea and vector borne diseases Target by October 2, 2019</li> <li>4,041 towns to become Open Defecation-free</li> <li>Total compost production - 54 Lakh Metric Tonne per annum</li> <li>Waste to Energy - 511 MW</li> <li>Total Wards 82,602 i.e. 100% wards with 100% Door-to- Door Collection</li> </ul>
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Source: Union Budget 2018-19, Ministry of Finance, GoI

### Summing up: Issues and Challenges

Despite the government's concerted efforts towards the drinking water and sanitation sector in terms of revising the programme guidelines and incorporating gender in its vision, there is still a lot of work to be done to achieve the desired goals to realise the longer-term vision.

- The Sustainable Development Goal (SDG) Goal 6 which is towards ensuring availability of and sustainable management of water and sanitation for all, points to a larger vision for the sector. The country would need to gear up to meeting the SDG commitments for drinking water & sanitation. Although India has met the MDG target for drinking water, sanitation still lags. A Report based on the deliberations during a National Consultation on SDGs on August 9, 2016 has drawn a clear roadmap on achieving the SDG for water and sanitation. A follow-up process towards its implementation is required.
- During the last two years, the government collected more than Rs. 16,400 crore as Swachh Bharat cess, meant to fund sanitation schemes, but the Comptroller and Auditor General (CAG) has pointed out nearly a quarter of the collection has stayed outside the dedicated fund. While collections through the 0.5 percent cess on all services was meant to be transferred to a non-lapsable *Rashtriya Swachhta Kosh*, over Rs. 4,000 crore remained outside the RSK schemes.<sup>1</sup> A more rigorous and transparent mechanism or process needs to be institutionalised to ensure that the cess funds have been utilised efficiently.
- Convergence of MDWS with MHRD, WCD and Water Resources while recommended in policy guidelines needs to be further strengthened since water and sanitation is closely linked with health and education outcomes.
- While the government has highlighted the gendered dimensions of WASH programmes, a lot more needs to be done, given that programmes for water and sanitation have not yet adopted Gender Responsive Budgeting. The lack of gender disaggregated data also makes it difficult to track spending on women and girls. There should be efforts to enhance the gender responsiveness of these programmes and report these in the Gender Budget Statement.

<sup>1</sup> Economic Times, December 27, 2017

# NUTRITION AND FOOD SECURITY

## Highlights

- The budget outlays for nutrition increased from Rs. 3,09,272 crore in 2017-18 (RE) to Rs. 3,45,238 crore in 2018-19 (BE). However, the outlays remain at 1.8 percent of GDP.
- Compared to 2017-18 (RE), there has been an absolute reduction in allocations for the following schemes: *Pradhan Mantri Matru Vandana Yojana* (PMMVY), National Health Mission (NHM), National Rural Drinking Water Programme (NRDWP), and *Swachh Bharat Mission* (SBM).
- There has been a consistent decline in fund utilised under *Anganwadi* services (or ICDS) schemes, from Rs. 16,683 crore in 2014-15 to Rs. 14,736 crore in 2016-17.
- The five important ministries for delivering nutrition related services, incurred expenditure much below the projected levels during 12<sup>th</sup> Five Year Plan (FYP) period.

Last year the much awaited National Nutrition Mission (NNM) was set-up with targets to be achieved during the next three years, beginning 2017-18. NNM aims to reduce the number of underweight children (0-6 years) by six percent in the next three years and reach 25 percent by 2022. Similarly, it is aimed that anaemia among women (15-49 years) and children (6-59 months) will be reduced by three percent per annum during the period. It may be recalled here that the reduction rate of underweight children during National Family Health Survey (NFHS)-3 and NFHS-4 (a period of 10 years from 2005-06 to 2015) was only 0.68 percent per year. Hence to achieve the reduction rate of 2 percent per annum would require more than doubling the existing efforts.

Undernutrition results from multiple factors and hence a multi-sectoral approach is needed to address it. There are nutrition-specific interventions that address immediate causes of undernutrition related to dietary intake and disease. These are believed to be high impact interventions that can reduce stunting (height-for-age) by 20 percent. These include interventions for women and children (0-6 years) that pertain to behaviour change, micronutrient supplementation, supplementary feeding, and treatment of Severe Acute Malnutrition. Anganwadi services (or ICDS), *Pradhan Mantri Matru Vandana Yojana* (PMMVY), SABLA and National Health Mission (NHM) are four Centrally Sponsored Schemes (CSS) that are instrumental in delivering these interventions. Nutrition-sensitive interventions, on the other hand, address the underlying determinants of undernutrition that are related to improved food security; access to health services; provision of safe and hygienic environment and so on. These too are delivered through a number of CSS (refer to Table 9.1 for details).

## Inadequate Budget Outlays for Nutrition Schemes in Budget 2018-19

It may be observed from Table 9.1 that the budgets for nutrition increased from Rs. 3,09,272 crore in 2017-18 (RE) to Rs. 3,45,238 crore in 2018-19 (BE), i.e. an 11.6 percent increase. As proportion of Total Union Budget Expenditure (TBE) there is only a marginal increase from 14.3 percent in 2017-18 (RE) to 14.7 percent in 2018-19 (BE). However, the budgets for nutrition have stagnated to 1.8 percent of GDP in the last few years.

Despite the major policy announcements in 2017 with respect to nutrition schemes, the budget outlays for nutrition have not experienced any significant increase. In the beginning of 2017, Maternity Benefit Programme (MBP), which was later renamed as PMMVY, was expanded to cover all the districts in the country. This was followed by announcement of a National Nutrition Strategy (NNS) by NITI Aayog and revision of cost norms for Supplementary Nutrition Programme (SNP) under ICDS. The year ended by a launch of the NNM in December.

While these were positive steps towards the realisation of nutrition goals in 2022, most of these measures were not backed by enough budgetary support. For instance, with the revised cost norms for SNP, more than Rs. 25,000 crore would be required for implementation of SNP in the current year. However, the allocations for Anganwadi services as a whole have increased only marginally during 2018-19 (BE) to Rs. 16,335 crore. There is thus a huge gap in the requirement and outlays. Similarly, the outlays for PMMVY in 2018-19 (BE) are only Rs. 2,400 crore. The scheme was launched with a maternity benefit of only Rs. 5,000 to pregnant women, a reduction from the NFSA provision of Rs. 6000. Yet the amount allocated is not enough to meet the target of 51.7 lakh beneficiaries that the government has set. While the budget outlays may have been based on the conditions attached for availing the benefits under the scheme, the scheme itself reaches out to only a quarter of the total pregnant and lactating women in the country.

The budgets for nutrition-sensitive programmes, which constitute about 85 percent of the nutrition budget, increased by 13 percent in 2018-19 (BE) compared to 2017-18 (RE). However, this increase is largely due to an increase of 20 percent in the food subsidy budget. This is a welcome measure and a step towards realising the provisions under National Food Security Act (NFSA, 2013). This may support the efforts of some state governments, who have tried to expand the coverage and quota issued through Public Distribution System (PDS) in the last few years. Food subsidy accounts for almost 49 percent of the nutrition budget. It may be observed that there is a reduction in the budget outlays for the government's flagship scheme, SBM. The budgets for SBM came down from Rs. 19,248 crore in 2017-18 (RE) to Rs. 17,483 crore in 2018-19 (BE).

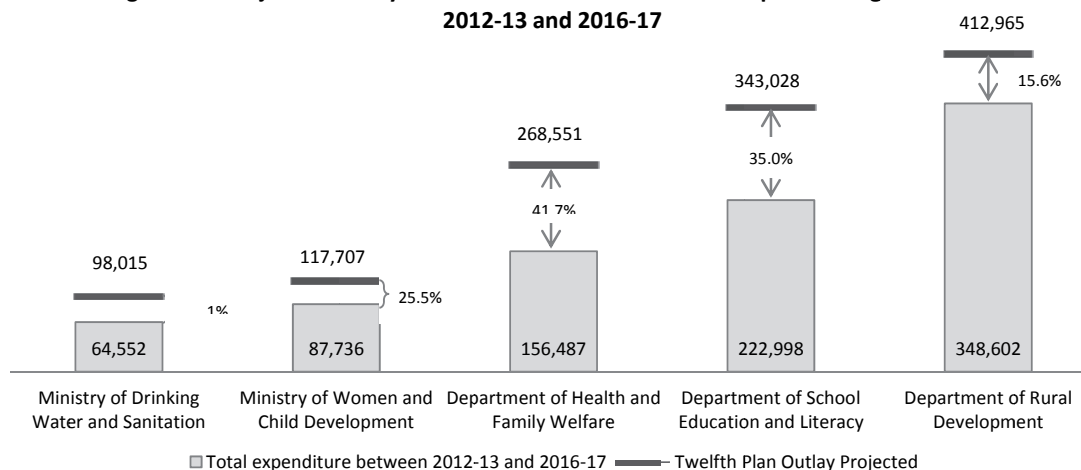
#### **Declining Trend of Fund Utilisation for Nutrition-related Schemes**

In addition to inadequate allocations, we may note that there has been an absolute decline in fund utilisation for the *Anganwadi* services scheme. The fund utilisation for this scheme declined from Rs. 16,684 crore in 2014-15 to Rs. 14,632 crore in 2016-17. The decline in utilisation is also observed in some agriculture schemes, such as National Horticulture Mission and National Mission for Sustainable Agriculture (NMSA).

#### **Expenditure on Important Ministries/Departments was Low during the 12<sup>th</sup> Five Year Plan Period**

Five ministries viz. Ministry of Drinking Water and Sanitation, Ministry of Women and Child Development, Department of Health and Family Welfare, Department of School Education and Literacy, and Department of Rural Development, implement some of the most important interventions for nutrition. The total expenditure by these Ministries/Departments during the 12th FYP period was much below the total amounts projected by the Planning Commission (see Figure. 9.1). This may be the reason that despite setting high targets for nutrition during the 12th FYP, there was hardly any progress during the period. The undernutrition among children (0-3 years) were to be halved by end of 2017 from NFHS-3 levels (40.4 percent), however as per NFHS-4, 35.7 percent children continue to be undernourished. The earmarking by Ministries/Departments should commensurate with the target for the next 3 years i.e. to reduce underweight by two percent per annum.

**Figure 9.1: Projected Outlay for 12th Five Year Plan and Fund Spent during the Period 2012-13 and 2016-17**



Source: Compiled by CBGA from Union Budget documents, various years and the 12<sup>th</sup> FYP document, GoI.

Overall, there is no major push for schemes delivering nutrition interventions. Even in the past we failed to achieve nutrition targets due to poor spending on these sectors. It is very likely that we will miss the 2022 targets for nutrition if we continue with this approach. To conclude, as quoted in Economic Survey 2018-19, that “My dear, here we must run as fast as we can, just to stay in place. And if you wish to go anywhere you must run twice as fast as that”.

**Table 9.1: Budget Allocations for Nutrition related Schemes and Programmes (Rs. Crore)**

Schemes	2014-15 A	2015-16 A	2016-17 A	2017-18 RE	2018-19 BE	% change between 2018-19 BE and 2017-18 RE
<b>Nutrition-specific</b>						
Core ICDS/ Anganwadi services <sup>i,ii</sup>	16,683.6	15,489.3	14,632.3	16,195.2	19,334.9	19.4
National Crèche Scheme	97.7	133.0	124.6	65.0	128.4	97.5
IGMSY/MBP <sup>ii</sup> /PMMVY	343.1	233.4	75.5	2,594.6	2,400.0	-7.5
SABLA	622.4	475.2	482.0	460.0	500.0	8.7
NHM <sup>iii</sup>	19,751.5	20,213.2	22,869.7	31,292.1	30,634.0	-2.1
<b>Nutrition-sensitive</b>						
Food subsidy	1,17,671.2	1,39,419.0	1,10,173.0	1,40,281.7	1,69,323.0	20.7
Mid-day Meal (MDM)	10,523.5	9,144.9	9,475.4	10,000.0	10,500.0	5.0
RMSA	3,398.0	3,562.6	3,697.5	3,914.9	4,213.0	7.6
NRDWP	9,242.8	4,369.6	5,980.0	7,050.0	7,000.0	-0.7
SBM (Rural + Urban)	3,700.5	7,469.2	12,619.3	19,248.3	17,843.1	-7.3
MGNREGA	32,976.7	37,340.7	48,215.0	55,000.0	55,000.0	0.0
NLM (NRLM + NULM)	2,116.3	2,783.1	3,486.4	4,699.0	6,060.0	29.0
NSAP	7,083.7	8,616.4	8,854.1	8,744.6	9,975.0	14.1
NFSM	1,872.7	1,162.3	1,286.0	1,400.0	1,690.7	20.8
NMSA <sup>iv</sup>	1,268.4	685.9	669.6	824.1	1,237.1	50.1
NMOOP	316.3	305.8	327.5	328.1	400.0	21.9
RKVY	8,443.2	3,940.0	3,892.0	3,050.0	3,600.0	18.0
White Revolution	999.5	937.1	1,309.2	1,633.0	2,219.9	35.9
Blue Revolution	388.0	200.0	387.8	301.7	642.6	113.0

Schemes	2014-15 A	2015-16 A	2016-17 A	2017-18 RE	2018-19 BE	% change between 2018-19 BE and 2017-18 RE
National Horticulture Mission	1,954.7	1,696.5	1,493.1	2,190.0	2,536.0	15.8
Total Nutrition	<b>2,39,454</b>	<b>2,58,177</b>	<b>2,50,050</b>	<b>3,09,272</b>	<b>3,45,238</b>	11.6
Nutrition Exp. as % of TBE <sup>v</sup>	<b>14.4</b>	<b>14.4</b>	<b>12.7</b>	<b>14.3</b>	<b>14.7</b>	
Nutrition Exp. as % of GDP	<b>1.9</b>	<b>1.9</b>	<b>1.6</b>	<b>1.8</b>	<b>1.8</b>	

*Notes:*

i) includes budgets for National Nutrition Mission;

ii) Name changed from FY 2017-18 onwards;

iii) NHM from FY 2017-18 includes NRHM, NUHM, tertiary care programme, and Human resources for health and medical education;

iv) The schemes considered for allocations from FY 2015-16 onwards are as follows: Damodar Valley Corporation, National Project on Organic Farming, Organic Value Chain Development for NE Region, National Project on Soil Health and Fertility; Rainfed Area Development and Climate Change, *Paramparagat Krishi Vikas Yojana*, and National Project on Agro Forestry;

v) Excluding from the total Union Budget expenditure, for 2017-18 (RE) and 2018-19 (BE), - "Funds collected from GST Compensation Cess, which are transferred to a non-lapsable fund in the Public Account"

*Source:* Compiled by CBGA from Union Budget Documents, various years.



# WOMEN

- The allocations to Ministry of Women and Child Development have increased from Rs. 22,095 crore in 2017-18 (BE) to Rs. 24,700 crore in 2018-19 (BE)
- The magnitude of the Gender Budget Statement is Rs. 1,21,961 crore in 2018-19 (BE), an increase of 7 percent from Rs. 1,13,311 crore in 2017-18 (BE)
- An additional allocation of Rs. 550 crore made to Nirbhaya Fund in 2018-19
- Allocations for *Pradhan Mantri Matru Vandana Yojana*, *Swadhar Greh* and National Crèche Scheme have witnessed a decline in 2018-19 (BE) in comparison to 2017-18 (BE).

The budget is an important tool to assess how well the various policies, programmes and schemes meant for women are getting operationalised. The Economic Survey 2017-18, a pre-cursor to the Union Budget has drawn attention to important gender concerns including the issue of son preference and declining sex ratio in the country. Was this translated into a higher priority for women in the Union Budget 2018-19?

The following section analyses Union Budget 2018-19 from the perspective of women, discussing the allocations to Ministry of Women and Child Development (MWCD), a review of the Gender Budget Statement and operationalisation of the *Nirbhaya* Fund.

## Allocations to Ministry of Women and Child Development

**Table 10.1: Outlays for Key Schemes of Ministry of Women and Child Development (Rs. crore)**

	2014-15 A	2015-16 A	2016-17 A	2017-18 RE	2018-19 BE
Total allocations to Ministry of Women and Child Development	18,540	17,249	16873.52	21,236.81	24,700
Allocations to Ministry of Women and Child Development as a proportion of Union Budget	1.11	0.96	0.85	0.98	1.05
<b>Allocations to key schemes of MWCD</b>					
Core ICDS/Anganwadi Services	16,684	15,489	14,632	16,195	19,335
<i>Pradhan Mantri Matru Vandana Yojana</i> (Maternity Benefit Programme)	343	233	75	2,595	2,400
Rajiv Gandhi Scheme for Empowerment of Adolescent Girls-SABLA	622	475	482	460	500
National Crèche Scheme	98	133	125	65	128
<i>Mahila Shakti Kendra</i> (National Mission for Empowerment of Women)#	9	21	31	64	267
<i>Beti Bachao Beti Padhao</i>	35	59	29	200	280
Ujjwala (Comprehensive Scheme for Combating Trafficking)	12.8	19.9	20.3	35	50
One Stop Centre**	0	10	40	90	105
Women's Helpline**	0	15	1	10	29
Other Schemes**			192	400	359



	2014-15 A	2015-16 A	2016-17 A	2017-18 RE	2018-19 BE
Swadhar Greh	29	48	84	75	95

Notes: i) The figures for total Union Budget expenditure, for 2017-18 RE and 2018-19 BE, do not include "Funds collected from GST Compensation Cess, which are transferred to a non-lapsable fund in the Public Account.

ii) # Gol has approved a new scheme, Mahila Shakti Kendra (subsuming erstwhile National Mission for Empowerment of Women Scheme) for implementation during 2017-18 up to 2019-20 to empower rural women through community participation.

iii) \*\*Met from Nirbhaya Fund.

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

The allocations to Ministry of Women and Child Development (MWCD), the nodal ministry for women has increased by 10.5 percent, from Rs. 22,095 crore in 2017-18 (BE) to Rs. 24,700 crore in 2018-19 (BE). While an increase is noted in the allocations to *Mahila Shakti Kendra* and ICDS, several important schemes have also witnessed a decline.

- The decline in allocations to *Pradhan Mantri Matru Vandana Yojana* is presumably on account of the change in the scheme guidelines restricting the eligibility criteria from two to one children and decrease in the amount paid to women from Rs. 6,000 to 5,000 per beneficiary. However, this is in contravention to the Provisions of the National Food Security Act, 2013. The Government of India estimate of 51.7 lakh beneficiaries annually<sup>1</sup> is only a quarter of the total number of children born in India annually<sup>2</sup> (almost 2 crore). This implies the scheme would leave almost three-quarter of pregnant women from availing the benefit under the scheme.
- The allocations to SABLA have increased from Rs. 460 crore in 2017-18 (BE) to Rs. 500 crore in 2018-19 (BE). In 2017, in addition to the 205 districts in which the scheme was being implemented, the scheme has been extended to an additional 303 districts. In view of this, the increase in the allocations may not be adequate to meet the increased coverage of the scheme.
- The issue of son preference and declining sex ratio is an important concern raised in the Economic Survey this year. The *Beti Bachao Beti Padhao* scheme is the Union Government's key intervention to address the declining sex ratio in the country. In 2017, the Cabinet approved the expansion of the scheme which would include multi-sectoral interventions in 244 districts in addition to the existing 161 districts. Additionally, 235 districts are to be covered through Alert District Media, Advocacy and Outreach, thus covering all the 640 districts. The utilisation of funds under the scheme has also shown an improvement in 2017-18 (RE), reflecting an outlay of Rs. 200 crore in 2017-18 (RE). In light of this, the increase in allocations to Rs. 280 crore in 2018-19 may require to be stepped up in the revised estimates and in the following years for the scheme to be able to achieve a substantial impact.
- The allocations to some of the schemes for addressing violence against women, such as *Ujjwala*, One Stop Centres and Helpline have increased in 2018-19 (BE). However, the proposed outcome for One Stop centres (operationalisation of the sanctioned 186 centres and expansion of One Stop Centres in 50 districts)<sup>3</sup> could be more ambitious. The decline in allocations to Swadhar Greh from Rs. 100 crore in 2017-18 (BE) to Rs. 95 crore in 2018-19 (RE) and the proposed coverage of 18,000 women, under the scheme, a relatively low number is also a concern.

### What does the Gender Budget Statement 2018-19 reflect?

A number of recent policy documents including the Three Year Action Agenda (2017-18 to 2019-20) presented by the NITI Aayog and the National Policy for Women 2017 (draft) have highlighted Gender Responsive Budgeting as a priority area of action to achieve more gender equitable development outcomes.

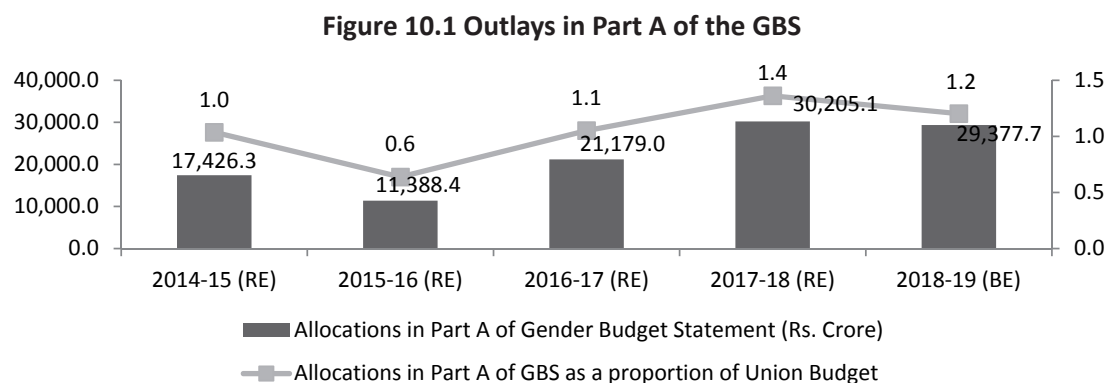
<sup>1</sup> Lok Sabha Unstarred Question No. 395 (Maternity Benefit Programme), 03.02.2017.

<sup>2</sup> Lok Sabha Unstarred Question No. 297 (Maternity Benefit Programme), 04.08.2017.

<sup>3</sup> Output Outcome Budget for 2018-19

The total magnitude of the Gender Budget Statement (GBS) in 2018-19 (BE) is Rs. 1,21,961.3 crore, an increase of Rs. 8650 crores from Rs. 1,13,311.2 crore in 2017-18 (BE). A total of 30 demands have been reported in the GBS this year. Department of Atomic Energy and Ministry of Road Transport and Highways, which did not report any interventions in the GBS last year, have reported in the GBS this year.

Figure 10.1 presents allocations in Part A of the GBS, as a proportion of the Union Budget.



Notes: i) The figures for total Union Budget expenditure, for 2017-18 RE and 2018-19 BE, do not include “Funds collected from GST Compensation Cess, which are transferred to a non-lapsable fund in the Public Account”;

ii) Part A of the GBS presents allocations to schemes exclusively for women. The allocations in Part B of the GBS are, Rs.64,556.7 crore in 2014-15(RE), Rs 69,860.7 Crore in 2015-16 (RE) Rs.75,152.7 crore in 2016-17 (RE) and 87,016 crore in 2017-18 (RE). However, due to methodological flaws in the reporting by some Ministries in Part B of the GBS, the graph above only presents allocations in Part A as a proportion of the Union Budget.

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

The decline in the allocations in Part A of the GBS in 2018-19 (BE) is primarily on account of decline in allocations for the *Pradhan Mantri Awas Yojana*, from Rs. 23,000 crore in 2017-18 (BE) to Rs. 21,000 crore in 2018-19 (BE). No new scheme, specifically for women is reported in the GBS in 2018-19 (BE).

A decline in the allocations in 2018-19 (BE), when compared to allocations in 2017-18 (BE) is noted in the reporting by a few departments/ministries in Part B of the GBS. These include, Petroleum and Natural Gas, Labour and Employment, and Department of Empowerment of Persons with Disabilities. A look at the reporting of schemes by departments/ ministries in Part B of the GBS also reflects that no significant revision in the methodology seems to have taken place this year. In the absence of any rationale being provided for the proportion of scheme expenditure reported in Part B, it appears that reporting by departments/ministries is being done based on estimates by departments/ministries on the proportion of their expenditure being incurred on women (based on scheme guidelines, earmarking funds for women or beneficiary data of the respective scheme). This kind of reporting does not facilitate an understanding of the specific measures undertaken by departments to address gender based challenges in their respective sectors and the budgetary allocations for these gender responsive measures. A useful example, in this context is the ‘Gender and Child Budget Statement’ 2017-18 presented by the Government of Kerela which also includes brief explanatory notes for interventions reported in the GBS.

### Operationalisation of *Nirbhaya* Fund

The *Nirbhaya* Fund introduced in Union Budget 2013-14 is meant to support initiatives that aim to ensure safety of women; the total magnitude of the fund was Rs. 3,100 crore till 2017-18. An additional allocation of Rs. 550 crore has been made to the *Nirbhaya* Fund in 2018-19. The details of funds appraised and released to various Union ministries and states between 2014-15 and 2017-18 is as follows:

**Table 10.2: Funds Appraised and Released under *Nirbhaya* Fund**

Ministry/State	Funds Appraised (Rs. Crore)	Funds Released (Rs. Crore)			
		2014-15	2015-16	2016-17	2017-18
Home Affairs	1265			200	353.72
Ministry of Railways	500			50	
Ministry of Electronics and Information Technology	3.5			2.5	
Ministry of Women and Child Development	640.2		26.5	42.5	30.8
Andhra Pradesh	138.5				58.7
Madhya Pradesh	1.74				1.05
Nagaland	2.6				2.6
Rajasthan	2.5			0.23	2.5
Uttar Pradesh	83.5				40.2
Uttarakhand	0.72				0.3
<b>Total</b>	<b>2638.3</b>	<b>0</b>	<b>26.5</b>	<b>295.2</b>	<b>489.8</b>

Source: Lok Sabha Un-starred Question No. 1293 for 22.12.2017

As is reflected in the table 10.2, the utilisation of funds from *Nirbhaya* Fund has been slow; a limited range of departments/ministries have come forward with proposals for undertaking interventions for women's safety. Moreover, the release of appraised funds has also been low for several departments/ministries which is paradoxical in light of the urgent need to institute measures for women's safety.

In FY 2018-19, the allocations from the *Nirbhaya Fund* to Union ministries (excluding states) is as follows: Rs. 500 crore to Ministry of Women and Child Development, Rs. 81.75 crore to Police under Ministry of Home Affairs and Rs.174.4 crore to Ministry of Road Transport and Highways. While a number of initiatives in the sphere of policy and legislations for women have been undertaken, an analysis of Union Budget 2018-19 reflects that some of the fundamental concerns with respect to gender responsiveness of the Union Budget still persist. A higher priority for women in budgets and a re-orientation of the approach to Gender Responsive Budgeting is required to achieve the desired developmental outcomes for women.

## Highlights

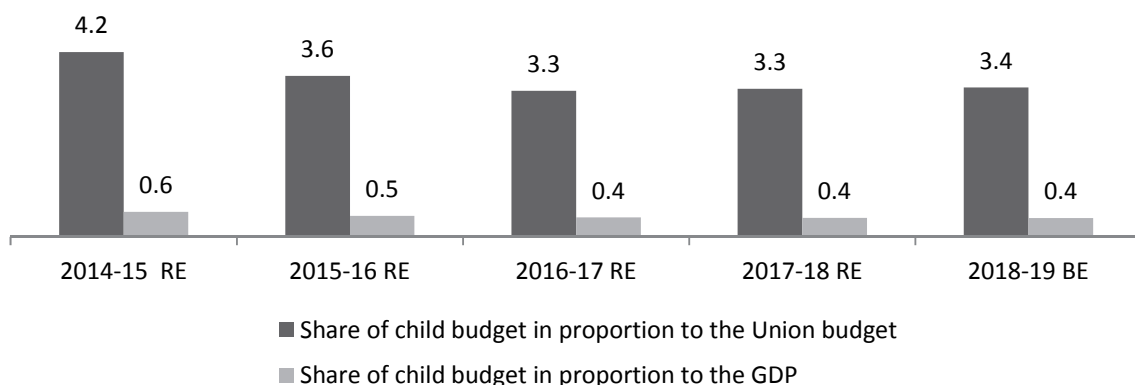
- The total allocations in the Child Budget Statement increased by Rs. 7,783 crore; from Rs. 71,305 crore in 2017-18(BE) to Rs. 79,088 crore in 2018-19(BE).
- *Sarva Siksha Abhiyan*, National Nutrition Mission and *Anganwadi Services* account for 70 percent of the increase in the total Child Budget in 2018-19 (BE).
- The share of child specific interventions in the total Union Budget has been around at 3 percent for the last 3 years.

Children constitute 39 percent of India's population. The country is home to the largest number of children in the world. This population is constituted of infants, young children and adolescents who differ by sex, place of living and socio-economic status. All these variations expose them to numerous vulnerabilities and also pose challenges in addressing concerns pertaining to them. For example as per NFHS-4 (2015-16) about 38 percent of the children below 5 years are stunted and about 58 percent are anaemic. Additionally, quality of education and high drop-out at secondary and higher secondary levels are emerging challenges in the area of school education.

### Analysis of the Child Budget Statement

The government's manifesto for 2014 promised to work towards ensuring survival, development, participation and protection of children. These ideas are reflected in the National Plan of Action for Children (NPAC), 2016, which provides a roadmap for the development of children. It recommends that at least 5 percent of the Union budget should be spent on children. However, the share of expenditure on children in 2018-19 (BE) as a proportion of the Union Budget has remained at 3.2 percent, similar to the previous four financial years (Figure 11.1).

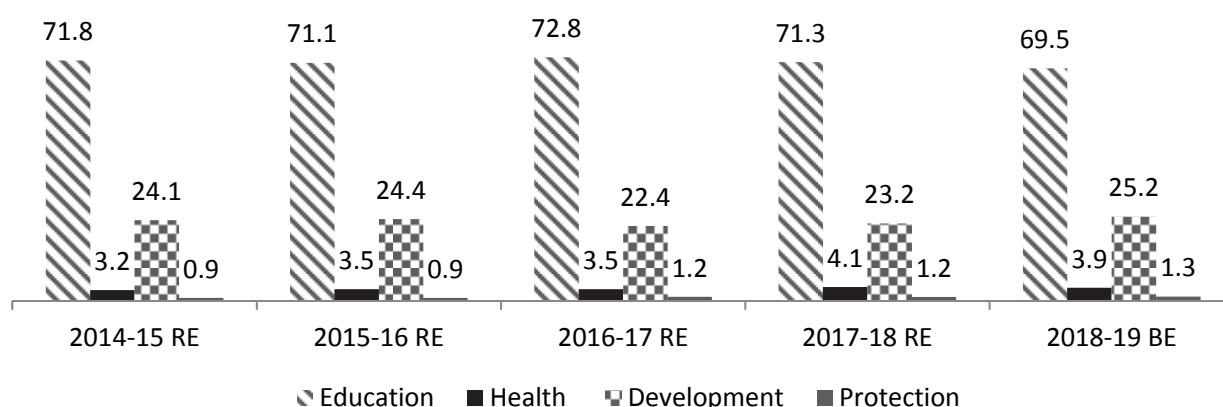
**Figure 11.1: Total Budgetary Spending on Child Focused Interventions (in percent)**



Source: Compiled by CBGA from Child Budget Statement, various years

### Sectoral Analysis of the Child Budget

Budgetary allocations for children in 2018-19 (BE) saw an increase of about 11 percent (Rs 7,783 crore) from 2017-18(BE). The distribution of the budget within the four sectors of child development viz. education, health, development and protection remain almost same as the previous years (Figure 11.2). The share of budget for education and health in the total Child Budget 2018-19 (BE) saw a slight decrease as compared to 2017-18 (RE). However, the budget for health has increased marginally in comparison to 2014-15 (RE).

**Figure 11.2: Sector wise Composition of the Child Budget (in percent)**

Source: Compiled by CBGA from Child Budget Statement, various years.

Department of School Education and Literacy (61 percent) and Ministry of Women and Child Development (26 percent) being the two key ministries for child development have the highest share in the total Child Budget 2018-19.

### Budgetary Allocation for Schemes

Of the total increase in the Child Budget in 2018-19 (BE), the major increase is in three schemes, the National Nutrition Mission, *Anganwadi Services*, *Sarva Shiksha Abhiyan* (Table 11.1). Most of the schemes except for the National Crèche Scheme have seen a marginal increase in allocations in 2018-19 (BE) when compared to 2017-18 (RE).

**Table 11.1 Scheme wise Budgetary Allocation (Rs. crore)**

Schemes	2014-15 (A)	2015-16 (A)	2016-17 (A)	2017-18 (RE)	2018-19(BE)
<i>Sarva Shiksha Abhiyan</i>	24,097	21,661	21685	23500	26128
<i>Rashtriya Madhyamik Shiksha Abhiyan</i>	3,398	3,563	3698	3914	4213
Mid-Day Meal	10,523	9145	9475	10000	10500
<i>Anganwadi Services</i>	16,684	15433	14433	15245	16334
Integrated Child Protection Scheme	4,46	497	577	648	725
National Nutrition Mission	20	56	199	550	2929
National Creche Scheme	98	133	125	65	128

Source: Compiled by CBGA from Union Budget, various years

Secondary education is recognized to have a positive effect on nutrition, health and behavior change- for instance, usage of toilets (Economic Survey 2017-18). Given the critical linkages of secondary education with important development indicators, it would have been encouraging to see an increase in the outlays for schemes for secondary education. However, the allocations for the schemes - National Scheme for Incentive to Girl Child for Secondary Education and Pre-matric scholarships for the minorities - critical for the education of the marginalised groups such as girl children and minorities have seen a decline in 2018-19 (BE) from 2017-18 (RE) (Table 11.2). The post-matric scholarship for SCs has decreased to Rs. 300 crore from Rs. 334 crore in 2017-18 (BE). These budget cuts in programmes for secondary education do not support the government's stated intent of promoting secondary education.

**Table 11.2 Allocations for Schemes Specific to Children from the Marginalised Groups (Rs. crore)**

Schemes	2015-16 (A)	2016-17 (A)	2017-18 (RE)	2018-19(BE)
National Scheme for Incentive to Girl Child for Secondary Education	154	45	320	256
National Child Labour Project	93	107	106	120
Pre-Matric scholarships for Minorities	1016	369	1001	980
Pre-Matric Scholarship for SC Students	525	507	50	125
Upgradation of Merit of SC students	3	1	2	0.01
Umbrella Scheme for Education of ST Children	1173	1660	1754	1936
<i>Beti Bachao Beti Padhao</i>	59	29	200	280
Scheme for Welfare of Working Children in need of Care and Protection	7	1.96	0.01	0.01

Source: Compiled by CBGA from Union Budget, various years

**Numerous Challenges, Low Budgets** There are numerous issues affecting children and over time the vulnerabilities of children have increased manifold. Children, like other marginalised groups are not a homogenous community and each age group of population faces a distinct set of problems that need to be focussed on specifically.

*Poor quality of education* – The quality of education has been a concern for the government for long, but Union Budget 2018-19 does not provide a clear road map for improving the quality of education. The Finance Minister in the Budget speech made a reference to a National Survey that has been conducted whose findings will be used to devise a strategy with the states to improve the quality of education. The use of technology was also highlighted as the biggest driver to impart quality education, along with teacher’s training. However none of these strategies are backed by any budgetary allocations.

*Protection of Children* – With the growing number of crimes against children (crime rate at 13.6 % in 2015-16) and increased cases of juveniles in conflict with the law (7.2 % in 2015-16) in the past few years , it was hoped that the Finance Minister would send a strong message by allocating higher budgets for schemes for vulnerable children. Although, the allocations for ICPS have been increased, it has been noted by the Department Related Parliamentary Committee for Ministry of Human Resource Development That The Utilisation For ICPS Has Been Very Slow. (Report No. 289, 2017-18)

*Absence of credible data for children* – the NPAC, 2016 and the Three year Action Agenda of the NITI Aayog has highlighted the absence of credible data for children as the biggest challenge in policy making and implementation of programmes. The NFHS-4 (2015-16) data has been made available after a time lag of ten years. In the Action Agenda, NITI Aayog has also stated the need to digitise all the *anganwadi* centres to get real time data on children. However, there has been no policy announcement regarding this. The increase in budgetary outlays for ICDS is just an incremental increase.

*Gap in sanctioned and operational anganwadi centres* – *Anganwadi* Centres (AWCs) are the platform for implementation of six services under ICDS. All these services are critical to child health, nutrition, development and also for the well-being of adolescent, pregnant and lactating mothers. The NITI Aayog’s three year action agenda mentions that there are 4 lakh AWCs without buildings, 1.5 lakh without water facility and 2 lakhs without the toilets. The Output/Outcome Budget for 2018-19 shows that the toilets in AWCs will be constructed from the budget for *Anganwadi* Services and from the budget for the Multi-Sectoral Development Programme (MSDP) for minorities. However, no disaggregation under the Ministry of Minority Affairs is given for the same.

## **Conclusion**

India's young population is a potential resource for its growing economy. It is important to ensure nutrition, health, education and a protective environment that would allow them to reach their full potential. Development of children is critical in achieving the desired Sustainable Development Goals for India. Although the allocations for children in 2018-19 (BE) grew by about 11 percent from 2017-18 (BE), its share in the total Union Budget is nowhere close to the recommended 5 percent of the Union Budget (as per NPAC, 2016). The government has shown some commitment by increasing the allocation for the National Nutrition Mission but the overall budget for children does not give a very encouraging picture and a lot more has to be done.

# PERSONS WITH DISABILITIES

## Highlights

- Mention of Persons with Disabilities in relation to comprehensive social security and protection programmes.
- Persons with Disabilities will continue to receive their travel allowance irrespective of the deduction.

The Budget Speech 2018-19 has only two references to Persons with Disabilities:

- As a target group for the National Social Assistance Programme (NSAP) - the allocation for Indira Gandhi Disability Pension, has increased by 2.83 crore only.
- While talking about the standard deduction for all, there is a mention that Persons with Disabilities will continue to receive their travel allowance irrespective of the deduction.

The three-year Action Agenda by NITI Aayog has committed for disability specific survey and for the implementation of Rights of Persons with Disabilities Act (RPDA) 2016. However, there is no specific mention to this effect in the Union Budget 2018-19. The Scheme for Implementation of the Persons with Disabilities Act (SIPDA) has witnessed an increment of 16.7 percent from the revised estimate of the previous financial year. It is to be noted that the entire allocation is spent on 'Access India Campaign', which is only one aspect of the Law and should be the responsibility of all Ministries rather than just the Disability Department. Moreover, there is no specific allocation for the survey on Persons with Disabilities.

**Table 12.1: Allocation towards Persons with Disabilities as a Percentage to Total Expenditure of the Government and Social Service**

Year	Specific fund allocated to Persons with Disabilities as available in the demand for grants (Rs. Crore)	Percentage to the Total Disbursements	Percentage to Social Services
2016-17	1426.2	0.02	1.5
2017-18	1595.3	0.02	1.5
2018-19	1840.1	0.02	1.7

Source: Compiled by EQUALS from Union Budget, various years.

The table shows that trend in allocations remain unchanged over the past few years.

**Table 12.2: Allocations by the Department for the Empowerment of Persons with Disabilities (Rs. Crore)**

Particulars	2016-17 (A)	2017-18(BE)	2017-18 (BE)	2018-19(BE)
Secretariat	17.6	19.8	24.8	25.5
National Programme for the Welfare of Persons with Disabilities	323.5	351.7	393.3	368.1



Particulars	2016-17 (A)	2017-18(BE)	2017-18 (BE)	2018-19(BE)
Scholarship for students with disabilities				75.7
Autonomous Bodies	210.6	238.8	242.2	257.3
Public Sector Undertakings	35.0	37.7	37.7	43.5
SIPDA	186.8	207.0	257.0	300.0
<b>Total</b>	<b>772.6</b>	<b>855.0</b>	<b>955.0</b>	<b>1070.0</b>

Source: Compiled by EQUALS from Union Budget documents, various years.

It is to be noted that the scholarship for students with disabilities was earlier subsumed under the National Programme for the Welfare of Persons with Disabilities and it has increased approximately by one crore. There has been around 12 percent increase in total allocation of the department.

Ministry of Human Resource Development: Department of School Education has programmes such as Sarva Shiksha Abhiyan (SSA) and Rashtriya Madhyamik Shiksha Abhiyan (RMSA) which have Persons with Disabilities as one of their target groups. However, the Ministry does not provide any disaggregated data for children with disabilities.

#### Ministry of Health and Family Welfare:

**Table 12.3: Specific allocation towards Persons with Disabilities by the Ministry of Health and Family Welfare (Rs. crore)**

Particulars	2016-17 (A)	2017-18 BE	2017-18 (RE)	2018-19 (BE)
National Mental Health Programme	33	35	45	50
National Institute of Mental Health and Neuro Sciences, Bengaluru	302.3	350.9	379.4	382.6
Lokpriya Gopinath Bordoloi Regional Institute of Mental Health, Tezpur	78.7	80.0	55.0	60.0
<b>Total</b>	<b>413</b>	<b>465.9</b>	<b>479.4</b>	<b>492.6</b>

Source: Compiled by EQUALS from Union Budget documents, various years.

The RPDA 2016 mandates availability and accessibility of health services such as sexual and reproductive health care, prevention of secondary impairments, health insurance etc,. It is observed that there is a lack of specific allocations towards implementation of these. The Mental Health Care Act mandates transition from institution to community living for persons with psychosocial disability. However, the analysis of the health budget presents a decreasing trend in allocation for Persons with Disabilities, not adhering to the prescribed norms of this Act. It is also observed that the specific health requirements of some constituencies within Persons with Disabilities, covered under the RPDA (for example persons with thalassemia), finds no mention in the budget document. There is no clarity if the proposed health and wellness centres will be inclusive of the specific medical and rehabilitation requirements of Persons with Disabilities with medically disabling conditions mentioned in the Act.

**Ministry of Rural Development:****Table 12.4: Allocation towards Indira Gandhi National Disability Pension by the Ministry of Rural Development**

Scheme	2016-17 (A)	2017-18 (BE)	2017-18 (RE)	2018-19 (BE)
Indira Gandhi National Disability Pension (IGNDP)	239.6	274.3	249.0	277.1

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

Ministry of Rural Development has identified Persons with Disabilities as one of their target groups under the social protection programmes such as *Pradhan Mantri Awas Yojana*, Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and NSAP. However, the IGNDP, part of NSAP, alone constitutes financial allocation for Persons with Disabilities. Table 12.4 shows that there was a decrease in budget for the programme in 2017-18 (RE), which was increased by Rs. 28 Crore in 2018-19 (BE).

(This section has been prepared by EQUALS - Centre for Promotion of Social Justice, Chennai)

# SCHEDULED CASTES

## Highlights

- Total allocations under Scheduled Castes Sub Plan increased from Rs. 52,719 crore in 2017-18 (RE) to Rs. 56,619 crore in 2018-19 (BE), an increase of 7 percent. During the same period, allocations for the Department of Social Justice and Empowerment increased by 12 percent from Rs. 6,908 crore in 2017-18 (RE) to Rs. 7,750 crore in 2018-19 (BE).
- The government has still not come up with a revised framework for earmarking under Scheduled Caste Sub Plan, which dilutes the implementation of the strategy.
- Budget allocation for Post Matric scholarship for Scheduled Castes has declined from Rs. 3,348 crore in 2017-18 (RE) to Rs. 3,000 crore in 2018-19 (BE). This reduced allocation comes at a time when the department has been asking for a one-time package to clear the accumulated arrears under the same amounting to Rs. 8,000 crore at the end of 2016-17.

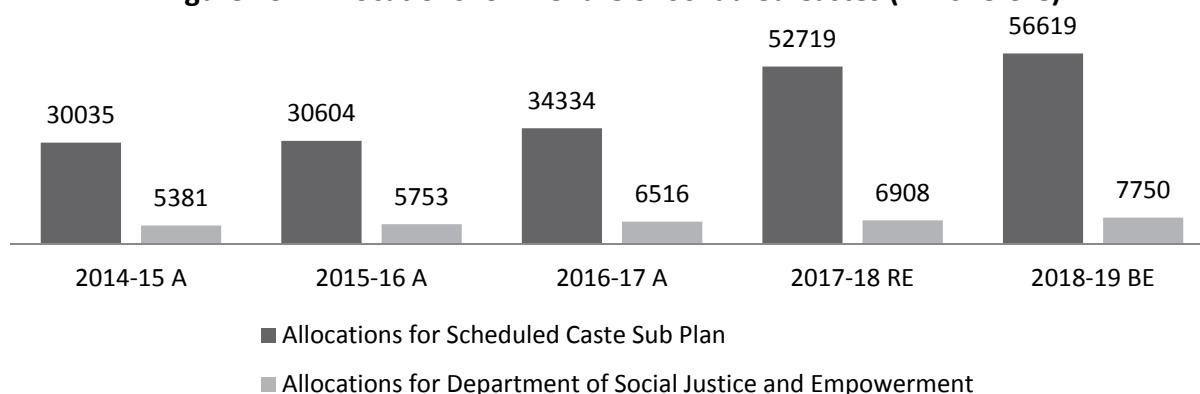
Scheduled Castes (SCs) in India continue to be one of the most deprived sections of the society, with critical development deficits and persistent discrimination. Years of affirmative action for their development has failed to make a significant impact on their well-being in almost all spheres of development. As per the latest National Family Health Survey (NFHS-4) more than half of SC households (51%) fall in the two lowest wealth quintiles in India. Almost 36% of SCs have had no schooling and the child mortality rates remain high (Infant Mortality Rate of 45 per 1,000 live births). The nutritional status of SCs is also poor with 43% children being stunted, 39% underweight and almost 56% women being anaemic.

The Constitution of India has provided for instituting a series of protective and development measures and ensuring affirmative action to bring SCs at par with the rest of the society. Consequently, the Government of India has followed a two-pronged strategy for their development and upliftment – introducing a dedicated fiscal strategy for ensuring targeted policy driven benefits across sectors, and instituting a nodal ministry for their welfare. In 1979, the government introduced Scheduled Caste Sub Plan (SCSP), a strategy envisaged towards earmarking funds for development of SCs, across sectors, at least in proportion to their share in the overall population of the country (16.6 percent as per Census 2011). This earmarking was supposed to be done from the Plan Expenditure<sup>1</sup> of the Consolidated Fund of India. A nodal department for welfare of SCs – Department of Social Justice and Empowerment (DSJE) – has also been constituted.

### Overall budgets for Scheduled Castes:

Over the last few years, there has been a consistent increase in the allocations for DSJE, but the increase itself had been incremental (see Figure 13.1). The budgetary allocation for DSJE increased by around 12 percent, from Rs. 6,908 crore in 2017-18 (RE) to Rs. 7,750 crore in 2018-19 (BE).

<sup>1</sup> Till Union Budget 2016-17, the budget was reported under two expenditure heads – Plan and the Non-Plan expenditure. However, from 2017-18, the Union Government merged the plan and non-plan heads of expenditure.

**Figure 13.1 Allocations for Welfare of Scheduled Castes (in Rs. Crore)**

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

In 2018-19, 29 departments are reporting allocations under 279 schemes and programmes. Over the last few years, the budgets earmarked under the SCSP statement have also increased. However, this increase needs to be seen in the light of dilution of the entire strategy in the last two years. Post the merger of plan and non-plan heads of expenditure in Union Budget 2017-18, the Union Government has asked the ministries to allocate funds for the SCSP from total scheme allocations. The inherent problem with this approach is that what gets reported in the SCSP is merely “incidental benefits” accruing to the SCs from general schemes and programmes. Such an approach does not encourage the ministries to identify the specific challenges confronting SCs in their respective sectors and ensure additional allocations for addressing the same. What is thus missing is planning and budgeting for SCs to ensure targeted, policy driven benefits, which was the objective of SCSP in the first place. For example, landlessness has been a major challenge for SCs, who work as agricultural labourers and are unable to access credit. In the current budget there is mention of evolving a suitable mechanism to enable access of lessee cultivators to credit. Such initiatives can be used for addressing SCs’ concerns, by ensuring a specific focus on SCs in scheme design and implementation.

#### Monitoring the implementation of SCSP funds:

The entire thrust of the Union Government, led by NITI Aayog, has been on ensuring outcome-based monitoring of the SCSP. An online portal, **e-utthaan** has been launched by the DSJE for the same. Through e-utthaan it is possible to track the funds earmarked and released under the SCSP by various ministries and schemes, across states. The data from e-utthaan reveals that as of January 29, 2018, only 61 percent of the funds earmarked under SCSP in 2017-18 have been released by all ministries taken together. Thus, with only two months remaining for the end of the fiscal year, around 40 percent of the SCSP budget is yet to be released by the Union Ministries. The actual utilisation thus, might also suffer.

The data also reveals that the Department of Health and Family Welfare, an important ministry for improving the health and nutritional status of SCs, has only released 12 percent of its allocated SCSP funds so far. Similarly the Department of Agriculture, Cooperation and Farmers’ Welfare, which has significantly increased its earmarking under SCSP in 2018-19 (BE) (by over Rs. 1,200 crore between 2017-18 (RE) and 2018-19 (BE)), has only released 37 percent of its earmarked budgets under SCSP in 2017-18.

Thus, at present, there are several critical concerns with respect to SCSP at the Union Government level – (i) there is no initiative towards developing a revised framework for earmarking SCSP allocations; (ii) what gets reported in SCSP is incidental benefits flowing to SCs from general schemes and programme; (iii) monitoring a scheme without defining why and how a certain proportion of scheme’s budget is reported as SCSP, is a futile exercise.

### Budgets for schemes and programmes for Scheduled Castes:

As noted above the DSJE implements a number of schemes for the welfare of SCs. These include a range of schemes for their education, livelihood and protection. Over the last few years, the budgets for Strengthening of Machinery for Enforcement of Protection of Civil Rights Act 1995 and Prevention of Atrocities Act 1989 and Special Central Assistance to Scheduled Caste Sub Plan have increased consistently. However, there have been several fluctuations in the budgets for several other schemes that need to be looked into in greater detail.

**Table 13.1 Budgetary Outlays for Major Schemes under DSJE (Rs. crore)**

Major schemes	2014-15 AE	2015-16 A	2016-17 A	2017-18 RE	2018-19 BE
Schemes for Educational Development of SCs*	2,670	3,046	3,585	3,863	3,670
<i>Pradhan Mantri Adarsh Gram Yojana</i>	30	196	63	40	70
Strengthening of Machinery for Enforcement of Protection of Civil Rights Act 1995 and Prevention of Atrocities Act 1989	147	119	223	305	404
Self-Employment Scheme for Rehabilitation of Manual Scavengers	0	0	0	5	20
Special Central Assistance to Scheduled Caste Sub plan	700	800	798	800	1000
Interventions for Entrepreneurial Development of SCs**	662	170	248	233	327
Other programmes of the Department of Social Justice and Empowerment***	117	163	203	194	99

Notes: \*Schemes for Educational Development of SCs include the various scholarship schemes for SCs and for children of those engaged in unclean occupations as well as hostels for SC girls and boys

\*\*Interventions for Entrepreneurial Development of SCs include: State Scheduled Castes Development Corporations, National Scheduled Castes Finance and Development Corporation, National Safai Karmacharis Finance and Development Corporation, Venture Capital, State Scheduled Castes Development Corporations and Credit Guarantee Fund for Scheduled Castes, Investment in Public Sector Enterprises.

\*\*\*Other programmes include: Baba Saheb Dr. B.R. Ambedkar Foundation, Dr. B.R. Ambedkar International Centre, Dr. Ambedkar National Memorial, Assistance to Voluntary Organisations for SCs, National Commission for Scheduled Castes, National Commission for Safai Karmacharis, Other schemes for welfare of SCs

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

Budget allocation for Post Matric scholarship for Scheduled Castes has declined from Rs. 3,348 crore in 2017-18 (RE) to Rs. 3,000 crore in 2018-19 (BE). This reduced allocation comes at a time when the department has been asking for a one-time package to clear the accumulated arrears under the same, amounting to Rs. 8,000 crore at the end of 2016-17 (the Departmentally Related Standing Committee report on Detailed Demand for Grants of DSJE 2017-18). Clearly, the demand of the department has not been met in this Union Budget.

Similarly, the actual expenditure under the Self-Employment Scheme for Rehabilitation of Manual Scavengers has been zero from 2014-15 to 2016-17. The budgets for the scheme in 2017-18 was only Rs. 5 crore, which has increased to Rs. 20 crore in Rs. 2018-19. The low allocations under the scheme last year were due to the existing corpus of funds available with the National Safai Karamchari Finance Development Corporation (NSKFDC), which was Rs. 35 crore at end of 2015-16 (Accountability Initiative 2018). Further, there are several concerns with the identification of manual scavengers as per different sources. Accountability Initiative (2018) notes that these numbers as reported identified by the SECC 2011 vary from 1,67,487 rural manual scavengers according to Lok Sabha, Unstarred Question No. 276 answered on 25 February 2016, to 1,82,505 manual scavenging households as per Rajya Sabha, Unstarred Question No. 1296, answered on 28 July 2016. In absence of credible numbers of manual scavengers, the implementation of the scheme will continue to suffer.

### Summing Up:

Despite more than four decades of concerted efforts and affirmative action for the development of SCs, they continue to remain among the most marginalised communities. The budgeting for schemes implemented by the DSJE, seems to follow a business-as-usual approach. While the government should be focusing on strengthening the initiatives and measures for the SCs, their efforts seem to be focusing largely on monitoring. Dilution of the SCSP in the last two years is a major concern at the present juncture. This is the only strategy for ensuring planning and budgeting for SCs across critical sectors for their holistic development. By reducing it to a mere reporting exercise in the last two budgets, we seemed to have moved several steps backward in our efforts at ensuring inclusive development.

# SCHEDULED TRIBES

## Highlights

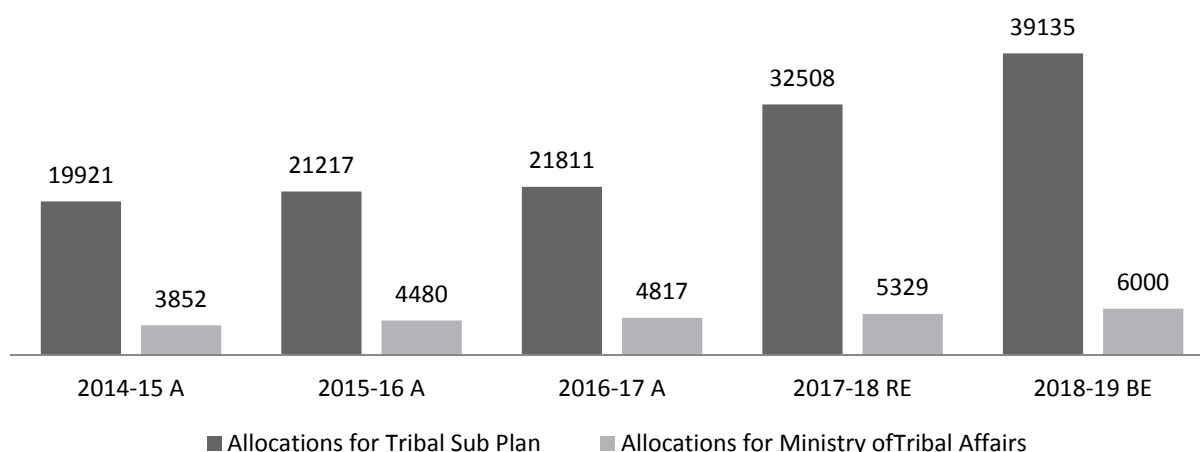
- The allocations under Tribal Sub Plan (TSP) has increased by around 20 percent from Rs. 32,508 crore in 2017-18 (RE) to Rs. 39,135 crore in 2018-19 (BE). The budget for the Ministry of Tribal Affairs has increased from Rs. 5,329 crore in 2017-18 (RE) to Rs. 6,000 crore in 2018-19 (BE), an increase of 13 percent.
- No revised framework for earmarking under TSP has been formulated and ministries continue to report under TSP from scheme allocations. This fails to ensure need-based planning and budgeting for the Scheduled Tribes, and what gets reported in TSP is largely incidental benefits accruing from general schemes.
- The Finance Minister in his Budget Speech announced that by the year 2022 every block with more than 50% ST population and at least 20,000 tribal persons, will have an Ekalavya Model Residential School. These schools will be at par with Navodaya Vidyalayas and will have special facilities for preserving local art and culture besides providing training in sports and skill development.

The NITI Aayog's Three Year Action Agenda quoted that the Scheduled Tribes (STs) are nearly twenty years behind the average Indian population. NITI Aayog further notes that at present juncture, their low enrolment ratios in secondary education, high unemployment rates and inconsistent implementation of legislations pertaining to STs, remain critical concerns. The Forest Rights Act and PESA, which are the mainstay for initiating tribal-led development, are yet to be implemented in letter and spirit. The fourth round of National Family Health Survey reveals that around 71 percent of ST households fall in the two lowest wealth quintiles. With around 44 percent of stunted and 45 percent of underweight children, and over 60 percent of anaemic women, STs' nutritional indicators are among the worst in the country. The situation is compounded by their geographical isolation due to which the penetration of basic public services in these tribal areas remains weak. For instance, almost 40 percent of STs reported distance to health facility as a factor restricting their access to medical advice or treatment (NFHS-4).

The recognition of the multiple deficits confronting the STs led to the Government of India introducing the strategy of Tribal Sub Plan (TSP) in 1974. The TSP envisaged earmarking funds from plan budget of the government for the welfare of the STs across ministries, at least in proportion to their share in the total population (which is 8.6 percent as per the Census 2011). In addition, a nodal ministry for the welfare of STs, Ministry of Tribal Affairs (MoTA), was also set up to design and implement schemes exclusively for STs. The budgets for the development of STs were thus, to be routed through these two channels. Despite being the nodal ministry for STs, the purview of the MoTA remains fairly limited to their education, art and culture and livelihoods. All other kinds of development deficits are to be addressed using the TSP funds across sectors.

## Budgets under the Tribal Sub Plan

The Union Government merged the plan and non-plan heads of expenditure from the Union Budget 2017-18. The Union Government, instead of developing a new framework for the implementation of TSP, directed the Union Ministries to report the TSP allocations from their respective schemes' total budgets. Any hopes that the Union Government would revise its stand on this and formulate a new roadmap for TSP implementation, were dashed with the Union Budget 2018-19, which continued with the same schematic approach.

**Figure 14.1 Budgets for the Scheduled Tribes (Rs. crore)**

Source: Compiled by CBGA from Union Budget, over various years.

Overall, there has been a significant increase in the TSP allocations between 2016-17 (Actuals) and 2017-18 (RE), when this changed reporting framework was introduced. This has increased further in 2018-19 (BE) to Rs. 39,135 crore, an increase of around 20 percent over 2017-18 (RE). However, these increased allocations have several caveats which need to be considered. First, increased allocations need to be seen in the context of the overall dilution of the TSP strategy itself, where there has been a deliberate shift away from a targeted, policy-driven approach. Secondly, reporting under the TSP is now merely incidental benefits accruing from various schemes and programmes.

In its present format, TSP does not encourage need-based planning and budgeting for STs, which was the crux of TSP-strategy earlier. For example, shortage of staff and basic infrastructure have been important factors responsible for the poor implementation of programmes and schemes in health sector, leading to limited access to essential healthcare services in tribal areas. Addressing this requires not just schematic interventions but also increasing the overall investment in health infrastructure and human resources in tribal areas, and amending programmatic design to address specific challenges faced in tribal areas.

There are also concerns with respect to the nature of interventions being reported under the TSP. For example, in Union Budget 2018-19, Ministry of Coal is reporting 'Exploration of Coal and Lignite', Department of Telecommunications is reporting 'Optical Fibre Cable based network for Defence Services' under the TSP. How such interventions address the specific disadvantages faced by STs or promote their development is highly questionable.

### Monitoring of Tribal Sub Plan Funds

The overall focus has shifted from "budgeting for STs" to monitoring how the funds reported under TSP are spent. The Ministry of Tribal Affairs (MoTA) has recently come up with an online monitoring system for TSP called Scheduled Tribe Component Monitoring System (STCMS). The system provides details of Union Government releases of TSP funds for schemes in detail, including the components for which funds were released for each department and agency incurring the expenditure, across states. However, in absence of a revised framework for TSP implementation, developing a framework for its monitoring is ironic.

Despite the inherent flaw in focusing solely on monitoring, the data on STCMS highlights some interesting insights. At the end of January 2018, around 77 percent of the funds earmarked under TSP have been disbursed by the Union Ministries. Most ministries have been able to disburse more than 70 percent of the earmarked funds so far. Hopefully, this will lead to good utilisation of the TSP funds earmarked in 2017-18.



### Budgets for schemes under Ministry of Tribal Affairs

The budget for the Ministry of Tribal Affairs has increased from Rs. 5,329 crore in 2017-18 (RE) to Rs. 6,000 crore in 2018-19 (BE), an increase of 13 percent. The allocations for STs have increased almost all schemes in 2018-19 (BE), over the 2017-18 (RE).

**Table 14.1 Budgetary Outlays for Major Schemes under Ministry of Tribal Affairs (Rs. Crore)**

Major schemes	2014-15 (A)	2015-16 (A)	2016-17 (A)	2017-18 (RE)	2018-19 (BE)
Special Central Assistance to Tribal Sub Plan	1040	1132	1195	1350	1350
Scheme under proviso to Article 275(1) of the Constitution	1133	1392	1266	1500	1800
Umbrella Scheme for Development of STs: <i>Vanbandhu Kalyan Yojana</i>	100	629	469	394	420
Umbrella Scheme for Education of ST children*	1059	1221	1740	1869	2038

Note: \*Umbrella Scheme for Education of ST children includes National fellowship and Scholarship for higher education of ST students and scholarship to the ST students for studies abroad,

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

The thrust of the government's focus on STs now seems to be on promoting their education, through promotion of residential schools and recruitment of teachers from tribal communities itself. The Finance Minister in his Budget Speech announced that by the year 2022 every block with more than 50 percent ST population and at least 20,000 tribal persons, will have an Ekalavya Model Residential School. He also announced that these schools will be at par with Navodaya Vidyalayas and will have special facilities for preserving local art and culture besides providing training in sports and skill development. The budget for this is included under the Grants under Article 275(1) of the Constitution and hence not separately reported in the budget of MoTA. The increase of Rs. 300 crore in the Grants under Article 275(1) from 2017-18 (RE) to 2018-19 (BE) is probably due to expansion of Eklavya Model Residential Schools. While on one hand there is an increase in budgets for Eklavya model schools, the Ashram schools and Boys and Girls hostels have not been allocated any budget in 2018-19 (BE).

The allocations for *Vanbandhu Kalyan Yojana* declined from Rs. 505 crore in 2017-18 (BE) to Rs. 394 crore in 2017-18 (RE), before increasing to Rs. 420 crore in 2018-19 (BE). The *Van Bandhu Kalyan Yojana* is an umbrella programme for the overall development of STs, including critical schemes like Minimum Support Price for Minor Forest Produce (MSP for MFP), Development of Particularly Vulnerable Tribal Groups (PVTGs), Development Programmes in the Tribal Areas (EAP) etc. to be implemented in Schedule V areas. Allocations for almost all schemes included under this umbrella programme, except for Aid to Voluntary Organisations Working for the Welfare of Scheduled Tribes, have increased from the Revised Estimates of 2017-18 in 2018-19 (BE).

### Summing Up

In its election manifesto, the present government had committed "to make a comprehensive, all-encompassing long-term strategy to empower tribals and ensure their welfare." The government has been making several initiatives across sectors like health, agriculture, employment etc. However, whether and to what extent these efforts translate into benefits for the STs is contingent upon the approach taken by the government for their development. At present, this approach is highly diluted and supportive fiscal measures such as substantial spending on education and health of tribal people, decentralisation of funds for tribals or ensuring a norm-based earmarking for TSP have not been realised.

## Highlights

- Total budgetary allocation for Ministry of Minority Affairs (MoMA) has been increased to Rs.4,700 crore in 2018-19 from Rs.4,195 crore in 2017-18. The budget allocation for MoMA has increased by 12 percent.
- The budgetary allocation has increased for Multi-Sectoral Development Programme (MSDP) and for some of the scholarship programmes.
- The largest programme of MoMA called MSDP is being renamed as *Pardhanmantri Jan VikasKaryakaram*.
- The utilisation of fund by Ministry of Minority Affairs (MoMA) was 74 percent in the financial year 2016-17 reduced from 97.8 percent in the financial year 2015-2016, which has affected the implementation of MSDP and scholarship programmes.

*“Government is committed to “Empowerment and not Appeasement”, and my Government is making intensive efforts for economic, social and educational empowerment of the minorities”. (President’s Address to the joint sitting of the two houses of Parliament, 29 January, 2018)*

After ten years of Implementation of Sachar Committee Recommendation, NITI Aayog report, says that “Muslims constitute the largest religious minority and lag behind others in terms of economic, health and education parameters. The participation of Muslims in salaried jobs is also low. Muslim workers are largely concentrated in the informal sector which is characterised by low wages, poor working conditions and little or no social security” (The Three Year Action Agenda: NitiAayog, 2017). In terms of policy priority for minorities, 11<sup>th</sup>Plan and 12<sup>th</sup>Plan through their core approach of ‘faster and inclusive growth’ adopted a four-pronged strategy of development for minorities- educational and economic empowerment, access to public services, strengthening of minority institutions and area development programme. In 2006, the Cabinet gave its approval for revamping the Prime Minister’s New 15 Point Programme for welfare of minorities (15 PP). It had covered 15 different areas for economic and social development. However, the 15 PP does not cover key Union government ministries like agriculture, commerce and industry, trade and small and medium enterprises which are critical for development of minorities.

The Cabinet decided that 15 percent of the funds and physical targets may be earmarked wherever possible in relevant ongoing general sector schemes/ programmes of Department and Ministries in the Union government, for the nationally declared minorities. There were two important commitments made under 15 PP; one by the ‘department of personnel and training’ with a promise to ensure 15 percent share in public employment; and ‘department of financial services’ with targets to disburse 15 percent of the annual ‘priority sector lending’ (PSL) to favour minorities. In addition to 15 PP, a new area development strategy, namely, Multi-Sectoral Development Programme (MSDP) was designed in 2008 to address the shortfalls in basic amenities, education and employment in the minority concentrated areas. All the schemes run by Ministry Of Minority Affairs (MoMA) and Department of School Education and Literacy are also part of 15PP which are meant completely for the development of minorities.

Looking at the total budgetary allocation for minorities in the Union Budget, it may be noted that only 0.49 percent of the total Union Budget 2016-17 has been earmarked for the development of minorities. The religious minorities constitute 21 percent of total population as per census 2011. The ministries and department allocated fund for minorities include 15 PP (100 percent allocation), MSDP

and 15 PP (15 percent allocation).The total expenditure reported for minorities by the Centre through 15 PP and MSDP has shown declining trend in the total expenditure since 2012-13.

**Table 15.1:Total Budgetary Allocation for Minorities in the Union Budget (In Crore)**

	2012-13	2013-14	2014-15	2015-16	2016-17
Financial Allocation under 15 PP (100 %)&MSDP	2,174	3,026	3,089	3654.86	3827
Financial Allocation under 15 PP (15 %)	24999.1	27291.86	23565.33	11912.28#	6102.9*
Total Allocation/Expenditure on Minorities	27,173	30,318	26,654	15567.14	9,930
<b>Total Union Budget</b>	<b>1410372</b>	<b>1559447</b>	<b>1663673</b>	<b>1790783</b>	<b>2014407</b>
<b>Share of Expenditure on Minorities in Total Union Budget (%)</b>	<b>1.93</b>	<b>1.94</b>	<b>1.6</b>	<b>0.87</b>	<b>0.49</b>

#Some schemes don't have full year data

\*Many schemes don't have full year data

Source: Compiled by CBGA from Ministry of Minority Affairs, Govt. of India

### **Budgetary Allocation and Fund Utilisation by Ministry of Minority Affairs**

Although, the budget allocation for MoMA has increased by 12percent in this budget, however, the fund utilization of MoMA has declined to 74 percent from 97.8 percent in 2015-2016.It has affected the implementation of MSDP and scholarship programmes. Under MSDP, there has been a very low achievement in physical outcomes across the components. The components like Degree College, School Building, lab equipment, teaching aid, free cycle and income generating infrastructure have poor completion rate against the unit sanctioned. It also shows that the water supply, housing and income generating infrastructure have poor completion rate against the unit sanctioned under the MSDP project and many activities under the MSDP have not yet started.

**Table 15.2:Fund Allocationand Utilisation for the Ministry of Minority Affairs (Rs. crore)**

Year	BE	RE	Actual	% of Utilisation over BE
2014-2015	3,734	3,165	3,089	83
2015-2016	3,738	3,736	3654.8	97.8
2016-17	3,827	3,827	2832.46	74
2017-18	4,195	4,195		
2018-19	4700			

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

The MoMA being a nodal ministry is currently running many schemes related to education empowerment, skill development and livelihood, special programmes for minorities and area development programmes like MSDP.The budgetary allocation has increased marginally in Multi-Sectoral Development Programme (MSDP) and some of the scholarship programmes like Merit Cum Means Scholarships, Post Matric Scholarships, Free Coaching, *Maulana Azad* Education Foundation, Skill Development Initiatives (Rs.250 crore) and *NaiManzil* (Rs.140 crore).Pre Matric Scholarships and NMDFC have shown the decline in the budgetary allocation in 2018-19(Table 3).

**Table 15.3: Scheme-wise Allocation for Ministry of Minority Affairs (Rs. crore)**

Schemes	2014-15 (A)	2015-16 (A)	2016-17 (A)	2017-18 (RE)	2018-19 (BE)
Maulana Azad Foundation	113	113	114	113.01	125
Merit Cum Means Scholarships	381.3	315	220	393.54	522
Free Coaching	31.3	44.8	40	48	153
Pre Matric Scholarships	1128.8	1015.7	369.25	1001.15	980
Post Matric Scholarships	501.3	552.8	287	561.29	692
Maulana Azad Fellowship	0.12	55.5	120	150	153
NMDFC	30	120	140	170	165.02
MSDP	768.2	1120.7	1082	1200	1319.98

Note: NMDFC: National Minorities Development and Finance Corporation; Source: Compiled by CBGA from Union Budget documents, various years.

### Implementation Issues

Many research studies including NITI Aayog Action Agenda (2017) found that there are several gaps in public policies meant for minorities such as inadequate budgets, inappropriate policy design, and weak implementation that come in the way of the poor receiving the desired level of development benefits.

Looking at the implementation of key policy initiatives after the Sachar Committee Report (2005), like setting up a National Data Bank, an Equal Opportunity Commission (EOC) and constructing a Diversity Index aimed at to promote inclusion of excluded communities including Muslims in public institutions. In this regard, although the reports of working groups on setting up of an EOC and constructing a Diversity Index have been submitted, no headway has been made in terms of actual implementation so far.

The data on status of recruitment of minorities (in Central Government, public sector undertakings, banks, etc.) collated by MoMA shows that percentage of minorities recruited in the total recruitment reported to be 6.24, 6.91, 7.89, 8.56 and 7.5 percent from 2011-12 to 2015-16. It clearly reflects that after ten years of implementation of 15 PP, minorities have not been given fair share in recruitment. Further, there is no disaggregated data on religious minorities made available on recruitment, especially in the present reporting format provided by MoMA. However, the government said that employment opportunities have been provided to the youth belonging to Muslim, Christian, Sikh, Buddhist, Parsi and Jain communities through programmes, such as, 'Seekho Aur Kamao', 'Ustad', 'Garib Nawaz Kaushal Vikas Yojana', 'Nai Roshni' etc. More than 45 lakh students have also benefitted from scholarships, fellowships, skill development and coaching schemes during the last one year. (President's Address to the joint sitting of the two houses of Parliament, 29 January, 2018)

As the data provided by MoMA on financial inclusion of minorities, the percentage of Priority Sector Lending (PSL) going to minorities has shown steady increase from 10.6 percent in 2007-08 to 15.40 percent as on 31.03.2017. Also, the community-wise flow under PSL during 2016-17 (31.03.2017) is as under: Muslims (45.48%), Sikhs (23.90%), Christians (20.24%), Jains (6.32%), Buddhists (2.39%) and Parsis (1.67%). The data clearly shows that Muslims constitute 72 percent among the total minority population, but only account for 45 percent of the total credit flow. Whereas, several field based studies have found that the access to credit by Muslims even negligible due to many reasons in rural areas.

**Box 1: Union Budget 2018-19 could have included the following policy asks**

- The budget should have include minorities in the budgetary processes by opening a minor head in the detailed budget books and introducing a budget statement on minority related programmes based on the strategy of implementation of SCSP and TSP.Minorities have not been included in the budgetary processes by the Union Government .
- The unit costs of scholarships (Pre - Matric Scholarship including other scholarships (Post Matric, Merit cum means, free coaching) should have been revised in the budget from the existing level. Currently, Rs.1000 per annum under Pre-Matric Scholarship is allocated for each student of the minority community (Day Scholar) which is insufficient, especially if we take the rate of inflationinto account.
- The budget should have undertaken initiatives in MSDP that are needs based instead of 'topping up' approach adopted in the existing CSS covered under the 15 PP. Secondary and senior secondary residential schools need to be established and made functional in Minority Concentrated Blocks by MoMA itself.
- Many students are not able to submit online application forms in scholarship programmesin rural areas due poor internet connectivity and lack of electricity. The budget should have announced about the permission of manual application of form along with online application.

Further, the policy gaps and other social, communal and discriminatory factors may be mutually exclusive in preventing Muslims to access to the desired level of development benefits. To address the issues of communal violence in the country as per the guideline of 15 PP,a Bill titled "The Communal Violence (Prevention, Control and Rehabilitation of Victims) Bill, 2005" was introduced in the Rajya Sabha in 2005 but was not passed.Subsequently,a new Bill was proposed for the discussion in the Rajya Sabha in 2014. However, the introduction of bill was deferred and has not taken up so far for further discussion by the current government.

# CLIMATE CHANGE

## Highlights

- Allocations for Ministry of Environment, Forests and Climate Change remains unchanged and stands at Rs. 2,675 crore in 2018-19 (BE), the same as 2017-18 (BE & RE).
- Increase in budget for Ministry of New and Renewable Energy by 8.5 percent.
- Meagre increase of Rs. 1.5 crore in National Adaptation Fund on Climate Change (NAFCC) scheme of Ministry Of Environment, Forests and Climate Change from 2017-18(RE).
- Off Grid/Distributed and Decentralised Renewable Power allocation declines by 7.5 percent from level in 2017-18 (RE).
- Government announced to take necessary measures and encourage State governments to put in place a mechanism so that their surplus solar power is purchased by distribution companies.
- Announcement for a special scheme on air pollution control to subsidise machinery required for in-situ management of crop residue to support the efforts of the governments of Haryana, Punjab, Uttar Pradesh and the NCT of Delhi.

This year's Economic Survey 2018-19 has a stark message that climate change can decrease farm incomes by as much as 25 percent in rain-fed areas over the medium term. Despite this, Union Budget 2018-19 does not provide the additional public investment push for environment and climate change mitigation efforts. There is a consistently low budgetary allocation for the ministries concerned – the Ministry of Environment Forest and Climate change (MOEF & CC) and the Ministry of New and Renewable Energy (MNRE).

Overall allocation for MOEF & CC stands at Rs. 2,675 crore in 2018-19 (BE), which is the same as the that in 2017-18 (BE) and 2017-18 (RE) even though the government recognised the importance of climate change impact across all sectors and ratifying the Sustainable Development Goals (SDGs) post-2030 Agenda. A similar trend is seen in climate change specific schemes such as Climate Change Action Plan (CCAP) and National Adaptation Fund for Climate Change (NAFCC).

**Table 16.1: Budgetary Allocation MOEF & CC (In Rs. crore)**

Year	Allocation
2014-15(A)	1,599
2015-16(A)	1,521
2016-17(A)	2,278
2017-18(BE)	2,675
2017-18(RE)	2,675
2018-19(BE)	2,675

Source: Compiled by CBGA from, Union Budget various years

Allocation for CCAP scheme is at the same level as in Revised Estimates of the previous fiscal despite the fact that the projected medium term outcome of CCAP in Budget 2018-19 focusses on increasing the capacity at Central and State levels in the areas of climate change including Institutional arrangements. It seems difficult to achieve the projected outcome of the scheme with these meagre outlays and hence a missed opportunity to improve the readiness of the institutions in accessing the new climate finance resources such as Green Climate Fund, Adaptation Fund, etc. Like CCAP, the issue of low resource allocation persists with NAFCC scheme, which was meant to increase the resilience and adaptive capacity of vulnerable communities and ecosystems against climate change impacts with a corresponding increase in financing of adaptation activities

**Table 16.2: Allocations for Programmes / Schemes Specific to Climate Change Adaptation Planning under MoEF & CC (in Rs. crore)**

Programme	Projected Medium Term Outcomes	2015-16 (A)	2016-17 (A)	2017-18 (BE)	2017-18 (RE)	2018-19 (BE)
Climate Change Action Plan	Increasing the capacity at Central and State levels in the areas of climate change including Institutional arrangements.	137	42.67	40	33	40.00
National Adaptation Fund	Increased resilience and adaptive capacity of vulnerable communities and ecosystems against climate change impacts by financing adaptation activities	129	96.94	110	108.25	110.00

Sources: Compiled by CBGA from Union Budget various years and Output outcome framework for schemes 2018-19

From the above trends, it can be concluded that the Budget has not yet not geared up for implementation of the Paris Agreement that will come into force from 2020.

In terms of India's efforts at mitigation of climate change and increasing energy security of the country, promotion of renewable energy has always been a focus area. Three years after the first formal announcement of the renewable energy targets by the government in 2015, India's renewable energy capacity (as of December 2017) stands at close to 62.8 GW. Wind energy dominates with 32.8 GW of installed operational capacity, followed by solar energy with 16.9 GW and other RE sources with 12.9 GW. While this physical progress for installing renewable energy is sizeable, it is significantly short of the 175 GW renewable energy capacity target set for 2022.

The Budget has allocated Rs. 10, 317 crore to the Ministry of New and Renewable Energy (MNRE) with an increase of 8.4 percent from 2017-18 (RE). This increase in allocation is not adequate to serve the projected medium term outcomes of various schemes under the ministry. The budgets for MNRE comprise Internal and Extra Budgetary Resources (IEBR) as well as Gross Budgetary Support (GBS). What is also striking is that there is no improvement in GBS for MNRE in Budget 2018-19 (BE). Additionally, the unspent coal cess collected over the years under National Clean Energy Fund (NCEF) has now been used to compensate states as GST compensation fund for their loss of revenue, which would give a further blow to the renewable energy sector. Since 2011, a bulk of the budgetary allocations for MNRE came from NCEF. In the absence of NCEF from this year, financing of mechanisms and schemes that spur further renewable energy deployment would be an acid test for MNRE to serve its mandate.

**Table 16.3: Budgetary Allocations for MNRE (in Rs. Crore)**

Year	IEBR	GBS	Total
2012-13 (A)	1894	1089	2,983
2013-14 (A)	2966	383	3,349
2014-15 (A)	3291	502	3,793
2015-16 (A)	6113	92	6,205
2016-17 (A)	8641	100	8,741
2016-17(BE)	9193	100	9,293
2016-17(RE)	12301	100	12,401



Year	IEBR	GBS	Total
2017-18(BE)	8244	50	8,294
2017-18(RE)	9466	50	9,516
2018-19(BE)	10317	-	10,317

Notes: GBS = Gross Budgetary Support; IEBR= Internal & Extra Budgetary Resources

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

Within the overall proposed outlay for MNRE, allocations for various programmes present a mixed picture. There is a visible step towards eco-friendly renewable energy production through an increase of 43 percent and 16.5 percent in allocations for Grid Interactive Renewable Power and Scheme for Research, Development and International Cooperation respectively from the level in 2017-18 (RE). While Off Grid/Distributed and Decentralised Renewable Power can help the Government to achieve universal electrification under the *Saubhagya* scheme, its allocation has further declined by 7.5 percent in 2018-19 (BE).

**Table 16.4: Allocations for Programmes / Schemes under MNRE (in Rs. Crore)**

Key Programmes/ Schemes	2014-15	2015-16	2016-17	2017-18 ( RE)	2018-19 ( BE)
Grid interactive Renewable Power	1845	2468	2824.23	2631	3763
Off Grid / Distributed and Decentralised Renewable Power	160	97.18	689	1121	1037
Research, Development & International Cooperation	127	106	227	81	94

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

Allocations for clean energy sector under Union Budget 2018-19 indicate that the thrust on renewable energy sector is not accompanied by enhanced outlays for the sector or by promoting public investment. Rather, these seem to be a combination of certain incentives extended to other players for investing in the renewable energy sector in India.

## Conclusion

While the Economic Survey of India recognises the impact of climate change on agricultural farm income, the budget has not done enough justice by providing the necessary public investment in the climate change sector. A revised roadmap for earmarking allocations for climate change is needed for implementation of the Paris Agreement. The focus should not be only on maintaining the existing allocations but to ensure additional funds for reducing the climate change vulnerability of poor farmers, improve the capacity of state governments to tackle climate change impacts and to meet enhanced targets of adding renewable energy.



# TAXATION

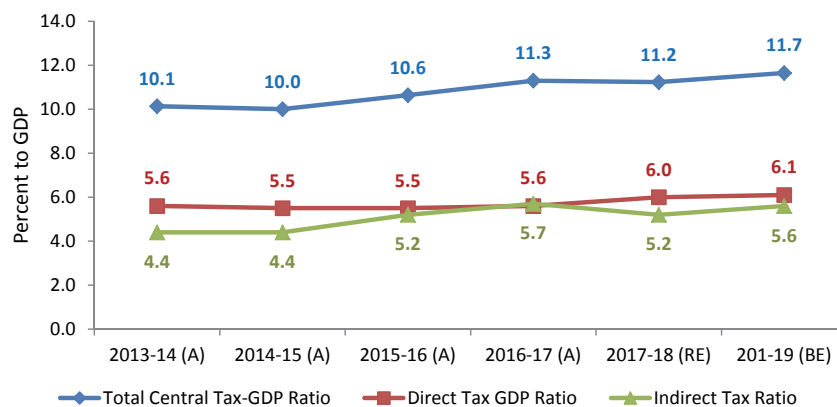
## Highlights

- In the past couple of years, personal income tax compliance has increased as is visible from increased collection and increase in number of effective tax payers
- Long Term Capital Gains (LTCG) Tax has been re-introduced after being discontinued in 2003-04. LTCG exceeding 1 lakh per annum will be taxed at 10 percent, it is expected to accrue Rs. 20,000 crore in the first year.
- Custom duty has been increased on a number of items such as cars, motorcycles, footwear, mobile phones, smart watch, etc.
- The current education cess of 3 percent on personal and corporate income tax will be replaced with a 4 percent cess for education and health, expected revenue from this measure is Rs. 11,000 crore.
- Corporate tax slab for rate 25% has increased from Rs. 0-100 crore to Rs. 0 - 250 crore, while those with turnover above Rs 250 crore will continued to be taxed at 30 percent. The estimated revenue foregone from this measure would be Rs. 7,000 crore in 2018-19.
- Effective tax rate for corporate sector has gone down from 28.24 percent in 2015-16 to 26.24 percent in 2016-17.
- Total estimated revenue foregone in 2017-18 is 1.2 percent of GDP. In 2016-17, it was 2 percent.

## Overall Tax Collection

The current tax-GDP ratio in India which includes both Union and State taxes stands at 17 percent. In this indicator, India ranks low compared to not only advanced/developed countries, but even in comparison to the developing countries such as China, Vietnam, Brazil and South Africa<sup>1</sup>. The total tax collection is the sum of gross central tax and state taxes. Looking at only the gross central taxes, there is slight increase in the central tax to GDP ratio in the last few years. A minor decrease for 2017-18 is due to fall in indirect taxes which can be attributed to introduction of Goods and Services Tax (GST). While earlier indirect taxes were payable in the same month of transaction, GST gets paid in the next month. Due to this reason, in financial year 2017-18, indirect taxes were collected only for 11 month, and GST on transactions conducted during March 2018 will be payable in the next financial year. The Union Tax to GDP ratio is estimated to be 11.7 percent in 2018-19 (BE). The direct taxes constitute a larger share of 52 percent in total Union Taxes. The trend of Union Taxes to GDP ratio is presented below.

Figure 17.1: Tax-GDP Ratio



Source: compiled by CBGA team from budget document

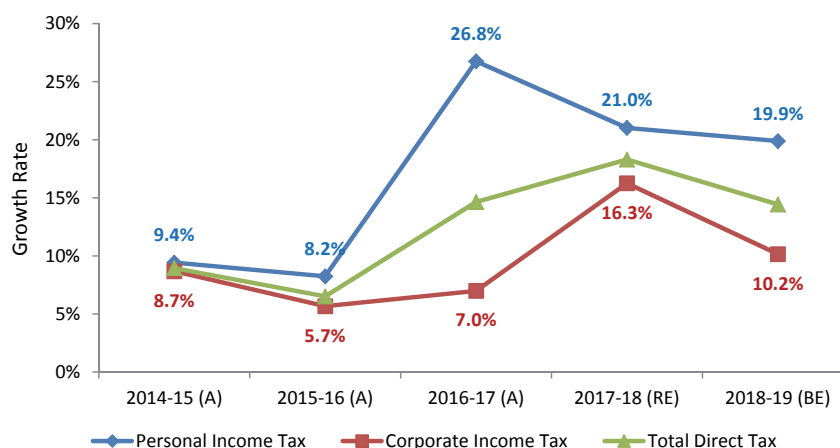
\*The tax collection number excludes the GST Cess compensation

<sup>1</sup> Economic Survey 2015-16, Chapter 7, page 108

## Personal and Corporate Income Tax

In his last budget speech, The Finance Minister mentioned that “India is a largely tax non-compliant country”, and the present government has laid emphasis on widening the tax net. There seems to have been some success on this front as direct tax collection increased by 18.7 percent between FY 2016-17 and 2017-18<sup>2</sup>. A further analysis suggests that a larger part of this increase is coming from increase in personal income tax collection. However, budget estimates point out that the growth rate of direct taxes will slow down in next financial year mainly due to a lower growth rate of corporate tax.

**Figure 17.2: Growth of Direct Tax Collection**



Source: Compiled by CBGA team from budget document

In the budget, there are two major announcements related to income tax. In lieu of the earlier promise of reducing the corporate income tax to 25 percent, the benefit of lower tax rate of 25 percent has been extended to firms with turnovers of up to Rs. 250 crore. It is estimated that after this change, almost 99 percent of all firms incorporated in India will come under the category of 25 percent corporate tax rate, while firms with turnovers above 250 crore will continue to have 30 percent nominal tax rates. However, while statutory corporate tax rate, inclusive of surcharge, is 34 percent, the effective tax rates paid by the companies with revenues higher than Rs. 500 crore per annum is only 23.94 percent<sup>3</sup>.

The Finance Minister announced in an interview<sup>4</sup> after the budget presentation that the corporate tax rates will be brought down to 25 percent for rest of the companies as well. The reduction of corporate income tax is a worldwide phenomenon known as race to bottom, where countries lower their corporate tax rates to attract foreign direct investment and keeping the domestic industry from moving to another country with lower tax rates. Since there is always one country that is willing to lower its taxes even further, participation of India in this race to bottom can have serious implications for revenue mobilisation of the government, not to mention other side effects like increase in inequality.

Another announcement relates to surcharges. Earlier surcharges were applied at 3 percent for education on personal and corporate income tax and it will be replaced by a new 4 percent surcharge for education and health. For domestic companies, those with revenues between Rs. one crore and Rs. 10 crore will have a 7 percent surcharge while those with revenues greater than 10 crore will invite 12 percent surcharge. In the case of foreign companies, the rate of surcharge is 2 percent and 5 percent respectively for the same revenue slab. The total additional tax revenue from this change is estimated at Rs. 11,000 crore.

<sup>2</sup> Budget Speech 2018-19

<sup>3</sup> Budget Document, 2018-19

<sup>4</sup> <https://economictimes.indiatimes.com/markets/expert-view/we-will-take-call-on-continuing-with-stt-depending-on-collections-arun-jaitley/articleshow/62742279.cms>

One important aspect of revenue mobilisation in recent years has been the focus on cess and surcharges. While tax collections form the divisible pool, and hence any increase in tax collection has to be shared with the states, cess and surcharges are not shared with states, and increased revenue generation through cess and surcharges are used solely by the Central Government. The increasing role of cess and surcharges in revenue generation therefore has ramifications for the federal structure of the country as identified in the constitution.

**Long Term Capital Gains Taxes**

Long-term capital gains tax has been reintroduced in the Budget after being discontinued in 2003-04. The non-taxation of LTCG has been criticised in the past on various grounds such as loss of revenue, incentive of shifting from physical investment to financial investment, and since these gains accrue largely to corporations or high net-worth individuals (HNIs), it was also criticised for aiding in inequality. In this context, the reintroduction of LTCG tax is a move in the right direction. LTCG tax will be applicable on gains greater than 1 lakh per annum and will invite 10 percent tax rate. There is a grandfathering clause which means that gains till 31<sup>st</sup> January 2018 will be exempted from calculation of taxable gains.

**Custom Duties**

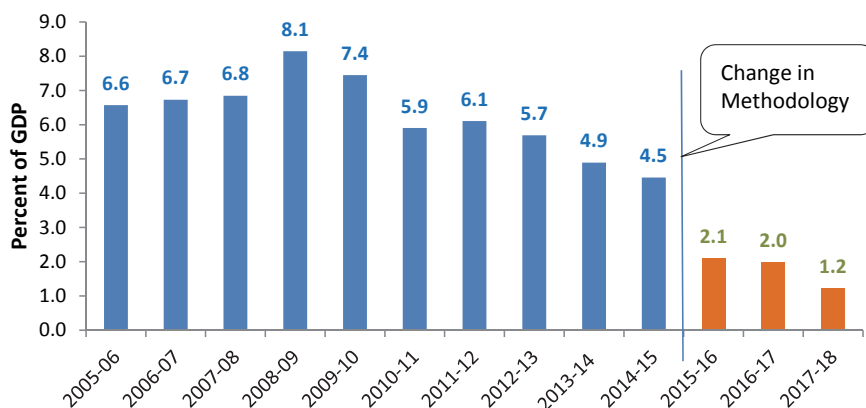
The Finance Minister spelled out a policy departure on custom duties where he announced use of customs for import substitution domestic industry growth. In essence, the sectors which are identified as having potential where India should/could develop domestic industries or domestic production by foreign companies through FDI, he announced increase in custom duty. This increase is expected to discourage the import of such goods and incentivise domestic production of goods that are in line with the government’s thrust on programmes such as Make in India and Start-up India. The example of such goods/industry include perfumes, cars, motorcycles, vehicle accessories, footwear, certain jewellery, mobile phones, parts of mobile phones, smart watches, electronic screens, some electronic items, etc.

**Revenue Foregone**

Revenue foregone is defined as the revenue that the state foregoes as a result of incentives or benefits that lower the tax burden of certain taxpayers in relation to a reference tax system (CIAT 2011). The various tax incentives include specific tax rates, exemption, deductions, rebates, deferrals and credits. These measures have revenue impact and can be viewed as indirect subsidies to preferred tax payers, also referred to as “tax expenditures”.

The concept of revenue foregone originated in the United States and Germany during the 1960s and was first covered as a separate chapter in the USA Budget 1968. In India, the statement of revenue foregone has been part of the Union Budget since 2006-07. The objective is to make the tax policies of the government more transparent. The trend of revenue foregone as a share of country’s GDP since 2005-06 presented below shows a sizable share of expected revenue goes as tax exemptions.

**Figure 17.3: Revenue Foregone as Percent of GDP**



Source: Union Budget 2018-19 and the previous Union Budgets

A close look at the past trend shows that there is a positive growth in revenue foregone until the year 2014-15. In 2015-16, there was a sharp fall in total revenue foregone of 49 percent which led to fall in revenue to GDP ratio to 2.1 percent from 4.5 percent in the previous year. The change in methodologies in estimation of tax exemptions provided under customs and excise duties is believed to be a major contributor to this fall.

Under the new methodology, total exemptions are classified into two types: conditional and non-conditional. Conditional tax exemptions are given for specific purposes such as tax exemptions provided to leather industries, with the aim of generating employment and boosting exports. Under this circumstance, the estimation of revenue foregone is possible as there are two rates i.e., statutory tariff rates and effective tariff rates. Effective rate is the residual rate after the removal of exemptions from statutory rates. However, under the unconditional tariff exemptions, there is no such statutory tariff rate, as the government has to respect the tariff rates defined under various agreements with other countries and multinationals under Free Trade Agreement, Comprehensive Economic Partnership Agreements, and Comprehensive Economic Co-operation Agreements etc. Therefore, revenue foregone is estimated only under the conditional cases of tax exemption applicable since 2015-16.

With the application of the new methodology, the estimated revenue foregone in 2017-18 has come down to 1.2 percent of GDP, which was 2 percent in 2016-17. The reduction in the revenue foregone is witnessed in the areas of customs and excise duties. Estimated revenue foregone under central excise for 2017-18 is zero, whereas the same under customs duty has reduced from Rs. 751,000 crore in 2016-17 to Rs. 36,381 crore in 2017-18.

Estimated tax exemptions provided to the corporate sector in 2017-18 shares 42 percent of the total estimated tax exemptions. Tax exemptions are provided across various sectors. Among the beneficiaries, units located in Special Economic Zones (SEZs), undertakings engaged in generation, transmission and distribution of power, undertakings engaged in development of infrastructure facilities and production of mineral oil and natural gas account for a significant portion of the total tax incentive.

Tax incentives are provided to improve domestic growth and achieve improvement in other macro-economic parameters. Economic Survey 2017-18 has pointed out that relief from embedded state taxes in 2016 buoyed readymade garments exports by 16 percent.

However, there is a need for more rationalisation of the tax exemption structure. Few tax exemptions provided to the corporate sector may be further reconsidered, as many big and profit making companies are found to be availing these benefits. Budget 2018-19 has presented a profile of companies with effective tax rates which shows that above 45 percent of companies pay zero taxes (effective). More interestingly, some of them are reported to be profit making companies and account for over 4 percent of total profits earned by companies in India. Tax rationalisation would help in bringing additional revenue to the government which could be further used for various development and welfare programmes.

One area where the budget missed an opportunity is wealth tax and inheritance tax. There are several studies/reports which show that the number of HNIs in India is increasing at a rapid pace, and the wealth of these high net-worth individuals is also seeing a rapid growth<sup>5</sup>. Such increase in wealth provides a lucrative opportunity for taxation. Apart from generating revenue, wealth tax and inheritance tax can also help in controlling the rising inequality<sup>6</sup>.

<sup>5</sup> [https://www.worldwealthreport.com/reports/population/asia\\_pacific/india](https://www.worldwealthreport.com/reports/population/asia_pacific/india)

<sup>6</sup> Oxfam International (2018): Reward work, not wealth

[https://www.oxfam.org/sites/www.oxfam.org/files/file\\_attachments/bp-reward-work-not-wealth-220118-summm-en.pdf](https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp-reward-work-not-wealth-220118-summm-en.pdf)

# GOODS AND SERVICES TAX (GST) AND THE UNION BUDGET 2018-19

One of the factors that make the Union Budget 2018-19 different from budgets of previous years is that a large chunk of indirect taxes no longer feature as part of the tax proposals of the budget. With the implementation of the Goods and Services Tax (GST) in July last year, almost all major centre and state level indirect taxes have been subsumed into the GST. As a result, decisions regarding GST rates for most goods and services are taken by the GST Council and no longer fall in the domain of the Union Finance Minister<sup>1</sup>. Thus other than changes in the Central Excise duties on some goods and Custom Duties, some of which are outside the purview of GST, the Union Budget 2018-19 does not have any major changes in the indirect taxes. Thus other than changes in the Central Excise duties on some goods and the Basic Custom Duties some which are outside the purview of GST, the Union Budget 2018-19 does not have any major changes in the indirect taxes.»

However, the revenue collected under GST continues to remain important as it has significant implications for the Centre's collection of tax revenue, and hence overall receipts. Thus even while GST does not form a part of this year's Budget proposals, it remains a crucial element for understanding the fiscal situation of the government.

## **Trajectory of Tax Rates and Rules under GST since July 2017**

Following the roll out of the GST on July 1, 2017, it has gone through various amendments. Among other things, GST was expected to simplify the indirect tax system by reducing the number of taxes, lower the cascading effect of taxes and make compliance easier compared to the earlier tax system. However, the model of GST implemented in July 2017 turned out to be complex and challenging in many ways. The challenges relate to the multiple tax rates for different categories of goods and services, stringent procedures for filing returns, IT issues arising out of less than desirable level of functioning of the Goods and Services Tax portal, difficulties faced by MSME sector in compliance, cash flow issues on account of delays in refunds, etc.

Resultantly, the GST Council, has had to take measures on a number of fronts in order to address some of the problems faced by various stakeholders. Thus, in the course of the last few months, the GST Council has, among other measures:

- Revised tax rates for different categories of goods and services several times;
- Rationalised tax rates to reduce classification disputes among certain category of goods;
- Brought about a number of procedural changes to simplify processes;
- Deferred implementation of some of the features of GST, such as the onerous Reverse Charge Mechanism (RCM) under which large entities were required to pay taxes on purchase from unregistered Small and Medium Enterprises (SMEs), until the end of March 2018.

The frequent changes made in GST rates and procedures, it can be argued, points to the fact that the new tax system, in particular that the GST Council is responsive to problems faced by various stakeholders. At the same time, it also means that these changes were necessary to make the GST system simpler. In fact, given that several changes in the GST rules and rates were brought in as recently as January 2018, it seems that GST is still a work in progress and perhaps more needs to be done to simplify the GST system, smoothen its implementation and make it more tax friendly, particularly for enterprises in the informal sector.

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<sup>1</sup> In fact, the Finance Minister had dropped indirect tax proposals in his previous Budget in anticipation of GST coming in force after a few months of the budget presented last year.

### Informal Sector in the GST Regime

In fact, the need to make the new tax system less onerous, in particular for the informal sector, cannot be overemphasised. As some economists have noted, there are a number of ways in which GST has adversely affected small producers in the informal sector. First, the threshold limit for paying taxes has been lowered significantly under the new tax system. This has meant that a large number of small producers which were not required to pay taxes in the earlier regime are now in the tax net. This implies that the tax on the informal sector has increased under the GST regime as compared to the earlier indirect tax system.

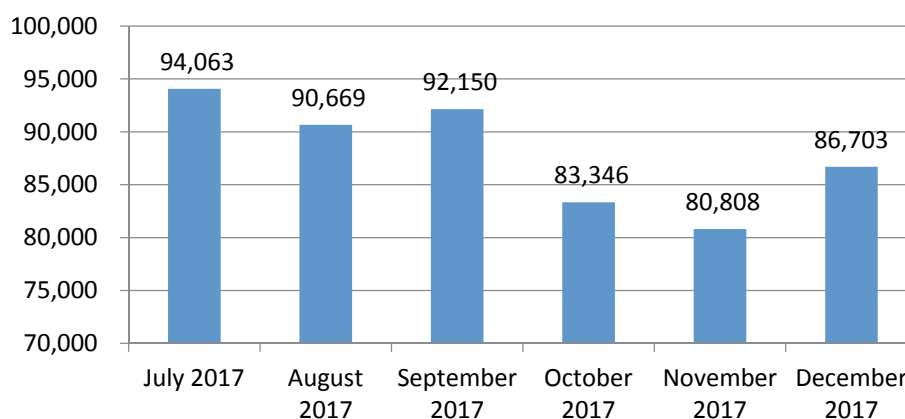
The GST also entails a disproportionately high compliance burden for small enterprises arising out of the necessity to file returns frequently. In addition to these, the design of GST, which requires depositing taxes in full before any claims for refunds can be made, blocks working capital, something that smaller enterprises can ill afford. All these factors have had significant adverse impact on the small enterprises, as has been reported in the media from different parts of the country.

As Prabhat Patnaik, argues, these factors put small firms at a distinct disadvantageous position “compared to large firms, in the GST regime”. Higher taxation and the resultant rise in prices of the sector’s products can even result in recession in the sector, owing to a fall in demand. As the fall in demand in the informal sector affects overall demand in the economy, recession in this sector may simply result in recession in the economy as a whole<sup>2</sup>.

### GST Revenue Collection

In the last few months revenue collection under GST too has met with some challenges. As per various newspaper reports, the government had set a monthly target of revenue collection of around Rs. 91,000 crores (for both the centre and states) for ensuring that the transition to the new tax system does not result in a significant drop in revenue collection. Indeed in the first three months since the implementation of GST in July, revenue collection met the monthly target set, even surpassing it in some of the months. However, since then, there has been a drop in the tax collections with the shortfall from the target being as high as Rs. 10,100 crores in the month of November. There has been a revival in revenue collection in December, but it still remains below the target (Figure 1).

**Figure 18.1: Month-wise GST Revenue Collection: July to December 2017 (Rs. crore)**



Note: GST figures include all components of GST, i.e. CGST, SGST, UGST, IGST. They also include “funds collected from GST Compensation Cess, which are transferred to a non-lapsable fund in the Public Account”.

Source: Press Information Bureau, Ministry of Finance, Government of India

<sup>2</sup> Prabhat Patnaik (2017), “GST Regime Targets ‘Informal Sector’ to Centralise Political Authority and Capital”, TheCitizen, October 9 <http://www.thecitizen.in/index.php/en/NewsDetail/index/4/11943/GST-Regime-Targets-Informal-Sector-to-Centralize-Political-Authority-And-Capital>

A number of reasons have been attributed to the fall in revenue collections under GST, including less than satisfactory compliance rate and a decline in 'overall incidence of taxes on a large number of goods and services. The other reason that has been cited is that in the first three months, there was an additional flow of the IGST (Integrated Goods and Service Tax) due to the first-time requirement of paying the IGST on transfer of goods from one state to another state even within the same company. With the credit for IGST being utilised for payment of State GST (SGST) and Central GST (CGST) as and when the final transaction of these goods takes place, the inflow of new taxes has come down.

The fall in GST collections for the reasons mentioned above and the fact that in 2017-18, the Union Government will be receiving GST revenues for 11 months, instead of 12 months, have resulted in lower indirect tax collections in 2017-18 (RE) as compared to 2017-18 (BE). As the table below shows, indirect tax collections has declined by Rs. 51,856 crore, down from Rs. 9,26,900 crore in 2017-18 (BE) to Rs. 8,75,044 crore 2017-18 (BE) (Table 1).

**Table 18.1: GST and other Indirect Tax Collection (Rs. crore)**

Indirect Tax Components	2017-18 (BE)	2017-18 (RE)	2018-9 (BE)
Customs	2,45,000	1,35,242	1,12,500
Union Excise Duties	4,06,900	2,76,995	2,59,600
Service Tax	2,75,000	79,507	-
Central Goods and Services Tax (CGST)	-	2,21,400	6,03,900
Integrated Goods and Services Tax (IGST)	-	1,61,900	50,000
Total	9,26,900	8,75,044	10,26,000

Note: "Funds collected from GST Compensation Cess, which are transferred to a non-lapsable fund in the Public Account" has not been included in the tax collection for the Centre under GST (CGST+IGST).

Source: Receipt Budget, Union Budget, 2018-19, Ministry of Finance, Government of India

The figures projected for revenue collection under GST for the Union Government in 2018-19, on the other hand, are very optimistic. This is particularly so for the CGST component which is projected to increase by nearly three times compared to 2017-18 (RE) figures. It is hoped that going forward the glitches in the new tax system, including those affecting the informal sector, are ironed out, so that there is no major shortfall in GST revenue in the next budget. This is particularly important as from the next budget onwards the Finance Minister will have much less manoeuvrability to tinker with taxes in case of a shortfall in resources generated.



# INTERNATIONAL TAXATION

## Highlights

- Two new tax exemptions announced for International Financial Services Centre: Capital Gains Tax will not apply to a transfer of derivatives and certain securities by non-residents in a stock exchange established in the IFSC; and non-corporate taxpayers operating in the IFSC will be charged Minimum Alternate Tax at a concessional rate of 9 percent.
- Union Budget 2018-19 announced a reciprocal arrangement for exchange of information facilitating trade.
- The definition of Permanent Establishment has been expanded under 'significant economic presence' as per the multilateral instrument to prevent tax base erosion and profit shifting.
- There is a regional race to the bottom concern with further reduction in corporate income taxes.

The run up to the Union Budget 2018-19 saw various efforts on part of the Government of India (GoI) to curb illegal and illicit activities that generate black money. The abusive impact of such activities has been corroborated by studies<sup>1</sup> documenting the rising income and wealth inequality in 2017. The top 1 percent of the population in the country now owns more than half of the total wealth pool in India.<sup>2</sup>

To improve the ease of doing business in the country, it is common to offer various tax incentives and exemptions to companies in order to attract foreign direct investment, which may have an erosive impact on the tax base. These are often misused by businesses to dodge their tax liabilities, thus creating an uneven playing field and burdening local, smaller enterprises with artificial competition. To avoid entering an intense 'race to the bottom', India should aim at streamlining and rationalising tax incentives and exemptions backed by time bound development plans.

## Tax Exemptions for International Financial Services Centres in India

The Union Budget 2018-19 announced the government's plans to establish a coherent and integrated regulatory framework for governing the International Financial Services Centre (IFSC) in the Gujarat International Finance Tec-City (GIFT City), Gujarat, to fully develop and to compete with other offshore financial centres. Government of India (GoI) will establish a unified authority for regulating all financial services in IFSCs in India.

Introduced as a proposal in 2011, India's first IFSC was set up as in March 2015, as a Special Economic Zone (SEZ). The key features of regulations subsequently laid out by the Reserve Bank of India (RBI) pertaining to any financial institution or its branch set up in the IFSC :

- Shall be treated as a non-resident Indian located outside India;
- Shall conduct business in such foreign currency and with such entities, whether resident or non-resident, as the Regulatory Authority may determine;
- Subject to certain provisions, nothing contained in any other regulations shall apply to a unit located in the IFSC.

<sup>1</sup> Chancel & Piketty (2017); Oxfam (2018)

<sup>2</sup> United Nations Economic and Social Commission for Asia and the Pacific (2017), Taxing for Shared Prosperity. Policy Brief no. 46



The IFSC was inaugurated in January 2017, and has fast emerged as a global financial hub with transactions exceeding \$1.5 billion<sup>3</sup> (roughly Rs. 9607 crore) in a year's time. The IFSC has been ranked tenth in the Global Financial Centres Index, London - ahead of Luxembourg, Seoul, Abu Dhabi, Toronto and Beijing. The Bombay Stock Exchange (BSE) has set up the India International Exchange and commenced its operations in January 2017. Subsequently, the National Stock Exchange (NSE) also launched its international exchange, the NSE IFSC Ltd. in GIFT City.

The IFSC is aiming to target financial services including banking, insurance and asset management, corporate processes in financial services; microfinance; capital market and trading; information technology services and BPO services.

The IFSC enjoys numerous tax concessions along with exemptions on transaction taxes and stamp duties. Besides, firms operating in the IFSC also enjoy tax holidays. Further, the Union Budget 2018-19 announced that capital gains tax will not apply to a transfer of derivatives and certain securities by non-residents in a stock exchange established in the IFSC, including transfers received in foreign currency. Non-corporate taxpayers operating in the IFSC will be charged Minimum Alternate Tax (MAT) at a concessional rate of 9 percent at par with MAT applicable for corporates. Indian trading firms can also fund a subsidiary based in the IFSC to the extent of 400 percent of their net worth through Overseas Direct Investment (ODI) - by virtue of firms or their branches being treated as a non-resident Indian. In his inauguration address, Prime Minister Narendra Modi declared that the IFSC would "provide onshore talent with an offshore technological and regulatory framework. This is to enable Indian firms to compete on an equal footing with offshore financial centres."<sup>4</sup>

An offshore financing centre (OFC) typically attracts a high level of non-resident activity, low or no taxes on business or investment income, flexible incorporation and licensing regimes, flexible supervisory regimes, flexible use of special corporate vehicles, impenetrable secrecy laws.<sup>5</sup> The IFSC, modeled after OFCs like Dubai and Singapore, is regulated only by the Reserve Bank of India's regulations specifically covering the IFSC's governance. The IFSC incentivises instruments and activities related to speculative investment, which is of great concern for the Indian economy, especially in the aftermath of the global financial crisis of 2007-08. In the post-crisis period, when the economy is recovering, the government's decision to encourage and incentivise speculative financial instruments can potentially hamper the country's macroeconomic indicators such as the GDP growth rate and employment growth rate. Furthermore, this has significant impacts on the government's revenue, as the IFSC provides for substantive tax exemptions and tax holidays and which maybe used for tax abuse.

There is currently global momentum to crack down on financial secrecy and tax opacity, which encourage illegal and illicit activities like human and drug trafficking, corruption, tax evasion and shifting wealth and assets to tax havens. While India has been a supporter of and signatory to a number of tax and financial transparency norms designed by the G20 and the Organisation of Economic Co-operation and Development (OECD), as well as a vocal supporter of the need to curb black money, this step to set up onshore IFSCs will increase opacity and will contribute to significant loss in revenue.

### **Financial Transparency Measures**

As a part of the G20, India has endorsed and implemented tax transparency standards such as the Base Erosion and Profit Shifting (BEPS) initiative backed by the OECD. These commitments have been implemented through legislative changes with exchange of tax information for tax purposes, anti-tax avoidance rules, anti-money laundering measures, country-by-country reporting guidelines for multinational corporations and the registry on beneficial ownership of companies.

<sup>3</sup> The Hindu Business Line (January 6, 2018)

<sup>4</sup> Press Information Bureau (January 9, 2017)

<sup>5</sup> Financial Stability Forum (2000)

The requirements for multinational corporations with an annual consolidated revenue of 750 million Euros (approximately Rs. 5,500 crore), to report their operations and tax data on a country-by-country basis, were laid out by the GoI, effective from FY 2017-18. This would detail revenue accrued, profits earned, taxes paid, number of employees, assets etc. of multinational corporations in a disaggregated, country-by-country basis for each financial year. However, the revenue threshold of Rs. 5,500 crore is particularly high for companies in India and needs to be lowered considerably to include more companies in the net for scrutiny.

In a welcome step, the Union Budget has made amendments to the Permanent Establishment (PE) rule by expanding the scope of “significant economic presence” of a non-resident in India categorised as “business connection”. This includes any person conducting business on behalf of the non-resident, who may or may not have residence or place of business or renders services, along with downloading data or software, in India. The expansion of the scope of PE has implications on attributing taxes to where the economic value is created. The amendments will take effect from April 1, 2019, thus applicable from FY 2019-20 onward.

Companies used as instruments to facilitate money laundering were identified and effectively delisted for being shell companies in the past year. Such steps also disqualified directors of the found entities for a period of five years as penalty, although they did not go far enough in identifying the true beneficiary of the entity. The true beneficiary or the ultimate Beneficial Owner (BO) of an entity is the real human owner(s) who either directly or indirectly (using legal arrangements) accrues benefits from, exerts control over, or has voting rights in that entity.

In this vein, the Global Forum on Transparency and Exchange of Information for Tax Purposes (hereafter, Global Forum), an international body of OECD, recently released the Peer Review report for India assessing the implementation of automatic exchange of tax information during the period of July 1, 2013 to June 30, 2016. The report conclusively cites the lack of availability of beneficial ownership information as the reason for the slip in India’s ranking from compliant to largely compliant. The Companies (Amendment) Act, 2017 introduced a definition on “beneficial interest in a share” for companies to discern their beneficial owner(s) with a threshold of 25 percent. This register on BOs will have to be maintained and declared with the Registrar of Companies, Ministry of Corporate Affairs. The registry may include name of the person, their date of birth, address, details of ownership in the company and other such details. While the adoption of the BO registry is a welcome move, the set threshold is vulnerable to abuse. The threshold may be diluted by appointing multiple representatives to escape disclosure requirements. India is yet to join consensus with countries like Afghanistan, Kenya, Ghana, Slovakia and the United Kingdom to commit to a publicly accessible beneficial ownership registry. The Centre has also reserved the authority to exclude certain class or classes of persons from making these disclosure requirements, which is a concern and needs review on part of the GoI.

### **Reciprocal Arrangement for Exchange of Information for Facilitating Trade**

The Union Budget 2018-19 has proposed in the Finance Bill, 2018 that a reciprocal arrangement for exchange of information for facilitating trade should be established. The clause proposes that the Centre may enter into an agreement with another country for facilitation of trade, exchange of information for trade facilitation, effective risk analysis, verification of compliance and prevention, combating and investigation of offences under the provisions of the Finance Act.

There is a need for greater clarity for the proposed measure, its desired impacts and the process of implementation.

### **Regional and Global Tax Cooperation**

The revelations of Paradise Papers reaffirmed the concerns of the growing problem of offshore wealth and global tax avoidance which disproportionately harms developing countries. Despite more than

700 entities and individuals have been named in the leaks, the Union Budget offers little to strengthen the fight against financial secrecy and curb the generation of black money. The multi-agency group constituted as a response to the leaks is yet to undertake affirmative action on people and entities that park their wealth in tax havens.

The Sustainable Development Goals (SDGs) - the world's development agenda from 2015-30 - places the primary responsibility of financing development on national governments and domestic resources. Thus, it becomes crucial that the GoI sustainably aim to curb black money by way of adopting comprehensive transparency reforms, to ensure that it does not lose revenue to illegal and illicit activities.

In this light, the global call for international cooperation on taxation is one that India should continue to champion. The GoI should propose regional tax cooperation among Asian countries by way of a pan-Asian tax coordination forum to harmonise corporate income tax rates, curb the 'race to the bottom' and establish a meaningful and effective information exchange system. Similarly, GoI should also keep the global tax body under the auspices of the United Nations on its agenda and advocate for such a body to be established.

# Accountability Institutions and Processes

## Highlights

- There has been a focus on positioning Aadhaar and Direct Benefit Transfers (DBTs) as a means of reducing corruption thereby enhancing savings of the public exchequer. However, the verdict is contested as the methodology of computing savings earned due to Aadhaar based DBTs in social sector schemes has not been shared in the public domain.
- Currently, no Ministry is allocating dedicated funds for investing in processes that enhance public accountability. It is therefore recommended to provision 0.5 percent of budget to institutionalise mechanisms for transparency, grievance redress and citizen accountability across social sector schemes.

Transparency and accountability are key tenets of governance and examining the provisioning for these within Budgets is important, as it gives us insights on various aspects of governance processes. It enables us to study and assess priorities in planning, budgetary allocations, status of implementation, modes of audit and evaluation.

The concept of accountability and transparency are used extensively in the discourse on governance across the country, today. Social accountability can be understood to be a framework consisting of institutionalised platforms and processes that empower citizens to hold the State accountable to its mandate. Social Accountability therefore, can be conceived to incorporate components that enable access to information; forums for registration of complaints and their acknowledgement; time bound responses grievances; participation of all stakeholders in the resolution of grievances and decision making; protection of complainants from intimidation, abuse and violence and the presence of public collective platforms through which citizens can claim greater transparency and enforce higher degrees of accountability.

The present Government has come to power based on commitments to overhaul governance by bringing in substantial transparency and accountability in all spheres of public interface. To this effect, the BJP Manifesto 2014 committed itself to setting up an effective Lokpal institution, digitisation of Government records to improve its access to the public, incorporation of social audits and environmental audits for all Government schemes.

Over the past year, the Government has launched certain initiatives with the intention of enhancing transparency. These include introduction of Geographic Information Systems (GIS) based mapping of rural assets, deployment of a mobile application for tracking financial and physical progress of 7 key rural development programmes and further building on the open data portal - <https://data.gov.in/>

To assess whether the Government has met its own commitment on social accountability - one has to look at both generic and programme specific measures introduced by the Government for improving transparency and accountability in public service delivery.

Social Audits, as an institutionalised means of citizens auditing and evaluating public spending has made great progress since it was first mandated under the Mahatma Gandhi National Rural Employment Guarantee Act, 2006 (MGNREGA). The Comptroller and Auditor General of India in 2016 formulated '*Auditing Standards for Social Audit*' which marks the first ever such exercise of a Supreme Audit Institution detailing standards of disclosure of information and role of citizens in auditing public expenditure. The Standards have been framed keeping in view the fundamental principles of Public Sector Auditing and the operational guidelines for coordination and cooperation between Supreme Audit Institutions (SAIs) and internal auditors in the public sector issued by International Organisation

of Supreme Audit Institutions (INTOSAI) and the Indian Audit and Accounts Department (IAAD) Auditing Standards.

The Ministry of Rural Development has shown resolve in implementing the Auditing Standards, particularly under MGNREGA, by ensuring that independent Social Audit Units (that are tasked with facilitating social audits of MGNREGA in respective States) are set up in 31 States. In continuation of the series of firsts, the Ministry also released the first tranche of a dedicated budget allocation to the tune of 0.5 percent of the MGNREGA expenditure of the State in the previous year, to State Social Audit Units, to establish independence of funding for the Units from implementing agencies i.e. the State Governments. Some State Governments for instance Meghalaya<sup>1</sup>, have taken progressive measures to pass a legislation that mandates social audits beyond MGNREGA and extend its scope across 26 schemes and 11 Departments at one go.

The Ministry has invested in training of Social Audit Resource Persons based on a qualified curriculum, which will go a long way in building a cadre of social audit experts in every State, and has expanded the scope of Social Audit to include *Pradhan Mantri Awaas Yojana*, *Pradhan Mantri Gram Sadak Yojana*, and National Social Assistance Programme through its orders. The Supreme Court of India has also stepped in to extend social audits to the implementation of Juvenile Justice Protection Act, 2015 through its judgements.

The State has taken certain measures to build web platforms for disclosure of information. Some positive developments in this regard include the *Gram Samwaad* Application that enables citizens to get information related to the physical and financial aspects of rural development programmes and the *Disha* Portal developed for MPs and MLAs for monitoring of implementation of various Programmes and Schemes of different Ministries in their constituency through a single portal.

However, in spite of concrete progress on some initiatives, there are clear examples of how the State has fallen short of its own commitments to institutionalising transparency and accountability. In terms of legislative commitments, the Lokpal and Lokayuktas Act, 2013 was passed by Parliament in December 2013 and was notified in the gazette on January 1, 2014. Despite the passage of four years since the law was notified, not a single Lokpal has been appointed till date. The Selection Committee Act has not been constituted and therefore, no appointments have been made to the Lokpal. No rules have been notified for implementation of the Whistleblower Protection Act, 2014. The Right of Citizens for time bound delivery of goods and services and redressal of their Grievances Bill, 2011 was tabled in the Lok Sabha and discussed in a Standing Committee. However, the law lapsed and could not be passed. Currently, there are news reports that indicate that the Government wants to introduce this as a scheme instead of a Law.

There also seems to be an over-reliance of web-based platforms as the means for information disclosure which severely limits the degree of access rural citizens have to these platforms. For example, all initiatives taken by the Government for enforcing transparency rely on web-based technological platforms and provide no explicit mention of disclosure of information in rural areas through physical modes mandated under Section 4 of the Right to Information Act, 2005. Moreover, the extent of information and the level of disclosure even through the web platforms vary from scheme to scheme, as there is no common minimum standard of disclosure being followed.

An analysis of the quality of transparency and public accountability enforced by the Government would be incomplete without an analysis of the role that UIDAI and Aadhaar play in it. The Government states that since the introduction of Direct Benefit Transfers based on Aadhaar based biometric authentication in 2015, it has saved a total of Rs. 57,029 crores as of 2017.<sup>2</sup> This is based on savings attributed to the tune of Rs. 29,769 crores in the PAHAL Scheme, Rs. 14,000 crore in the implementation of NFSA, Rs. 11,741 crore in the implementation of MGNREGA, Rs. 399 crore in the implementation of NSAP and Rs. 1120 crore in others.

<sup>1</sup> Meghalaya Community Participation and Public Services Social Audit Act, 2017

<sup>2</sup> Government Website on DBT Savings- <https://dbtbharat.gov.in/page/frontcontentview/?id=ODM=>

If the savings accrued are taken as a give-in, it is important to understand the policy of redistribution in schemes that the Government has undertaken on account of savings in the respective schemes.

**Table 20.1: Savings Claimed by the Government since the Introduction of Direct Benefit Transfers based on Aadhaar based Biometric Authentication**

Name of Scheme	2016-17	Savings claimed by Government up to FY 2016-17	2017-18
PAHAL	13,000	29,769	13,097
Food and Public Distribution	1,15,145	14,000	1,45,892
MGNREGA	47,500	11,741	55,500
NSAP	8,854	399	8,744

Source: Government Website on DBT Savings - <https://dbtbharat.gov.in/page/frontcontentview/?id=ODM=>

The above table reflects that even if the savings were said to have accrued, the amount saved was not directed towards adding more eligible beneficiaries under PAHAL, MGNREGA and NSAP.

However, the claim of savings cannot be independently verified on account of the fact that the Government has not shared in public domain the methodology of calculating the savings from individual schemes. Consequently, the actual impact that Aadhaar has had on saving of public resources has been contested. The C&AG in its Report stated that savings in LPG subsidy paid directly to consumers was only Rs. 1,764 crore which amounts to about 15 percent of the amount claimed.<sup>3</sup> An assessment of foodgrain offtake in Rajasthan subsequent to introduction of Aadhaar based authentication based on data disclosed in the public domain by Government of Rajasthan<sup>4</sup> indicates that as of July 2017, 33 percent of NFSA beneficiary card holders in Rajasthan (identified by Government and Aadhaar seeded) were not able to procure their rations from the Public Distribution System (PDS) outlets, whereas a reduction in offtake being considered synonymous to savings. Therefore, there is no independent means of arriving at the actual amount of savings accrued to the public exchequer owing to the introduction of Aadhaar based direct benefit transfers.

#### Budget Allocations:

Institutions play a vital role in promoting and strengthening the governance accountability ecosystem. The following are the budgetary allocations of some key institutions tasked with the mandate of upholding transparency and accountability in governance.

**Table 20.2: Budgetary allocations of some of the Key Accountability Institutions (Rs. Crore)**

Institutions	2014-15 (A)	2015-16 (A)	2016-17 (A)	2017-18 (RE)	2018-19 (BE)
Central Election Commission	69.2	85.2	145.9	189.8	268
Central Information Commission	-	33.6	66.3	55	35.2
Central Vigilance Commission	20.8	24.2	27.7	31	32.6
Comptroller and Auditor General	3215.4	3195.1	3780	4111	4305
Lokpal		-	-	-	4.3
Social Audit Units					124
UIDAI*	1617	1880	1135	1200	1375

Note: \*Allocations for UIDAI for 2014-15, 2015-16 2016-17 and 2017-18 are Revised Estimates (as reported on the UIDAI website).

Source: Compiled by CBGA from Union Budget documents, various years and UIDAI Website - <https://Uidai.Gov.In/About-Uidai/About-Uidai/Financials.Html>

<sup>3</sup> Report No. 25 of 2016- Compliance Audit on PAHAL Commercial Department Union Government

<sup>4</sup> <http://food.raj.nic.in/DistrictWisePOSDetails.aspx>



As seen in the table above, there has been a marginal increase in the budgetary outlays for most of these institutions, over the last few years. These institutions also face a human resource shortage constraining their effective functioning. The Right to Information Act (RTI) has played a critical role in pushing for greater transparency and accountability in governance; however the allocation for the Central Information Commission (CIC) shows a decline. There has been a 36 percent decline in the total allocations for CIC from 2017-18 (RE) to 2018-19 (BE). Further, within the total CIC budget, the budget head 'CIC and RTI' reveals a steep drop of 63 percent from Rs. 23.6 Crore in 2017-18 (RE) to Rs. 8.7 Crore in 2018-19 (BE). The fluctuations in budgetary outlays for CIC (from 2015-16 onwards) could be a contributory factor for the weak implementation of the RTI Act. Backing the Government's Aadhaar drive, there is a 15 percent increase in allocations for UIDAI from Rs. 1200 Crore in 2017-18 (RE) to Rs. 1375 Crore in 2018-19.

Given the instrumental and substantial role that institutionalised mechanisms of transparency and accountability play in ensuring good governance, the following is recommended:

- As per the precedent set forward by MGNREGA, every Ministry should allocate 0.5 percent of its budget to invest in institutionalising processes for improving transparency, social audits and grievance redress.
- Efforts should be made by Departments to disclose information in the public domain in a language and mode such that it is easily understood by the beneficiaries of the programmes, who are primarily from rural India. Information should be understood as distinct from data, and therefore efforts should be made to disclose relevant disaggregated information at the relevant level.
- Given that the O/o of the C&AG is mandated with the task of holding institutions and the State accountable to its mandate, it can be requested to initiate a performance audit on the actual impact of Aadhaar based DBT has had on reduction of corruption and savings (if any) across the range of schemes that Aadhaar has been introduced into.

### About CBGA

Centre for Budget and Governance Accountability (CBGA), an independent think tank based in New Delhi, analyses public policies and budgets in India and advocates for greater transparency, accountability and scope for participation in budgets. For further information about CBGA's work, please visit [www.cbgaindia.org](http://www.cbgaindia.org) or write to us at: [info@cbgaindia.org](mailto:info@cbgaindia.org).

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