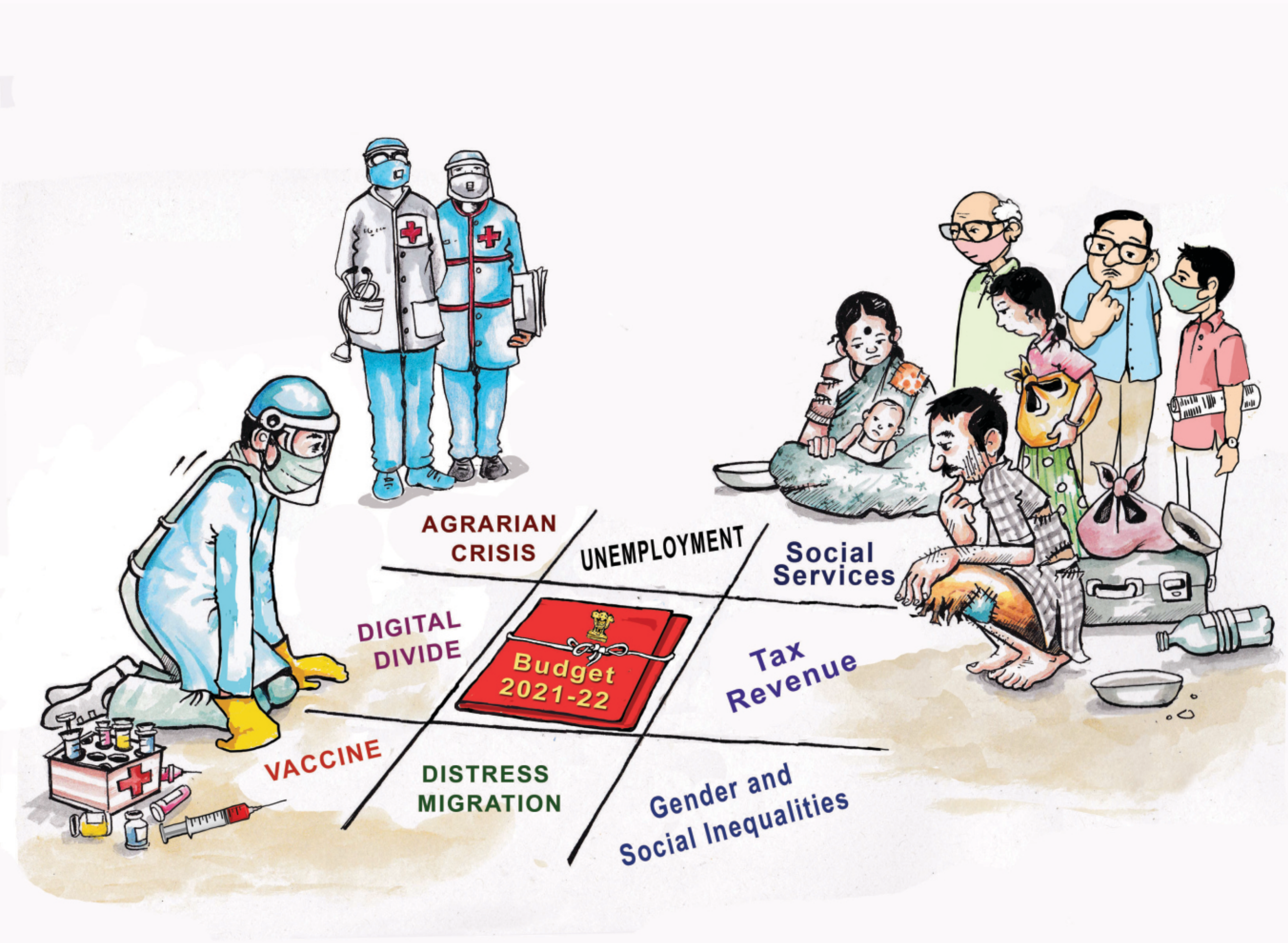
# Budget in the Time of the Pandemic

## An Analysis of Union Budget 2021-22




February 2021

CBGA

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## An Analysis of Union Budget 2021-22

Centre for Budget and Governance Accountability

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# FOREWORD

Centre for Budget and Governance Accountability (CBGA) brings out an analysis of the Union Budget soon after its presentation in Parliament every year. The objective of this publication is to facilitate an informed discussion on the Budget focusing both on revenue and expenditure aspects, particularly around the social sectors, agriculture, rural development, employment and public provisioning for the marginalised sections of the population.

This publication presents an analysis of the priorities in Union Budget 2021-22, both on public expenditure and resource mobilisation front in the context of the COVID-19 pandemic and the consequent developments. It has been divided broadly into five chapters. The first chapter presents the context and an overview of the analysis.

The second chapter focuses on a host of important aspects under resource mobilisation, like domestic tax policy, international taxation policy, financial transparency, and Centre-State resource sharing. Since the Fifteenth Finance Commission's Report and the Action Taken Report (ATR) of the Union Government have been tabled in Parliament, it also contains observations on the same.

The third chapter comments on the important trends and priorities in Union Government's resource provisioning for the social sectors such as education, health, nutrition, and water and sanitation. The fourth chapter looks at budgetary provisions and policy directions pertaining to some of the core areas on the economic front like, agriculture and allied activities, rural development, employment, and financing of clean energy. The fifth chapter analyses the responsiveness of this Budget to the rights and development needs of people from the marginalised sections such as, women and transgender persons, children, Scheduled Castes, Scheduled Tribes, Muslims, and persons with disabilities.

The publication also includes a couple of Annexures meant to unpack the technical concepts and terms used in budgets and the process of budget making at the national level. In line with previous years, we will be sharing this publication with people across the spectrum.

We sincerely hope this publication by CBGA would help deepen the public discourse in the country on the Union Budget and public financing of important development sectors. We shall appreciate your feedback and suggestions on the analysis.

CBGA Team

# CONTENTS

# Chapter 1

# Overview

# 1

# OVERVIEW

## The Context for the Union Budget 2021-22

The Union Budget 2021-22 comes in the wake of the devastating impact that the pandemic and the ensuing lockdown have had on the economy. While the economy had been slowing down even in the previous years, the pandemic has made matters worse. The disastrous effect of the pandemic is reflected in the fact that Gross Domestic Product (GDP) has seen the sharpest decline since 1952. In the year 2020-21, GDP is set to shrink by 7.7 per cent. Although IMF projections say that economic growth is set to pick up next year by about 11.1 per cent, what, however, needs to be kept in mind is that this growth comes on a base of a lower GDP in 2020-21.

Although the pandemic ravaged the economy and its impact was felt across different sections of the population, the pain wasn't equally distributed. A number of reports and studies reflect the severity of the humanitarian crisis that the pandemic and the consequent lockdown have had. It has resulted in huge loss in employment and livelihood, increased hunger and malnutrition, increased destitution and poverty. The impact has been disproportionately borne by economically and socially disadvantaged sections of the population. This has exacerbated different dimensions of socio-economic inequalities, be it gender inequality or identity based inequality. The deficits in India's human development, to a large part, are a reflection of low levels of public provisioning for social sectors over the decades. At the root of this problem in public sector provisioning has been the reluctance to raise adequate resources from those who have the ability to pay and the zeal, over the last two decades, to stick to a conservative fiscal stance.

The adherence to fiscal conservatism was also reflected in the policy response of the government to the pandemic induced hardships during the ongoing fiscal year. While the *Atma Nirbhar* package that came in three tranches sounds big in terms of numbers, only a small proportion of it comprised additional budgetary spending by the Union Government. Therefore, even after the lockdown was lifted, the economy, especially the unorganised sector, continued to limp and various indicators such as those relating to unemployment, income, etc. showed that a lot more needs be done.

Therefore, there were a lot of expectations that different stakeholders had from the Union Budget 2021-22. It was expected that the budget would not only aim to repair the battered economy facing its worst contractions in a long time, but it would also try to address the multiple crises that the pandemic has resulted in. Given the competing demands of health crisis, high unemployment, falling incomes, persistent hunger, etc., formulating this year's budget was not going to be an easy task. The task was made more difficult by the fact that while public expenditure needs are enormous, tax revenue collections have taken a beating since the pandemic began. Thus, it was important that the budget took a bold decision to increase spending significantly, particularly in sectors and interventions that directly benefit the disadvantaged sections, and with the aim to boost demand in the economy. This implied, the concerns about the rising fiscal deficit needed to take a backseat at this point of time. However, the decisions taken by the Union Government with regard to the budget for 2021-22 lack that kind of boldness. The impetus to economic recovery, which this budget tries to provide, is characterised by incrementalism. Moreover, the challenges of rising inequalities in the country, both economic and social, have not been addressed.

## Resource Mobilisation, Fiscal Deficit and Government Spending

As expected, the sharp contraction of the economy brought on by the pandemic, has adversely affected resource mobilisation of the Union Government. But even before the pandemic hit, central tax collection had started slowing down, partly because of slowing economic growth, but also because of policy measures taken such as the move to reduce corporate tax rate in September 2019. Therefore, a part of the fall in resource mobilisation from 2020-21 Budget Estimates (BE) to Revised Estimates (RE) can be attributed to the inflated projections of tax revenue for the year, as well as the failure to achieve the non-tax receipts target. On the non-tax receipts front, the proceeds from disinvestment in 2020-21 (RE) have fallen far short of the BE target of Rs. 2.1 lakh crore, which was more than three times the disinvestment proceeds of 2019-20.

The pandemic has of course made the situation worse. However, the noticeable thing is that not all components of taxes have been adversely hit. Contrary to the general trend, what we see is that tax collection on account of union excise duty has gone up in the RE for 2020-21 compared to the previous fiscal year. In order to compensate for the sharp fall in most taxes, the government resorted to a steep increase in taxes levied on fuel, which is the main reason behind the union excise duty collection bucking the trend. However, since fuel is a universal intermediary, it aggravated the problem of inflation. Surprisingly, this trend continues even in 2021-22 Budget, which shows very little ambition in terms of reviving direct tax collection and continues to depend heavily on indirect tax collection.

The drop in tax collection has obviously affected the fiscal deficit. However, a closer look at the fiscal deficit shows that much of it is on account of payment of past dues, some of which are now being shown as part of the Union Budget, whereas earlier they were part of off-budget borrowing. While the move to be more transparent about the extent of the fiscal deficit is laudable, it also shows that for both the ongoing financial year as well as the next one, the level of fiscal stimulus– i.e. the government resorting to additional public spending– is muted compared to the present need for a strong counter cyclical fiscal policy.

As a consequence, government spending too has been affected. The level of Union Budget support for several important sectors, including some of the social sectors and the economic sectors, have been reduced in the projections for 2021-22 compared to the ongoing fiscal year; many of the social sector schemes meant directly for the marginalised sections of the population too have witnessed reduced budgetary support for the next fiscal year. The stepping up of Union Budget support for the water and sanitation sector, within that predominantly for the *Jal Jeevan* Mission, and the enhanced allocations for the welfare of Scheduled Castes and Scheduled Tribes, come as a welcome break from the downward trend witnessed in the budget provisions for the social sectors otherwise.

## The Priority for Social Sectors

A large part of the Indian population depends on public sector provisioning for essential services such as healthcare, education, nutrition, drinking water and sanitation. Public provisioning of services and government interventions in such sectors are also meant to address the significant regional, social and gender disparities prevalent in the country. Adequate public spending on social sectors is, therefore, critical from the perspective of equity and inclusion. The devastating effect of COVID-19 on millions of people made this demand even more crucial. However, allocations for social sectors in the Union Budget 2021-22 present a mixed bag at the best.

As reported in the Economic Survey 2020-21, the combined public spending on social sectors by the Union and States remained below seven per cent of GDP until 2018-19; though this figure had risen to 8.8 per cent of GDP in the Budget Estimates (BE) for 2020-21. We may note here that, even at close to nine per cent of GDP as the combined public spending on social sectors in the country, it is way below the level of budgetary support for social sectors not just in most of the developed countries but also in a number of large developing countries.

Another important point to be noted here is that the much cited problems in absorption of budgetary resources – i.e. the problems in full and effective utilisation of available funds – are concentrated mainly in certain parts of social sector services and interventions. Such problems in resource absorption and quality of public spending are typically found in schemes that are getting delivered with a deficient human resource base, emphasize more on targeting of beneficiaries, and have very low unit costs for service delivery. Enhanced budgetary support for hiring more human resources, stepping up the unit costs and policy decisions to address administrative and procedural bottlenecks can improve the resource absorption capacity and quality of spending across social sectors. Yet, the policy discourse both at the national level and in most States has continued to emphasize only on the problems in quality of spending, without recognizing the problems caused by deficient resource support for the social sectors on the whole.

As stated earlier, Union Budget 2021-22 shows a substantial increase in budget provision for the drinking water and sanitation schemes, predominantly for the *Jal Jeevan* Mission. But the budget provisions for school education and nutrition related schemes have seen a reduction compared to the Budget Estimates for those for the year 2020-21; for some of the schemes, the budget provision for the next fiscal year is lower than the actual expenditure incurred in 2019-20. Despite the pandemic, the health sector has not witnessed any stepping up of the priority as far as Union Government's budget provision for the Ministries of Health and Family Welfare and AYUSH is concerned.

The adverse impact of COVID-related disruptions in social sector services has been left largely unaddressed by the Union Budget 2021-22. Widening inequalities because of the digital divide in education sector, along with increased risk of dropout, required special measures which are absent. Disruption in nutrition and health services because of the pandemic necessitated higher budgetary support to strengthen primary health infrastructure (such as through the National Health Mission) and *Anganwadi* Services, which is not there among this Budget's priorities. The Union Government has initiated another phase of rationalisation of central schemes, following the recommendation by the 15th Finance Commission, which has led to a merger of existing schemes in different sectors. But, along with the merger of schemes, the consolidated resource envelope for the schemes has shrunk to some extent in some of these sectors.

## The Priority for Economic Sectors

The rural economy, particularly the agriculture sector, showed a lot of resilience and ensured food security and livelihood opportunities for many in the wake of the pandemic. However, it has been argued that the real wages in rural areas have fallen and the farm gate prices for agricultural commodities have dropped visibly in the recent months. Hence, it was suggested widely that more money in the hands of the rural population would be an effective way to create more rural demand thereby revitalising the wheels of the economy.

But the rural economy has witnessed a contraction in budgetary allocations for the FY 2021-22 as compared to the budget provisions for the ongoing fiscal year. Both agriculture and rural development have witnessed a budget cut as compared to previous year's budget estimates. With the exception of MGNREGA, Revised Estimates of 2020-21 for both the sectors show that funds were reduced as compared to the budget estimates for the year. Like all previous Union Budgets, this budget too has not given much attention to allied activities despite the fact that allied activities contribute a significant share of rural income especially in rainfed/dryland regions.

Instead of widening the coverage of PM-*KISAN* and making it inclusive for landless farmers, tenants and women farmers, the Union Budget support towards this scheme has been reduced by Rs. 10,000 crore in the figures for 2021-22. Further, MGNREGA has witnessed a reduction in budget provision for FY 2021-22 by Rs. 38,500 crore compared to the Rs. 1,11,500 crore allocation in the RE for 2020-21. With this level of budgetary allocation, MGNREGA can generate only 2.7 to 2.8 billion person days in the coming financial year as against the 3.4 billion person days in 2020-21. Given the uncertainties about the scale and timing of economic recovery and the persistence of serious challenges for the unorganised sector, there was a need to make adequate budgetary provisions for unorganised workers, women workers and skill-based employment; but the allocations for these interventions for the coming fiscal do not register any visible improvement.

As most of the previous Union Budgets over the last few decades, this budget too does not reflect any significant recognition of the financing needs for climate change mitigation actions. Some of the steps towards mainstreaming climate concerns and sustainability across sectors of the economy seem to have been neglected in the Budget.

## Responsiveness to the Marginalised Sections

The vulnerabilities faced by marginalised communities – including but not limited to, women, transgender persons, children, *Dalits, Adivasis*, Muslims, and persons with disabilities – are cross-sectoral and need to be recognised in a holistic manner. The pandemic has further accentuated these challenges and at the same time disproportionately affected the ones who are the most marginalised among these population groups. The importance of strengthening public provisioning for these groups has never been stronger and the Union Budget 2021-22 was expected to respond to such expectations adequately. However, reductions in budget outlays have been observed for a number of important schemes pertaining to some of the marginalised sections. For instance, the interventions for religious minorities such as scholarship programmes have faced budget cuts this year. Despite the long-standing fund crunch in schemes for persons with disabilities, this Budget has seen a further reduction in the allocation made to the Department for the Empowerment of Persons with Disabilities to the tune of Rs. 153.62 crore. But, as noted earlier, the allocations for some of the schemes focusing on the welfare of the Scheduled Castes and Scheduled Tribes have been stepped up.

Rationalisation of Centrally Sponsored Schemes, in accordance with the recommendations of the 15th Finance Commission, has been the characteristic feature this budget in a number of social sectors. But, in many instances, the bundling of schemes has been associated with a reduction in the budget provisions under the new consolidated programme. It must be noted in this context that the need for plugging the loopholes in the implementation of central schemes cannot be debated; yet, the importance of many such schemes in delivering crucial public services seems to be getting ignored by the policymakers.

# Chapter 2

# Resource Mobilisation and Fiscal Federalism

Resource Mobilisation

International Taxation and Financial Transparency

Some Important Fiscal Indicators

Fifteenth Finance Commission Recommendations

2

# RESOURCE MOBILISATION AND FISCAL FEDERALISM

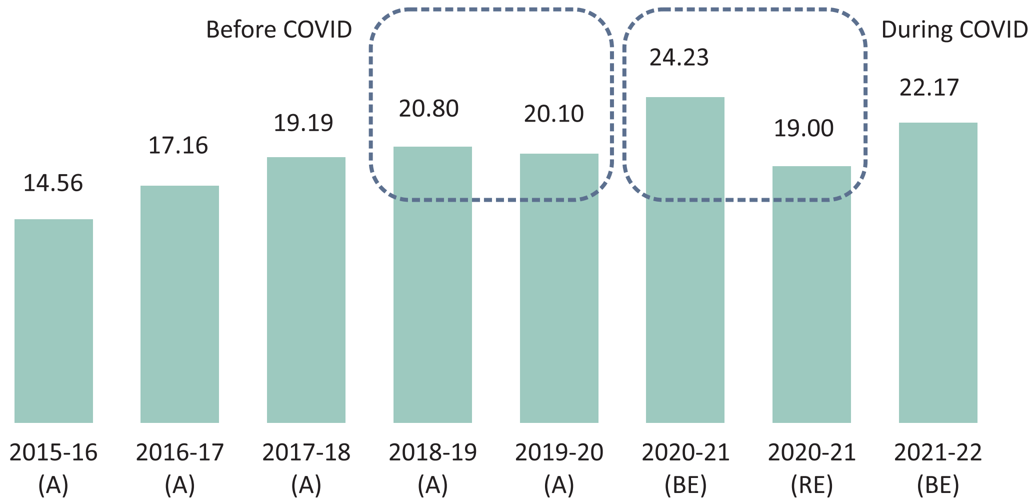
## Resource Mobilisation

Due to its unusual context, Union Budget 2021-22 was not meant to be just another budget following the policy trajectories of the recent past. It was prepared in the wake of the COVID-19 pandemic, which has resulted in an unprecedented economic crisis, with India's GDP expected to contract by 7.7 per cent. While the crisis required the government to engage in higher public spending, the fiscal resources of the government also suffered due to the economic slowdown. To tackle the challenge of resource mobilisation, the government announced sharp hikes in the duty on fuel and increased borrowing from the Rs. eight lakh crore announced in the 2020-21 budget to Rs. 12 lakh crore. Nonetheless, the government's fiscal resources remain fewer than what is needed to respond adequately to the crisis.

### Constrained Tax Collection

It was widely anticipated that the pandemic would adversely affect tax collections in the ongoing financial year (FY 2020-21). Figure 2.1 shows that total central tax collection in the revised estimates for 2020-21 fell 22 per cent from the budget estimates for the year.

Figure 2.1: The Slowdown in Tax Collections Started Before COVID: Total Central Tax (Rs. lakh crore)




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

However, this entire fall cannot be attributed to the economic crisis caused by COVID alone. Apart from COVID, there are at least three factors behind the sharp fall in the Revised Estimates (RE) from the Budget Estimates (BE).

First, the trend of declining tax collections had started before the pandemic. In FY 2019-20, the tax collection was lower than the previous year. The fall in tax collection was mainly on account of the corporate tax rate cut announced in September, 2019, which according to the government's own estimation, resulted in a revenue loss of around Rs. 1.5 lakh crore.[1]

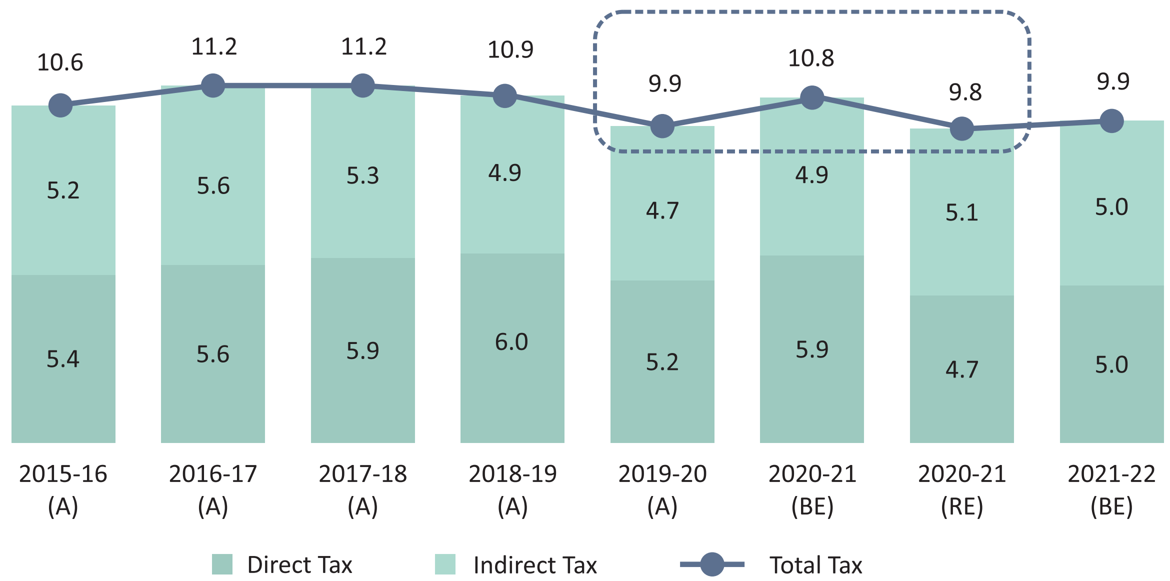
[1] PIB (2019): Corporate tax rates slashed to 22% for domestic companies and 15% for new domestic manufacturing companies and other fiscal reliefs. 20th September. Press Information Bureau.
Available at: https://pib.gov.in/Pressreleaseshare.aspx?PRID=1585641

Secondly, the BE projection for tax collection in 2020-21[2] was unrealistically high. Hence, a part of the decline in the ongoing fiscal year from the budget estimates to the revised estimates can be attributed to the higher projection in last year's budget.

Thirdly, the revised estimate for 2020-21 seems conservative; in other words, it is more realistic than similar projections in previous budgets. The latest budget projects a decline of 8.5 per cent in 2020-21 (RE) over 2019-20 (A). However, the latest data[3] from the Controller General of Accounts shows that till December 2020, tax collections for FY 2020-21 were only 3.2 per cent lower than in the same period in FY 2019-20. And given that in the last three months, total collection is 30 per cent higher than the collection in the corresponding months of the previous financial year, it is possible that actual collections in FY 2020-21 are higher than the RE numbers for 2020-21 project in the budget. One possible explanation for the conservative projection (of RE for 2020-21) could be that the government expects higher tax refunds in the last three months of the ongoing fiscal year.

That the fall from BE to RE is in large part due to the inflated budget estimates can also be seen in terms of the Gross Central Taxes–GDP ratio over the years, as shown in Fig. 2.2.

Figure 2.2: COVID's Impact on the Tax-GDP Ratio (for Gross Central Taxes)




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

The tax-GDP ratio does show a fall from the BE to the RE, but compared to the previous year, it is at the same level—9.8 in 2020-21 vs 9.9 in 2019-20. The tax-GDP ratio remaining more or less unchanged implies that the fall in tax collection is in line with the contraction in GDP. However, while the tax-GDP ratio does not show much of a drop, it is important to note that in absolute numbers, the tax collection has dropped significantly.

For the next financial year, i.e. 2021-22, the budget has projected a 16.7 per cent growth in tax collections over the RE for 2020-21, which seems achievable if the nominal GDP grows at the projected rate of 14.5 per cent. However, the trajectory of GDP growth is uncertain and it remains to be seen how it plays out.

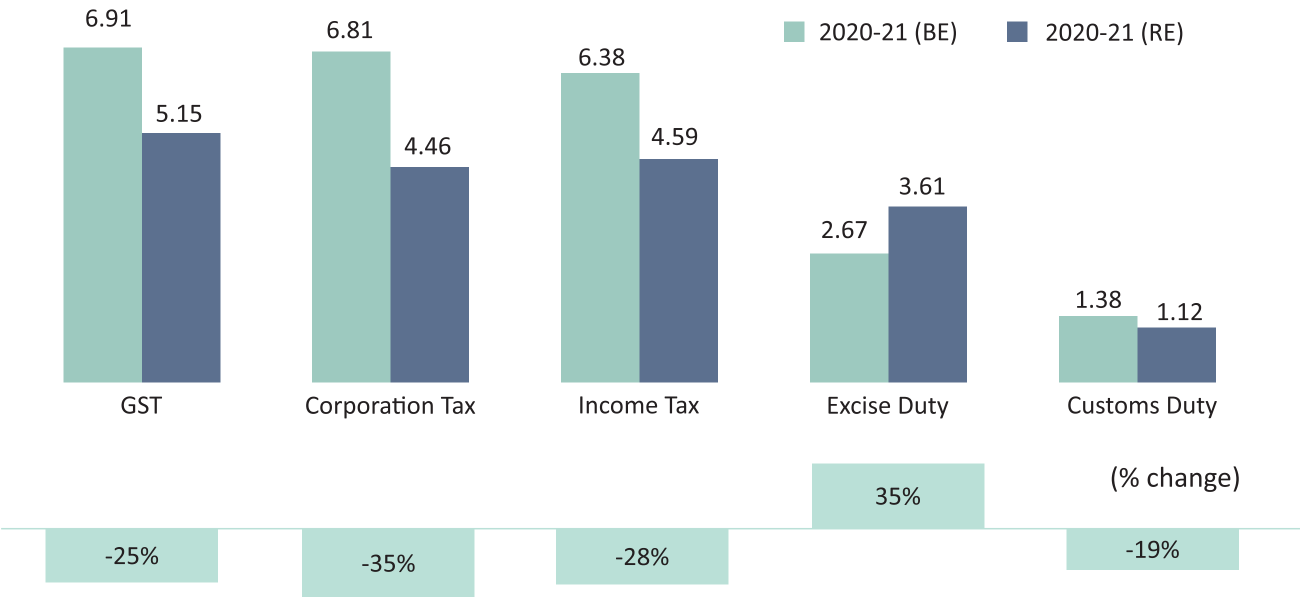
[2] Jaiswal, S. (2020): How Reliable are The Tax Revenue Projections in Union Budget 2020-21? 19 February. CBGA. Available at: https://www.cbgaindia.org/blog/reliable-tax-revenue-projections-union-budget-2020-21/

[3] Controller General of Accounts (2021): Union Government Accounts at A Glance at the End of December 2020. Available at: http://www.cga.nic.in/MonthlyReport/Published/12/2020-2021.aspx

### Increasing Regressivity of the Tax System in India

While the pandemic did hit overall tax collections, its impact on different taxes was different as can be seen from Fig. 2.3.

Figure 2.3: Change in Tax Collection: 2020-21 BE vs. RE (Rs. lakh crore)




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

Thus, while collections of almost all taxes saw a steep decline, excise duty collection has actually gone up. Excise duty grew because the government increased the duty on petrol and diesel in March and May 2020, which resulted in an increase in collection even when the consumption of fuel was lower than in the earlier period.[4]

The focus on indirect taxes to generate revenue has been one of the defining features of the Indian tax system over the last one and a half decades. While, indirect taxes do contribute to overall tax collection, they have potential implications for inequality in society, as they disproportionally affect the poorer sections, and hence are against one of the basic objectives of taxation: redistribution. However, within all indirect taxes, those on fuel cause the most inequity; as fuel is a universal input, taxes on fuel not only affect the price of fuel itself, but also affect general inflation. After the lockdown imposed due to COVID was lifted, India was one of the few countries that experienced a high level of inflation, and reports show that the increase in taxes on fuel contributed significantly towards this increased inflation.[5]

An attempt has been made in the budget to reduce this regressivity. When employees make a payment towards the provident fund (PF), the income earned from this contribution used to be exempted from income tax. In the current budget, the tax exemption has been limited only to those taxpayers who make an annual contribution of Rs. 2.5 lakh or less.[6] So, taxpayers who contribute a higher amount to PF will now see the interest income taxed. However, this is a minor change as it is unlikely to have a significant impact on overall tax collection.

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[4] PTI (2021): Excise duty surges 48% this fiscal with record taxes on petrol, diesel. 18th January. Business Today. Available at: https://www.businesstoday.in/current/economy-politics/excise-duty-surge-48-this-fiscal-with-record-taxes-on-petrol-diesel/story/428194.html

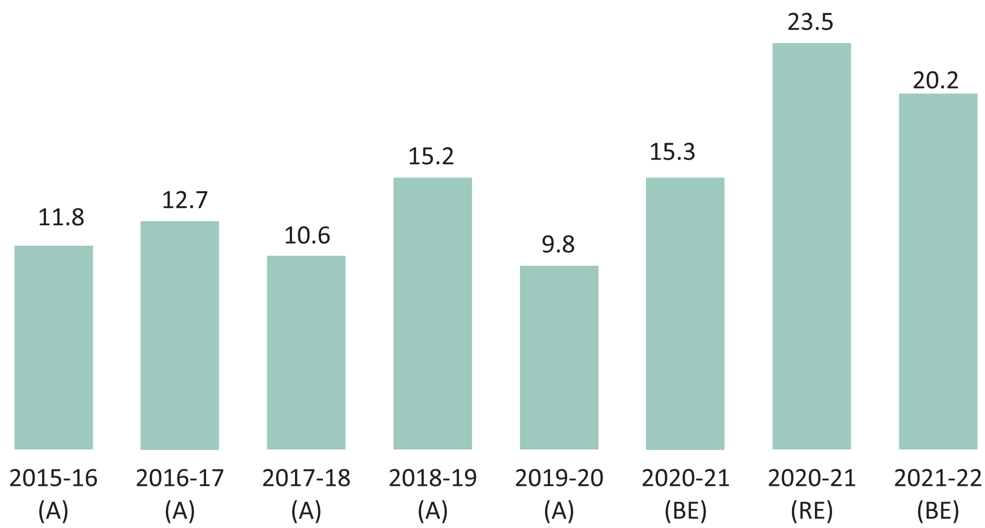
[5] RBI (2020): Monetary Policy Report - October, 2020.
Available at : https://m.rbi.org.in/Scripts/PublicationsView.aspx?id=19980

[6] Kumar, N. (2021): Tax on EPF interest will not impact these salaried people. 2 Feb. The Economic Times.
Available at: https://economictimes.indiatimes.com/wealth/tax/tax-on-epf-interest-will-not-impact-these-salaried-people/articleshow/80648334.cms?from=mdr

**Centralisation of Taxes**

The Constitution of India allows the Union Government to levy cesses and surcharges whose proceeds are outside the divisible pool of central taxes, and hence are not shared with the States. Both cesses and surcharges are meant for specific purposes and also, conventionally, meant to be in force for a short period. However, in recent years, both cesses and surcharges have assumed a more permanent role in the central tax system.

Figure 2.4: Share of Central Tax Collection Not Part of Divisible Pool (per cent)[7]




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

This share of cesses and surcharges is estimated to grow further to almost a quarter of total tax collection in 2020-21, before falling marginally to 20 per cent next year, which would still be much higher than the trend until now.

The increase in 2020-21 (RE) is on account of two cesses levied on fuel—Special Additional Duty of Excise on Motor Spirit, and Road and Infrastructure Cess. Both combined have seen their collection grow from Rs. 1.66 lakh crore in the BE to Rs. 3 lakh crore in the RE, which also is due to the increase in duty announced on fuel mid-year, after the budget.

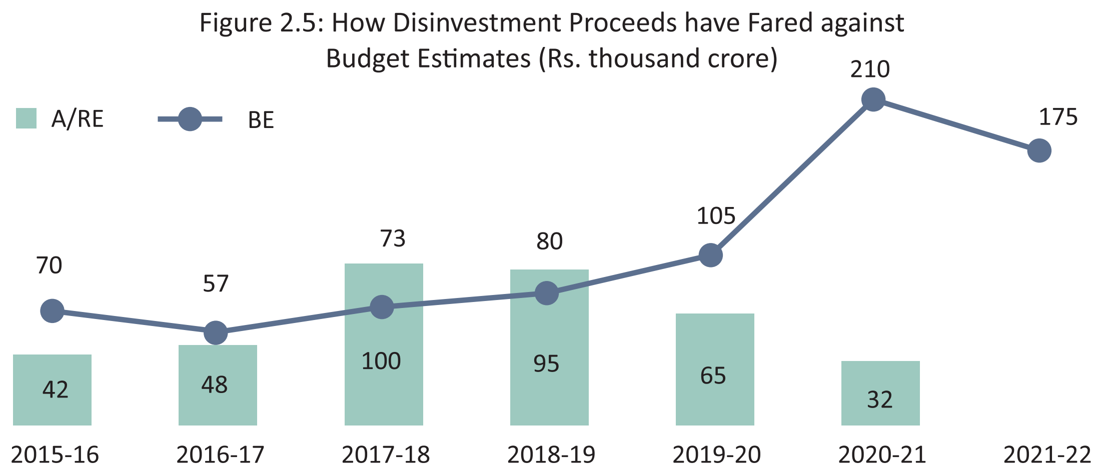
In February 2020, the government had also levied a health cess on the import of medical devices but had suspended it subsequently in the wake of the pandemic. And, in this year's budget, the government announced a new cess in the form of an Agriculture Infrastructure and Development Cess. The collection from health cess was estimated to be Rs. 800 crore in 2021-22.

While cesses and surcharges add to the government's resources, they are criticised on two counts; since they are not part of the divisible pool, they are against the principle of federalism; and they also add an extra layer of complexity, which contradicts the government's stated goal of a simple and transparent tax system.

**Are Projections for Disinvestment Achievable?**

The government estimates it will collect Rs. 1,75,000 crore from disinvestment in 2021-22 (BE). However, given the recent trend, this target is ambitious. Figure 2.5 shows the trend of actual disinvestment proceeds against budget estimates, starting FY 2015-16.

[7] Does not include GST cess, as it is meant for the specific purpose of sharing with states




*Source:* Compiled by CBGA from Union Budget Documents, various years.
*Note:* The numbers for 2020-21 are RE; for remaining years, the numbers are actuals.

In the last six years, the target has been achieved only twice, and even in those cases, the shares of one Public Sector Unit (PSU) were sold to another PSU.[8] In the last two years, actual collections have fallen short. It has been argued that the government's poor performance on disinvestment in 2020-21 is due to the COVID-19 pandemic. However, after the initial fall in March and April, the Indian financial markets have not only recovered to their pre-COVID levels but also reached an all-time high by late December.[9] Hence, the government falling significantly behind in achieving the disinvestment target cannot be attributed to COVID alone. How it will fare against next year's target remains to be seen.

## International Taxation and Financial Transparency

### Developments on the International Taxation Front

The importance of taxing business conducted through the internet and being able to capture a portion of profits of entities registered in multiple places has become increasingly apparent. In a prescient move, the Government of India launched an 'equalisation levy' in 2016, designed in particular to capture profits made by foreign internet-based companies in India. In 2020, as part of the budget, the government increased the scope of this levy to explicitly include various digital-based transactions at a two per cent tax rate. However, this levy has come under scrutiny by the USA. An investigation by the Office of the United States Trade Representative earlier this year declared that this duty, colloquially known as the “Google Tax”, was discriminatory.[10] The investigation claimed that the levy unfairly impacted US-based industries, leading the Indian Government to respond that the new tax was in fact in keeping with the principles of the Base Erosion and Profit Shifting (BEPS)-tackling guidelines of the OECD.

The BEPS guidelines try and tackle the practice by transnational enterprises of exploiting gaps and discrepancies between different countries' tax systems. The OECD, releasing a report in October 2020,[11] has in fact moved on this year to committing to a new framework, BEPS 2.0. This represents an advance on BEPS 1.0 by focusing more

[8] The Hindu (2020): Sale of PSU to other PSU not disinvestment, observes CAG. 26th September. The Hindu.
Available at: https://www.thehindu.com/business/psu-to-psu-stake-sale-just-moves-funds-to-govt-says-cag/article32704859.ece
[9] Thapliyal, A. (2021): Sensex, Nifty clock highest gains ever from March lows; add Rs 90.59 lakh cr to investor wealth. 6th January. Business Today.
Available at: https://www.businesstoday.in/markets/stocks/sensex-nifty-coronavirus-lockdown-investor-wealth-rises/story/427193.html
[10] Roychoudhury, A. (2021, January 7). US calls 'Google Tax' discriminatory, India defends equalisation levy Moneycontrol.com. https://www.moneycontrol.com/news/business/economy/us-calls-google-tax-discriminatory-india-defends-equalisation-levy-6314291.html
[11] Angus, B. and Coronado,L. (2020, June 30).The OECD presses on with BEPS 2.0 in today's distressed times https://www.internationaltaxreview.com/article/b1m93zd5csctf7/the-oecd-presses-on-with-beps-20-in-todays-distressed-times

on institutional rules rather than just on multinational corporations themselves. This new framework[12] rests on two pillars; the first focused on developing new "nexus" (where tax should be paid) and profit-allocation rules, while the second concentrates on developing a global minimum tax. The nebulous term "digital economy" includes not only the computing sector, but the increasing amount of business conducted via the internet. This includes important intangible issues of conflict between countries, including surrounding intellectual property rights. This relates therefore not only to the digital sector, but to international issues such as property rights to the COVID-19 vaccine. In fact, this includes actions such as India's bid at the WTO to temporarily waive intellectual property rights on vaccines.

**Advancement in International Financial Secrecy Laws**

A major advancement in international financial secrecy laws this year is in the works viz. the UN panel on International Financial Accountability, Transparency, and Integrity (FACTI Panel). The FACTI Panel's interim report, launched in September 2020, represents a normative shift in international opinion on illicit financial flows. The final report, to be published later this year, is expected to follow in this vein and explicitly recognise how the lack of transparency and accountability in financial systems causes the "bleeding of the poorer countries" and actively impedes investment and advancement in the developing world. It identifies, in particular, the role of tax "abuses" and enablers in facilitating this system of financial exploitation. This is especially important in the context of the changes to India's attitude to corporate taxation and incentivisation mentioned below.

**Budget Proposals for GIFT City**

The last budget had proposed the development of a new Financial Technology (Fintech) hub at the Gujarat International Finance Tec-City (GIFT City). GIFT City, India's first International Financial Services Centre (IFSC), has already attracted a large amount of foreign investment, and it ranks among the top ten in the Global Financial Centres Index. There already exist incentives on capital gains, stamp duties, transaction taxes, and other levies at the IFSC, all aimed at stimulating investment, including in short-term and speculative forms. The increased incentives include exempting any investment division of a foreign bank from taxation, incentives for relocating foreign funds, as well as complete tax deductions for companies dealing with aircraft operation registered at the IFSC. This, along with the reduced corporate tax rate, the abolition of the Dividend Distribution Tax, the tax holidays and capital gains deductions for start-ups, and the incentives for infrastructure investment for foreign Sovereign Wealth Funds (SWFs) and Pension Funds (PFs), represents the continued shift of the government's international taxation policy. This follows the Economic Survey's insistence on reducing regulations and taxation as a route for fiscal expansion. However, it is still unclear theoretically or empirically whether this tax competition actually contributes to increased investment.[13] Given the world's movement towards increasing tax transparency, it is surprising that the Economic Survey declares that "*the baggage of round-tripping cannot be used to stifle the financial services sector any more than using the risk of a traffic accident to stop construction of a key highway*" (Economic Survey, GoI, P-187).

## Some Important Fiscal Indicators

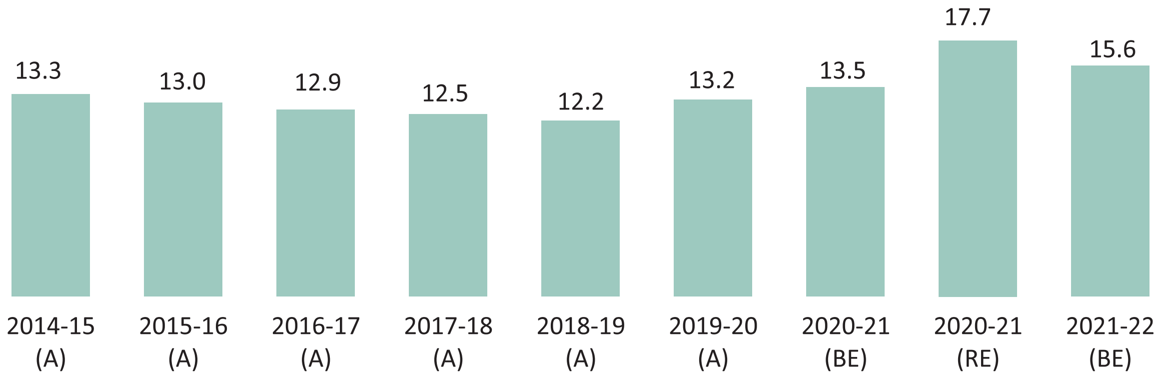
**Bringing both sides of the Budget together**

While the tax-GDP ratio has remained more or less constant as the fall in tax collection mirrors the decline in GDP, in the case of government expenditure we see a slightly different picture. A look at the trend in overall expenditure of the Union Government as a share of GDP shows that the size of the Union Budget has remained

[12] OECD (2020), Tax Challenges Arising from Digitalisation – Report on Pillar One Blueprint: Inclusive Framework on BEPS, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, https://doi.org/10.1787/beba0634-en
[13] Tax Justice Network (n.d.). Tax competition and the race to the bottom, Retrieved on February 01, 2021, from https://www.taxjustice.net/topics/tax-competition-and-the-race-to-the-bottom/

stagnant at around 13 per cent, with some variations in some years. The expenditure for 2020-21 (BE) too has followed the same trend. However, with the onset of the pandemic, the trend witnessed so far has halted with a sharp rise in expenditure as a percentage of GDP in the 2020-21 (RE) compared to the 2020-2021 (BE). However, this is most likely the reflection of a fall in GDP rather than a rise in expenditure.

Figure 2.6: Trend in Total Union Budget Expenditure as a Proportion of GDP (per cent)




*Source:* Compiled by CBGA from Union Budget Documents, various years.
*Note:* Data on Total Union Budget Expenditure from 2017-18 onwards are not comparable with dataof previous years due to inclusion of the GST Compensation Cess in the Union Budget Expenditure.

At the same time, some increase in expenditure is to be expected given the multitude of needs that the pandemic and the stringent lockdown have given rise to. Thus, the total Union Government expenditure in 2020-21 (RE) has increased by Rs. 4.08 lakh crore, from the Rs. 30.42 lakh crore projected last year in 2020-21 (BE). A major part of the increase in total expenditure can be traced to increased spending on the food subsidy, fertiliser subsidy, rural employment guarantee programme, capital expenditure on railways, social security and welfare, etc. Of the Rs. 4.08 lakh crore additional expenditure this fiscal year, a little more than Rs. 3 lakh crore was spent on an additional food subsidy, over and above what was announced in 2020-21 (BE). Similarly, the increase in the expense on account of the fertiliser subsidy is to the tune of Rs. 62,638 crore (Table 2.1).

Table 2.1: Major Variations of Expenditure between 2020-2021 BE and 2020-2021 RE (Rs. crore)

| S. No. | Items | 2020-2021 (BE) | 2020-2021 (RE) | Variation Saving(-) / Excess(+) |
|---|---|---|---|---|
| 1 | Food subsidy | 115570 | 422618 | 307048 |
| 2 | Fertiliser subsidy | 71309 | 133947 | 62638 |
| 3 | Rural employment | 61500 | 111500 | 50000 |
| 4 | Capital expenditure of Railways | 70000 | 108398 | 38398 |
| 5 | Social security and welfare | 7503 | 36037 | 28534 |
| 6 | Defence | 323053 | 343822 | 20769 |
| 7 | Civil supplies | 1922 | 10716 | 8794 |
| 8 | Medical and public health | 29774 | 33896 | 4122 |
| 9 | Housing | 10835 | 14927 | 4092 |
| 10 | Grants in aid to Union Territory Governments | 47258 | 50963 | 3705 |
| 11 | Other capital outlay | 196588 | 168736 | -27852 |
| 12 | Interest payments | 708203 | 692900 | -15303 |
| 13 | Other expenditure | 1398715 | 1321845 | -76870 |
| | Total Expenditure | 3042230 | 3450305 | 408075 |

*Source:* Union Budget Documents, 2021-22.

Similarly, a large proportion of the increased spending in 2021-22 (BE) compared to last year's budget estimates, amounting to Rs. 4.4 lakh crore, is on account of increased capital expenditure, interest payments, grants in aid to state governments, etc. (Table 2.2). The budget, however, does not address the acute need for higher public resource provisioning for a range of important services and interventions, such as social services, rural infrastructure, rural livelihood, agriculture, and revival of MSMEs.

Table 2.2: Major Variations of Expenditure between 2020-2021 (RE) and 2021-2022 (BE) (Rs. crore)

| S. No. | Items | 2020-2021 (RE) | 2021-2022 (BE) | Variation Saving(-) / Excess(+) |
|---|---|---|---|---|
| 1 | Capital outlay (excluding Defence) | 197737 | 378801 | 181064 |
| 2 | Interest payments | 692900 | 809701 | 116801 |
| 3 | Grants in aid to State governments | 508062 | 557126 | 49064 |
| 4 | Medical and public health | 33896 | 67468 | 33572 |
| 5 | Water supply and sanitation | 1188 | 19133 | 17945 |
| 6 | North-Eastern areas | 41764 | 55820 | 14056 |
| 7 | Customs | 4572 | 17962 | 13390 |
| 8 | Village and small industries | 6081 | 15486 | 9405 |
| 9 | Police | 88002 | 93017 | 5015 |
| 10 | Defence | 343822 | 347088 | 3266 |
| 11 | Census, surveys and statistics | 2434 | 5391 | 2957 |
| 12 | Rural employment | 111500 | 73000 | -38500 |
| 13 | Other expenditure | 1418347 | 1043243 | -375104 |
| | Total expenditure | 3450305 | 3483236 | 32931 |

*Source:* Union Budget Documents, 2021-22.

While the absolute numbers give a sense of a large increase in expenditure in 2020-21 (RE) compared to 2020-21 (BE), much of the increased expenditure is because off-budget borrowings, undertaken for certain expenditure, have been moved to the budget this time. This is particularly so for the increase witnessed in the food and fertiliser subsidy. About half of the extra spending of Rs 3 lakh crore on the food subsidy is on account of pending dues paid to the Food Corporation of India (FCI).[14] Similarly, nearly Rs. 50,000 crore of the increase in fertiliser subsidy went to clear old dues to fertiliser companies. Once these are taken out of the total expenditure, the additional expenditure becomes much smaller. Thus, the much required fiscal stimulus is fairly muted, unlike what the budget numbers tend to claim. And this holds for 2021-22 (BE) as well, for interest payments alone account for more than Rs. one lakh crore of the total increase in spending of Rs. 4.4 lakh crore, compared to last year's budget estimates.

**Transparency in Reporting but Road Paved for Fiscal Consolidation**

Thus while it is good that there is now greater transparency in the budget in terms of reporting what was earlier kept as off-budget borrowings,[15] it is also true that this move has inflated expenditure and hence the fiscal deficit. In Budget 2021-22, the fiscal deficit number given[16] for FY 2020-21 is Rs. 18.5 lakh crore as opposed to the Rs. 12

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[14] Kaul, Vivek (2021): We have spent, we have spent and we have spent" - But Where Madam FM?. 2 February, 2021. Available at: https://vivekkaul.com/2021/02/02/we-have-spent-we-have-spent-and-we-have-spent-but-where-madam-fm/

[15] In the last few years, the government was criticised on the account that the fiscal deficit numbers or the numbers related to the liabilities of the Union Government were not true, as the government was engaging in off-budget borrowing. Mohanty, P. (2020): Budget 2020: Off-budget financing - A riddle wrapped in enigma. 20th February 2020. Business Today.
Accessed at: https://www.businesstoday.in/union-budget-2020/news/budget-2020-off-budget-financing-central-government-extent-not-known-cag-modi-govt/story/394588.html

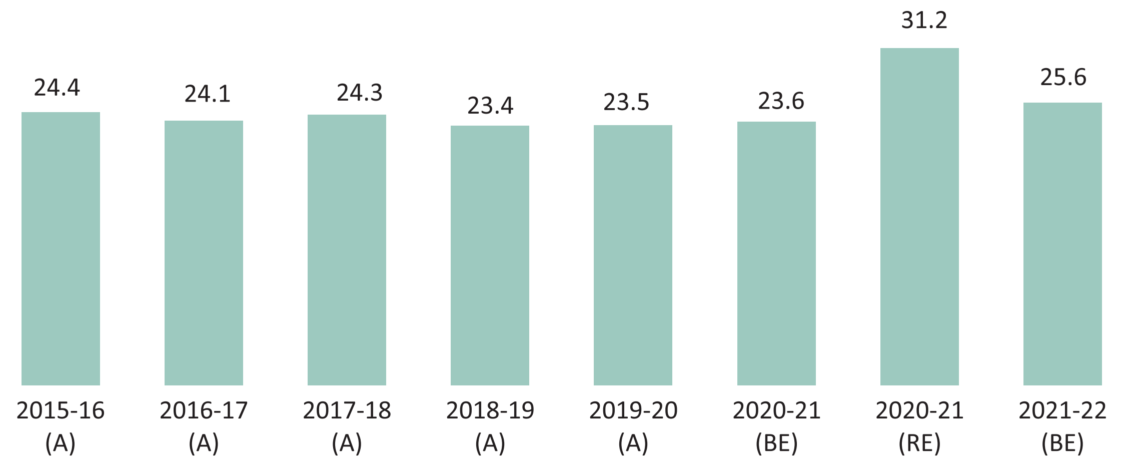
[16] The numbers are given in rupees as opposed to a percentage of GDP because of comparability, as the fall in GDP during FY 2020-21 can give misleading ratios.

lakh crore announced earlier.[17] However, a sizable part of this increase of Rs. 6.5 lakh crore seems to be meant to accommodate the off-budget borrowings, which are now reported as part of the Union Government's borrowings.

So, while the increased transparency in terms of reporting the extent of the fiscal deficit is a welcome step, it also shows that there is very little in terms of additional spending and hence a fiscal stimulus in both 2020-21 (RE) and 2021-22 (BE).

And this also gets reflected in the spending of 17 key ministries. As the chart below shows, while the spending on these sectors as a proportion of the total Union Budget has increased, given that GDP has fallen, it is more a reflection of that decline rather than an increase in spending. The other point is that in 2021-22 (BE) there is again a fall to the levels witnessed in pre-pandemic times.

Figure 2.7: Share of Allocations for Select Union Government Ministries* in Total Union Budget (per cent)




*Source:* Compiled by CBGA from Union Budget Documents, various years.
*Note:* * Ministry of Culture; Ministry / Department of Drinking Water and Sanitation; Ministry of Health and Family Welfare (including AYUSH); Ministry of Human Resource Development; Ministry of Labour and Employment; Ministry of Minority Affairs; Ministry of Social Justice and Empowerment; Ministry of Tribal Affairs; Ministry of Housing and Urban Affairs; Ministry of Women and Child Development; Ministry of Youth Affairs and Sports; Ministry of Agriculture and Farmers' Welfare; Ministry of Environment, Forest and Climate Change; Ministry of Rural Development; Ministry of Consumer Affairs, Food and Public Distribution (includes food subsidy); Ministry of Fisheries Animal Husbandry and Dairying; Ministry of *Jal Shakti.*

## Fifteenth Finance Commission Recommendations

### Unique Terms of Reference for the 15th FC

The 15th FC report is unique for a number of reasons. Unlike in earlier times, this time the FC was asked to make recommendations on a number of additional issues, including performance incentives for states in areas such as power, solid waste management and for adoption of Direct Benefit Transfers (DBT). In addition, the terms of reference (ToR) for the report were modified by a Presidential order in July 2019. With this changed ToR, the FC was asked to examine the modalities of setting up a separate funding mechanism to finance expenditure on defence and internal security and the means to operationalise it. This had led to some apprehensions that the idea behind this was to "make the expenditure on defence and internal security a charge on the gross tax revenue of the central government before the size of the divisible pool which the Centre has to share with the states in

[17] In Budget 2020-21, the fiscal deficit was Rs. 8 lakh crore; however, while announcing the stimulus package in the wake of the pandemic, the government increased the fiscal deficit to Rs. 12 lakh crore.

accordance with the recommendations of the Finance Commission has been decided."[18] As a result, there were apprehensions that the magnitude of expenditure on defence and internal security would shrink the divisible pool of resources that the Centre shares with the states, and hence squeeze the resources that the states would get as untied funds.

**Apprehensions Belied, Giving Some Relief to States**

- Vertical devolution maintained: Belying these apprehensions, the 15th FC has maintained the definition or scope of the divisible pool of central taxes as well as the vertical devolution of tax or states' share in central taxes at 41 per cent. The 41 per cent devolution is in line with the recommendation of the 14th FC, with an adjustment "of about 1 per cent due to the changed status of the erstwhile State of Jammu and Kashmir into the new Union Territories of Ladakh and Jammu and Kashmir". The 15th FC notes that this has been done in "order to maintain predictability and stability of resources, especially during the pandemic". Thus, even though it has not acceded to the demand for a 50 per cent share of total taxes from the divisible pool by most states, it is a welcome move that it has not reduced it either.
- Horizontal devolution formula takes into account the concerns of some of the states: Some states (especially the southern states) had argued (in response to the ToR for the 15th FC) that their better performance on the population and demography front (in terms of reducing the total fertility rate and consequently their population growth rate) was not being recognised in what the Union Government has suggested in the ToR, and that states that failed to achieve such results would get rewarded in the new formula for horizontal devolution (of the divisible pool of central taxes). However, the 15th FC has tried to address these concerns by giving 12.5 per cent weightage (in the horizontal distribution formula) to the demographic performance of states.

**Post-Devolution Revenue-Deficit Grant Continues but Pathways for Fiscal Consolidation Laid Out**

In lieu of increasing states' share in central taxes to 50 per cent, the 15th FC has recommended providing post-devolution revenue deficit grants to 17 States. While the 14th FC was in favour of reducing revenue deficit grants and even questioned the need to retain them, in a welcome move, the 15th FC has recommended continuation of post-devolution revenue deficit grants and even extended these to 17 states from five states by the 14th FC. The 15th FC Report notes that even before the pandemic hit the economy, there had been a general deterioration in the aggregate fiscal position of states (during the period 2011-12 to 2018-19). And even though the states, in aggregate, have managed to keep their fiscal deficit within targets, because of their declining tax revenue and increasing revenue expenditure, the revenue account of several states has been under stress. This acknowledgment by the 15th FC of the need for states to have a post-devolution revenue deficit grant is important as a major portion of the revenue expenditure carried out by states is in the nature of developmental expenditure (such as payment of salaries of school teachers) and is therefore necessary for better investment in human resources and the overall functioning of different social sectors. Towards this end, the 15th FC has recommended revenue deficit grants of Rs. 2,94,514 crore over the period 2021-22 to 2025-26 for 17 states.[19]

At the same time, it has laid out a pathway for a decline in revenue deficit grants, with the number of states qualifying for the grant declining from 17 in 2021-22 to six in 2025-26. Likewise, the total revenue deficit grant amount is also set to decline, from Rs. 1,18,452 crore in 2021-22 to Rs. 13,705 crore in 2025-26. In this context it needs to be noted that the pathway for the decline in the need for post-devolution revenue deficit grants is based on assumptions of economic growth in the post-pandemic situation. Given that there are huge uncertainties over the recovery process, the needs of states can differ from what has been projected by the 15th FC.

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[18] Patnaik, Prabhat (2019, September 2). The 15th Finance Commission and Defence Expenditure, https://www.networkideas.org/news-analysis/2019/09/the-15th-finance-commission-and-defence-expenditure/

[19] These States are Andhra Pradesh, Assam, Haryana, Himachal Pradesh, Karnataka, Kerala, Manipur, Meghalaya, Mizoram, Nagaland, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttarakhand and West Bengal

### Specific Grants to Deal with the Fallout of the Pandemic

As is known, the pandemic has turned into a health crisis exposing the problems that years of under-funding by the government bring with it. The 15th FC's recommendations that public spending on health by states should be increased to more than eight per cent of their budget by 2022 can be seen as a recognition of this problem. It has recommended grant-in-aid support to the health sector of Rs. 1,06,606 crore over the award period. Of this, around 65 per cent (Rs. 70,051 crore) is to be spent on urban health and wellness centres (HWCs) and other block-level healthcare units. Within the rest of the grant, it has also recommended Rs. 13,296 crore to be spent on training the 1.5 million allied healthcare workforce. It is difficult to comment on the adequacy of the grant. However, the issue of adequacy apart, the fact that the grant is unconditional and not tied to any performance indicators perhaps indicates that while giving states the space to spend the funds according to their needs, it provides a direction about the need to increase spending in this sector. Further, it has also recognised and provided grants to address the lack of adequate human resources in health care-allied sectors.

### Grants to Local Governments: Balanced Approach to Decentralisation

In keeping with the 14th FC's recommendations to provide grants-in-aid of Rs. 2,87,436 crore to local bodies for the period 2015-16 to 2019-20, the 15th FC too has provided grants to local governments to the tune of Rs. 4,36,361 crore for the period 2020-21 to 2025-26. However, the difference in the two FCs' approach to decentralisation is that in the previous FC, grants were devolved mainly to *Gram Panchayats*(GP) and not to block *panchayats* and district *panchayats.* However, due to a number of conditions attached to the spending of FC grants by the states on GPs resulted in lower espenditure. Hence, the recommendation for disbursal of such local body grants to all tiers of local body governments can help in better utilisation of funds.

### Modalities for Defence Spending

One of the most contentious issues in terms of Centre-State sharing of resources that the 15th FC was asked to examine was that of financing expenditure on defence and internal security. There was speculation that this would lead to states having to share a part of this financing. The recommendations by the 15th FC seem to have recalibrated the relative shares of the Union and States in gross revenue receipts by reducing the FC grants component by one per cent for the funding of such expenditure. However, this one per cent cut in FC grants is assumed to leave aggregate transfers (excluding GST compensation) at the same level as the previous FC (Table 2.3 ).

Table 2.3: Transfers to States as Percentage of Gross Revenue Receipts at the Central Level

| As % of Gross Revenue Receipts | 14th FC | 15th FC |
|---|---|---|
| Revenue Deficit Grants to States | 1.81 | 1.92 |
| Disaster Risk Management | 0.45 | 0.80 |
| Grants to local governments | 2.43 | 2.85 |
| Sector-specific grants to States | 0.00 | 0.85 |
| State specific grants | 0.00 | 0.32 |
| FC grants to States | 4.68 | 6.74 |
| Tax devolution | 30.59 | 27.55 |
| Total FC- grants + devolution | 35.27 | 34.29 |
| Non-FC grants (excluding GST Compensation) | 12.81 | 12.82 |
| GST compensation | 2.08 | 4.02 |
| Aggregate transfers (including GST compensation) | 50.16 | 51.13 |
| Aggregate transfers (excluding GST compensation) | 49.10 | 49.08 |

*Source:* Fifteenth Finance Commission Report, 2020.

The FC has recommended setting up a dedicated Modernisation Fund for Defence and Internal Security, which in addition to the fund mentioned above will include the following:

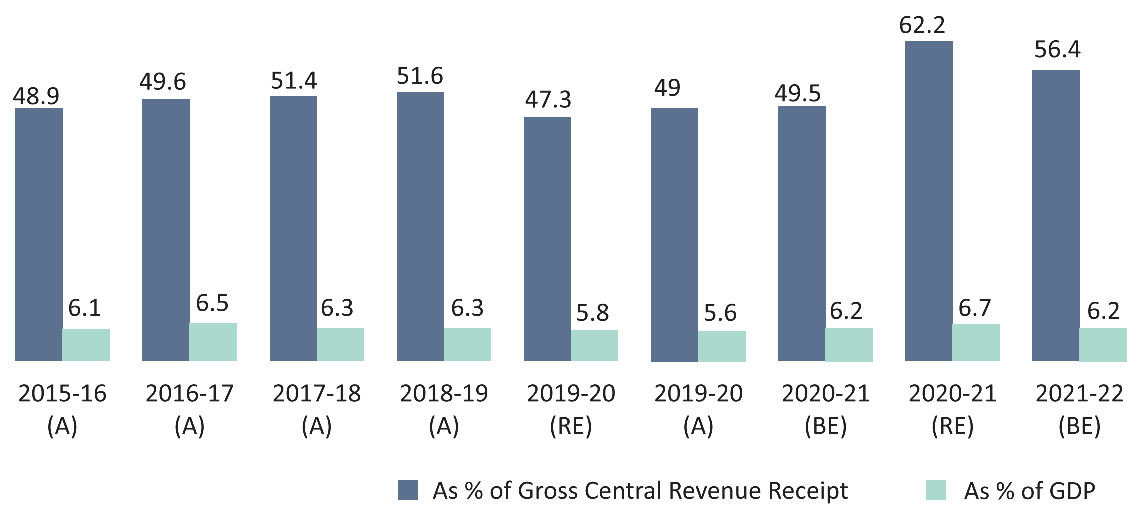
(a) disinvestment proceeds of defence public sector enterprises (DPSEs)

(b) proceeds from monetisation of surplus defence land

(c) proceeds of receipts from defence land likely to be transferred to State Governments and for public projects in future.

**Transfer of Resources to States**

Figure 2.8: Transfer of Resources to States (per cent)




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

### Salient Points in the Report of the Fifteenth Finance Commission

The Fifteenth Finance Commission's (15th FC) Report, organised in four volumes, contains 117 core recommendations, with the Government accepting most of them, and agreeing to the others in principle.

The recommendations of the Commission are wide-ranging, focusing primarily on fiscal devolution and the sharing of resources with States, and also on issues of defence expenditure, healthcare, fiscal consolidation, and local governance.

On the central issue of vertical devolution, the 15th FC has practically maintained the 14th FC's recommendations of keeping the states' share at 41 per cent. This is nearly the same share of the pool as the 14th FC's 42 per cent, adjusted for the change in the status of Jammu & Kashmir and Ladakh from states to UTs. This totals to Rs. 42.2 lakh crore for the 2021-26 period. When including total additional grants of Rs 10.33 lakh crore, the aggregate transfer to states is estimated at 50.9 per cent of the divisible pool during the 2021-26 period. This includes the allocation of Rs. 30,757 crore to Jammu and Kashmir and Rs. 5,958 crore to Ladakh.

On the question of horizontal devolution, the 15th FC has recommended the following (reproduced from the report):

| Criteria | Weight (%) |
|---|---|
| Population | 15.0 |
| Area | 15.0 |
| Forest & ecology | 10.0 |
| Income distance | 45.0 |
| Tax & fiscal efforts | 2.5 |
| Demographic performance | 12.5 |
| Total | 100 |

*Source:* Fifteenth Finance Commission Report, 2020.

- This horizontal devolution uses the Population Census data from 2011, unlike previous FCs, which had used 1971 Census data. In order to compensate for any loss to States, the 15th FC has added 12.5 per cent weightage to a new parameter— demographic performance.
- The Commission has recommended that the normal limit for net borrowings of State Governments be fixed at four per cent of GSDP in 2021-22, going down to three per cent of GSDP by 2023-24, with an additional leeway of 0.5 per cent, depending on their performance in the power sector.
- Performance-based incentives for states include inter alia Rs. 4,800 crore to enhance educational outcomes, Rs. 45,000 crore to carry out agricultural reforms, and Rs. 6,143 crore for the development of professional courses in higher education and online learning.
- The FC has recommended revenue deficit grants of Rs. 2,94,514 crore over the award period to17 states that have deficits.
- The total size of the grant to local governments is Rs. 4,36,361 crore for the period 2021-26. Various conditions have been stipulated to unlock the FC allocation. These include setting up of State Finance Commissions, having publicly available audited accounts, and the setting of a minimum floor for property tax rates.
- Two distinct forms of urban local bodies have been identified, with basic grants being proposed only for towns having a population of less than one million. For cities with a population greater than one million, the grants are entirely performance-based (the criteria mostly focus on issues such as air quality, water supply and sanitation).
- The 15th FC has recommended that health spending by states should be increased to more than eight per cent of their budget by 2022. The total grant-in-aid support to the health sector over the award period amounts to an unconditional Rs. 1,06,606 crore, 10.3 per cent of the total grants-in-aid.
- The 15th FC has recommended a total disaster management corpus of Rs. 1,60,153 crore for states for the 2021-26 period. It has also recommended the setting up of Mitigation Funds at both the national and state levels. The Commission recommended the continuation of the existing cost-sharing ratio between the Union and State Governments of 75:25 for general states and 90:10 for North-East and Himalayan states.
- The 15th FC has also suggested the creation of a non-lapsable fund for defence modernisation, called Modernisation Fund for Defence and Internal Security (MFDIS). The total indicative size of the proposed fund over the period 2020-21 to 2025-26 is Rs. 2.38 lakh crore.
- Another recommendation of the 15th FC, accepted in principle but not in letter by the government, is that the FRBM Act needs major restructuring. It has recommended that a new timetable to define and achieve debt sustainability be created, crafted and implemented by a high-powered Inter-governmental Group.

# Chapter 3

# Social Sectors

## Education

## Health

## Nutrition

## Water and Sanitation

3

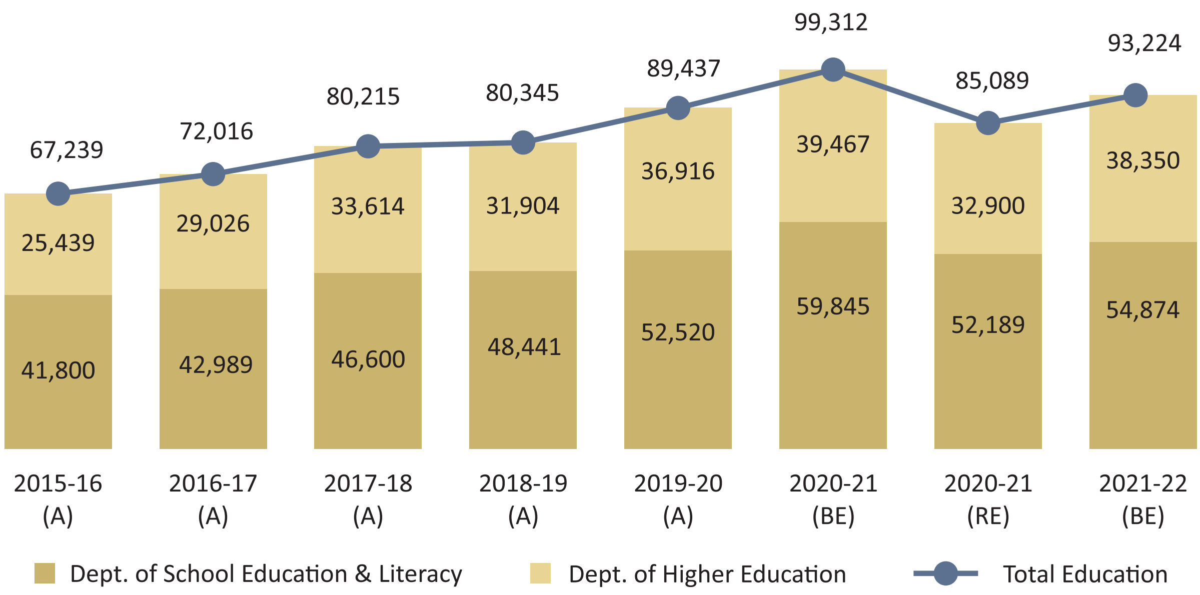
# SOCIAL SECTORS

## Education

Due to the COVID-19 outbreak, the schooling system in India has moved away from the traditional classroom setup to digital platforms. This unplanned and rapid move towards online education has created learning inequalities among children. Moreover, the digital divide is also pushing a large number of children out of school. In such a context, there was an array of expectations from the latest budget for the education sector, especially with regard to enabling the country's school education system to deal effectively with the pandemic-induced challenges. This is also the first Union Budget after the unveiling of the National Education Policy (NEP) 2020, and hence, a clear financial roadmap for the 'NEP implementation plan' was also very high in the list of expectations.

In this backdrop, the education sector has received a budget of Rs. 93,224 crore for 2021-22 (Budget Estimate (BE)), which is a 6.13 per cent dip from the budget estimates for 2020-21. This decrease is largely on account of an 8.3 per cent reduction in the school education budget (Fig. 3.1). While, the budget speech hailed 'education for all' as part of the government's ultimate goal of *Atma Nirbhar Bharat*, the sector does not get enough support in terms of budgetary allocation.

Figure 3.1: Department Wise Allocation/Expenditure by MHRD (Rs. crore)




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

### Silence on the COVID-19 Response Measures for Education Sector

Around 320 million children in India have lost an entire school year because of the pandemic.[20] Surveys have shown that the new academic set-up of online education remains out of reach for a sizable section of children- a situation which might push many among them to discontinue their study even after schools reopen. The Budget

[20] UNESCO (2020): Global Monitoring of School Closures Caused by COVID- 19; accessed as on 25th August 2020; https://en.unesco.org/covid19/educationresponse

was expected to provide fiscal support for a comprehensive policy response towards supporting safe and sustained return of children to schools, creating a conducive environment for students as well as teachers; this, however, has not happened.

*Samagra Shiksha Abhiyan* (SMSA), the key centrally sponsored scheme for school education, has witnessed a decline in allocation from Rs. 38,751 crore to Rs. 31,050 crore between 2020-21(BE) and 2021-22(BE). While funds released under SMSA up to December 2020 amounted to Rs. 19,097 crore, the revised estimates of Rs. 27,957 for 2020-21 could be an exaggerated projection of how much resources will actually flow for this scheme in the ongoing fiscal year (Table 3.1). Moreover, when there is a dire need for resources to ensure a 'no one is left behind' policy, a part of the funds under SMSA remaining unutilised is not a desirable situation.

Though the budgetary support in 2020-21 for *Kendriya Vidyalaya* and *Navodaya Vidyalaya* schools shows an increase in the RE over the BE figures for the year, and the BE for 2021-22 also shows a further increase, these schools cater to a very small section of children in the country. A higher allocation was essential under SMSA for safe reopening of other government schools by investing in components like basic infrastructure, including WASH facilities in schools and teacher training for children's mental or emotional wellbeing post-pandemic.

Mid Day Meal (MDM) scheme reflects a Rs. 1,900 crore higher allocation in 2020-21 (Revised Estimate (RE)) as compared to 2020-21 (BE). The increase is also on account of enhanced annual central allocation for cooking cost starting from April, 2020. However, a reduction in the MDM allocation in 2021-22 (BE), compared to the RE for the ongoing fiscal year, is difficult to justify (Table 3.1).

Table 3.1: Budgetary Allocation for Select Schemes/Institutions (Rs. crore)

| Schemes/Institutions | 2019-20 (A) | 2020-21 (BE) | 2020-21 (RE) | 2021-22 (BE) |
|---|---|---|---|---|
| Samagra Shiksha Abhiyan (SMSA) | 32377 | 38751 | 27957 | 31050 |
| Mid Day Meal (MDM) | 9699 | 11000 | 12900 | 11500 |
| Kendriya Vidyalaya Sangathan (KVS) | 6331 | 5517 | 6438 | 6800 |
| Navodaya Vidyalaya Samiti (NVS) | 3388 | 3300 | 3480 | 3800 |
| National Scheme for Incentive to Girls for Secondary Education | 9 | 110 | 1 | 1 |
| NEM-RUSA | 1278 | 300 | 166 | 3000 |
| World class institutions | 224 | 500 | 1101 | 1710 |
| IITs | 6366 | 7182 | 6615 | 7536 |
| IIMs | 481 | 476 | 465 | 476 |
| UGC | 4435 | 4693 | 4445 | 4693 |
| Scholarship for college and university | 369 | 141 | 207 | 207 |

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

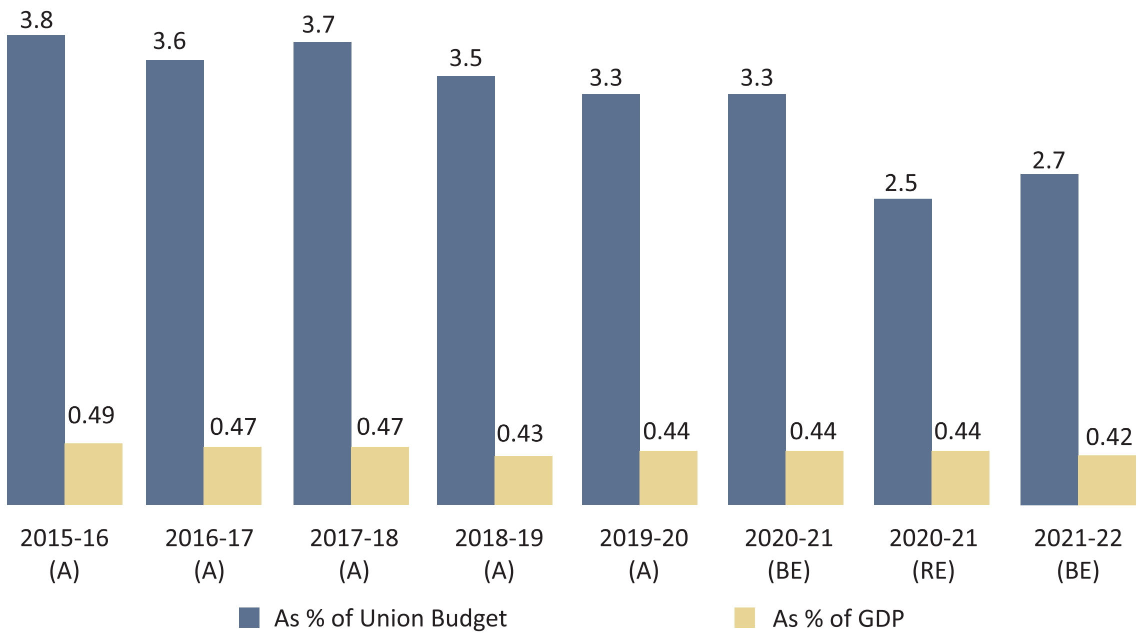
Integration of technology in the education system and digital education has been one of the key focus areas of the government. Yet, there are reductions in allocations for schemes such as 'Operation Digital Board' from Rs. 25 crore in 2020-21 (BE), to Rs. one crore in 2021-22 (BE). However, the Digital India e-learning umbrella programme under the Dept. of Higher Education has been allocated an additional Rs. 200 crore over the 2020-21 budget estimates of Rs. 444 crore.

When there is a desperate need for additional attention to revamp the school education system, the absence of any such measures raises the larger question- Is education a priority at all?

**Pursuing the NEP Without Adequate Resources?**

The realisation of the NEP requires substantial government expenditure on education sector in a phased manner. However, the budget fails to offer any financial roadmap for NEP implementation. The share of education in the total Union Budget is continuously decreasing. With an Union Budget allocation of only 0.42 per cent of the Gross Domestic Product (GDP) for education (Fig. 3.2), the NEP recommendation of six per cent of GDP (as the combined pubic spending on education sector by the Union and States) remains a distant dream unless states step up their budgetary support for the sector substantially.

Figure 3.2: Union Government's Budgetary Spending on Education (per cent)




*Source:* Compiled by CBGA from Union Budget Documents, various years.
*Notes:* GDP figures at current market price (2011-12 series), the 2020-21(BE) figures for GDP is the earlier projection figure kept unchanged for parity.

The Budget Speech (Annexure-V) has listed a set of initiatives taken as part of the NEP, that includes National Professional Standards for Teachers, indigenous toy-based learning-pedagogy, National Digital Educational Architecture (NDEAR), standardisation of Indian Sign language, and reforms in the CBSE board exams structure. However, most of these interventions either do not have any budgetary implications or are not reflected in the budget documents in any form. Similarly, the proposition of strengthening 15,000 schools as 'exemplar schools' in their regions towards achieving the goals of the NEP does not have an action plan, undermining the implementation of the proposed initiative.

The other factor which needs attention is of the total school education budget of Rs. 54,874 crore. Of this, Rs. 44,000 crore is coming from Education Cess and Rs. 4,800 crore from the National Investment Fund. This implies that, over time, the gross budgetary support for education is declining, and the fate of allocation for the sector depends on cess collection and disinvestment proceeds. While the NEP is advocating for higher public funding for education, the volume of budgetary support provided for the sector by the Union Government is a concern.

**A Policy Without Funding Support: The Case of Early Childhood Education**

The NEP presented a fairly nuanced approach towards reforming Early Childhood Education (ECE), and declared a number of positive steps to be undertaken for children between 0 to 8 years.[21] It states that ECE is to be universalised by 2030, and capacity building of *Anganwadi* Workers is to be undertaken to train them in early education methods, among other things. The Union Budget 2021-22, however, does not back the NEP for ECE by introducing any scheme or even a budget head under either the Ministry of Women and Child Development (MWCD) or the Ministry of Education (MOE), to finance any of the reforms mentioned in it. Hitherto, funds for ECE have mainly come from SMSA and Integrated Child Development Services (ICDS).

The draft NEP suggested an estimate of 1.4 per cent of total government (Centre + State) expenditure per annum for the universalisation of ECE and another 0.6 per cent of total government expenditure as a one-time investment for expansion and improvement of ECE centers. Taking into account the COVID-19 scenario, both the Union Government and the States together need to spend more than 1.4 per cent of the total government expenditure on ECE. However, the Union Government is spending approximately 0.4 per cent of its expenditure on ECE. While the Union Government was expected to increase its share of spending on ECE, the opposite has happened.

**15th Finance Commission on the Education Sector**

Along with the Union Budget, the 15th Finance Commission (FC) report, which was also tabled in Parliament on 1st February, 2021, has significant budgetary implications for the education sector. The Commission has re-introduced sector specific grants and recommended a grant of Rs. 4,800 crore to incentivise the States to enhance educational outcomes during the four-year period of 2022-23 to 2025-26. An incentive of Rs. 200 crore each will be provided to six states every year depending on their performance (as measured against the Performance Grading Index - PGI prepared by the MOE).

The other recommendation of the FC is related to higher education. Rs. 5,078 crore has been approved for promotion of online education through the development of Massive Open Online Courses (MOOC), and Rs. 38 crore per state for five years, amounting to a total of Rs. 1,065 crore for the development of professional courses in regional languages over the time period of 2021-26.

On the whole, it can be argued that while there is a strong need to make public sector education system in the country more resilient, inclusive, and sustainable, the Union Budget provisions for education sector do not provide such momentum.

## Health

It is widely acknowledged that the health sector had been suffering from weak infrastructure, human resource shortage, and high out-of-pocket expenditure (OoPE), even before the COVID-19 pandemic hit the country. The situation has been exacerbated by the pandemic. Enhanced allocation for the strengthening of health systems, especially rural primary health care infrastructure, and human resource, has been recommended by the Parliamentary Standing Committee, the Economic Survey 2020-21, the 15th FC report, as well as sector experts.

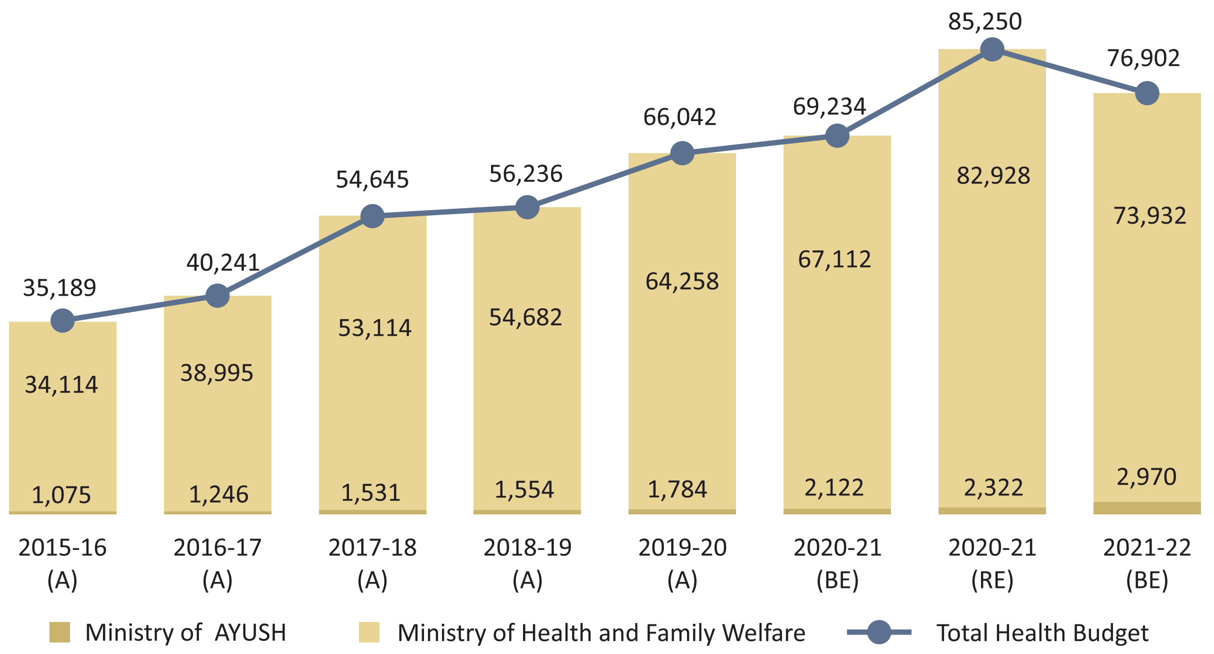
**Unpacking the Budget Allocations for 'Health and Wellbeing'**

The Budget Speech 2021-22 emphasised on the same, announcing Rs. 64,180 crore over six years under the new centrally sponsored scheme (CSS), *Pradhan Mantri Atmanirbhar Swasth Bharat Yojana* (PM-ASBY) for development of primary, secondary and tertiary levels of healthcare, and an overall Rs. 2,23,846 crore for health

[21] Ministry of Human Resource Development, Government of India, New Education Policy 2020. https://www.education.gov.in/sites/upload_files/mhrd/files/NEP_Final_English_0.pdf

and wellbeing. The Union Budget provision for health, however, does not reflect the same level of commitment. The total 'health and wellbeing budget' includes Rs. 98,752 for Nutrition, and Water and Sanitation. Health related expenditure includes Rs. 35,000 crore for COVID-19 vaccination, and Rs. 13,192 crore grants for health as recommended by the 15th Finance Commission. Both of these lines of funding are going to be transferred directly to the States by the Ministry of Finance; these are not part of the budget provision for the Union Minstry of Health and Family Welfare. This leaves the Union Minstry of Health and Family Welfare with an allocation of Rs. 76,902 crore which does not seem adequate given the present situation.

Figure 3.3: Trend in the Budget Provision for the Union Ministry of Health and Family Welfare (Rs. crore)




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

The budget of Rs. 76,902 for 2021-22 (BE), an increase of 9.97 per cent over 2020-21 (BE), falls short of 2020-21 (RE) figure by 10.86 per cent. The increase in allocation in 2020-21 (RE) is largely COVID-19 related. This is the case with both the Department of Health and Family Welfare (DoHFW) and the Department of Health Research (DoHR). The Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (MoAYUSH) shows an increase both in 2020-21 (RE) and 2021-22 (BE). Despite this, the share of allocation for MoAYUSH in the total budget provision for the health sector stands at 3.86 per cent in 2021-22 (BE), which is less than the five per cent benchmark recommended by the Standing Committee.[22]

The ongoing fiscal year, i.e. 2020-21, saw a disruption of essential health services including outpatient and inpatient services and routine/emergency surgeries.[23] Reproductive and maternal healthcare,[24] family planning, and immunisation[25] services also got affected. Therefore, the Union Ministry of Health and Family Welfare

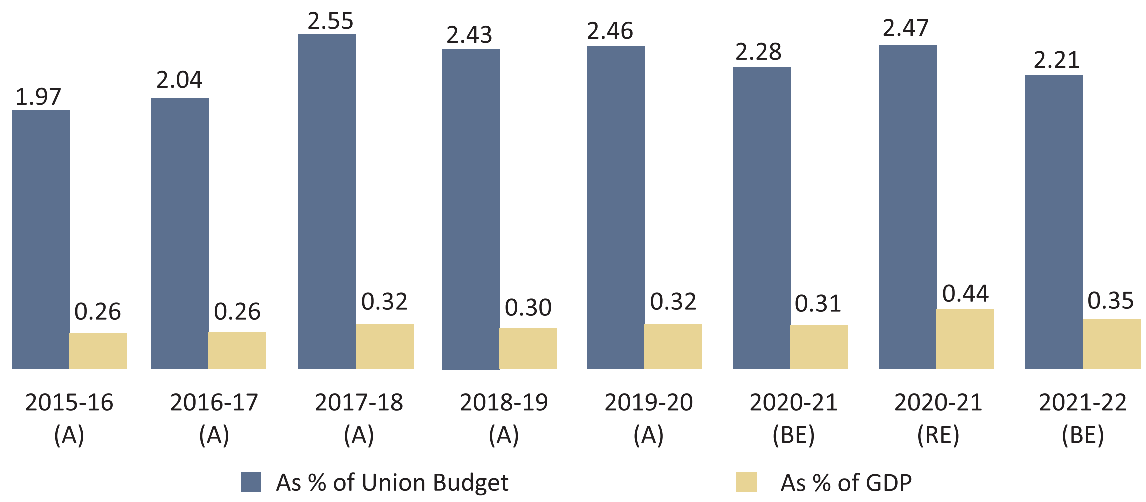
[22] Department-Related Parliamentary Standing Committee on Health and Family Welfare. (November 2020). The Outbreak of Pandemic Covid-19 And Its Management. Report No. 123.
[23] Ibid.
[24] Sinha, D. (2021). Retrieved Rs 1.3 Lakh Crore – a.k.a. What's Expected of the Health BudgetThis Year. Retrieved from https://thewire.in/health/budget-2021-health-expectations
[25] Kapur, A., Malhotra, S., & Shukla, R. (2021). Budget Briefs:National Health Mission (NHM) GoI, 2021-22 (Pre-budget). Accountability Initiative & Centre for Policy Research. 13 (9).

required a higher quantum of budgetary support for 2021-22 in order to revive and strengthen the routine healthcare services that have been affected during the pandemic.

**Declining Share of the Health Budget in the Total Union Budget**

The low priority given to health in the Union Budget over the years is also reflected in its declining share in the Union Budget as depicted in Fig. 3.4.

Figure 3.4: Union Government's Budgetary Spending on Health




*Source:* Compiled by CBGA from Union Budget Documents, various years.
*Note:* The figure for 2020-21(BE) is calculated based on the GDP estimation projected in the previous year budget for consistency.

Further, in terms of reaching the target of 2.5 per cent of the GDP (as the combined public spending on health sector by the Union Government and all States) by 2025, the increase of Rs. 7,668 crore from FY 2020-21 (BE) falls short of expectations. As per the calculations relating to the required increase in health expenditure by the government in order to achieve the benchmark of 2.5 per cent of the GDP by 2025, as proposed by the High-Level Group on Health Sector,[26] the Union Budget allocation should be Rs. 1.3 lakh crore or 0.68 per cent of the GDP.[27] As can be seen in Fig. 3.4, the Union Budget provision for health in FY 2021-22 (BE) is 0.35 per cent of the GDP. A greater increase in public spending is also required to reduce OoPE which is very high, at 60 per cent of all expenditure (the WHO's recommended norm is 15-20 per cent). The Economic Survey 2020-21 suggests that enhancing health spending to 2.5-3 per cent of GDP can reduce OoPE to 30 per cent.

**More Focus is Required on Expanding Public Sector Healthcare**

The Economic Survey 2020-21 reports that around 74 per cent of outpatient care and 65 per cent of hospitalisation care is provided through the private sector in urban India which highlights the need for expanding and strengthening public healthcare system in the country. The Economic Survey also calls for continued emphasis on the National Health Mission (NHM), citing its important role in minimising inequity in healthcare access in the country. Under NHM, allocations increased by 20.45 per cent from 2020-21 (BE) to 2020-21 (RE). A major portion of this increase in allocation in 2020-21 (RE) is accounted by Rs. 6937.69 crore allocated to NRHM under COVID-19 Emergency Response and Health System Preparedness Package and Rs. 360 crore allocated towards NHM for COVID-19 vaccination for health care and front line workers. Therefore, NHM registers a small increase in allocation in 2021-22 (BE) over the ongoing fiscal year's BE but decreases by 15.37 per cent from

[26] A Report of High Level Group on Health Sector submitted to Fifteenth Finance Commission of India. (2019).
[27] Sinha, D. (2021). Retrieved Rs 1.3 Lakh Crore – a.k.a. What's Expected of the Health BudgetThis Year. Retrieved from https://thewire.in/health/budget-2021-health-expectations

2020-21 (RE). Despite the increase in allocation in 2021-22 (BE) from 2020-21 (BE), the share of the NHM in the total health budget has fallen from 49.26 per cent to 48.32 per cent. Allocation under the *Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana* (AB-PMJAY) is Rs. 6400 crore, the same as FY 2020-21 (BE) reflecting the continued plan towards private partnership and strategic purchasing of healthcare services.

It may be noted here that the National Health Authority, in its presentation to 15th FC, had stated that the estimated expenditure on PMJAY in 2023 is likely to be Rs. 32,220 crore. Against this provision of Rs. 6400 crore for the FY 2021-22 (BE) seems inadequate.

Table 3.2: Budget Expenditure on Major Health Sector Schemes (Rs. crore)

| Schemes | 2015-16 (A) | 2016-17 (A) | 2017-18 (A) | 2018-19 (A) | 2019-20 (A) | 2020-21 (BE) | 2020-21 (RE) | 2021-22 (BE) |
|---|---|---|---|---|---|---|---|---|
| NHM(H&FW) including AYUSH | 20213 | 22870 | 32000 | 31502 | 35155 | 34105 | 42872 | 37159 |
| *Pardhan Mantri Swasthya Suraksha Yojana* (PMMSY) | 1578 | 1953 | 3159 | 3797 | 4683 | 6020 | 7517 | 7000 |
| *Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana* (PMJAY) | - | - | - | 1998 | 3200 | 6400 | 3100 | 6400 |

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

The doctor to population ratio in India is 1:1511 as against the WHO norm of 1:1000, and the nurse to population ratio is 1:670 against the norm of 1:300.[28] Rural Health Statistics (RHS) 2019 report a shortfall of 23 per cent, 28 per cent, 37 per cent against the required number of Sub-Centres, Primary Health Centres (PHCs), and Community Health Centres (CHCs), respectively, in rural areas. Only 72 per cent of Health and Wellness Centres (HWCs) have been operationalised as of 2nd February 2021[29] against the overall target of 80,000 HWCs to be operationalised by March 2021. Government hospital beds available in India amount to 0.55 beds per 1000 population against the WHO norm of 5:1,000.[30] The RHS 2019 also reports high scarcity in human resources in the sector.

Given this situation, as stated earlier, the focus on strengthening public sector healthcare infrastructure and human resources is of utmost importance. Funds announced under PM-ASBY that include the resource support for HWCs, and setting up of block public health units, public health labs, critical care hospitals and central institutions etc. are therefore much needed but not reflected in the Budget. Considering the target of operationalising 1.5 lakh HWCs till March 2022, an increase in the budgetary support by Rs. 300 crore in 2021-22 (BE) over the ongoing year's provision does not seem adequate. However, the funds available to the states under Grants from the Finance Commission will be useful in this regard. The FC has recommended these grants for urban HWCs, building-less Sub-Centres, PHCs, CHCs, block level public health units, support for diagnostic infrastructure and overall primary health care improvement. Health System Strengthening under the National Rural Health Mission (NRHM), in 2021-22 (BE) sees an increase of 17.09 per cent and 7.99 per cent as compared to 2020-21 (BE) and 2020-21 (RE) respectively.

Essentially, the Union Budget provision for health sector remains the same, with little change even in the wake of the pandemic, thus missing the opportunity for health sector reforms that are long due, and relying heavily upon the States to shoulder the responsibility of public financing of the sector.

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[28] Fifteenth Finance Commission. (2021). *Finance Commission in Covid Times Report for 2021-26*. Retrieved from https://fincomindia.nic.in/WriteReadData/html_en_files/15thFcReportIndex.html

[29] Ministry of Health and Family Welfare, Government of India. Ayushman Bharat - Health and Wellness Centre. Retrieved from https://ab-hwc.nhp.gov.in

[30] Department-Related Parliamentary Standing Committee on Health and Family Welfare. (November 2020). The Outbreak of Pandemic Covid-19 And Its Management. Report No. 123.

## Nutrition

India is fighting a dual[31] battle against malnutrition and COVID-19. Even before the pandemic, India accounted for a third of the global burden of malnutrition.[32] The recent NFHS-5 data from 22 states and Union Territories reveal that several states have reversed course and recorded increased levels of cases of child stunting, wasting, underweight and anaemia. Nutrition got further threatened with disruptions in coverage of essential nutrition services, and reduction in food security due to the impact of the pandemic. Funds secured in this year's Union Budget for addressing the long-standing nutrition challenges need to be seen against this backdrop.

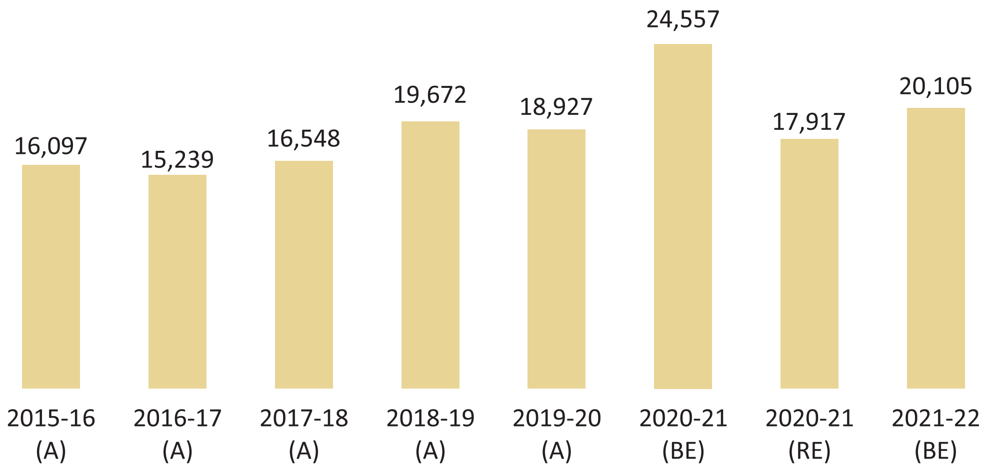
**Inadequate Funding for Nutrition under Mission POSHAN 2.0**

Four schemes under the erstwhile umbrella programme, Integrated Child Development Services (ICDS) have been merged to form the new *Saksham Anganwadi*, or Mission POSHAN 2.0. The schemes are *Anganwadi* Services, POSHAN *Abhiyan*, Scheme for Adolescent Girls, and National Creche Scheme. With the 15th FC recommendations coming into effect in 2021-22, the next round of rationalisation of Centrally Sponsored Schemes (CSS) was anticipated this time. But merging of schemes is going to make it difficult to seek accountability for progress under each of the clubbed schemes (mentioned above) which provide important services to varied age groups.

The allocation for Mission POSHAN 2.0 in 2021-22 (BE) shows a drop of 18.5 per cent compared to the combined allocation for the four merged schemes in 2020-21 (BE), indicating that the rationalisation exercise may have paved the way for shrinking the total resource envelope for these schemes. Disaggregated allocations for each of the four schemes are not provided for 2021-22. It may be noted that the smaller schemes (Scheme for Adolescent Girls and National Creche Scheme) were already witnessing underutilisation and reduction in allocations over the years. Rationalisation may further squeeze them of resources.

Revised Estimates for these schemes for 2020-21 show a sharp downward revision, reflecting disruptions in service delivery during the pandemic. The closure of *Anganwadi* Centres led to a disruption of the Supplementary Nutrition Programme (SNP) and other services, which has implications for nutrition outcomes.

Figure 3.5: Total Union Budget Expenditure/Allocation for Schemes Merged under the New POSHAN 2.0 (Rs. crore)




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

[31] https://www.worldbank.org/en/news/feature/2020/04/27/covid19-coronavirus-india-response-health-undernutrition-anganwadi-workers-healthcare

[32] The Lancet (2019). 'The burden of child and maternal malnutrition and trends in its indicators in the states of India: the Global Burden of Disease Study 1990-2017', available at https://www.thelancet.com/action/showPdf?pii=S2352-4642%2819%2930273-1

The adequacy of the allocation for Mission POSHAN 2.0 is under question for two reasons. First, the coverage of *Anganwadi* Services has been low in the last few years. In 2015-16, only around 48 per cent of eligible children and 51 per cent of pregnant women received the services delivered at *Anganwadis.*[33] In urban areas these numbers fall to 40 per cent and 36 per cent respectively. The total number of beneficiaries of the Supplementary Nutrition Programme (SNP) have fallen from 10.2 crore in 2016 to 8.6 crore in 2020, a drop of 15 per cent. Incremental increases in the budget for the scheme, as seen in the past six years, will not be sufficient to expand coverage.

Secondly, the funds allocated to the MWCD have fallen short of its budgetary demands for several years. The allocation of Rs. 20,532 crore for *Anganwadi* Services in 2020-21 was made against a demand of Rs. 24810 crore. The total allocation for Mission Poshan 2.0 in 2021-22, which also subsumes three other schemes, is less even when compared to reduced allocation for the previous year.

Table 3.3: Resource Shortfall against MWCD's Estimates (Rs. crore)

| MWCD's demand for Anganwadi Services in 2020-21 | Allocation for Anganwadi Services 2020-21 | Revised Estimates for Anganwadi Services in 2020-21 | Allocation for Mission Poshan 2.0 in 2021-22 |
|---|---|---|---|
| 24810 | 20532 (83% of original demand) | 17252 (70% of original demand) | 20105 (81% of original demand in previous year) |

*Source:* 314th Report of the Parliamentary Standing Committee on Human Resource Development, March 2020

It was stated that an 'intensified strategy' would be undertaken under Mission POSHAN 2.0 to improve nutritional outcomes across 112 aspirational districts. With the National Family Health Survey (NFHS-5) showing an increase in undernutrition in many states, there remains a need for greater focus on nutrition beyond just the aspirational districts.

**The Budget Ignores the Need to Cast a Wider Net for Maternity Benefits**

At a time of economic crisis, when maternity benefits have assumed greater importance in assisting mothers to obtain nutritious food, the *Pradhan Mantri Matru Vandana Yojana* (PMMVY) has been merged, along with three other schemes, under the new head *Samarthya*. The allocation for *Samarthya*, when compared to the combined allocation for the four merged schemes in 2020-21 BE shows a reduction of 7 per cent. Enhanced support is needed across the country to support pregnant women during and beyond the pandemic. PMMVY is only applicable for the first live birth; therefore a large number of women are already excluded from its purview. States like Odisha, Tamil Nadu and Telangana have been implementing their own maternity benefits schemes with greater coverage and quantum of benefits.

**Relying on Direct Nutrition Interventions is Not Enough to deliver on Targets of Nutrition**

Nutrition-sensitive interventions address the underlying determinants of undernutrition, and are critical in the overall policy framework for nutrition. Stagnation in nutrition outcomes as noted by NFHS-5 at a time of improvement in some of the underlying indicators of health such as sanitation, and LPG access raises some pertinent questions. Schemes providing direct nutrition interventions are crucial to eradicating malnutrition, but a holistic approach of strengthening public services across important sectors like health, education, agriculture, employment and social protection needs to be followed in order to achieve a major nutrition impact. Schematic interventions in agriculture can determine the affordability and accessibility of food grains, and also ensure a critical minimum level of income for the vast majority. However, no visible budgetary allocation has been

[33] National Family Health Survey 4 (2015-16). Available at http://rchiips.org/nfhs/factsheet_nfhs-4.shtml

witnessed for these schemes over the years. Likewise, expenditure for social protection schemes like the National Social Assistance Programme (NSAP), and school meal programmes like MDM also continue to be low in Union Budget 2021-22.

Table 3.4: Allocations/Expenditure for Nutrition (Nutrition Specific and Sensitive Schemes) (Rs. crore)

| Schemes | 2015-16 (A) | 2016-17 (A) | 2017-18 (A) | 2018-19 (A) | 2019-20 (A) | 2020-21 (BE) | 2020-21 (RE) | 2021-22 (BE) |
|---|---|---|---|---|---|---|---|---|
| Nutrition-Specific Schemes | | | | | | | | |
| *Saksham Anganwadi* and POSHAN 2.0 * | 16097 | 15239 | 16548 | 19672 | 18927 | 24557 | 17917 | 20105 |
| IGMSY/MBP/ PMMVY ** | 233 | 75 | 2048 | 1055 | 2239 | 2500 | 1300 | 2522 ** |
| Total Nutrition Specific | 16330 | 15314 | 18596 | 20727 | 21166 | 27057 | 19217 | 22627 |
| Nutrition-Sensitive Schemes and Programmes | | | | | | | | |
| National Health Mission | 20213 | 22870 | 32000 | 31502 | 35155 | 34105 | 42872 | 37159 |
| Food Subsidy | 139419 | 110173 | 100282 | 101327 | 108688 | 115570 | 422618# | 242836## |
| Mid-day Meal (MDM) | 9145 | 9475 | 9092 | 9514 | 9699 | 11000 | 12900 | 11500 |
| *Jal Jeevan* Mission (JJM) / National Rural Drinking Water Mission | 4370 | 5980 | 7038 | 5484 | 10030 | 11500 | 11000 | 50011 |
| SBM (Rural + Urban) | 7469 | 12619 | 19427 | 15374 | 9469 | 12294 | 7000 | 12294 |
| MGNREGA | 37341 | 48215 | 55166 | 61815 | 71687 | 61500 | 111500 | 73000 |
| NLM (NRLM +NULM) | 2783 | 3486 | 4926 | 6282 | 9755 | 10005 | 10005 | 14473 |
| NSAP | 8616 | 8854 | 8694 | 8418 | 8692 | 9197 | 42617 | 9200 |
| NFSM | 1162 | 1286 | 1377 | 1606 | 1769 | 2100 | 1864 | 2096 |
| NMSA | 686 | 670 | 717 | 1063 | 761 | 1229 | 922 | 1179 |
| RKVY | 3940 | 3892 | 3560 | 3370 | 3085 | 3700 | 2551 | 3712 |
| White Revolution | 937 | 1309 | 1574 | 2422 | 1789 | 1805 | 1642 | 1177 |
| Blue Revolution | 200 | 388 | 321 | 485 | 442 | 570 | 710 | 1015 |
| National Horticulture Mission | 1696 | 1493 | 2027 | 1997 | 1331 | 2300 | 1610 | 2385 |

*Source:* Compiled by CBGA from Union Budget Documents, various years.
*Note:* i) **Saksham Anganwadi*/Mission POSHAN 2.0 has been formed this year, subsuming the following four schemes - *Anganwadi* Services, Poshan *Abhiyan*, Scheme for Adolescent Girls and National Crèche Scheme ii) ***Pradhan Mantri Matru Vandana Yojana* (PMMVY) has now been grouped under a new umbrella programme, *Samarthya*, which also includes three other schemes for protection and empowerment of women. iii) NLM - National Livelihoods Mission (National Rural Livelihoods Mission + National Urban Livelihoods Mission); NSAP - National Social Assistance Programme; NFMS - National Food Security Mission; NMSA: National Mission for Sustainable Agriculture; RKVY – *Rashtriya Kisan Vikas Yojana. iv) # The amount for food subsidy reported in 2020-21 (RE) includes a significant allocation towards clearing of the pending arrears of the FCI. v) ## The amount for food subsidy reported in 2021-22 (BE) also includes a sizeable allocation towards clearing the pending arrears of the FCI.*

### 15th Finance Commission has not Recommended Sector Specific Grants for Nutrition in its Main Report

The 15th Finance Commission had proposed in its Interim Report, meant only for 2020-21, a grant of Rs. 7,735 crore for States, to strengthen the Supplementary Nutrition Programme (SNP). But the Union Government had not accepted the same last year. This recommendation has not been retained in the final report- though the FC has reiterated that the Government should prioritise child and maternal nutrition through the ICDS without making an associated budgetary recommendation.

### More Central Funds Needed to Address Gaps in Infrastructure, Human Resource Capacity

A large number of sanctioned supervisory posts remain vacant under *Anganwadi* Services, which impedes implementation and monitoring of the programme. These include 2131 or 30 per cent sanctioned posts of Child Development Project Officers (CDPOs), and 14188 or 28 per cent posts of Lady Supervisors.[34] Since 2017-18, the Centre is only contributing to the salaries on one DPO (District Project Officer), one CDPO (under each project), and one Statistical Assistant (per project in district) and supervisors, and that too, with a reduced share. Salaries of other functionaries under *Anganwadi* Services are to be paid by the States from their own resources. States have been demanding that the cost sharing ratio for salaries should be revised back to 60:40 from the current 25:75.

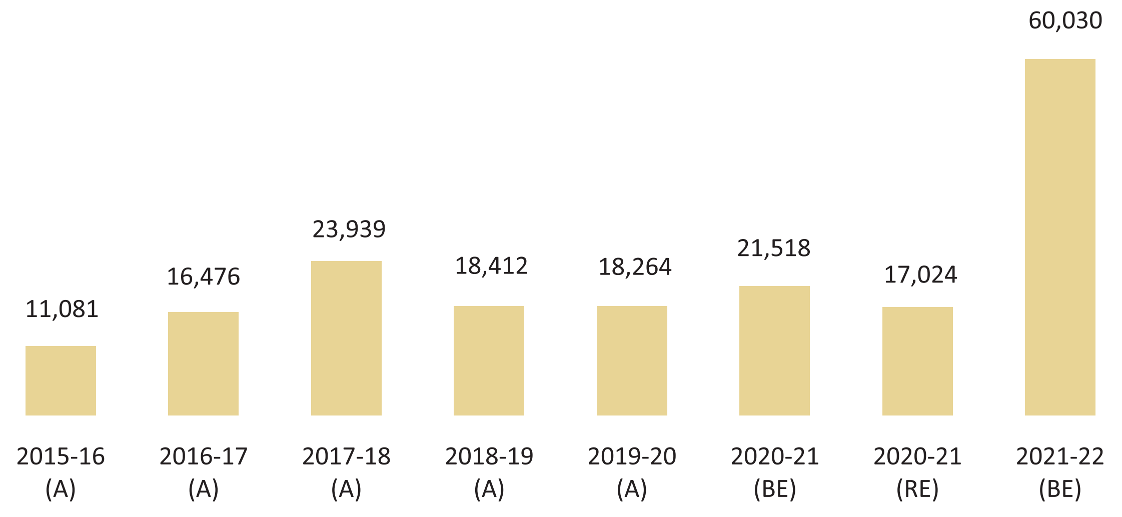
In urban areas, states struggle to get land to set up *Anganwadi* Centres (AWCs). As a result, 66 per cent of urban AWCs were running out of rented buildings, compared to 19 per cent of rural AWCs.[35] To avoid recurring expenditure on rent, the Centre has recommended that AWCs can be co-located in nearby primary schools. Given lower coverage in urban areas, apart from changing the location, new AWCs are also needed. The Centre should provide greater support to enable states to invest in setting up a sufficient number of AWCs. Unit costs of construction, upgradation, repair and provision of water and toilet facilities should be reassessed, to account for inflation, and provide better quality infrastructure.

## Water and Sanitation

### Budget Provision for Drinking Water Supply Registers a Sharp Increase

This year's Union Budget support for drinking water does reflect a recognition of the acute need for higher investment in this important area. In the BE for 2021-22, the Department of Drinking Water & Sanitation under the Ministry of *Jal Shakti* has witnessed a substantial increase (179 per cent) from the previous year's allocation (Fig. 3.6). The main reason for this has been the quantum jump (335 per cent) in allocation for the *Jal Jeevan* Mission (JJM) in 2021-22 (BE) compared to the allocation made last year (Fig. 3.7). This allocation of Rs. 50,011 crore is a welcome step confirming the prioritisation of water supply services in the wake of the pandemic.

Figure 3.6: Union Budget Expenditure / Allocation for the Department of Drinking Water & Sanitation under the Ministry of *Jal Shakti* (Rs. crore)




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

[34] Lok Sabha Unstarred Question No. 169 (2019). Available at http://164.100.24.220/loksabhaquestions/annex/171/AU169.pdf

[35] Lok Sabha Unstarred Question No. 1116 (2020). Available at http://164.100.24.220/loksabhaquestions/annex/174/AU1116.pdf

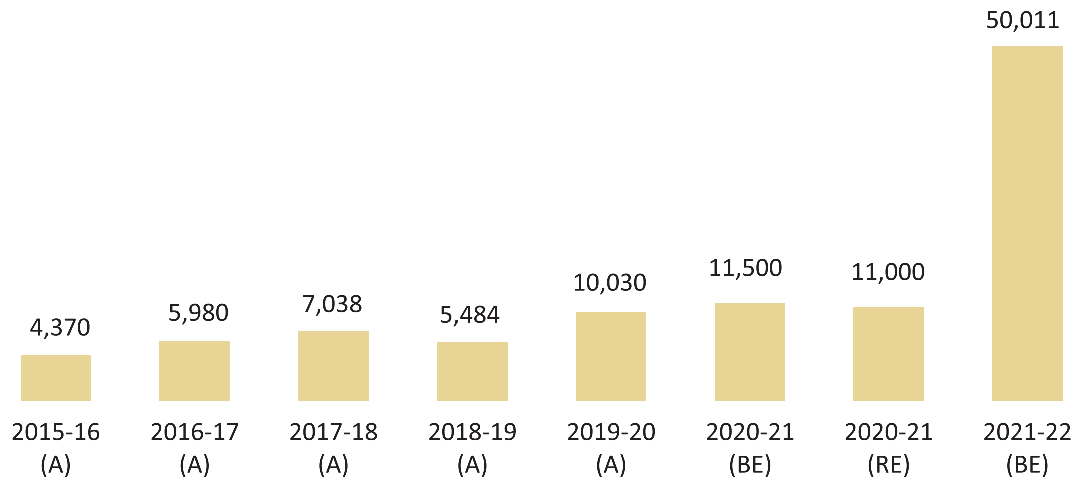
The *Jal Jeevan* Mission was launched in August 2019. At the time of rolling out the scheme, about 3.23 crore (17 per cent) households out of a total of 18.93 crore rural households had tap water supply. As of now, it has been reported that, 18 districts in the country spread across Gujarat (5), Telangana (5), Himachal Pradesh (1), Jammu & Kashmir (2), Goa (2) and Punjab (3) have become '*Har Ghar Jal*' districts. Similarly, 402 Blocks, 31,848 *Gram Panchayats*, and 57,935 villages have also become '*Har Ghar Jal* Block', '*Har Ghar Jal Panchayat*' and '*Har Ghar Jal Gaon*', respectively. Goa has become the first State in the country to have 100 per cent households with functional tap water connections (FTWCs) i.e., '*Har Ghar Jal Rajya*'.

As regards the the issues of water adequacy and accessibility, promoting FTWCs should not be the only focus; soft components such as building capacities and institutions for managing water services should be prioritised as well. Water infrastructure has a high frequency of break-downs and wear and tear, therefore, to prevent slippage, regular operation and maintenance should be stressed on with a separate budgetary allocation for the same.

Utilisation of JJM funds in the states have not been uniform with 16 states having spent less than 50 per cent of the funds received till January 2021.[36] This implies the need for identifying the administrative and procedural bottlenecks to effective absorption of resources for the sector, especially when the budget provision has been stepped up significantly.

Regarding water for urban areas, the FM in her Budget Speech spoke of launching a *Jal Jeevan* Mission for urban areas with an aim to 'provide for tap water connections to 500 AMRUT cities'. For the first time, urban water has been mentioned separately, which is encouraging, especially with the pandemic still affecting the populace. Nevertheless, it is yet to be seen how this scheme would be implemented in the coming year and whether there would be a separate budget allocated for it or not.

Figure 3.7: Union Government's Expenditure/Allocation for *Jal Jeevan* Mission/NRDWP (Rs. crore)




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

**Budget Priorities for Sanitation**

In the Union Budget 2021-22 (BE), the *Swachh Bharat* Mission – Rural (SBM-R) has recorded an increase in allocations of 66.5 per cent in comparison to 2020-21 (RE) (Fig. 3.8). However, since 2020-21 was the year of the COVID-19 pandemic, fund utilisation was impacted to a large extent. In 2021-22 (BE), the allocations are the same as compared to 2020-21 (BE), amounting to Rs. 9,994 crore. A similar trend has been observed in the allocations for SBM-Urban in 2021-22 (BE) and 2020-21 (BE) (Fig. 3.8).

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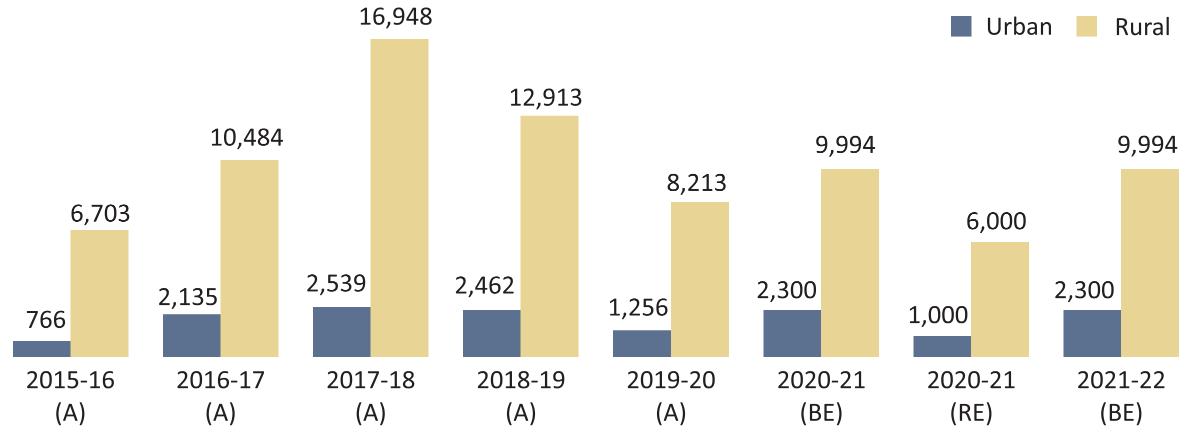
[36] Budget Briefs, Vol 13/Issue 10, *Jal Jeevan* Mission GoI,21-22 (Pre-budget): Accountability Initiative, Centre for Policy Research, New Delhi

Under SBM-R, rural sanitation coverage has made immense progress in terms of target achievement from 39 per cent in 2014 to 100 per cent in 2019 with more than 10 crore toilets built since 2014. With a view to sustain the gains made under the programme in the last five years, Phase II of SBM (R) from 2020-21 to 2024-25 is being implemented, focusing on Open Defecation Free (ODF) sustainability and Solid & Liquid Waste Management (SLWM). This is being done through a convergence between different verticals of financing, and various schemes of the Union and State Governments, such as the 15th Finance Commission Grants to local bodies, MGNREGS, Corporate Social Responsibility (CSR) funds etc.[37]

Figure 3.8: Union Government's Budgetary Expenditure/Allocation for *Swachh Bharat* Mission - Rural & Urban (Rs. crore)




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

The Mission is now focusing on holistic sanitation through its ODF+ and ODF++ protocols with a total of 1,319 cities certified ODF+ and 489 cities certified ODF++ as on date. In the area of solid waste management, 100 per cent of wards have completed door-to door collection. Further, out of 1,40,588 Tonnes Per Day (TPD) waste generated, 68 per cent (i.e., 95,676 TPD) is being processed.[38] The efforts put towards SLWM should continue in the long run to achieve the targets of holistic sanitation.

**Budgets for Sanitation Workers in the Time of Pandemic**

The COVID-19 pandemic has further exacerbated the plight of sanitation workers, especially manual scavengers, who already face several health and safety risks, financial challenges and stigma due to the nature of their work. The Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS), which aims at rehabilitation of manual scavengers and their dependents in a time bound manner, has been inadequately and inconsistently funded. The allocation for SRMS in 2021-22 (BE) has been reduced by nine per cent when compared to 2020-21 (BE) (Refer to Table 5.4). In the light of the pandemic, what was needed is an increased focus on mechanising the task of pit cleaning as part of faecal sludge management.

[37] Economic Survey, 2020-21, Government of India
[38] Economic Survey, 2020-21, Government of India

# Chapter 4

# Economic Sectors

## Agriculture and Allied Sectors

## Rural Development

## Employment

## Climate Finance

4

# ECONOMIC SECTORS

The COVID-19 pandemic has burdened the rural economy, which was already reeling under the effects of falling farm incomes, stagnant wage rates and declining public provisioning for the rural population, especially in rainfed/dryland agro-ecologies. The sudden imposition of a lockdown resulted in loss of livelihoods, disruptions in supply chains, record levels of unemployment, mass reverse migration etc. A number of reports and studies have revealed the levels of hunger, malnutrition, exodus, destitution and other problems faced by people, which proved to be more harmful than the disease itself. Such an unprecedented crisis, without adequate public provisioning, has exposed the vulnerability and the fragility of the lives and livelihoods of millions of workers, particularly landless and women workers. It calls for short-term measures to address the immediate concerns of food security and unemployment, and a long-term strategy to revive demand in the rural economy and sustain growth. However, the success of such objectives is contingent upon adequate budgetary provisions by the Union Government and their effective utilisation on the ground. This chapter highlights key budgetary priorities and the policy developments for agriculture and allied activities, rural development, employment and climate finance in the context of the 2021-22 budget of the Union Government.

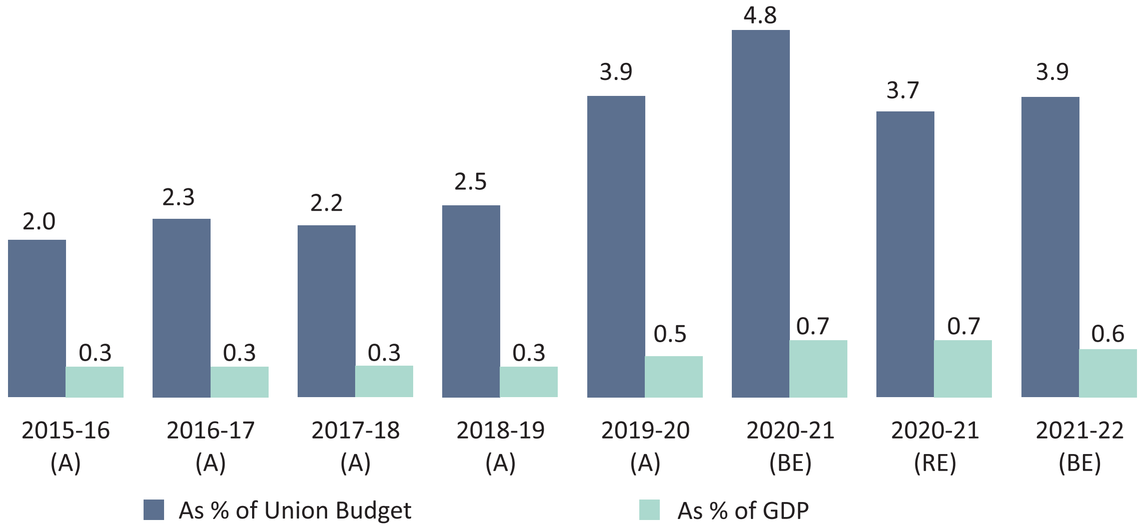
## Agriculture and Allied Sectors

During the ongoing COVID pandemic, when the pace of almost all economic activity has been hindered in an unprecedented manner, only the agriculture sector has served as a lifeline. It has not only ensured food supplies, but also provided a livelihood to workers even during the lockdown, thus proving to be the option of last resort. The sector witnessed a growth rate of 3.4 per cent in 2020-21 (first advance estimates) at a time when other sectors were adversely affected, thanks to the resilience of the farming community and favourable weather conditions. The significance of agricultural activities during the COVID-19 pandemic calls for a sustained revival of the sector by prioritising budgetary provisions towards the sector. As overall economic recovery seems distant at this moment, the agriculture sector needs attention in addressing immediate as well as long-standing structural issues.

### Budgetary Allocations towards Agriculture and Allied Sectors

A number of policy and budgetary announcements have been made since 2018-19 as a part of doubling farmers' income. As a result, the share of budgetary allocations towards agriculture and its allied sectors has shown an increasing trend for two successive years, i.e. 2018-19 and 2019-20. However, the budgetary expenditure towards the sector has declined by Rs. 18,799.37 crore(i.e. 1.1 per cent of the Union Budget expenditure) in 2020-21 (RE) as compared to 2020-21 (BE), even when the Union Government had announced a plethora of policy recommendations as a part of COVID-19 economic measures. The sector received lower budgetary priorities even in 2021-22 despite the fact that it has played a crucial role in helping the country get by during the lockdown. The reduction in budgetary allocation in agriculture reflects that the government is in complete denial mode in admitting that economic slowdown is still pervasive.

Figure 4.1: Budgetary Allocation towards Agriculture and Allied Sectors (per cent)




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

*Note:* Fund allocations towards Agriculture and Allied Sectors include Department of Agriculture, Cooperation and Farmers' Welfare, Department of Agricultural Research and Education, Department of Fisheries, and Department of Animal Husbandry and Dairying.

Table 4.1: Union Budget Allocation towards Agriculture and Allied Sectors (Rs. crore)

| Departments/Ministries | 2015-16 (A) | 2016-17 (A) | 2017-18 (A) | 2018-19 (A) | 2019-20 (A) | 2020-21 (BE) | 2020-21 (RE) | 2021-22 (BE) |
|---|---|---|---|---|---|---|---|---|
| Department of Agriculture, Cooperation and Farmers Welfare (Excluding Interest subvention ) | 15296 | 23514 | 24351 | 34580 | 78032 | 113224 | 96926 | 103549 |
| Department of Agricultural Research and Education | 5386 | 5729 | 6943 | 7544 | 7523 | 8362 | 7762 | 8513 |
| Ministry of Fisheries, Animal Husbandry and Dairying* | 1410 | 1858 | 2022 | 3170 | 3363 | 4114 | 3556 | 4322 |
| Interest Subvention for providing Short Term Credit to Farmers | 13000 | 13397 | 13045 | 11495 | 16218 | 21175 | 19831 | 19468 |
| *Pradhan Mantri Kisan Samman Nidhi* (PM-Kisan) | – | – | – | 1241 | 48713 | 75000 | 65000 | 65000 |
| Total Expenditure towards Agriculture and Allied Sector | 35092 | 44499 | 46361 | 56791 | 105138 | 146876 | 128077 | 135854 |

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

*Note:* *From 2019-20 onwards Department of Animal Husbandry, Dairying and Fisheries becomes a separate ministry(Ministry of Fisheries, Animal Husbandary and Dairying) , which was initially part of the Ministry of Agriculture and Farmers Welfare.

**Rationalisation of Major Agriculture Programmes**

The Finance Minister, in her 2021-22 Budget Speech, has talked about rationalising and bringing down the number of Centrally Sponsored Schemes to fulfill the Government's Financial Reforms. This has also been reflected in the reduction of funds allocated to the *Pradhan Mantri Kisan Samman Nidhi* (PM-Kisan), a major Centrally Sponsored Scheme, to the tune of Rs. 10,000 crore in 2021-22 (BE) as compared to last year's Budget Estimates.

Likewise, other schemes, such as interest subvention on short-term loans, price support (MIS-PSS), and PM-AASHA have witnessed a reduction in budgetary allocations in 2021-22 (BE). Other crucial schemes such as PM *Krishi Sinchai Yojana* (PMKSY) and *Rashtriya Krishi Vikas Yojana* (RKVY) etc. have not been accorded much priority in this budget. Rationalising such schemes would downsize the capacity of the agriculture sector, a move that will have a cascading and long-term impact on agricultural production, food security and farmers' income. Secondly, fund reduction in schemes based on cash benefits will lower the cash in hand with the farming community which will further decline their purchasing power.

Table 4.2: Major Schematic Allocation by the Union Government for Agriculture Sector (Rs. crore)

| Items | 2015-16 (A) | 2016-17 (A) | 2017-18 (A) | 2018-19 (A) | 2019-20 (A) | 2020-21 (BE) | 2020-21 (RE) | 2021-22 (BE) |
|---|---|---|---|---|---|---|---|---|
| *Pradhan Mantri Fasal Bima Yojana** (PMFBY) | 2983 | 11052 | 9419 | 11937 | 12639 | 15695 | 15307 | 16000 |
| *Pradhan Mantri Krishi Sinchai Yojana* (PMKSY)-Per Drop More Crop | 1556 | 1991 | 2819 | 2918 | 2700 | 4000 | 2563 | 4000 |
| *Pradhan Mantri Krishi Sinchai Yojana* (Under Dept of Land Resources) | 1527 | 1511 | 1774 | 1864 | 1524 | 2251 | 1252 | 2170 |
| Accelerated Irrigation Benefit & Flood Management Programme"" | 2999 | 1001 | 0.14 | 0.28 | 0.25 | 1.00 | | |
| *Har Khet ko Pani* | 1499 | 440 | 1355 | 2180 | 1054 | 1050 | 760 | 900 |
| *Pradhan Mantri Krishi Sinchai Yojana* (Ministry of Water Resources,River Development and Ganga Rejuvenation) | 4698 | 1632 | 2123 | 3439 | 4033 | 5127 | 4391 | 5588 |
| Total Allocations for *Pradhan Mantri Krishi Sinchai Yojana* (PMKSY)** | 7781 | 5282 | 6716 | 8221 | 8256 | 11378 | 8206 | 11759 |
| *Rashtriya Krishi Vikas Yojana* (RKVY) | 3940 | 3892 | 3559 | 3370 | 3085 | 3700 | 2551 | 3712 |
| National Food Security Mission (NFSM) | 1162 | 1286 | 1377 | 1606 | 1769 | 2100 | 1864 | 2096 |
| *Paramparagat Krishi Vikas Yojana* (PKVY) | 219 | 153 | 203 | 329 | 284 | 500 | 350 | 450 |
| National Mission on Oil Seed and Oil Palm (NMOOP) | 306 | 328 | 264 | 341 | | | | |
| National Mission on Horticulture (NMH) | 1696 | 1493 | 2027 | 1997 | 1331 | 2300 | 1610 | 2385 |
| White Revolution## | 937 | 1309 | 1574 | 2422 | 1789 | 1805 | 1642 | 1177 |
| Blue Revolution | 200 | 388 | 321 | 485 | 442 | 570 | 710 | 1015 |
| Interest Subvention for Providing Short-Term Credit to Farmers | 13000 | 13397 | 13046 | 11496 | 16219 | 21175 | 19832 | 19468 |
| National Bamboo Mission | 0 | 0 | 0 | 150 | 85 | 110 | 94 | 100 |
| Price Stabilisation Fund in the Department of Consumer Affairs | 660 | 6900 | 3500 | 1500 | 1713 | 2000 | 11800 | 2700 |
| Market Intervention Scheme and Price Support Scheme (MIS-PSS) in the Ministry of Agriculture | 48 | 146 | 701 | 1400 | 2005 | 2000 | 996 | 1500 |
| Green Revolution | 9777 | 10105 | 11057 | 11758 | 9895 | 13320 | 10473 | 13408 |
| Formation and Promotion of 10,000 Farmer Producer Organisations (FPOs) | | | | | | 500 | 250 | 700 |
| PM-*Kisan* | | | | 1241 | 48714 | 75000 | 65000 | 65000 |

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

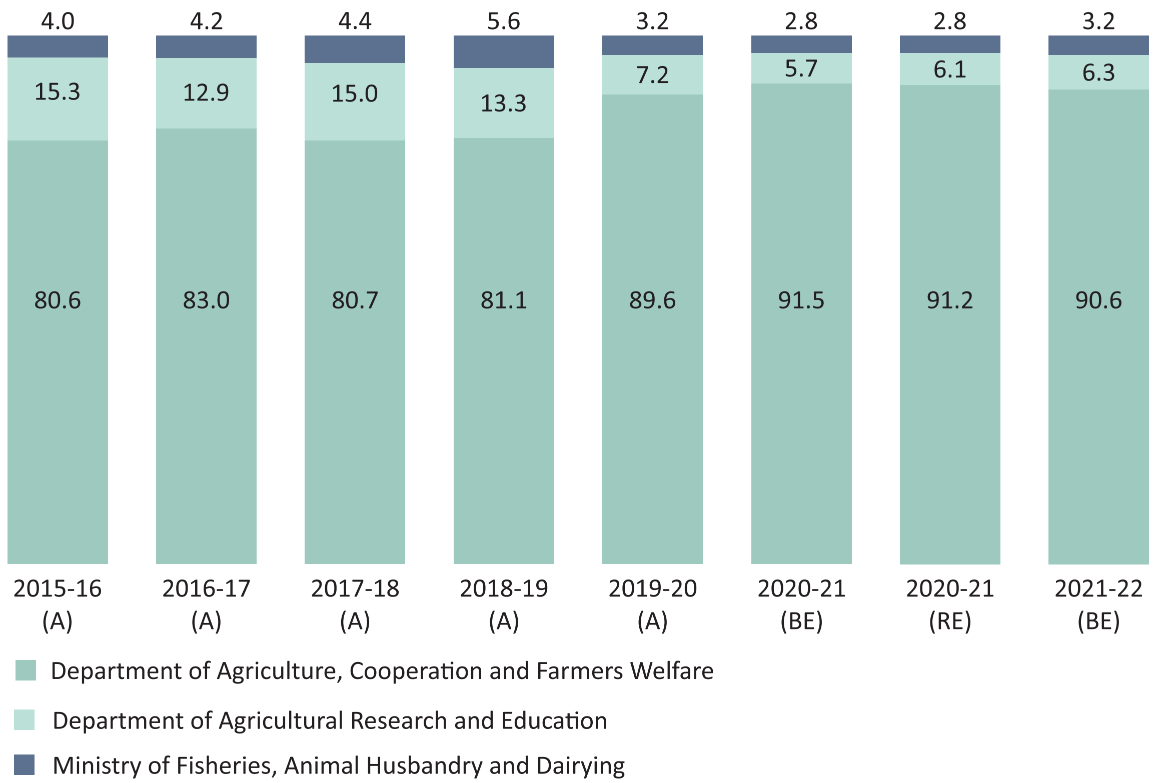
*Notes:* *Allocations for PMFBY include budget for earlier schemes such as NAIS, MNAIS and WBIS. ** PMKSY includes allocations under Ministry of Agriculture & Farmers Welfare, Ministry of Rural Development,and Ministry of Water Resources, River Development & Ganga Rejuvenation. ""Impact Assessment Studies: Provision for Impact Assessment Studies of major and medium irrigation projects executed under the Accelerated Irrigation Benefits Program (AIBP) in the water sector. ##*Rashtriya Pashudhan Vikas Yojana.*

### Persistent Neglect of Allied Sectors

Given that the sector is facing distress due to lower income and rising input costs, the role of allied sectors is extremely important in supplementing rural household income. Allied sectors contribute around 40 per cent of agricultural income.[39] Further, a number of studies have argued that small and marginal farmers are largely dependent upon income from allied activities.

Animal husbandry, fisheries, dairy development, and education and research have been neglected over the years while the crop sector continued to receive a major share of the Union Government's budget expenditure. Although the Ministry of Fisheries, Animal Husbandry & Dairying was formed in 2019 to address the challenges in these activities, the share of allied sectors in the Union Government's budgetary expenditure towards the agriculture sector has remained lower.

Figure 4.2: Composition of Budgetary Allocations towards Agriculture and Allied Sectors (per cent)




*Source:* Compiled by CBGA from Union Budget Documents, various years.
*Note:* *From 2019-20 onwards Department of Animal Husbandry, Dairying and Fisheries, which was initially part of the Ministry of Agriculture and Farmers Welfare, became a separate ministry(Ministry of Fisheries, Animal Husbandry and Dairying).

### Direction of Budgetary Expenditure by the Union Government

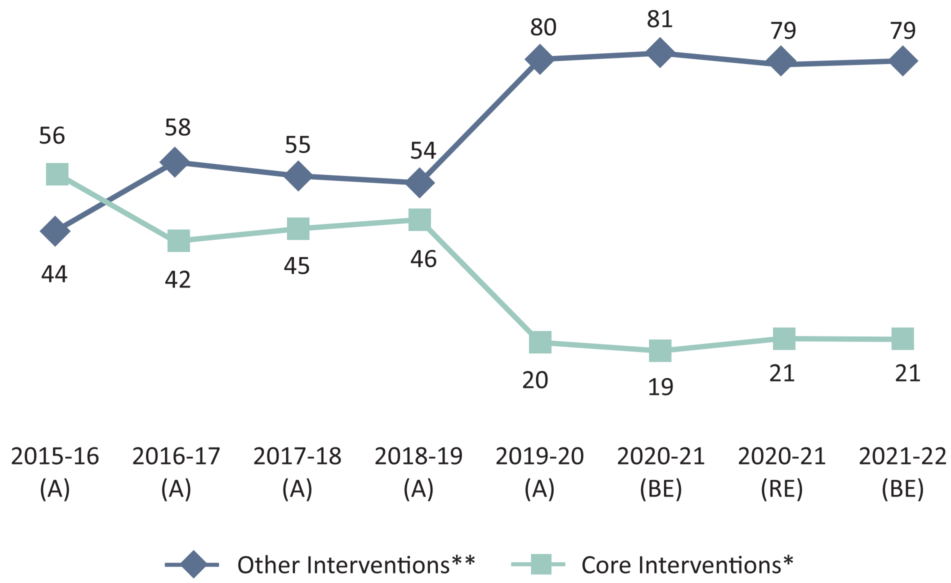
A number of reports have highlighted that during the lockdowns, farm operations had suffered due to infrastructure bottlenecks such as supply chain distortions, non-availability of credit, lack of quality inputs and poor marketing infrastructure.[40] However, it has been found that the Union Government provides higher

[39] GoI. (2016). Income, expenditure, productive assets and indebtedness of agricultural households in India. Report no. 576 (70/33/3), Situational Assessment Survey of Agricultural Households, 70th Round (2013), National Sample Survey Office, Ministry of Statistics and Programme Implementation, Government of India. Web link:
http://mospi.nic.in/sites/default/files/publication_reports/nss_rep_576_1.pdf on 20/1/2021.
[40] Singh, G. (2020). What Does the COVID-19 Lockdown Mean for Food Security? The Wire, April 6, 2020. Web link:
https://thewire.in/agriculture/what-does-the-covid-19-lockdown-mean-for-food-security

weightage to cash-based schemes than to infrastructure enhancing programmes (core interventions that can bring about a sector-wide improvement). Also, unlike cash-based schemes, which exclude, to a large extent, women, tenant and landless farmers, programmes aimed at strengthening community-led agricultural infrastructure are more inclusive.

The increase in agricultural sector expenditure in previous years was on account of cash transfer schemes such as PM-*Kisan*, *Pradhan Mantri Fasal Bima Yojana* (PMFBY), an interest subvention scheme etc. which is a welcome step. However, the budgetary expenditure on infrastructure improvement (such as RKVY, Food Security Mission, PMKSY, White Revolution, Blue Revolution etc.) has remained almost stagnant. As a result, the allocations toward core interventions have come down significantly as compared to other interventions (cash-based schemes).

Figure 4.3: Shares of Union Government Expenditure on Core Vs. Other Interventions for Agriculture and Allied Sectors (per cent)




*Source:* Compiled by CBGA from Union Budget Documents, various years.
*Note:* * Core Interventions include schemes meant for crop and non-crop sectors and other systemic interventions in Agriculture. ** Other Interventions include Budget allocations/expenditure on PM-*Kisan*, Crop Insurance, Price Support and Interest Subvention to Farmers.

### Moving Faster towards Liberalising the Sector

This budget has been introduced amidst massive protests by farmers, demanding the repeal of three Farm Acts and seeking a Minimum Support Price (MSP) as a legal right. During the budget presentation, it was highlighted that an increasing numbers of farmers have been benefiting from cultivating crops such as wheat, paddy, pulses and cotton in recent years. However the persistent move towards liberalising the agricultural markets and providing marketing infrastructure through Public-Private Partnership (PPP) models will affect procurement operations as well as community-based agricultural infrastructure over the long-term. It is important to note that the introduction of welfare programmes such as *Pradhan Mantri Garib Kalyan Anna Yojana* (PMGKAY), which provided free foodgrain to 800 million people during the pandemic, was possible only because of availability of foodgrain stocks with the central authorities.

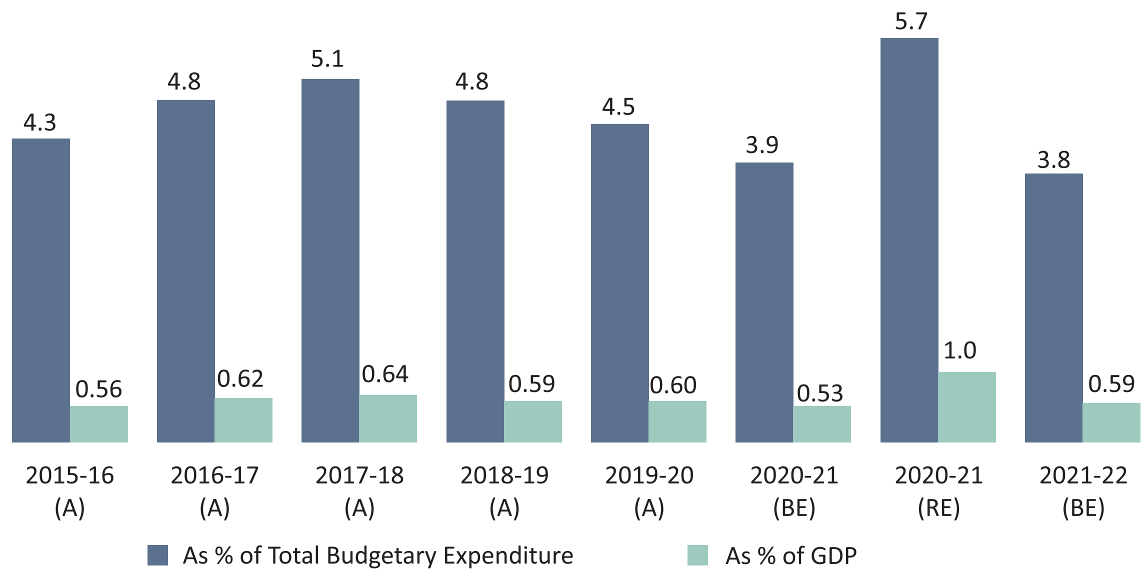
## Rural Development

The already distressed rural economy bore the burden of reverse migration during the sudden imposition of the nationwide lockdown last year. The return of millions of workers in search of food, shelter and livelihood during April-May 2020 choked rural labour markets as well as resources of livelihood in rural regions. Even after the lockdown restrictions were lifted months ago, the process of rejoining work in metropolitan cities has been gradual due to the slowing down of overall economic growth. Despite such adversities, the rural economy proved to be the proved to be the last resort, not only for rural workers but also for urban migrant workers last resort not only for rural workers but also for urban workers. Along with agricultural activities, non-agricultural activities in rural regions provided opportunities for a livelihood as well as created demand for consumer goods. Given the increasing importance of the rural economy in reviving the overall economy, there is a need for a concerted focus on rural development in terms of appropriate policies and adequate budgetary allocations at this juncture.

### Budgetary Allocations towards Rural Development

Generating rural employment was one of the key policy responses to COVID-19. With an additional allocation of Rs. 40,000 crore to MGNREGA, among other measures, the share of budget allocations to the Department of Rural Development (DoRD) in the total budget expenditure of the Union Government has increased from 3.9 per cent in 2020-21 (BE) to 5.7 per cent in 2020-21 (RE). However, the latest budget allocation to the DoRD is the lowest since 2015-16, which will have implications on employment and livelihood.

Figure 4.4: Budget Allocations/Expenditure for the Department of Rural Development (DoRD) in Union Budgets since 2015-16




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

### How Sufficient is the Allocation towards MGNREGA?

Providing employment during the peak of the pandemic, when almost all economic activity was at a standstill, was a formidable task. Given the limited employment availability outside agriculture and restricted inter-state mobility of workers, a sudden surge in the demand for work under MGNREGA was observed after imposition of the lockdown.[41] Consequently, in addition to the budget allocation of Rs. 61,500 crore for financial year 2020-

[41] Singh, G. (2020). Covid-19 Pandemic: Charting the Way Forward for Migrant Workers. Policy Brief (July 2020), Centre for Budget and Governance Accountability, New Delhi. Web link: https://www.cbgaindia.org/wp-content/uploads/2020/08/COVID-19-Pandemic-Charting-the-Way-Forward-for-Migrant-Workers-1.pdf

2021, additional funding of Rs. 40,000 crore was announced. However, the increase in allocations in 2020-21 (RE) remains insufficient as the expenditure continues to be higher than the funds available (opening balances and releases by both GoI and States).[42] By the third quarter of FY 2020-21, 87 per cent of the revised allocations had already been spent by states. As a result, the pending liabilities have increased to a level of Rs. 11,352 crore as on 31 December 2020. Secondly, during the first three quarters of 2020-21, on an average, only 43 person days of work had been provided per rural household.

Although, wage rates were revised for MGNREGA work, actual wages paid by various States are lower. Legal minimum wages for unskilled workers are found to be much higher than the wage rate under the MGNREGA. In 12 major States, the average wage rate under MGNREGA was found to be 50-75 per cent of the legally prescribed minimum wage for unskilled workers.[43]

The amount allocated for 2021-22 (BE) is Rs. 38,500 crore less than the 2020-21 (RE) allocation, which can generate only 2.7-2.8 billion person days in the coming financial year as against 3.4 billion person days in 2020-21.[44] This will certainly limit the scope of employment and will result in indefinite delays in wage payments in the coming year.

Since MGNREGA is a demand-driven scheme and the government has to legally guarantee 100 days of employment, demand for work should be catered through additional fund mobilisation in the coming year, too.

Table 4.3: Union Budget Support for Major Rural Development Schemes (Rs. crore)

| Select Schemes of DoRD | 2015-16 (A) | 2016-17 (A) | 2017-18 (A) | 2018-19 (A) | 2019-20 (A) | 2020-21 (BE) | 2020-21 (RE) | 2021-22 (BE) |
|---|---|---|---|---|---|---|---|---|
| MGNREGA | 37341 | 48215 | 55166 | 61815 | 71687 | 61500 | 111500 | 73000 |
| NRLM | 2514 | 3158 | 4327 | 5783 | 9022 | 9210 | 9210 | 13678 |
| PMAY-G | 10116 | 16071 | 22572 | 19308 | 18116 | 19500 | 19500 | 19500 |
| PMGSY | 18290 | 17923 | 16862 | 15414 | 14017 | 19500 | 13706 | 15000 |

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

**Low Priority to Rural Infrastructure**

Further, fund allocation for the *Pradhan Mantri Gramin Sadak Yojana* (PMGSY) has decreased in this budget, raising concerns in terms of employment generation and infrastructure development in rural areas. The budget allocation has come down by around Rs. 5,800 crore from last year's BE to RE, which indicates that a significant amount of funding has remained unspent. Asked, in a Lok Sabha starred question (no. 245), why PMSGY projects were progressing slowly, the government responded saying that procurement of raw material, availability of contractors, and weather conditions were the main reasons.

Apart from building new roads, reduced focus was given to the maintenance and upkeep of PMGSY roads. Over 2.27 lakh km of these roads are over 10 years old and 1.79 lakh km are between five and 10 years old. About 67 per cent of the length of PMGSY roads needs to be maintained by the States (with 60:40 spending by the Union and States). The Ministry of Rural Development (MoRD) has estimated that Rs. 75,000-80,000 crore is required

[42] Kapur, A., V. Irava, M. Paul & S. Malhotra (2021). Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) GoI, 2021-22 (Pre-Budget), Accountability Initiative, Centre for Policy Research. Web link: https://accountabilityindia.in/publication/mahatma-gandhi-national-rural-employment-guarantee-scheme/

[43] Bose, M. and Dey Roy, S. (2020). Four Ways that MGNREGA can be Expanded to help India's Rural Economy. The Wire, June 11, 2020. Web link: https://thewire.in/labour/rs-1-lakh-crore-and-the-mgnrega-gambit-for-boosting-indias-rural-economy

[44] Down to Earth Staff (2021). Is Union Budget 2021-22 MGNREGA Allocation enough to Alleviate Rural Distress. Down To Earth, Feb. 1, 2021. Web link: https://www.downtoearth.org.in/news/governance/is-union-budget-2021-22-mgnrega-allocation-enough-to-alleviate-rural-distress-75292

for the maintenance of roads over a five-year period starting 2020-21.[45] So, given the need for funding to develop new roads and maintain existing rural road infrastructure, any reduction in funds allocation will be counter-productive for rural infrastructure.

## Employment

It is well known that the Indian economy has been facing an unprecedented job crisis for some time now. According to Periodic Labour Force Survey (PLFS) 2017-18, the open unemployment rate was the highest in 45 years, at 6.1 per cent. Even in 2018-19, PLFS results showed a 5.8 per cent unemployment rate. Such high unemployment rates are a direct fallout of the collapse in labour demand.[46] This was even before the pandemic; with the COVID-19 led lockdown, the unemployment rate in April 2020 shot up to almost 24 per cent, according to CMIE data. Even in December 2020, it was 9.06 per cent; interestingly, the Bureau of Labor Statistics, which tracks the US economy, shows lower unemployment rates than India. In April 2020, the United States recorded a 15 per cent unemployment rate, whereas, in December it was 6.7 per cent.[47] With no unemployment benefits, unlike the US, it was expected that the budget would provide funds for employment generating programmes that involve direct spending by the government and, as suggested by many, launch new projects, including an urban employment guarantee scheme.

**Major announcements relating to labour and employment in the Budget Speech 2021-22**

- Amendment of Apprenticeship Act and proposal to realign National Apprenticeship Training Scheme with Rs. 3,000 crore allocation.
- Collaboration with UAE and Japan for skill enhancement.
- Launch of portal to collect information on unorganised, gig and construction workers.
- Implementation of four labour codes.
- Employment Mega Investment Textiles Parks to be launched; seven such parks to be established oven the next three years.
- Production-linked incentive schemes for 13 manufacturing sectors, with Rs. 1.97 lakh crore provisioning, over a five-year period, to boost youth employment.

### Growing Emphasis on Credit-Based Schemes

Major increases in allocations in this budget are in programmes that require borrowing by private agents/SHGs. For example, the *Pradhan Mantri Mudra Yojana* (PMMY) to promote self-employment, a credit guarantee fund to support loans, saw a five-fold increase in allocation from Rs. 510 crore in 2020-21 (BE) to Rs. 2,505 crore in 2021-22 (BE). Similarly, although allocations to MSMEs more than doubled from Rs. 7,572 crore in 2020-21 (BE) to Rs. 15,700 crore in 2021-22 (BE), around 80 per cent of the MSME funding [Rs. 12,500 crore in 2021-22 (BE)] is again in a credit-based programme, Prime Minister Employment Generation Programme (PMEGP-with credit support). In an economy with a negative growth rate, private agents may not borrow to avoid investment risks and these programmes may therefore fail to generate jobs.

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[45] Edwin, T. (2020). PMGSY Roads Maintenance Faces Fund Crisis, Needs at least ?75,000 crore for Five Years. The Hindu Business Line, April 7, 2020. Web link: https://www.thehindubusinessline.com/economy/logistics/pmgsy-roads-maintenance-faces-fund-crisis-needs-at-least-75000-crore-for-five-years/article31278232.ece

[46] Roychowdhury, A. (2019).Why Aggregate Employment in India Is Shrinking, The Wire, July 15, 2019. Web link: https://thewire.in/labour/why-aggregate-employment-in-india-is-shrinking

[47] DiMaggio, D. and J.Fruman (2021).US Labour at the Dawn of the Biden Era. vol. 12, no. 1, Global Labour Journal. Web link:https://mulpress.mcmaster.ca/globallabour/article/view/4619

Table 4.4: Union Budget Allocations for Select Ministries Important for Creating/Promoting Employment Generation (Rs. crore)

| Items | 2015-16 (A) | 2016-17 (A) | 2017-18 (A) | 2018-19 (A) | 2019-20 (A) | 2020-21 (BE) | 2020-21 (RE) | 2021-22 (BE) |
|---|---|---|---|---|---|---|---|---|
| Ministry of MSME (of which) | 2829 | 3262 | 6202 | 6509 | 6698 | 7572 | 5664 | 15700 |
| PM's employment generation programme (credit-based) | 1429 | 1935 | 4113 | 3178 | 3370 | 2800 | 2227 | 12500 |
| Entrepreneurship and Skill Development | 200 | 181 | 152 | 187 | 299 | 556 | 334 | 571 |
| Ministry of Skill Development (of which) | 1007 | 1553 | 2198 | 2619 | 2405 | 3002 | 2724 | 2785 |
| PM's *Kaushal Vikas Yojana* | 999 | 1522 | 2150 | 2563 | 2113 | 2726 | 2461 | 2505 |
| Ministry of Labour and Employment (of which) | 4642 | 4743 | 6516 | 9286 | 10084 | 12065 | 13720 | 13306 |
| Jobs and Skill Development (including PM's *Rozgaar Protsahan Yojana*) | - | 198 | 573 | 3563 | 3496 | 2646 | 1424 | 977 |
| Ministry of Rural Development (of which) | 78945 | 96728 | 110333 | 113706 | 123622 | 122398 | 198629 | 133689 |
| MGNREGS | 37341 | 48215 | 55166 | 61815 | 71687 | 61500 | 111500 | 73000 |
| NRLM | 2514 | 3158 | 4327 | 5783 | 9022 | 9210 | 9210 | 13678 |
| Ministry of Housing and Urban Affairs (of which) | 20180 | 36946 | 40061 | 40612 | 42054 | 50040 | 46791 | 54581 |
| NULM | 269 | 329 | 599 | 498 | 732 | 795 | 795 | 795 |
| Ministry of Commerce and Industry (of which) | 7370 | 6481 | 9589 | 12164 | | | | |
| Department of Commerce (of which) | 4955 | 4490 | 5540 | 6146 | 6882 | 6219 | 4600 | 4986 |
| Leather and Leather Product Sector # | | | | | | | | |
| Footwear, Leather and Accessories | 109.99 | 25 | 15.01 | 10 | 10 | 0 | 0 | 0 |
| Department of Industrial Policy and Promotion (of which) | 2415 | 1991 | 4049 | 6018 | 6404 | 6606 | 7583 | 7782 |
| Indian Leather Development Programme (ILDP) | 235 | 400 | 166 | 239 | 383 | 370 | 148 | 150 |
| Department of Financial Services (of which) | 42104 | 30647 | 16648 | 5479 | 7175 | 11125 | 25706 | 29511 |
| *Pradhan Mantri Mudra Yojana* (PMMY) (through NCGTC) | 500 | 1500 | 510 | 510 | 10 | 510 | 510 | 2505 |

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

*Note:* *The Ministry of Housing and Poverty Alleviation was removed and a new Ministry of Housing and Urban Affairs was established in 2016-17. However these were not mere replacements and hence the budgetary allocation for the ministry for 2015-16 and thereafter are not comparable. # No budget was allocated on Leather and Leather Product Sector since 2016-17. No justification provided by the government.

**Reduced Allocation toward Skill Development**

The Finance Minister has proposed to enhance the skill sets of youth by collaborating with UAE and Japan with the aim of generating employment through skilling. However, the allocations for skill development programmes have mostly declined. This is true for the Ministry of Skill Development and Entrepreneurship, as a whole — Rs. 3,002 crore was allocated in 2020-21 (BE), whereas in 2021-22 (BE) only Rs. 2,785 crore was provided. As a result, there was a budget cut in the *Pradhan Mantri Kaushal Vikas Yojana* (PMKVY) by Rs. 221 crore, compared to 2020-21 (BE). Similarly, under the Ministry of Labour and Employment, jobs and skill development programmes (including the *Pradhan Mantri Rojgar Protsahan Yojna*) witnessed a drastic reduction from Rs. 2,646 crore in 2020-21 (BE)to Rs. 977 crore in 2021-22 (BE). There was only a marginal increase of Rs. 15 crore (compared to 2020-21 (BE)) in the Entrepreneurship and Skill Development programmes under the MSME Ministry.

**Neglect of Employment Schemes for Women**

The *Mahila Coir Yojana*, under the Ministry for MSME, promotes women's employment in the coir industry, particularly in rural areas. From an already a paltry sum of just Rs. 2 crore in 2020-21 (BE), this year's budget has completely starved the programme, with no allocation at all. The National Skill Training Institution, focusing on skill development of women under the Ministry of Skill Development and Entrepreneurship, also registered a decline in provisioning, from a meagre sum of Rs. 45 crore in 2020-21 (BE) to Rs. 42 crore in 2021-22 (BE).

**Inadequate Allocation for Social Security of Unorganised Sector Workers**

The Finance Minister spoke about launching a portal to collect information on unorganised sector workers, especially migrant workers, including gig, building and construction workers. However, the Ministry of Labour and Employment already has a social security scheme for Creation of a National Platform of Unorganised Workers (seeded through Aadhaar), and from a budget allocation of Rs. 50 crore in 2020-21 (BE), no allocation has been made this year. Thus, the new portal may simply replace the present platform. Further, even though the recently passed Social Security Code promised to extend social security coverage to unorganised sector workers, the *Bima Yojana* for unorganised workers saw a sharp decline in provisioning — Rs. 200 crore was allocated in 2020-21 (BE), whereas, in 2021-22 (BE) it came down to a mere Rs. 10 lakh. Similarly, two schemes for unorganised sector workers, *Pradhan Mantri Shram Yogi Maandhan* and *Pradhan Mantri Karam Yogi Maandhan* together received Rs. 680 crore in 2020-21 (BE); however, funds for both schemes have been slashed and the combined allocation now stands at Rs. 550 crore in 2021-22 (BE). A new scheme for organised sector workers *Atmanirbhar Bharat Rojgar Yojana*, towards EPF contribution, has been launched and *Pradhan Mantri Gareeb Kalyan Yojana* did not receive any allocation.

Table 4.5: Social Security Programme for Unorganised Sector Workers (Rs. crore)

| Ministry | Scheme | 2015-16 (A) | 2016-17 (A) | 2017-18 (A) | 2018-19 (A) | 2019-20 (A) | 2020-21 (BE) | 2020-21 (RE) | 2021-22 (BE) |
|---|---|---|---|---|---|---|---|---|---|
| Labour and Employment | Creation of National Platform of Unorganised Workers and allotment of Aadhaar seeded identification number | 45.3 | 0.05 | 0.35 | 0.96 | 0.15 | 50 | 50 | .. |
| | *Bima Yojana* for Unorganised Workers | | | 50 | 50 | 190 | 200 | 1 | 0.1 |
| | RSBY* | | | na | | | | | |
| Health and Family Welfare | National Health Protection Scheme/ RSBY* | | 466 | 456 | 227 | 57 | 29 | 29 | 1 |
| | *Ayushman Bharat* - Health and Wellness Centres (NIF)# | | | 0 | 1192 | | 1600 | 1600 | 250 |
| | *Ayushman Bharat* - Health and Wellness Centres (GBS)^ | | | | 0 | 1598 | | | |
| Rural Deve-lopment | National Social Assistance Programme (NSAP) | 8616 | 8854 | 8694 | 8418 | 8692 | 9197 | 42617 | 9200 |
| Finance (Dept. of Financial Services) | *Swavalamban* Scheme | 251 | - | 53 | 0 | | | | |
| | Govt. contribution to *Aam Admi Bima Yojana*** | 437 | 100 | 0 | | | | | |
| | *Atal Pension Yojana* | 173 | 36 | 168 | 155 | 339 | 299 | 273 | 153 |
| | Interest Subsidy to LIC for Pension Plan for Senior Citizens | 102 | 125 | 245 | 171 | 116 | 115 | 45 | 65 |
| | *Pradhan Mantri Jeevan Jyoti Bima Yojana* and *Pradhan Mantri Suraksha Bima Yojana* (Publicity and Awareness) | 0 | 5 | 20 | 5 | | 10 | 5 | 5 |
| | Total | 9625 | 9586 | 9687 | 10218 | 10992 | 11500 | 44620 | 9674 |

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

*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 name had been changed to *Pradhan Mantri Shram Yogi Manthan* in 2019-20. iii) # NIF implies National Investment Fund. iv) ^ GBS implies Gross Budgetary Support.

## Climate Finance

The COVID-19 crisis has shown that both sustenance and sustainability have to be the cornerstones of an economic recovery. Transitioning to a green economic recovery should be recognised as an opportunity by the government to reduce the burden on public finances and attract investments with green objectives as their decision-making criteria. The lack of required momentum in the scope, scale and speed of climate finance from developed to developing countries further made public finance an important resource of domestic climate finance. Budgetary resources are important for climate financing for India as they ensure predictability and reliability of fund flow for climate action.

**Budgetary Response of the Government towards Climate Related Issues**

Union Budget 2021-22 indicates that the government has followed a business-as-usual approach with the environment and climate change sector. There has been no announcement of policy measures to augment climate actions and environment sustainability across various sectors of the economy and no reiteration of past commitments on climate action. Even the budgetary allocation for ongoing schemes and programmes with climate change and environment objectives has not seen a change in allocation and stands at the same level as the previous year. There is a need to understand how the government will implement complementary measures across sectors of the economy with co-benefits for the climate and environment sector over the year.

The budget estimates for two key ministries for environment and climate-mitigation actions — the Ministry of Environment, Forest and Climate Change (MoEF&CC) and Ministry of New and Renewable Energy (MNRE) — stands at the same level as the previous year's budget. Budget 2021-22 has allocated Rs. 2,863 crore and Rs. 5,646 crore to the MoEF&CC and MNRE, respectively, as Gross Budgetary Support (GBS) to Centre Sector Schemes. This is despite the fact that the Renewable Energy (RE) sector has been adversely affected in 2020 by COVID-19 and related issues as current RE capacity addition stands at 91 GW out of total target of 175 GW by 2022.

Budget estimates for Grid Interactive RE and Off-Grid RE programmes of the MNRE are almost at the same level as Budget Estimates (BE) for the previous year.

Table 4.6: Fund Allocation for the Ministry of New and Renewable Energy (Rs. crore)

| Year | IEBR | Central Sector Schemes |
|---|---|---|
| 2015-16 (A) | 6113 | 4065 |
| 2016-17 (A) | 8641 | 7476 |
| 2017-18 (A) | 10491 | 7329 |
| 2018-19 (A) | 10459 | 4403 |
| 2019-20 (A) | 10451 | 3417 |
| 2020-21 (BE) | 13727 | 5646 |
| 2020-21 (RE) | 10089 | 3343 |
| 2021-22 (BE) | 11778 | 5645 |

*Source:* Compiled by CBGA from Union Budget documents, various years.
*Notes:* i) IEBR= Internal and Extra Budgetary Resources and constitute the resources raised by the PSUs through profits, loans and equity ii) Centre sector schemes include Grid connected Renewable Energy (RE), off- grid RE power, Research & Development programme and Other supporting programme iii) Centre Sector Scheme allocations include Transfers from National Clean Energy Fund (NCEF).

Table 4.7: Union Budget Allocation for Major Programmes of MNRE (Rs. crore)

| Major Programmes | 2016-17 (A) | 2017-18 (A) | 2018-19 (A) | 2019-20 (A) | 2020-21 (BE) | 2020-21 (RE) | 2021-22 (BE) |
|---|---|---|---|---|---|---|---|
| Grid Interactive RE | 2824 | 2556 | 3622 | 2818 | 4350 | 2689 | 4324 |
| Off- Grid RE | 689 | 990 | 670 | 499 | 1184 | 558 | 1181 |
| R & D | 227 | 73 | 25 | 15 | 20 | 49 | 75 |
| Supporting Programme | ... | 73 | 87 | 84 | 92 | 47 | 65 |

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

### Climate Responsiveness of Budgets across Various Sectors

Grid-connected scheme *Kisan Urja Suraksha evam Utthaan Mahbhiyan* (KUSUM), started last year with the objective of doubling farmers' income through the sale of surplus renewable energy, has been allocated Rs. 221 crore in 2021-22 (BE), which is around 26 per cent less than in the budget estimates of the previous year. This allocation may not be adequate given that installation of around 200,000 standalone Solar Powered Agriculture Pumps is targeted in this year's outcome budget of the MNRE. Similarly, allocations under incentive schemes for adoption of electric vehicles — Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicles in India (FAME-II) by Ministry of Heavy Industries — has been reduced by 8 per cent of budget estimates of the previous year, which would derail the progress of mitigation actions meant for low carbon development of transport system. MoEF&CC schemes aimed at supporting the State Action Plan on Climate Change (SAPCC) have also received reduced allocations as compared compared to the previous year. This may have an impact on the state planning process for climate actions.

Table 4.8: Union Budget Allocation for Climate Change Actions Across Various Sectors (Rs. crore)

| Schemes for Climate Actions | 2016-17 (A) | 2017-18 (A) | 2018-19 (A) | 2019-20 (A) | 2020-21 (BE) | 2020-21 (RE) | 2021-22 (BE) |
|---|---|---|---|---|---|---|---|
| A. Addition of Renewable Energy | | | | | | | |
| Wind Power – Grid connected | 489 | 750 | 950 | 1026 | 1299 | 1059 | 1100 |
| Solar Power – Grid connected | 1992 | 1001 | 1904 | 1535 | 2150 | 1254 | 2369 |
| Green Energy Corridors | 200 | 500 | 500 | 53 | 300 | 160 | 300 |
| KUSUM – Grid connected | ... | ... | ... | ... | 300 | 30 | 221 |
| KUSUM – off- grid | ... | ... | ... | ... | 700 | 180 | 776 |
| B. Energy Efficiency Measures (through budgets) | | | | | | | |
| Energy Conservation and Efficiency Bureau of Energy Efficiency Programs | 78 | 64 | 41 | 196 | 213 | 93 | 197 |
| C. Strengthening of Power Sector | | | | | | | |
| Integrated Power Development Scheme | 4366 | 3900 | 3897 | 5560 | 5300 | 4000 | 5300 |
| Strengthening of Power Systems | 767 | 1160 | 2802 | 1813 | 1843 | 820 | 1455 |
| D. Promotion of Electric Vehicle | | | | | | | |
| FAME – India under Ministry of Heavy Industries | 144 | 165 | 145 | 500 | 693 | 318 | 757 |

| Schemes for Climate Actions | 2016-17 (A) | 2017-18 (A) | 2018-19 (A) | 2019-20 (A) | 2020-21 (BE) | 2020-21 (RE) | 2021-22 (BE) |
|---|---|---|---|---|---|---|---|
| E. Initiatives for Sustainable Infrastructure in Cities | | | | | | | |
| City Investment to Innovate, Integrate and Sustain (CITIIS) Scheme under MoH&UD | ... | ... | ... | 72 | 314 | 16 | 332 |
| F. Programmes Designated to Support SAPCC Programmes under MoEF&CC | | | | | | | |
| Climate Change Action Plan | 43 | 33 | 33 | 23 | 40 | 24 | 30 |
| National Adaptation Fund | 97 | 108 | 110 | 34 | 80 | 44 | 60 |
| G. Initiatives for Air Pollution Control | | | | | | | |
| Promotion of Agricultural Mechanisation for in-situ Management of Crop Residue under Ministry of Agriculture | ... | ... | ... | 594 | 600 | 600 | 700 |
| Control of Pollution under MOEF & CC | ... | ... | ... | 409 | 460 | 284 | 470 |
| Commission for Air Quality Management under MOEF & CC | ... | ... | ... | ... | ... | ... | 20 |

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

**Way Forward for Fiscal Responses to the Climate Sector**

It is essential to explore green economic activities and financing mechanisms that support green projects but offer an immediate impetus to the economy. Some of the specific examples across various sectors of the economy that could ideally be the fiscal response to integrate climate co-benefits are: aligning with green building standards under affordable housing schemes; making budgetary provisions to use clean energy (distributed solar, for example) as a source of energy for energy-intensive agriculture and animal husbandry infrastructure like cold chains, post-harvest, and milk plants etc. nudging MSMEs towards resource efficiency (such as energy efficiency) through concessional and incentive-based credit from banks; skilling human resources for green jobs etc.

In order to explore and integrate climate co-benefits across various sectors of the economy, Climate-Responsive Budgeting should be used as a framework for better alignment of government spending with environmental objectives and development across the sectors of the economy. This could be a good starting point in eventually moving towards integration of environmental concerns and concepts into development planning and budgeting. This also improves the participation prospects of the government in international climate funds.

# Chapter 5

## Marginalised Sections

Gender Issues

Children

Scheduled Castes

Scheduled Tribes

Minorities

Persons with Disabilities

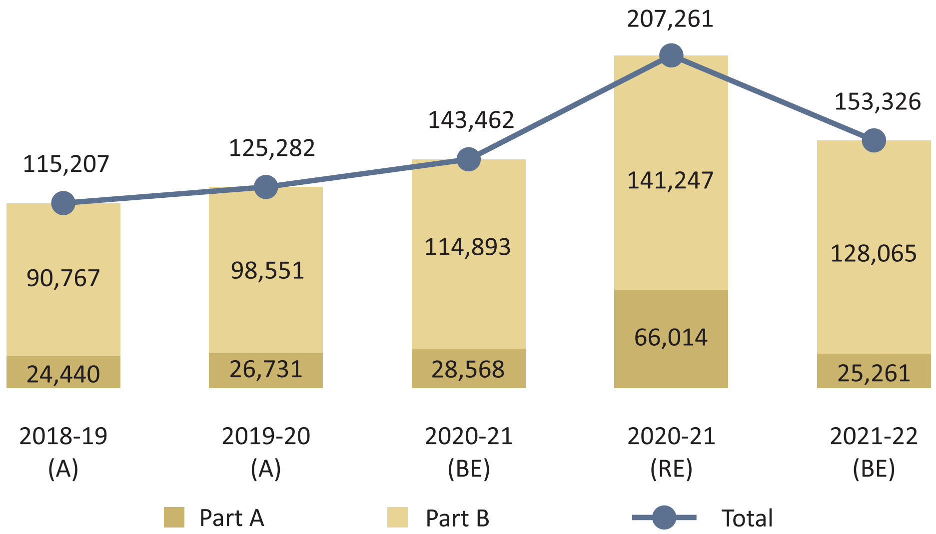
5

# MARGINALISED SECTIONS

## Gender Issues

Women make up nearly half of the population, and gender budgeting looks at budgetary commitments towards their welfare and empowerment. Over the past ten years, share of the gender budget as a share of the Union Budget has stagnated at around 5 per cent.[48] For 2021-22, the gender budget reported in the Gender Budget Statement (GBS) constitutes 4.4 per cent of the total Union Budget. The GBS has two parts: Part A, which enlists schemes that are meant exclusively for women, and Part B, which includes schemes where at least 30 per cent of the expenditure is directed towards benefiting women. In 2021-22, 24 Demands for Grants were reported in Part A of the GBS while 36 were reported in Part B.

Figure 5.1: Allocations for Gender Budget from 2018-19 (A) to 2021-22 (BE) (Rs. crore)




*Source:* Compiled by CBGA from Union Budget Documents, various years.
*Note:* The figures presented above have to be seen in light of the fact that:
(i) The methodology of reporting in the GBS by some of the Union Ministries has been evolving over time.
(ii) The problem of arbitrary reporting in Part B of the GBS by a few Union Ministries has persisted.

The overall gender budget has increased 6.9 per cent, from Rs. 1,43,462 crore in 2020-21 (BE) to Rs. 1,53,326 crore in 2021-22 (BE). This is largely due to an increase in allocations under Part B schemes, namely, *Pradhan Mantri Awas Yojana* (Gramin), National Rural Livelihood Mission (NRLM), Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Reproductive and Child Health (RCH) Flexible Pool and Health System Strengthening under National Rural Health Mission, and the introduction of three new departments reporting in Part B.

Part A, on the other hand, has seen a decrease in allocations in 2021-22 compared to 2020-21 (BE), partly due to a large fall of 18.5 per cent in the Ministry of Women and Child Development (MWCD)'s budget. The increase in 2020-21 (RE) in the GBS can be majorly attributed to the (DBT) payments to women with *Jan Dhan* accounts which was part of COVID relief measures. Reports have shown that coverage of these transfers was limited.[49]

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[48] Alexander, S. and Padmabhushan, V. (2020): 'How much does the Indian government spend on women?' 8 March, Livemint. Available at https://www.livemint.com/news/india/how-much-does-the-indian-government-spend-on-women-11583662675936.html

[49] Kapil (2020): 'COVID-19 relief didn't reach Jan Dhan a/cs of many women: Survey.' 3 July, Down to Earth. Available at https://www.downtoearth.org.in/news/governance/covid-19-relief-didn-t-reach-jan-dhan-a-cs-of-many-women-survey-72113

There is a need to expand and move beyond the current binary framework of gender. The scheme for Rehabilitation of Transgenders has been merged with the scheme on 'Comprehensive Rehabilitation of Persons Engaged in the Act of Begging'. Allocations for transgender persons under this scheme have reported an increase from Rs. 10 crore in 2020-21 (BE) to Rs. 20 crore in 2021-22 (BE). These and other allocations towards transgender persons should be reflected in the GBS.

**Additions and Omissions in GBS 2021-22:**

- The Department of Posts has reported for the first time in Part A
- The Department of Commerce, Department of Drinking Water and Sanitation, and the Department of Electronics and Information Technology reported in Part B for the first time
- The *Swachh Bharat* Mission (Urban) and *Jal Jeevan* Mission, under the Department of Drinking Water and Sanitation, have not been reported, although these have clear relevance for women
- Allocations for Fast Track Courts, which are meant to expedite adjudication of cases relating to sexual assault, have been dropped from the GBS
- The scheme for Safety of Women on Public Road Transport was reported twice, in both Part A and Part B

**Limited Increases Observed in Allocations for Women's Employment; Supporting Infrastructure Needed**

In 2017, women's labour force participation rate (LFPR) in India reached its lowest level since Independence, at 17.5 per cent. The pandemic and the economic crisis that followed have made matters worse. In the first five months of the financial year, women were eight times more likely than men to have lost jobs.[50] Further, they were nearly 18 times more likely than men to have still been out of work in August 2020.

A stronger push to boost women's employment was expected from budget 2021-22. Allocations for MGNREGS, the main safety net provision in rural India, peaked in 2020 after the migrant crisis. Women constituted more than half the beneficiaries of the scheme, but their share in total work generated dropped to an eight-year low of 52.8 per cent in August 2020. This suggests an expansion of the programme is required, to accommodate the increased demand. Allocations for the programme in 2021-22 (BE) have increased by Rs. 11,500 crore when compared to 2020-21 (BE), but have reduced by 35 per cent when compared to 2020-21 (RE).

NRLM plays an important role in employing rural poor and rural women through Self-Help Groups. The scheme saw an increase from Rs 9,210 crore in 2020-21 (BE) to Rs. 13,678 crore in 2021-22 (BE). NRLM has a subcomponent — *Mahila Kisan Sashaktikaran Pariyojana* (MKSP) — specifically aimed at empowering women farmers; 2,23,115 *mahila kisans* were organised into Farmer Producer Organisations in 2020-21.

In addition to employment generation, the government needs to provide childcare facilities, access to water and fuel, affordable housing and safe public transport. Women also need skilling and entrepreneurship opportunities, and access to credit. Stand Up India is a scheme that facilitates bank loans to women and SC/ST communities. Loan requirements for the scheme have been eased. However, the allocation for this scheme has remained unchanged at Rs. 100 crore through the 2020-21 (BE), 2020-21 (RE) and 2021-22 (BE).

**Stronger Push Needed to Strengthen Social Protection for Women Workers**

Given the high unemployment and low rates of job recovery for women, social protection in the form of maternity benefits, pensions, disability assistance and others assumes greater importance. Without social protection, women workers are more vulnerable to job loss and less equipped to care for themselves and their families in crisis situations.

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[50] Azim Premji University, 2021

Women and transgender persons constitute 59.2 per cent of beneficiaries (around four crore in number) under the National Social Assistance Programme (NSAP).[51] NSAP provides monthly pensions of Rs. 300 for widows, Rs. 200-500 as old age pension, and Rs. 300 as disability pension. Barring a negligible increase in administrative expenditure, the allocation for the scheme in 2021-22 (BE) is the same as the allocation in 2020-21 (BE), suggesting that the programme is not being extended to more beneficiaries. The longstanding demand to increase the pension amounts has also not been met.

India has nearly 14 lakh *Anganwadi* Workers (AWWs), 13 lakh *Anganwadi* Helpers (AWHs), and 10 lakh Accredited Social Health Activists (ASHAs). These workers are remunerated through honorariums and performance-linked incentives, which fall short of the minimum wage. In 2018, the government allocated resources to cover ASHAs under insurance and pension schemes. In 2020, an additional monthly incentive of Rs 1,000 was provisioned for ASHAs undertaking COVID-related activities, and they were also included for insurance cover under the *Pradhan Mantri Garib Kalyan Yojana*. However, these are temporary measures and do not guarantee social protection in the long term. ASHAs, AWWs and AWHs have not been included in the new Code on Social Security, 2020, contrary to the recommendations of the Parliamentary Standing Committee on Labour.

**More Resources Needed to Address Rising Violence Against Women**

Between 2015-16 and 2019-20, seven states/UTs saw a rise in domestic violence faced by women aged 18-49 years, as revealed by NFHS-5 data.[52] These include Assam, Himachal Pradesh, Karnataka and Maharashtra. Nine states/UTs reported an increase in sexual violence faced by women before the age of 18, currently aged 18-29 years, including Goa, Meghalaya, Sikkim, and West Bengal. In 2020, the National Commission for Women received 23,722 complaints of crimes against women, which was the highest in the past six years.

Despite these trends of rising violence, allocations for schemes that are aimed at ensuring the safety and protection of women have been reduced. Under the Ministry of Home Affairs (Police), allocations for 'schemes for safety of women' saw a decrease of 88 per cent from 2020-21 (BE) to 2021-22 (BE).

Table 5.1: Funds accessed and utilised by Union Ministries under the *Nirbhaya* Fund[53] (Rs. crore)

| Ministry/Department | Released | Utilised (As of 12.12.2019) | Percentage Utilised |
|---|---|---|---|
| Ministry of Home Affairs | 1672 | 147 | 9 |
| Department of Justice | 89 | 0 | 0 |
| Ministry of Road and Transport Highways | 132 | 35 | 26 |
| Ministry of Women and Child Development | 381 | 72 | 19 |

*Source:* Ministry of Women and Child Development, 2019.

Most schemes financed through the *Nirbhaya* Fund have seen consistent underutilisation over the last few years, and the number of beneficiaries has also fallen. This can be said to have motivated the Ministry to 'rationalise' these schemes. As a result, schemes for protection and empowerment of women are now bucketed together under Mission *Shakti* (Mission for Protection and Empowerment of Women). Rationalisation may be helpful if the operation of multiple schemes is impairing the overall quality of programming. However an analysis of allocations reveals that the process may have also led to a shrinking of the resource envelope for these schemes.

Under Mission *Shakti*, the first component, *Sambal*, subsumes the following schemes: One Stop Centre, *Mahila*

[51] National Social Assistance Programme Portal: https://nsap.nic.in/
[52] National Family Health Survey (NFHS)- 5, 2019-20. Available at: http://rchiips.org/NFHS/NFHS-5_FCTS/NFHS-5%20State%20Factsheet%20Compendium_Phase-I.pdf
[53] The Nirbhaya Fund is a non-lapsable fund set up in 2013-14 for the purpose of improving women's safety.

Police Volunteers, Women's Helpline, *Swadhar Greh*, *Ujjawala*, Working Women Hostel, and Home for Widows. The allocation for *Sambal*, when compared to the combined allocation for these seven schemes in the 2020-21 (BE), shows a reduction of 10 per cent. The second component, *Samarthya*, subsumes the following schemes: *Beti Bachao Beti Padhao, Pradhan Mantri Matru Vandana Yojana, Mahila Shakti Kendra*, and Gender Budgeting and Research, Publication and Monitoring. The allocation for *Samarthya*, when compared to the combined allocation for these four schemes in the 2020-21 (BE), shows a reduction of seven per cent.

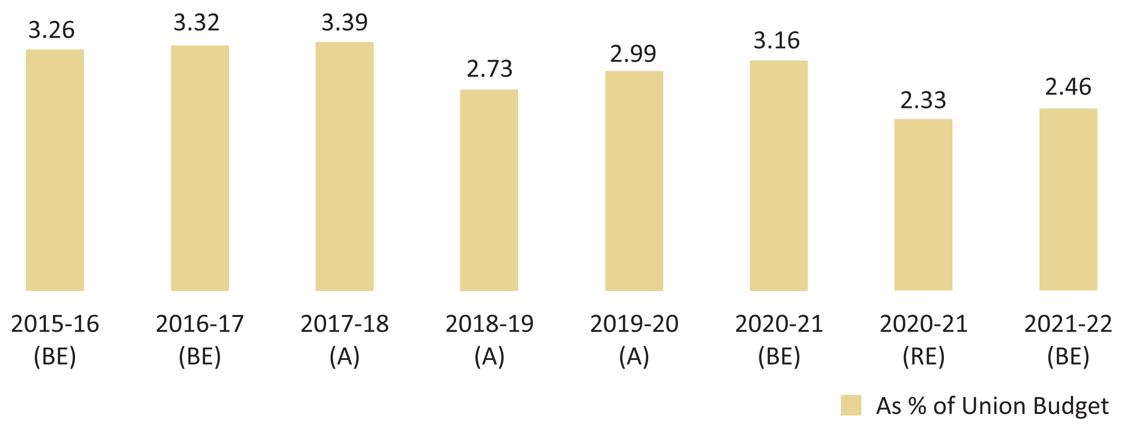
## Children

India is one of the youngest nations of the world with nearly two-fifths of its population under the age of 18. It is this very group that has been one of the most affected by the pandemic, and the measures taken to curb its spread the closure of schools and *anganwadis*, disruptions in child protection services, loss of family employment and hence income, and the inability to access basic health care facilities by children as well as expecting mothers - are anticipated to have a long-term impact on their health and development, well beyond the span of the pandemic. Addressing these varied vulnerabilities of children requires a renewed focus by the government, not only on the policy front but through financial commitments as well. Union Budget 2021-22, the first budget since the pandemic, is thus crucial in setting the tone for child development in the country as we walk through the last decade towards fulfilment of the Sustainable Development Goals by 2030.

**Total Outlay for Child Focused Interventions has Declined by 11 per cent in Union Budget 2021-22**

The total outlay for children stands at Rs. 85,713 crore in 2021-22 (BE). Interventions from 25 different Detailed Demands for Grants have been reported in this year's Child Budget Statement (CBS), with the Department of School Education and Literacy accounting for the bulk of the allocations, i.e., 62.5 per cent, and the Ministry of Women and Child Development getting 23.8 per cent. As compared to the budget estimates of 2020-21, the total outlays for children have declined by almost 11 per cent. As a percentage of the total Union Budget, the reported allocations for children have also shown a decline from 3.16 per cent in the 2020-21 (BE) to 2.46 per cent in the 2021-22 (BE), while this percentage was 2.33 in the 2020-21 (RE) (Fig. 5.2).

Figure 5.2: Total Budgetary Allocations and Expenditure on Child Focused Interventions




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

Reported outlays in the CBS of 2021-22[54] on schemes and institutions for some of the key ministries and departments, such as the Ministry of Women and Child Development (20 per cent decline in the 2021-22 (BE) as compared to the 2020-21 (BE) and Department of School Education and Literacy (10 per cent decline in the 2021-

[54] Allocations for the Welfare of Children, Statement 12, Union Budget 2021-22. Link: https://www.indiabudget.gov.in/doc/eb/stat12.pdf

22 (BE) as compared to the 2020-21 (BE), have registered decreases. The reduction in outlays for children this year comes in the backdrop of the long-standing recommendation in the National Plan of Action for Children (2016) of spending at least 5 per cent of the total Union Budget on child welfare. Needless to say, COVID-19 has intensified such resource requirements even further in the domains of health and nutrition, education and protection, some of which have been explored below.

**Reduced Outlays for Child Nutrition Following the Merger of Schemes**

India had been placed in the 'severe' category of hunger by the Global Hunger Index 2020,[55] published in October 2020, with high levels of stunting (37.4 per cent) and wasting (17.3 per cent). Moreover, the recently published compendium on the first phase of the National Family Health Survey round 5 reveals that these two indicators have worsened in as many as 11 and 9 states, respectively out of the 17 states surveyed so far. Both of these reports have referred to a pre-COVID period. The prolonged disruption in critical services such as immunisation, provision of micronutrients (iron and folic acid etc), antenatal care, hot cooked meals to school-going children etc. through flagship schemes such as the National Health Mission, *Anganwadi* Services under ICDS and Mid-day Meals (MDM) will exacerbate the trend of child under-nutrition. The amount allocated for a key nutrition scheme, *Anganwadi* Services, has fallen short by 17 per cent of the demanded amount by the Ministry of Women and Child Development in 2020-21.[56]

Higher resources are specifically needed to include breakfast for school-going children in addition to lunch, as per the recommendation of the National Education Policy, filling up of vacancies in supervisory positions for *Anganwadi* Services, enhancing remuneration for frontline positions of *anganwadi* and ASHA workers, construction of more *anganwadi* centres in under-serviced urban areas, and fortifying food entitlements (at schools or as Take Home Rations) with nutritious options, including milk, eggs, fruits etc (CBGA, 2020).[57] The 15th Finance Commission, in continuance of its previous recommendation of an additional nutrition grant for states to the tune of Rs. 7,735 crore for 2020-21, has, in its final report,[58] reiterated the need for higher allocations to tackle acute and chronic undernutrition among children and pregnant and lactating mothers.

In this backdrop, the bundling of four schemes on nutrition into a new programme titled *Saksham Anganwadi/Mission POSHAN 2.0* in 2021-22 (BE) was accompanied by an 18 per cent decline in allocations as compared to the 2020-21 (BE) (Figure 5.3). In addition to exaggerating the already existing fund crunch in nutrition, by subsuming two of the other smaller schemes, i.e., National Creche Services and Scheme for Adolescent Girls, within this merger, it remains unclear how the critical services related to early childhood development and provision of nutritional and educational services for gender empowerment of adolescent girls will be delivered to the respective beneficiaries.

**School Education not a Budget Priority**

The necessary school closure during and beyond the lockdown has affected as many as 320 million school-going children across the country. The complete shift to virtual modes of learning, however, could be accessed by only about 37.6 million students concentrated in 16 States (UNICEF, 2020). School-going children[59] from poorer households had no option other than to be at the receiving end of this digital divide.[60] Further, they are also at risk of dropping out of school permanently as child labourers supporting the financial needs of their families. Adequate public provisioning in education programmes becomes all the more critical in such situations.

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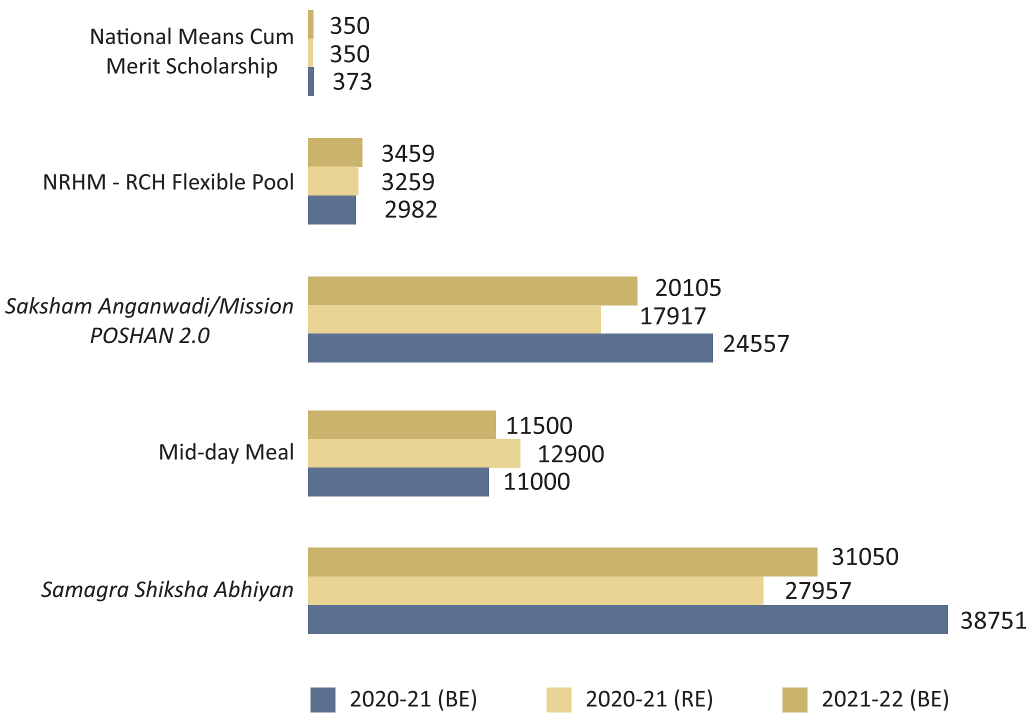
[55] Global Hunger Index 2020, India Case Study.
[56] MWCD Standing Committee Report 2020-21.pdf
[57] Impact of COVID-19 on Child Nutrition in India: What are the Budgetary Implications? - CBGA India
[58] https://fincomindia.nic.in/WriteReadData/html_en_files/fincom15/Reports/XVFC%20VOL%20I%20Main%20Report.pdf
[59] UNESCO 2020, Link: School closures caused by Coronavirus (Covid-19) (unesco.org)
[60] Impact of COVID-19 on School Education in India, CBGA 2020, Policy Brief, Link: https://www.cbgaindia.org/policy-brief/impact-covid-19-school-education-india-budgetary-implications/

*Samagra Shiksha Abhiyan*, the primary government scheme for holistic school education, has registered a drop in outlays of about 20 per cent in 2021-22 (BE) as compared to the budget estimates for last year (Figure 5.3). This key intervention in school education has remained underfunded in previous years as well, with the allocated amount falling short of the amount demanded by the ministry by about 16 per cent in 2020-21 (BE). A further decline in outlays this year will put major constraints in prioritising the emerging needs of school-going children in the backdrop of the pandemic, including the training of teachers in newer modes of teaching to effectively help students in their learning as well as to overcome psychological challenges, as they return to school gradually.

Figure 5.3: Union Government's Allocations/Expenditure on Select Schemes on Health, Nutrition and Education for Children (Rs. crore)




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

Notes: 1. #*Samagra Shiksha Abhiyanwas* introduced in financial year 2018-19 by merging three erstwhile schemes: *Sarva Shiksha Abhiyan* (SSA), *Rashtriya Madhyamik Shiksha Abhiyan* (RMSA) and Strengthening of Teacher Training Institutions. For the purpose of comparability, the above mentioned schemes have been added for all the years to represent the composite scheme under the name *Samagra Shiksha Abhiyan*.

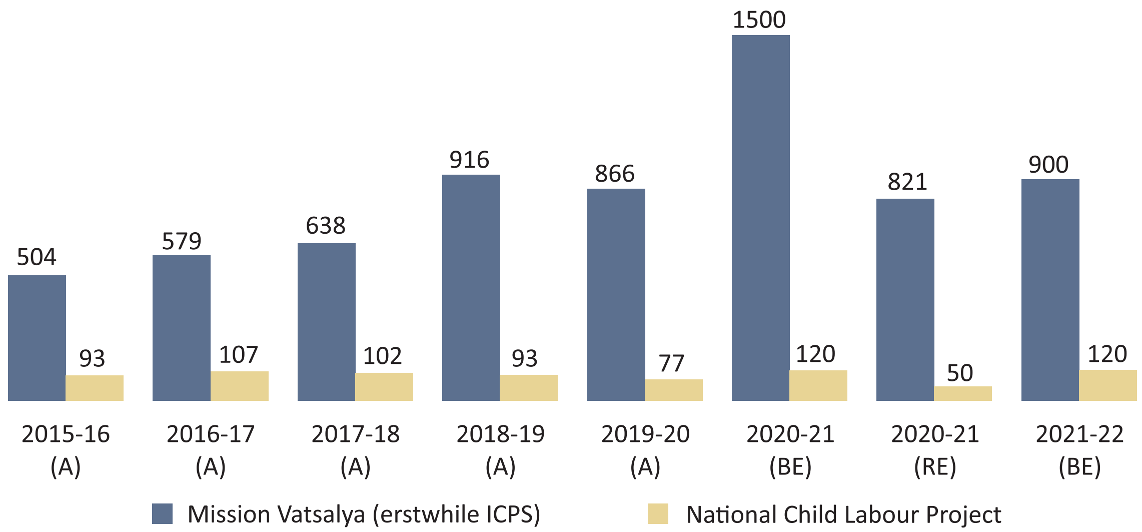
2. ## *Saksham Anganwadi* and *POSHAN 2.0* have been introduced in financial year 2021-22 by merging four erstwhile schemes under Umbrella ICDS: *Anganwadi* Services, *POSHAN Abhiyan*, National Creche Scheme and Scheme for Adolescent Girls. For the purpose of comparability, the four schemes have been added for the time points 2020-21 BE and 2020-21RE to represent the composite scheme under the names *Saksham Anganwadi* and *POSHAN 2.0.*

**Budgets for Child Protection Reduced Despite the Rise in Cases of Child Abuse**

There has been a visible rise in instances of violence against children (including home-based abuse) during the lockdown, with as much as a 50 per cent surge in the number of calls to the Childline India helpline, as reported by the Press Trust of India. In August 2020, UNICEF has also reported that 'Violence-Against-Children' related services have been the most affected in South Asian countries. These, coupled with the fact that children have been cut off from support systems in schools, counselling centres etc. for many months, add to the risk of their being abused and can worsen the already increasing trend of crimes against children in India (National Crime Records Bureau, 2019). Budgetary support for child protection has remained low over the years. In this year's budget, although there has been a reformulation of Integrated Child Protection Services (ICPS) into a new programme titled Mission *Vatsalya* (child protection and child care services), the allocations have dropped by almost 40 per cent from Rs. 1,500 crore in 2020-21 (BE) to Rs. 900 crore in 2021-22 (BE). (Figure 5.4)

Further, protecting children against the possible rise in child labour[61] during the pandemic calls for enhanced investment in schemes such as the National Child Labour Project. However, allocations under this project have remained stagnant at Rs. 120 crore over the last two years. (Figure 5.4)

Figure 5.4: Union Government's Allocations/Expenditure on Select Schemes for Child Protection (Rs. crore)




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

Budgets for children have thus faced a major decline in several domains, including nutrition, education and protection, in this budget. One of the areas where there has been an increment is the Reproductive Child Health (RCH) component under the National Rural Health Mission with a 16 per cent increase in the 2021-22 (BE) as compared to the 2020-21 (BE) and is a welcome move to step up services such as immunisation in the coming months. In her speech, the Finance Minister had also mentioned the rolling out of the Pneumococcal Vaccine across the country to avert more than 50,000 child deaths annually.

[61] https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_747583/lang--en/index.htm

## Scheduled Castes

Through its key policy document, 'Strategy for New India @ 75', the Union Government has made a renewed commitment to accelerate the socio-economic development of Scheduled Castes (SCs), Scheduled Tribes (STs) and *safai karamcharis*. It has promised to have focused affirmative action to bring these deprived communities on par with the rest of the population as far as key human development indicators are concerned. According to the Strategy document, there is high incidence of poverty and low educational attainment faced by weaker sections of the population, which is the major challenge before the government. Further, these communities have high levels of malnutrition and limited opportunities for meaningful economic engagement.

Isolation, exclusion, occupational subjugation and poor governance have been the major impediments to socio-economic development of SCs and STs. The benefits of resource distribution of the scheduled caste sub-plan (SCSP) and tribal sub plan (TSP) have reached few, mainly due to problems of convergence, poor scheme design and lack of an adequate institutional mechanism for implementation and monitoring of SCSP and TSP.

### How Have Interventions for the Scheduled Castes Been Budgeted in 2021-22?

In Union Budget 2021-22, the outlays earmarked for SCs (as per statement 10A) account for only 8.8 per cent of the total budgetary allocation under Centrally Sponsored Schemes (CSS) and Central Sector Schemes (CS). The total allocation reported for SCs in statement 10A is Rs. 1,26,259 crore in 2021-22 (BE). Compared to the previous year, there has been a substantial jump owing to the strategy of Allocation for Welfare of Scheduled Castes. The total allocation for the Department of Social Justice and Empowerment (DSJE) has seen a marginal increase.

Table 5.2: Allocation for Welfare of Scheduled Castes

| Scheme | 2017-18 (BE) | 2017-18 (A) | 2018-19 (BE) | 2018-19 (A) | 2019-20 (BE) | 2019-20 (A) | 2020-21 (BE) | 2020-21 (RE) | 2021-22 (BE) |
|---|---|---|---|---|---|---|---|---|---|
| Total Budget for CSS and CS (Rs. Crore) | 945077 | 873233 | 1014451 | 934524 | 1202404 | 1066644 | 1171720 | 1651590 | 1433008 |
| Allocation for Welfare of Scheduled Castes (Rs. Crore) | 52393 | 49492 | 56619 | 54343 | 81341 | 65197 | 83257 | 82708 | 126259 |
| Share of Allocation for Welfare of SCs in Total Budget for CSS and CS (%) | 5.5 | 5.6 | 5.5 | 5.8 | 6.7 | 6.1 | 7 | 5 | 8.8 |

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

### Post Matric Scholarship for SCs (PMS-SC)

PMS-SC is an important scheme implemented by the DSJE. The scheme provides financial assistance to SC students to enable them to pursue post matric education. In Budget 2021-22, it has been announced that Rs. 35,219 crore will be provided for the next six years until 2025-26. While the expectation was there would be a significant annual increase in the outlays, the amount of Rs. 3,415.62 crore allocated for 2021-22 is below expectations. This is also less than the Rs. 3,815.87 crore budgeted in 2020-21(RE). It must also be pointed out that there are various issues affecting the implementation of PMS-SC, such as accumulated arrears, absence of an annual action plan, non-revision of the income ceiling, low disbursal of funds in certain components of the scholarship, inadequate scrutiny and processing of applications, and poor disbursal of scholarships to students.

Table 5.3: Budgetary Priority for Post Matric Scholarships for SCs (Rs. Crore)

| Major Schemes | 2017-18 (BE) | 2017-18 (A) | 2018-19 (BE) | 2018-19 (A) | 2019-20 (BE) | 2019-20 (A) | 2020-21 (BE) | 2020-21 (RE) | 2021-22 (BE) |
|---|---|---|---|---|---|---|---|---|---|
| Total Allocation for Schemes for Educational Development of SCs | 3863 | 3818 | 3670 | 6355 | 3815 | 3437 | 4102 | 4678 | 4541 |
| Post-Matric Scholarship | 3348 | 3414 | 3000 | 5928 | 2926 | 2711 | 2987 | 3815 | 3416 |
| Pre-Matric Scholarship for SC Students | 50 | 63 | 125 | 116 | 355 | 353 | 700 | 600 | 725 |

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

**Self-Employment Scheme for Liberation & Rehabilitation of Manual Scavengers (SRMS)**

The Central Sector scheme called 'Self-Employment Scheme for Rehabilitation of Manual Scavengers (SRMS) was revised in November 2013, to work in consonance with the provisions of the 'Prohibition of Employment as Manual Scavengers and their Rehabilitation Act, 2013' (MS Act, 2013). SRMS has to provide: (i) one-time cash assistance of Rs. 40,000 to the identified manual scavenger; (ii) loans up to Rs. 15 lakh at a concessional rate of interest; (iii) a credit-linked back-end capital subsidy up to Rs. 3,25,000 (iv) skill development training up to two years with a stipend of Rs. 3,000 per month.

An examination of the trends shows there was zero utilisation against the allocations from 2014-15 to 2016-17. However, a gradual increase in fund utilisation was observed from 2017-18 to 2018-19. After the National Survey on Manual Scavengers in 2018, the allocation has increased but with reference to the number of manual scavengers identified in 2018, it remains inadequate.

Table 5.4: Status of Budget Allocation and Fund Utilisation under SRMS (Rs. Crore)

| Major Schemes | 2017-18 (BE) | 2017-18 (A) | 2018-19 (BE) | 2018-19 (A) | 2019-20 (BE) | 2019-20 (A) | 2020-21 (BE) | 2020-21 (RE) | 2021-22 (BE) |
|---|---|---|---|---|---|---|---|---|---|
| Self-Employment Scheme for Rehabilitation of Manual Scavengers | 5 | 5 | 20 | 85.8 | 110 | 84.8 | 110 | 30 | 100 |

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

Complete and credible identification of manual scavengers has been among the biggest challenges in the scheme. Furthermore, there are about 26 lakh unsanitary latrines in the country (Census, 2011), which suggests the existence of a sizeable number of manual scavengers. As per revised SECC-2011 data, there are 168,066 self-declared manual scavengers in rural areas. However, no SECC-2011 data relating to urban areas has been made available. The latest National Survey on manual scavengers was conducted in 2018, and identified 42,303 manual scavengers, which is only about 25 per cent compared to RGI and SECC data. Even after two years of completion of the national survey, of the total identified manual scavengers, only 62 per cent have received the One Time

Cash Assistance (OTCA); 3 per cent of the total got skill development training and 0.4 per cent have been given a capital subsidy. Abysmally low achievement against skill development training and capital subsidy disbursal indicates that the government has not been able to fulfil the long-term objectives of rehabilitation of manual scavengers in terms of enabling sustained livelihoods.

## Scheduled Tribes

In Union Budget 2021-22, the outlays earmarked for STs (as per statement 10B) account only for 5.5 per cent of the total budgetary allocation under Centrally Sponsored Schemes (CSS) and Central Sector Schemes (CS). The allocation reported for STs in statement 10B is Rs. 79,941.62 crore in 2021-22 (BE). Compared to the previous year, there has been a substantial jump owing to the strategy of Allocation for Welfare of Scheduled Tribes. The total allocation for the Ministry of Tribal Affairs has seen a marginal increase. In this budget the Finance Minister has made an announcement on establishing 750 *Eklavya* model residential schools in tribal areas. There is an increase in the unit cost of each such school from Rs. 20 crore to Rs. 38 crore, and for hilly and difficult areas to Rs. 48 crore. It will create a robust school infrastructural facility for tribal students. However, given the scale of the proposition, allocation of Rs. 1,418 crore for the scheme is inadequate.

Table 5.5: Allocation for Welfare of Scheduled Tribes

| Scheme | 2017-18 (BE) | 2017-18 (A) | 2018-19 (BE) | 2018-19 (A) | 2019-20 (BE) | 2019-20 (A) | 2020-21 (BE) | 2020-21 (RE) | 2021-22 (BE) |
|---|---|---|---|---|---|---|---|---|---|
| Total Budget for CSS and CS (Rs. crore) | 945077 | 873233 | 1014451 | 934524 | 1202404 | 1066644 | 1171720 | 1651590 | 1433008 |
| Allocation for Welfare of Scheduled Tribes (Rs. crore) | 31920 | 31914 | 39135 | 36890 | 52884 | 46911 | 53653 | 53304 | 79942 |
| Share of Allocation for Welfare of STs in Total Budget for CSS and CS (per cent) | 3.3 | 3.6 | 3.8 | 3.9 | 4.3 | 4.3 | 4.5 | 3.2 | 5.5 |

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

### Major Challenges in the Implementation of TSP

The Tribal Welfare Department, the nodal Department for welfare of STs, as well as institutional development initiatives such as the Integrated Tribal Development Project (ITDP)/Integrated Tribal Development Agency (ITDA) and Tribal Research Institutes (TRI), are weak in terms of human resources and financial powers. Further, there is no robust mechanism for inter-departmental coordination and convergence of resources with line departments. Mostly, the head of ITDA/ITDP/TRI is not a dedicated senior officer but someone performing these duties as an additional charge. Under TSP, the expenditure is booked notionally instead of as a need-based plan formulation. There is no monitoring system for TSP through a dedicated monitoring unit in the states (Ministry of Tribal Affairs, Standing Committee on Social Justice and Empowerment– 2018-19).

The allocations to the Department of Social Justice and Empowerment and Ministry of Tribal Affairs need to be increased for the economic and educational empowerment of SCs and STs. The implementation challenges persisting in TSP must be addressed urgently. Furthermore, there is a need to increase the allocation for PMS-SC to clear the arrears accumulated over many years. There is a need for identification of all the manual scavengers in the country. The government has to make necessary changes in the SRMS Guidelines to address the bottlenecks constraining utilisation of the allocated budgets. Further, an Increase in demand can be created by raising awareness about the scheme among potential beneficiaries as well as within the government apparatus.

## Minorities

The large section of religious minorities, particularly Muslims, in India has been lagging behind on certain indicators pertaining to educational attainment, gender equality and workforce participation. It is found that Muslims account for the highest proportion of out of school children (4.43 per cent) in the country. The large proportion of Muslim households in urban areas working as casual labour, along with self-employed people comprise the dominant income source in the community at 15 per cent and 50 per cent, respectively (68th Round of the National Sample Survey).

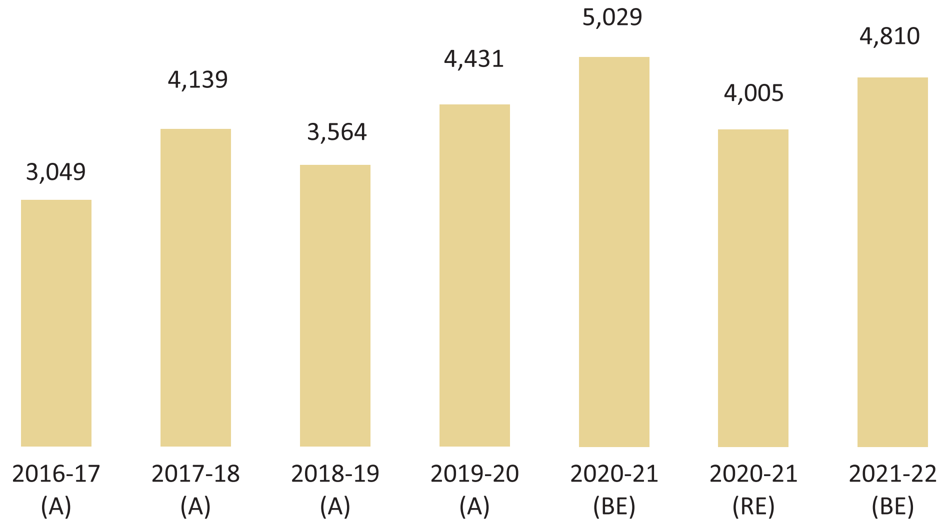
For development of minorities, there have been two policy strategies, namely the Prime Minister's New 15 Point Programme (15 PP) for welfare of minorities and the Area Development Programme or Multi Sectoral Development Programme (MSDP), since 2006 and 2008, respectively. MSDP was renamed *Pradhan Mantri Jan Vikas Karyakram* (PMJVK) in 2018. With regard to activities, the 15-point programme for the welfare of minorities focuses on enhancing opportunities for education, an equitable share in economic activities and employment, improving living conditions, and prevention and control of communal riots. Except MSDP/PMJVK, all the schemes run by the Ministry of Minority Affairs (MoMA) are also part of 15 PP, and meant 100 per cent for the development of minorities.

In Union Budget 2021-22, the Finance Minister made no mention about the budgets for welfare of minorities and no new scheme has been announced for their development. A Ministry of Education scheme, known as Scheme for Madrasas and Minorities, has been shifted to MoMA with a reduced allocation of Rs. 174 crore. The Ministry of Education has reported a figure of Rs. 310.22 crore in the RE of 2020-21 for the scheme, which provides financial assistance to introduce modern subjects in Madrasas, train teachers, and augment school infrastructure in minority institutions. Only Rs. 70.94 crore of the funds allocated to the scheme was utilised against Rs. 120 crore in 2019-20, affecting the education of children in Madrasas due to non-payment of honorarium to teachers.

**Total Budgetary Resources for Minorities**

With regard to availability of resources for minorities, the Ministry of Finance has not allocated the same in accordance with the MoMA demand. For 2019-20 and 2020-21, Rs. 4,700 crore and Rs. 5,029 crore were allocated as against the demand of Rs. 5,795.26 crore and Rs. 6,452 crore, respectively, made by MoMA. The reduction in the budget demanded by MoMA has affected the scholarship schemes. The budget for minorities accounts for 0.14 per cent of the total Union Budget in 2021-22, whereas religious minorities constitute 21 per cent of the total population. Further, there is a decline of 4.5 per cent in this budget from the previous year's budget. Also, the MoMA budget has been reduced from Rs. 5,029 crore (BE) to Rs. 4,005 crore (RE) in 2020-21.

Figure 5.5: Union Budget Allocation and Utilisation under Ministry of Minority Affairs (Rs. crore)




*Source:* : Note on Demand for Grants, MoMA.

The following table shows that in this budget, Merit Cum Means Scholarships, Post-Matric Scholarship for Minorities and the Maulana Azad Fellowship have declined from the previous year's budget, while the rest of the schemes have received a marginal increase.

Table 5.6: Union Budget Allocation and Utilisation for Select Schemes Under the Ministry of Minority Affairs (Rs. crore)

| Scheme | 2015-16 (A) | 2016-17 (A) | 2017-18 (A) | 2018-19 (A) | 2019-20 (A) | 2020-21 (RE) | 2021-22 (BE) |
|---|---|---|---|---|---|---|---|
| Maulana Azad Education Foundation (MAEF) | 113 | 114 | 113 | 36 | 37.5 | 80 | 90 |
| Merit Cum Means Scholarships | 315 | 220 | 389 | 261 | 286 | 400 | 325 |
| Free Coaching and allied schemes | 45 | 40 | 45 | 45 | 14 | 25 | 79 |
| Pre-Matric Scholarship | 1016 | 369 | 1026 | 1176 | 1325 | 1330 | 1378 |
| Post-Matric Scholarship | 553 | 287 | 480 | 355 | 429 | 535 | 468 |
| Maulana Azad Fellowship | 55 | 120 | 125 | 98 | 100 | 100 | 99 |
| Grants and Equity to SCAs/ NMDFC | 120 | 140 | 170 | 167 | 162 | 111 | 155 |
| MSDP/PMJVK | 1121 | 1082 | 1198 | 1156 | 1698 | 971 | 1390 |

*Source:* Note on Demand for Grants, MoMA.

**Major Challenges in the Implementation of Scholarship Schemes**

Poor Quality of Fund Utilisation

Religious minorities, particularly Muslims, require special attention in the area of educational and economic empowerment. The Pre-matric, Post-matric and Merit-cum-Means scholarship schemes face implementation issues with poor coverage of beneficiaries and low unit cost. The Union Government promised to give one crore scholarships to minorities annually under an umbrella scholarship programme. However, only 66 Lakh students received the scholarships in 2018-19 by MoMA. During the year 2018-19 approximately 73.37 lakh applications were received only for fresh Pre-matric scholarships. For the same years, 17.45 lakh applications were received for fresh Post-matric scholarships.

Although utilisation of the budget under the scholarship scheme improved by the end of the 2019-20 financial year, the following table shows that the percentage of utilisation until January 2020 was poor. Large amounts were utilised in February and March. It thus becomes clear that students are receiving the scholarships only at the very end of the academic year.

Table 5.7: Budget Allocation and Utilisation of Select Scholarship Schemes (Rs. crore)

| Scheme | Budget Estimates 2019-20 | Expenditure made till 31.01.20 | Balance till 31.01.20 | % of Utilisaton |
|---|---|---|---|---|
| Pre-matric Scheme | 1220 | 379 | 841 | 31 |
| Post-matric Scheme | 496 | 89 | 407 | 18 |
| Merit-cum-Means Scheme | 366 | 66 | 301 | 18 |
| Maulana Azad National Fellowship | 155 | 100 | 55 | 64.5 |
| Support for Overseas Studies | 30 | 9 | 21 | 33.3 |

*Source:* Departmentally Standing Committee on Social Justice- Demand for Grants, Ministry of Minority Affairs -2020-21.

Low Unit Cost for Scholarship Schemes

The unit cost for scholarships of Pre-Matric, Post-Matric and Merit-cum-means has not been revised since inception of the schemes (2007-08). Only Rs. 1000 per annum is provided to the day scholars in Pre-Matric Scholarship Scheme. The scheme for Post-Matric scholarship provides the financial support of Rs. 7,000 per annum in terms of admission and tuition fee for classes XI and XII and maintenance allowance of Rs. 380 per month and Rs. 230 per month for hosteller and day scholars respectively. Only 85 institutes for professional and technical courses have been listed in the Merit Cum Means scheme. A course fee of Rs. 20,000/- per annum is reimbursed to students studying in other institutions. Besides, a student is also provided meager amount for maintenance allowance as Rs. 500 for the day scholar or Rs. 1,000 for the hostellers per month. The number of scholarships given to the students is found to be inadequate for meeting their educational expenses. The unit cost for scholarship schemes for minorities should be increased and inflation-indexed. Further, the scholarship should be made demand driven along with the additional financial resources.

It is suggested that the total budget allocation for MoMA should be significantly increased, given the level of deprivation in the educational attainment of minorities. The hike in total budget allocation of MoMA would help increase the coverage of students and raise the unit cost in Pre-Matric, Post Matric and Merit Cum Means Scholarship.

## Persons with Disabilities

The decade's first budget speech has failed to mention its efforts to address the issues confronting persons with disabilities, one of the most marginalised population groups in the country.[62] There has been a reduction of Rs. 153.62 crore in 2021-22 (BE) compared to 2020-21(BE) in the allocation to the Department for the Empowerment of Persons with Disabilities (DEPwD),[63] while the allocation for social protection through the

[62] https://www.indiabudget.gov.in/doc/Budget_Speech.pdf

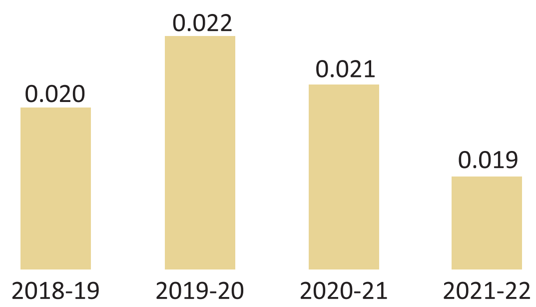
[63] https://www.indiabudget.gov.in/doc/eb/sbe93.pdf

Indira Gandhi National Disability Pension (IGNDP) and the National Mental Health Programme remains the same at Rs. 297.37 crore[64] and Rs. 40 crore,[65] respectively.

Allocation to women with disabilities finds mention under Part B of the Gender Budget Statement, implying that there are no specific schemes and programmes for women and girls with disabilities. The allocation has decreased by Rs. 10 crore from 2020-21 (BE).[66]

Disaggregated data of budgetary interventions for persons with disabilities is available under the Ministry of Health and Family Welfare (MHFW), Ministry of Rural Development (MORD) apart from the DEPwD. The total allocation specific to persons with disabilities across Ministries (as much as the availability of data disaggregation) in comparison to the total disbursement of the Union Government follows a decreasing trend. Figure 5.6 explains the same:

Figure 5.6: Union Budget support for the Inclusion of Persons with Disabilities as per cent of Total Union Budget




*Source:* Union Budget Documents, various years.

**Commitments vs. Budget 2021-22**

Given the backdrop of the socio-economic crisis inflicted by the COVID-19 pandemic, this section highlights the inadequacy of the budget allocations in fulfilling the government's obligation to implement national and international laws and leave no one behind. Here we highlight key issues relating to accessibility, social protection, and health and rehabilitation services.

**Accessibility**

It is the duty of the government to ensure accessibility and is one of the key principles for inclusion and non-discrimination of persons with disabilities.

CRPD concluding observations[67] directs the State to Implement the Rights of Persons with Disabilities Act, 2016, section 40–46 on accessibility, by taking a cross-sectoral approach, and Ensure accessibility requirements in public procurement legislation and policies for goods and services, especially in the Bureau of Indian Standards Act at the Central and State level

The key programmes that look at accessibility under the head Social Services, under DEPwD, include modernisation of the Braille presses, Indian Sign Language Research and Training Centre, National Institute for

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[64] Expenditure Budget of Department of Rural Development, Union Budget 2021-22, https://www.indiabudget.gov.in/doc/eb/sbe86.pdf

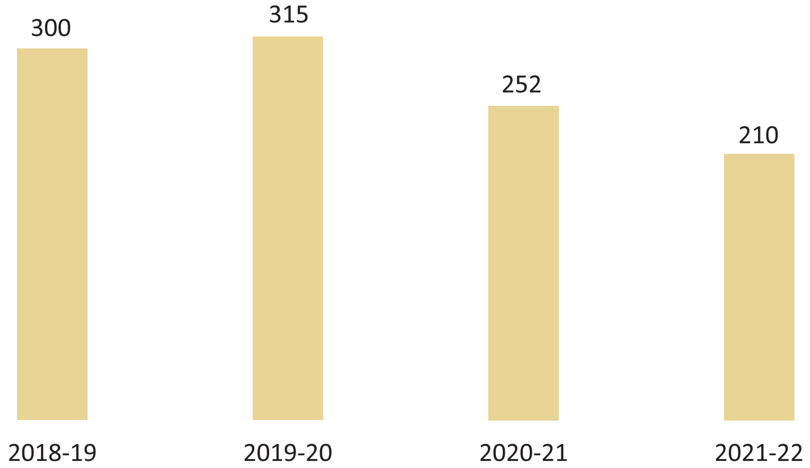
[65] Expenditure Budget of the Department of Heavy Industry, Union Budget 2021-22. https://www.indiabudget.gov.in/doc/eb/sbe44.pdf

[66] Gender Budget 2021-22, https://www.indiabudget.gov.in/doc/eb/stat13.pdf

[67] CRPD/C/IND/CO/1 20 September 2019 Committee on the Rights of Persons with Disabilities -Concluding observations on the initial report of India

Inclusive and Universal Design, and Scheme for Implementation of Persons with Disabilities Act (SIPDA).[68] The Union flagship programme Access India Campaign,[69] currently limited only to urban areas, is primarily funded by the SIPDA programme.

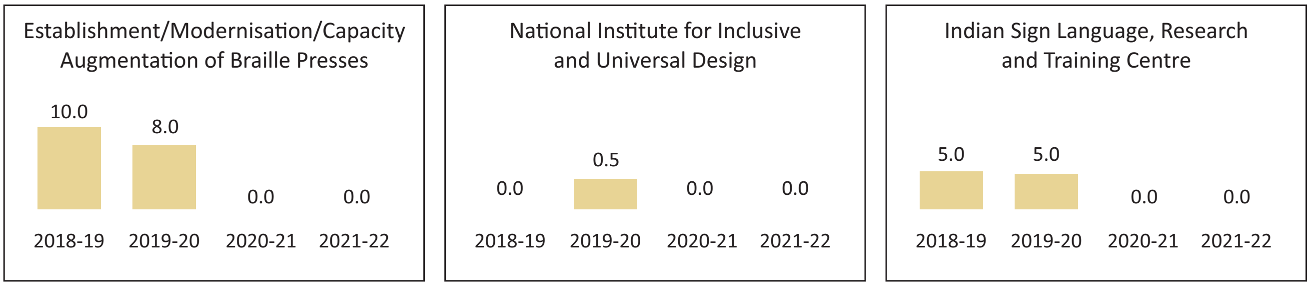
Figure 5.7: Allocation for SIPDA (Rs. crore)




*Source:* Union Budget Documents, various years.

SIPDA has seen a decreasing allocation (Fig. 5.7), while allocation for the National Institute for Inclusive and Universal Design remains at 0.01 crore. The rest of the programmes have no allocation for financial year 2021-22. Figure 5.8 provides the trend in allocation.

Figure 5.8: Allocation under Programmes that Aim to Ensure Accessibility for Persons with Disabilites (Rs. crore)




*Source:* Expenditure Budget of the Department of Empowerment of Persons with Disabilities, Union Budget 2021-22.

## Social Protection

COVID-19 has resulted in a huge loss of income and employment among persons with disabilities, resulting in further marginalisation.[70] On the one hand, there is no effort on the part of the government to relook at its social protection programme, which compensates the income loss and the disability extra cost, and on the other hand, the allocation for the programme remains the same as 2020-21.

[68] Expenditure Budget of the Department of Empowerment of Persons with Disabilities, Union Budget 2021-22 https://www.indiabudget.gov.in/doc/eb/sbe93.pdf

[69] http://accessibleindia.gov.in/content/

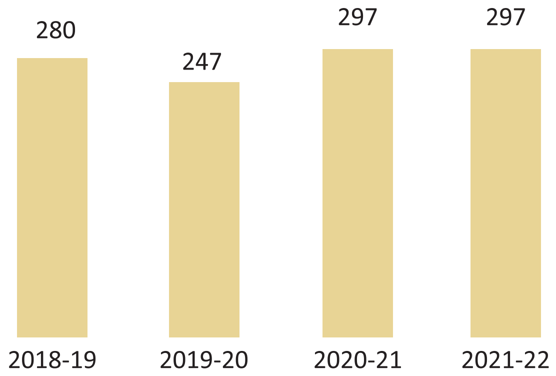
[70] Too Little Too Few, India, - Report on the social protection response to Covid-19 response by the Government of India , by Disabled People's Organisations in India

CRPD Committee concluding observations[71] on social protection:

a. Ensure access to social protection programmes by all persons with disabilities, including to pension schemes, unemployment, transportation or care allowances or other entitlements, fostering adequate living conditions in urban and rural areas.

b. Introduce and ensure that all persons with disabilities access entitlements to cover disability-related extra costs, disability pensions, and strengthen identification procedures for accessing pensions and increasing pension wages.

Figure 5.9: Allocation to IGNDP (Rs. crore)




*Source:* Expenditure Budget of Department of Rural Development, Union Budget 2021-22.

IGNDP is the only social protection measure adopted by the Union Government. The programme is inadequate in its coverage and benefit. The inclusion criteria of the programme such as the extent/percentage of impairment (80 per cent and above), proof of incapacity to work and income ceiling (persons belonging to families living below the poverty line) prevent and restrict all persons with disabilities from accessing the programme.

**Health and Rehabilitation Services**

The National Mental Health Programme[72] is the only programme that looks at community health services for persons with disabilities under the Ministry of Health and Family Welfare. The allocation for this programme remains constant at 40 crore.[73] There is no commitment to ensure Universal Health Care and coverage, including disability specific services and care, and health care needs of women and girls with disabilities.

Lack of rehabilitation services is a cause of concern for persons with disabilities living in rural areas. Persons with intellectual and psychosocial disabilities are more likely to be institutionalised due to the lack of community-level services, including support services.

The CRPD Committee recommends[74] that

a. the State party promote community-based inclusive development, reframing the Deendayal Disability Rehabilitation scheme in consultation with organizations of persons with disabilities, particularly those in rural areas.

b. to adopt measures to ensure the availability, equal distribution and affordability of assistive devices.

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[71] CRPD/C/IND/CO/1 20 September 2019 Committee on the Rights of Persons with Disabilities –Concluding observations on the initial report of India

[72] https://www.nhp.gov.in/national-mental-health-programme_pg

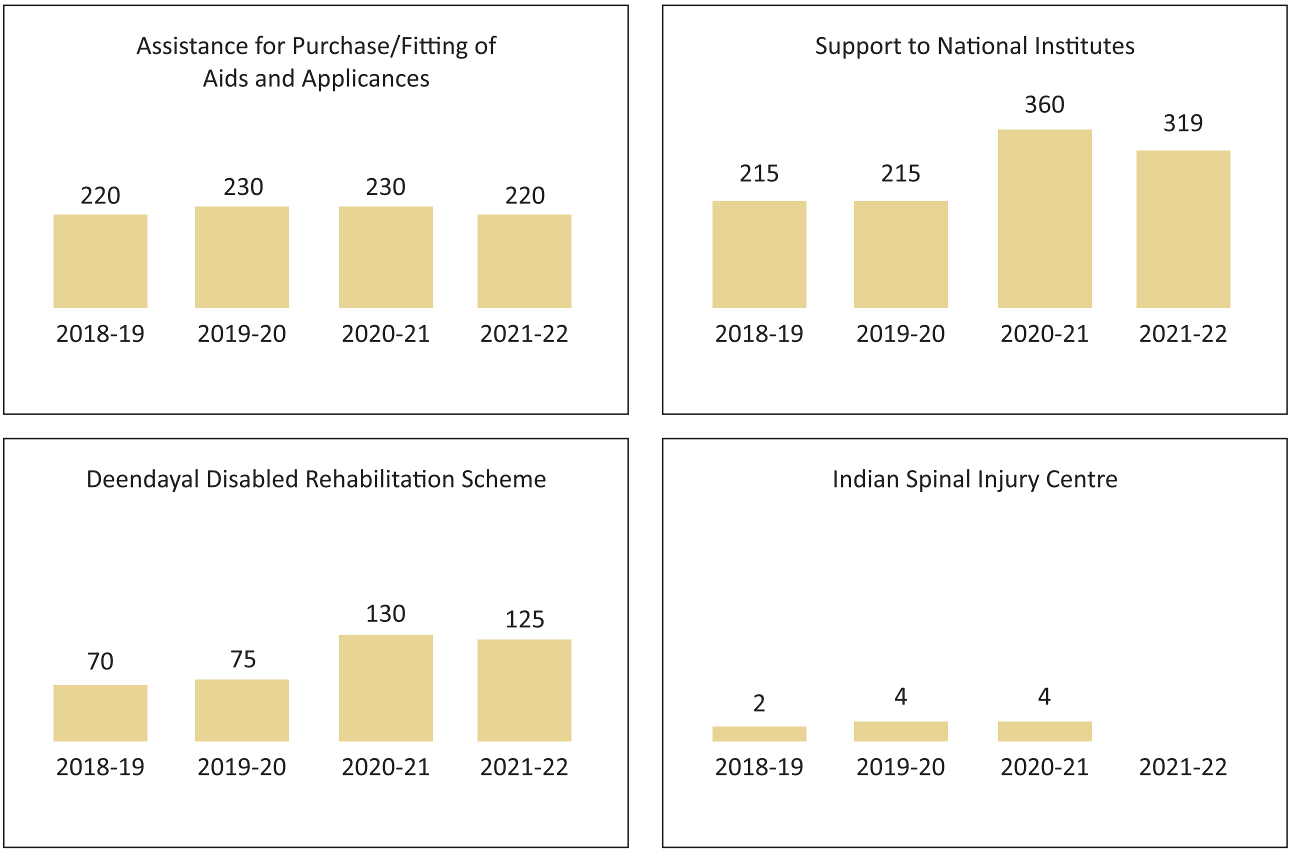
[73] https://www.indiabudget.gov.in/doc/eb/sbe44.pdf

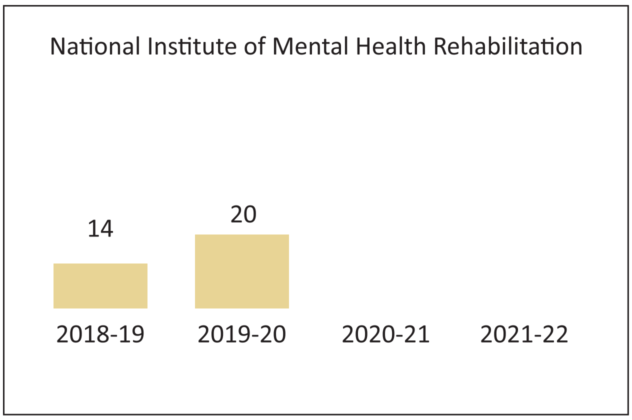
[74] CRPD/C/IND/CO/1 20 September 2019 Committee on the Rights of Persons with Disabilities –Concluding observations on the initial report of India

Allocation to the few existing rehabilitation programmes, such as the Deendayal rehabilitation scheme (implemented at the district level), National Institutes, Spinal Cord Injury, Mental Health Rehabilitation Institute, implemented through the DEPwD, has been either reduced or left without any allocation (Figure 5.10).

Access to assistive devices is one of the pre-conditions for inclusion apart from rehabilitation services. Article 4 of the CRPD mandates States to invest in research and development in ensuring assistive devices for persons with disabilities. The allocation for the ADIP programme (supply of assistive devices) has been reduced from 2020-21. Figure 5 illustrates the same:

Figure 5.10: Allocation to programmes
for assistive devices and rehabilitation services (Rs. crore)




The coverage is only 10 per cent of the working age population of persons with disabilities in as many as 34 States and Union Territories. The value of the benefit is less than Rs. 13 per day whereas the global basic poverty line is fixed at Rs.142.5/day /person. This is inadequate considering the huge population of persons with disabilities without any income and livelihood and the disability extra cost. The ratio of the value of cash transfer, including the state-specific transfer, works out to only 20 per cent of the basic poverty line in as many as 22 States (Reference: India COVID-19 response to persons with disabilities – A joint report by DPOs).

*Source:* Expenditure Budget of the Department of Empowerment of Persons with Disabilities, Union Budget Statement 2021-22.

# Annexures

## I: Understanding Budget Concepts

Every Budget broadly consists of two parts, viz. (i) Expenditure Budget and (ii) Receipts Budget. The Expenditure Budget presents the information on how much the Government intends to spend and on what, in the next fiscal year. On the other hand, the Receipts Budget presents the information on how much revenue the Government intends to collect for meeting its expenditure requirements and from which sources, in the next fiscal year.

### Classification of Government Receipts

**Capital Receipts:**
Those receipts that lead to a reduction in the assets or an increase in the liabilities of the government.

- Capital Receipts leading to 'reduction in assets': *Recoveries of Loans* given by the government and *Earnings from Disinvestment*
- Capital Receipts leading to 'increase in liabilities': *Debt*.

**Revenue Receipts:**
Those receipts that do not affect the asset-liability position of the government.

- Revenue Receipts comprise proceeds of taxes (like Income Tax, Corporation Tax, Goods and Services Tax, Customs, Excise etc.) and
- Non-tax revenue of the government (like Interest Receipts, Fees / User Charges, and Dividend & Profits from PSUs)

### Classification of Government Expenditure

| Capital Expenditure | Revenue Expenditure |
|---|---|
| Those expenditure by the government that lead to an increase in the assets (*construction of a new flyover, Union Govt. giving a loan to the State Govt.*) or a reduction in the liabilities of the government (*Union Govt. repays the principal amounts of a loan it had taken in the past*.) | Those expenditure by the government that do not affect its asset-liability position. E.g.: *Expenditure on food subsidy, salary of staff, procurement of medicines, procurement of text books, payment of interest, etc.* |

### Classification of Government Expenditure

| State Specific Schemes | Central Sector Schemes | Centrally Sponsored Schemes |
|---|---|---|
| Only the state government provides funds for these, with no direct contribution from the Centre. | The Central Government provides entire funds for these. | Both the Central Government and the State Government provides funds for the scheme. The ratio of their contributions depends on the design of the scheme. |

### Deficit and Debt

Excess of government's expenditure in a year over its receipts for that year is known as Deficit; the government covers this gap by taking a Debt.

### Classification of Government Expenditure

| Fiscal Deficit | Revenue Deficit |
|---|---|
| It is the gap between government's *Total Expenditure* in a year and its *Total Receipts (excluding new Debt to be taken)* that year. Thus, Fiscal Deficit for a year indicates the amount of borrowing to be made by the government that year. | It is the gap between Revenue Expenditure of the government and its Revenue Receipts. |

### Budget Estimates and Revised Estimates

The estimates presented in a Budget for the approaching fiscal year are Budget Estimates (BE), while those presented for the ongoing fiscal year based on the performance in the first six months of the fiscal year are Revised Estimates (RE).

### Taxation: Concepts and Trends

The government mobilises financial resources required for financing its interventions mainly through taxes, fees / service charges and borrowings.

1.Tax Revenue and Non-Tax Revenue

| Tax Revenue | Non-Tax Revenue |
|---|---|
| Tax refers to the money collected by the government through payments imposed by legislation. | Non-Tax Revenue refers to revenue raised by the government through instruments other than taxes such as fees / user charges, dividends and profits of PSUs, interest receipts, penalties and fines, etc. |

2. Direct and Indirect Tax

Government revenue through taxation can be broadly divided into Direct Taxes and Indirect Taxes.

| Direct Tax | Indirect Tax |
|---|---|
| Those taxes for which the tax burden cannot be shifted or passed on are called Direct Taxes. Any person, who directly pays this kind of tax to the government, bears the burden of that tax.<br>E.g.: Personal income tax, corporate income tax, capital gains tax, etc. | Those taxes for which the tax burden can be shifted or passed on are called Indirect Taxes. Any person who directly pays this kind of tax to the government, need not bear the burden of that particular tax; they can ultimately shift the tax burden to other persons later through business transactions of goods or services.<br>E.g.: Goods and services tax, customs duties, excise duties, etc. |

Indirect tax on any good or service affects the rich and poor alike. Unlike indirect taxes, direct taxes are linked to the taxpayer's ability to pay and hence are considered to be progressive.

3. Division of Taxation Powers between Centre and States

The Constitution of India provides a clear division of the roles and responsibilities of the Central Government and State Governments, which has translated into a division of expenditure responsibilities and taxation powers between the two. The power to levy taxes and duties has been divided at three tiers of governance, i.e. Central Government, State Governments, and Local Governments. With the implementation of the Goods and Services Tax, the GST Council is now a constitutional body with a specific method of division of GST.

| Central Government | State Governments | GST Council | Local Governments |
|---|---|---|---|
| Personal and Corporate Income Tax, Customs Duties | Sales Tax and Value Added Tax (on petroleum products and alcohol), Stamp Duty (a duty on transfer of property), State Excise (a duty on manufacturing of alcohol), Land Revenue (a levy on land use for agricultural and non-agricultural purposes), Duty on Entertainment and Tax on Professions. | The GST Council is a constitutional body that governs the Goods and Services Tax, an indirect tax. The proceeds from Central GST (CGST) go towards the Central Government, proceeds from State GST (SGST) go towards State Governments and proceeds from Integrated GST (IGST) are divided between the Central Government and State Governments. | Tax on property (buildings etc.), Tax on Markets, Tax / User Charges for utilities like water supply, parking, drainage, etc. |

4. Distribution of Revenue collected in the Central Tax System

A Finance Commission is set up once every five years to suggest sharing of financial resources between the Centre and the States, a major part of which pertains to the sharing of revenue collected in the Central Government Tax System. At present, the total amount of revenue collected from all Central Taxes – excluding the amount collected from cesses, surcharges and taxes of Union Territories, and an amount equivalent to the cost of collection of central taxes – is considered as sharable / divisible pool of Central tax revenue. In the recommendation period of the 15$^{th}$ Finance Commission (2021-22 to 2025-26), 41 per cent of the shareable / divisible pool of Central tax revenue will be transferred to States every year and the Centre will retain the remaining amount for the Union Budget.

5. Tax-GDP Ratio

Gross Domestic Product (GDP) is an indicator of the size of a country's economy. In order to assess the extent of the government's policy intervention in the economy, some important fiscal parameters, like total expenditure by the government, tax revenue, deficit, etc. are expressed as a proportion of the GDP. Accordingly, we need to pay attention to a country's tax-GDP ratio to understand how much tax revenue is being collected by the government as compared to the overall size of the economy.

Definitions of some important taxes

**Corporation Tax:** This is a tax levied on the income of companies under the Income Tax Act, 1961.

Taxes on Income: This is a tax on the income of individuals, firms, etc. other than companies, under the Income Tax Act, 1961. This head also includes other taxes, mainly the Securities Transaction Tax, which is levied on transactions in listed securities undertaken on stock exchanges and in units of mutual funds.

**Goods and Services Tax:** GST is an indirect tax that was implemented in 2017. It has subsumed many indirect taxes in the country, and is levied on the supply of goods and services. It is a comprehensive, multi-stage, destination-based tax.

**Customs Duties:** It is a type of tax levied on goods imported into the country as well as on goods exported from the country.

**Excise Duties:** It is a type of tax levied on goods manufactured in the country and are meant for domestic consumption.

## II: Navigating the Union Budget Documents

| Category | Documents in this Category |
|---|---|
| **Summary Documents** | **Budget Speech:** Highlights the main expenditure and tax proposals |
| | **Budget at a Glance:** Provides a brief overview on total funds raised by the government (through taxes or borrowing), how that money is to be spent along with information on budget deficit / surplus. |
| | **Annual Financial Statement:** Similar to 'Budget at a Glance' but organized in a different way to reflect requirements under Article 112 of the Constitution. |
| **Expenditure Documents** | **Expenditure Profile:** Presents a summary of the total expenditure of all ministries. Also, it presents expenditure according to different categories of interest, i.e. summary of funds allocated to schemes for women, children, scheduled castes and scheduled tribes. |
| | **Expenditure Budget:** Presents a detailed breakdown of the expenditure of each ministry. |
| | **Demands for Grants / Appropriation Bill:** Two documents required under the Constitution, asking Parliament to allocate the stated amount of funds to different ministries and schemes. Parliament votes to pass these two documents. |
| **Receipts Documents** | **Receipts Budget:** Presents detailed information on how the government intends to raise money through different sources. |
| | **Finance Bill:** A Bill presented to Parliament (and to be voted on) containing the various legal amendments to bring into effect the tax changes proposed by the government. |
| | **Memorandum on the Finance Bill:** Explains the various legal provisions contained in the Finance Bill and their implications in simple language. |
| **FRBM Documents** | **Macro-Economic Framework:** Explains the government's assessment of the growth prospects of the economy. |
| | **Medium-Term Fiscal Policy:** A statement setting limits on the size of the budget deficits for the next three years, as well as targets for tax and non-tax receipts. |
| | **Fiscal Policy Strategy:** A statement explaining the government's efforts to follow sound fiscal policies and reasons for any departure from the targets set by it for deficits under the FRBM Act. |

*Source:* PRS Legislative Research. Overseeing Public Funds: How to scrutinise budgets.

Which of these Union Budget documents are the most useful for analysis of the Budget?

- Analysing Expenditure by the Union Government: Budget Speech, Budget at a Glance, Expenditure Profile, and Expenditure Budget
- Analysing Resource mobilisation: Receipts Budget, Memorandum on Finance Bill
- Macroeconomic analysis: Budget at a Glance, Macro-Economic Framework Statement, and Medium-Term Fiscal Policy Statement

## III: The Budget Cycle of the Union Government

There are four stages of a budget cycle.

Budget cycle starts with Budget formulation and ends with Auditing. The entire budget cycle spreads over four calendar years. It starts in the month of August-September of calendar year 1 and gets over by months of March-April of calendar year 3.

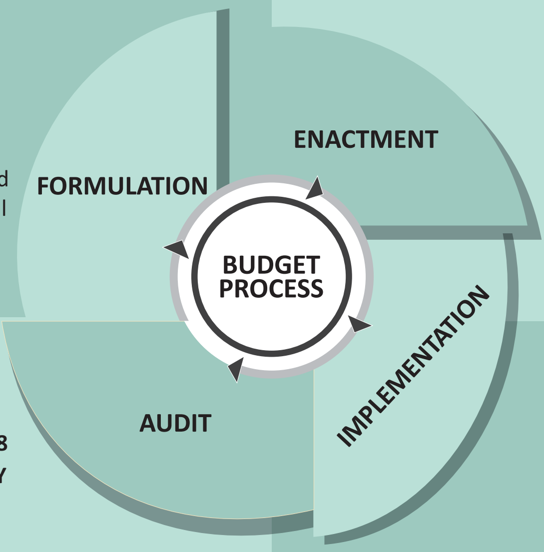
**Starts: August of a calendar year and Ends 31st January of next calendar year (CY)**

**Steps:**

- Notification of Budget Circular - **August-September of CY 1**
- Each Administrative Ministry (Expenditure) shares the Statement of Budget Estimates (SBE) with Budget Division - **September CY 1**
- Pre-Budget Meetings by Secretary, Expenditure with the Secretaries / Financial Advisers of the expenditure ministries are organised - Starts in **October** and continues till the **first week of November of CY 1**
- The final ceilings for the schemes are decided separately by the Ministry of Finance - latest by **15th January every year (CY 2)**
- Finance Minister holds Pre-budget meetings with various groups /stakeholders to get suggestions and recommendations on the priority setting of the budget - **December (CY 1) and January (CY 2)**
- Finance Minister holds meetings with officials of Revenue Department and prepares the Receipt Budget for the country - **January (CY 2)**
- The tentative budget gets approved in the Council of Ministers and final Printing of Budget documents starts - **mid of January every year (CY 2)**

**Starts: 1st February Ends: 31st March of CY 2**

- FM presents Budget in the Parliament - **1st February every year (CY 2)**
- FM introduces the Appropriation Bill and Finance Bill in the Lok Sabha **February-March (CY 2)**
- General discussion on the budget in the Parliament (Lok Sabha) **first week of February (CY 2)**
- Detailed Demands for Grants- discussed in Lok Sabha **(February CY 2)**
- Passing of Appropriation Bill and Finance Bill **(March CY 2)**




**Starts: 1st April of CY 2 and Ends: 31st March of CY3**

- Once the budget is passed, the executives carry out implementation of various expenditure and revenue proposals **(April of CY2 to March of CY3)**

**Starts: 1st April of CY 3 and Ends 1st February of CY 4**

**Audit findings are presented approx. 8 months after the completion of the FY**

- Auditing of the various expenditure and receipts proposals carried out by the office of the Comptroller and Auditor General once the Financial year ends in **31 January of CY 3**
- Auditors prepare Financial and Performance Reports during the period between **1st April of CY 3 and 31 March of CY 4**
- These audit reports are scrutinised by the Public Accounts Committee of the Parliament in **CY 3 and CY 4**

**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 or write to us at: info@cbgaindia.org.

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**Special thanks, for contributing towards this publication, to:**

Anamitra Roychowdhury, Meenakshi Balasubramanian, Neeti Biyani, Pooja Parvati and Sakti Golder.

Cover Illustration: Vikram Nayak

Designed by: Common Sans, 1729, Sector-31, Gurgaon, Haryana

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