Suggestions for Consideration of the Government of India

for Union Budget 2017-18

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CBGA

Centre for Budget and Governance Accountability

(On behalf of *People's Budget Initiative*, a network of civil society organisations from across the country)

Key Suggestions for Union Budget 2017-18

I. Devising a mechanism for proactive disclosure of relevant budget information at the district level

II. Plugging the loopholes in international taxation and promoting transparency in the global financial system

III. Invest in operationalizing Gender Responsive Budgeting, and strengthen the efforts to address violence against women

IV. Addressing staff and infrastructure shortages in tribal areas, and strengthening implementation of the Scheduled Caste Sub-Plan and Tribal Sub-Plan

V. Public procurement should ensure accessibility and inclusion leading to full and effective participation of persons with disability

VI. Strengthening implementation of schemes executed through the ICDS platform, and paying special attention to the nutritional needs of tribal children and pregnant and lactating women

VII. Stepping up investment in quality secondary education and the measures for mainstreaming out of school children

VIII. Strengthen the National Health Mission with enhanced budgetary support

IX. Special attention needed for the National Rural Drinking Water Programme

X. Priorities emerging in the State Budgets for 2015-16 and 2016-17 show a mixed picture across States; the Union Budget support for social sector programmes will need to play an important role to address concerns of regional disparity

I. BUDGET TRANSPARENCY

1) Budget documents should be published according to standards set by National Data Sharing and Accessibility Policy (NDSAP)

Currently, government budgets at all levels (Union, State and Panchayat/Municipality) are available either in PDF format or in hard copy form; also not all of this is put up in public domain. Budget data should be published in CSV (Comma separated values), XLS (Spread sheet – Excel), and/or ODS (Open Document Formats for Spreadsheets) formats so that there would be no need to obtain licensed software to access the documents digitally.

(National Data Sharing and Accessibility Policy seeks *"to provide an enabling provision and platform for providing proactive and open access to the data generated through public funds available with various departments/organisations of the government of India."*).

2) Proactive disclosure of relevant budget information at the district level

Accessing relevant budget information at the district level, such as block-wise and quarter-wise break up of expenditure in social sector programmes and schemes, continues to be extremely difficult. The District Treasuries, offices of the Accountants General in the States and the State Finance Departments can provide such information in public domain; publishing such information in a timely and accessible manner can strengthen public monitoring of fund utilization in development schemes and lead to significant improvements in the results from public expenditure.

The Union Ministry of Finance should devise a suitable mechanism for proactive disclosure of relevant budget information at the district level. For instance, the Online Treasury Management Systems in the States are repositories of disaggregated information on actual expenditures and receipts. While most of the States have put up their treasury information online, only some have made this accessible to public up to the object head level.

II. INTERNATIONAL TAXATION AND FINANCIAL TRANSPARENCY

1) Lower the threshold for companies to report data on a country-by-country basis

Action 13 of the BEPS project mandates multi-national corporations (MNCs) with an annual consolidated revenue of 750 million euros (or Rs. 5,300 crore) to provide details regarding revenue, profit and loss before tax, tax paid, stated capital, number of employees and tangible assets on a country-by-country basis to their respective tax authorities.

At the current threshold requirement of Rs. 5,300 crore, only 45 - 47 Indian companies or subsidiaries of MNCs located in India would be required to report their data on a country-by-country, disaggregated basis. The threshold at which companies would be required to report their data on a country-by-country basis should therefore be reduced to include more companies in the net.

2) Lower the threshold for the disclosure of true beneficial owners of companies

The presence of a 25 percent threshold for the disclosure of the beneficial owners (or the true human owners) of a company is vulnerable to abuse as it makes the likelihood of hiding the true beneficial owner stronger. An individual wishing to remain anonymous would only need to appoint three individuals to represent themselves as beneficial owners of a company to dilute their stated ownership interest to 20 percent, or lesser. Therefore the threshold should be lowered for an individual to be recognised as a beneficial owner.

3) Monitoring the impact of Automatic Exchange of Information (for taxation purposes) to ensure its success

There is a lack of high quality data on the size and composition of the offshore financial markets. As a result, estimates on the size of offshore assets alone range from $7 - $32 trillion. If information is collected for all account holders, the data would be available for authorities to aggregate it into "totals" by country of residence, without identifying any individual or entity account holder (and so would not cause any concern over confidentiality), but would be able to show, for example, the size of assets and number of accounts held by residents from each jurisdiction in the world. Such data would enable a much better understanding of the size and composition of offshore finance, and how it changes over time, revealing tax avoidance schemes and other strategies to avoid reporting of information. This is crucial to monitoring the impact of Automatic Exchange of Information (for taxation purposes), to ensure its success.

III. WOMEN

1) Invest in operationalisation of Gender Responsive Budgeting (GRB)

Over the last few years, the strategy of Gender Responsive Budgeting (GRB) has been adopted by many States as well as institutions at different tiers of governance. While the momentum around GRB is growing, there is an urgent need to take concrete measures for making it more effective at the level of the Union government.

A pre-requisite for this is strengthening the institutional architecture that enables implementation of GRB. It has been weak, among other factors, due to lack of budgetary resources for operationalising this strategy. Hence, an important step would be to provide funds for strengthening the core set of activities required to operationalise GRB.

In each Union Ministry, some amount of funds should be provided for:

- <u>Strengthening Gender Budget Cells</u> (until now, the mandate for GB cells has remained unfunded);
- <u>Commissioning a situational analysis</u> from a gender lens in the sector or sub sector being focused on (lack of gender awareness of the sectors/sub-sectors has constrained effective operationalision of GRB); and

- Facilitating generation of gender disaggregated data on beneficiaries under schemes or a benefit incidence analysis from a gender lens (absence of relevant data required for gender analysis of public expenditure has also constrained GRB significantly).

2) Strengthening the efforts of the States in Addressing Violence against Women

Following the recommendations of the Fourteenth Finance Commission and changes in the country's fiscal architecture, States are expected to contribute a higher share of resources for a number of programmes and schemes. However, given the criticality of the issue of women's safety and the urgent need to strengthen interventions for women in distress, the Union Government must continue to supplement the efforts of the States in this domain. Budgetary outlays for schemes like Hostels for Working Women (Rs. 28 crore in 2015-17 BE) and Comprehensive Scheme for Combating Trafficking of Women and Children (Rs. 35 crore in 2016-17) need to be stepped up for effective implementation.

Other suggestions in this regard are:

- **Increase the coverage of One Stop Crisis Centres**: In the first phase of its implementation, the Scheme envisages establishment of 1 One Stop Centre per State/UT. As of August 2015, the proposals of 22 States/UTs had been approved and funds released.[1] There is an urgent need to increase coverage of these centres to a minimum of one per district, as was proposed earlier.
- **Coverage of Swadhar Greh:** Swadhar Greh is an important intervention for rehabilitation of women in difficult circumstances. As of July 2015, there were only 311 Swadhar Homes in the country. A number of States do not have a single such home.[2] It is, therefore, proposed to increase the budgetary allocation substantially to increase the coverage and capacity of these homes.
- **Re-introduce 'Scheme for Assistance to States for implementation of Protection of Women from Domestic Violence Act, 2005':** The Union Ministry of Women and Child Development had introduced a scheme for Assistance to States for implementation of Protection of Women from Domestic Violence Act, 2005, which did not come into implementation and was discontinued in 2015-16. Though almost all States have appointed Protection Officers for implementing the Act, it is important for the Union government to continue to support States for the implementation of the Act, as there is significant variation between States in the number of Protection Officers, medical facilities and service providers in place.[3] Additionally, funds are also required to ensure that Protection Officers appointed have independent charge, and that the task of performing the responsibilities of Protection Officers is not an additional charge, as the case is in most States[4].
- **Effective Utilisation of Nirbhaya Fund:** A number of proposals amounting to almost Rs. 2,200 crore received from Ministry of Home Affairs, Delhi Police, Ministry of Railway, Transport Department, Govt. of NCT of Delhi, Andhra Pradesh Transport Department, Mahila Police Volunteer, Government of Haryana, Ministry of Women and Child Development, and Department of Electronic

[1] Rajya Sabha Unstarred Question No. 2874 To Be Answered On. 13.08.2015
[2] Rajya Sabha Unstarred Question No. 729 To Be Answered On 24.7.2015
[3] Lok Sabha Unstarred Question No. 1252 for 18.7.2014
[4] Rajya Sabha Unstarred Question No. 2187 for 11.12.2014

and Information Technology have been appraised and recommended. Ensuring timely operationalisation of these interventions and utilisation of the remaining funds in the corpus are urgent steps that the Union Ministry of Finance could take for enhanced safety of women in the country.

- **Gender scrutiny and gender audits of all infrastructure projects should be made compulsory**: This is particularly essential for large scale infrastructure projects being undertaken in the North East region, which is seeing huge investments but without any analysis of whether they would actually promote economic growth and empowerment of women.

IV. SCHEDULED CASTES AND SCHEDULED TRIBES

I. Need to strengthen Scheduled Caste Sub Plan (SCSP) and Tribal Sub Plan (TSP)

The Scheduled Caste Sub Plan (SCSP) and Tribal Sub Plan (TSP) are crucial policy strategies, meant to address the development deficits of the Scheduled Castes and Scheduled Tribes across sectors. However, in the context of the merger of the Plan and Non-Plan heads of expenditure in the Union Budget (as also in several State Budgets) from 2017-18, there is lack of clarity on how earmarking of funds under SCSP and TSP would be carried out in future. While the Guidance Note on merger of Plan and Non-Plan classification indicates the direction in which the Union government is contemplating the earmarking of SCSP/TSP funds, it does not put forward a clear and long-term framework. There is a concern that the merger of Plan and Non-Plan heads of expenditure might lead to a weakening of these strategies.

In this context, there is an urgent need for:

- **Developing a framework for continued implementation of SCSP and TSP:** A revised roadmap for earmarking of SCSP and TSP funds by Union government needs to be developed. The revised framework and new benchmarks for earmarking funds should be developed through an open, consultative process, with adequate representation from all relevant stakeholders.
- **Encouraging Needs-based Planning:** In addition to revising how the earmarking of funds would be carried out, there is a need to build an SC and ST perspective in the schemes of the various Ministries. Each ministry/department should be encouraged to (i) identify what could be the additional challenges confronting SCs/STs in their sectors of concern, (ii) what kind of measures could be taken by them to address these challenges, and (iii) how much additional resources would be required for such special measures. These additional resources devoted for the special measures for SCs/STs should then be reported under SCSP/TSP. The SCSP and TSP funds should not be used as supplementary resources for general purpose expenditure; these funds should be used for interventions/projects meant exclusively for SCs and STs.
- **Designating a Nodal Authority for monitoring the implementation of SCSP and TSP:** Currently, there is no designated authority to monitor the implementation of SCSP and TSP, a problem which would further weaken the implementation of these strategies. Either an independent body needs to be set-up/designated for monitoring the implementation of these strategies at the Union

government level, or the nodal ministries for development of SCs and STs should be given the mandate to monitor these.

- **Setting up a dedicated unit in each Ministry for SCSP and TSP:** A unit should be set up in every Ministry to act as the nodal agency within the Ministry to identify the specific disadvantages faced by SCs and STs and suggest how the policies/ guidelines/ programmes of the Ministry can be made more responsive to address those challenges. Further, wherever needed, this unit can help conceptualise new schemes for the SCs and STs.

II. Improving the implementation of programmes in Tribal Areas by addressing the problem of Human Resource and Infrastructure shortages

The 12th Five Year Plan had noted that there is a need for administrative strengthening of the implementing agencies in the tribal areas for enabling better implementation of various programmes in these areas. Shortage of staff and basic infrastructure have been important reasons for the poor implementation of programmes and schemes, leading to limited access to essential services in tribal areas. For example, analysis of the situation in health sector (for which such data is available for tribal areas), reveals huge shortages of health personnel and health centres. Data for three Schedule V states, which constitute around one-third of the tribal population in the country, reveal huge deficits (Table 1).

Table 1: Health Infrastructure in Tribal Areas

Indicators	Madhya Pradesh	Maharashtra	Odisha
No. of persons dependent on a Sub Centre (population to be covered per sub-centre is 3,000)	4,836	4,378	3,345
No. of persons dependent on a PHC (population to be covered per PHC is 20,000)	43,003	28,591	21,115
No. of persons dependent on a CHC (population to be covered per CHC is 80,000)	1,37,278	1,34,419	66,629
Shortfall of nursing staff at PHC and CHC	505	138	988
Shortfall of total specialists at CHCs	368	185	461

Source: Rural Health Statistics, 2015

In this context, the Union government should take measures for the following:

- **Vacancies in Scheduled Areas need to be filled on a priority basis**; no post in the implementing agencies in scheduled areas / areas with tribal majority should be left vacant. Also, additional posts should be created for effective implementation.

- The **infrastructure deficits in these areas need to be addressed** on an urgent basis. Several programme guidelines do have some flexibility in population norms for setting up scheme related infrastructure. However, the unit costs and associated administrative costs under the various programmes should also be enhanced to ensure improved coverage. There should be greater budgetary allocations to cover remote and inaccessible habitations and ensuring coverage of hamlets with low populations.

- **Sensitisation of the government officials serving in the tribal areas**, with regard to the socio-cultural context of the tribals, is important. Also, preference could be given to engaging people from the tribal community itself in Scheduled Areas.

V. PERSONS WITH DISABILITIES

1. Providing disaggregated data

Article 4 of the UN Convention on the Rights of Persons with Disabilities (CRPD) mandates 'maximum utilisation of all available resources' and Article 31 of the Convention explicitly requires State Parties who have ratified it to institute data generation and monitoring mechanisms for its implementation.

But, currently, disaggregated budget data relating to persons with disabilities is available only for select programmes or schemes (such as physical data on SSA, MGNREGA and IAY to some extent). Further, sex disaggregated data is not available for any of the programmes pertaining to persons with disabilities. Census 2011 provides constituency-wise disaggregated data up to the district level but not beyond. Lack of disaggregated data (both physical and financial) for programmes and schemes has a direct impact on understanding the effectiveness of any programme and for further planning, implementation and accountability.

Towards this end, it is highly desirable that:

- **A separate budget statement** should be provided in the Union Budget – for allocations made for persons with disabilities across Departments and Ministries; and
- All the reports produced by various Ministries should be mandated to **report on the constituency-wise coverage of persons with disabilities, with gender disaggregated** (both physical and financial) data.

2. All public procurement should ensure accessibility and inclusion leading to full and effective participation of persons with disability. This should be followed for procurement such as works, products and services.

3. There should be VAT exemptions on all assistive devices for all persons with disability.

VI. NUTRITION

1) Strengthening the implementation of schemes executed through the ICDS platform

According to the Rapid Survey on Children (2013-14), almost 46.8 million children in India are stunted. The number of deaths due to hunger and malnutrition are also large (some of the figures reported in the media are: 17,000 persons in last one year in Maharashtra, 19 children in one single village in Odisha, 116 children in five months in one district in Madhya Pradesh). To prevent malnutrition deaths and for preventing under-nutrition among children, it is necessary that adequate public investment is made in schemes across sectors, following a multi-sectoral approach towards nutrition. Of the various programmes that are crucial for delivering nutrition related services, schemes implemented through the ICDS platform – viz. Integrated Child Development Services (ICDS), *Indira Gandhi Matritva Sahyog Yojana* (IGMSY), and SABLA are crucial. In this context some specific requirements are to:

- Increase the budget allocations for ICDS: ICDS is the only programme for providing meals to children between 6 months and 6 years of age. Following the fiscal changes last year, the budgetary allocations for the scheme have been adversely affected. While the expectation was that the States would fill the gap out of their enhanced resources, significant resource gaps continue to exist in funding for ICDS across most States. For instance, the fund requirements for supplementary nutrition for 300 days in ICDS in five high burden States (Bihar, Odisha, Madhya Pradesh, Maharashtra and Uttar Pradesh) were found to be much higher than the budgetary provisions in these States in 2016-17 BE (Table 2). Hence, the Union government should increase its allocations for ICDS in the budget for 2017-18. Increased allocations from the Union government would also lead to States allocating higher matching shares of funds for the scheme. Allocations should be adequate for covering the stated number of beneficiaries as per existing unit costs of the scheme.

Table 2: Requirement for Budgetary Outlays to meet the existing norms under Supplementary Nutrition Programme (Figures in Rs. Crore)

States	**Total Budget Required for 300 days**	**Budget Allocated for SNP in 2016-17 (BE)**	**Resource Gap** (Budget allocated – Resources required)
Bihar	2287	1273	-1014
Uttar Pradesh	4553	3745	-808
Maharashtra	1344	675	-670
Madhya Pradesh	1414	1297	-117
Odisha	902	844	-58

Source: Compiled by CBGA from Quarterly Progress Report of ICDS, August 2015 and State Budget documents for 2016-17

Note: Figures on number of beneficiaries are for March 2015, which is the latest year for which the figures are available in public domain.

- Extend IGMSY to cover all pregnant and lactating women and increase allocations: The National Food Security Act was introduced in 2013, but it is yet to be implemented in full measure. The provisions related to maternity entitlement for pregnant and lactating women, which are implemented through IGMSY still remain in pilot mode. The Union government should extend the scheme to cover all pregnant and lactating women and increase allocation for it accordingly.

- It is necessary to make the relevant scheme-related data available in public domain, in a timely manner. Information with respect to coverage of the schemes, the release of funds, actual expenditure etc. need to be updated every quarter for all the States and uploaded on the website of the nodal ministry.

2) Strengthening measures to improve the nutritional status of tribal children and pregnant and lactating women

The nutritional needs of children belonging to the Scheduled Tribes require immediate attention. Around 42.3 percent of children in this category are stunted (low height for age) and one in every five children is wasted (low weight for height). High levels of undernutrition among tribal children make them vulnerable to disease and illness. This is evident from the reports of the deaths among tribal children in remote blocks due to hunger and malnutrition in the last few months.

In this context, there is a need to:

- Develop an umbrella programme to meet the differential and diverse nutritional requirements of the Scheduled Tribes. Nutrition programmes specifically for under-six children and pregnant and lactating women belonging to Scheduled Tribes should be initiated on a priority basis.
- A certain proportion of TSP funds should be devolved to *Panchayats* and *Gram Sabhas* as envisaged in PESA. These funds can be used as flexi-pool for nutrition related interventions.
- All the schemes should have a needs-based component, which can help address some of the major challenges specific to scheduled areas. The financial norms for the schemes should have higher unit costs for the tribals.
- Steps should be taken to strengthen the implementation of the nutrition-related programmes and access to essential services in tribal areas. In particular, the huge deficits witnessed in health infrastructure and the *Anganwadis* needs urgent attention. In addition, the shortage of human resources and widespread absenteeism of the staff in tribal areas should be addressed.

VII. EDUCATION

1) Strengthening policy measures for mainstreaming Out Of School Children (OOSC) with adequate funding

Despite substantial progress in school education, India failed to meet the Millennium Development Goal of achieving universal primary education by 2015. As per Census 2011, 38 million children of 6-13 age group and 27 million children of 14-17 age group were out of school. Among them, around 63 lakh children of 6-17 age group were employed as child labour (working more than 180 days a year). The Union government has taken a number of policy initiatives to bring children back into schools through schemes like Sarva Shiksha Abhiyan (SSA) and Rashtriya Madhyamik Shiksha Abhiyan (RMSA), National Child Labour Project (NCLP) schools, bridge courses etc.

However, an analysis of State-wise budgetary spending on school education shows that most of the States are not spending even one percent of their SSA budget on mainstreaming out of school children; also, this proportion is decreasing over time. For example, in 2013-14, 10 percent of SSA budget in Bihar was for mainstreaming out of school children, which was reduced to 5 percent in 2014-15. Hence, the Union government should strengthen the measures for mainstreaming out of school children with adequate budgetary support.

2) Prioritise Teacher education and allocate more funds for revamping Teacher Training Institutions

Adequate training of teachers is an imperative for quality education. Government data shows that approximately 83 percent of teachers in India have professional qualifications; however, only 15 percent of the candidates managed to clear the Teachers Eligibility Test (TET) introduced in 2011. The District Institutes of Education and Training (DIETS), meant for teacher training and curriculum development, are lagging behind in serving their purpose effectively. Studies show that 17 percent of the DIETs do not have their own building or are situated in isolated locations; 40 percent do not have their own hostel facility. Moreover, there is around 80 percent vacancy in faculty positions in the DIETs in some States and the existing faculty members themselves are inadequately trained.

Inadequate funding for teacher training is one of the major reasons for the dearth of qualified trained teachers in the country. In the last five years, Union government's expenditure on teacher training has remained at just one percent of MHRD's school education budget (Table 3). Analysis of State Budgets shows that spending on teacher training is receiving a low priority from most of the State governments as well. In 2015-16 (BE), States like Madhya Pradesh, Tamil Nadu, Chhattisgarh, Odisha, Rajasthan, Jharkhand and Karnataka allocated only around 0.2 percent - 0.6 percent of their respective school education budgets on training of teachers. Hence, the Union government should invest adequate resources in teachers' education.

Table 3: Union Government's Expenditure on Teacher Training and the Share of Teacher Training in Total Expenditure by Dept. of School Education and Literacy

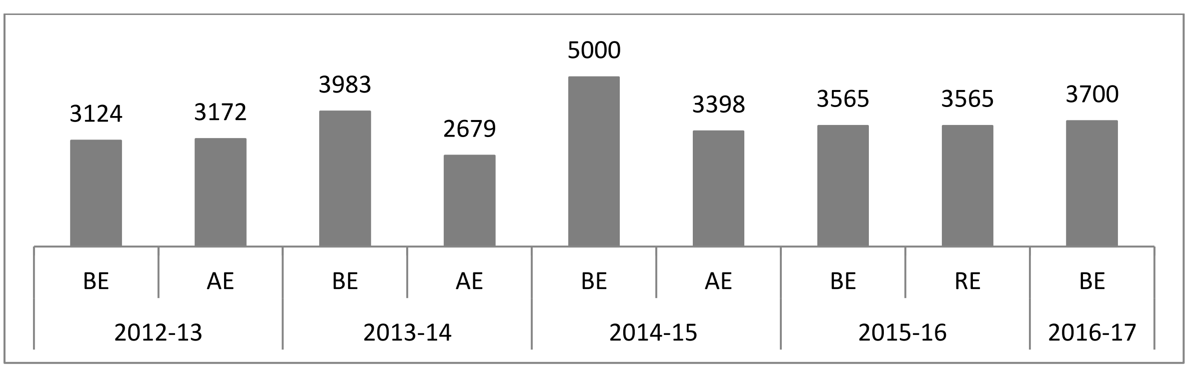
Expenditure on strengthening teacher training institution and teacher training (in Rs. crore)	2009-10	2010-11	2011-12	2012-13	2013-14 (RE)	2014-15 (BE)	2015-16 (BE)	2016-17 (BE)
	326.1	340.2	365.2	395.4	449.4	500.0	557.6	510.0
Share of teacher training in total expenditure by Dept. of school Edu. and Literacy (in percent)	1.3	0.9	0.9	0.9	0.9	0.9	1.3	1.17

Source: Compiled from Union Budget documents, various years

3) Need to allocate adequate resources for Rashtriya Madhyamik Shiksha Abhiyan (RMSA) to improve accessibility of quality Secondary Education and Vocational Education

With considerable rise in enrolment rate at the elementary level, there is greater focus now on the accessibility and quality of secondary education in the country. Of the total 12.4 crore children in India in the 14 to 17 years age group, only 67 percent attend educational institutes (Census, 2011). Furthermore, there is disparity between the transition rates from elementary to secondary (93 percent) and from secondary to the higher secondary level (68 percent) at the national level. One of the reasons for India's unsatisfactory performance at the level of secondary education is poor public spending at this level of education. The total public spending on secondary education in India has remained at less than one percent of GDP for most part of the last decade. The 12th Five Year Plan had estimated a gross budgetary support (from the Union Budget) of Rs. 27,466 crore for *Rashtriya Madhyamik Shiksha Abhiyan* (RMSA), which is meant to ensure quality and equity in secondary education. However, till 2016-17 (BE), only Rs. 19372 crore has been allocated (which is 71 percent of the proposed budget), of which only Rs. 9249 crore had been spent till 2014-15 (AE) (Figure 1). Further, vocational education, subsumed under RMSA, has also been affected by inadequate budgetary resources. Hence, the Union government should allocate more resources for RMSA and also support the States in developing a long-term policy for vocational education.

Figure 1: Budgetary Outlays of the Union Government for RMSA (in Rs. Crore)



Source: Union Budget documents for various years
Note: AE= Actuals, RE= Revised Estimates, BE= Budget Estimates

VIII. HEALTH

1. Increase in public spending on health would have to be led by the Union government

The commitment of increasing India's total public spending on health to the level of 2.5 percent of GDP needs to be pursued earnestly by the Union and State governments together. A significant expansion of the overall public resource envelope for the health sector in the country is required to meet the basic goals of universal coverage for healthcare, ensuring access to free medicines in all public healthcare institutions, and filling up of all vacant positions, especially of doctors and nurses as per IPHS standards. These are commitments in the draft National Health Policy, which have been highlighted in the 93rd Report of the Department-related Parliamentary Standing Committee on Health and Family Welfare for immediate implementation. Moreover, as recommended in the said Report of the Standing Committee on Health and Family Welfare, the increase in public spending on healthcare in the country would have to be led by the Union government.

In the changed fiscal architecture following the recommendations of the Fourteenth Finance Commission (FFC), the budgetary priority for the Health Department across different States (in the State Budget outlays for 2015-16 and 2016-17) reveals a mixed picture. When we assess the extent of increase in the budget for Health department over the period of two financial years from 2014-15 to 2016-17 (BE), we find an encouraging picture in States like Bihar and Assam which have increased their health budgets significantly; however, in States like Maharashtra and Jharkhand, the share of Health department in the total State Budget shows a decline. The trend in budgetary priority for Health in the post FFC years is likely to be varied across States; there is a possibility that some States might not prioritize health sector in their budgets as much as is needed. In such a context, given the large scale inter-State and intra-State disparities in health indicators and public provisioning for health, the Union government would need to play a crucial role in stepping up budgetary resources for the sector.

2. Filling up vacant positions and ensuring adequate human resources at different levels

Compared to the norms of the Indian Public Health Standards (IPHS), there are glaring shortfalls in human resources and infrastructure at various levels in the health sector across a large number of States. Many of the programmes in the health sector, for instance Janani Suraksha Yojana (JSY), are demand-driven programmes, and they have a limited effect if there are supply side gaps. For instance, the maternal health care system faces a severe shortfall of gynecologists, which has adversely affected the quality of care in this area. Hence, there is an urgent need to provide adequate budgetary resources towards filling up the vacant positions in health sector. In Union Budget 2017-18, the government should pay special attention to addressing the shortages in human resources at different levels of healthcare.

3. Need to strengthen the National Health Mission (NHM) with enhanced budgetary support

The National Health Mission (NHM) has played a very important role over the last few years in strengthening public healthcare systems in several States. It has helped State governments address both infrastructure and human resource shortages in health sector to some extent and contributed towards increased demand for public healthcare services in rural areas. It is imperative that the Union government takes steps towards strengthening NHM with enhanced budgetary support in 2017-18.

IX. DRINKING WATER AND SANITATION

1) Increasing the budget for National Rural Drinking Water Programme (NRDWP)

The recent drought situation[5] in the country has exacerbated the drinking water crisis and has even led to slip-backs in toilet usage. There are also serious concerns regarding the quality of water and issues of equity in access to drinking water across social categories. It is evident from the allocations for the National Rural Drinking Water Programme both at the Union and States level that the focus has shifted from drinking water to sanitation. The Department-related Parliamentary Standing Committee on Rural Development in its 23rd Report on the Ministry of Drinking Water and Sanitation in May, 2016 has pointed out the negative fallout of the decrease in Union Budget allocation for the rural drinking water programme. Hence, the government needs to acknowledge the importance of drinking water and make necessary allocations for drinking water in the forthcoming Union Budget.

2) Increase the unit cost of IHHL under SBM (Urban)

The Swachh Bharat Mission (Urban) is guided by the objective of making 1.04 crore IHHL in urban areas with unit cost of Rs. 4000 per toilet, which is much lower than the unit cost of rural IHHL. Since the materials cost are higher in urban areas, this amount is not adequate for meeting the demand. Research also shows that some States are allocating higher unit cost (to the tune of Rs. 16,000) with their own contribution and from the urban local bodies. Hence, the Union government needs to increase the unit cost of IHHL in SBM (Urban).

[5] http://pib.nic.in/newsite/PrintRelease.aspx?relid=142598

X. PRIORITIES IN STATE BUDGETS (2015-16 AND 2016-17): IMPLICATIONS FOR UNION BUDGET SUPPORT FOR SOCIAL SECTORS

With the implementation of the recommendations of the Fourteenth Finance Commission, States' share in the divisible pool of central taxes has been increased from 32 percent to 42 percent every year; but, this has been accompanied by a reduction in the assistance provided by the Union government to States for their Plan spending. The net effect in terms of the overall quantum of funds transferred from the Union government is positive for the States and, more importantly, every State government now has a greater proportion of untied funds in its budget. However, there is also a strong expectation from the States to step up their budgetary priorities for the social sectors so as to ensure adequacy of resources for these sectors.

In this context, it is worthwhile to examine the priorities emerging in the State Budgets for 2015-16 and 2016-17. Centre for Budget and Governance Accountability (CBGA) has done such an analysis for ten States (viz. Assam, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Tamil Nadu, and Uttar Pradesh), using the information from State Budgets for 2016-17.

This analysis compares:
(i) Percentage increase in the total State Budget (i.e. total expenditure on all sectors) in 2016-17 (BE) over 2014-15 (Actuals); and
(ii) Percentage increase in the budget (combined Central and State funds) for a specific sector in 2016-17 (BE) over 2014-15 (Actuals).

This kind of comparison of the extent of increase in the budget for a sector with that for the entire State Budget over the last two years (i.e. from 2014-15 to 2016-17) has been done for ten different sectors, which include all the social sectors. The analysis makes the assumption that if the extent of increase in the budget for a sector is significantly higher than the extent of increase in the overall budget of the State during the two year period, it reflects an increase in priority for the sector in the State concerned.

The figures presented in the Annexure show that the one sector that has witnessed a higher budgetary priority across the ten selected States is *Urban Development and Housing*. On the other hand, the budgetary priority for the *Social Welfare* sector (which includes Social Justice, Women and Child Development, Welfare of SCs/STs/Minorities and Persons with disabilities) has hardly witnessed any visible increase in budgetary priority in the selected States. Sectors like *Health* and *Drinking Water & Sanitation* have seen a significant increase in budgetary priority in a few States (such as in Bihar and Assam for health, and in Maharashtra and Uttar Pradesh for drinking water & sanitation), but the quantum of budget outlay for these sectors has not witnessed any visible step up in many of the other selected States. Moreover, in a few States like Maharashtra and Jharkhand, the budgetary priority for Health sector seems to have declined over the last two State Budgets. For *Education* too, we find a mixed picture in terms of the increase in budgetary priority across the selected States over the last two State Budgets, with a few States showing an encouraging trend but not all States.

According to the analysis by CBGA, the per capita budget allocation in 2016-17 BE for "Social Sectors, Rural Development, Agriculture & Allied Sectors"[6], varies from Rs. 6287 in Bihar to Rs. 14223 in Chhattisgarh (Table 4). Since some of the poorer States are still lagging behind in terms of the quantum of public spending on critical sectors, the disparity may further rise if the Union government does not step up its level of spending on the social sectors in the coming years.

Table 4: Per Capita Allocation for "Social Sectors, Rural Development, Agriculture & Allied Sectors" by the States (in Rs)

	2014-15 AE	***2015-16 RE***	***2016-17 BE***
Bihar	4168	6354	6287
Uttar Pradesh	4471	5788	6436
Jharkhand	7680	8085	9755
Madhya Pradesh	6512	8591	9977
Rajasthan	8145	9186	10263
Maharashtra	8934	10091	10476
Assam	6644	11370	11184
Tamil Nadu	9958	11302	12330
Odisha	8935	11524	12921
Chhattisgarh	9436	14057	14223

Source: Based on data compiled by CBGA from various state budget documents; *Note:* The population projections are based on the Report of the technical group on population projections constituted by the National Commission of Population, 2006

Another important observation is that only two of the ten selected States, Maharashtra and Tamil Nadu have projected a Revenue Deficit in 2016-17 (BE); the remaining eight, which are economically relatively weaker States, have projected a Surplus in their Revenue Account (Table 5). This implies that these poorer States are trying to finance a part of their Capital Expenditure from their Revenue Account Surplus instead of increasing their quantum of borrowing for financing the whole of their Capital Account Expenditure. However, these economically weaker States also require stepping up their public spending on social sectors, very large proportions of which are reported in the Revenue Account of the budget. Hence, the strong tendency of these States to reduce their Fiscal Deficit by running a surplus on the Revenue Account could be a hurdle towards increasing budgetary expenditures in social sectors. Moreover, economically weaker States like Bihar and Uttar Pradesh over the years have cut down their Revenue Expenditure to adhere to the FRBM norms. This has wider implications as reduction in Revenue Expenditure (a major chunk of which is for salaries of staff in the social sectors) affects both the coverage and quality of service delivery.

[6] "Social Sectors, Rural Development, Agriculture & Allied Sectors" include: 'Social Services' as defined in the Budget documents *plus* Rural Development, Food Storage and Warehousing, Panchayati Raj, Agriculture and allied sectors (Animal Husbandry, Dairy, Fisheries), Irrigation and Water Resources, Cooperation, and Food & Civil supplies.

Table 5: Revenue Deficit / Revenue Surplus (-) of States as proportion of GSDP (in %)

	2014-15 AE	*2015-16 RE*	*2016-17 BE*
Assam*	2.80	-2.74	-2.95
Jharkhand	0.12	-2.37	-2.69
Bihar	-1.45	0.3	-2.62
Uttar Pradesh	-2.29	-1.66	-2.28
Chhattisgarh	0.70	-1.57	-1.87
Odisha	-1.89	-2.05	-0.96
Madhya Pradesh	-1.23	-0.07	-0.49
Rajasthan	0.53	0.78	-0.03
Maharashtra	0.68	0.47	0.17
Tamil Nadu	0.59	0.75	1.16

Source: Based on data compiled by CBGA from respective State Budget documents *Note*:*for Assam, 2014-15 RE and 2015-16 BE

In order to enable the State governments to increase significantly their budgetary spending on development sectors, it is necessary that the States increase their own tax and non-tax revenue considerably and, more importantly, that the divisible pool of the central taxes increases substantially. India's total tax revenue (i.e. Central and State taxes combined) is at a relatively low level of 16.4 percent of GDP (for 2015-16 BE), which is the lowest tax-GDP ratio among the BRICS countries. Hence, there is an urgent need to raise India's tax–GDP ratio.

It is also necessary to make India's tax system more progressive as indirect taxes account for more than 60 percent of total tax revenue in the country. One important step in this direction could be rationalizing cess and surcharge, especially on petroleum products, as they are universal intermediates in terms of transportation cost, and have inflationary tendency making our tax system more regressive. Also, the Union Ministry of Finance needs to scrutinize the myriad exemptions in the Central tax system and rationalize those.

Annexure

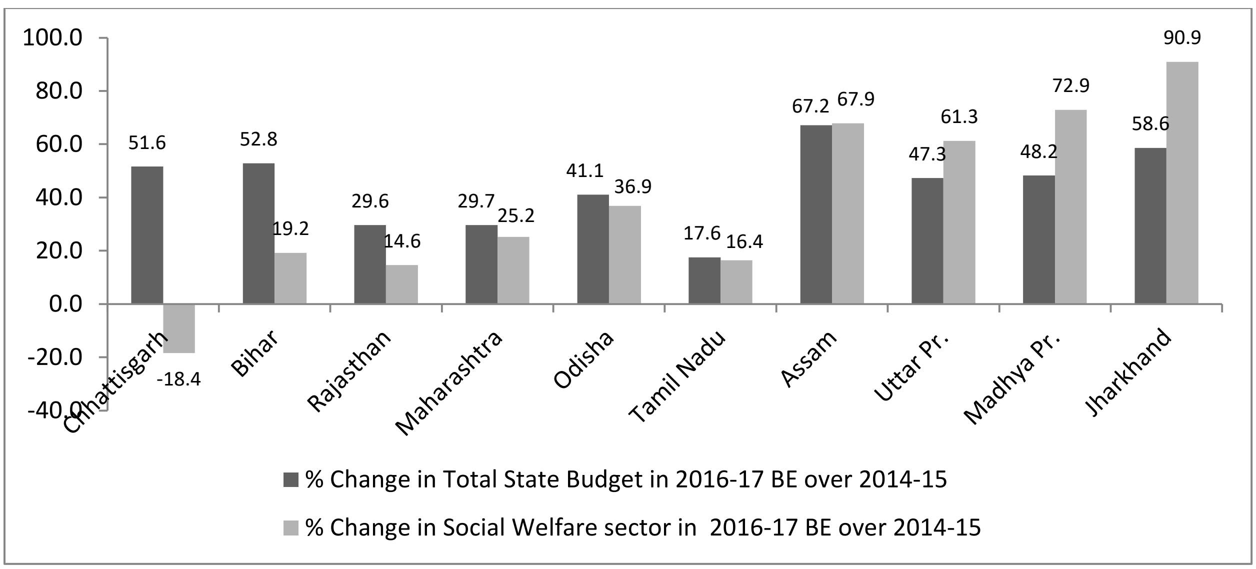
Table 1: State-wise Expenditure/Budget Outlay for 'Social Welfare' sector*: 2014-15 to 2016-17 BE

(Figures in Rs. Crore)

States	***2014-15 AE***	***2015-16 BE***	***2015-16 RE***	***2016-17 BE***
Chhattisgarh	5762	7092	7088	4701
Tamil Nadu	9222	--	11639	10733
Assam	2202	3736	4549	3696
Bihar	7477	7951	9028	8915
Rajasthan	6761	7905	7447	7746
Madhya Pradesh	8596	14432	13805	14865
Uttar Pradesh	10611	15347	15961	17113
Jharkhand	2738	3522	3985	5228
Odisha	5503	6537	5838	7532
Maharashtra	17261	22212	17171	21604

Note: *'Social Welfare' sector in this analysis includes the total (i.e. Revenue + Capital) expenditure/ outlay on the Demands pertaining to Social Justice, Women and Child Development, Welfare of SCs/STs/Minorities and Persons with disabilities; *Source:* Compiled by CBGA from the State Budget 2016-17 documents for the ten selected states

Figure 1: Extent of Increase (in %) in the total State Budget and the allocation for 'Social Welfare' sector from 2014-15 to 2016-17 BE



Source: Based on data presented in Table 1

States where the increase in the budget for *Social Welfare* sector is significantly higher than the increase in the total state budget over the last two financial years: Jharkhand, Madhya Pradesh

States where the increase in the budget for *Social Welfare* sector is significantly lower than the increase in the total state budget over the last two financial years: Chhattisgarh, Bihar

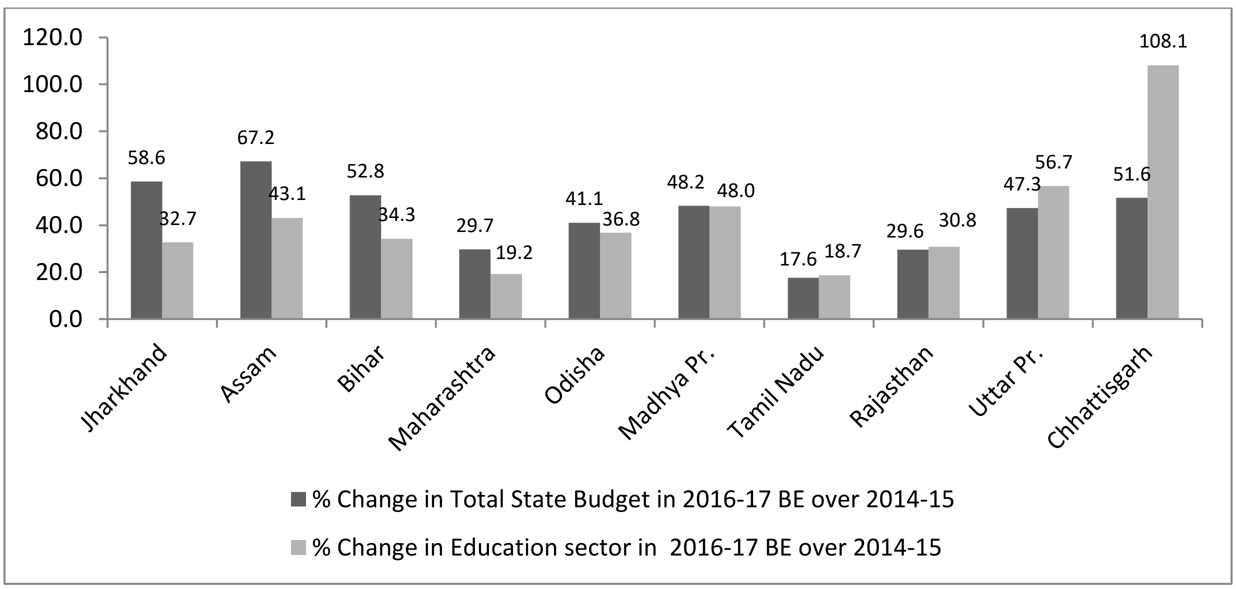
Table 2: State-wise Expenditure/Budget Outlay for 'Education' sector* during 2014-15 to 2016-17 BE

(Figures in Rs. Crore)

States	*2014-15 AE*	*2015-16 BE*	*2015-16 RE*	*2016-17 BE*
Bihar	16310	22028	24611	21897
Assam	9812	12727	13104	14043
Jharkhand	7102	8561	8334	9424
Maharashtra	41468	47531	48026	49449
Tamil Nadu	23425	--	26039	27809
Odisha	10280	12720	12145	14066
Rajasthan	19116	23389	21978	25007
Madhya Pradesh	10794	14902	12554	15974
Chhattisgarh	6215	9204	8803	12934
Uttar Pradesh	32166	44093	41336	50412

Note: *'Education' sector in this analysis includes the total (i.e. Revenue + Capital) expenditure/ outlay on the Demands pertaining to School Education, Higher Education and Technical Education; *Source:* Compiled by CBGA from the State Budget 2016-17 documents for the ten selected states

Figure 2: Extent of Increase (in %) in the total State Budget and the allocation for 'Education' sector from 2014-15 to 2016-17 BE



Source: Based on data presented in Table 2

States where the increase in the budget for *Education* sector is significantly higher than the increase in the total state budget over the last two financial years: Chhattisgarh, Uttar Pradesh

States where the increase in the budget for *Education* sector is significantly lower than the increase in the total state budget over the last two financial years: Jharkhand, Assam, Bihar

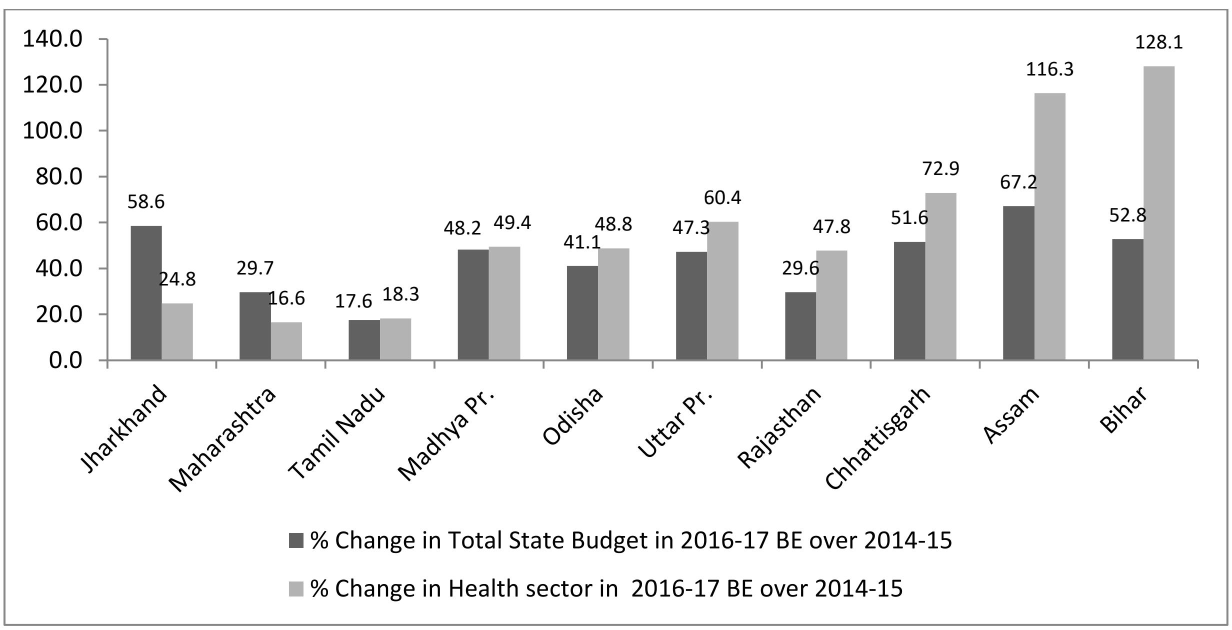
Table 3: State-wise Expenditure/Budget Outlay for 'Health' sector* during 2014-15 to 2016-17 BE

(Figures in Rs. Crore)

States	***2014-15 AE***	***2015-16 BE***	***2015-16 RE***	***2016-17 BE***
Maharashtra	7996	8713	10371	9320
Assam	1739	3049	4191	3761
Jharkhand	2443	2919	2947	3050
Tamil Nadu	7670	--	8611	9073
Chhattisgarh	2323	3208	3398	4016
Odisha	3221	3878	3904	4793
Rajasthan	6386	9333	8151	9442
Madhya Pradesh	4567	5727	5217	6824
Bihar	3610	4972	4985	8235
Uttar Pradesh	11117	14658	14393	17828

Note: *'Health' sector in this analysis includes the total (i.e. Revenue + Capital) expenditure/ outlay on the Demands pertaining to Health and Family Welfare, AAYUSH and Health Education; *Source:* Compiled by CBGA from the State Budget 2016-17 documents for the ten selected states

Figure 3: Extent of Increase (in %) in the total State Budget and the allocation for 'Health' sector from 2014-15 to 2016-17 BE



Source: Based on data presented in Table 3

States where the increase in the budget for *Health* sector is significantly higher than the increase in the total state budget over the last two financial years: Bihar, Assam, Chhattisgarh, Rajasthan

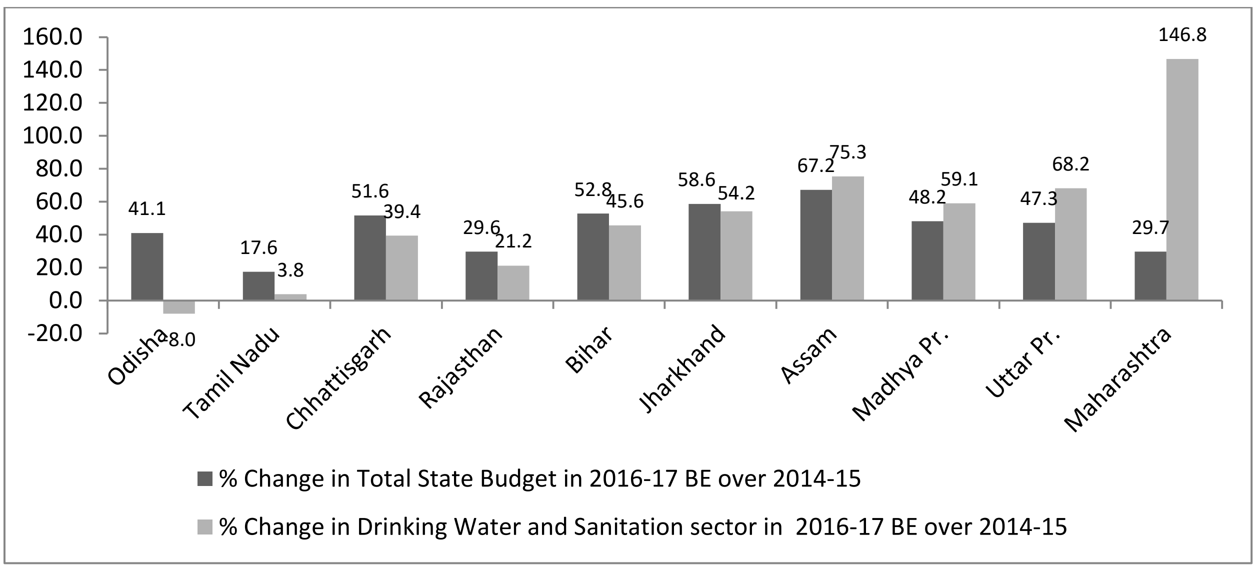
States where the increase in the budget for *Health* sector is significantly lower than the increase in the total state budget over the last two financial years: Jharkhand, Maharashtra

Table 4: State-wise Expenditure/Budget Outlay for 'Drinking Water and Sanitation' sector* during 2014-15 to 2016-17 BE (Figures in Rs. Crore)

States	*2014-15 AE*	*2015-16 BE*	*2015-16 RE*	*2016-17 BE*
Assam	1128	1979	2598	1977
Tamil Nadu	1646	--	2008	1708
Odisha	898	795	838	826
Chhattisgarh	647	863	908	901
Maharashtra	1413	3449	3458	3487
Uttar Pradesh	1343	1970	2175	2259
Bihar	1205	1516	1666	1755
Jharkhand	936	1450	1098	1443
Madhya Pradesh	1440	2019	1572	2291
Rajasthan	6566	6920	7041	7959

Note: *'Drinking Water and Sanitation' sector in this analysis includes the total (i.e. Revenue + Capital) expenditure/ outlay on the Demands pertaining to Public Health Engineering and Water Supply and Sanitation; *Source:* Compiled by CBGA from the State Budget 2016-17 documents for the ten selected states

Figure 4: Extent of Increase (in %) in the total State Budget and the allocation for 'Drinking Water and Sanitation' sector from 2014-15 to 2016-17 BE



Source: Based on data presented in Table 4

States where the increase in the budget for *Drinking Water and Sanitation* sector is significantly higher than the increase in the total state budget over the last two financial years: Maharashtra, Uttar Pradesh

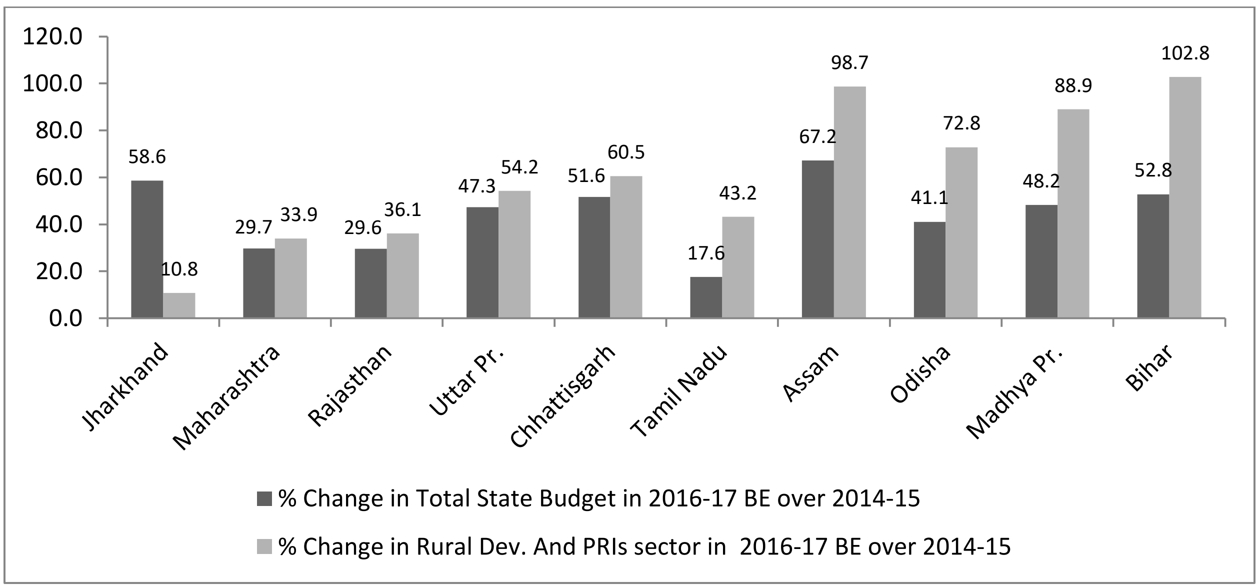
States where the increase in the budget for *Drinking Water and Sanitation* sector is significantly lower than the increase in the total state budget over the last two financial years: Odisha and Tamil Nadu

Table 5: State-wise Expenditure/Budget Outlay for 'Rural Development and PRIs' sector* during 2014-15 to 2016-17 BE (Figures in Rs. Crore)

States	***2014-15 AE***	***2015-16 BE***	***2015-16 RE***	***2016-17 BE***
Chhattisgarh	3433	5651	5732	5512
Odisha	8649	13032	15125	14949
Rajasthan	11302	13570	14679	15379
Assam	3509	5287	6190	6973
Maharashtra	11002	12188	13907	14734
Bihar	9785	16401	18965	19844
Jharkhand	7908	6966	7633	8764
Uttar Pradesh	14411	19600	19464	22220
Tamil Nadu	14800	--	17573	21187
Madhya Pradesh	12913	17594	18491	24397

Note: *'Rural Development and PRIs' sector in this analysis includes the total (i.e. Revenue + Capital) expenditure/ outlay on the Demands pertaining to Rural Development and Panchayati Raj; *Source:* Compiled by CBGA from the State Budget 2016-17 documents for the ten selected states

Figure 5: Extent of Increase (in %) in the total State Budget and the allocation for 'Rural Development and PRIs' sector from 2014-15 to 2016-17 BE



Source: Based on data presented in Table 5

States where the increase in the budget for *Rural Development and PRIs* sector is significantly higher than the increase in the total state budget over the last two financial years: Bihar, Madhya Pradesh, Odisha, Assam, Tamil Nadu

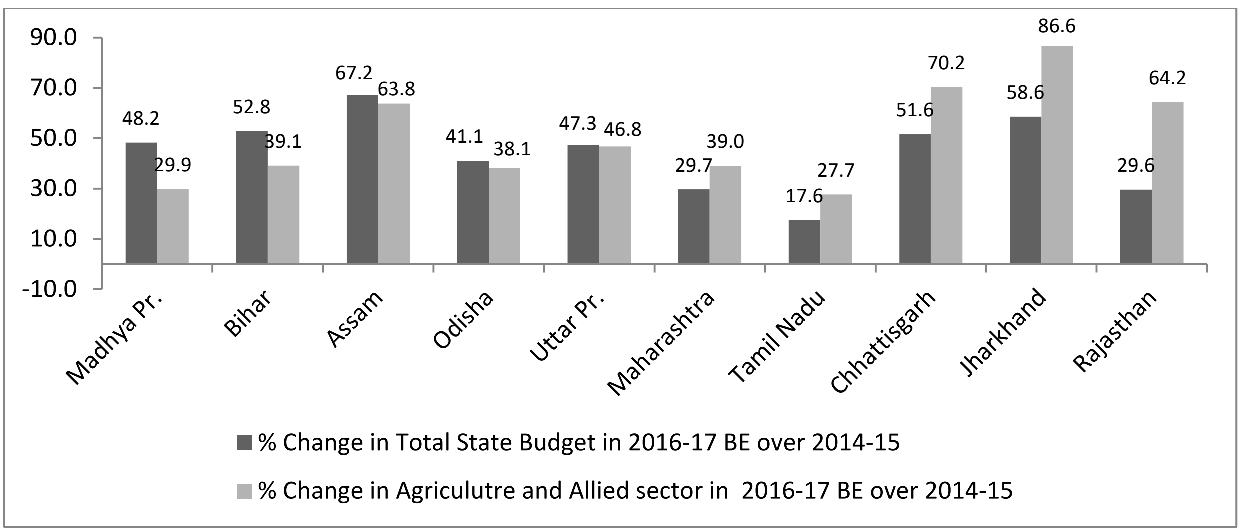
States where the increase in the budget for *Rural Development and PRIs* sector is significantly lower than the increase in the total state budget over the last two financial years: Jharkhand

Table 6: State-wise Expenditure/Budget Outlay for 'Agriculture and Allied Activities' sector* during 2014-15 to 2016-17 BE (Figures in Rs. Crore)

States	***2014-15 AE***	***2015-16 BE***	***2015-16 RE***	***2016-17 BE***
Uttar Pradesh	5843	7577	9420	8575
Assam	1265	2416	2620	2073
Madhya Pradesh	3594	4227	5135	4666
Bihar	2346	3363	3471	3262
Odisha	3135	3761	3825	4330
Chhattisgarh	1617	2211	2219	2752
Maharashtra	5528	5245	7116	7686
Tamil Nadu	7046	--	8395	8996
Jharkhand	1383	1352	1426	2580
Rajasthan	2953	3514	3287	4850

Note: *'Agriculture and Allied Activities' sector in this analysis includes the total (i.e. Revenue + Capital) expenditure/ outlay on the Demands pertaining to Agriculture, Horticulture, Animal Husbandry, Dairy Development and Fisheries *Source:* Compiled by CBGA from the State Budget 2016-17 documents for the ten selected states

Figure 6: Extent of Increase (in %) in the total State Budget and the allocation for 'Agriculture and Allied Activities' sector from 2014-15 to 2016-17 BE



Source: Based on data presented in Table 6

States where the increase in the budget for *Agriculture and Allied Activities* sector is significantly higher than the increase in the total state budget over the last two financial years: Rajasthan, Jharkhand

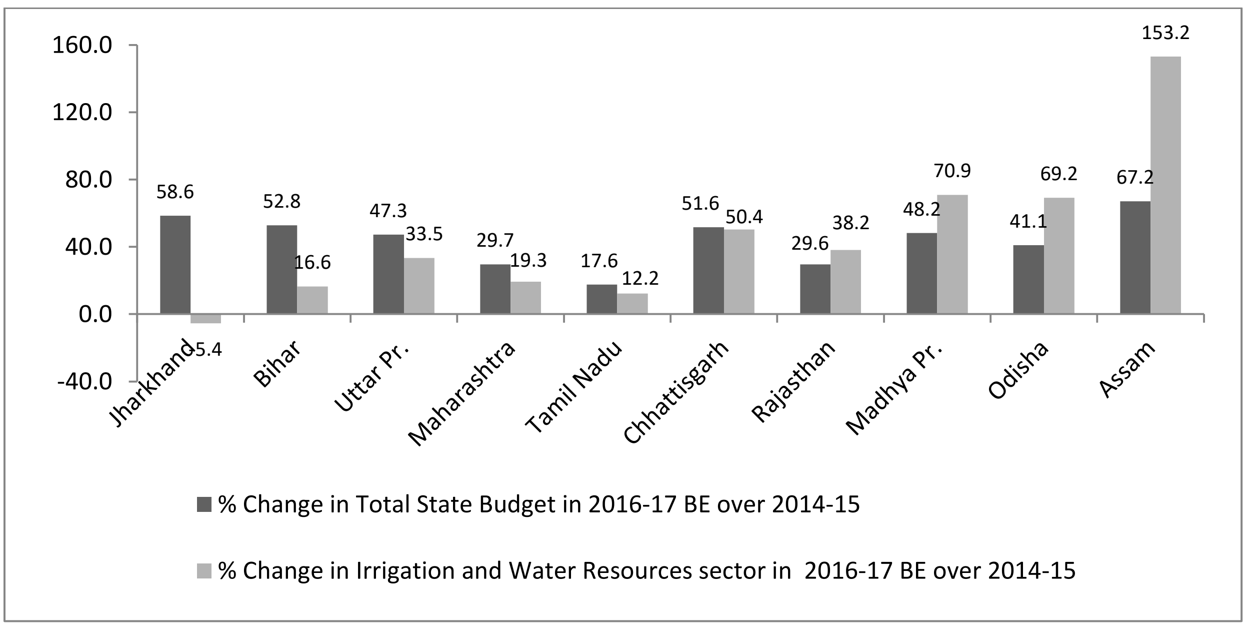
States where the increase in the budget for *Agriculture and Allied Activities* sector is significantly lower than the increase in the total state budget over the last two financial years: Madhya Pradesh, Bihar

Table 7: State-wise Expenditure/Budget Outlay for 'Irrigation and Water Resources' sector* during 2014-15 to 2016-17 BE (Figures in Rs. Crore)

States	***2014-15 AE***	***2015-16 BE***	***2015-16 RE***	***2016-17 BE***
Bihar	2464	3197	3499	2872
Maharashtra	9824	8994	11652	11720
Assam	1441	3405	3522	3649
Tamil Nadu	3036	--	2769	3407
Jharkhand	2457	2457	1678	2325
Chhattisgarh	1944	2758	2248	2924
Rajasthan	2975	3449	3231	4113
Madhya Pradesh	3964	5232	5806	6776
Odisha	4291	6236	6043	7262
Uttar Pradesh	9613	11119	10821	12832

Note: *'Irrigation and Water Resources' sector in this analysis includes the total (i.e. Revenue + Capital) expenditure/ outlay on the Demands pertaining to Water Resources and Irrigation; *Source:* Compiled by CBGA from the State Budget 2016-17 documents for the ten selected states

Figure 7: Extent of Increase (in %) in the total State Budget and the allocation for 'Irrigation and Water Resources' sector from 2014-15 to 2016-17 BE



Source: Based on data presented in Table 7

States where the increase in the budget for *Irrigation and Water Resources* sector is significantly higher than the increase in the total state budget over the last two financial years: Assam, Odisha

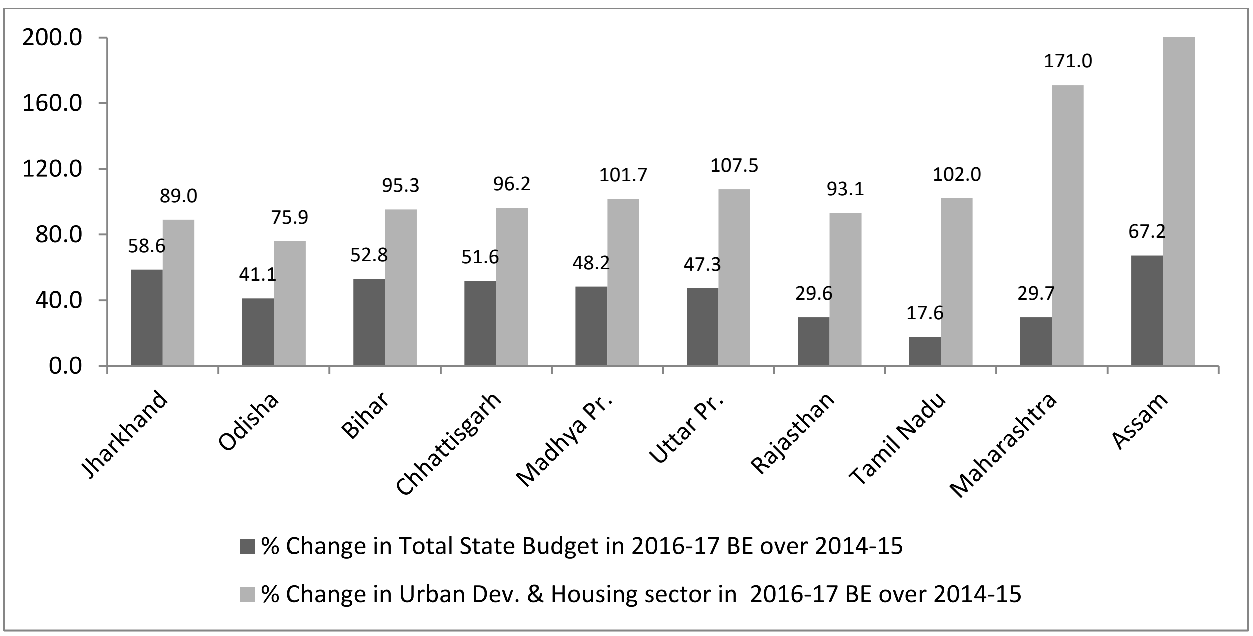
States where the increase in the budget for *Irrigation and Water Resources* sector is significantly lower than the increase in the total state budget over the last two financial years: Jharkhand, Bihar

Table 8: State-wise Expenditure/Budget Outlay for 'Urban Development and Housing' sector* during 2014-15 to 2016-17 BE (Figures in Rs. Crore)

States	*2014-15 AE*	*2015-16 BE*	*2015-16 RE*	*2016-17 BE*
Odisha	1443	2137	1584	2538
Jharkhand	1277	1726	1605	2414
Assam	230	671	921	1374
Chhattisgarh	1947	2992	3196	3820
Bihar	1746	2170	2662	3409
Madhya Pradesh	5817	7463	10479	11736
Tamil Nadu	2192	--	3115	4429
Rajasthan	3439	4227	4973	6642
Uttar Pradesh	4346	6156	6826	9017
Maharashtra	6692	7506	12228	18131

Note: *'Urban Development and Housing' sector in this analysis includes the total (i.e. Revenue + Capital) expenditure/ outlay on the Demands pertaining to Urban/Municipal Administration and Housing (urban) *Source:* Compiled by CBGA from the State Budget 2016-17 documents for the ten selected states

Figure 8: Extent of Increase (in %) in the total State Budget and the allocation for 'Urban Development and Housing' sector from 2014-15 to 2016-17 BE



Source: Based on data presented in Table 8

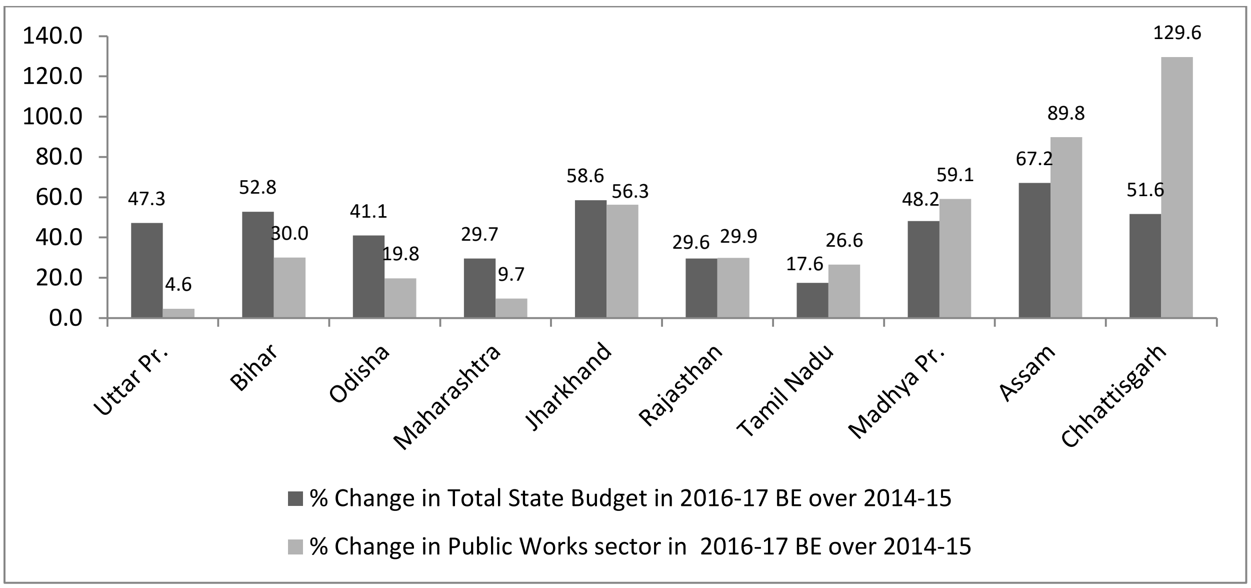
Increase in the budget for *Urban Development and Housing* sector is significantly higher than the increase in the total state budget in most of the ten states

Table 9: State-wise Expenditure/Budget Outlay for 'Public Works' sector* during 2014-15 to 2016-17 BE (Figures in Rs. Crore)

States	*2014-15 AE*	*2015-16 BE*	*2015-16 RE*	*2016-17 BE*
Maharashtra	9275	8699	11078	10176
Odisha	3777	4145	5219	4524
Assam	1970	3137	3633	3738
Jharkhand	3116	3601	4010	4871
Bihar	5076	5795	5670	6599
Rajasthan	4379	4911	4668	5690
Madhya Pradesh	4538	5968	6032	7219
Tamil Nadu	7509	--	7852	9507
Chhattisgarh	2963	5183	4495	6805
Uttar Pradesh	18293	15952	16258	19140

Note: *'Public Works' sector in this analysis includes the total (i.e. Revenue + Capital) expenditure/ outlay on the Demands pertaining to Public Works and construction of Roads and Bridges; *Source:* Compiled by CBGA from the State Budget 2016-17 documents for the ten selected states

Figure 9: Extent of Increase (in %) in the total State Budget and the allocation for 'Public Works' sector from 2014-15 to 2016-17 BE



Source: Based on data presented in Table 9

States where the increase in the budget for *Public Works* sector is significantly higher than the increase in the total state budget over the last two financial years: Chhattisgarh, Assam

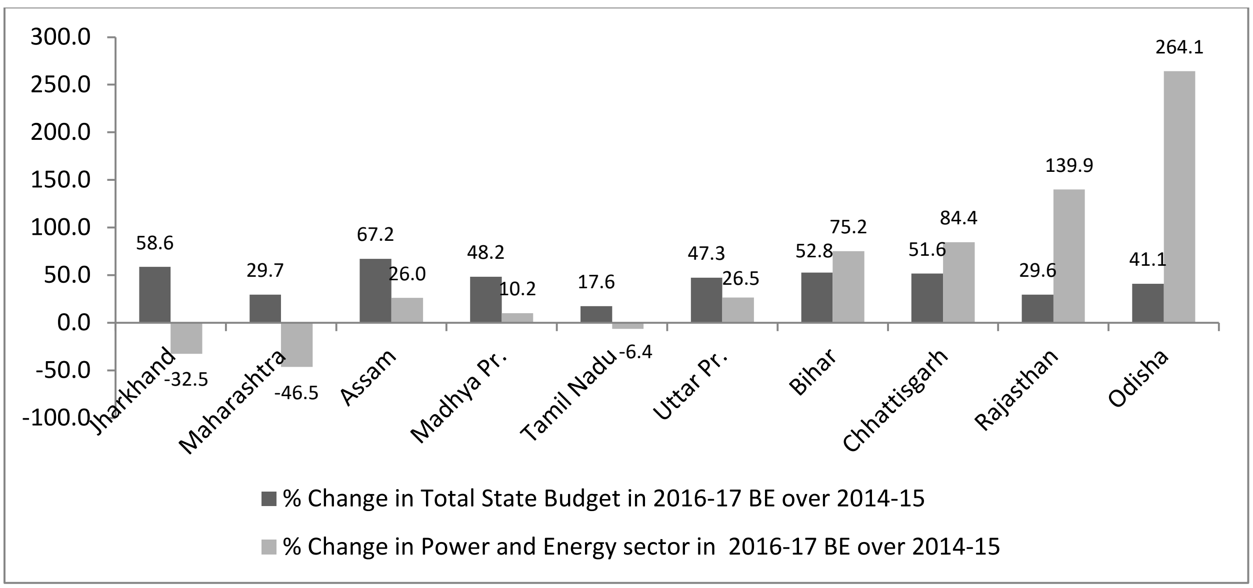
States where the increase in the budget for *Public Works* sector is significantly lower than the increase in the total state budget over the last two financial years: Uttar Pradesh, Bihar, Odisha, and Maharashtra

Table 10: State-wise Expenditure/Budget Outlay for 'Power and Energy' sector during 2014-15 to 2016-17 BE (Figures in Rs. Crore)

Power and Energy	*2014-15 AE*	*2015-16 BE*	*2015-16 RE*	*2016-17 BE*
Rajasthan	13610	16855	60229	32658
Uttar Pradesh	25949	24699	51693	32835
Jharkhand	3375	2512	10019	2277
Maharashtra	12109	6838	10493	6472
Chhattisgarh	1375	2667	3746	2536
Assam	900	1234	1234	1135
Tamil Nadu	9884	--	8433	9249
Odisha	777	1212	1628	2830
Bihar	8203	8437	9936	14368
Madhya Pradesh	18258	9718	12101	20114

Note: *'Power and Energy' sector in this analysis includes the total (i.e. Revenue + Capital) expenditure/ outlay on the Demands pertaining to Power and Energy; *Source:* Compiled by CBGA from the State Budget 2016-17 documents for the ten selected states

Figure 10: Extent of Increase (in %) in the total State Budget and the allocation for 'Power and Energy' sector from 2014-15 to 2016-17 BE



Source: Based on data presented in Table 10

States where the increase in the budget for *Power and Energy* sector is significantly higher than the increase in the total state budget over the last two financial years: Odisha, Rajasthan, Chhattisgarh and Bihar

States where the increase in the budget for *Power and Energy* sector is significantly lower than the increase in the total state budget over the last two financial years: Jharkhand, Maharashtra, and Tamil Nadu

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