

Budget 2021: Rejigging Social Sector Spending Priorities in the Wake of COVID-19

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A woman worker in the construction sector. Photo: Reuters/Adnan Abidi

Preparation for the presentation of Union Budget 2021-22 is underway.

Unlike in the past, it is expected that the priorities of this year's budget will be different. The pandemic-battered Indian economy is struggling to bring itself back on track due to its falling GDP growth rate, the rise in unemployment and the impact that COVID-19 has left on people's health. While COVID-19, followed by the lockdown, has contracted India's GDP and revenue, demand for jobs, especially in the rural sector, and a shortage of health infrastructure need greater attention of the government.

This calls into question the need to reassess the priorities of the Union Budget 2021-22 with an eye on COVID-19 and ways to address the current gaps in the people-centric sectors of health, education and livelihood.

India's real GDP was on a downward slope much before the COVID-19 pandemic hit the country. Growth moderated from 7% in 2017-18 to 6.1% in 2018-19, and further to 4.2% in 2019-20. COVID-19 has worsened this situation by further declining the growth rate of GDP, which in turn is affecting the revenue receipts of the country. It is projected that nominal GDP in 2020-21 will remain the same as 2019-20. This will have a negative impact on financing the requirements that have arisen due to the pandemic.

As per the information of the Comptroller General of Accounts, even after six months of the financial year, till October 2019, a little more than one-third (34.2) of the total revenue, 35% of the tax and 30% of the non-tax revenue target has been realised. There is a dire need to generate resources to meet these demands.



Representative image: Medics in protective gear at a Bengaluru hospital. Photo: PTI

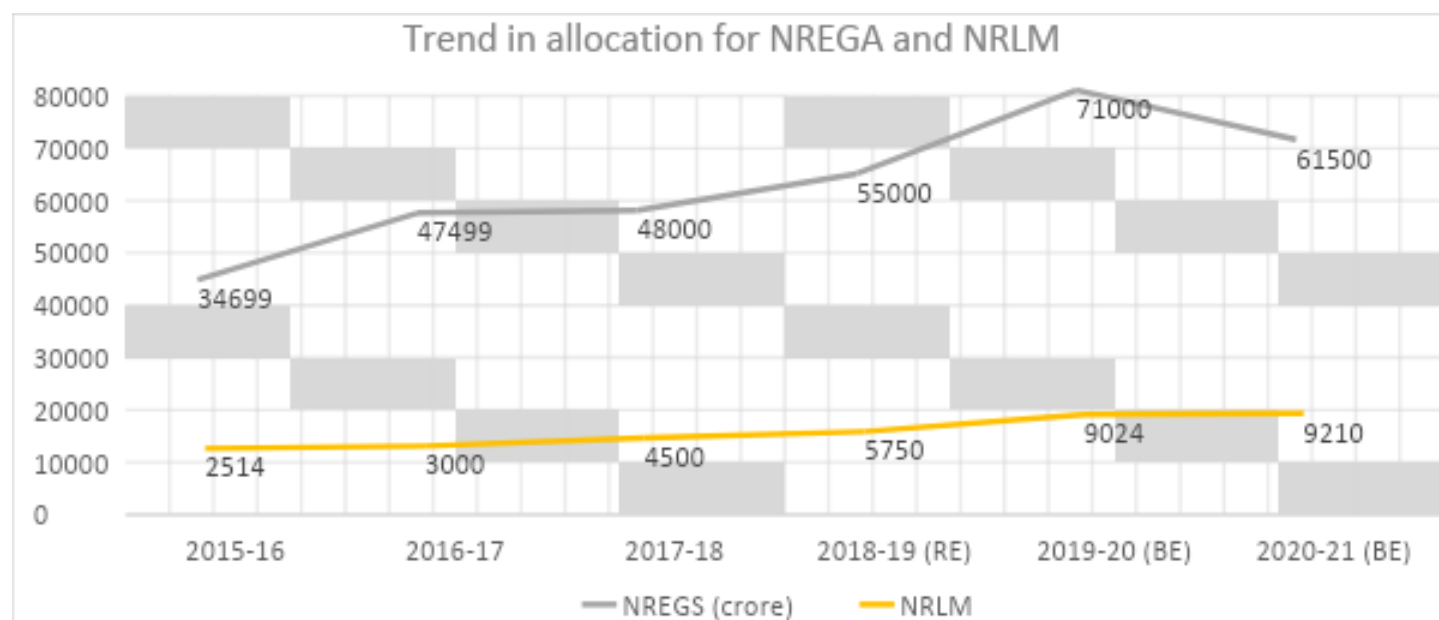
The pandemic imposed a health emergency in the country that our infrastructure was not prepared for, with an insufficient number of health personnel, hospital beds, medical equipment, ICUs, etc. This impact spilled over to our livelihood sectors too, with huge job losses and a decline in income of 84% of households as per the Centre for Monitoring Indian Economy (CMIE). Rural employment suffered immensely due to an influx of migrants returning home.

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The National Rural Livelihood Mission (NRLM) and National Rural Employment Guarantee Act (NREGA) are two premier flagship programmes of the government of India that play a pivotal role in providing income generation opportunities for the rural poor. The decline in allocation for the MGNREGS from INR 71,000 crore in 2019-20 to Rs 61,500 crore in 2020-21 was already worrisome, and then the increase in demand for jobs due to the pandemic made matters worse.

However, the current pandemic generated a need for more money in order to absorb the migrant returnees. Consequently, the government of India also allocated an additional Rs 40,000 crore amounting to a total of Rs 1.01 lakh crore to meet the challenges of the pandemic. Half of the total MGNREGS money was used during the first four months of the financial year 2020-21. A large number of gram panchayats in the country have already exhausted the funds allocated to them under the scheme.

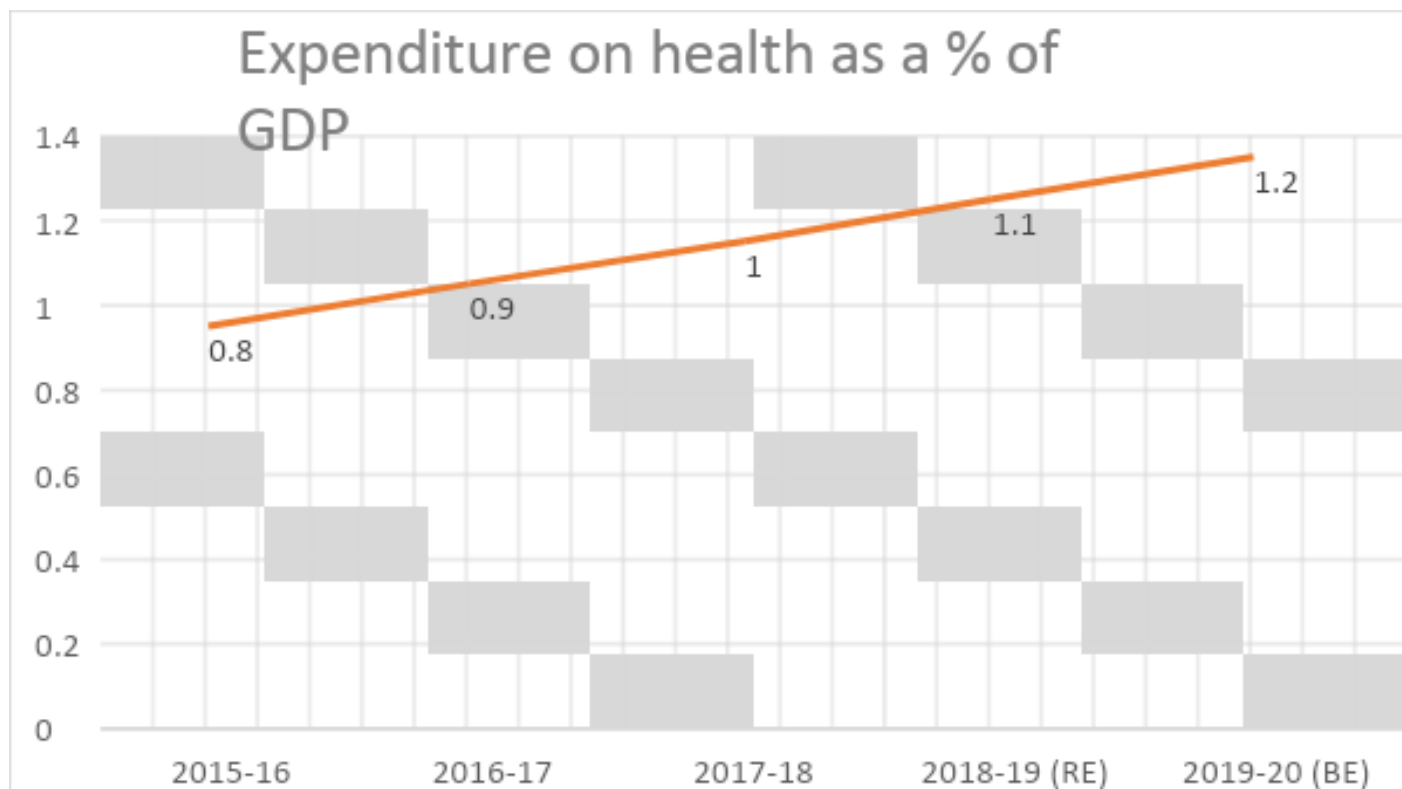
Anticipating an increase in the demand for jobs in the coming year, it is expected that allocation for MGNREGS in the forthcoming budget will be doubled to meet the increased demand for employment in the rural areas. Similarly, the National Rural Livelihood Mission (NRLM) is another major programme that promotes self-employment amongst the rural poor. Though the budget for this programme in the FY 2020-21 has increased more than 3 times than 2015-16, it has witnessed an increment of a mere Rs 200 crore from FY 2019-20 to 2020-21. Thus, in order to use the strengths of this programme to address the livelihood issues risen due to the pandemic, it is expected that NRLM will be one of the major priorities for the upcoming budget.



While on the one hand, the rural population was struggling to make ends meet due to a lack of livelihood, on the other hand, the pandemic brought challenges in the health sector as well. With weak health infrastructures, the nation was not prepared to fight the pandemic. While the WHO norm of the doctor-patient ratio is 1:1000, the figure in India is 0.69:1000 only. Similarly, against the recommended standard of five beds per 1,000 people, the Indian figure works out to be 0.55 beds per 1,000 people only, which is abysmally low, even under normal, non-pandemic circumstances.

Health services in India run with a shortage of qualified health workers and the workforce is concentrated in urban areas. As per Rural Health Statistics(RHS) 2019, the vacancy of doctors in PHCs increased from 17% in 2005 to 24% in 2019. There are also vacancies of pharmacists and other paramedics at the health centres. All these human resources were deployed for COVID-19 which impacted routine health services, sexual and reproductive health services and immunisation etc.

The Indian government had allocated an amount of Rs 69,234 crore for the health sector in 2020-21. Though this was an increase of 4% from 2019-20 (Budget Estimate), it remained stagnant at 0.3% as a share of GDP. On the other hand, the country's health policy (2017) aspires to allocate 2.5% of its GDP to the health budget by 2025. This, along with the health emergency posed by the COVID-19 pandemic, calls for a significant increase in allocation towards health in the forthcoming budget to address the existing gaps in terms of human resources and rural health infrastructure.



The trend of allocation for health as a percentage of GDP witnessed an increase in the last five years. The allocation for health has increased by a mere 0.1% each year. Among developed nations, Japan's health expenditure is at 10.9%, US at 8.5% and South Korea's 8.1%. With the aim to provide Universal Health Coverage to the citizens of the country and ease their out-of-pocket burden, it is expected that allocation to the health sector will witness a significant increase as well.

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