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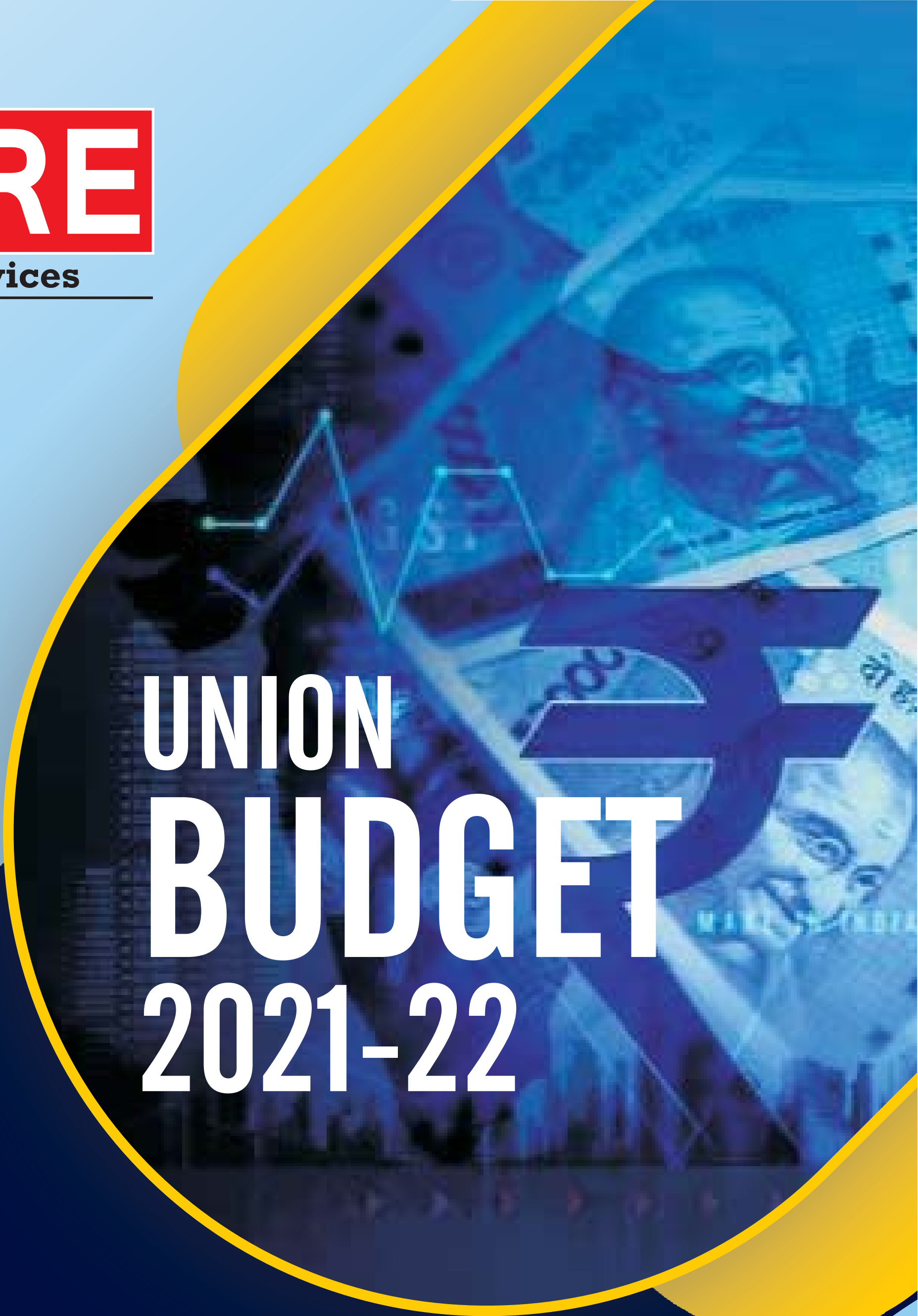

UNION BUDGET 2021-22

GIST OF YOJANA

MARCH, 2021

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Gist of Yojana

MARCH, 2021

Contents:

1

Union Budget 2021-22

Introduction

- The Minister of Finance of the Union has presented the Budget for 2020-21. Given below are important macroeconomic indicators and proposed tax reforms in India.
- Moreover, the Union Budget 2021 lays emphasis on the seven pillars for invigorating the economy
  - Health and success
  - Physical and Monetary capital and infrastructure
  - Inclusive Development for Aspirational India
  - Reinvigorating Human resources, Innovate and Research & Development
  - Minimum Government with Maximum Governance
- Furthermore, vital announcements enclosed a slew of hikes in custom duty to benefit MAKE IN INDIA, varied infrastructure pledges to poll-bound stats, and a proposal to disinvest two additional PSBs and general insurance organization.
- **Three prominent themes of the Budget:**
  - **Aspirational India** - better standards of living with access to health, education and better jobs for all sections of the society
  - **Economic Development for all** - "Sabka Saath , Sabka Vikas , Sabka Vishwas".
  - **Caring Society** - both humane and compassionate; Antyodaya as an article of faith.
  - Three broad themes are held together by:
    - Corruption free, policy-driven Good Governance.
    - Clean and sound financial sector.
  - **Ease of Living** underlined by the three themes of Union Budget 2020-21.
- **Three components of Aspirational India:**
  - Agriculture, Irrigation, and Rural Development
  - Wellness, Water, and Sanitation
  - Education and Skills
- **Sixteen Action Points for Agriculture, Irrigation and Rural Development:**
  - Rs. 2.83 lakh crore to be allocated for the 16 Action Points
  - Rs. 1.60 lakh crore for Agriculture, Irrigation & allied activities
  - Rs. 1.23 lakh crore for Rural development & Panchayati Raj
- **Agriculture credit:**
  - Rs. 15 lakh crore target set for the year 2020-21.
  - PM-KISAN beneficiaries to be covered under the KCC scheme.
  - NABARD Re-finance Scheme to be further expanded.
- **Blue Economy:**
  - Rs. 1 lakh crore fisheries' exports to be achieved

by 2024-25.

- 200 lakh tonnes fish production targeted by 2022-23.
- 3477 Sagar Mitras and 500 Fish Farmer Producer Organisations to involve youth in fisheries extension.
- Growing of algae, sea-weed and cage culture to be promoted.
- Framework for development, management and conservation of marine fishery resources.

- **Village Storage Scheme**:
  - To be run by the SHGs to provide farmers a good holding capacity and reduce their logistics cost.
  - Women, SHGs to regain their position as Dhaanya Lakshmi.
  - NABARD to map and geo-tag agri-warehouses, cold storages, reefer van facilities, etc.
  - Warehousing in line with Warehouse Development and Regulatory Authority (WDRA) norms:
  - Viability Gap Funding for setting up such efficient warehouses at the block/taluk level.
  - Food Corporation of India (FCI) and Central Warehousing Corporation (CWC) to undertake such warehouse building.
  - Financing on Negotiable Warehousing Receipts (e-NWR) to be integrated with e-NAM.
  - State governments who undertake implementation of model laws (issued by the Central government) to be encouraged.
- **Livestock:**
  - Doubling of milk processing capacity to 108 million MT from 53.5 million MT by 2025.
  - Artificial insemination to be increased to 70% from the present 30%.
  - MNREGS to be dovetailed to develop fodder farms.
  - Foot and Mouth Disease, Brucellosis in cattle and Peste Des Petits ruminants (PPR) in sheep and goat to be eliminated by 2025.
- **Wellness, Water and Sanitation:**
  - Rs. 69,000 crore allocated for overall Healthcare sector.
  - Rs. 6400 crore (out of Rs. 69,000 crore) for PM Jan Arogya Yojana (PMJAY):
  - More than 20,000 hospitals already empanelled under PM Jan Arogya Yojana (PMJAY).
  - Viability Gap Funding window proposed for setting up hospitals in the PPP mode.
  - Aspirational Districts with no Ayushman empanelled hospitals to be covered in the first phase.
  - Targeting diseases with an appropriately designed preventive regime using Machine Learning and AI.
  - Jan Aushadhi Kendra Scheme to offer 2000 medicines and 300 surgicals in all districts by 2024.
- **Education and Skills:**
  - New Education Policy to be announced soon.
  - National Police University and National Forensic Science University proposed for policing science, forensic science, and cyber-forensics.
  - Degree level full-fledged online education program by Top-100 institutions in the National Institutional Ranking Framework.
  - Up to 1-year internship to fresh engineers to be provided by Urban Local Bodies.
  - Budget proposes to attach a medical college to an existing district hospital in PPP mode.
  - Special bridge courses to be designed by the Ministries of Health, and Skill Development:
  - To fulfill the demand for teachers, nurses, para-medical staff and care-givers abroad.
  - To bring in equivalence in the skill sets of the workforce and employers' standards.
  - 150 higher educational institutions to start apprenticeship embedded degree/diploma courses by March 2021.
  - External Commercial Borrowings and FDI to be enabled for education sector.
  - Ind-SAT proposed for Asian and African countries as a part of Study in India program.
- **Culture & Tourism:**
  - Allocation of Rs. 2500 crore for 2020-21 for tourism promotion.
  - Rs.3150 crore proposed for Ministry of Culture for 2020-21.
  - An Indian Institute of Heritage and Conservation under Ministry of Culture proposed; with the status of a deemed University.
  - 5 archaeological sites to be developed as iconic sites with on-site Museums:
    - Rakhigarhi (Haryana)

- Hastinapur (Uttar Pradesh)
- Shivsagar (Assam)
- Dholavira (Gujarat)
- Adichanallur (Tamil Nadu)

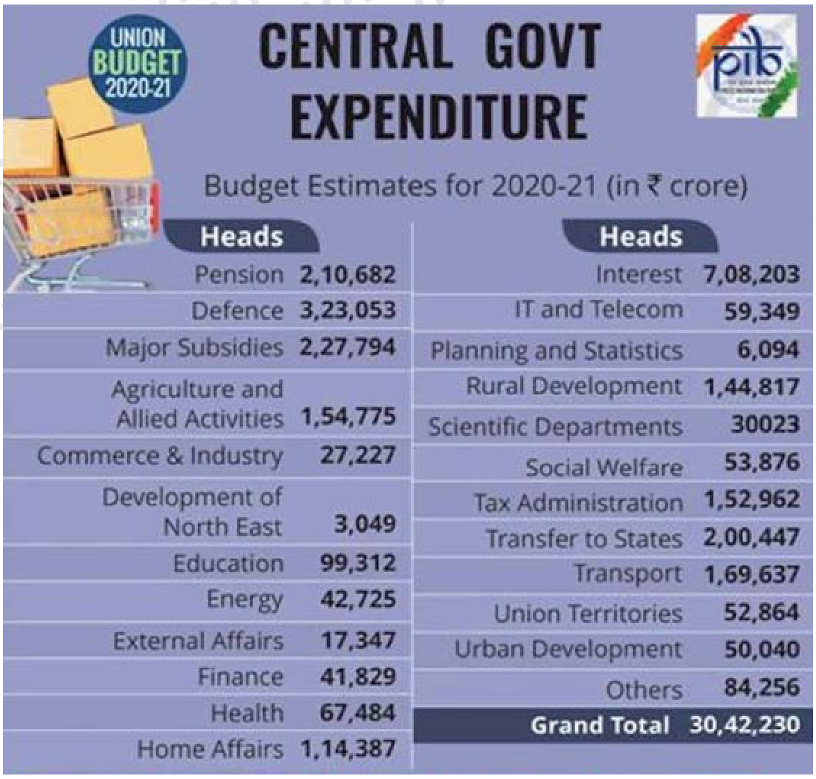
- Re-curation of the Indian Museum in Kolkata, announced by Prime Minister in January 2020.
- Museum on Numismatics and Trade to be located in the historic Old Mint building in Kolkata.
- 4 more museums from across the country to be taken up for renovation and re-curation.
- Support for setting up of a Tribal Museum in Ranchi (Jharkhand).
- Maritime museum to be set up at Lothal- the Harrapan age maritime site near Ahmedabad, by Ministry of Shipping.
- State governments expected to develop a roadmap for certain identified destinations and formulate financial plans during 2021 against which specified grants to be made available to the States in 2020-21.

Environment & Climate Change:

- Allocation for this purpose to be Rs.4400 crore for 2020-21.
    - Proposed to advise the utilities to close the running old thermal power plants with carbon emission above the pre-set norms.
- States that are formulating and implementing plans for ensuring cleaner air in cities above one million to be encouraged.
- PM launched Coalition for Disaster Resilient Infrastructure (CDRI) with Secretariat in Delhi. Second such international initiative after International Solar Alliance.

Financial Market:

- Deepening Bond Market.
- Certain specified categories of Government securities to be opened fully for non -resident investors also.
- FPI limit in corporate bonds increased to 15% from 9% of its outstanding stock.
- New legislation to be formulated for laying down a mechanism for netting of financial contracts.
- Scope of credit default swaps to expand.
- Debt Based Exchange Traded Fund expanded by a new Debt-ETF consisting primarily of Government Securities.
- To give attractive access to retail investors, pension funds and long-term investors.
- A Partial Credit Guarantee scheme for the NBFCs formulated post the Union budget 2019-20 to address their liquidity constraints.
- New mechanism to be devised to further this.



Heads		Heads	
Pension	2,10,682	Interest	7,08,203
Defence	3,23,053	IT and Telecom	59,349
Major Subsidies	2,27,794	Planning and Statistics	6,094
Agriculture and Allied Activities	1,54,775	Rural Development	1,44,817
Commerce & Industry	27,227	Scientific Departments	30023
Development of North East	3,049	Social Welfare	53,876
Education	99,312	Tax Administration	1,52,962
Energy	42,725	Transfer to States	2,00,447
External Affairs	17,347	Transport	1,69,637
Finance	41,829	Union Territories	52,864
Health	67,484	Urban Development	50,040
Home Affairs	1,14,387	Others	84,256
		Grand Total	30,42,230

2

Finance Commission

Introduction

- The Fifteenth Finance Commission (FC-XV) was constituted by the President under Article 280 of the Constitution on November 27, 2017. The title of the report 'Finance Commission in Covid Times', submitted to the President for the period 2021-26.
- The first Finance Commission was constituted on November 22, 1951 and was chaired by K.C. Niyogi.
- The Union government, in its action taken report on the commission's report tabled in Parliament on February 1, 2021 accepted most of the recommendations.

Constitutional framework

- The Finance Commission transfers are made under Articles 270, 275 and 280 of the Constitution, which provides a mechanism for sharing of taxes and revenues vertically between the Centre and states: and horizontally among all states.
- Fifteenth Finance Commission was additionally tasked with reviewing and commenting on the design of fiscal principles for various grants that are typically provided alongside revenue shares.
- It was also asked to consider performance-based incentives to support and motivate the efforts of State and/or local governments the "appropriate level of government" in a variety of policy areas.
- Another unique ToR given to it included recommending funding mechanism for defence and internal security.

Vertical Transfer: Approach and Logic

- The Constitution empowered both the Union and the States to raise revenues from different sources of taxation and also assigned responsibilities to incur expenditure through subjects in three lists-Union

List, State List and Concurrent List in the Seventh Schedule.

- By Constitutional design, this distribution has assigned higher and more buoyant taxation and resource raising powers to the Union Government whereas higher responsibilities for incurring expenditure have been assigned to the States.
- The Fifteenth Finance Commission, in its final report, recommended this devolution to beat 41 per cent. This will maintain the predictability and stability of resources, especially during the pandemic.
- This vertical devolution is in line with the recommended share in our first report as well as with the devolution of the FC-X1V.
- As compared to FC-XIV, this Commission has only made the required 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, as the resources for these Union territories will now be provided by the Union government.
- This level of vertical transfers will allow' appropriate fiscal space for the Union as well to meet its demands as well as maintain an adequate level of unconditional resources to the States.

Horizontal Distribution

- Horizontal devolution of taxes is mainly driven by considerations of need, equity and performance. However, balancing equity and efficiency is never an easy exercise.
- The diverse nature of this country with States at different levels of development and having complex characteristics related to their history, geography, economy and sociology impact their revenues and expenditures.
- Additional financial resources are certainly needed to help a state develop, but the ability to effectively use those resources is undoubtedly more crucial, and is a distinctive feature visible across States.
- Fifteenth Finance Commission has tried to harmonise the principles of expenditure needs, equity and performance in determining the criteria for horizontal sharing by broadly assigning appropriate weightages.

Grants-in-aid

- After the distribution of the net proceeds of taxes, the second core function entrusted to the Finance Commission is to determine the principles which should govern grants-in-aid, assess the needs of States in relation to such norms developed and applied to both revenue effort and desirable levels of expenditure and thereafter recommend grants in specific sums.

The Commission has recommended five different categories of grants:

- Revenue deficit grants,
- Grants for local governments,
- Grants for disaster management,
- Sector-specific grants, and
- State-specific grants.

Revenue Deficit Grants

- It is evident that no formula-based horizontal devolution can meet the needs of each of the twenty-eight States whose cost disabilities and fiscal capabilities are so vastly different from each other.
- Therefore, the Commission has recommended an allocation of 1.92 per cent of the gross revenue receipts of the Union as revenue deficit grants to specific States.
- The revenue deficit grants aggregate to Rs. 2,94.514 crore, with gradual tapering off during the award period.

Local Government Grants

- Urban local bodies have been categorised into two groups, based on population, and different norms have been used for flow of grants to each, based on their specific needs and aspirations.
- Basic grants are proposed only for cities/towns having a population of less than a million.
- For Million-Plus cities, 100 per cent of the grants are performance-linked through the Million-Plus Cities Challenge Fund (MCF).

Disaster Management Grants

- While assessing disaster management grants, the Commission recommended Mitigation Funds to be set up at both the national and State levels, in line with the provisions of the Disaster Management Act.
- The Mitigation Fund should be used for those local level and community-based interventions which reduce risks and promote environment-friendly settlements and livelihood practices.

Other Sector-specific and State-specific Grants

- Under the category of sector specific grants, the Commission has also recommended performance based grants and incentives for sectors like health, education, agriculture.
- PMGSY roads, judiciary, statistics and aspirational districts and blocks.
- The Commission laid special focus on health sector while doing a detailed analysis of health expenditure and related facilities and infrastructure in various States.
- The health sector still faces critical challenges like low investment, sharp inter-State variations in the availability of health infrastructure and health outcomes and supply side problems of doctors, paramedics and inadequate number of healthcare centres.

Defence Fund

- The extant strategic requirements for national defence in the global context, the Commission re-calibrated the relative shares of Union and States in gross revenue receipts by reducing its grants component by 1 per cent.
- This will enable the Union to set aside resources for the special funding mechanism that has been proposed in the report.
- It has also been recommended that the Union Government may constitute in the Public Account of India, a dedicated non-lapsable fund. Modernisation Fund for Defence and Internal Security (MFDIS).

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3

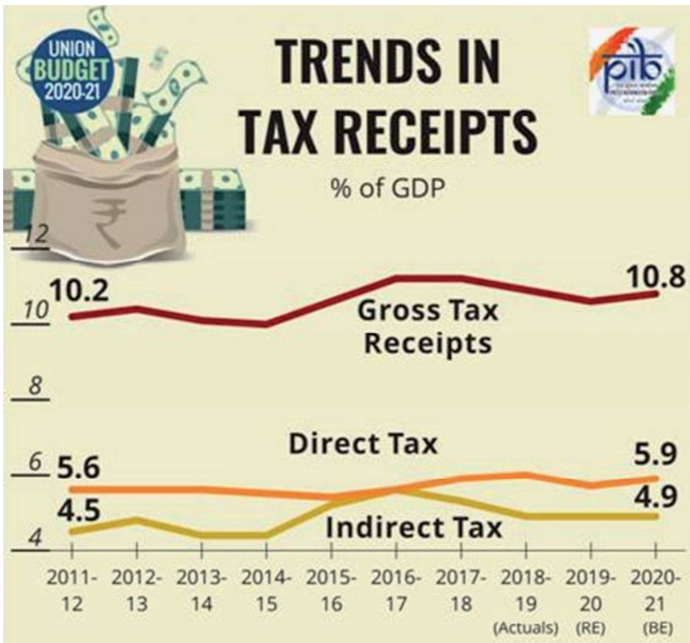
Conditional Borrowings

Introduction

- Grant additional of reform-linked additional borrowing limits to States was first announced in May, 2020 with the twin objective of pushing reforms and providing States the much-needed financial resources to fight the Covid-19 pandemic.

Gross state domestic product

- An important component of the 'Aatmanirbhar Bharat Abhiyaan' packages was an increase in the net borrowing limit of States for 2020-21 by two percent of GSDP.
- The step made available additional financial resources to the tune of Rs. 4,27,302 crore to the States, easing their highly stressed fiscal situation and giving them more headroom to meet their spending needs.
- Borrowing by States in India is guided by provisions of Article 293 of the Constitution. States are permitted to borrow within the territory of India against the security of the Consolidated Fund of the State, subject to the limit fixed by the Legislature of the State.
- However, according to Article 293(3), if a State is yet to repay any central loan extended to the State by the Government of India or by its predecessor Government, it has to obtain consent of the Government of India before raising any such loan.
- Based on the recommendations of the Finance Commission, the central government had fixed the net borrowing ceiling of States for the year 2020-21 at three per cent of GSDP.
- Although the socio-economic situation had justified the raising of additional debt of two percent by the States, hedging for future debt sustainability was equally important.
- Therefore, to alleviate the ill-effects of the current additional borrowings, half of the additional borrowing permissions were used as an instrument to nudge the States to push reforms in various citizen-centric areas.



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Budget for Infrastructure

Introduction

- The focus pillars Union on infrastructure, Physical Budget and 2021-22 being financial part has of Capital, one welcome of and the Infrastructure.
- The infrastructure allocations have gone up substantially. The capital allocation has gone up by over a third of the previous year's allocation to Rs. 5.5 lakh crore in keeping up with the plans of the National Infrastructure Pipeline (NIP).

National Infrastructure Pipeline

- The NIP envisages a capital spend of over Rs. 100 lakh crore over six-year period, 2019-20 to 2024-25, with 39 percent to come from the Centre, that is about Rs. 40 lakh crore.
- With the spending being less than average over the past two years, partly also affected by the pandemic depression, the big challenge would be the ability to catch up over the next three years.
- In terms of scope, the NIP includes over 20 sectors and has recently been enhanced to 7400 projects. While allocations may not be an issue, the ability to spend wisely and effectively is what needs attention.

Urban transport

- Urban transport has been given a strong focus, not only with allocations for extension of metro lines in major cities, but also for Metrolite and Metroneo projects and for bus transportation.
- While a metro line costs Rs. 300 crore per kilometer, the Metrolite is about Rs. 180 crore per kilometer and the Metroneo is Rs. 70 crore per kilometer.
- With these technologies, India will have a full range of mass transit technologies, starting from the conventional bus to the Bus Rapid Transit System (BRTS), Metrolite, Metroneo, the Metro and the Regional Rail Transit System.
- Such a range is required, for a diverse urban economy like India, not only to support suburban areas of tier one cities, but also to bring in mass transit options in tier two and tier three cities.
- Other sectors of infrastructure that found special mention were upgradation of some fishing harbours, the water supply schemes in urban local bodies, and bringing in PPPs in more existing airports.
- Though there was no explicit mention of the ports and shipping sector, there is an ongoing programme in this sector called Sagarmala.
- There is also a recent visioning exercise called the Maritime India Vision for 2030 that provides a roadmap for significant growth in this sector.

Developmental Financial Institution

- A new infrastructural Developmental Financial Institution (DFI) is being setup with an allocation of Rs. 20,000 crore.

- While this is a welcome move, we need to learn from the lessons of the earlier institutions that were setup or catalysed by the government.
- These include IL&FS (which today is under serious charges of misgovernance), IDFC (which after having evolved into a bank has diluted its intended development focus) and IIFCL.
- The government has also set up a 'bad' bank, including an Asset Reconstruction Company (ARC) and an Asset Management Company (AMC) for taking care of non-performing assets.

Minimum Support Price

- Minimum of notified Support crops Price as declared (MSP) by is the guaranteed Government price of India for public procurement purpose.
- It acts as a safety net to farmers by protecting their business interest from the uncertainties of market due to various natural and market forces.
- Government of India notifies MSP for 23 'Khiarif' and 'Rabi' crops at the start of each cropping season that include selected commercial crops as well.
- The group comprises seven cereals (paddy, wheal, maize, sorghum, pearl millet, barley and ragi), seven oilseeds (groundnut, rapeseed, mustard, soybean, sesame, sunflower, safflower and nigar seed), and four commercial crops (copra, sugarcanes, cotton and raw' jute).
- Under Indian conditions, crop production often fluctuates affecting market prices vis-a-vis prospect of the particular crop in next sowing season.
- For example, in case of crash of prices due to over production (glut), fanners become reluctant for sowing the crop in the next year.
- It may affect the supply with many consequences. To counter such situations, MSP is fixed by the Government which infuses confidence in farmers despite turnarounds in prices.

Commission for Agricultural Costs and Prices

- MSP is fixed by the Government of India on the recommendations of the Commission for Agricultural Costs and Prices (CACP) which is a statutory body.
- CACP submits its recommendations to the Government in the form of price policy reports twice a year separately for Kharif and Rabi seasons.
- The Union Government considers the report, takes view of the states Governments and also deliberates on the overall demand and supply situation in the country to take the final call on fixing MSPs.
- Post-harvesting, the Government procure crops from farmers at the MSP across APMC mandis and procurement centres.

Conclusion

The budget 2021-2022 takes a practical approach to growth with a focus on hard gains of fiscal rectitude. The motive of the Union Budget is to subsequently bring about the fast and very balanced economic growth of our country with emphasis on social justice and equality. Also, the major decisions are related to Education& Health, Agriculture, Corporate Tax, NRI Tax, and Income Tax and the union budget has further fuelled new aspirations for a better India.

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One Nation One Ration Card

- Concerted efforts of DFPD have led to increase in seeding of Aadhaar numbers in beneficiary data of the National Food Security Act (NFSA) and other welfare schemes.
- This had enabled biometric authentication of beneficiaries through electronic point of sale (e-PoS) devices installed at Fair Price Shops (FPSs). It had also prepared the ground for nationwide portability of ration card and realising the dream of 'One Nation One Ration Card' (ONORC).
- 'One Nation One Ration Card' is a technology-driven reform which enables beneficiaries of NFSA and other welfare schemes to get their entitled monthly quota of food grains from any e-PoS-enabled FPS of their choice, anywhere in the country.
- The reform especially empowers the migratory population like labourers, daily wagers, urban poor like ragpicker, street dwellers, temporary workers in organised and unorganised sectors, domestic workers etc., who frequently change their dwelling place to be self-reliant in food security.
- The reform also enables the States in better targeting of beneficiaries, elimination of bogus/duplicate/ ineligible card holders resulting in enhanced welfare and reduced leakage.

Ease of Doing Business

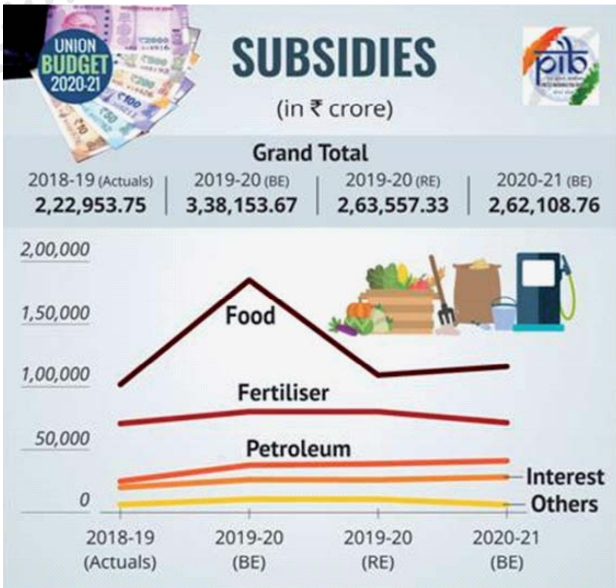
- Ease of doing business (EDB) serves as an important indicator for investment-friendly business climate in the country.
- Improvements in business environment in turn attract investment leading to faster future growth of the economy.
- Therefore, ease of doing business was identified as one of the areas for reforms.
- It aims at making the processes simpler and transparent, reduce the timelines for various regulatory approvals and eliminate physical interface between the department and the business. The reforms stipulated in this category are:
    - Completion of first assessment of 'District Level Business Reform Action Plan'.
    - Elimination of the requirements of renewal of registration certificates, approvals, and licences obtained by businesses.
    - Implementation of a computerised central random inspection system wherein allocation of inspectors for statutory inspections is done centrally, the same inspector is not assigned to the same unit in subsequent years, prior inspection notice is provided to the business owner, and inspection report is uploaded on the website within 48 hours of inspection.

Urban Local Bodies

- A financially sound local body that is working effectively enhances the quality of life of the citizens.
- Reforms in the Urban Local Bodies (ULBs) are aimed at their financial strengthening to enable them to provide better public health and sanitation services, and create a good civic infrastructure.

Power Sector Reforms

- Power Sector reforms stipulated by the Ministry of Finance aim at reducing losses, and creating a transparent and hassle-free provision of power subsidy to farmers.
- They also aim at improving the health of power distribution companies by alleviating their liquidity stress in a sustainable manner.



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