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THE WALL STREET JOURNAL

WSJ.com

NDIA NEWS | FEBRUARY 25, 2010, 7:24 A.M. ET

ISB Budget 2010: Effective Social Sector Spending Needed

by SHASHWAT RAJ BADONI and PRIYA NADKARNI

This article focuses on the proposals for the social sector expected from Budget 2010.

With the burgeoning fiscal deficit of 6.8 % of GDP on one hand and the growing inflationary monster on the other, the finance minister will have his hands full this budget day. The third part of this three-part conundrum that Pranab Mukherjee can hardly afford to ignore is reaching GDP growth of 10 %.

We attempt to make a case for an efficient and convergent implementation of major government programs instead of the allocation of additional resources for each program. We also analyze the major themes that we observed in the government's social sector programs and whether this year's budget will continue from where the last one left off.

-The National Rural Employment Guarantee Act, now renamed Mahatma Gandhi National Rural Employment Guarantee Scheme, guarantees 100 days of employment at the state's minimum wage. It has provided employment opportunities for more than 44.7 million households during 2008-09. The aam admi cheered as the government increased its allocation to NREGA by 144% to 39,100 crore rupees last year but questions about its efficient implementation remain unanswered. While we welcome the government's spending on socially beneficial programs, we are concerned whether these programs actually benefit the targeted segment.

We believe that funds should be set aside in the budget for support functions that improve the implementation of such programs. MGNREGS, for instance, has been marred by patchy implementation with different efficacy levels in states. In states like Jharkhand, money is being siphoned off in the names of non-existent workers. Additionally, a new breed of brokers has sprung up that charges money to arrange jobs. On the other hand, states like Rajasthan and Andhra Pradesh have higher success rates due to transparency and the use of support functions like IT.

-The government has begun to make changes to its existing policies to facilitate institutional improvements within these programs but certain fundamental problems still remain.

The outcomes budget for 2008-09 states that about 51% of the total outlay for Sarva Shiksha Abhiyan (an educational program started in 2001) was committed to improving the quality of learning and ensuring access to upper primary classes.

Despite this, the centre-state tussle over the devolution of funds continues to delay programs. The Right to Education Act passed last year will only be implemented from April this year because the states and the central government could not reach a consensus about their share of monetary participation in the Act's implementation.

Similarly, even though the Finance Minister increased the allocation for National Rural Health Mission (started in 2005) to 12,050 crore rupees last year, the problem lies in the shared responsibility between states and the central government. The central government contributes 85% of the total fund requirements while the states contribute about 15% in the case of the NRHM.

However, the central government has not been successful in holding the states accountable. The Comptroller and Auditor General's report on NRHM highlights the fact that the actual release of funds has been higher for non-focus states because of high unspent amounts in the focus states.

This reveals the ineffectiveness of budgetary allocations in the presence of indecision over centre-state participation in program implementation. The report of the 13th Finance Commission under Vijay Kelkar will provide the roadmap that will define the centre-state equation as the Finance Minister has already stated that the Commission's proposals would find a place in the budget.

--The government is increasingly inviting private players to work alongside the state machinery. The interest among private enterprises and NGOs to partner with the government is high as evidenced by the National Rural Livelihood Mission that currently has 15 private partners providing vocational training to the rural youth. The government bears the cost of the training on the condition that the private parties will provide jobs to the trained workers.

We expect that the government will identify more such areas where private sector participation can be leveraged in development. The government can suitably incentivize private participants to set up healthcare infrastructure through the extension of existing tax holidays and, at the same time, institute an assessment mechanism in the public sector to improve quality, access and delivery of care.

--The government is trying to streamline most major welfare programs that it has running currently. It is planning to implement the Right to Education Act passed in 2009 through the Sarva Shiksha Abhiyan. The Human Resources Development Ministry has projected 1.71 lakh crore rupees as the total cost of RTE, for both the centre and the states, for five years. More than 20,000 crore rupees has been given to the states for SSA, according to a news report. Allocating funds for the joint implementation of these welfare programs would plug the wastage of taxpayers' money.

In a circular issued before last year's budget, the government sought to implement the Integrated Watershed Management Program along with the NREGA as more than 50% of NREGA works relate to soil and water conservation. This will increase the productivity of assets and prevent duplication of effort in each of these programs. The state is already talking about the convergence of programs as a way of bringing in more effective governance but this would also require a tremendous co-ordination effort across ministries.

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