

RECENTLY, THE FM announced a fiscal relief package of ₹1.7 lakh crore to help the poor. This package—at 1% of GDP—is, at best, a teaser. FM said that the “measures are intended at reaching out to the poorest of the poor, with food and money in hands, so that they do not face difficulties in buying essential supplies and meeting essential needs”.

It is high time to scale up the fiscal relief measures, with a special emphasis on “Basic Income”. For this purpose, the threshold fiscal deficit to GDP ratio, as in the FRBM, may be revised. It is not only the levels, but also the financing pattern, of deficits that need a relook. Given the narrative of “whatever it takes” to address “life versus livelihood” crisis and the public health pandemic, we must emphasise the increased monetisation of deficits, along with the bond financing, rather than external financing of debt.

As Johannes L Vives said, a government should be responsible for securing a subsistence minimum living wage for all its citizens “not only on grounds of justice but also for a more effective exercise of morally required equity”. The Economic Survey 2018-19 points that “almost 93%” of the total workforce is ‘informal’. In a nation, which is under the Great Lockdown, where the daily worker is prevented from earning a fair wage, it stands to reason that we exercise the humane quality of being fair and impartial, particularly considering the size of the informal workforce. The announcements by the FM, thus, are partial, and there is a need

Promise of equity

The proposed “Direct Benefit Transfer” will be targeting the underprivileged (BPL) for day-to-day sustenance all through the year

**LEKHA CHAKRABORTY
& VIDYA B RAMJI**

Authors are Senior Public Finance Consultant, Kran and Professor, NIPFP. Views are personal

to enhance “basic income” transfers.

One of the biggest challenges in providing Universal Basic Income (UBI) to all is that it gets mired in politics—both good and bad. Many questions arise, if the income is considered “universal”, who all benefit from it—why should the rich be included? And, if only the poor are included, does it become an unalienable right? These are technically the Type 1 (inclusion error) and Type 2 (exclusion error) errors in public expenditure management. To avoid getting mired in a political discourse, we may term this as Basic Sustenance Income. Thus, the proposed Direct Benefit Transfer will be targeting the underprivileged (BPL) for day-to-day sustenance all through the year. The government can scale up the existing fiscal relief package and contribute to individual and household

income sustenance in six ways.

One, it can strengthen the minimum living sustenance income guarantee, announced in the initial fiscal Covid policy response. The announcement of ₹500 per head to the women in the care economy per se is insufficient. It is indeed significant to combine food security with basic income. National Food Security Act, 2013 makes the right to food a justiciable right. As on date, a significant part of this is fulfilled by the PDS system. However, many of the intended beneficiaries—such as inter-state migrants—are left out. More importantly, the focus of the PDS programme is more on fulfilling calorific requirements rather than nutritional requirements. Moreover, there are several challenges in running such a PDS system efficiently, as a “leak proof” distribu-



tion system. What we propose is weekly direct transfer of payments based on market rates for the food grains supplied via PDS throughout the year. Thus, the intended beneficiary decides what food grains (nutrition) to buy and how much to buy. This transfer benefits directly to migrants’ accounts at their place of work. Moreover, since the intended beneficiaries are paying market rates, they have the right to demand better quality. DBT can leverage the JAM and IT technology, and transfer benefits in a timely, cashless, leak-proof, and targeted manner. We can deal with sustenance issues without distorting market prices.

Two, “Calamity Jane” Disaster Support Schemes need to be designed to support the needy during this period. The beneficiaries could be state/region-specific, or whatever

the deserving category as declared by the government. This could be in the form of weekly or one-time lumpsum transfers dependent upon the distress caused to the targeted group. A good example can be the migrants or other deserving poor unable to work owing to the lockdown.

Three, strengthen social insurance payments for sickness, including provisions for PPE during Covid. The significant issues would be to firm up social security based on contributions. The monetary policy has limitations in triggering the economy through credit policy instruments.

Four, design appropriate conditional cash transfers, contingent upon citizens fulfilling certain government-targeted social goals such as vaccinations for children, or volunteering during emergencies. This list

can be expanded or reduced as per the government’s social goals and availability of funds. The conditional transfers should be given preferably to the female head of households using a “Citizen Card” which operates like a debit card. The Brazil’s Bolsa Familia Programme is a significant example of this category DBT. The 15th Finance Commission can design and integrate such inter-governmental fiscal transfers in their final report, to be submitted on October 2020.

Five, strengthen “Payment for Work” programmes, like MGNREGA. When the environment is more conducive, the government can roll out work programmes. In the post-Covid era, the government acting as “employer of last resort” is very relevant. The drastic reduction in budgetary allocation for this scheme is alarming, and the deviation between what is estimated and the actual needs course correction.

Six, design “Nudge Payments”, which make it more likely for an individual/family to make benevolent choices or behave in a particular way. An example is rewarding people to follow health guidelines. So, staying indoors gets a small reward. Monitoring is easy with the deployment of Aarogya Setu app or other metrics. In future, this can be extended to other health guidelines.

It is vital to strengthen the existing fiscal package, by tweaking existing “means-tested policies” with a more effective exercise of morally required equity. It would be a promise of equity, not equality, a new starting line set above the poverty line. More importantly, it will not be an *ad hoc* one.