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What's missing in this year's budget?

While we may have every reason to feel happy about managing our national debt quite effectively, our natural debt keeps mounting to the detriment of the poorest of the poor, says R K Pachauri

IT WOULD perhaps be correct to say that if the government's annual budget does not invite severe criticism or lavish praise then it is probably a well-balanced exercise. If there is serious criticism, then there has to be a basis for it, and similarly if a budget generates euphoria then it is bound to lead to disillusionment sooner or later, because the annual budget of any government cannot lead to any miracles. In this respect finance minister P Chidambaram's budget this year can be regarded as a good effort, which builds on the healthy rates of growth achieved in the Indian economy and also provides enhanced funding of social sector programmes that unfortunately have historically not received the attention they deserve.

In this effort, however, quite expectedly a large share of resources have been allocated to the UPA government's so-called eight flagship programmes. Overall, the allocation on these flagship activities has gone up from Rs 34,927 crore in 2005-06 to Rs 50,015 crore, which represents an increase of 43.2%.

Indeed, this is how it should be, because only when the economy is doing well would be the right moment for investments in social sector programmes that benefit those that are left out of the formal economic system. Education and health are particularly important priority areas, because with the persistence of poverty in this country, and the share of youth in the population increasing, investments in human capital are the only means by which stable and secure growth can be ensured in the future. Nevertheless, mere outlays, as the finance minister pointed out last year, are meaningless in the absence of outcomes. Even those in the government would agree that our delivery systems for social sector programmes remain weak and ineffective.

The Indian economy is no doubt performing well, but there are several areas of concern that raise questions



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about the outlook for continued growth. As the annual economic survey pointed out, inadequate power generation has a major impact in terms of reduced output in several sectors.

While the finance minister did highlight the fact that 5,083 MW of capacity will be added as the sector undergoes major transformation, investments and the efficient use of capital employed would remain far below the levels required, and in due course economic growth is likely to falter.

Power shortages are already resulting in economic loss at an estimated level of about 1% of the GDP. The renewed emphasis on agriculture is indeed welcome, because not only is agriculture an important contributor to overall economic growth, but given the large numbers of people dependent on this sector, a major source of improvement of rural livelihoods lies in robust agricultural growth.

The budget is an exercise carried out

within the framework of the political dispensation that exists in the country at any time. Its focus, therefore, lies essentially in addressing the manifesto of the government in power and in attaining short-term goals that helps to win elections. As Churchill rightly said, "democracy is the worst form of government, except all the others". And democracy of the form that we have in existence in India does not always reflect the real priorities that would define the welfare of future generations or even the current generation beyond a few years hence.

ONE major area that does not enter our economic statistics and methods of income accounting is the degradation of our natural resources. India's rivers are dead and terribly polluted. Air quality is much worse than what would ensure even a semblance of healthy living — certainly in several outdoor locations but more so in hundreds of mil-

lions of households that use poor quality biomass for cooking. The historical record of deforestation has affected the ecology of this land adversely.

Without major efforts at improving forest cover several related sources of natural wealth, such as biodiversity, soil quality and the retention of water at the surface and subsurface levels across the country will suffer irreversibly.

Unfortunately, no political party in the country has laid down in its goals the clear objective of reviving the health and wealth of natural resources that we inherited but which we have depleted and degraded substantially over the years. If this was to be the stated and sincere objective of governments both at the Centre and the states, the complexion of the budget would perhaps be very different.

It is significant that the finance minister in his speech made no mention of the environment or natural resources of this land. The allocation provided for the ministry of environment and forests may show an increase over previous years, but the task of building the country's natural wealth has to be the responsibility of every ministry in the government and by involving those outside the government.

Unfortunately, therefore, while we may have every reason to feel happy about managing our national debt quite effectively, our natural debt keeps mounting to the detriment of the poorest of the poor. Perhaps it is time for Centre and the governments in the states to add another flagship activity in its manifesto, which targets the improvement and enhancement of India's natural resources and their effective conservation. The annual budget would then be significantly different from what we see year after year on the 28th of February, and our children would not accuse us of borrowing from the future and plundering the wealth is theirs by right.

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