

## **The Budget Of 2015-16**

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From 1<sup>st</sup> April 2015 India will enter into a new financial year. Because the present government came to power only towards the end of May 2014 the annual budget that it framed was in a way a caretaker budget, a vote on account, because the new government had yet to understand the liabilities of the past and then, whilst formulating its own immediate and long-term economic policies, to assess how through the budget these policies could be implemented. The first real budget of the current government, therefore, is that of the year 2015-16.

Because the government is a function of continuity it cannot scrap everything that the previous government did and then launch something entirely new. Abandoning an ongoing scheme could very well result in a total loss because an unfinished scheme, unless it has been properly phased in the past, could well amount to a hundred percent waste of whatever has hitherto been invested. Many of the schemes in the social sector, especially those aimed at either providing some form of employment to the poor or giving them social benefits could, if abandoned, disrupt the lives of the poor and the government might face mass unpopularity and unrest. This means that whilst reformulating the National Rural Employment Guarantee Scheme government will have to consider whether this is how it wants to give employment to the rural poor, or would it like to redesign the programme so that a properly structured scheme could be set in place which creates permanent assets in the village which will bring about long-term improvement in the rural economy. For example, one did have the integrated watershed management programme in which the whole country was divided into mili watersheds covering approximately five thousand hectares and, say, ten villages, divided into village level micro watersheds covering, on an average, about five hundred hectares. The objective of this programme was to have a comprehensive watershed development and management programme at mili and micro watershed level in which the problems of water availability were tackled, including by ground water recharge and measures to check erosion and by ridgeline to base level treatment of slopes through vegetation could provide adequate fodder and fuel to the village. Because with ground water recharge the entire village benefited and because the programme comprehensively covered soil conservation, contour bunding, check dams, creation of pondage, gully plugging, etc., at minimum cost the scope of corruption was substantially reduced and because of participation by the people, the work done was of a high quality. There was a partnership between panchayats and NGOs which were made project implementation agencies for both planning and supervising the actual work and the programme was highly successful. For example, in the Jhabua District of Madhya Pradesh wherever the programme was taken up

agriculture improved and there was a sharp reduction in seasonal migration. Unfortunately this very successful programme was subsumed by NREGS and an asset creation programme degenerated into a very corrupt employment generation programme. This point is elaborated because in framing the budget the Central Government will have to consider whether rural employment through asset creation should not become its focus.

Another programme of great importance is the Jawaharlal Nehru National Urban Renewal Mission. As early as 1988 the National Commission on Urbanisation had recommended that the four major mega metropolitan cities of Bombay, Delhi, Calcutta and Madras should be considered to be national cities with adequate provision being made to maintain and upgrade their infrastructure so that their local economy might continue to grow and contribute to national development. It had identified forty-nine urban regions which were well distributed throughout the country and identified in them three hundred and forty-nine towns and cities, of which only four were metropolitan, which had shown consistent demographic growth above the national average, had an identified hinterland with which they interacted and which had a potential for generating economic momentum. One hundred and nine of these were located in districts which were ninety percent rural. The Commission had recommended that if we are to have healthy urbanisation which does not disturb the basic equilibrium of settlements which we were fortunate enough to have from village to mega metropolitan, then it is in these towns that we must invest so that the infrastructure improves, they act as both demand centres for the produce of the rural areas and in return give services to the rural areas so that they grow in tandem with the town and which, because they are located in the hinterland, reach out beyond their own region and encourage the type of urbanisation which could provide jobs for surplus rural folk. These would be meaningful productive jobs and not merely some marginal jobs which could just about provide bare subsistence.

Obviously the next budget will concentrate on the smart cities of which the Prime Minister has repeatedly spoken. Government wants to either abandon or redesign JNURM. Will the budget take into account the realities of an urban India which already exists, or will leave it to its own devices whilst diverting a major chunk of funds to the smart cities? Depending on how the budget is framed, it can either strengthen our urban structure or it can create yet another dichotomy between well funded smart cities and deprived existing cities. Can India afford such a dichotomy?

The Prime Minister has very rightly spoken about the need to have a swachh or clean India. With crores of people being denied at least minimum access to a sanitary toilet and thus being forced to open defecation, with unavailability of water to millions of homes, to have swathes of our cities and villages having no basic

services such as water supply, sewerage and drainage, regardless of how many calls for cleanliness that the Prime Minister may give, India will be a filthy country. We need, therefore, to revisit an old UNICEF inspired programme of providing minimum basic services in urban areas, as also President APJ Abdul Kalam's call for development of PURA, or providing urban services in rural areas, make an assessment of the magnitude of the problem, and then develop a phased programme, with proper long-term budget, to provide these services. It is no good talking about a clean India to a person living in a slum who has neither water supply, nor sewerage, nor drainage, nor proper disposal of garbage and other waste. Without these services he cannot install a toilet, he cannot prevent pools of filthy water from collecting and he cannot prevent heaps of garbage accumulating. It remains to be seen how the next budget approaches this issue and what sort of a provision it makes for ensuring that a call for cleanliness is supported by a practical, well planned, properly budgeted programme to make it possible for us to be clean.

Another area of concern is the Ganga, with its basin of about one million square kilometres, in which lives approximately forty percent of our population. Regardless of myth about the innate and divine capacity of the Ganga to clean itself the fact is that it is one of the most polluted rivers in the world. The Prime Minister has given great priority to the Ganga. This is as it should be because one has to agree with his view that a pollution free Ganga will encourage better agriculture, greater productivity and massive investment in industry which could transform the lives of crores of Indians and give a huge boost to our national economy. As in the case of urbanisation or making India clean the Ganga also needs a detailed programme of the works to be undertaken to clean it and in this the programme has to be phased and identifies segments of it which have to be given appropriate priority. We need to identify and empower the various elements of government and society which will have to implement the programme and we shall have to work out a proper maintenance schedule so that the work done does not degenerate because of neglect. For this we need budgeting and we need dedicated implementation agencies. Unless the budget specifically looks at and provides for all these factors in detail we cannot clean the Ganga.

The economy has been over dependent on the tertiary sector for a number of reasons, not least amongst them being a political animosity towards foreign investment in India for fear that the multinational companies will recreate the role of the East India Company. China was never ruled by the East India Company, but it was forced into war on account of opium trade in which British and other traders wanted a free hand. India was exploited and subsequently ruled by a trading company, whereas China was largely exploited but never fully ruled accordingly. However, the Communist Government of China decided that the only way in which the Chinese economy will prosper is to massively encourage the secondary sector

and for this purpose it not only welcomed foreign investment but it actively invited foreign manufacturing companies to establish their factories and industrial undertakings in China. Every American or European company that one can think of has manufacturing facilities in China, thus transferring technology to that country and also providing local employment. In India we abhorred such a situation and, therefore, whereas our secondary sector remains weak we put all our eggs in the tertiary basket. That brought us some prosperity but it made us dependent on those who wanted our services, which could change as it did when the American Government started opposing outsourcing by the American companies. Our industrial skills did not develop, our industrial culture remained low grade, our research and development sector has remained rudimentary and our manufacturing sector is way behind China. The present government has exorcised the MNC ghost, but it remains to be seen whether it can, through the next budget, create an environment in which manufacture is attracted to India and we see a massive growth in the secondary sector. This is not without its environmental, social and political hazards and the skill of government would be in recognising the dangers and dealing with them so that they are neutralised. This is a matter of great importance and government, in the 2015-16 budget, must give a very strong signal about where it wants the economy to go.

India is a poor country in that it has crores of poor people. Their level of affordability is not only marginal, it may even be sub-marginal. In the long-term the answer is to upgrade the skill levels, provide them opportunities for employment and thus raise their income to a stage where they can at least afford to pay a minimum price. But till that happens just to keep them alive the State will have to adopt a sensible subsidy regime which gives the poor a fair chance of survival. To deny a man pure drinking water because he cannot pay for it runs contrary to the basic structure of the Constitution which mandates the welfare of all. But to make the subsidy perpetual so that psychologically a feeling is created that one is not to make any effort to improve oneself is also wrong. The skill of the Finance Minister and of government would lie in how, through the budget, they are able to design a subsidy regime which gives help where it is needed, whilst simultaneously encouraging meaningful employment, higher incomes, GDP growth with equity which passes on the fruits of prosperity to the last man.

Obviously an essay in this behalf, if it were to cover every point, would probably occupy volumes. One recognises that national security, whether against a foreign enemy or in the matter of internal security, has high priority and we cannot afford to compromise here. One of the major contributions of Robert McNamara as Defence Minister in the United States was to set in motion exercises which looked at efficiency of defence spending so that the most economical use was made of the defence budget with a view to obtaining optimisation without in any way

compromising with national security. Are we conducting any such exercise? If not let the Finance Minister raise some of these issues in the 2015-16 budget so that whereas our security forces, whether police or the armed forces, receive adequate funds there is no wastage. At the same time let this budget not neglect education and health because without educated people who are also healthy, nothing that we try to achieve will become possible.

One can only end by stating that a budget is not only a matter of looking at figures. A properly designed budget can be a blueprint for government and that is what should be aimed at in the new budget.

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