

Keep in mind sops' long term impact

Result of this Budget can be declared only after many years of demonstrating disciplined excellence.

By R Balasubramaniam

The Union Budget arouses not only interest but passionate debate across the country. From corporate czars to the experts on television shows to the man on the street, everyone likes to comment on it. Each one tends to see it from their own perspective and form opinions that are driven by both objective and subjective analysis. After a week of talk, most of the excitement dies down and very few even remember either the Union Budget or the long term consequences of the same.

While analysts called the budget of the year 2015-16 as being pro-corporate and urban-centric, they are quick to rush in with the view that this year's budget is pro-farmer and heavily skewed in favour of rural India. There were also criticisms that last year's budget did injustice to the much needed social sector programmes and the poor.

We must understand that the budget document reflects the core fiscal policy of the government and should not change based on political compulsions alone. While the budget is indeed prepared on a year to year basis, a reasonable policy continuance is to be expected from the government in power.

From this perspective, this year's budget has indeed moved away from being such a policy document reflecting the thinking of the ruling BJP and seems to be influenced by their recent electoral defeats and the upcoming elections in 4-5 major states. While this may give them electoral dividends in the short term, they should not lose sight of the long term impact that it will leave on the nation and its citizens.

The last year saw two major policy changes that emerged. One was the fiscal decentralisation from the Centre to the states and the second was the transfer of social sector responsibilities to the state governments. An analysis from this perspective would be critical to appreciate whether the enhanced allocations made to the social sector this year would result in visible and sustainable change in the year to come. Many schemes were regrouped and slashed and only a few 'core' ones were financially supported by the Central government.

The rationale offered was that the states had access to enhanced allocations of 42% under the fiscal decentralisation plan and that they had to prioritise relevant social sector programmes locally. The reality of the situation is that the transfer of responsibilities to the state governments across a range of development sectors was not matched by adequate increases in their spending capacity.

Existing administrative and programme implementation capacity has been permanently affected and any enhanced allocations cannot remedy the situation immediately.

Moreover, the basic issues of corruption, inadequate monitoring and lack of desired levels of accountability have not been addressed so far. While welcoming the step towards fiscal federalism, we need to appreciate that social sector expenditures made by all states historically in the last fifteen years has not exceeded 40% of the total expenditure.

Therefore, in order to realise the Centre's expectations that the states shoulder major responsibility of provisioning for the social sectors would only be possible under massive re-prioritisation of spending patterns in the states as well as flow of adequate resources to fund these expenditure priorities.

Stable policies

It is from this hindsight that Finance Minister Arun Jaitley and the government should view this year's budget. Social development is a long drawn process and is painstakingly slow. It is also driven by stable policy support that the government in power provides. This necessitates that programmes and schemes be driven not by political exigency but by the ground realities that prevail. An economy in transition with widening inequities needs a sensitive, understanding and stable government with clearly thought through long term policies.

The government also needs to understand that the poor and the socially excluded no longer need elaborate and complex safety nets in terms of sops and subsidies. They need a state that can ensure that their human and social capital is steadily and consistently expanded over periods of time long enough to get them to participate in wealth creation. This is the only way to ensure economic dividends both for them and for the nation at large.

This translates as budget support to ongoing programmes over long periods of time, enhanced monitoring of the implementation process, redefining performance standards for the executive, and engaging citizens in the process of their own development. It also calls for an innovative description of the concept of cooperative federalism where both the Centre and the States agree to a minimum acceptable level of social progress and to hold each other accountable in delivering on the same.

While Prime Minister Narendra Modi likened the budget presentation to his annual exam, one must realise that the results of this exam cannot be declared in a week or in a year, but only after many years of demonstrating disciplined excellence by his government.

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