Niggardly on Essential Spend

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Some of us may have given up expecting miracles in terms of genuinely increased budgetary allocation on the essential public services that deliver the socio-economic rights of citizens. Even so, it is hard to avoid the "this time will be different" feeling.

After all, this is the last budget presented by UPA-2. In a little more than a year's time, this government and the major parties involved in it will face the electorate in the general elections. So it is only natural to expect that there would be at least some nods to patterns of taxation and spending that positively benefit the mass of people.

Alas, once again, it was not to be. This time round, the excuses are the headwinds from the global economy, the large fiscal and current account deficits, and the slowing growth. All this is then interpreted to mean that the government cannot afford to spend more on "giveaways" (which is always how essential public spending is presented) and must instead devote its fiscal efforts to making large private investors (both Indian and foreign) happy.

Let us bear in mind that India must be the only country in the world where public delivery of essential social services is presented as government "schemes" that are gifts from the state to the people, rather than the rights of citizens that simply must be met through public delivery.

We underprovide essential health services and then try to give them on the cheap through the National Rural (and now Urban) Health Mission, which relies on underpaid women workers to run. We underprovide education and then say we are putting money into 'abhiyans' for universal schooling.

Even basic nutrition and antenatal and postnatal services that should be common-and-garden public services (and are precisely that in most countries) are presented in the form of the Integrated Child Development Scheme (ICDS). We proudly declare that the ICDS is the largest such scheme in the world, which it is simply because in no other country would this be called a scheme.

And then we barely provide any funding for it, so that it has not yet even been universalised despite the Supreme Court's strictures over nearly a decade, and also relies on underpaid women working with hardly any facilities who are not even described as workers. And then, in turn, we are very surprised when it does not deliver expected results despite the tiny dribble of resources it receives.

If anything, this Budget is slightly worse than previous ones because it assumes very little increase in actual spending on social services compared to the current year's Budget outlays. Even those amounts were not spent fully – there are massive shortfalls in Plan spending across all sectors including social spending – because the FM had already tightened the screws on such expenditure by the middle of this year. But the projected increases are really small, well below even the projected increase in nominal GDP of 12.8%.

Thus the food subsidy is supposed to increase by only Rs 5000 crore to Rs 90,000 crore, even though the Centre still plans to bring in the food security bill. Education spending has also been suppressed. The outlay for school education is only 8 per cent more than the current year's budget estimate and 15% higher than actual spending this year, which means it will just barely increase as a share of nominal GDP.

Ditto for health spending: while the increase of budgeted outlay over revised actual spending seems high (28%) in fact the increase compared with the previous year's budget is only 8%.

So it remains to be seen how much new spending is actually allowed even in something as essential as health.

The supposedly flagship programme MGNREGA has been allocated Rs 33,000 crore – exactly the same as the current year's allocation, which means a significant decline in real constant price terms. Across the board there is this niggardly approach to essential public spending.

All this is made much worse by the fact that another little noticed feature of this year's budget will significantly increase inflation. The total subsidy bill is to be brought down by more than Rs 26,000 crore – almost entirely on account on reduced outlays on fuel subsidies.

While global energy prices still ruling very high, this can only mean that the central government is preparing to force Indian consumers to pay global prices for fuel, even though per capita incomes are only a small fraction of the global average. Since fuel is a universal intermediate, this is bound to affect all other prices, including those of essential goods and services like food, transport and so on. And so this is an aggressively inflationary move, which is more than surprising if the government is truly concerned about containing inflation and particularly food prices, or about delivering food security to the people.

Politically, therefore, this is a surprising Budget. The Indian electorate does not consist of fools, and they will soon see what the real implications of these measures are. In the circumstances, it is surprising that his own party let Chidambaram get away with this.

* This article was originally published in DNA on 1 March, 2013.