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Budgeting for sustainability

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**Ashish Kothari**

Government schemes should be re-oriented from an ecological and social justice perspective in the long run. But, as an intermediate measure, each of these agencies should budget for environmental measures, writes environmentalist Ashish Kothari.

The Government of India's oft-repeated commitment to sustainable development can be gauged in a number of ways, including its 5-Year plans, its annual budgets, and its periodic macro-economic policy measures. The macro-economic directions it sets through these and other measures, are a clear indication of whether it means business when it says, to the global community, that it is serious about environmental sustainability and social justice or equity, the two crucial pillars of 'sustainable development' (without here going into the problems of this concept or term).

In a series of articles over the last few years, I have tried to show that our policy directions have repeatedly failed in moving India towards sustainability, even though there are some sporadic indications of change (see, for instance, <http://infochangeindia.org/environment/politics-of-biodiversity/is-sustainability-truly-built-into-the-12th-5-year-plan.html>). So what would be needed in the 2012 budget to do things differently? Here are a few things (not necessarily in order of priority):

1. **Increase funds for environmental agencies:** In 1991, the start of the so-called economic reforms catapulting India into a globalised economy, the then Finance Minister Manmohan Singh had stated that India needed to increase its rate of economic growth to raise the resources needed to protect the environment. But has funding for environmental protection substantially increased in proportion to the problems that globalised 'development' has caused (e.g. huge diversions of forest land for industry and mining)?

While the central government allocation to the MoEF has steadily gone up since the early 1990s (from about Rs. 3,700 million in 1995-96 to 15,000 million in 2009-10), its share of the total budget has remained dismally low. It has never gone even near the mark of 1% of the total budget. Indeed, it has steadily declined as a share of the total budget, since 2004-05, reaching an all-time low of 0.36 percent in 2009-10. While the total budget has risen over 5 times in this period (1995-96 to 2009-10), the MoEF budget has risen only 4 times. It is therefore clear that even where the government has more overall money, it is not putting a proportionally higher amount into environment.

Of course making the MoEF (or state environment departments) richer does not necessarily mean better environmental conservation, but that's a topic for a separate article; suffice it here to say that more funds are needed by these agencies, e.g. to employ many more people to monitor the thousands of projects that are given clearance, and to set up a fund for independent environmental impact assessments which are otherwise funded by project proponents leading to obvious distortions.

So, step 1: Substantially increase the share of MoEF in the budget. Simultaneously encourage/enable state governments to do the same with their environment/forest departments.

2. **Increase funds of other official agencies related to environment:** For example, Energy: while non-conventional energy sources gets barely more than 1% of the total energy budget, highly polluting (and climate changing) sources like thermal power, or ecologically and socially disruptive sources like big hydro-power, get the bulk of the money. Substantial allocations are now being put into solar power through the relevant mission as part of the National Action Plan on Climate Change, but these remain focused on centralised systems that may not reach, or will take a long time reaching, poor households in rural areas; what is needed are massive investments in decentralised renewable energy. Or Water Resources: hardly any of the budget is for decentralised, ecologically sensitive methods of storing and using water, or for on-site water purification measures that are not necessarily within the purview of MoEF. Or Rural Development: many schemes under this are unmindful of, or damaging to, natural ecosystems which villages may depend on, whereas the entire thrust of rural development could be towards enhancing or rebuilding the natural resource base including wetlands, forests, productive farmlands, grasslands, and so on. This includes high-profile and high-budget schemes such as the NREGS. Simultaneously, similar measures for state government departments and schemes related to development. It should be noted that according to the United Nations, 'green jobs' (renewable energy, sustainable farming, ecologically sensitive housing, etc) would create much greater employment than these economic sectors do in the conventional (current) models.

Step 2: Substantially increase the share of environment and sustainability-related sectors within the other ministries and departments, such as for decentralised renewable energy



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within the other ministries and departments, such as for decentralised renewable energy sources, decentralised water harvesting and cleaning, and regeneration and enhancement of the rural natural resource base.

3. *Integrate an environment budget line into each Ministry/Department:* Currently the government works in a highly compartmentalised way, assuming that whatever damage any sector does to the environment, will be taken care of by MoEF or the state environment departments (and the same for social disruption, to be handled by welfare departments). Eventually, all plans/schemes of all ministries/departments need to be re-oriented from an ecological and social justice perspective (see below), but meanwhile, as an intermediate measure, each of these agencies should budget for environmental measures.

Step 3: Introduce a budget line on environmental conservation into the budgets of each ministry and department at central and state levels. This would help put in staff and measures that ensure the agency's activities are either leading to conservation and sustainable use, or are adequately compensated by appropriate remedial measures.

4. *Introduce natural resource accounting/budgeting:* Current national and state budgets do not reflect the true magnitude and range of contributions that nature and natural resources make to the economy. As a result, the environment (and the livelihoods of hundreds of millions of people directly dependent on natural resources) is always given short shrift in deciding economic planning priorities. A number of official pronouncements have been made on this, but with little actual progress. For instance, the Government of India Policy Statement on Environment and Development (2006) stipulates that economic growth indicators like GNP and GDP would include depletion costs of environmental resources, that the Government would prepare a natural resources budget every year, reflecting the state and availability of land, forests, water etc., and further that these resources would be rationally allocated in keeping with principles of conservation and sustainable development. Yet no progress has been made in this direction since the Policy Statement.

Step 4: Integrate, into national and state budgets, realistic and credible estimates for the contribution of biological (and other natural) resources to India's economy, and the economic losses suffered due to biodiversity and other ecological destruction. Such estimates should be arrived at through widely accepted methodologies, and it should also be accepted that they are only approximations. They may not necessarily reflect the full values, and they should not be seen as replacements for the equally qualitative values of nature that are non-measurable.

5. *Assess central and state budgets from a biodiversity and livelihoods perspective, and introduce the necessary changes:* While budgets (and plans) go through some form of assessment for their economic feasibility, and to some extent their social impacts, no such exercise is done for their environmental feasibility and impacts. Without such assessments, often the damage caused by activities funded through such budgets is not predicted, and it is too late to take preventive or ameliorative action.

Step 5: The Planning Commission's procedures need to integrate an assessment of the proposed annual budgets, to gauge their implications for the environment (and for the livelihoods of those most directly dependent on nature and natural resources). The results of this should feed into the making of the final budgets. Again, the same needs to be encouraged at the state level.

6. *Shift subsidies to sustainable activities and processes:* Massive subsidies are being given in conventional budgets, to activities and processes that are ecologically damaging and socially disruptive (they are therefore called 'perverse subsidies'). This includes the chemical fertilizer subsidy which is crippling not only economically but, more importantly, for the soil and ultimately for agriculture (see <http://www.greenpeace.org/india/Global/india/report/Living%20soils%20report.pdf>). Shifting this into organic farming would be a huge step towards sustainability. There are many other subsidies, including indirect ones like tax breaks to industries in so-called 'backward areas' (see below), that need to be reviewed and changed.

Step 6: Convert perverse subsidies into support mechanisms for sustainable activities like organic farming and 'ecological fertilisation', or appropriate development activities in ecologically and socially sensitive areas (see below).

7. *Provide special budgets for ecologically and culturally sensitive areas:* Budgets have conventionally had special consideration for 'backward areas', but both the definition used and the projects sanctioned in such areas are oriented from the mainstream 'development' perspective. Many of these areas, as also a number of others, are sensitive or fragile from ecological or cultural perspectives. These include hill and mountain ranges, coastal/marine stretches with coral reefs and mangroves, large (urban and rural) wetlands, areas with high or unique agro-biodiversity, etc. Plans and budgets for such areas need to take such sensitivity into consideration, rather than impose ecologically and culturally disruptive activities on them. Also they need to compensate for lost opportunities, for instance when foregoing certain development activities in forested catchment areas, as has been demanded by several Himalayan states. The budgets in such areas need to be enhanced, but with clear stipulations for development being in tune with the environment and local livelihoods and cultures. There is a precedence for this in the Planning Commission's schemes for Hill Areas and for the Western Ghats, but actual projects funded under these remain in the conventional rural development mould which end up disrupting the environment and local cultures.

Step 7: Provide enhanced budgets to ecologically and culturally sensitive areas, with clear and strict guidelines that truly help to conserve the natural and cultural characteristics of such areas while providing the necessary developmental and welfare inputs to their people.

Clearly, this would mean giving central voice to local communities in the formulation of plans and budgets.

8. *Provide incentives to states that perform well on sustainability:* For some years now there has been discussion on encouraging states that do well on environmental conservation. The Approach Paper to the 12th 5-Year Plan talks of a scheme to fund states that bear the 'cost' of forest conservation meant to benefit the nation as a whole. However, a comprehensive system of such incentives needs to be on a range of parameters, including conservation, pollution prevention and control, securing nature-based livelihoods, and so on.

Step 8: Initiate a scheme to provide special incentives to states that do well on a range of sustainability criteria, including forest conservation and regeneration, wildlife and biodiversity conservation, pollution prevention and control, soil protection, enhancement and security of livelihoods based on nature, decentralised governance of natural resources (including implementation of progressive legislation like the Forest Rights Act and the Rural Employment Guarantee Act), and so on. The reverse, a system of disincentives for states that do badly, should also be built into this.

9. *Build the budget bottom-up, through participatory processes:* Budget-making has been considered a highly specialised task for 'experts', not amenable to public participation. This is a myth. While the final national or state level budgets may need to be consolidated and harmonised by smaller teams at the government level, there is no reason why a series of exercises cannot be carried out before that, to get in the voices, information, and expertise of 'ordinary' citizens. This is, after all, the intention of decentralised planning and administration that India is supposedly committed to, both for rural and for urban areas. Some early exercises towards participatory budgeting are taking place in a few cities (see, for instance, http://government.wikia.com/wiki/Participatory_Budgeting_in_Pune), and where gram sabhas and panchayats are adequately empowered they are able to have a voice in the budgets allocated for their areas (see for instance http://www.cenesta.net/icca/images/media/grd/mendha_india_report_icca_grassroots_discussions.pdf). But no such exercises are carried out at larger levels. A beginning can be made by the relevant ministries and departments asking (well in advance) for public inputs regarding their preferred budget items and allocations, and then making available draft budgets for public comment. Eventually, as decision-making on various matters including development planning gets more decentralised to gram sabhas and urban area sabhas or wards, state and national budgets could become much aggregations of these, plus whatever else is needed at state and national scales.

Step 9: Initiate public consultation and participation measures into the making of local, state, and national budgets, starting with a few regions and sectors and building up eventually to all regions and sectors. All the other steps listed above should go through such participatory processes.

Conclusion: The above are only a few of the crucial measures that are needed in the annual budget exercise. However, it should be kept in mind that without corresponding changes in macro-economic policies in each sector, these will have very limited impact. They are more in the nature of necessary (but not sufficient) steps towards the radical and fundamental change that is needed to make Indian economy and society truly sustainable and equitable.

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