

## **Dreams of a Green Budget: Wishful Thinking About Mr. Sinha's Budget Speech**

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As always, in the run up to the budget there was much speculation about what the budget would and would not contain, about what Mr. Sinha would and would not say in his speech. February 28 has come and gone and the speculation is over. Now the pundits are busy dissecting the budget for the benefit of the few that are not engrossed in cricket, politics, religion or the gruesome carnage in Gujarat.

Whatever Mr. Sinha may or may not have said in there were some things he certainly not say in his speech. These include bold measures for greening the budget and changing the manner in which environmental policy is made in the country. What follows is wishful thinking about what one might have heard Mr. Sinha say (but did not).

"101. Honourable members I now turn to an important issue, namely, that of environmental degradation. As this august house is well aware the severity and magnitude of environmental problems in our country has brought us to a point where the cost of environmental degradation every year is almost as large as the rate of growth of the economy. In other words, environmental problems threaten the very sustainability of our economic development. It is imperative that we move beyond tokenism and tinkering with the tax code to a paradigm shift in tackling our environmental problems—lip service to the environment will not do.

102. I therefore recommend wide ranging measures for sustainable development in this budget. These are aimed at removing policy distortions and addressing market failures that give rise to environmental problems.

103. To address the widespread problem of water pollution I propose an increase in the rates of water cess and a fundamental change in the manner in which it is levied. In line with the recommendations of the Ministry of Environment Task Force on Market-Based Instruments in 1997, I propose that the cess be levied not on water consumed but on the pollution load such as the amount of biological oxygen demand (BOD) generated by a firm. Further details will be announced by my colleague, the Minister for Environment and Forests.

104. For local air pollutants such as sulphur dioxide (SO<sub>2</sub>) and oxides of nitrogen (NO<sub>x</sub>) we have made an allocation of Rupees 50 crores to launch a pilot emissions trading scheme. This scheme will be implemented by the environment ministry and firms will be allowed to buy and sell permits subject to an overall ceiling. I am proposing these measures in the budget since they are economic in nature and it is high time that we moved beyond the bankruptcy of the inspector raj to approaches that have been tried with great success around the world.

105. Similarly, for new vehicles I propose to levy an environmental excise duty (EED) linked to the emissions performance of the vehicle. This will create an incentive for vehicle manufacturers to reduce emissions even below Euro II or Euro III standards, since doing so would reduce the amount of EED they would have to pay. At present there is no incentive for them to go below Euro standards. I also hope that state governments will couple this with higher vehicle registration fees and parking and congestion charges to reflect the true social cost of vehicle ownership and use.

106. More generally, I firmly believe it is through economic instruments such as pollution charges, tradable permits and deposit refund schemes, backed by a strong monitoring and enforcement regime, that we will be able to tackle the growing menace of water and air pollution and other environmental problems. In addition, these instruments are attractive since they generate revenue. They are now being applied in a number of countries including China, Malaysia and Singapore. By moving ahead decisively on these we can show that “hum kisi se kam nahin”.

107. I am also convinced that there is an intimate link between natural resource degradation and poverty with both feeding off each other. Unfortunately, this two-way causality has been neglected in past. Treating the relationship as being unidirectional when in reality it is not, has meant we have failed to recognize the potential of improved natural resource management as a policy tool to alleviate rural poverty. My government, is committed to investing significant resources in natural resource regeneration as a means to combating rural poverty. We realize that true security for our citizens is not measured by the number of tanks and warplanes but through safeguarding and enhancing the biomass base on which so many of my fellow Indians depend. Henceforth, we shall halt and reverse the dangerous drift towards militarization and focus on *ecological security* as the meaningful way to think of security.

108. To this end, we have taken a historic decision to freeze our defense spending and use our resources towards a massive nationwide program of watershed management, rainwater harvesting and reforestation that will involve local communities. We realize that the “guns and guards” approach to forest management is not sustainable in the long run and that local communities have to have a stake in managing these forests. Thus, companies that source wood from community forests will receive tax concessions. This will increase demand and provide communities with an incentive to plant trees and create jobs.

109. Members of this august house are well aware of the precarious condition of central and state government finances. At both levels the revenue and fiscal deficit are ballooning. We cannot continue to live beyond our means and mortgage our future. Interest payment on past debt is eating away a major chunk of our revenue. The state of Kerala has embarked on a bold and long overdue programme to downsize the holy cow of state government. We at the centre must follow suit.

110. This is particularly true in the field of environmental policy where we have created a mammoth bureaucracy that has not delivered commensurate improvement in environmental quality. In this context, and in the interest of making the government more transparent and accountable, I would like my fellow citizens to ask of us how much does it cost them to maintain this bureaucracy and what are they getting in return?

111. For the first time, my budget poses this question to generate an open debate and discussion. The accompanying chart and graph “What price babu?” lays out the average salary of almost one lakh rupees per annum we pay our 33.4 lakh central government servants (or should I say masters?). In environment related ministries we have found that the babus are even more expensive than the general babu. In the ministries of environment and forest (MoEF), non-conventional energy sources (MNES), and water resources (MoWR) the cost per babu per year is a staggering Rs. 1.21 lakhs, 2.7 lakhs, and 1.32 lakhs, respectively. In my own ministry in the department of economic affairs, a babu costs over Rs. 1.9 lakhs per annum<sup>1</sup>. I

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1. Annexure 7, “Estimated strength of establishment and provision therefor”, pp. 79-81, Expenditure Budget Vol. I, 2002-2003.

believe the common man/woman of this country have a right to ask what is it that they have got in return? Is the air/water cleaner, do they have to walk less for water and firewood?

112. As you may have realized what I am proposing is not only a rightsizing of government but also greater accountability on its part. From now on we will hold government servants (including myself) responsible for delivering on their responsibilities in a time bound manner. If as Finance Minister I cannot deliver sustainable economic growth then I do not have the right to be minister. The same holds for my esteemed colleagues and for other officials. Please measure us not by what we say but by what we do.

113. Mr. Speaker, Sir, this is truly a budget devoted to sustainable economic development. It is a budget designed to make the government more transparent and accountable.

114. Mr. Speaker, Sir, with these words, I commend the budget to this august house.”