Budgeting for environment

SHEKHAR SINGH, of the Indian Institute of Public Administration, New Delhi, discusses the impact of the new economic policy on environment and steps to improve the situation.

THE rapid changes in Indian economic policies, at least partly due to the World Bank-motivated structural adjustments, have social, economic and environmental implications. Though significant amount of attention has been paid to the first two by the press and various intellectuals, the environmental implications remain, as always, neglected. Here is an attempt to rectify this neglect.

The current economic policies will have direct and indirect adverse impacts on the environment. At least some of it is not new. But perhaps the most interesting of these features can be categorised as encouraging consumerism, deregulating industry and promoting agricultural exports.

Encouraging consumerism

Many economic policies seem directly aimed at stimulating demand and consequently, the production of consumer goods. Unfortunately, much of the attention has been focussed on what are generally known as luxury items — cars, air-conditioners, refrigerators, television sets, video cassette recorders and other such.

Almost all the consumer items that are being promoted have significant environmental impacts. The encouragement of consumerism, as it is being done in India, is antithetical to the concept of sustainable development.

Generally, enhanced consumerism involving production and consumption of increasing quantities of goods, and the related increase in power, water and other natural resource needs is the essence of environmentally unsustainable lifestyles. This is being acknowledged the world over and though little concrete action has emerged, there appears to be serious thinking about alternative models of development.

Despite this, in India, where we can still choose, we are enthusiastically embracing the lifestyles and development models that most of the world is looking for ways to jettison. A good example is the recent reduction in the duty on cars. The explicit objective is to encourage people to buy (and use) more cars. Apart from the fact that this means import of more petroleum, it also enhances our already over-the-limit air pollution.

The argument that new economic policies result in the latest, efficient, technology cannot be an adequate excuse. For, even if the new cars that come on the road are less polluting, their sheer number is enough to make the air unfit for breathing. Besides, the current economic policies do not encourage environment friendly cars. If they were, tax relief would have been given to only those cars which met stringent fuel efficiency and pollution control standards.

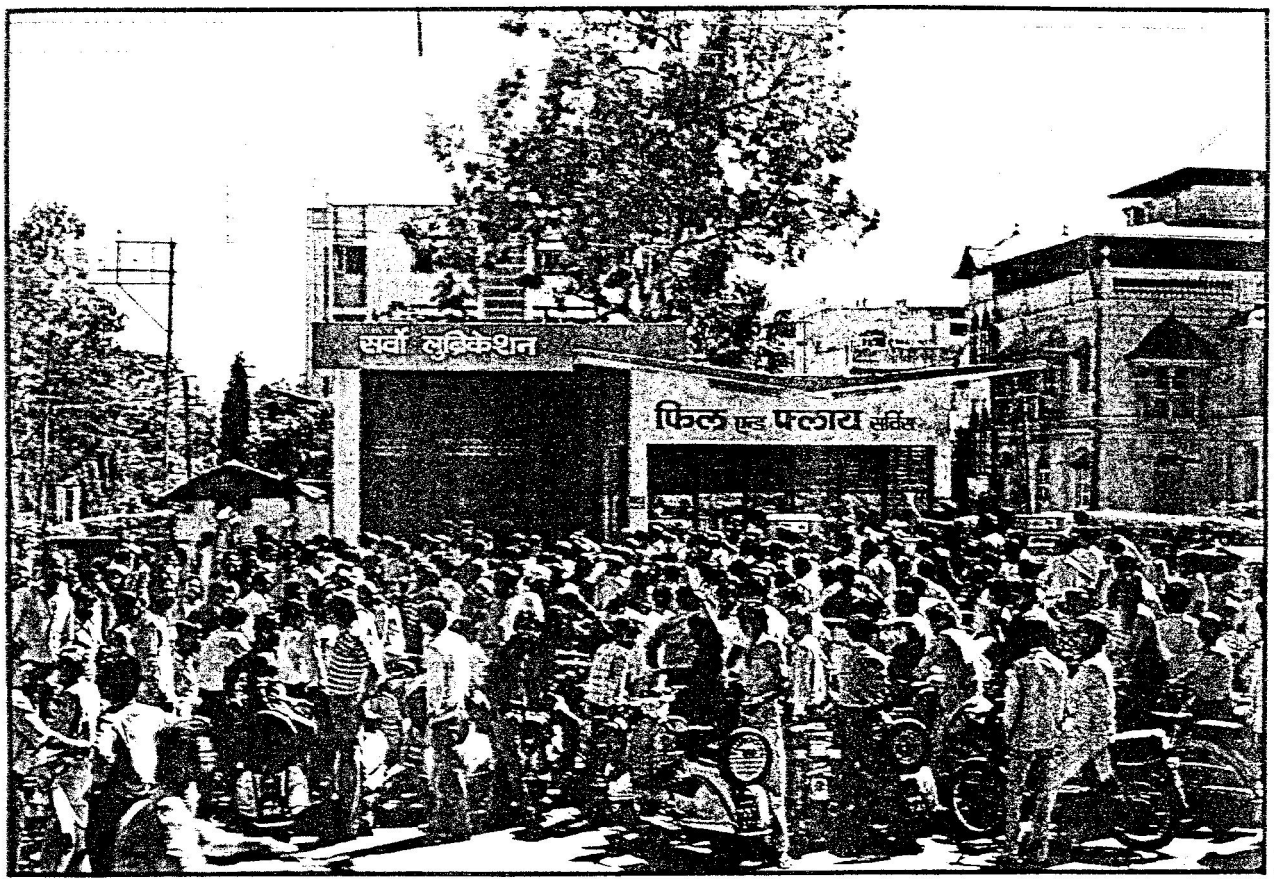
Nevertheless, even with the 'greenest' of cars, air pollution will continue to increase as the number of cars grow, unless, of course, structural adjustment can make a car, that instead of polluting, actually cleans up the atmosphere as it cruises around!

So what is needed is greater public sector investment in public transport. City and town planning has to be made conducive to lowering air pollution and encouraging more people to use the steadily improving public transport system. Instead, we are moving in

Breakup of fund allocation on environment for States and Union Territories

	Percentage of allocations	
	in Seventh Plan	in Eighth Plan
Madhya Pradesh	0.49	0.22
Sikkim	0.24	0.27
Tripura	0.17	0.11
Kerala	0.17	0.13
Assam	0.11	0.09
Andhra Pradesh	0.10	0.02
All India	**0.09**	**0.09**
Manipur	0.08	0.10
Jammu and Kashmir	0.08	0.22
Goa *	0.08	0.13
Uttar Pradesh	0.07	0.07
Tamil Nadu	0.07	0.20
Orissa	0.07	0.07
Delhi	0.06	0.05
Mizoram	0.06	0.03
Meghalaya	0.06	0.15
Haryana	0.05	0.11
Rajasthan	0.05	0.11
West Bengal	0.05	0.08
Punjab	0.04	0.07
Pondicherry	0.04	0.02
Karnataka	0.03	0.02
Gujarat	0.03	0.08
Himachal Pradesh	0.03	0.07
Bihar	0.02	0.05
Maharashtra	0.02	0.01
Arunachal Pradesh	0.02	0.02
Andaman & Nicobar	0.01	0.04
Lakshadweep	0.00	0.33
Nagaland	0.00	0.05
Dadra & Nagar Haveli	0.00	0.13
Chandigarh	0.00	0.36

* *Includes allocations for Daman and Diu.*



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By cutting tax on cars the Government is stimulating the market for it. In a country, where petroleum is dear, this measure may prove too costly.

the opposite direction.

Similarly, air-conditioners are made cheaper to stimulate the market. But we have little electricity and a depleting ozone layer. And much of the electricity produced is at great social and environmental costs. To feed the air-conditioners in Delhi, power is drawn from the northern grid, leaving little for the satellite towns. We already have the Rajghat and Badarpur power stations spewing tonnes of fly ash into the atmosphere. Now, a new power station is being planned at Bawana, which is upwind of Delhi and will contribute an additional three tonnes of nitrogen oxide every hour to Delhi's already polluted air.

The situation is no better in the other parts of the country. In Bombay, the Tatas are setting up a new thermal plant in the heart of the city, despite the already high air pollution levels. Another power station is coming up in Dahanu, threatening the local ecology. Madras intends to build the second phase of the North Madras power station, despite the environmental problems. Kerala hopes to feed its hungry air-conditioners by building a thermal power station in Kayamkulam and thereby ruin a valuable breeding ground for fish and prawns. The coal for this power station will come from Thalcher, nearly 2,000 kms. away.

Almost all the consumer items that are being promoted have significant environmental impacts. In totality, the encouragement of consumerism, as it is being done in India, is antithetical to the concept of sustainable development. With our huge and growing population and rapidly depleting natural resources, we should pioneer innovative, environmentally sustainable models of development. Instead, we are following a path that will be even more disastrous for us, than it was for its original proponents.

Deregulating industry

Europe and the U.S. from whom we are borrowing our 'development' philosophy, have an economy with relatively few regulations. But this is because they have created objective conditions where social costs cannot be ignored. Although all these countries operate in a license-free system, they have stringent environmental regulations and laws, a judiciary and a populace which are unforgiving, if there is a threat to human health or the environment.

These countries have strong consumer preferences for 'green' goods and a market environment where a polluting industry, if it is not closed down through litigation and punitive damages, will lose its markets due to a discriminating consumer. You have there a society where basic needs have been met and, therefore, people can and will fight for their health and environment, and are informed enough to know when it is being threatened and by whom.

In India, we have accepted deregulation and delicensing, but not recognised the need for stringent environmental standards and laws. We have also not noticed that our public, and people's institutions are

not yet ready to take on the burden of safeguarding their health and environment. India remains, perhaps, the only major country which has not made environmental impact assessment (EIA) mandatory prior to the initiation of development projects. The effort to bring environmental impact assessment under the law has been delayed by the Prime Minister's office for nearly a year.

The holiday given, in the last budget, to the industries in some of the "backward" regions like the Andaman and Nicobar, Lakshadweep, and the North East States has, in the absence of law insisting on EIA, posed a serious threat to the environment of these ecologically fragile areas.

The danger is not from industrial growth, but inappropriate industrial growth.

Agricultural exports

Globally, the major threat to the environment, in terms of promoting agricultural exports, has been through the replacement of traditional food crops by hybrid cash crops. Degradation of land, pollution through pesticides and fertilizers and loss of biodiversity have been some of the more disturbing environmental impacts.

In India, a new worry is starting the exports of our genetic resources and the consequent destruction of our forests and other wilderness areas.

The Government must present in the Parliament, an annual natural resource budget which allocates natural resources like water, forests, land and even clean air, for different uses including the environmental ones.

Recent modifications in the export policy, reportedly necessitated by the World Bank, have liberalised (or allowed) export of, among others, the following items: wild orchids, processed brown seaweeds and agarophytes, excluding G. edulis of Tamil Nadu coast origin, handicrafts and articles made of peacock tail feathers, seeds of trees, hedges, ornamental plants, flowers and gloriosa superba (*Lilliaceae*), plants, plant portions and derivatives obtained from the wild, processed timber of all species, excluding sandalwood and red sanders and handicrafts made of sandalwood.

The other new exports are: machine finished sandalwood products, visiting cards, blades for ladies hand fans, outer case and dials of watches and any other similar products made of sandalwood, meeting the above specification and value addition norms, and handicrafts made out of seashells.

Permitting exports of wild orchids and plants will pose a serious threat to our biological diversity and make the task of protecting our forests and wildlife so much more difficult. Similarly, the export of seashells items will have a very significant impact on the ecology of our coastal and marine areas.

Most disturbing, the permission to export sandalwood products will create a new demand for sandalwood which cannot, but strengthen Veerappan and his ilk, much to the cost of our forests.

Solutions

Obviously the whole development strategy has to be rethought. Even if we do not immediately adopt a model of sustainable development, we must understand the implication of such a model in India — the costs and benefits and time frames involved. Measures which take a long time to actualise must be initiated now. At present, there appears to be no agency within (or outside) the Government which has any idea of a sustainable development path for India.

In any case, a nation, least of all a nation of India's size and complexity, cannot overnight change its strategy of development. This 'slowness to change' is both a weakness and a defence. It is a defence against thoughtless economic adventurism, such as what is happening at present.

Changes have to be initiated gradually, in phases. Therefore, the move to environmental and social sustainability must also be so. First, we must ensure that every development project and activity, every economic and social initiative, and every governmental action is in harmony with the principles of sustainability. Once this is done, the changes in our path and model of development are inevitable.

Funds allotted for environment in 1992-93.

	Percentage of allocations	Per capita allocations *(in rupees)*
Madhya Pradesh	0.35	1.22
Lakshadweep	0.33	15.24
Sikkim	0.27	7.10
Jammu and Kashmir	0.22	2.21
Meghalaya	0.21	2.71
Kerala	0.16	0.48
Rajasthan	0.14	0.44
Goa	0.13	1.63
Manipur	0.12	1.31
Chandigarh	0.11	1.15
Assam	0.10	0.43
Haryana	0.10	0.49
Gujarat	0.10	0.42
All India	**0.09**	**0.32**
Tripura	0.09	0.87
Punjab	0.08	0.57
Himachal Pradesh	0.08	0.69
Orissa	0.07	0.32
West Bengal	0.07	0.15
Daman & Diu	0.07	0.94
Bihar	0.05	0.12
Andhra Pradesh	0.05	0.11
Uttar Pradesh	0.04	0.12
Delhi	0.03	0.31
Nagaland	0.03	0.47
Andaman & Nicobar	0.03	1.72
Karnataka	0.03	0.13
Mizoram	0.03	0.70
Pondicherry	0.02	0.24
Arunachal Pradesh	0.02	0.56
Maharashtra	0.02	0.07
Tamil Nadu	0.01	0.04
Dadra & Nagar Haveli	0.00	0.00

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Another 'development' measure, which will have a negative impact, is the export of sandalwood handicrafts. This is bound to increase the pressure on forests and aggravate sandalwood smuggling further.

Fiscal and economic institutions like the budget and the Plan must be used progressively in this direction. The 1993-94 budget is a very disappointing one from the environmental viewpoint, especially since it was the first one after the rhetoric of the Prime Minister at the Earth Summit in Rio. Despite many opportunities, like tax reliefs to goods earning the newly instituted 'ecomark,' or to companies filing a 'green' environmental audit, the Finance Minister chose to pay lip service to the environment. He increased the rate of depreciation on pollution control machinery and removed the excise duty on non-conventional (non-wood) raw materials for manufacturing paper. Both these are welcome, but marginal interventions.

The Finance Minister also gave significant tax relief for plywood, ironically claiming that he was saving wood and the forests. Actually, the plywood industry has become one of the biggest commercial destroyers of forests and one cannot but see this tax rebate as a part of a larger design to promote the industry. A recent decision of the Minister for Environment to allow increased tree felling in the Andaman and Nicobar Islands, despite a plan by the Island Development Authority and the then Prime Minister, Rajiv Gandhi, to phase out all forestry operations in these Islands, points to this design. It is also evident in the efforts to give industry access to forest land, again spearheaded by the Minister for Environment.

The Eighth Five Year Plan and the Annual Plan for 1993-94 are also very disappointing. Though the Annual Plan for 1993-94 was approximately 29 per cent larger than that of last year, the Plan allocation for the Ministry of Environment and Forests increased by only 13.6 per cent (from Rs. 280 to Rs. 318 crores). This means that the Plan allocations for this sector went down from 0.563 to 0.497 per cent of the budget.

Though the final figures for the 1993-94 Plan allocations for the States are not available, the figures of the Seventh and the Eighth Five Year Plans and of annual plans 1991-92 and 1992-93 show that the situation has not improved much.

Apart from a drastic increase in Plan outlays, the allocations on pollution control should be pegged to outlays in sectors like industry and minerals, transport and agriculture. As the growth in these sectors (and in population) contributes to pollution and environmental degradation, it seems sensible to make the budgets on environmental protection and control a proportion, say one per cent, of the outlays of these sectors.

Finally, the allocation of natural resources must also be budgeted. The Government must present in the Parliament, an annual natural resource budget which allocates natural resources like water, forests, land, soil, biomass, and even clean air, for different uses including the environmental ones. The revenue of such a budget will be the water conserved or recycled, the forests planted, the land and soil conserved and the air cleaned.

Though the concept has been accepted by the Government and included in the official Policy Statement on Conservation and Sustainable Development, it is not clear when the first budget will be presented. The sooner the better.