

Lost Between Intent and Belief*

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One of the frightening things about the Narendra Modi government is the extent to which it is managing to avoid or circumvent democratic accountability. The presentation and subsequent manipulation of the Union Budget is just one of the many examples of this, but it is an extremely telling example.

Under the Constitution, the presentation of the budget in Parliament has a special place. The budget must be passed in Parliament if the government is to survive, and [cut motions](#) against it are threats because if they are passed, the government falls. Discussions on the budget are prolonged over a month and typically many details are debated and adjustments are made over the course of that month in response to demands from various segments of the economy and population. Over the years, the budget and its presentation have also become the objects of enormous media hype, with obsessive commentary and analysis over every detail.

But suppose it turns out that all this discussion and debate is actually meaningless, because the budget itself is an enormous con? That hardly any of these numbers carries any sanctity because the finance ministry is generating a set of numbers for projected revenues that are unlikely to be met, which will then give it an excuse for reducing certain expenditures below the allocated amounts on the excuse that the fiscal deficit target must be maintained at all costs? Then all the discussions and squabbles over specific allocations amount to nothing more than hot air, if the eventual spending is anyway below the budgeted amount and is decided in an opaque, centralized and secretive manner.

As it happens, this is a practice had already been begun by the previous finance minister, P. Chidambaram. But it is being perfected under Arun Jaitley. Consider what happened in the current fiscal year, according to numbers revealed in the budget just presented. Around November, the [finance minister announced](#) that tax revenues and other revenue collections were well below the projected levels. As a result, because he was determined to observe fiscal discipline and maintain the fiscal deficit at the projected level, he would be forced to cut various items of public expenditure. Note that the government does not need to go back to Parliament for spending less than it has allocated—only for spending significantly more, in which case it has to make a supplementary demand. So cuts in spending can be, and were, made at the whim of the finance ministry and the Prime Minister's Office, with no public accountability or even knowledge. The most significant cuts were in social spending that directly affect the basic living conditions of the majority of the citizenry.

In the event, gross tax revenues were around 9% lower than had been projected in the budget—but it could be argued that this was because the budget projections were over-optimistic. Similarly, disinvestment receipts were less than half the anticipated amount. But spending in certain areas was cut by much more. Budgetary support to the central plan was slashed by around 20%, as was central assistance for state plans. Capital spending by the health ministry fell to half its budgeted level. Expenditure of the rural development ministry—home to the some of the most important social sector schemes, including the MGNREGA, rural drinking water mission, rural roads, etc.—was around 17% lower than the budget allocation. The tribal affairs ministry was

allowed to spend only around two-thirds of the budget allocation, while water resources also spent less by around 30%. The worst off were the women and child ministry and the ministry of housing and urban poverty alleviation, which were allowed to spend only 55% and 45% of their outlays respectively.

The most cynical treatment has been reserved for the MGNREGA— regarding which [the Prime Minister has already declared his callous and even derisory attitude in Parliament](#). Expenditure on this head was effectively capped at Rs.33,000 crore, even though the law explicitly states that this is a demand-driven programme for which funds must be provided, and the Union government currently owes around Rs.6,000 crore to the states in unmet claims for money already spent. This behaviour of the Union government is clearly illegal and now must be fought in the Supreme Court, since this year's allocation once again suggests that an effort will be made to try and kill the employment programme by starving it of necessary funds.

All this is not just significant for the current year—it has enormous relevance for the coming fiscal year. All the indications are that the finance minister has once again happily overestimated revenues from various sources. Thus, total tax revenues are estimated to increase by 15.8% even when nominal gross domestic product (GDP) is assumed to grow at only 12.7%. Income taxes are supposed to rise by 17.5%, Union excise duties by 24% and service tax collections by 25%. Service tax rates have been increased but even so, this is unlikely to lead to buoyancy in tax collections. Proceeds from disinvestment have once again been pitched at an unlikely level of Rs.69,000 crore.

Such overestimation of revenues may well be deliberate. But what is likely in any case is that once again, after the middle of the financial year, the finance minister will announce that since revenue collections are below expectations, he has no choice but to reduce public spending. Once again, this will be done in an arbitrary manner with no wider accountability. And once again, the sectors to suffer most will be those that impinge upon the living conditions and socio-economic rights of ordinary citizens.

So, the stated allocations to the social sector and various other heads in budget 2015-16 are not likely allocations at all, and perhaps not even genuine statements of intent. Rather they should be seen as ceilings—and that too, ceilings that are likely to fall upon those underneath because the scaffolding to hold them up has been made fragile on purpose. Surely this bluff should be called, and this elaborate con on both Parliament and the wider public should be exposed?

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