

## **The budget is a continuum of the erstwhile government's policy**

***Ravi Duggal***

With a new government in place, the expectations were sky-high especially given the fact that both the Congress and CPM manifestoes had a lot to offer and this was to a large extent confirmed in the Common Minimum Programme (CMP) which both the parties and their coalition partners agreed to.

Thus a paradigm shift was expected in macroeconomic policy via the budget. But nothing dramatic happened. Overall this year's budget is a continuum of the erstwhile government's policy - a massive increase in the defense and atomic energy budget of 28 and 19 per cent respectively and not even adequate inflationary compensation for the health budget, which increased by only five per cent over the previous years revised estimate.

Family planning saw a huge jump of 17 per cent perhaps to support what the CMP categorically stated of a concerted and targeted approach in 150 "backward" districts. Like in previous budgets, populist announcements of universal health insurance was once again made with perhaps higher subsidies and lower premiums.

Universal health insurance implies that it is universal, that it covers everyone. The Finance Minister chooses to make this scheme exclusive for below poverty line and wishes to target 10 lakh families, or less than 0.5 per cent of the country's population. How can this be universal! The Finance Minister in his speech made the following categorical statement: "11. I have the benefit of the wise counsel of the Prime Minister, Dr Manmohan Singh. In our scheme of things, the poor will have a first charge not only on the additional sum of Rs 10,000 crore of GBS that I propose to provide today, but also on the entire Plan funds that the Planning Commission will re-allocate.

"12. The poor want basic education for their children: we shall provide it, and we shall make sure that the child remains in school for at least eight years. We shall also make sure that the child is not hungry while she or he is at school. The poor want drinking water: we shall ensure that every habitation has an assured source of drinking water. The poor want basic healthcare, medicines at fair prices and a doctor within a reasonable distance: we shall ensure that the public health system has adequate human and financial resources to provide basic medical care. The poor want jobs for their children: we shall ensure that through higher investments, and through targeted intervention, jobs are available to them.

"13. While the Planning Commission will make the final allocations, I may assure the House that crucial programmes such as Food for Work, Sarva Shiksha Abhiyan, Mid-day Cooked-Meal Scheme, basic health care, railway modernisation and safety, Accelerated Irrigation Benefit Programme, drinking water, investment in agriculture, Provision of Rural amenities in Urban Areas (PURA), roads, and science and technology, including bio-technology, will receive priority and will be provided with additional funds."

The expenditure budget of various ministries does not provide any evidence towards this end. Where health, education or food is concerned the resources will have to come from state budgets since they are primarily state subjects. There is no strategy

spelt out as to how states will finance the commitments the FM is making above. We will have to wait and see what the planning commission would do.

Another sop in this budget is "benefit of Section 80 IB to new hospitals with 100 beds or more set up in rural areas. Such hospitals will be entitled to a 100 per cent deduction of their profits for a period of five years." We know well enough that a 100 bed hospital in a rural setting is not viable or feasible, especially for the private sector. Unless of course the "rural area" is a suburb of a city or town. And anyway this sop contradicts the FM's earlier assertion that "we shall ensure that the public health system has adequate human and financial resources to provide basic medical care".

Finally, one commendation for the FM. He has shown a brave front in introducing a revolutionary tax measure in the transaction tax (also referred to as Tobin tax). Though he has restricted it amidst widespread uproar to only speculative transactions, this needs to be broadened to all fiscal transactions like all banking transactions, provided these additional resources are earmarked for social expenditures like health and education as originally intended under the concept of Tobin tax.

My rating of the budget is 5 out of 10.

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