

## Money Is Just Paper

Cosmetic welfarism will do little to ease rural distress >>

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**B**udget 2008-09 has been presented against the backdrop of a growing recognition that the poor have been left behind in the mad race for high economic growth and getting rich quick. Two facts reinforce the view. The Planning Commission's Approach Paper for the Eleventh Plan showed a sharp rise in unemployment among agricultural households—from 9.5 per cent in 1993-94 to 15.3 per cent in 2004-05. On the other hand, the National Family Health Survey-iii (2005-06) has underscored the prevalence of high malnutrition in the 0-6 age group, registering only 1 per cent decline in the last eight years.

The budget has to be read keeping in mind two key indicators: health and education.

**How does an enhanced outlay help when on the ground outcomes are delivered by falsifying records?**

Back in 2004, the CMP of this government spoke of its intention to increase public spending on education to 6 per cent of the gdp and on health to 2-3 per cent of the gdp. But there has been hardly any serious effort in the five budgets presented so far to reach these targets.

Overall expenditure has stagnated in these two key sectors. In the current budget, the allocation is just 1 per cent on health and 3 per cent on education, which is just half of the target. The Centre may congratulate itself by increasing the outlays for social sector in the budget, but states bear more than 80 per cent of the expenditure on these sectors. Unless they too fall in line, additional central allocations do not change the picture.

Allocations under wage employment schemes have not only been grossly inadequate, they have actually fallen. Even at current prices, the allocation of Rs 16,000 crore in 2008-09 does not match what is already being spent on the scheme. No wonder the legal guarantee of 100 days' wages, as per the CAG report, has been fulfilled in only 3 per cent of the cases. A recent press note by the ministry of programme implementation and statistics said among people of 15 years and above in the rural areas, only 5 per cent got public works and 7 per cent sought but didn't get public works. All of this has reduced the government's financial liability to support wage employment. Expanding NREGA to the rest of the country will only lead to migration and distress.

Enhanced allocations, howsoever vital for the social sector, are not sufficient to improve India's performance on Millennium Development Goals. The outcome is delivered by falsifying records. Sachin Pilot, while trying to understand how Integrated Child Development Services functions in the districts, observed that all data (weight, vaccinations, health records and so on) of children at the centre for the past five months were filled in with pencil to facilitate an easy correction at the time of official inspection! The CAG found similar discrepancies in record management in its study of the NREGA. In 282 gram panchayats in 21 states, dated receipt of applications for demand for work were not given, while in 343 gram panchayats, no employment registers were maintained. In the absence of recorded date of demand, the entitlement to unemployment allowance could not be easily established.

It's not the size of allocations on pro-poor services alone that matters. The Centre transfers more than Rs 3,50,000 crore every year to the states. Even if half the amount was to be sent directly to the targeted six crore families by money order, they would receive more than Rs 50 a day. Public expenditure needs to be effectively translated into public goods and services that reach the poor for it to have an impact on poverty and social outcomes.

Coming to rural distress and agriculture, as per the NSSO's 62nd survey, in 2005-06, around 19 per cent Indians living in rural areas belonged to households with a capacity to spend not more than Rs 12 a day per person on consumption. In towns and cities, the figure is Rs 19. Such abysmal consumption numbers are linked to low wage rates. The UPA government has surely raised the plan allocation for agriculture several times, and introduced new schemes, but its impact on increased agricultural production or reduced rural distress will still be marginal.

The number of rural bank branches has come down, and farmers are forced to take loans at exorbitant rates from

moneylenders and suppliers of inputs. Little relief has been announced in the budget on loans from informal sources even though a bulk of the farmers avail of loans from outside the formal banking sector. No relief for them will lead to acute distress. Ironically, while around 3 crore farmers are expected to get relief from the loan waiver announced in Budget 2008, a large number of those who have paid off their dues are the disadvantaged lot. There is no relief for them.

Source: Outlook

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