

## *Action Plan for Green Budgeting in Punjab, India*

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India is a federal country where states and union territories are empowered to legislate, administer, and govern over different issues as specified in the Indian Constitution. Punjab is one of the fastest developing states in India. The state has posted a steady growth during the last decade with the average real Gross State Domestic Product (GSDP) of the state at current prices to have grown at around 12.5 per cent during the last decade (2002–11).

Like many other economies, this growth in Punjab has not come without a cost to the environment, especially to water and soil resources. According to the Central Groundwater Board, the stage of groundwater development is 170 per cent. The state has to promote policies and interventions for enhancing forest cover and quality of natural resources including soil, water, and biodiversity. The state also needs to catch up with the national average in terms of installed capacity in renewable energy. The state has to prepare and respond to both local and global environmental issues.

According to the Punjab State Action Plan on Climate Change, climate projections with respect to the base line 1961–1990 for 2021–50 indicate an increase in annual average precipitation and an increase in annual mean minimum and maximum temperatures. Punjab is also enlisted as a frequent drought prone

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area according to the Indian Meteorological Department (IMD) classification of drought incidences in the 1875–2004 period.

In the context of increasing vulnerabilities due to resource depletion and climate change, institutional frameworks need to be strengthened to respond to global and local environmental challenges. The state of Punjab has to diversify to more sustainable forms of cropping patterns while considering implications of climate change on future agricultural growth. It is inevitable that the state steps up measures to allow for resource conservation (water, energy, and waste recycling) in various sectors of the economy including energy supply, industry, urbanization, transport, buildings, and natural resource management.

It is the government that will have to take the lead in creating a framework to maximize the environment's potential for sustainable, broad-based growth. For this, strengthening the financial framework for public expenditure keeping in mind priorities and potential for environmental sustainability becomes essential.

Preparing green budget statements can be an opportunity to encourage proactive mindsets among government departments regarding environmental sustainability while engaging in a key decision-making process, i.e., annual state budget formulation. With support from the Department of Science, Technology & Environment, the Punjab State Council on Science and Technology along with The Energy and Resources Institute (TERI), facilitated a process for developing an Action Plan on the Green Budget for the state of Punjab. The project involved literature review, data analysis, and documentation of similar policy initiatives. A brainstorming session was organized on January 30, 2014 for receiving inputs from departments on the departmental priority areas (Exhibit A). Another follow-up visit was organized in March 2014 to select departments.

**Exhibit A:** Consultative brainstorming session organized for developing Action Plan for Green Budgeting in Punjab



The working definition for ‘green budgeting’ from the process is:

“Every year, government agencies (Departments/Directorates/Boards/ Councils/ Commissions) through the Annual Budget Circular, by preparing Green Budget Statements, will highlight the quantum of public expenditure earmarked in the state budget for environmental sustainability initiatives as well as reducing expenditure in unsustainable sectors.”

The rationale for this green spending by using ‘green budget statements’, as an instrument, is based on the premise that earmarked public expenditure will send policy signals and hence, encourage other actors (including businesses and industry, communities, and individuals) to contribute to sustainability initiatives. Thus, green budgeting (through green budget statements) has the potential to play an important role in helping developing countries raise revenues, while creating incentives that generate environmental benefits and supports poverty reduction efforts. ‘Green budgeting’ is a specific tool which involves preparing separate green budget statements while preparing annual budgets (state budgets in this case). It can be said that green budgeting by preparing ‘green budget statements’ is one of the strategies which is a subset of the broader environmental fiscal reform.

Green budget statements can be modelled on the lines of gender budget statements followed in the Union Budget process in India. In order to ensure effectiveness of green budgeting, it is highly essential to adopt an ex-ante planning and then ex-post monitoring and evaluation of environmental expenditures and the resulting outcomes. The process of developing a roadmap was done in a consultative manner and involved brainstorming with representatives from various departments of the government of Punjab and other stakeholders. The process that emerged is explained in the schematic diagram shown in Exhibit B.

The initiative also recommends that there will be a review process of the budget heads of the various departments by an expert group on environment and sustainability with the Department of Science, Technology and Environment coordinating the process.

Unless environmental sustainability concerns are integrated with social progress and economic growth objectives, sustainable development that treats future generations equitably will remain a distant objective.



**Exhibit B: Flow chart for Action Plan for Green Budgeting in Punjab**

