

Dwindling public expenditure in environment

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The performance of the government in the field of public environment expenditure (PEE) was highly impressive compared to the achievements of other countries in the world, according to a report on the analysis of public environment expenditure for the Ninth Plan.

In fact, the high level of PEE paid dividends to the country in terms of its ability to maintain its natural environment intact with clean air, water, and soil conditions.

PEE is the budgetary expenditure incurred in the management and protection of natural resources, such as air, water, soil, flora and fauna, and activities aimed at administering, regulating and controlling of unlawful utilization or extraction of natural resources.

The analysis report recommends that the government maintain the same level of PEE and take necessary measures to sustain the environmental achievements gained through public sector interventions and investments.

The analysis revealed that the environment sector of Bhutan accounted for almost an average of 7% of the total public sector expenditure during the Ninth Plan.

During the first year of the Plan (2002-2003), the public expenditure on environment was rather high, exceeding 10% of the total budgetary expenditure of that year.

However, during the latter years it came down to between 5 to 6% a year. This was due to competing demands for budgetary resources from other economic sectors.

During the last few years the PEE performance had declined and the level of achievement has slowed down. This could be attributed to the competing demands for budgetary resources from other material sectors.

The PEE as a percentage of GDP of the country experienced a continuous decline during the Ninth Plan. The percentage of PEE in 2002-2003 that stood at 3.6% of GDP declined by almost 45% during the plan period closing at 1.94% of GDP in 2007-2008.

According to the report, the government could introduce new policies to encourage semi government institutions to fill the gap in the reduction of direct government expenditure. The National Resources Development Corporation Ltd. (NRDCL) is one such example. The NRDCL is allowed to extract timber in designated areas, following environmentally friendly methods and to undertake complete redevelopment of the areas with reforestation programs under the supervision of the forests department.

The first step toward analyzing the PEE of any country would be to identify its environmental priorities, so that the items of expenditures managing environmental issues could be addressed.

One would be to review baseline data of the country and determine the social,

economic, and natural environmental characteristics. It is carried out to understand the scope, magnitude, and implications on a country's future development. Another way of identifying the priorities is to analyze people's perceptions and prepare a list of issues prioritized on popular consensus.

In Bhutan, where public expenditure planning and implementation takes the role of determining the socio-economic development of the country, the public environmental expenditure will also decide what activities are to be carried out in the environment sector.

Moreover, the public sector drives the economy with the private sector taking responsibility of functioning in few areas only. The PEE analysis of Bhutan is therefore not just to correct market failures but to improve, manage and regulate the environment for the benefit of both present and future generations.

The public environmental expenditure in Bhutan is aimed toward achieving three main objectives: establishment of a system of environmental federalism, popularization of environmental friendly alternatives, and regulating human activities toward pollution abatement and nature protection.

The analysis recommends that the planning and budget authorities take innovative measures to allocate sufficient funds to the environmental sector to balance the demand for resources between material production and environment maintenance.

There is a considerable proportion of under expenditure of budgetary resources in the environmental sector. This is

pointed out as one of the reasons for the decline in PEE during the past few years.

The low rate of foreign resources utilization is also a concern that requires attention although Bhutan is in a fortunate situation to attract more and more foreign resources for its development.

"Environment is an area where donor agencies are more willing to support and Bhutan is in an advantageous position in this respect," states the report.

The report also identifies environmental areas that require improvement for increasing the growth of agricultural production and land productivity of the country.

One such important area is the soil and water conservation. The level of expenditure in soil and water conservation area has declined. This could result in soil degradation and also erosions causing damages to agricultural land, which is a limited resource in Bhutan.

The study therefore recommends that authorities take immediate action to develop suitable projects and activities to increase public expenditure in the area of soil and water conservation.

The economic sectors selected for better environmental management have reduced as well. Therefore, the report calls for the identification of new economic sectors and developing new environmental projects.

The eco-tourism sector is a potential sector under consideration since the rich biodiversity and extensive natural resource base provides an immense potential for the development of eco-tourism that most countries have lost.