

**THE BUDGET
OF
APNA PRADESH**

**A
HAND BOOK**

CBPS

CENTRE FOR BUDGET AND POLICY STUDIES

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Ekla Chalo Re

If they answer not to thy call walk alone,
If they are afraid and cower mutely facing the wall,
O thou of evil luck,
open thy mind and speak out alone.

If they turn away, and desert you when crossing the
wilderness,
O thou of evil luck,
trample the thorns under thy tread,
and along the blood-lined track travel alone.

If they do not hold up the light when the night is
troubled with storm,
O thou of evil luck,
with the thunder flame of pain ignite thy own heart
and let it burn alone.

Well known song of Ravindranath Tagore, as translated by him

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*In presenting this Hand Book to a wider audience,
CBPS celebrates ten years of its work in this field*

Acknowledgements

This manual has been a long time in the making. There have been requests at various times from different groups for help in understanding specific aspects of the budget, and we have been responding to these requests on an ad hoc basis. At some point the idea of preparing a manual that will make this exercise a systematic one came up, and the Board of CBPS felt this would be worthwhile. We began to put down our ideas on paper.

This has been a team effort of all who worked in CBPS. While Vinod Vyasulu has been the link through the effort, and also took responsibility for the writing, the efforts of others provided the material. In the early days, A Indira contributed much of the analysis. She was helped by Sashi Kumar, Kiran Kumar and K Jaisimha who also helped in preparing the material in the Annexure. Later when focus shifted to work with municipalities, Sharadini Rath and Madhusudhan Rao worked on the materials. Others who have contributed on one way or another to this work are Meenakshi Rajeev, and Amitabh Mulhopadhyaya.

We must acknowledge the debt we owe to government officials in The Finance Department of several states who have unstintingly helped us. We have learned from the discussions with elected representatives at the local level, with civil servants in panchayats and municipalities, and with NGOs concerned with various developmental issues. All this has helped us in making this presentation user friendly.

The budget is a technical document and budget analysis requires technical proficiency. It is not possible to simplify matters beyond a point. We hope to get those interested in budget analysis off to a good start. But more than that, we hope to develop an appreciation of what budget analysis can do in the general public.

Our experience in developing a module to help citizens understand the budget of the Bangalore Mahanagar Palike as part of the PROOF campaign has come in handy in the preparation of this manual.

CBPS has been part of the network of the International Budget Project and we have benefitted from our interactions with the network. The inputs of Warren Krafchik, Isaac Shapiro and Vivek Ramkumar have been most useful. Others whose influence can be seen in this manual—in a positive way—are John Samuel, Mark Robinson and Bishnu Mohapatra. Praveen Jha, and Amitabh Behar are others who have encouraged, cajoled and pressured when needed to ensure that the manual came alive.

Refereeing is a good practice—perhaps it is a ‘best practice’ in academia—and this manual has benefited from the keen reading of Ramaswamy R Iyer, who has both helped in making it more accurate and in avoiding errors.

The thrust is on state budgets because that is where the bulk of the applied budget work in India has been focused. In recent years, these groups came together to establish the Centre for

Budget and Governance Accountability in Delhi and they have begun both analytical and advocacy efforts on the national budget. From this work a similar primer on the national budget should emerge soon.

We have used the device of an 'Apna Pradesh' to explain how the state budget works. The data are real, and the presentation detailed in the annexure accurate. Since the focus here is on the budget and how to use it, rather than on getting into debates on how a specific state has been doing, we hope that Apna Pradesh helps us to keep the focus where it belongs—on the budget process alone.

While it is possible to use this manual for self study, the best way is for a group, under a facilitator, to get together for a week and go through it step by step, with the budget of the state they are interested in to provide material for exercises. One week should be more than enough to get one into a position where they can work with budget data by themselves.

December, 2007

Poornima Vyasulu
Secretary,
CBPS, Bangalore

Preface

This is not a research monograph on budget analysis. It is meant to be a primer, a practical guide to understanding and using budget data, by ordinary citizens. Within that the focus is on the Indian states, which are constitutionally responsible for social services and development matters. The most likely users of this manual are workers in NGOs concerned with developmental issues for which budget information may be a useful input. It will also be useful to local officers.

The manual draws on the experience gained in the CBPS in its work with state and local budgets. While it uses the budget of Apna Pradesh to illustrate points, it is not meant to be a commentary or critique of the Apna Pradesh government's policies on any issue. We have deliberately not used the figures for the most recent years, so as not to get into contemporary debates on Apna Pradesh issues in a manual meant to explain budget processes. We want no distractions. This state budget is used only to provide a practical peg for the exercise, and to provide examples that may help foster understanding of the complex entity that the budget is and of the kinds of insights that budget analysis offers to civil society.

This manual is organised as follows. Chapter 1 provides an introduction and background to budget analysis. An Annexure to Chapter 1 describes the Apna Pradesh 2001-2002 budget in detail. What is it that the finance minister presents to the state assembly? How is the information presented? What do all these volumes contain? And so on. Chapter 2 gives some simple examples of how information of relevance to NGOs can be extracted from these documents. Chapter 3 discusses the role of civil society in the budget process—and in the use of budget information to pursue its own goals.

There are other papers of CBPS which illustrate the different ways in which one can apply budget analysis. We must acknowledge that great deal of work that others are doing in this field as well. We hope that there will be much more in the future.



The Centre for Budget and Policy Studies (hereinafter referred as the Centre) is a non-partisan, non-profit, independent society established by a group of professionals based in Bangalore and registered under the Karnataka Registration of Societies Act in February 1998 (no 777 of 1997/1998). The President is Dr. D. K. Subramanian and the Secretary and Director is Dr. Vinod Vyasulu.

The objective of the Society is to contribute through research to understanding and implementing a process of long run, sustainable, equitable development in countries like India. Equity, as we understand it, extends across time - future generations must not be deprived of resources because of irresponsible use - and class and gender - all human beings have inalienable rights that society must ensure.

An area in which the CBPS has made a contribution is in the context of the ongoing process of democratisation and decentralisation following upon the 73rd and 74th amendments to the Indian Constitution. In this context, budgets of different governmental bodies are important statements of policy priority. Budget analysis at local levels is an area where much needs to be done. An example is the work of the Centre in studying the budgets of two zilla panchayats [Dharwad and Bangalore (Rural)] in Karnataka. This report, formally released by the Governor of Karnataka, Her Excellency Smt. Rama Devi on July 4, 2000, is being used in programmes to orient those who have newly been elected to local government bodies. The CBPS is currently working on a study of the finances of a few city municipal councils in Karnataka.

One way of meeting our objective is by providing inputs into ongoing debates in society on matters of policy priority by collecting and analysing information and presenting scenarios on different options that face the public. Industry is one such area. The functioning of different sectors of industry, its impact on employment, livelihoods, productivity and the like, and the different options open to this country, in the midst of major global changes like the advent of the WTO, need careful study and debate. CBPS did a study and published a monograph. Another area of importance is an understanding of the nature of the local economy. The Centre has worked on this issue and a manual on the method to calculate District Income in India, sponsored by the Planning Commission, is being published by Macmillan India.

Another area of importance is ecological and environmental sustainability. The interface between local bodies and environmental programmes is another area of focus. CBPS has studied the working of programmes like drinking water, watershed development and joint forest management to see how local bodies can contribute to the meeting of national objectives.

CBPS is a partner in a campaign called PROOF (Public Record of Operations & Finance, along with 3 other Bangalore based organisations. The PROOF campaign provides an opportunity for citizens & the corporation of Bangalore (BMP) to join hands and demonstrate that public money is being used for public good. This will be achieved by systematic BMT performance report & reviews, substantiated by performance indicators & explanatory statements.

CBPS will remain a small body of professionals who will work by interacting and networking with others who share such interests. Working groups for different studies with professional membership will be set up, and will work with minimal infrastructure. Full use will be made of modern technology in this process. The results of such work will be used in training, in dissemination of results and in follow up programmes.

How To Use This Manual

This manual has been prepared keeping in mind the audience—civil society groups. While expertise in economics or accounting is not essential, some efforts to pick up the basics will be useful. Those who are most likely to benefit from this manual are those who understand the basics of accounting, and have some knowledge of economics. A budget is a technical exercise, and beyond a point simplification will mean loss of insights. Thus, activists may be able to use the results of budget analysis, but this may not be their cup of tea. It is best settled at the outset that budget analysis is applied research and that this manual will help those who have this basic aptitude. In this sense, budget analysis is not for everybody, though it concerns everyone.

We envisage a group of around 30 people with a facilitator. The workshop will ideally last for five full days and be residential.

Apart from the introductory material which the facilitator will work through with the group, each participant is encouraged to send to the facilitator the issues in which he or she would like to apply budget analysis. It is incumbent on these participants to bring such information as they can from their own states on these issues, to share with the group. To the extent possible, the facilitator will come prepared with some information on these issues from recent budgets. All this will form the working material for the workshop, which will work through small sub-groups.

The examples given in the manual may or may not be used, depending on the interest of the participants and the availability of other relevant material. It can serve as a guide of how budget analysis works.

In addition other materials, such as films, should also be used to introduce issues, provide case studies and encourage independent questioning by participants.

At the end of the workshop, each participant should be able to analyse the relevant portion of his or her state budget and explain the meaning of the findings to colleagues. A programme for future work should end the workshop.

1. What is the Budget?

Introduction

In February each year, there is much excitement in the media about the forthcoming budget of the Government of India. The papers are full of articles, and the TV has endless discussions on what may happen to the tax one has to pay. The discussions cover such important topics as inflation, growth rate, employment prospects, defence preparedness, poverty levels and so on. The major participation in these discussions is from chambers of commerce, professional economists, lawyers, chartered accountants and other well organised industry groups like the NASSCOM. Each has a point of view and tries to get its preferred policies accepted and its pet projects funded. That is how democracy works.

Civil society has not been active in this area till very recently. Civil society too has a point of view. In India, civil society—often called NGO sector—works for poor and marginalized groups. Their needs, of drinking water, slum improvement, food availability etc must be articulated as well. All these are issues that concern the citizen, who is often confused at the jargon that is used in the discussions. Thus, only a limited number can really take part in the debates in a satisfactory way. It is not a happy situation in a democracy.

At the state level there is much less excitement. Yet, it is the state, which, under the Indian Constitution, is responsible for things that matter to most people in their daily life—education, health, drinking water, roads, agriculture and the like. It is therefore important for citizens and their organisations to appreciate what the state budget, which is always presented before the end of the financial year—March 31st each year—can do, and how it does it. For it is the budget which reflects the true priorities of the government, not its publicity brochures. Yet, there is much less discussion in our country on the state budget than on the national one. One reason could be that it is seen as too technical, something that is to be left to experts. Another could be the [mistaken] belief that the union budget is the more important one for citizens. It is technical, but it is too important, in a democracy, to be left to experts. People have to make some effort to understand and take part in budget debates because it is important to them.

This manual is meant to help the ordinary citizen in understanding the budget that the state finance minister presents to the state assembly each year. It is the assembly that has the power to approve the budget—and citizens can therefore influence the approval process by telling their elected representatives what they want. For this, a minimum understanding of the budget is a must.

Background

In recent years, there has been growing interest in budget analysis among NGOs—“civil society” bodies—concerned with issues of poverty, equity and development¹. DISHA in Ahmdabad has done pioneering work in demystifying the budget of Gujarat. They have set up a system of instant information and critique when the state budget is presented in Gandhinagar. The Centre for Budget Studies of the Vidhayak Sansad in Mumbai has done excellent work in analysing the priorities of the state budget in Maharashtra.

1. The notion of civil society is a complex one. We use the term to refer to citizen initiatives—non-governmental, non-commercial, non-religious—in the area of welfare and development.

Within 24 hours of the presentation of the Gujarat Government budget in the State Assembly, DISHA presents a brief analysis of the salient features of the budget with respect to the impact on its key constituency—tribals. It examines the pattern of allocations for this group, whether and by how much allocations to this group have increased, and holds a press conference. It further provides brief write ups to members of the Assembly suggesting questions that can be asked. Over the years, MLAs have begun to approach DISHA for budget related information.

The Centre for Budget and Policy Studies in Bangalore has been working on local budgets—panchayat and municipal budgets—for several years now².

The work of CBPS has brought out the appalling state of accounts in local governments, urban and rural. Even the inadequate single entry cash based system is not being used properly. Opening and closing balances do not match. There is no distinction between capital and current expenditure. There is a pressing need to train local officials—elected and bureaucratic—in basic accounting if the local governments are to be in a position to use budgets effectively. Without strengthening local governments, they cannot be expected to fulfil the responsibilities entrusted to them in the 73rd and 74th constitutional amendments.

In all these cases, budget analysis has been a tool used in throwing light on a subject of interest—for Disha, it is tribal welfare. In Tamil Nadu, the TN Social Watch focussed on the needs of fisherman and dalits. For Vidhayak Sansad, it is the issue of bonded labour. For CBPS, it is the question of democratisation and decentralisation. *To be useful, budget analysis must have a purpose.*

In 2004, after the general elections in India, civil society mounted pressure on the incoming United Progressive Alliance government to enact a law guaranteeing a minimum level of employment to the poor. Its analysis had shown that the earlier government, in spite of high growth rates in the economy, had been voted out because the benefits of its economic reforms did not reach the poor. The growth rate did not mean that jobs were being created. To sustain the pace of reforms, it was essential that the poor be provided with work in situ to avoid distress. Its effective lobbying resulted in the passing of the National Rural Employment Guarantee Act, and the allocation of a large sum in the budget for the implementation of this Act.

Internationally also, the last decade has seen great interest in using the analysis of the budget as a tool to influence policy in favour of the poor and disadvantaged. In Washington DC, the Center for Budget and Policy Priorities³ has extended its work in US by taking on an international budget project⁴, which has been remarkably successful in bring together groups with diverse interests around the world. There have been four international conferences since 1997 that have helped these groups to learn from each other.

2. This work is available on its website: www.cbpsindia.org

3. CBPP has been working on issues of tax incidence—who bears the burden of a new tax or tax cut—issues of poverty and income redistribution in the context of the USA.

4. For more information, go to its website; www.internationalbudget.org

In India, an effort to bring all this together as a People's Budget Information and Analysis System [People's BIAS] has also been made by several NGOs in the late 1990s and the first few years of this decade. This was meant to involve more people and groups in pro-poor budget work across the country. If this effort is to have a chance of success, then it is necessary to explain to large numbers of people what this technical thing called the budget is. This manual is a step in that direction. It is a response to a felt need in recent times.

There have been some major events in India in using budget analysis. In October 1998, a meeting of about 20 groups interested in budget analysis was held in Goa—the first such event bringing together independent, non-governmental agencies looking into such issues. And the third of the international conferences mentioned above was held in Mumbai in November 2000. It was co-sponsored by three Indian groups, and the movement is now a significant force in the development sector. More people are now likely to get involved in this process if they are enabled to use budget information for their own ends.

A few years ago, these groups got together to establish the *Centre for Budget and Governance Accountability in Delhi* to focus on a rights based, pro-poor analysis of the union budget and to network the groups working in the states. The CBGA has been bringing out useful analysis and disseminating this analysis widely.

Each year in September, the CBGA organises a workshop of pro-poor civil society groups to articulate the needs and priorities of the poor with respect to the net year's budget. This consultation results in a paper that is then widely discussed and the final version is presented to the Finance Ministry for consideration. It brings a particular point of view to the attention of decision makers in a way that gives them the opportunity to incorporate such ideas into the budget.

Given all this interest in what is essentially a technical subject the need for a manual has been felt in the NGO sector at least. This manual is an effort to meet this need.

Vidhayak Sansad in Mumbai encouraged S.S. Karnik to produce an excellent book explaining the essentials of the budget process for a lay audience⁶. This manual is built on the foundation laid by Karnik, who explained in simple terms how the budget is a result of constitutional provisions. Here the focus is on the practical aspects of the budget document that a state finance minister presents to the state assembly.

In this exercise, we use the budget presented by the Apna Pradesh Finance Minister—to the Apna Pradesh Assembly in March 2001, to illustrate the different parts of a state budget, and to give examples.

⁶. S.S. Karnik, *Essentials of the Budget Process*, Centre for Budget Studies, Vidhayak Sansad, Mumbai, 1998.

Two important points need to be noted:

—that we are using the Apna Pradesh budget does not limit the relevance of what this manual discusses to that state. The format of the budget is the same across all Indian states. The points made in this manual, therefore, have general validity across India. Apna Pradesh only serves as an example.

—this is not a comment or critique of the Apna Pradesh budget. It is being used only as a peg to hang the argument. The *focus is on the budget document*, not on the merits of the Apna Pradesh budget. Even when some conclusions are drawn, *the purpose is to illustrate the use of budget analysis* from a specific source of information—not to debate issues in Apna Pradesh. It does not mean we are taking a position about this state, because that would depend on much more work based on specific research questions. This we have not taken up here.

Our readers are encouraged to substitute material from their own state budget as they work along this material. It will make the exercise both more rewarding and useful.

The budget is presented to the state Assembly under Art ... of the Indian Constitution. The format used is that prescribed by the Comptroller and Auditor General of India. The CAG is a constitutional office that is supreme in audit matters⁷. In the mid 1970s, the CAG, following the CAG Act, prescribed a format in which both the union of India and the states present their budget.

What the Budget is

Simply put, the budget is the statement of accounts for one year of the government presenting it. It uses the cash method of accounting—funds are shown in the accounts only when received or spent.

Given constitutional requirements, there are two major funds operated by a government. These are:

—the *consolidated fund* of the state. It is into this fund that money received by the state government is put, and it is from this fund that money spent is taken. The budget presents details of what the state expects to receive, how it expects to receive that amount, and how it plans to spend the money from the consolidated fund.

The money received by the state from all taxes and other sources is placed in the consolidated fund of the state

—the *public account*. This refers to situations where the government acts as a banker for funds that are not its own. An example is the provident funds savings of employees. The budget presents the details of the public account each year to the assembly.

⁷. Details are available on the net—www.cag.nic.in. There are links to related sites also.

The contribution of employees to the provident fund, along with the share from employers is placed in the public account. This money is handled by the government as a trustee. This money does not belong to the government.

Under the powers given to Parliament under Art 267, a *contingency fund* has been created. This is an imprest from the consolidated fund, and may be used by the government without waiting for an appropriation bill to be passed by Parliament, as is necessary for any withdrawal of funds from the consolidated fund. The law puts a cap on the amount in the contingency fund, and Parliament must be told how it has been spent. If it becomes necessary for the government to incur an expenditure not included in the budget, it can do so from the contingency fund.

When the tsunami hit the Indian coast in December 2003, money had to be spent very quickly. The contingency account provides an amount that the government can quickly draw upon without waiting for an appropriation bill to be passed in Parliament. It can be used for any purpose the government considered fit—and informed to Parliament later.

Many of the transactions that the government undertakes are meant to keep the machinery of governance running. Expenditures that are of a current or regular nature—like payment of salaries are current expenditure. For example, the government collects taxes from people over the year. It pays its employees over the year. Such transactions are shown in the *revenue or current account* of the budget.

All expenditures on salaries, cars, petrol, buildings, telephones etc by the government are current expenditures. These are paid for from current revenues like income tax. *If the expenditure exceeds revenue, then the government is running a revenue deficit.* If there is an excess of revenue over expenditure, then it can be used for building up long term assets in the public sector, as India has done in the past. That is how BHEL, HMT, SAIL, ONGC etc came into existence.

There are other transactions that are meant to create assets to be used in the future. For example, the government may undertake a programme of building roads. It may then incur expenditures that stretch over a period of time. Such items are shown in the *capital account*.

Major investments are capital expenditures. The expenditure on the proposed Bangalore Metro, which will provide a mass transportation system for the city, is capital expenditure. Most public sector factories have been the result of capital expenditures by the government.

There are two other concepts that are important in economic discussions of the budget in India. Neither of these concepts appears in discussions in other countries. After the budget is presented, the state Department of Economics and Statistics prepares what is called an Economic Classification of the budget.

In this document, the concepts of Developmental and Non-developmental Expenditure are used. Developmental expenditure is meant to contribute to some aspect of development, and is considered 'good'. Non Developmental expenditure includes items like the cost of running the

government and other such items. An increase in non-developmental expenditure is considered 'bad'. It need not be so—for example, expenditure on the maintenance of assets is desirable even if it is not 'developmental'.

Another concept unique to India is that of Plan and Non-Plan expenditure. Plan expenditure reflects new projects taken up in a new 5 year Plan and represents investment. At the end of the Plan period, expenditure on the maintenance of items created by Plan investment are moved to Non-Plan accounts. Again, an increase in Plan expenditure is considered 'good' and in Non-Plan 'bad'.

While there was some meaning to this distinction in the 1950s when Five Year Plans were started, over the years the distinction has lost meaning. It is better today to use the current-capital distinction.

The budget process does not end with the approval of the budget by the state Assembly. This budget has to be implemented, and much work can be done in monitoring this process. For example, has the money allocated for a specific purpose been spent? Has it been spent properly? What is the outcome of the expenditure? These are difficult questions, but the answers are important.

After the year is over, the budget is subject to audit. The Accountant General of the state brings out reports that are taken up with the government departments. The answers are scrutinised by the AG, and he then prepares a final report which is placed on the table of the Assembly. In the Assembly, the Public Accounts Committee, which is often chaired by a member from the opposition, scrutinise the report and recommend necessary action. It is only after this that that particular cycle of the budget ends.

After the audit by the Accountant General, 'paras' raising questions are sent to the Departments for answers. If these answers are considered satisfactory, the 'para' is dropped. If not, it is included in the report sent to the governor for transmission to the Assembly, where the Public Accounts Committee deals with it. The problem has been that these reports reach the Assembly *many years after the issues they deal with*. This is a weakness that must be dealt with.

The budget, then, is a statement of accounts of the government. For purposes of presentation and analysis, each item that appears in the budget is given a code number that is unique. Major heads have a 4 digit number—starting with 2 if in the revenue account and 4 if in the capital account. Under the major heads, come sub-heads and minor heads—each represented by more digits following upon the first set. Once mastered, the coding system is quite simple. It is worth spending some time on this.

What the budget is not

As a statement of accounts, the budget is a financial document, and its horizon is limited to one year. It is not a complete policy statement of the government. It limits itself to financial matters. The budget may provide many insights, but it cannot by itself comment on the efficiency with which government uses money. For such judgements, other information and studies will be essential. It is important to be clear about what the budget is *not* when undertaking budget analysis.

Coverage of the state budget

The constitution has a list of what the powers and responsibilities of the state government are. These include the major social sectors—education, health, drinking water, welfare etc. A state budget deals only with this aspect. It cannot provide information on issues that are the responsibility of the union government, such as, say defence, or income tax rates. This is not a limitation of budget analysis per se, but of constitutional processes. To get a full picture of government finances, a scrutiny of the union government budget is essential.

The Budget Process

The budget may be presented on a specific day, but the budget process is an ongoing one that keeps the finance ministry busy on a full time basis. The process begins when a government initiates discussions about what it wishes to do in the coming year—normally around October. The promises made by a party in contesting elections may provide a guide to the priorities of that party if in office. The different departments make their demands—politically through their ministers, with the Secretaries advising the ministers. There are also direct interactions among the senior officials of the various government departments. In this sense, the budget is very much a document of the officials, with the priorities being those of the government in office.

The budget process in India is shrouded in secrecy. This is a practice that we have continued from the days of the British Raj⁸. There is no need for such elaborate secrecy—look at the United States, where the budget document is an open one.

⁸ In recent years in India, there has been a *shift from sales taxes*, which were levied by each state, to a *system of Value Added Tax*, which has been arrived at in discussions with finance ministers of states.

This is because of a clause in the constitution that a government that is defeated on a money bill will have to resign. Thus the ruling party tries to make sure that no cut motion is moved—and that if it is, it is defeated.

This does not mean that the finance minister does not listen to the MLAs. At the end of the debate, he makes a concluding speech. In this he is free to modify proposals based on feedback he gets. This happens often. For example, in the current Apna Pradesh budget, the CM has modified his proposals about the free sale of beer in shops, because of public opinion.

After the budget is passed, money can be spent in line with the approvals obtained. The current year's budget looks at actual expenditures in the year past, and presents what are called revised estimates—against what was proposed and approved, what has been the spending? This may differ for any number of reasons over the course of the financial year. The big difference between the budgeted, revised and actual expenditures in India is a sign of weakness in the integrity of the budget process.

After the accounts of the government are audited, the revised figures become actual expenditures. The succeeding budget presents these figures for the information of the assembly. The Public Accounts Committee of the assembly examines the audit reports and recommends action on them.

*Audit is an important part of the budget process. It deserves more attention than we give it in India. For example there are many agencies such as municipalities, whose accounts have not been audited for years. **This is a structural weakness that must be attended to. Civil society may ponder on its role in this process.***

Thus, each year's budget has three sets of figures—the allocations proposed for a department for the coming year, the revised estimates for spending in the past year, and the audited figures for actual expenditures two years ago.

Likely changes in the near future

After the 73rd and 74th constitutional amendments, elected local governments—zilla, taluk/block, and gram panchayats in rural areas, and nagar palikas in urban areas have come into being. Article 243G of the Constitution deals with the subject of their financial powers and responsibilities. Changes in the state budget may become necessary once the local bodies establish themselves in the political arena. Till then, the state budget is the closest one to the people. One may expect changes in this in the coming years.

Civil society must lobby for these changes—and be prepared to take advantage of them to strengthen local governments to fulfil their welfare and developmental goals.

We now move on to a discussion of the state budget, using the budget of the Government of Apna Pradesh as an example. We could have used that of any state: Apna Pradesh has been chosen only because the authors live in this state and that information was readily available. This is presented as an Annexure to this Chapter.

Annexure to Chapter 1

How is a state budget organised?

Example: The Apna Pradesh Budget

In Apna Pradesh, the Chief Minister, who also is the Finance Minister, presented the budget of the Government of Apna Pradesh on March 25th 2002 to the state assembly. This consisted of his speech and thirteen [13] other bound volumes giving details of the government's financial situation and proposals.

The speech sets the tone of the budget, and presents to the MLAs, the main issues and priorities of the government. It reviews the financial situation of the past year, highlights what the problems are, and suggests ways of dealing with them. The speech ends with a submission of accounts to the House, with a formal request that the budget be passed.

Details are given in the documents included in the 13 bound volumes. [We refer to each bound volume as book. In what follows, each bound volume is referred to as book 1, book 2 etc to book 13]. These are described below in the rest of Part 2.

Book-1: Annual financial statement (Budget) 2001-02

The main budget document is the Annual Financial Statement. It consists of an introductory note bringing out the overall financial position of the state along with the salient aspects of budget dealing with the actual expenditures of the earlier year.

Budget estimates of the current year
Revised estimates of the current year and
Budget estimates presented for the year that follows

The main part of the document is the statement showing major headwise figures for the columns mentioned above. This document includes the schedule of appropriations proposed for the coming year. The finance minister reads this document and which is placed before legislative assembly for approval in the budget session.

Contents of the documents

Abstract statement of receipts and disbursements of Government of Apna Pradesh.

This statement gives data on the receipts and expenditures under the Consolidated Fund, Contingency Fund and Public Account for above-mentioned three years. They are, for 1999-00 the audited account [actuals], for 2000-01 the revised amounts and for 2001-02, the coming year, the budget estimates.

The Consolidated Fund of Apna Pradesh is divided into two parts:

Revenue account

Capital account

Each of these two accounts has two kinds of statements—one for each side of the budget accounts—receipts and expenditures

Under revenue account

Statement-1 Consolidated fund of Apna Pradesh- Revenue Account –Receipts

Statement-1 Consolidated fund of Apna Pradesh –Revenue Account- Disbursements

Under capital account

Statement-1 Consolidated fund of Apna Pradesh- revenue account- receipts

Statement-1 Consolidated fund of Apna Pradesh- revenue account- disbursements

Details about the statements

Statement-1 Consolidated fund of Apna Pradesh-revenue account- receipts

This statement has four major heads of account—

Tax revenue,

Non tax revenue

Grant-in-aid and Contributions—where is the 4th

The amount under each head of account for the three years in the columns is given in the statement.

Statement-1 Consolidated fund of Apna Pradesh –revenue account –disbursements

This statement is having three major heads of account

General services—dealing with government administration

Economic services—dealing with commercial services provided for which citizens have to pay a user fee—like irrigation water, and

Social services—like education and health, that citizens are entitled to [viz Directive Principles of State Policy, Part 4 of the Constitution].

The amount to be spent under these major heads of account for the three years in the column is given in the statement.

Capital account

Details about the statements:

Statement-1 Consolidated fund of Apna Pradesh- revenue account- receipt

This statement is divided into following heads of account

Miscellaneous capital

Capital outlay on power projects

Loans and advances

Inter state settlement

Transfer to contingency fund

Revenue from these major heads for the above mentioned years in the column will be given in the statement

Statement –1 consolidated fund of Apna Pradesh- capital account- disbursement

This statement shows disbursement under the major heads of account shown below for the three years in the columns

General services

Economic services

Social services

Statement-1 A Disbursement- charged on the consolidated fund of Apna Pradesh

This statement is having two major heads of account

Disbursement met from revenue

Capital disbursement outside revenue account

Amount spend under the above mentioned years in the columns is given in the statements.

Charged items are those that are, by convention not discussed in the assembly. Examples of charged items are expenditures on the High Court, the Governor's office etc. There are very few charged items.

Contingency fund

Contents of the statements

Statement –2 Contingency fund of Apna Pradesh- receipts

This statement mentions about the receipts of contingency fund of Apna Pradesh for the three years in the columns.

Statement –2 contingency fund of Apna Pradesh- disbursement

This statement mentions the expenditure under contingency fund of Apna Pradesh for the three years in the columns

Public account

Statement- 3 Public account of Apna Pradesh- receipts

Major head of account under this statement is National Small Savings Scheme, provident fund and other such accounts. Here the government acts as a trustee or banker. These are not its funds.

Receipts from these heads of account for the three years in the column will be given in the statement.

Statement-3 Public account of Apna Pradesh-disbursements

Heads of account under this statements are- small savings, provident fund etc. Amount spent under these heads of account for the three years in the column are given in the statement.

Statement of Assets and Liabilities on 31st March, 2001.

This statement is the balance sheet of the annual financial status

Assets are divided into four heads of account

- Loans and advances by the state government
- Other assets
- Cash balance
- Investments

Liabilities are divided into the following heads of account

- Due to Government of India
- Open market loans
- Loan compensation bonds
- Floating loans
- State provident funds

Book-2

Annual financial statement will be followed by the document Budget statement for the year 2001-02.

This document may not be part of the speech read by the Finance Minister. But this document will be presented in the legislature for discussion and for final approval.

This document is has six appendices. (C, D, G, H, I J)

Appendix- C

This appendix deals with general education, technical education, and sports and youth services

General education

Contents

Schools of different districts which come under the following different schemes of general education are mentioned in this table

They are:

Code no. 2202-01-191-2-03—or

2202-01-107-0-06—or

2202-05-102-01-101—or

2202-05-103-0-02—or

Table showing the scheme codes 2202-08-800-0-04 mentions the list of schools under Bangalore, Mysore, Belgaum and Gulbarga division drawing funds from this account

Table showing the schemes codes 2202-80-800-0-40-101 mentions the list of dance and drama schools of Bangalore, Mysore, Belgaum and Gulbarga divisions.

Column of these tables mention about the total amount budgeted for the next financial year for all these schemes is given at end of the table.

Table showing the scheme codes 2202-03-104-01-1 mention the list of collages in the state, which comes under these schemes. Column mentions the total amount budget for the year next financial year to these schemes.

List of colleges in the state which come under this scheme code 2202-05-103-01-111 is given in this table. Column of this table mention about total amount budget for this scheme during the next financial year.

Table gives the list of college addresses in the different districts of Apna Pradesh, which comes under the scheme code no. 2202-110-2-01. This table is having three columns – serial number, college code number and budget amount for the next financial year. Total budgeted amount for the next financial year is given to the Bangalore district and grand total amount budget for the next financial year to the state is given in the column.

List of colleges which comes under the Bangalore, Mysore, Dharwad, Gulbarga, Mangalore and Shimoga region which come under the scheme code 2202-03-104-1-01 is given in the table. Column shows grand total budgeted amount for the next financial year to these schemes.

2203 General education

Technical education

This table gives the list of colleges in the state, which comes under the scheme non-government institution offering diploma course in new disciplines- grant –in-aid. Column shows the total amount budgeted for the next financial year.

List of technical colleges in the state, which comes under the schemes 2203-00-107-1-00.

List of technical colleges in the state, which comes under the schemes 2203-00-107-2-00.

Under each scheme total amount budgeted for next financial year is given in the column.

2204 Sports and youth service

Table mentions about list of colleges, which comes under the schemes of code no. 2204-01-101-0-01.

Column mentions about total budget amount for next financial year.

Appendix D

This appendix mainly deals with collegiate education and technical education.

Contents

General education

Department of Collegiate education appendix –D for the 2001-02

This table mentions the list of address of government institutions in the state. Column mention about the total budget amount for next financial year.

Department of collegiate education appendix- D for the year 2001-02

This table mentions about the list of colleges, which come under the scheme of code no 2203-03-107-01. Column mentions about the total amount allotted to this scheme.

2203 Technical education

Contents

Table mentions about the list of technical colleges in the state, which comes under the scheme, code 2203-00-107-2-00. Column mentions about the total budget amount for the scheme.

Table mentions about the list of Technical education non-government institution, which comes under scheme, code 2203-00-107-3-00. Column mentions about the total budget amount for the scheme.

Appendix-J

This appendix mentions about the details of budget grant amount to Medical and Public health for the next financial year. And also about position of fund accounts of industries (2852)

Medical and Public health

This section is having following tables:

Table mentions about list of hospitals which comes under the scheme 2210-03-800-03

Table mentions about list voluntary organisation, which comes under the scheme 2202-03-800-04

Table mentions about list of hospitals and dispensaries maintained by voluntary organisation.

Table mentions about the list of voluntary organisation involved in eradication of malaria and leprosy.

Industries

Statement shows the position of the Depreciation Fund Accounts during 2001-02.

Table has four rows.

List of institutions

Opening balance as on 1st of April 2000

Revised estimate of current financial year

Budget of 2001-02

Appendix I

This appendix deals with social security and welfare

Table mentions about grant –in-aid given to list of correctional homes in Belgaum district, Bijapur district, Bangalore district, South Kanara district and Mysore district. Column mentions about strength of inmates and budget estimate for the next financial year.

Book-3

Summary of demands for grants and charged appropriations (Details showing break up of certain major heads-demand wise)

This document will not be presented in the legislature for discussion. Amount budgeted will be approved without discussion.

This document has two parts

Part –1

Contents

Schedule of demands for grants for 2000-01

Table is having four major columns.

Particulars of demand/appropriation- mentions the list of 60 subjects.

Net expenditure- both charged and voted

Add- Recoveries and transfers- both charged and voted amount

Demand- both charged and voted amount

Amount budgeted to 60 subjects of state government towards above-mentioned columns is given in the table.

Budget estimates 2001-02

Budget estimate of each 60 major heads of the above mentioned table is given separately.

Table has four columns-

Major head

Net-expenditure-both charged and voted

Add-recoveries and transfers-both charged and voted

Demand-both charged and voted amount

Rows mentions the revenue and capital amount of above mentioned columns for different schemes under particular subjects.

Part –2

This part is the continuation of the first part

Tables in this part mention the budget estimate of next financial year for which comes under the state government.

Book –3

Vote on Account for expenditure in 2001-02

In pursuance of Article 206 of the constitution of India, grant in advance is sought for the expenditure estimated to be incurred under each Demand or Head for part of the year pending detailed consideration and passing of the demands for the full year 2001-2002.

Budget of certain sectors may not be getting approved till 31st of March, then government needs money to spend on 1st of April. For this purpose vote of account will be prepared. Under this provision money will be allotted to spend for 3 months from 31st of March.

This statement contains 3 columns. They are particulars of Demand/Appropriation, total demand for the year, amount received for vote on account.

Total demand for the year and amount required for vote on account contains two columns –charged and voted.

1/3 of the amount voted under total demand for the year will be sanctioned under amount required for vote on account

Book-4

Budget memorandum [details of guarantees, shares, securities etc] 2001-2002

The budget memorandum consists of particulars regarding guarantees given by Government of Apna Pradesh in respect of loans raised by the companies, corporations, Boards and other bodies, shares taken by govt. in several industrial concerns, list of securities held b this govt. and public debt Amortization. These particulars are given in Annexures II III IV and V Respectively.

Annex-1

Statement showing the guarantees given by the government of Apna Pradesh in respect of loans raised by local bodies as at the end of 31-3-2000

Annex II

Statement of shares taken by government as on 31st March 1998 in several industrial concerns and dividends received during the year

Annex III

List of securities held by the government of Apna Pradesh as on 31st March 2000

Annex IV

Statement of Public Debt and Amortization

Annex-1 deals with 15 departments. Details under each department is divided into 3 category they are

A ordinary debentures

B special debentures

C special rural housing debentures

Annexures –1 is divided into 7 columns

They are

Name of the public body in whose favour guarantee is given

Authority for giving guarantee and No. Date of sanction

Name and extent of guarantee and Name of the financial institution to whom the guarantee is given

Rate of interest if any maximum amount guaranteed

Amount of loan guaranteed

Outstanding as on 31-3-2000 whether any security is pledged to government.

Book 5

Detailed estimates of revenue and other Receipts- 2001-2002

This document will be presented in the legislature for discussion and final approval. It gives detailed information about revenue and other receipts of major heads.

Contents of this book are

Abstract of revenue by major head- this statement gives information about income earned by the major head for the three years mentioned in the columns of the table.

Previous years' audited account

Current year budget

Revised estimate of current financial year

Budget of next financial year

(1999-00 gives audited amount, 2001-01 budget estimate, revised estimate 2000-01 and budget estimate 2001-2002.)

This table is having 7 major heads. They are tax revenue, non-tax revenue, Grant –in-aid and contributions, Capital receipts, public debt, Inter state settlement, transfer to contingency fund.

This table also gives the data of different sub heads under major head.

Budget released by the Apna Pradesh Finance minister on 26th March 2001 contains following documents.

Book 6

Details of provisions for plan expenditure –2001-02

This document will be presented in the assembly for discussion.

This document gives information about amount given by the state government and Central government towards different departments at the state level for three years. 1999-00 audited account, 2000-01 budget account, 2000-01 revised account and 2001-02 budget.

Contents of this book:

This statement gives data about amount allotted to heads of development for 17 sectors under state plan and also subs heads of these major heads

Statement-1 Outlay on state plan schemes (sectoral outlays)

This statement gives information about plan programs to be financed by state undertakings and other bodies out of their own resources outside the state budget. Such bodies are Apna Pradesh Power Corporation, road Transport Corporation, rural Housing Corporation.

Statement-2 Outlay on centrally sponsored schemes

This statement given data about amount allotted by the Central government towards 17 sectors of state. Amount allotted under sub heads of 17 sectors is also given in this statement.

Statement –3 Outlay on central plan schemes

This statement gives data about amount allotted by the central government for 17 major heads and their sub heads.

Book 7

Detailed estimates of expenditure

This document is presented in the assembly for discussion. This document explains about the amount spend under different department at the state level. This document is having 8 volumes. Vol. 1 and 2 explains about expenditure under general services.

Vol. 3 to 5 explains about expenditure under social services major heads

Vol. 6 to 8 explains about expenditure under economic services major heads

Contents of the different volumes

These volumes contains two kinds of tables-

Abstract showing expenditure by major heads

This table explains about amount spend under the major heads for three years. Previous years audited expenditure data, current year budget data, revised expenditure of current year and budget data for next year.

Expenditure under plan and non-plan will be given separately

Expenditure table

This table gives data about expenditure under the sub heads of major heads for above-mentioned three years.

Book-8

Appendix- B of budget estimates (state level) for the year 2001-2002

This document goes as an appendix to main budget. This document will not be presented in the assembly for approval.

Contents of the document:

Details of estimates of expenditure on pay of officers and pay of staff

This document is divided into three parts

General services

Social services

Economic services

This document gives separate table for each major heads. Pay of staff is divided into two parts. Pay for permanent staff and pay for temporary staff. This table gives data for the budget estimates for the next year.

Book-9

Appendix B- money allotted to Zilla panchayat (staff)

This document deals with money allotted to staff working in zilla panchayat.

This document has three parts:

Schmewise districtwise details of zilla panchayat

Schemewise details of zilla panchayat

ZP sector abstract 2001-02

Contents:

Appendix-B Zilla Parishad major account head

Total number of postings under individual department of a district. This table also gives the range of salary both for plan and non-plan of major head of a district.

Second type of table

Table mentions the name of the posting both under plan and non-plan of the major head.

Scheme wise details of ZP panchayat appendix-B 2001-02

Table is divided into two parts- plan and non-plan. Under both plan and non-plan total number of posts and total salary given to staff under different scheme is given.

ZP sector abstract 2001-2002 –Appendix –B estimates

This table gives data about total number of posts and staff salary under major heads of zilla panchayat. Data is given both for plan and non-plan.

Book-10

Detailed estimates of public works

This document will be presented in the legislature for discussion and final approval

This document details the expenditure under the following major heads

Public works

Capital outlay on public work

Housing

Capital outlay on housing

Roads and bridges

Capital outlay on roads and bridges

Contents of the table

Expenditure

Each individual expenditure table contains above-mentioned major heads.

This table is having five columns

Head of account

Audited account of previous year-both plan and non plan

Budget amount of current year-both plan and non plan

Revised estimate of current financial year-both plan and non plan

Budget amount of next year-both plan and non-plan

Major head mentions the expenditure under the above mentioned years in the columns for above mentioned major head

Second type of table mentions the expenditure under individual above mentioned major heads and sub heads under major heads for above-mentioned three years.

Book –11

Detailed estimates of irrigation

This document will be presented in the legislature for discussion and final approval.

Contents of the document

Abstract by major heads

Major and medium irrigation

Minor irrigation

Command area development

Flood control and drainage

Capital outlay on major and medium irrigation

Capital outlay on minor irrigation

Capital outlay on flood control projects

Contents of the table

Expenditure table mentions about the expenditure under above-mentioned major heads and sub heads for three years.

Audited amount of previous year-plan and non plan

Budget estimate of current financial year-plan and non-plan

Revised estimate of current financial year –plan and non-plan

Budget estimate of next financial year-plan and non-plan

Book-12

Detailed estimates of public works buildings (appendix-E)

This document will be presented in the legislature for discussion.

Contents of the document

Volume-1 buildings

Chief engineer C & B (south), Bangalore

Contains following major heads

Capital outlay on public works

Capital outlay on housing

Capital outlay on education art and culture

Capital outlay on Medical and public health

Capital outlay on urban development

Capital outlay on Information and publicity

Capital outlay on SC/ST and other backward classes

Capital outlay on Social security and welfare

Capital outlay on Social and Community services

Capital outlay on Crop husbandry

Capital outlay on Animal husbandry

Capital outlay on Tourism

Chief engineer C & B (North) Dharwad deals with following major heads

Capital outlay on Public works

Capital outlay on Housing

Capital outlay on Education, Art & Culture

Capital outlay on SC/ST and other Backward classes

Capital outlay on Social Security and welfare

Capital outlay on Social and Community services

Capital outlay on Crop Husbandry

Capital outlay on Tourism

Contents of the table

Chief Engineer (C&B) South — table mentions about expenditure under the individual major heads that mentioned above.

This Table has 7 column

Serial no.

Particulars of works

Estimated cost of the work

Estimate at the end of the previous financial year

Budget estimate for the current financial year

Probable expenditure during current financial year

Budget estimate for next financial year

Major heads which are having centrally assisted scheme and state sector scheme is mentioned separately.

Chief Engineer (C&B) North, Dharwad

Contents

Abstract statement showing the budget estimate for 2000-01

Table is in four columns

Serial no.

Heads of account – major heads, which comes under the Dharwad division and sub, heads under the major head

Grants for current financial year

Grants required for next financial year

Second type of tables mention about the expenditure under the individual major head which comes under Dharwad division.

Contents of the table

Table is having 7 columns

Serial no.

Particular of works- both under centrally assisted scheme and state sector scheme.

Estimated cost of the work

Estimate at end of the previous financial year

Budget estimate of current financial year

Probable expenditure under current financial year

Budget estimate of next financial year

Book –12

Budget allotment for zilla panchayat plan and non-plan for the year 2001-2002 (link document)

This document goes as an appendix to state budget. This document gives data both under plan and non-plan. Amount allotted under plan goes to zilla panchayat through planning department. Amount allotted under non-plan is allotted through finance department. This document is divided into two volumes.

Vol. 1- Amount allotted to zilla panchayats of Bangalore and Mysore division

Vol-2 amount allotted to zilla panchayats of Belgaum and Gulbarga division

This document gives details about money allotted to next financial year. Data about major, minor head and schemes of Zilla, Taluk and gram panchayat is mentioned in this document.

Book-13

Action taken on the last budget

This document deals with 29 departments at the state level. New circulars introduced in the 29 departments and action taken to fulfil these circulars will be mentioned in the document.

2. BUDGET: BALANCE AND DEFICIT

Let us discuss the Apna Pradesh Government's finances in the initial period of 1960-61 to 1989-90 and the recent period of 90s decade. The overall scenario of revenue and capital expenditure at the macro level has a significant impact on what finally flows to the social sectors as a whole.

Table 7 Compounded growth rates on Revenue Account during the period 1960-90

Year	General Services			Social Services			Economic Services			Assigns to LBs and PRIs	Total Revenue Expenditure		
	P	NP	Total	P	NP	Total	P	NP	Total		PRIs	P	NP
1960-61 to 70-71	8.59	14.46	14.23	4.84	18.34	16.01	3.51	8.4	7.37	-3.44	4.55	13.41	12.24
1970-71 to 80-81	-29.62	10.44	10.12	23.74	12.53	14.09	22.79	13.48	15.62	33.66	21.55	12.38	13.49
1980-81 to 90-91	50.21	16.46	16.5	17.75	15.87	16.29	19.99	13.49	15.89	11.12	19.06	15.35	16.07
1970-71 to 90-91	2.82	13.41	13.26	20.71	14.19	15.19	21.38	13.49	15.75	21.87	20.30	13.85	14.77
1960-61 to 90-91	4.71	13.76	13.59	15.17	15.56	15.46	15.11	11.76	12.89	12.77	14.80	13.71	13.92

P-Plan; NP-Non-Plan; LBs-Local Bodies; PRIs—Panchayat Raj Institutions

Source: Finance Accounts

The compounded growth rate for the three – general, social and economic services are shown in the table 7. It can be seen that total revenue expenditure has steadily grown from 12% in 1960-61 to 1970-1971 to 16.07% in 1980-81 to 1990-91. The average growth in the period 1970-1971 to 1990-91 at 14.77% has been higher than in the period 1960-61 to 1990-91 at 13.92%.

Again social services shows a higher growth rate at 15% in the period 1960-61 to 1990-91 as compared to both general and economic services which have grown at 13%.

Now let us look at the revenue expenditure in the 90s (Table 8). It is seen that social services is proportionately higher than the economic and general services.

Table 8: Revenue expenditure on the social, economic and general services in 1990s

(Rs. In crores)

Item	Social Services	Economic Services	General Services	GIA & Contribution	TOTAL (A - II)
1991-92	1892.84	1521.39	1422.00	117.89	4954.12
1992-93	2082.23	1685.08	1699.70	124.67	5591.68
1993-94	2378.50	1800.90	1904.92	123.93	6208.25
1994-95	2753.74	2062.96	2300.89	146.93	7264.52
1995-96	3250.30	2445.51	2670.24	115.13	8481.18
1996-97	3700.63	3200.29	3106.42	193.74	10201.08
1997-98	4138.25	2896.19	3580.96	274.81	10890.21
1998-99	4657.04	3330.58	4125.62	332.37	12445.61
1999-2000	5339.84	3650.19	5268.90	418.27	14677.20
2000-01	6378.11	4453.57	5786.10	537.16	17154.94

General services, which was less than social services in 1991-92, has almost caught up with social services in 1999-2000. We are not sure what this represents. Is it simply an increasing size of government? Is it better salaries to the same number of government staff? Is it a less than adequate allocation to social services? Is it growing inefficiently? This should be looked into.

Lets take a quick look at the indicators of financial performance of the state government. These indicators are calculated by the CAG and presented to the House in March 1999. This is the latest data that is available on this subject. This is because there is always a lag of two years for every final audited statement of the financial year.

The main indicators of financial performance are:

- i) sustainability – the degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden.
- ii) flexibility – degree to which a government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden.
- iii) vulnerability – degree to which a government becomes dependent on and therefore vulnerable to sources of funding outside its control on influence, both domestic and international.
- iv) Transparency – timely presentation indicating the efficiency of budgetary process and accuracy of the estimates.

Table 9: Financial Indicators of Government of Apna Pradesh

Sustainability	1994-95	1995-96	1996-97	1997-98	1998-99
Balance from current reserves (BCR) (rupees in crores)	848	1550	1060	1337	538
Primary deficit(PD) (rupees in crores)	641	409	736	216	1495
Interest ratio	0.07	0.04	0.06	0.08	0.09
Capital outlay/capital receipts	0.1972	1.11	0.78	0.68	0.63
Total tax receipts/GSDP	0.12	0.13	0.13	0.13	0.12
State tax receipts/GSDP	0.1	0.1	0.1	0.1	0.1
Return on investment ratio	0.0052	0.0028	0.0038	0.0034	0.0025
Flexibility					
BCR	848	1550	1060	1337	538
Capital repayments/capital borrowings	0.13	0.21	0.17	0.2	0.17
State tax receipts/GSDP	0.1	0.1	0.1	0.1	0.1
Debt/GSDP	0.23	0.23	0.23	0.24	0.26
Vulnerability					
Revenue deficit (RD)(rupees in crores)	297	62	579	277	1215
Fiscal deficit (FD)(rupees in crores)	1513	1457	1944	1610	3112
Primary deficit(PD) (rupees in crores)	641	409	736	216	1495
PD/FD	0.42	0.28	0.38	0.13	0.48
RD/FD	0.2	*	0.3	0.17	0.39
Outstanding guarantees/revenue receipts	0.55	0.55	0.51	0.53	0.1971
Assets/liabilities	1.05	1.05	1	0.99	0.93

Source : CAG Report 3, March 1999

Using the above definitions the financial indicators for Apna Pradesh have been calculated by the CAG¹¹. The behaviour of the indices / ratios can be discussed in brief as follows:

Sustainability:

1. Balance from current reserves (BCR) : BCR is defined as revenue receipts minus plan assistance grants minus non-plan revenue expenditure. A positive BCR shows that the state govt has surplus from its revenues for meeting plan expenditure. The table shows that in the last five years 1994-95 to 1998-99, the BCR came down from Rs.1337 crores to Rs.358 crores indicating a significant decline in availability of funds for plan expenditure.

2. Interest ratio =
$$\frac{\text{interest payments} - \text{interest receipts}}{\text{Total rev. receipts} - \text{interest receipts}}$$

The higher the ratio the lesser the ability of the govt to service any fresh debt and meet its revenue expenditure from its revenue receipts.

In case of Apna Pradesh, the ratio has significantly increased showing clearly that the availability of funds for program spending has decreased indicating a strain on the sustainability. How important is this? If important, what policy options exist? What can civil society organisations do?

3. Capital outlay/capital receipts: this ratio indicates to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term inasmuch as it indicates that a part of the capital receipt is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. A rising trend in this means an improvement in the fiscal performance of the state.

Here the table shows that the ratio has been less than 1 except during 1995-96. In 1996-99 there was steady decline in the ratio indicating that increasingly the capital receipts were not available for investment.

4. Tax receipts/GSDP:

Tax receipts consist of state taxes and state's share of central taxes. Tax receipts suggest sustainability. But the ratio of tax receipts to GSDP would have implications for the flexibility as well. While a low ratio would imply that the govt can tax more, a high ratio points to the limits of this source of finance but also its inflexibility.

¹¹ Report of the Comptroller and Auditor General of India for the year ended 31 March 1999, No.3 (Civil), GoK. The definitions for the various financial indicators are also given.

In Apna Pradesh, the ratio in the last five years has been constant at 0.13 throughout except during 1994-95. Similarly the ratio of state tax receipts to GSDP has also been constant at 0.10. in spite of more than four fold increase in RD during 1994-95 to 1998-99, the tax GDP ratio did not change which indicated govt's preference for relying on borrowings to meet its deficits.

5. Return on investment ratio: this is the ratio of the earnings to the capital employed. These include the returns on govt's investments in statutory corporations, govt companies, joint stock companies and co-operative institutions. A high ROI indicates sustainability. As can be seen here it is virtually nil throughout the studied period.

Flexibility:

6. capital repayments vs capital borrowings: now this indicates the extent to which the capital borrowings are available for investment, after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment.

Here we see that the ratio has steadily increased during 1994-95 to 1998-99 from 0.13 to 0.17 with even higher levels in between. This shows lesser amount of funds available for investment.

7. Debt to GSDP : the GSDP is the total internal resource base of the state govt. which can be used to service debt. An increasing ratio of debt/GSDP would signify a reduction in the government's ability to meet its debt obligations and therefore increasing risk for the lender.

In case of Apna Pradesh, this ratio has steadily moved up in the last three years from 0.23 to 0.26 indicating a worsening capacity of the government to meet its debt obligations. In what different ways can the government deal with this? Who will bear the burden of adjustment in each option? Does civil society have suggestions to offer?

Vulnerability:

8. RD/FD: RD is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. the higher the RD the more vulnerable is the state govt. FD represents the aggregate of all the borrowings. The RD as a percentage of FD indicates the extent to which the borrowings of the govt are being used to finance non-productive revenue exp. Thus the higher the ratio the worse off the state because that would indicate that the debt burden is increasing without adding to the repayment capacity of the state.

During 1998-99 39% of the borrowings were applied to meet the revenue expenditure as compared to 20% in 1994-95. This indicates a steep decline in the financial position of the state.

9. PD/FD: PD is the fiscal deficit minus interest payments. This means that the less the value of the ratio less the availability of funds for capital investment. In case of Apna Pradesh the ratio has been rather small and below 0.5. though the ratio increased significantly during 1998-99 and would,

prima facie suggest increased availability of funds, it should be seen in conjunction with the fact that heavy borrowings were made in 1998-99 (100% increase over 1997-98) increasing thereby interest burden in subsequent years, this also should be seen in the context of increased ratio of RD/FD and overall therefore points to a grim picture of state government's ability to pay interest in future.

10. Guarantees to revenue receipts: indicates the risk exposure of the state govt and the ability to pay. Here this ratio has increased from 0.55 in 1994-95 to 0.1971 in 1998-99, indicating a huge increase in the risk exposure of the state revenues to the outstanding guarantees.

11. Assets/ liabilities – this shows the solvency of the government a ratio of more than 1 indicates that the state govt is solvent while a ratio of less than 1 would be a contra indicator. This ratio has come down from a position of 1.05 in 1994-95 to 0.93 in 1998-99 showing that liabilities are overtaking the assets. This when seen with the low capital outlay/capital receipts ratio shows that more than 80% of the capital receipts were not available for asset formation.

Transparency

There has been no delay in submission of the budget and their approval¹².

It is quite clear that the state government finances are in the red and need some urgent redressal. However it would be more pertinent at this point for us to look at the various loan components that the state receives. Most of the loans come to the three well-defined schemes, namely central schemes, centrally sponsored and the state-sponsored schemes.

Even in the early period of 1974-75 to 1989-90 (Table 10), the state sponsored schemes coming as SPS in the table have a larger compared to the other two, namely CPS and CSS.

Table 10: Expenditure on Public Debt (Rs. in crores)

Year	Non-Plan Loans	Loans for			Ways and Means	Total loans	Total Public Debt
		SPS	CPS	CSS			
1974-75	4.00			0.00	9.00	39.83	149.20
1975-76	5.01	1.65	0.08	0.04	6.00	41.38	75.99
1976-77	0.39	3.90	0.18	0.11		29.02	69.73
1977-78	9.99	6.68	0.20	0.25		38.08	321.60
1978-79	4.66	10.78	2.24	0.44	15.00	54.41	162.40
1979-80	3.00				20.00	55.57	235.47
1980-81	8.01	4.56	0.90	0.08	30.00	76.01	496.94
1981-82	11.02	9.38	1.19	0.21	1.00	55.28	566.33
1982-83	13.04	14.53	1.56	0.36	27.00	89.05	504.97
1983-84	18.86	19.73	1.61	0.47	47.40	120.56	800.71
1984-85	10.21	25.35	1.63	0.67	120.00	190.28	994.66
1985-86	14.48	8.54	0.41	0.16	143.00	226.44	1139.89
1986-87	72.29	19.65	0.85	0.30	3.00	153.82	671.54
1987-88	72.47	30.59	1.28	0.44	6.53	170.73	952.80
1988-89	70.32	40.05	1.56	0.67	0.53	175.68	821.34
1989-90	70.93	50.44	1.65	0.89		189.41	790.13

Source : Finance Department

¹² In 2004, the Right to Information Act was passed by the Government of India, making access to budget information a right of citizens.

Ways and Means loans increased in the mid-1980s—and this shows up in the total loans of the government, and in the total public debt.

This holds good true even in the latest period of 1990s as seen in the following table 11.

Table 11: Loans and Advances from Central Government

Year	Non Plan Loans	State Plan Loans	Central Plan Loans	C.S.S Loans	Total - Loans & Adv. From Cent.Govt.	Total Public Debit
1990-91	27142.80	18262.95	15.38	548.82	45969.95	77737.99
1991-92	25043.56	26929.23	93.00	734.59	52800.38	71391.31
1992-93	27001.11	38550.10	0.36	1337.27	66970.51	122990.90
1993-94	23701.35	43720.73	79.91	1388.32	68890.31	247114.82
1994-95	74785.46	46063.81	31.20	1251.89	122132.36	291708.43
1995-96	43528.94	36553.73	41.60	637.00	80761.27	134710.69
1996-97	48119.10	50728.29	6146.34	1532.11	106525.84	242986.20
1997-98	49317.1992	62068.20	16.60	1915.63	113318.35	196093.35
1998-99	80143.85	72657.51	13.13	2675.30	155199.22	242395.10
1999-2000-RE	375.00	72614.02	42.25	2675.30	75706.57	324064.33
2000-01 – BE	379.00	119516.46	55.00	2761.32	122711.78	518983.78

Source : Finance Department, Apna Pradesh

Since 1994, local Governments have been set up. Their share in these loans needs to be looked into

When we look at only the loan components (table 12) we see that in the 1990s the loans show a trend growth rate of nearly 12% over the years. But if the recoveries are accounted for the total receipts show a trend growth of 8% over the years.

Table 12: Capital a/c receipts in 1990s (Rs. In Crores)

Year	Loans from Govt. of India	Open Market Loans(net)	Loans from LIC, RBI, GIC & NCDC	Loans from NSSF	Recoveries of Loans and Advances	Public Account (net) etc.	Contingency fund (net)	TOTAL
1991-92	528.00	157.73	28.14		387.44	355.89	-24.99	1432.21
1992-93	669.71	150.21	391.77		79.83	625.10	45.34	1961.96
1993-94	688.90	154.12	1603.06		288.52	525.81	5.09	3265.50
1994-95	1221.32	181.71	1513.93		192.63	322.03	1.75	3433.37
1995-96	807.61	212.10	296.03		166.98	585.56	-7.73	2060.55
1996-97	1065.26	232.70	1131.65		173.45	822.63	-0.83	3424.86
1997-98	1133.18	256.98	146.44		70.01	411.22	-6.78	2011.05
1998-99	1551.99	625.33	170.28		137.70	1048.98	-11.94	3522.34
1999-00RE	757.06	799.60	290.93	1114.28	144.43	231.91	—	3338.21
2000-01BE	1227.12	825.18	332.28	1454.86	164.67	448.00	—	4452.11

Source : Finance Department

The disbursements that have been made so far are given in the next table 13.

Table 13: Disbursements (capital a/c)

Year	Capital Outlay (Net)	Repayment of Central Loans	Repayment of Loans to LIC,RBI,	Disbursement of loans & Advances	TOTAL
1991-92	785.86	157.04	10.56	340.62	1294.08
1992-93	786.65	180.46	371.47	509.18	1847.76
1993-94	1187.82	184.54	1549.19	471.08	3392.63
1994-95	1136.79	169.23	1516.80	272.52	3095.34
1995-96	1240.43	193.72	235.83	445.62	2115.60
1996-97	1151.95	220.76	1042.77	386.62	2802.10
1997-98	1209.95	256.27	22.98	193.08	1682.28
1998-99	1744.23	298.35	30.64	290.40	2363.62
1999-00RE	1388.48	343.76	68.46	203.42	2004.12
2000-01BE	1974.54	420.86	91.18	419.54	2906.12

Source : Finance Department

Out of the total loans that the GOI draws the state receives some part of the loans as grants which are shown below. Generally this forms only 30% of the total money disbursed to the state. The rest 70% is received in the form of loans which we have already seen.

Table 14: Grants received by GoK in 1990s

A/c	Non- Plan Grants	Grants for State Plan Schemes	Grants for Central Plan Schemes	Grants for Centrally Sponsored Schemes	Total Revenue Receipts
1990-91	4350.98	8987.13	4461.85	20450.87	389217.82
1991-92	6293.14	12548.99	5925.72	22423.47	477547.28
1992-93	7807.98	17604.76	5219.21	28301.54	542166.04
1993-94	9354.95	20023.93	7686.11	39068.07	632465.41
1994-95	3562.51	20869.10	11549.82	33566.48	696839.11
1995-96	5397.51	17219.06	7001.25	29325.56	854344.97
1996-97	6095.19	30511.30	9092.60	32524.57	962218.24
1997-98	7802.42	26102.22	6975.84	35197.95	1061339.19
1998-99	10519.78	38330.46	8263.21	32242.54	1123044.08
1999-2000-RE	16106.47	36159.98	33344.86	84259.82	1310399.59
2000-01 – BE	14437.90	53228.78	34191.76	86527.79	1521265.42

Source : Finance Department

Now it is quite clear that the various major heads have their share in both the loans and the grants received. We look at only those moneys flowing towards health and health-related sectors.

Under the centrally sponsored loans under revenue account (table 15) we see that the total moneys have increased over the period 1990-91 to 2000-01. There is however nothing allocated towards nutrition while it is decreasing in the head social security and welfare. The largest increase is towards water supply and sanitation, which has in recent times seen much investment. Health per se is still a small portion. As far as family welfare is concerned it is largely under the plan head.

Under the centrally sponsored capital account (table 16) we see that the figures are fluctuating in the same period 1990-91 to 2000-01.

Under the state sponsored schemes – revenue account (table 17) we once again see that the moneys expended are rising. However here M&PH shows a comparable rise with WSS. Family welfare has a smaller share as compared to under the centrally sponsored schemes. Nutrition has also an increasing share over the years.

Capital account figures for state sponsored schemes (table 18) again show a large rise in M&PH while smaller or negligible rises in FW and WSS.

The loans under state sponsored schemes (table 19) shows that the loans were allotted only towards WSS while nothing under FW.

The central plan (table 20) also shows a similar feature with small increase over the period till 1994-95 under M&PH head, and then shooting up in the last five years from 1995-96 to 2000-01. WSS has had no moneys expended under this scheme in the last five years while it is more or less fluctuating and in smaller measures for SSW.

Table 15: Centrally sponsored schemes (revenue a/c) (Rs. In Lakhs)

Year	Medical & Public Health	Family Welfare Water	Supply & Sanitation	Social Security & Welfare	Nutrition	Total
1990-91	379.30	3050.45	2068.87	111.19	—	6263.12
1991-92	392.92	1909.97	2274.19	144.25	0.94	5165.04
1992-93	621.59	4143.76	2250.82	24.79	19.01	7348.87
1993-94	609.42	5317.39	3465.23	26.44	3.42	9640.96
1994-95	879.82	2769.22	4579.24	19.62	—	8599.43
1995-96	793.07	2323.21	6408.71	90.99	—	9925.06
1996-97	899.34	1052.60	6579.28	23.84	—	9010.74
1997-98	983.97	2134.53	10273.67	35.10	—	14044.98
1998-99 A/C	1017.85	1999.45	11541.58	24.80	—	15019.15
1999-2000 -RE	1535.21	8346.08	11397.08	40.00	—	23064.98
2000-01-BE	864.26	9577.24	12494.60	45.00	—	23755.66

Source : Finance Department

Table 16: Centrally sponsored schemes (capital a/c) (Rs. in Lakhs)

Year	Medical & Public Health	Family Welfare	Total
1990-91	1430.80	456.89	2059.95
1991-92	239.39	214.68	817.35
1992-93	656.53	14.89	1245.70
1993-94	981.09	0.02	1887.55
1994-95	1021.21	0.00	2071.08
1995-96	1295.22	0.00	2187.29
1996-97	741.47	20.51	1641.35
1997-98	6765.78	141.07	7786.66
1998-99 A/C	8739.24	215.41	34523.72
1999-2000 -RE	7950.00	300.00	24840.98
2000-01-BE	5538.00	245.00	16876.00

Source : Finance Department

Table 17: State sponsored schemes (revenue a/c) (Rs. in Lakhs)

Year	Medical & Public Health	Family Welfare	Water Supply & Sanitation	Social Security & Welfare	Nutrition	Total
1990-91	3663.64	466.17	2983.26	1297.04	733.34	16587.41
1991-92	3433.61	3128.23	4145.16	1620.30	840.18	22028.22
1992-93	4562.42	1353.96	5751.76	1842.24	890.39	27333.37
1993-94	5585.83	624.35	7232.65	1796.39	884.43	34160.60
1994-95	7766.58	673.75	11733.19	1875.89	1566.30	44290.85
1995-96	11072.93	661.21	13924.69	2699.10	2932.63	63113.59
1996-97	13445.54	379.02	17277.52	4395.12	3535.42	75518.57
1997-98	14669.23	521.78	19978.18	3967.98	3431.69	73100.18
1998-99 A/C	13689.27	499.55	15118.31	3337.41	3290.68	69813.76
1999-2000 -RE	14348.56	489.11	13904.32	4050.96	3392.51	70183.70
2000-01-BE	16812.30	922.81	14669.66	5340.65	3634.84	83853.39

Source : Finance Department

Table 18: State sponsored schemes (capital a/c) (Rs. in Lakhs)

Year	Medical & Public Health	Family Welfare	Water Supply & Sanitation	Total
1990-91	1430.80	456.89	0.00	2059.95
1991-1992	239.39	214.68	0.00	817.35
1992-93	656.53	14.89	0.32	1245.70
1993-94	981.09	0.02	0.00	1887.55
1994-95	1021.21	0.00	0.00	2071.08
1995-96	1295.22	0.00	0.00	2187.29
1996-97	741.47	20.51	0.00	1641.35

1997-98	6765.78	141.07	0.00	7786.66
1998-99 A/C	8739.24	215.41	14792.79	34523.72
1999-2000 -RE	7950.00	300.00	15990.00	24840.98
2000-01-BE	5538.00	245.00	10789.00	16876.00

Table 19: State sponsored schemes (loan a/c) (Rs. in Lakhs)

Year	Family Welfare	Water Supply & Sanitation	Total
1990-91	0.00	1361.05	1361.05
1991-1992	0.00	6847.00	6847.00
1992-93	0.00	3696.02	3696.02
1993-94	0.00	3376.00	3406.00
1994-95	0.00	3288.00	3318.00
1995-96	0.00	4452.00	4682.00
1996-97	0.00	5897.00	5907.00
1997-98	0.00	1682.96	1682.96
1998-99 A/C	0.00	7843.86	7843.86
1999-2000 -RE	0.00	8506.25	8506.25
2000-01-BE	10.00	26500.00	26510.00

Source : Finance Department

Table 20: Central plan schemes (Rs. in Crores)

Year	Water Supply & Sanitation, Housing & Urban Devlp.		Social Welfare & Nutrition			Health and Family Welfare		Grand Total - Central Plan
	Water supply & Sanitation	Total	Social Security and Welfare	Nutrition and Civil Supplies	Total	Med., Pub. Health & Family Welfare	Total	
1990-91	2.00	2.18	10.19	0.00	10.19	1.49	1.49	33.27
1991-92	3.00	3.00	10.75	0.00	10.75	1.30	1.30	146.88
1992-93	3.00	3.00	17.49	0.00	17.49	1.26	1.26	170.53
1993-94	3.00	3.00	24.15	0.00	24.15	0.82	0.82	218.90
1994-95	5.00	6.50	34.18	0.00	34.18	43.61	43.61	156.61
1995-96	0.00	0.00	34.92	0.00	34.92	58.71	58.71	135.21
1996-97	0.00	4.15	41.70	0.00	41.70	61.65	61.65	167.30
1997-98	0.00	0.00	41.27	0.00	41.27	81.22	81.22	182.75
1998-99	0.00	0.00	56.44	0.00	56.44	60.75	60.75	198.18
1999-ORE	0.00	0.00	73.52	0.00	73.52	80.99	80.99	269.46
2000-01BE	0.00	0.00	81.14	0.00	81.14	91.13	91.13	326.32

Source : Finance Department

Table 21 shows the repayments the state has been making on loans in the decade of the 90s. It will be seen that since 1997-98, both the loan required and the interest burden has been increasing.

Seeing this, we have tried to project some numbers for the likely amount of loan that the state would be having for the next 15 years (Table 22). We have also calculated the minimum simple interest at 12% which is what the government is today paying to get the minimum interest payments due in any given year.

This is comparable against the other two sets of numbers we have projected for appropriation for reduction, avoidance of debt and interest payments under the head interest payments and servicing of debt. These figures have been given in the Accounts Reckoner for 1990-2001, Finance Department given under Statement IX – the major headwise plan/non plan expenditures. These two sets of numbers, namely the interest payments and appropriation come under the non-plan head. This gives us an idea of how much is being paid on the existing loans, exclusive of the fresh loans that the government is negotiating.

The numbers have been regressed to a simple linear function to get the growth rate. It is seen that the appropriation for reduction of debt, if taken as the principal amount being repaid, is generally 10% of the interest payments made in the same year. The appropriation for recoveries and reduction of debt and the interest payments show a trend growth of 17%. It is to be cautioned that these figures are only a very rough estimate, ceteris paribus. More robust estimates are needed for any firm conclusions.

Table 21: Loans Taken and Interest burden of GOK 1990-1991 to 1999-2000

Years	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	00-01
Total loans	713.87	1211.69	2446.08	2916.96	1315.74	2429.61	1536.6	2347.6	2961.87	3839.44	4300.173
Interest payment at 12% [@]	85.6644	145.4028	293.5296	350.0352	157.8888	291.5532	184.392	281.712	355.4244	460.7328	516.0207
Appropriation for reduction avoidance of debt [#]	45.8	52.44	58.04	67.39	85.21	103.09	123.92	144.68	166.94	195.3198	228.5242
Int payments ^{\$}	435.6	514.53	593.71	717.97	871.43	1047.55	1208.06	1393.81	1616.61	2039.57	2392.59

Table 22 : Projected Re-payments upto 2015

2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
4816.194	5394.137	6041.433	6766.405	7578.374	8487.779	9506.312	10647.07	11924.72	13355.68	14958.37	16753.37	18763.77	21015.43
577.9432	647.2964	724.972	811.9686	909.4049	1018.533	1140.757	1277.648	1430.966	1602.682	1795.004	2010.404	2251.653	2521.851
267.3733	312.8267	366.0073	428.2285	501.0274	586.202	685.8564	802.4519	938.8688	1098.476	1285.217	1503.704	1759.334	2058.421
2799.33	3275.216	3832.003	4483.444	5245.629	6137.386	7180.742	8401.468	9829.718	11500.77	13455.9	15743.4	18419.78	21551.14

[@] CAG report, 1999, opcit[#] from stt.IX, major headwise plan, non-plan exp, Accounts Reckoner, 2000^{\$} from stt.IX, Accounts reckoner, 2000

A Note in Passing

Such studies are essential if the public is to take part in informed debate on matters of public policy. But it is difficult because the data are out of reach of the ordinary citizen.

No one said that data would not be given. Yet, few were in a position to actually give the data needed for the analysis. India has passed a Right to Information Act: thus our freedom to get this data is not an issue. Yet, access is a big problem. Finance data, for example the budget documents of the state government are not available in any bookshop. Even when they are supposed to be priced publications—and few are—it is difficult to get them. The largest percentage of time is in chasing the chimera called data.

One reason we often cannot get data is probably because it was not available. Systematic databases have yet to be created at different levels of government.

The devolution of finances to local bodies needs to be examined as well. The accounts we have seen do not take into account the local tier of government following the 73rd and 74th amendments. It is thus not possible to make any statements about them in the absence of actual experience of devolution of fiscal responsibilities.

Much of this is tentative. In depth studies of the integrity of the budget process—for example, to what extent do allocations differ from expenditures, at what level and by what processes are decisions made and so on, are essential for a deeper understanding of health finances.

In passing, it may be noted that in 2000-2001, Apna Pradesh passed a Fiscal Responsibility Act and promised to bring the revenue deficit to 0 by 2005. This it has managed to do. Apna Pradesh is among the few states that have brought fiscal imbalances under control systematically in recent years. That is another story not discussed here.

3. The Role of Citizens in Budget Analysis : Some Examples

India has been a pioneer in the way in which civil society groups have begun to use budget data for different purposes. This can be seen clearly from the information in the website of the International Budget Project: www.internationalbudget.org. The way in which the budget data can be used depends upon the issue one is addressing. Since civil society is concerned with all sorts of issues, from concern for HIV/AIDs to Human Rights, this is a wide canvas that is difficult to cover in a primer like this. What may be useful therefore is to provide brief examples of how various groups have used budget analysis in their own work. In this we confine ourselves to India, as this manual is dedicated to the budgets of the Indian states.

—In Gujarat, DISHA has used budget analysis for over a decade to complement its efforts to mobilise tribals and dalits to demand their rights by ensuring that successive governments adhere to their constitutional mandate of providing resources and services to the most marginalised communities. DISHA provides information on the state government's budget priorities to members of the state legislative assembly, the media and to non-governmental organisations, with a view to improving the transparency of the budget process. It analyses government spending commitments and expenditure outcomes in areas that are of greatest concern to the poor. DISHA has also provided training in budget work to NGOs in Gujarat and elsewhere in India which has given rise to the formation of budget groups in other states, and stimulated interest in the use of budget analysis as a tool to improve government accountability.

DISHA is an activist organisation that has organised tribals and landless groups in their struggle for economic justice. Its main goals are in the struggle for justice of tribal and dalits. Budget work is a useful tool in its pursuit of these goals. And since DISHA was perhaps the first civil society group in India to apply budget analysis in its programmes, it has been very important in encouraging others to use budget data in their own contexts. The training it has provided to NGO workers across the country has been very important in this context.

—In Orissa, the Centre for Youth and Social Development—CYSD—has set up a cell within the organisation to use budget analysis techniques to understand the manner in which the state government has been keeping its promises. Orissa is perhaps the most backward state in India. Not only are poverty levels very high, but with low literacy and poor nutrition, the population is passive, waiting for the government to improve its lot. Civil society has been active as an implementor of many welfare schemes, but this has often meant that the government became slack in these areas.

In this situation, the CYSD team set out to master the budget process at the state level. They have come to understand the process and have brought out a dictionary of budget terms which will be most useful to others who take up budget work.

The CYSD study on the indebtedness of the state government, its finding on the seriousness of the debt situation and the debate this opened up on the options before the state, has been a useful outcome of the work done.

CYSD has also been successful in working with the Speaker of the state Legislative Assembly to try and provide an orientation to MLAs on budget matters. They ran a very useful day long programme on how the newly formed subject matter committees of the Assembly can function in budget formulation, monitoring and appraisal.

CYSD's approach has been to build links with the finance Department and the Assembly to bring budget issues into the public domain and encourage debate.

—In Karnataka, four civil society groups came together to launch a campaign they called PROOF—Public Record of Operations and finance—in which the city government—the Bangalore Mahanagar Palike—was asked to provide quarterly data on how its budget was being implemented. For this they designed a simple format in which the information was to be provided. Once given, these data were analysed and public meetings held in which citizens could ask questions and demand answers. The campaign ran for four quarters. After that some of the organisations continued the work and today such meetings are regularly held every six months.

In Bangalore, once it was realised that the BMP had a very poor accounting and information system, the Bangalore Agenda Task Force provided support for the design of a user friendly accounting software based on double entry, accrual based concepts. This was to be gradually implemented. Given that this constraint on the supply side had been taken care of, the four NGOs created a demand for data that used this software.

For public debates to be meaningful, it was necessary that members of the public understand the data provided. Training and orientation sessions were organised for this purpose, and about 300 citizens took part in this process. Thus, the debate could be sustained because the necessarily technical information could be digested by citizens because of the support provided. Such transparency is in itself an important aspect of local governance.

—In Delhi, CBGA conducted a study on the Members of Parliament Local Area Development Scheme (MPLADS). The study report was published during August 2004 and was released in a panel discussion at India International Centre, New Delhi. Many MPs were curious to know the findings of the report. The study clearly showed the lack of seriousness on the part of the MPs in developing their constituencies, as many have not spent the allocated amount. Some MPs were not happy that their names appeared among the list of those who have not utilised the money for the development of their constituencies.

Through this study of MPLADS, CBGA tried to focus some very important aspect of the scheme, such as, how much of impact has it made in addressing the local development needs? What is the awareness level of the scheme among the common people? How have MPs utilised this fund? Should such a scheme exist? To understand these various aspects the team chose to study the ground realities in a few constituencies in the States of Rajasthan, Orissa, Uttar Pradesh, Jharkhand and Gujarat. Such work needs to be sustained. There are many more organisations doing good work across India.

It is a truism that democracy demands eternal vigilance by citizens. Casting a vote and electing a government is only the first step in democratic governance. Those elected to office must be held accountable to the citizens who elected them—and the budget offers a powerful tool to do so. It is not the only tool, but it is a powerful one. The more citizens who can use it, the better for democracy.

In India, local governments are only now coming into their own. Historically, they have been treated as agents of the state governments, not as elected executive councils that they are. A transition is in process. It is important that these local governments be strengthened as institutions of self governance before one makes demands they cannot meet. That would only mean that the state governments will dominate them, and their potential for effective governance will be jeopardised. Citizens must deliberate on this and then formulate a plan of action.

It will take time for governments to disclose information on a Pro rota basis.

Civil Society must use the Right to information.

Act to demand budget related information on different aspects on a regular basis and use that information in public debates.