

Budget Analysis and Policy Advocacy

Report from a national workshop on budget analysis and policy advocacy in India

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Table of Contents

	Page
<i>Introduction</i>	1
Mark Robinson	
Abha Shankar	
Session 1	
<i>Budget Analysis at State and Local Levels</i>	2
M.D. Mistry	
<i>Budget Analysis in District Panchayats</i>	4
Vinod Vyasalu	
<i>Budget Analysis, Information, and Advocacy</i>	
Aasawari Vaidya	6
<i>Discussion: Applications of Budget Analysis Work</i>	8
Session 2	
<i>US Experience of Budget Work</i>	10
Isaac Shapiro	
<i>State Fiscal Analysis in the US</i>	12
Jim St. George	
<i>The International Budget Project</i>	
Isaac Shapiro	16
<i>Discussion: Taxation and Revenue Raising in India</i>	19
Session 3	
<i>Budget Analysis and Health Expenditures</i>	21
Sunil Nandraj	
<i>Budget Analysis and Primary Education</i>	23
M.D. Mistry	
<i>Municipal Budgets</i>	25
Sita Sekhar	
<i>Discussion: Budget Analysis and Expenditures in the Social Sectors</i>	29
<i>Group Discussions</i>	31
<i>NGOs and the Budget Process</i>	
<i>Building Capacity for Analysis and Organisation</i>	
<i>Dissemination, Networking and Information</i>	

Session 4	
<i>Budget Analysis and Implications for the Poor</i>	34
Mihir Bhatt	
Session 5	
<i>Local Expenditures and the Right to Information</i>	36
Nikhil Dey	
Aruna Roy	
<i>Policy Advocacy and Budget Analysis</i>	40
John Samuel	
<i>Discussion: Policy Advocacy and Budget Analysis</i>	
Session 6	
<i>Proposals for Follow up</i>	44

INTRODUCTION

Independent review of government budgets in India by the non-governmental sector is a comparatively recent phenomenon. Until recently, budget analysis was confined to the media and academic experts, while lobbying on specific aspects of budget proposals was dominated by business interests. The priorities and needs of the poor were rarely highlighted in the process, and received little recognition in budget debates in state and national assemblies.

In the mid 1990s a number of NGOs saw the need for independent scrutiny of government budgets from the perspective of the poor. Groups like DISHA in Ahmedabad and the Centre for Budget Studies in Mumbai began to analyse state government budgets to determine the expenditure commitments for anti-poverty programmes and how far these were reflected in actual investments on the ground. This work enabled them to scrutinise budgets at state, district and local levels, and to draw attention to anomalies in government accounts. Their reports proved to be an invaluable resource during budget debates and were frequently reported in the press, thereby highlighting issues of concern to the poor, especially women, tribals, and dalits.

More recently, other groups around the country have seen the potential of budget analysis as strengthening advocacy for budgetary allocations to the poor, and have requested advice and support from organisations already working in this field. This provided the impetus for holding a *National Workshop on Budget Analysis and Policy Advocacy* in October 1999, which would bring together groups with experience in budget analysis and right to information work, sharing a common view on the need to promote greater transparency in the budget process and greater responsiveness to the needs of the poor. The workshop was jointly planned by D.N. Mistry from DISHA, Vivek Pandit from the Centre for Budget Studies and Vinod Vyasalu from the Centre for Budget and Policy Studies in Bangalore, in conjunction with Ford Foundation staff in New Delhi.

The workshop had three broad goals: to enable groups to share and review various approaches to budget analysis; to address gaps in knowledge and technical capacity; and to lay the basis for a network of groups and organisations active in this field. A total of 35 participants from fifteen organisations across the country, together with resource persons and participants from the United States, Indonesia and Nepal took part in the proceedings.

This report is a condensed summary of the main presentations and discussions at the workshop, in order to make these available to a wider audience. We have also avoided the use of technical language so that it is accessible to non-specialists. A list of resource materials is appended to the main report, which can be consulted by those unfamiliar with budget analysis. We hope that you find the materials useful in your work.

Abha Shankar and Mark Robinson
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BUDGET ANALYSIS AT STATE AND LOCAL LEVELS

M. D. Mistry, DISHA

M. D. Mistry is the founder of DISHA and Eklavya Sangathan in Gujarat. He has been one of the pioneers in the application of budget analysis for advocating the rights of tribals and other marginalized sections in Gujarat. In his presentation, Mr. Mistry highlights the effectiveness of budget analysis as a tool for detecting irregularities in government spending. Besides giving a broad overview of the budget structure, the presentation focuses on the monitoring of funds allocated by the state budget for different sectors, schemes, or programs.

Budget analysis can be a potent tool in the hands of voluntary organisations to promote greater state accountability and responsiveness to the needs of the poor. Realising the importance of budget analysis, DISHA (Development Initiative for Social and Human Action) has initiated training programs to deepen the understanding and analysis of state and national budgets by NGOs. DISHA has looked at some macro-level issues in the state of Gujarat like the pattern of spending during 1995-2000 from the Calamity Relief Fund and the government's commitment towards fulfilling peoples' right to universal primary education, and right to food and housing. It has established effective methods of monitoring financial allocations at different levels of government. Such methods not only help NGOs in understanding and influencing the budgetary process at the state and national levels, but also aid their efforts to accomplish broader developmental goals.

The budgetary process is quite complex. Budgets are classified into the major head, the minor head, and the detailed head. This classification makes the task of matching figures for the amount spent with the amount allocated for a sector, scheme, or program a lot simpler. Different subjects are divided into sectors, sub-sectors, programs and schemes. For instance, general education is a sector. It is divided into sub-sectors like primary education, secondary education, higher education, adult education, etc. All sub-sectors are given a numerical representation:

- 01 primary education
- 02 secondary education
- 03 higher education
- 04 adult education
- 05 language development
- 80 general education

The sub-sectors are further divided. For instance, primary education (01), a sub-sector, is further divided into sub-heads as follows:

- 105 training
- 106 expenditure on books
- 107 expenditure on uniforms

This division goes down further to the point where it becomes easy to track down funds allocated for salaries, child allowance, purchase of equipment and so forth.

An understanding of the accounting system can make the budgetary process quite comprehensive and transparent. Different codes have been allocated to different sources of income and expenditure in the state budget.

- 00 tax income
- 0 non-tax income
- 1 grant
- 02&03 expenditure
- 04&05 capital expenditure
- 06&07 loans and advances
- 08 public expenditure

For instance, 0212 will be the income from education; 2202 will be the revenue expenditure and 4202 will be the capital expenditure on general education; 6202 will be the loans and advances in education.

Budget analysis is an effective tool for detecting irregularities in government spending. The funds allocated for any sector, scheme, or program by the state budget can be traced right down to the district, taluka, and village levels as each has its own budget. Discrepancies in revenue and expenditure can be brought to the notice of the village sarpanch or the president of the taluka panchayat. In this way, it becomes easy to monitor a grant or loan from the state to the district, taluka, and village levels for various government schemes and programs like crop husbandry, animal husbandry, minor irrigation, social welfare, housing for landless labourers, etc.

BUDGET ANALYSIS IN DISTRICT PANCHAYATS

Vinod Vyasalu, Centre for Budget and Policy Studies

Dr. Vinod Vyasalu is the Director of the Centre for Budget and Policy Studies in Bangalore. In his presentation Dr. Vyasalu speaks about the complexities of budget analysis in a large and diverse country like India where wide variations in methods of budget analysis exist across states. In addition to speaking on the mechanism for disbursement of funds to rural and urban elected bodies, Dr. Vyasalu underlines the importance of setting up data banks across the states for accurate and timely information on budgets.

Budget processes, particularly in a large country like India, are complex as they involve governments at the national, state, and local levels. The problem is further compounded by the existence of wide variations in methods of budget analysis across states.

Decentralisation in India is a top-down rather than a bottom-up effort. The demand for a decentralised structure of government is not the result of a grassroots movement. Rather, it is the consequence of legislation imposed from the top in the form of the 73rd and 74th Constitutional Amendments. It is local self-government in a limited sense. Elected local bodies have been delegated power by the state governments. The Indian Supreme Court had enacted a law in the 1970s making the task of amending the basic structure of the Constitution difficult for Parliament. As the formation of a third tier of government constitutes an amendment to that basic structure, state governments have been authorised to delegate power to local bodies. Consequently, local bodies possess delegated power that does not derive directly from the Constitution. Delegation of power at the local level implies jurisdiction over developmental expenditure at that level. This jurisdiction varies across states with some states going further than others in delegating power and resource allocation decisions to governments at the local level. Local governments exercise control over the allocation of funds at the local level, local-level functions, and functionaries who implement those functions.

The country is not only divided geographically into districts; there is also a distinction between urban and rural areas for budgetary purposes. The Government of India relies on the Finance Commission to disburse funds to both rural and urban areas. The State Finance Commissions decide on fund allocation for the rural and urban areas in a way that is intended to ensure an equitable distribution of funds between the two sectors. The pattern of fund disbursement for urban bodies is similar to that for rural panchayats. However, drawing a distinction between urban and rural areas can create problems in co-ordinating the allocation of funds by the district budget. This is because a district budget includes the district panchayat, which is in a rural area, but the capital of that district may be a local town coming under the jurisdiction of an urban municipal corporation. For instance, if one takes the education budget for a district, one realises that funds are allocated separately for the rural and urban areas within the district and integrating the education expenditure for the district as a whole requires tremendous

expertise in budget analysis. Another problem confronting budget analysts is that of determining funds allocated to a particular sector in a district. For instance, in order to determine the health budget of a tribal district one has to consider allocations by the Ministry of Health for the district as a whole as well as those by the Ministry of Tribal Development on the health of tribals. This makes the task of regrouping expenditures taking place under different ministries a difficult one.

Despite having tax powers to raise resources locally, districts continue to rely solely on funds allocated to them by the state and national governments. The process by which the state and national governments collect taxes and distribute it across districts is quite complex. Revenue raised through taxes by governments at the state and national level is distributed across districts on the basis of an agreed formula. Districts have constitutional rights to funds allocated to them by the state and national governments. Getting figures for funds allocated to a district is fairly easy and constitutes the revenue side of the district budget. However, getting information for the expenditure side of the district budget is the difficult part. It is important to get both the revenue as well as the expenditure side of the budget as it is essential to match the funds available for spending with those that have been actually spent. The Constitution allows for a mandated audit by the Comptroller and Auditor General of India who is represented at the state level by the Accountant General. However, getting hold of an audit on the funds spent is a time consuming process due to foot-dragging by the local bureaucracy. Ways have to be found to get the information on the expenditure side of the district budget within a shorter time span.

Most of the decision-making on key issues and sectors takes place at the state and national levels. The local governments are seldom involved in the decision making process. As a result, decisions are made at a higher level and bear little relation to the ground realities. Decisions involving local issues should be made at the local level particularly since local bodies have become elected authorities. Decision making in urban areas is centralised like in the rural areas. Municipal corporations are unaccountable and people in urban areas are often ignorant and uninformed about budget issues. Further, information on budgets is difficult to access without connections in high places. Even then, information is scanty and piecemeal besides being selectively handed out. There is a need for accurate and timely information. Building a computerised data bank accessible to everyone can help meet this need. The information from the data bank should be reliable and objective. Budget analysis at the local level is thus quite complex as it involves getting access to information that is accurate, analysing the data bearing in mind specific local conditions, and finally validating the analysis to make sure the findings are not refuted by local bureaucrats.

BUDGET ANALYSIS, INFORMATION, AND ADVOCACY

Aasawari Vaidya, Centre for Budget Studies, Vidhayak Sansad

Aasawari Vaidya is a Budget Analyst at the Centre for Budget Studies in Mumbai. Ms. Vaidya's presentation focuses on the need for budget analysis to substantiate policy arguments on government-sponsored schemes and programs with facts and figures. The presentation highlights the importance of integrating budget analysis with advocacy efforts at the policy-making level to strengthen government initiatives in favour of the poor.

Vidhayak Sansad and its sister organisation, Shramjivi Sangathan, have been working for the rehabilitation and training of bonded labourers in Thane district of Maharashtra for the past 20 years. While Shramjivi Sangathan has been working for the release of bonded labourers, Vidhayak Sansad has been working to help gain development support for them through various government-sponsored welfare schemes. However, for government policies to have a favourable impact on the rural poor, working at the grassroots level has to be supplemented with advocacy efforts at the higher policy-making level of the government. With this in mind, Vidhayak Sansad helped set up Samarthan, as an independent social advocacy centre to pursue these objectives. Soon after setting up Samarthan, however, a lacuna was visible between advocacy efforts at the policy-making level and activist work at the grassroots level. Budget analysis was required to bridge this gap, as budgetary facts and figures were needed to substantiate policy arguments on government-sponsored schemes and programs for the rural poor. The importance of budget analysis in strengthening grassroots activities as well as policy advocacy efforts led to the establishment of the Centre for Budget Studies.

To give an example of this approach, the Centre for Budget Studies recently spotted a major lapse in the Maharashtra Government's Revenue and Forest Department performance budget. While bonded labour continues to exist in the state, a statement in the performance budget made a claim to the contrary. As a result, no budgetary allocation was made for bonded labourers in the budget. Shramjivi Sangathan and the Centre for Budget Studies were able to substantiate their claims that bonded labour existed in Maharashtra with concrete examples as not long before this Shramjivi Sangathan had helped release more than 1,500 bonded labourers. The oversight was reported to the state policy makers and received wide coverage in the media. This had the desired impact in that the omission was remedied in the performance budget for the following year with funds being allocated for schemes for the rehabilitation of bonded labourers.

The timing of budget analysis is critical when it comes to engaging with policy makers. The Maharashtra state budget is presented around March 23-25 each year. This is followed by a two-day break. The session resumes after the break for discussions on budgetary allocations to different departments. The Centre for Budget Studies uses the break between the presentation of the budget and the discussions following the presentation to review the state budget across sectors, schemes, and departments, in the light of past allocations and current demands. The budget review undertaken by CBS for

different departments is disseminated among the policy makers as well as the general public. The issues brought up in the review are thoroughly debated by the policy makers and there is considerable demand for these documents on the part of state legislators.

Budget analysis has helped Vidhayak Sansad in its campaign for schools for child labourers working in brick-kilns in Thane district. Vidhayak Sansad was able to substantiate its claim that the government had failed to meet its commitment to provide educational opportunities to child labourers in the state with facts and figures from analysis provided by the Centre for Budget Studies. Vidhayak Sansad had helped start Bhonga Shalas (schools for child labourers). However, the organisation could reach out to only 2000 children. When the organisation approached the Chief Minister for help it was told that the state's coffers were empty and he could not aid their efforts. Unable to get funds from the state, Vidhayak Sansad organised a rally a day before the state budget was to be presented, to mobilise funds from the people. The funds raised by Vidhayak Sansad were given to the Chief Minister who was told that since he could not provide funds for educating children, Vidhayak Sansad had raised the money instead. In another instance, Vidhayak Sansad analysed the amount the state would require to build classrooms for children who had not been enrolled in schools and found that the state would have to allocate its entire budget to build the required number of classrooms. Budget analysis has come to play an important role in policy advocacy in other instances as well. For instance, Vidhayak Sansad has used budget analysis to highlight irregularities in budgetary allocation and spending for government-sponsored schemes like the Malaria Control Program, rehabilitation of handicapped children, and improving conditions in state remand homes.

Discussion: Applications of Budget Analysis Work

Accessing information from the government is an onerous task. However, with budget analysis work gathering momentum in the country, it should become easier to obtain budgetary information from social action groups doing budget work. The Centre for Budget Studies in Mumbai has, for instance, become a resource base for voluntary organisations wanting access to budgetary information, as government data is both incomprehensible and inaccessible. The Centre is in the process of computerising data and producing reader-friendly reports. Social action groups are working toward obtaining access to budget-related documents housed in the Parliament library and the Reserve Bank of India. A point to bear in mind while accessing budgetary information is that budget figures provided by civil society organisations tend not to tally at times with those provided by the government

Through the use of budget analysis, civil society organisations should guard against government's tendency to cut budget resources earmarked for the poor. Due to limited resources at its disposal, the government is pressed to take recourse to large spending cuts that inevitably impact low-income programs besides reducing allocations to primary sectors, like health and education. For instance, the amount going directly to the poor for food, utensils, and other direct forms of relief under the Calamity Relief Fund is lamentably inadequate. A large part of the Fund goes to the state department for building social overheads like roads and building, which does not impact the poor directly.

Social action groups can use budget analysis to check misuse of funds allocated by state governments to corporations. In one case, the Centre for Budget Studies discovered that a large amount of money from state corporations was going into lining the pockets of senior government employees in the corporations. The corporations were showing recurring losses, particularly since 1995-96, when there had been a change in the government at the state level and a coalition government had taken over. In its inability to give ministerial berths to representatives from all parties constituting the coalition, a large number of them had been accommodated as directors of these corporations by the state government.

A distinction must be drawn between demystifying the budget and the budget as a technical activity. The budget should be seen in context of the larger political process as distinct from an exclusively academic or technical exercise. Much as grassroots organisations would want to demystify budgets, it is not possible to simplify budgets beyond a point. Budget decisions cannot be taken at the grassroots level, as a certain degree of expertise is required to understand budgets. This, however, does not discount the need to make the budget process more participatory by making it more intelligible to ordinary citizens.

Non-governmental organisations should get together to learn from each other's experiences so as to avoid 'reinventing the wheel.' It is necessary to train NGO personnel in budget analysis work and help get them over an aversion to data. Social action groups

can ill-afford to keep away from policy debates which have budgetary implications. For instance, take the contrasting allocations for education (Rs. 9,000 crores) and nuclear weaponisation (Rs. 30,000 crores) in the national budget and the trade-offs this can entail. This is not to say that nuclear weaponisation is intrinsically good or bad, it is merely to argue for a greater role for civil society organisations in budgetary matters.

US EXPERIENCE OF BUDGET WORK

Isaac Shapiro, Center for Budget and Policy Priorities

Isaac Shapiro works for the Center for Budget and Policy Priorities (CBPP) in Washington, D.C. Mr. Shapiro underlines the importance of setting up the Center in the absence of institutions having adequate expertise in budget analysis from the point of view of low-income people. The overall objective of the Center is to make budget systems more transparent and accountable to the public, and thus more responsive to the needs of the poor. In order to effectively place research into the policy debate, Mr. Shapiro stresses the need for information on budgets to be accurate, accessible, and timely.

The Center for Budget and Policy Priorities was set up in 1981 in the wake of sweeping cuts to low income programs. When he first came to office, President Reagan had a large mandate and an effective budget office that was able to sell the reforms by proclaiming that the cuts in spending would not affect the poor. Probably the sharpest cuts to low income programs in U.S. history swept through Congress essentially unchallenged. The reason the cutback to the programs went relatively unchallenged in part was because there were few in a position to respond in a timely manner to the information being given out by the Executive branch of government.

Two of the potential sources of response to government policies are the traditional think tanks and the NGOs. Although think tanks study the budget and the budget process, they tend to make their assessments several years after the law has been passed. For instance, the 1981 legislation passed by the Reagan government supporting cutbacks in government spending on low-income programs was declared as both misdirected and anti-poor by an independent think tank in 1984. However, the analysis came long after the law had been passed and implemented. Thus it was a case of too little too late. In addition to analysis being tardy, it is often inaccessible as traditional think tanks write for academics and not policy makers and NGOs. The second potential source of response the NGO community had not examined the budget issues closely as of 1981 even though a large number had worked on poverty programs. In addition, the changes enacted in the budget process in 1981 were quite complicated. As a result, the NGOs were not prepared to respond, which made it easier for the cutbacks in the poverty programs to sweep through Congress.

As information from academic think tanks was inaccessible and NGOs did not possess the skills needed for budget analysis, a need was felt for establishing an institution to fill the niche between academic research and the NGO community. This was how the CBPP came into being. The Center conducts research on how budget and tax policies affect low-income people. It started out with three staff members. Initially, the Center could only look at the national budget in a very broad way. In addition, the Center's Director had some expertise in food programs as he had run the Food and Nutrition Service during the Carter administration, which is part of the government in the United States that provides food assistance to low income people. Over time, the Center acquired new areas of expertise as it brought in more staff. However, the Center

expanded into different areas very gradually because it felt that if it moved too quickly, it would not remain objective and thorough and would fail to fill its chosen niche. So the 1980s saw CBPP's slow and steady expansion at the national level as it focused on more and more issues concerned with low-income people.

In the 1980s about 80 per cent of the Center's work was focused at the national level. Increasingly, with the devolution in the United States of responsibilities to the states, CBPP became more focused on the state level. In the early 1990s, CBPP began a big expansion into state work. The Center had tried to do state work at the national level earlier and had even put out some good reports that generated a lot of publicity. However, the Center failed to influence the debates at the state level, because it was a national organisation and did not have the follow up it could have at the national level. There was little work on budget analysis being done at the state level and CBPP felt it could step in and change things by advancing the approach it developed at the national level. Several like-minded groups too joined CBPP to analyse budgets at the state level, eventually leading to the State Fiscal Project (see the next section).

In addition to working at the international level, CBPP divides its work equitably between the state and national levels. The Center is able to make state by state comparisons that may not be possible for state-based groups. Besides helping state budget groups to build capacity, CBPP provides them with technical assistance. A recent survey has found that research conducted on low-income programs at CBPP is the most utilised research in the country. CBPP has had a significant impact on policy debates affecting low-income people in the United States. In the tax area alone, there has been a major policy change over the last 20 years in the burden of taxes on low-income people that Center analysis helped stimulate.

CBPP has learned that in order to effectively place research into the policy debate, it is important to follow four basic guidelines, which have wide applicability. First, it is necessary to be accurate and factual. Facts that are accurate can give an organisation a lot of leverage in policy debates. Although facts have to feed into the advocacy effort to be effective, factual accuracy ensures the Center's credibility with NGOs, policy makers, and the media. Second, it is important to emphasise the **presentation** of facts. It is important while presenting facts not to oversimplify them to the extent that they become meaningless, but it is also important to make the facts **accessible** by making them comprehensive and intelligible to people. Third, it is essential to focus on **timeliness**. Sometimes this can be accomplished by making reports short and to the point. In fact, it was because it took think tanks a lot of time to analyse facts and inform policy debate that the Center came into being in the first place. Fourth, it is crucial to emphasise the distribution of information. It is essential to adopt a more proactive role when it comes to information dissemination by targeting the information at policy makers and the NGOs rather than waiting for them to ask for it. The Center has a Communications Department that helps in getting the information across to as many people as possible. CBPP also works with NGOs to take the analysis forward and they constitute one of the key audiences for the organisation.

STATE FISCAL ANALYSIS IN THE U.S.

Jim St. George, Tax Equity Alliance for Massachusetts

Jim St. George is Executive Director of the Tax Equity Alliance for Massachusetts (TEAM) based in Boston, Massachusetts, which is a member of the State Fiscal Alliance. In his presentation, Mr. St. George gives a broad overview of the U.S. tax structure in addition to focusing on the budgetary implications of specific taxes like the cigarette and gas tax. He underlines the importance of information that is timely, credible, and accessible and speaks of the benefits of working in a state network. Mr. St. George highlights the need for TEAM to diversify further into budget work and to start work at the national level in addition to its current work in Massachusetts.

The Tax Equity Alliance for Massachusetts (TEAM), based in Boston, focuses on issues around tax and tax fairness. TEAM came into being in Massachusetts in the 1980s because conservative politicians were winning budget debates in the state legislatures and were consequently cutting taxes. The obvious result of this was a cutback in the money available for services meant for the poor. This took place in most states in the United States and also occurred at the federal level under Ronald Reagan's presidency.

While looking at a budget one has to analyse both the revenue as well as the expenditure side. TEAM had to draw a fine balance between revenue and expenditure to make a case for ensuring that the money raised from taxes was fair and was spent on services that catered to the needs of lower income groups. TEAM felt that to deal effectively with issues affecting low-income people it had to work at the state level. Washington was too far removed from ground realities. State-based organisations, however, lacked both resources and capacity. For instance, while TEAM had expertise on tax issues, it did not know much about budget analysis. Likewise, other groups were familiar with budget analysis techniques, but knew little or nothing about tax issues.

TEAM was lacking resources and capacity at the state level. It recognised the importance of having a long-term vision at the state level. Organisations at the state level must share a common vision. They need to work together to have the desired impact on low-income programs. For instance, if TEAM needs answers to specific questions like adjusting the minimum wage to inflation using exactly the right inflation adjuster, it can turn to the Center on Budget and Policy Priorities (CBPP) or any other organisation with the relevant expertise.

The key element in budget analysis work is for information to be **timely**, **credible**, and **accessible**. For example, the Speaker of the House of Representatives last year proposed a big tax package on a Thursday afternoon and passed it on the floor of the House on Friday. TEAM had only half a day to do an analysis of the proposed tax package. So, timeliness was of prime importance.

In addition to information being timely, it should be credible. Building trust through dialogue with members of the state government is crucial to making an impact at

the policy-making level. Unlike the President of the Senate who is sympathetic to the larger objectives of TEAM, the Governor and Speaker of the House do not take too kindly to its work and are always on the look out for an opportunity to criticise TEAM. So TEAM can ill-afford to be inaccurate and careless in its work.

Third, the information should be made accessible to politicians and other organisations. In order to understand budgets, a certain degree of technical expertise is required. As legislators generally lack this expertise, it becomes necessary to simplify budgets to make them comprehensive and intelligible. It is important for an organisation to focus on what it does best and leave others to do what they do best. For instance, TEAM is good at analysis work and less effective at organising. So TEAM does the analysis and makes it available to grassroots organisers. At times, TEAM goes a step further in simplifying the information to disseminate it directly to the people at the grassroots. So the way the information is provided is a function of the audience TEAM is trying to reach. Members of different organisations serve on TEAM's Board of Directors and TEAM is able to get regular feedback on its work from them.

TEAM recently looked at after-tax income in the state of Massachusetts over roughly a period of twenty years, from the late 1970s to 1999 to determine who benefited most from tax reductions. The source was the Congressional Budget Office, which is a very credible Federal source. The Office divided the population into the poorest 20% of the families in the United States, the second poorest 20%, the middle 20%, the top 20%, and the richest one percent whose incomes exceeded half a million dollars a year. On analysing the income that the different groups had left over to spend after taxes, it was seen that the poorest 20%, after adjusting for inflation, lost nearly 10% of their income over the 20-year period. They were poor to start with and became poorer still afterwards. The income of the richest one percent, in fact, more than doubled during the 20-year period. The analysis showed the high degree to which the distribution of income is skewed in the United States. TEAM followed up the findings by insisting that the state government should step in and address the problem of skewed distribution of income.

At times, TEAM tries to use state specific data sources to look at what is happening to the median income i.e. income in the middle of the distribution, not poor, not rich, but that of a person right in the middle. After adjusting for inflation, it was seen that the median income during the 1980s, particularly in the late 1980s, was high but fell during a recession. However, the income from middle-income families in Massachusetts failed to recover from the recession. This was unprecedented as never before, at least since the Second World War, have middle-income families experienced their income staying so low after a recession. Although incomes do go down during a recession, this was the first time that they did not rise back.

In another case, TEAM analysed the benefits from tax cuts during the 1990s in Massachusetts for the low, middle, and high income people. All of the tax cuts gave \$7 a year in benefits to low income people. This was not a lot of money and it is little wonder why people think government is not responsive towards their needs. Middle income people saved only \$226 a year, equivalent to less than \$20 a month. The richest one

percent, the very high-income people in Massachusetts, with an average income of over half a million dollars a year, had an annual tax saving of nearly \$16,400. From the analysis it is obvious that the government was giving away huge tax breaks to people who had the highest incomes while people who really struggle to make their ends meet and saw their incomes fall during the 1980s and 1990s hardly benefited. Through its analysis of both the tax and spending sides of the budget, TEAM has tried to make the case that the state can do better in targeting benefits at lower income groups by making the budget more responsive to their needs. In addition, reducing cutbacks in spending can benefit the poor as it is the poor who suffer the most from this.

TEAM can make a case for the lower income groups by playing off policy proposals, especially over tax cuts. For instance, one of the big issues in Massachusetts is the role the state should play in supporting women, especially mothers who choose to work or are being forced to work because the state is squeezing their welfare benefits. Child care advocates had a proposal to spend \$15 million on improving access to child care while many factions in the state were pushing for a \$75 million tax cut for the manufacturing sector. TEAM was able to win legislative support for improving access to child care by arguing that it was in the larger public interest rather than a hefty tax cut to manufacturers, which favoured only a rich segment of society.

An important objective of TEAM is to work to persuade the state government to raise revenue from direct sources, like income tax, rather than from indirect sources, like the sales tax. Indirect sources of taxation, like excise, cigarette, and alcohol taxes can be unfair to poor people. Although this is true for the United States, it might be different for developing countries. However, it is extremely difficult convincing people about this. One organisation has been conducting surveys at the national level on the most fair and unfair tax in the country. For at least ten years now, the answer has been consistent. The most unfair tax is the federal income tax while the sales tax has been voted as the most fair. This is a myth because in reality the federal income tax is the fairest tax while the sales tax is the least fair one since it penalises poor people who spend a higher proportion of their income on these items.

In the United States, the tax on gasoline is a very politically-charged issue which is really the tax on gasoline consumption and there is both a federal as well as a state tax on gas. Revenue from certain taxes is set aside for specific purposes. Such taxes are called dedicated taxes. At the Federal level, the gas tax is dedicated to highway construction. A lot of construction takes place in the rural areas. Highway construction is highly politicised in the United States as it is only the powerful legislators who manage to get highways built in their districts. Taxes on cigarettes is a big issue in the United States besides being a very tricky one. It is a regressive form of taxation as it is unfair to poor people and has been responsible for dividing the low income community in the United States. However, recent proposals to raise the cigarette tax have been linked to health care. Cigarette consumption causes cancer. TEAM supports the trade off such that if the revenue from taxes on cigarettes is used for programs and schemes that benefit the poor then TEAM will support the tax.

TEAM has over the last year-and-a-half started to do more budget analysis work because of the increasing realisation within TEAM that just focusing on taxes was not sufficient. Conservatives say that spending is growing too fast and it is important to cut down spending in order to control it. TEAM did an analysis of spending trends over an eight-year period in Massachusetts. Over half the spending increase could be accounted for by education, a quarter of it by the medical assistance program which mostly went towards the support of elderly low income people in nursing homes, and about a fifth of it to public safety. However, after a survey it was seen that people did not want a cutback in spending in any sector as they considered spending in all sectors equally important. Budget analysis was thus helpful for TEAM to substantiate that a cutback in spending is not possible in Massachusetts as spending cuts would impact adversely on primary sectors like health, education, etc.

The Ford Foundation and three other funding organisations have stepped in to provide funding to state-based groups working on budget issues and the creation of a statewide network of 22 groups in the United States. TEAM is a member of this network. The members range from non-profit organisations to tax groups. There are some very concrete benefits that come from participating in a network. First, it breaks the isolation that a group faces when working by itself. Second, it is easier to generate ideas by working within a network. New ideas come up while talking with groups working on similar issues. Third, working within a network enhances one's credibility, particularly with funding agencies. Fourth, networking helps in problem solving and sharing research. For instance, a member may find the fine detail of tax giveaways to business hard to follow. In such a situation, the group has an opportunity to communicate with other groups in the network that have expertise in the area. Fifth, networking enables member groups to recommend reliable sources for data collection to others in the network. Finally, networking has a potential benefit that has yet to be realised. The member groups together represent a wide cross-section of the American population and thus constitute a formidable force that can help influence the national debate on issues like the adverse consequences of corporate tax giveaways and the devolution of low income programs from the Federal Government to the States.

TEAM's counterparts in other states are, for the most part, not vying with it for resources, because funding from the states is state specific. At the state level, however, competition for funds can be a cause for concern because there can be instances where the very group that TEAM wants to work with might be applying to the same funding organisation that TEAM may be applying for funds. If funding institutions, particularly local ones, want to decide to fund one group and not the other, it might lead to problems between the two groups. To prevent such situations from arising, it is important to work as a team so as not to compromise on the broader goal of working for the public good.

THE INTERNATIONAL BUDGET PROJECT

Isaac Shapiro, Center for Budget and Policy Priorities

In his presentation, Mr. Shapiro covers the growth of applied budget work around the world. In addition to giving a brief description of the International Budget Project Mr. Shapiro speaks about ways to enhance transparency and participation in the budget process.

The last year or two has seen a sudden spurt in applied budget work around the world. More and more groups are getting into budget work. Three factors have been responsible for driving this growth in budget work. First, there has been a movement towards democracy and more open societies around the world. In several new democracies in the world, civil society organisations have started to focus on budget work. Even in older democracies, like India, this work is being viewed as a positive step in consolidating democracy. The budget is being increasingly perceived as the single most important economic policy instrument of governments for dividing resources within nations. Second, there is a growing devolution of responsibilities from the state to the local level. However, local governments lack adequate expertise in the area of budget work, thereby increasing the importance of independent scrutiny. Third, there is the concern in many countries that the share of the global economic pie going to the poor is getting smaller and smaller. This is not a new phenomenon. Rather, it has been an ongoing concern for years. In light of the fact that economic growth is taking place at the expense of the poor, there is a compelling need to take steps to ensure a fair allocation of government budget resources to low income people.

The International Budget Project (IBP) tries to facilitate communication among various groups by organising conferences. For instance, two international conferences hosted by the IBP were held in December 1997 in Washington, D.C. and in February 1999 in Cape Town. The conference in Cape Town was co-hosted by the Institute for Democracy in South Africa. While the first conference had 50 participants from 16 countries, the second conference had 80 participants from 22 countries

All regions of the world were represented at the Cape Town Conference as the conference included groups from India, Indonesia, the Phillipines, China, Africa, Latin America, Poland, and Russia. Although some groups had five to ten year's of experience in budget work, a large majority of the groups were relatively new to the work, having had just one to two years of experience in the field. There were academics assuming a more activist role and activists who were becoming more research oriented. The following are examples of some of the groups that took part in the conference. CIDE, a public policy school and research organisation in Mexico City, is a good example of an academic institution adopting a more proactive role in the field. It is funded by the Mexican Government and has about 200 graduate and 500 under graduate students. It has recently got engaged in budget work focusing principally on training, which is its core area of expertise. CIDE educates its students about budget work and is a useful model as it helps generate students interested in budget work and keen on carrying this

work forward. There is another group called STRATEGIA, based in St. Petersburg in Russia. Several members of the group are human rights activists. They have, however, started to branch out into budget work. The group recently helped put together a conference that had a wide range of participants from academic and activist backgrounds.

Another group is the Institute of Democracy in South Africa. The group is an applied policy organisation that has been engaged in budget issues for the last five years. It has produced a number of publications, like the Women's Budget and the Children's Budget that deal with several challenges in establishing budget priorities. Their methods have been reproduced in other countries of the world. Much of the group's work focuses on promoting greater decentralisation in South Africa. In addition, the group has done quite a bit of work on budget issues. Another applied policy institution is IBASE, based in Rio de Janeiro, Brazil, which works primarily at the municipal level and has done a lot of work in participatory budgeting which involves citizen's direct participation in the budgetary process. The Institute's work on participatory budgeting has drawn a lot of interest around the world. Participatory budgeting is already popular in several cities in Brazil.

Different groups working on budgets in different countries face common challenges. There are primarily four common challenges that groups face. First, the groups tend to use methods that reflect the interests of the poor in the budget. Second, all groups are analysing complicated issues that arise because of devolution of power to the grassroots. Third, there is a big gap between the budget that is passed and the budget that is implemented. So on paper the government might be spending money the right way, while in practice it might not be doing so. Fourth, the challenge most groups face is how to improve transparency and participation in the budget process.

Most groups confront the problem of non-availability of information as it is controlled by the executive branch of the government and is inaccessible to the public. Consequently, there is no public debate and participation in the budget process. Even the legislatures play a marginal role in budget debates. The ground is fertile for NGOs and the media to step in and fill the niche that exists in most countries at the national, state, and local levels because of the paucity of information on the budget. Legislators, for instance, cannot turn to the executive branch for information, so they look to alternative sources for comprehensive and timely information.

Many of the groups that the International Budget Project works with are groups that were funded by the Ford Foundation. In the United States, the Foundation played a lead role in helping set up the State Fiscal Project at CBPP. In order to meet the challenges facing groups working on budget issues, the International Budget Project was set up as part of CBPP in the late 1990s. In addition to having several years of experience in the field, CBPP had helped establish the state fiscal network in the United States to facilitate exchange of information on budget issues.

The IBP is initiating a joint research project where it is trying to identify areas of common interest and areas that seem to have a niche in terms of work that could be

carried out and replicated around the world. In addition, the IBP is looking at areas where interests of different groups tend to overlap. The IBP is trying to promote greater transparency in the budget process and one of the key challenges being addressed by the Center is to make information on budgets comprehensive, accessible, and timely. CBPP is working towards arriving at a consensus among groups working on budgets on what constitutes a transparent budget system. In order to ensure fuller participation in the budget process, the information released by the government should be subject to a thorough debate. However, a debate on the budget will be meaningless if the legislative amendment power does not exist. In Maharashtra, for instance, there is no legislative amendment power. If the budget bill goes through the legislature for approval and is voted down, then the government falls. It is not possible to have a budget debate if the only choice is to have a fallen government if the budget is not approved. In addition, in Maharashtra the time allocated for discussing a department's budget is quite insufficient.

CBPP acts as a resource base for information in best practices around the world. Two important works that can be mentioned in this context are the recent publications by the National Centre for Advocacy Studies (NCAS) in Pune, India and the *Guide to the Budget Process* put together by Mr. S. S. Karnik of the Centre for Budget Studies (CBS) in Mumbai, India (for details see annex). The publication by NCAS explains the reasons for doing budget work and includes case studies of budget work, the one by CBS is an exemplary hand book that people can consult or borrow ideas from for putting together a budget guide for their own country or state. The Center has a web site (www.internationalbudget.org) which enables fostering linkages and exchange of information among researchers. A site map (www.internationalbudget.org/search.htm) gives the structure and content of the site and the search engine (www.internationalbudget.org/search.htm) can be used for looking up information pertaining to a specific budget area or topic. The Center can be contacted for additional questions, comments, or suggestions at info@internationalbudget.org. The group section on the web site includes snapshots and descriptions of various groups around the world. If a group is interested in a particular area and wants information from other groups doing work in that area, it can get a good sense of similar work that is going on in other countries by looking at the short descriptions of groups. In the conference section, the Center has prepared transcripts of all the presentations at the Second Conference of the International Budget Project. As several groups were interested in the issue of transparency, four or five presentations dealing with the issue have been put on the web site as well.

Discussion: Taxation and Revenue Raising in India

If state and local governments are given greater power to generate resources, it would erode the monopoly national governments currently enjoy in controlling the manner in which the resources are distributed and spent. States do not give greater authority to local governments to raise revenue, as local governments would then have a freer rein in spending the money. Collecting revenue, on the other hand, can be a cumbersome task. So states, by and large, avoid collecting taxes resulting in a lot of untapped potential at the local level. Giving greater powers to local governments to raise resources at that level would help make the revenue base bigger and generate greater resources for public programs.

While in the United States a considerable proportion of the taxes is raised at the national level, a substantial part of the revenue is raised at the state and local levels as well. The total revenue raised from taxes in the United States constitutes 30% of its national economy. Two-thirds of this amount is raised at the federal level while one-third is raised at the state and local levels. So, there is a greater degree of devolution of power at the state and local levels in the United States than there is in India where taxes are mainly raised at the state level. Devolution problems are, by and large, broadly similar across countries.

A major part of the revenue raised in India is from indirect taxes like sales tax, entertainment tax, stamp duties etc. at the state level. Direct taxes constitute a very small proportion of the overall revenue. Income Tax is largely the responsibility of the central government and state governments have little or no authority to levy direct taxes. As large corporate houses are the ones that fund elections, they usually get away with huge tax cuts and other benefits. Save for the sales tax, which is a major source of revenue for the state, taxes like excise and customs duties, and entry tax are decided by the central government. The central government does not want to give this power to the states, as it would erode its income base and source of revenue. In 1987-88, the Sarkaria Commission was set up to analyse the entire gamut of centre-state relations and suggest an agreed upon formula for devolving resources to the states. However, its recommendations as yet to be implemented.

A Finance Commission is set up every five years to decide the devolution of resources to the states. The recommendations of the Commission are binding upon the President and the Government of India. States that raise more taxes get less revenue from the central government while the more backward states receive more revenue. For instance, the largest share of revenue generated from taxes goes to Uttar Pradesh and Bihar. A major criticism directed at this manner of devolution of resources is that it encourages some states to stay backward. Unfortunately, NGOs and social action groups lack the skills necessary for looking at the whole issue of devolution.

Almost 80 percent of revenue generated from taxes are lost through leakage and theft. As there is a large degree of tax evasion in the country, and corruption in the tax collecting system accounts for a considerable amount of revenue being siphoned off mid

way, there is a tremendous potential for generating additional revenue. The appalling condition of state fiscal deficits has resulted in pruning down anti-poverty and social welfare programs. In order to escape criticism on cutbacks, the government usually inflates the amount allocated for a sector, scheme, or program during March, when the budget is presented, and then resorts to major cutbacks later in the year.

In urban areas in India, the poor are often penalised for not paying taxes. It is argued that as the poor do not pay taxes, municipal corporations should not provide them with any kind of civic amenities. This, however, is untrue as 70% of revenue going to corporations is from Octroi (tax on transport of goods), which has a higher incidence on the poor. In addition, property taxes are skewed in favour of older settlements as newer settlements are being subject to a greater degree of taxation. Another issue of contention is that of subsidies. For instance, subsidies on water benefit the rich more than the poor as the rich consume more water in comparison to the poor.

Taxation should be looked at in tandem with consumption. It is necessary to see what kind of services are being consumed by which segment of the population before taxing or subsidising them. For instance, it is only the rich farmers that benefit from a subsidy on diesel or urea prices, not the poor marginal farmers. Also, the costs of subsidising medical education are passed on to the poor in the form of user charges on health services. Another example is that of the road tax. A person driving 300 kilometres per month will be paying the same tax as a person driving 3000 kilometres. Rather than having a general road tax, it would be better to tax the consumption of diesel or petrol. The cost of collecting taxes is another important issue. For instance, the cost of collecting land revenue is many times more than the land revenue collected.

BUDGET ANALYSIS AND HEALTH EXPENDITURES

Sunil Nandraj, CEHAT

Sunil Nandraj is Senior Research Officer at the Centre for Enquiry into Health and Allied Themes (CEHAT) based in Mumbai. In his presentation, Mr. Nandraj speaks about the database on state sector health expenditures compiled by CEHAT and its use to the research, NGO, and policy-making communities.

CEHAT is a non-profit organisation based in Mumbai working on health and related themes. Its principal objective is to conduct research and provide health services to the poor and disadvantaged sections of society. The organisation lays special emphasis on documentation and dissemination of information on the health and social sectors. CEHAT conducts studies on privatisation of health services, the economics of health financing, women's health, and compiles health information databases. It focuses on issues concerning the quality of care provided by the private health sector, regulation and accountability of this sector, and the accreditation of hospitals. The studies undertaken by CEHAT on health financing include a time series analysis of state sector health expenditures; financing of disease control programs; and an analysis of Bombay Municipal Corporation health budgets with special focus on household level studies in Mumbai and Nasik in Maharashtra. CEHAT's future work in the area of health financing will include further work on the health sector database which covers updating data from state budgets on health expenditures and receipts; examining World Bank loans; and analysing the cost of health services.

CEHAT has done considerable work on government health expenditures. It has helped define 'health' as per the norms laid down by the Ministry of Health and Family Welfare. The genesis of CEHAT's work on health expenditures began in 1990 at the Foundation for Research in Community Health (FRCH), based in Bombay, with funding from the Indian Council for Medical Research (ICMR) and the Indian Council for Social and Scientific Research (ICSSR). Data for the study on government health expenditures was provided by the Combined Finance and Revenue Accounts, available at the Accountant General's office and demands for grants of various state governments.

The work was continued in CEHAT. Its database on state sector health expenditures has been developed for use by researchers, policy-makers, NGOs, journalists, and advocacy groups. The database has information on each state's general profile, health indicators, health infrastructure, and the money spent by the government on health services. ActionAid, India helped support the project. The database was kept as simple as possible to make it accessible to the layperson. An attempt was also made to provide raw data so that people accessing the data could use it the way they wanted to. The data was collected from secondary sources such as census documents, state government budgets and reports from various departments and ministries, which included the Combined Finance and Revenue Accounts, and the Ministry of Health and Family Welfare.

Data was collected for each year starting in 1951 to the latest year for which data was available. The computerised database contains some 400-500 variables under the broad heads of state profiles, health indicators, health infrastructure, human resources and finance. The database provides the sources of data, notes on the data, and an explanation of the terms used. The software has been developed in DOS-based FoxPro and has various report formats: single state across years for different variables; single year across states for different variables; and single variables across states for various years. CEHAT plans to upgrade its database to Windows-based software, provide graphics and other provisions, update the data, incorporate primary studies conducted in areas where data is not available, and add in additional data on the health and social sector. The database on state health sector expenditures is available on floppy diskettes at a cost of Rs.300.

CEHAT encountered the following problems while working on the project:

- Reorganisation of states since independence led to problems in procuring categorising data;
- Difference in the presentation of budgets in different states;
- Translation of the budget document from the local language for some states;
- States not reporting information at times;
- Totalling mistakes in budget documents;
- Limitations of the DOS-based system;
- Time taken to collect data;
- Training people in budget analysis work and trying to sustain this kind of work among people.

BUDGET ANALYSIS AND PRIMARY EDUCATION

M. D. Mistry, DISHA

In his presentation, Mr. Mistry speaks about the state government's commitment to peoples' right to universal primary education in Gujarat. Substantiating his arguments with budget data, Mr. Mistry contends that there is a deliberate move by the state government to keep retention rates in state primary schools low so as not to increase expenditure in the sector.

The Gujarat State government's expenditure in the education sector is insufficient to meet the vast needs of this sector. Despite the enormous requirements of this sector, the government will spend a mere Rs. 29 million (19.3%) of its total budget on general education in 1999-2000. The high drop out rates in primary schools combined with the poor quality of teachers and inadequate infrastructure facilities and services, like classrooms and text-books, are a reflection of the appalling state of affairs in this sector. In light of the growing need to enhance social sector spending in government budgets, DISHA has analysed state expenditure in the primary education sector.

DISHA has looked at the Annual Reports of the Director of Primary Education in the state of Gujarat for the period 1984-85 to 1997-98 to get information on the number of children eligible for primary education in the state. In particular, DISHA has looked at the annual enrolment of children in standard one from 1984-85 to 1997-98 (see table 1) to see whether the enrolment figures in government schools are accurate. Other sources of data have included the Annual Economic Review for the year 1999-2000 for the state of Gujarat and the state government's Intensive Child Development Scheme (ICDS). The enrolment figures of children in standard one have shown an increasing trend from 1984-85 to 1987-88, followed by a sudden decline from 1987-88 to 1988-89. Thereafter, the enrolment figures show an upward trend until 1993-94, but start to decline once again until 1996-97. Enrolment figures are thus quite skewed over the period 1984-85 to 1997-98 and do not follow any clear-cut pattern. If the infant mortality rate is decreasing then the enrolment figures should show a steady increase. The fact that 304,555 less children were enrolled in 1994-95 in comparison to the previous year and 64,465 less children were enrolled in 1995-96, while the enrolment figure showed an increase of 22,217 in 1997-98 goes to show that the data are incorrect. From this analysis, DISHA concluded that teachers were pressurised by government authorities to show a high enrolment in primary schools. There was a vested interest in keeping actual figures concealed, as the state would have to increase its expenditure on primary education if schools were to show the real extent of students enrolled.

In order to analyse the drop out rate in primary schools, DISHA tried to find the number of children who reach standard seven of the total number of children enrolled in standard one. It found a maximum of 47% of children could reach standard seven after enrolling in primary school. The data shows that every year up to 60% of the children dropped out of primary school. From this analysis DISHA concluded that there is a very deliberate attempt by the state government to keep a low retention rate in primary schools

as the government does not have the resources to increase expenditure in this sector. Of particular interest was the trend of high drop out rates among girls, especially girls from the Scheduled castes and tribes. Given the low social status of women in the country and the low priority accorded to women in this sector, particularly from the Scheduled castes and tribes, a large number of girls drop out and are unable to complete primary school.

On analysing plan and non-plan expenditures in primary education in the state of Gujarat for the period 1995-2000, DISHA found a wide discrepancy between the two kinds of expenditures. While plan expenditure on primary education shows an increase from 2.2% of the total expenditure in the sub-sector in 1994-95 to 10.2% in 1999-2000, non-plan expenditure shows a corresponding decrease from 97.9% of the total expenditure on primary education in 1994-95 to 89.8% in 1999-2000 (see table 2). Of the total non-plan expenditure in education in 1994-95, 91.7% was spent on the minor head of teachers and other services. This decreased to 81.1% in 1999-2000. On the other hand, the plan expenditure on the minor head (teachers and services) was 0.20% of the total plan expenditure in education in 1994-95 and reached 2.3% (Rs. 397 million) of the total expenditure in 1999-2000 (see table 3). This anomaly in trends between the plan and non-plan expenditures has been attributed to the poor recruitment policy of teachers in government primary schools at the village level. Arbitrary appointment of teachers on fixed salaries for five years has been responsible for a steady decline in the non-plan expenditure of the state education budget.

On analysing the amount of additional expenditure the state would have to incur in providing infrastructure facilities and services in village schools, DISHA found the state will need to make an additional expenditure of Rs.7.2 billion of which Rs.5.7 billion will go into the minor head of teachers and other services, Rs.1.3 billion into the construction of classrooms, and Rs.177 million into providing free textbooks. This amount, however, does not include expenditure on administration, training, and other miscellaneous purposes. Further, this expenditure is only for primary education and does not include state expenditure on secondary and higher education. It is because of the high expenditure involved in keeping high enrolment rates in schools and providing infrastructure facilities and services that the government is not fulfilling its commitment to universal primary education in the state.

MUNICIPAL BUDGETS

Sita Sekhar, Public Affairs Centre

Dr. Sita Sekhar is a research consultant with the Public Affairs Centre (PAC) in Bangalore. In her presentation, Dr. Sekhar speaks about the Report Card Study conducted by PAC in 1999 on municipal budgets of city corporations in Ahmedabad, Bangalore, Chennai, Mumbai, and Pune. Dr. Sekhar talks about the main issues discussed in the study, its methodology, and the main problems that came up while conducting the study. Besides highlighting the major findings of the study, Dr. Sekhar speaks about recommendations for future follow-up action.

The Public Affairs Centre (PAC) has carried out an analysis of municipal budgets of city corporations in Ahmedabad, Bangalore, Chennai, Mumbai, and Pune. This study was a follow up to an earlier study conducted by PAC in 1997 on municipal budgets in Bangalore. The study had brought to light the severe maladies that afflicted the Bangalore City Corporation (BCC) like inefficient planning, lack of diversity in resource mobilisation, and the inefficient use of resources by the Corporation. The subsequent study has been undertaken to both widen the scope of analysis and to bring in some comparative perspectives.

PAC has conducted the Report Card Studies in the context of the increasing decentralisation and devolution of power as the functional efficiency of municipal corporations depends to a large extent on the financial health of urban local bodies. Report Card Studies have consistently shown dissatisfaction of citizens with civic services provided by city municipal corporations. The analysis of municipal budgets assumes great importance given the crucial role municipal budgets play as measuring rods that reflect the capacity and priorities of city corporations.

The main issues discussed in the study were:

- How have city corporations grown in terms of revenues generated and expenditures incurred?
- What is the growth in real terms accounting for inflation?
- What are the major sources of revenue?
- Do cities differ in the magnitude and composition of their resource mobilisation?
- Do allocation patterns vary across cities?
- What sectors is expenditure concentrated on?
- Are capital expenditures on infrastructure development keeping up with the needs of the cities?
- Are there any good practices that one can draw upon from a comparative analysis of city budgets?

The five cities covered under the study were Ahmedabad, Bangalore, Chennai, Mumbai, and Pune. The sources of data for the study were the budget documents brought out by the municipal corporations of the different cities. The data used was for the years 1989-90 to 1995-96. In the case of Chennai, however, data was available only

for the period 1992-93 to 1995-96. Although the estimated figures for the period 1997-98 were available, PAC preferred to use the actual figures, as the estimated figures were likely to change over time. However, estimates and revised estimates have been used to see the kind of planning being pursued by corporations for the future. The study involved discussions with civic officials to seek clarifications on certain data. The budget documents had to be translated from the local language. For instance, the budget documents of the municipal corporations of Pune and Ahmedabad were in Marathi and Gujarati respectively. The study had to resort to a purposive classification of heads to facilitate comparison because of different methods of presentation of budgets across cities. For instance, the revenue and expenditure from a service like water is not included in the analysis of the municipal budget for Ahmedabad as this service is not provided by municipal corporations of other cities. Likewise in Mumbai the municipal corporation provides services like electricity and transport, which are not provided by other city corporations. Inflation was accounted for in the study by using the Wholesale Price Index (WPI).

The main problems that came up in the study were **comparability of data** because of differences in presentation of budgets across cities. While the Bangalore Municipal Corporation had a short and concise budget document of 20-25 pages, the Mumbai Corporation had a very detailed document. Differences in classification too hampered comparison across cities as certain heads were put under capital in one document and under education in another. This problem was compounded further by differences in depth of detail. For instance, the municipal budgets in Bombay and Pune are more exhaustive and detailed than budgets in other cities. While the municipal budgets in Bomabay and Pune might account for even a small broom purchased by the civic authorities, the budgets of other cities might just club purchase of brooms under the broad head of garbage clearance.

The second problem that came up in the study was the **accessibility of data**. Although the budget is a public document, it is not available to the public. It is not possible for someone to just walk into a corporation office and get the information. Getting information on the latest budget document is simpler than getting information on earlier documents, as municipal corporations generally do not keep copies of earlier documents. Translation from the local language was another major problem faced in the study.

The major findings in the study were the annual growth rate in percentage of revenue, expenditure and capital expenditure for the cities from 1989-90 to 1995-96. The analysis shows that revenue has been growing in all the cities over the period under study. Ahmedabad and Chennai show the highest growth of 17% per year while Mumbai and Pune follow with growth rates of 16.5% and 16% respectively. Bangalore trails behind with a mere 12% growth in revenue. When the nominal figures were adjusted for inflation, it was seen that the growth rate in real terms for Chennai, Ahmedabad, Mumbai, Pune and Bangalore dropped down to 8%, 7%, 6%, 5% and 1% per year respectively. The capital expenditure for Chennai was the highest both in real and nominal terms. The capital expenditure for Bombay showed a negative figure in real

terms. However, as data is available for only the past three years, it is incorrect to draw conclusions without additional information. Moreover, as Mumbai is an old city that is not growing as fast as other cities, there may have been adequate investments in the past and thus lower growth in recent years.

The study examined the allocation of expenditure to different sectors in the cities and found that the grants and contributions for education were the highest for Pune, Ahmedabad, Mumbai, and Chennai. The reason for this has been attributed to grants and contributions to medical colleges, which are being run by the state in Pune, Ahmedabad, and Mumbai. Grants and contributions for public works was the second highest item of expenditure for all cities except Bangalore, where it was the highest. After analysing the revenue and expenditure of different cities as a proportion of the state's revenue and expenditure, it was found that while the Bangalore Municipal Corporation's revenue as a percentage of the state's revenue had gone down, for all other cities it had increased.

The study has computed the per capita expenditure on a citizen in all the cities. The data used is for the period 1991-92 and is based on the 1991 population census. The analysis of per capita expenditure shows that while Mumbai and Ahmedabad spend the most on an individual citizen, Chennai spends the least with Bangalore doing marginally better. However, a similar analysis of per capita capital expenditure shows Chennai leading with Pune following close behind. Bangalore trails behind the rest once again. An analysis of the per capita revenues for the cities reveals that Mumbai and Ahmedabad generate more revenue per capita than do other cities.

The comparative analysis of the municipal budgets of the five cities shows that revenues have not kept pace with the growth of these cities. Nonetheless, some cities, particularly Ahmedabad and Chennai, have done a reasonably better job than others in raising resources. Also some cities have planned and managed the resources available to them better than have others. While resource constraints do affect the quality and reach of services provided by the city municipal corporations, there is scope for both generating resources and using them efficiently and effectively through improved planning, supervision, and management.

The 14% spurt in capital investment in real terms, both in Chennai and Ahmedabad, underlines the importance of investment in infrastructure development for a city. Bangalore, in comparison, has shown a meagre growth of 2% in capital investment in real terms and has a lesson or two to learn from those who have done well in this regard.

The study analysed the major sources of revenue for different cities. While municipal corporations in Ahmedabad, Mumbai, and Pune were self-sufficient in that they were getting a major portion of their revenue from Octroi (duty levied on movement of goods between states), the corporations in Chennai and Bangalore were dependent on the Central and State governments for resources. This was because revenue from property tax, which constitutes a sizeable fraction of revenue for Chennai and Bangalore, was not adequate. This finding makes a case for either the reintroduction of Octroi in

Chennai and Bangalore or an increase in the compensation given to them. Interestingly, while Bangalore receives about 32% of its revenue as compensation for Octroi, there is no such compensation available for Chennai. Also, the State Government of Karnataka collects vast sums through entry tax but passes on a very small portion of it to the Bangalore Municipal Corporation.

A large proportion of the expenditure goes towards salaries of corporation employees. As the resources of the corporations are limited, efforts should be made to streamline costs to provide better quality services.

There is a wide discrepancy between actual and estimated figures in all the cities. The process of arriving at estimates is arbitrary. Efforts should be made by all municipal corporations to overhaul planning and estimation procedures to devise more accurate estimates.

The budget documents of Mumbai and Pune were fairly straightforward and simple while the municipal budget for Bangalore was the most complex. The difference in styles of presentation across cities makes budget analysis a difficult task.

The creation of Ward Committees under the 74th Amendment and their involvement in the monitoring of the budgetary planning process will not only ensure an equitable allocation of resources but would also help co-ordinate the services provided by the corporation and the needs of the citizens. The Bangalore City Corporation (BCC) might follow the example of the participatory budgeting process being used in Porto Alegre in Brazil where citizens participate in decisions related to mobilisation of resources and to setting priorities for expenditure.

As a follow up to the study, PAC intends to publish a monograph for distribution among the academia, NGOs, and municipal corporations.* The Centre plans to disseminate the findings from the study through newsletters and the media.

* reference in annex

Discussion: Budget Analysis and Expenditures in the Social Sectors

While collecting data, one should not lose sight of the larger objective for which the data is being collected. The Centre for Budget Studies (CBS) in Mumbai has discovered that more often than not the problem lies not with the amount allocated for a particular sector, scheme, or program, but with the inability to spend the money earmarked for the purpose.

Social action groups must deal with issues for which mobilisation is possible. For instance, organisations working on primary education can link their work to the larger movement for providing universal primary education at the national level. In Mumbai, groups work as 'support centres' for trade unions. They provide striking unionists with the necessary back up, like supplying them with facts and figures to substantiate their claims or helping them work out a charter of demands.

At present, the central government spends 2.4% of its budget on education. Most other countries around the world spend a lot more. South Africa, for instance, spends 7-9% of its budget on education. Unless more resources are not set aside for education in the national budget, it will not be possible to increase allocation for this sector in the states.

There is a vested interest in concealing actual enrolment figures of children in village primary schools, as otherwise the state will have to increase its expenditure on primary education. MKSS analysed the drop out rates among students enrolled in a village primary school in Rajasthan. It discovered that the drop out rate of children enrolled in the school was very high. On doing a head count of the children who had been 'enrolled,' MKSS discovered that several of the children did not officially exist. From these findings, MKSS surmised that teachers in village primary schools were pressured by the government authorities to show 100% enrolment.

Research should be linked to issues affecting people at the grassroots level. Links need to be established from the national level down to the local level. If linkages are firmly established right down to the grassroots level, then local issues can have an impact at the national level.

The increasing trend of privatisation, liberalisation, and globalisation is bound to impact the budget process. For instance, with a reduction in tax subsidies to the health sector, the central government's grant to the sector has come down from 19% in 1984-85 to 3% at present. Several health-related schemes such as the Blindness Control Program have been privatised. The World Bank and other donor agencies make development aid contingent upon user charges in public hospitals and health services thereby increasing the cost of health care.

A major dilemma facing social action groups is that of making a choice over what issues need to be taken up for analysis. For instance, there are so many issues affecting the health sector, like the costing of health care services, World Bank funding to the

sector, health insurance etc. that organisations like CEHAT find it difficult to pick and prioritise issues for analysis.

It is important to look at current trends in the sector one is working in. The 1950s and 1960s, for instance, saw the rise of tuberculosis in the country and the 1990s saw the ascent of AIDS. During the Emergency there was a rise in family planning expenditure to meet the government's drive to bring down the population growth rate. These trends have to be kept in mind while doing budget analysis work in the health sector.

NGOs and the Budget Process

The Annual Financial Statement of the Government of India is the estimated summary of all the receipts and expenditures of the government. The Financial Year starts from April 1 and ends on March 31. The budget structure consists of the Consolidated Fund, the Contingency Fund, and the Public Account. The Consolidated Fund has been set up under Article 266(1) of the Constitution of India and consists of both tax and non-tax sources of revenue. This includes revenue receipts, central excise, loans, and ways and means advances made by the Reserve Bank of India (RBI). All revenue is credited and all expenditure is debited to this fund. The Contingency Fund has been constituted to meet unforeseen contingencies. The Governor of a state decides the amount of money a state needs from the Contingency Fund in times of emergency. The money used by a state from the Contingency Fund has to be reclaimed later from the Consolidated Fund. The funds in the Public Account consist of National Savings Certificates, the Provident Fund, and the Welfare Fund in addition to various other deposits and advances. The funds in the Public Account belong to the public, but the government controls their disbursement. The RBI acts both as a treasurer as well as a bank for the government.

In view of the need to analyse budgets from the perspective of the poor, DISHA, a Gujarat-based organisation representing unorganised tribal and forest workers, got involved in budget analysis work in 1992. Gaining access to budget documents proved to be a formidable task. Without any expertise in budget analysis work, DISHA found it difficult to understand the budget process. It realised that knowledge of the budget process was crucial to influencing government decision making. In particular, DISHA looked at the Tribal Sub Plan in Gujarat where 15% of the population consisted of tribals. It took DISHA almost a year to get information on the Plan following which it computerised and classified the data. Figures had to be cross-checked to avoid errors. DISHA confronted a major problem in regrouping expenditures taking place under different ministries. For instance, in order to determine the health budget of a tribal district it had to consider allocations by the Ministry of Health for the district as a whole as well as those by the Ministry of Tribal Development on the health of tribals.

The budget manual enabled DISHA to familiarise itself with the structure and processes of the budget. DISHA even met the Finance Commissioner to understand the process of grant making. It examined the entire accounting structure where sectors are divided into sub-sectors and programs and analysed both the income and expenditure sides of the budget. As the government gets a large part of its income from sales tax, DISHA looked at the Sales Tax Act and the items taxed by the government under this act. It examined the tax paid on items consumed by different sections of society.

DISHA has discovered lapses in the budget process. It feels that both the structure as well as the presentation of the budget has to be changed. Also, the State Assembly should meet for a longer time to discuss the budget, as the time allotted for discussion is short. There is a compelling need to involve social action groups in the budget process as they can press for financial allocations for policies and programs more

favourable to the poor. By acting as a credible source for information on budgets, social action groups can make themselves indispensable to political parties who need data on the budget and can thereby get them to voice concerns of the poor in the State Assembly.

Building Capacity for Analysis and Organisation

In building capacity for analysis and organisation in budget work it is important to identify the groups whose capacity needs to be built for budget analysis and organisation work. The users of budgetary information can be classified into three groups: peoples' organisations and NGOs; the policy-making community; and the media. Links should be forged and strengthened between budget analysts and users. In light of the growing importance of budget work, long-term courses on the structure and processes of budget could be introduced in educational institutions. Internships could be offered to researchers at institutions specialising in budget work to build capacity in this area. Best practices in budget work can be documented and disseminated through newsletters and the media.

Dissemination, Networking and Information

Budget analysis has a number of uses in furthering work on pro-poor issues: it can aid in understanding of resources available for programs at local levels; it can assist in monitoring of expenditures to minimise leakages; it can enhance popular involvement in the budget process; and can lay the basis for alternative budget proposals by NGOs and community organisations.

In view of past experience, there is a need for simplified information to increase the accessibility of budget data to non-specialists, especially among the poor and their representatives. Many activists feel that an agenda of demands around pro-poor expenditures should emerge from grassroots concerns and popular campaigns and budget work should not become overly obsessed with data to avoid losing sight of these concerns. Similarly, in order that budget analysis does not become a *post-hoc* activity once the budget proposals have been announced by central and state governments, greater attention needs to be given to organising people to influence the content and implementation of budget proposals through a variety of actions including work with elected representatives. At the local level, ward and gram sabhas (local assemblies) can serve as the forum for eliciting budget and expenditure information from elected panchayat representatives.

Some element of networking among NGOs and action groups has already taken place at the state level. Tamil Nadu is perhaps the best example to date, with twelve such groups coming together as the Tamil Nadu Peoples' Forum for Social Development (TNPFS) to analyse various aspects of the state budget from a pro-poor perspective where they have thematic or local knowledge. The idea of forming a national network of NGOs working on budget issues was mooted and accepted as one of the possible follow-up actions.

Translation of key documents (such as the resource materials listed in the annex) into vernacular languages can be an effective means of broadening participation and knowledge dissemination to non-English speaking groups. Various means can be used to disseminate the results of budget analysis to a wider audience, including cartoons, street theatre and stories. Exchange visits between NGOs and grassroots organisations working on budgets can promote a wider understanding of approaches and lay the basis for joint work and campaigns around budget issues.

Former government officials who have worked in the finance and accounts sections of state governments can act as resource people to advise and guide NGOs seeking to take up budget work. While multiple sources of budget work at the national, state and local levels might be beneficial in broadening knowledge and skills, there was concern that this should not generate a bandwagon effect through which resources could be secured from funding agencies, and that enhancing the capacity of intermediary organisations should not detract from grassroots concerns.

BUDGET ANALYSIS AND IMPLICATIONS FOR THE POOR

Mihir Bhatt, Foundation for Public Interest

Mihir Bhatt, architect and urban planner, is the Director of the Foundation for Public Interest based in Ahmedabad. In his presentation, Mr. Bhatt speaks about the implications of budget analysis work for the poor. He talks of budget analysis as being more than an academic or statistical activity that must in the end improve the lives of the poor. He emphasises the importance of increasing the participation of the poor in the budget process and balancing analysis with follow-up advocacy efforts, linking budget analysis with performance rating and action planning to improve governance.

Budget analysis is more than an academic or statistical activity. Robust analysis must be credible and should be balanced with advocacy efforts. In the changing contemporary context, the poor should be also perceived as users of public goods and basic services. The amount being spent by the Government in combating poverty is governed by the budget process, which has openings for participation by the poor. These openings have expanded and are explored by recent NGO initiatives to increase the involvement of the poor in the budget process.

Removing poverty and influencing the budget making process go hand-in-hand. It is important to bear in mind the changing context of increasing privatisation, rising defence expenditure, the reality of coalition governments, changing labour markets, and the liberalisation of the insurance sector as they impact the budget process. Fostering and maintaining goodwill with the media and policy-making community in the analysis process is crucial.

It is important to draw lessons from past experiences in linking poverty removal with the budgetary process. This involves building on the experience of both project managers and donors in supporting budget analysis work. This would help avoid problems of initiating, linking, and utilisation of what is being analysed by projects, NGOs, and others. Drawing lessons will also help create more favourable conditions for use of budget analysis work. It is essential to integrate the different phases of budget analysis like design, drafting, presentation, and discussion as well as focus on the revenue and taxation side of budgets.

Rather than focusing exclusively on analysis, it is important to focus on all aspects of the budget process. All types of groups, such as tribals, women, or dalits need to be integrated into related aspects of budget analysis. Building, organising, and mobilising groups working toward poverty removal require an integrated approach. Also different sectors, like health and education, need to be looked at in an integrated manner rather than individually.

Steps should be taken to minimise potential procedural and operational problems. It is important to join in and influence the budget making process in its early stages. If there are too many people involved in budget analysis work, then there is bound to be

fatigue and budget analysis might cease to get the attention it deserves. Hence, there is a need to focus on some good and effective efforts to sustain innovative work in this area.

As budget analysis may become costly for organisations with limited resources or activities, it is important to justify the activity. It is necessary to find areas for collaboration and affiliations within the network and beyond. For instance, ways to link universities with think tanks, public policy institutes, and NGOs should be found. Issues should be matched with budget heads to clearly define the focus of the analysis. In addition, analysis should be balanced with follow-up advocacy efforts as well as effective presentation skills.

The poor must participate in the budget process of defining issues and articulating concerns. There are three ways of doing this. One, by having **demand surveys** to gauge the needs and concerns of the poor. Second, to **invest time** to see that the demands made by the people are specific to the budget. Third, to encourage **exposure visits** to ensure that people's organisations spend time with budget analysts so as to facilitate exchange of information and ideas between them. Efforts should be made to create awareness and a sense of responsibility among the poor to participate in the budget process. Discussions are underway for a 'Citizen's Budget' or an 'Alternative Budget' to involve the citizen more directly in the budget process at the national level.

An important initiative for improving budget analysis work is Tanzania's Medium Term Expenditure Framework (MTEF). MTEF was started in 1997 and focuses on education, health, agriculture, roads, and water. It bridges the gap between the Ministry of Finance budgeting and sector planning and between policy objectives and budgetary allocations and is a helpful model for India as these gaps exist in the Indian context as well. In addition, it brings sharper focus on priorities; improved flow of information; improved donor co-ordination, framework development; and capacity building.

Analysing budgets (i.e. money) needs to be linked with **rating performance** (i.e. actions) and **participating in planning** to improve governance, because money is needed for implementing ideas and performance measures actions. When all three are linked and the poor participate effectively through their organisations the prospects for better governance can improve.

In his recent book, "*What is Troubling the Trilateral Democracies?*" Robert Putnam has looked at mature democracies around the world and found that in all the democracies surveyed, voters are losing trust in politicians, parties, and institutions. After elections, budgeting is the most crucial element of the democratic process and thus it is necessary to involve the poor in the budget process so that the poor in India do not start losing interest in democracy itself.

LOCAL EXPENDITURES AND THE RIGHT TO INFORMATION

Nikhil Dey and Aruna Roy, Mazdoor Kisan Shakti Sangathan

Nikhil Dey and Aruna Roy have been associated with the Mazdoor Kisan Shakti Sangathan (MKSS) since its inception in the late 1980s. In their presentation, they speak about the right to information campaign spearheaded by the MKSS to obtain access to government information and check misuse of public funds intended for the poor. The presentation deals at length with the process of jan sunwais (public hearings), which has enabled the MKSS to verify official accounts and detect public funds misappropriated at the local level. In addition, it highlights the importance of dharnas (protest marches) as an effective means to put pressure on the government.

The right to information movement has been spearheaded by the Mazdoor Kisan Shakti Sangathan (MKSS) in the Rajasmand district of Rajasthan. The principal objective of the movement is to gain access to government information in order to check misuse of public funds intended for the poor. On obtaining access to public records, MKSS cross checks the information through a system of popular auditing in public hearings. In this way, MKSS helps promote transparency and accountability in governance.

The right to information campaign is a campaign for greater local participation and share in governance. It is an ethical battle since better information and transparency bring greater probity in public life. Over the years, the right to information has got redefined as the right to survival and the right to basic entitlements for the poor. While earlier the right to information was an issue for closed-door academic debates, it is now increasingly being perceived as poor peoples' entitlement to their own rights.

Struggle is an essential component of the right to information campaign. Without struggle there can be no advocacy and no input into the policymaking apparatus. However, struggle *per se* is not enough, as it has to impact policymaking to be meaningful. People have to speak up in order for democracy to function effectively. MKSS has coined a catchy phrase, *Koi to Munda Bole Re* – or 'Why don't you speak' – to encourage people to speak up for their rights. Without questioning the government, it is not possible to bring accountability into the system. Corruption has to be attacked at a level at which it is visible. A corrupt practice at the local level should be reported to the village *sarpanch* or some other influential person rather than to the chief minister of a state.

MKSS began as a movement in the late 1980s to pressure the state government to enforce minimum wage regulations on employment generation programs in drought-prone areas. The local authorities were billing the state government for amounts that far exceeded what labourers were being paid. The MKSS demand for minimum wages from the state government for labourers on drought-relief works was turned down on grounds that they were not entitled to any wages, as they had not done any work. On being

questioned further, the labourers were told by the state authorities that the information was in the records, but as the records were secret they could not obtain access to them.

In its efforts to enforce minimum-wage regulations, MKSS had placed four specific demands before the government:

- a) All records of development expenditure should be made freely available;
- b) public grievances should be redressed and funds that have been misallocated should be recovered;
- c) there should be a social audit process where all powers of audit must lie with the people; and
- d) government officials should be made accountable.

The state government was unwilling to meet the MKSS demand for bills, vouchers, and muster-rolls as releasing the information would have enabled MKSS to verify official accounts and detect funds misappropriated at the local level, which would have proved a major embarrassment for the government.

In response MKSS started the process of locally organised *jan sunwais* (public hearings) where expenditure statements from official records were read aloud to assembled villagers. Local people identified discrepancies between the official record and their own experiences as labourers on public works projects or as beneficiaries of anti-poverty schemes. Through this process of social audit, people discovered that they had been listed as recipients of anti-poverty schemes, even though they had never received any benefits from such schemes. Likewise, payments had been made to contractors when no developmental work had been done. This form of social audit enabled MKSS to verify official accounts and detect funds misappropriated at the local level.

The MKSS anti-corruption movement has helped mobilise people to combat corrupt practices of local authorities. In another instance, MKSS held a public hearing to expose government malpractice in the construction of a school building. The movement for the first time gained the support of the middle class as corruption in public works not only exploits the poor, but also harms the interests of the middle class. Although government officials had been invited to the public hearing, they chose not to attend it. The point in question was the construction of a school building. Local officials claimed that the school building had been constructed and the labourers had been paid their wages. In reality, however, no school building had been constructed in the village. The hearing elicited a sharp response from the local officials. The entire gram panchayat officials of the district went on strike in protest against the hearing. While officials from the gram panchayat were willing to divulge the accounts to anyone above them in the hierarchy, they were unwilling to make their records open to the public. The *Gram Sevak Sangh* (Village Welfare Group) of the State, in fact, threatened to go on strike and even warned the Chief Minister of thwarting the forthcoming elections to panchayats in the State.

As a result of pressure from the MKSS campaign, the Chief Minister promised to make government documents public in addition to providing people with photocopies of bills, vouchers, and muster-rolls. This made front-page news in *Dainik Navjyoti*, a local newspaper. However, when MKSS activists went to the different government departments with a copy of the front-page report to obtain information, they were told very matter-of-factly that the accounts would be made public only after the order got passed. MKSS lobbied the government for one year to get the order passed. However, when the government failed to pass the order, MKSS activists went on a *dharna* (public protest) in Beawar in Central Rajasthan in April 1996. The efforts of MKSS led the State Cabinet to pass an order giving the MKSS the right to *inspect* the government documents, but not the right to *take* the documents. The people, however, were not content with this. Being illiterate they needed certified copies of the documents to show it to people who were literate and could help them understand what the documents meant.

This led MKSS to resume its *dharna* in Beawar to protest against the government order. The *dharna* lasted for 40 days. The *dharna* was jocularly referred to as the *ghagra paltan* ('skirt platoon') as a majority of the *Sangathan* (group) consisted of women. The campaign drew tremendous support from other people. People raised money for the campaign by selling 20 quintals of grain, generously contributed by the campaigners themselves. The local people in Beawar extended support to the campaigners by providing them with free food and water in addition to free camera and video footage. MKSS got liberal donations from vegetable vendors, florists, *mahila mandalis* (womens' groups), lawyers' groups, trade unions, and even political parties. Local *dharamshalas* (motels) provided the campaigners with free accommodation. In the end, MKSS got an assurance from the government that the order for making official documents public would be passed within two months. This led to the setting up of a committee. However, the committee did not pass the order and its behind-the-door discussions were not open to public debate.

In order to protest against the government going back on its commitment to make official documents public within the promised time, the MKSS undertook yet another *dharna* in 1997 in Jaipur, which lasted 53 days. During the *dharna*, MKSS organised the *Ghotala Rath Yatra*¹, which went around the city educating people through skits and plays on how the right to information could bring about greater transparency and probity in public life. Public contributions for the *dharna* generated a sum of a hundred and twenty five thousand rupees. The accounts of the MKSS were open to the public. During the *dharna*, MKSS encouraged public debates on issues relating to the right to information. MKSS eventually lifted the *dharna* in July 1997 after the Government made an amendment to the State Panchayati Raj Act that people could access information within four days and that bills, vouchers, and muster-rolls would be furnished on request.

MKSS's campaign for public access to government information in Rajasthan stimulated a wider campaign for legislative and regulatory change at the national level and across other states. At the national level, a bill was drafted for obtaining access to

¹ The *Ghotala Rath Yatra* is a spoof on L.K. Advani's infamous chariot ride across the country to combat corrupt practices.

official documents. This was followed by a series of bills relating to the right to information being passed in Goa, Tamil Nadu, and Madhya Pradesh. Another important development that took place nationwide was the branching out of the right to information campaign from panchayats to other areas, like large-scale construction of dams and other public works, government aid in natural and man-made catastrophes, and the government-run Public Distribution System.

The Official Secrets Act of the Government curbs peoples' right to information. Social action groups should press for the removal of the term 'Secrets' from the Act or, better still, push for an 'Official Act on Transparency.' Without discounting the need for a government audit, groups should call for a social or peoples' audit. Social or peoples' audits are needed to cross-check the government audit.

MKSS has learned the mechanics of social audit from the people. If one makes government documents accessible to the people, the people themselves will come up with techniques to collate the different facts and figures and make sense out of them. Moreover, it is not that people do not remember facts and figures; it is only that their method of recording is not accepted as valid. Public accountability has been translated into a popular slogan by the MKSS, '*Hamara paisa, hamara hisaab*' ('it is our money, and so it is our accounts').

POLICY ADVOCACY AND BUDGET ANALYSIS

John Samuel, NCAS

Mr. John Samuel is the Director of the National Centre for Advocacy Studies (NCAS) based in Pune. In his presentation, Mr. Samuel highlights the importance of budget analysis techniques to validate policy arguments and make public advocacy initiatives more credible and effective. The presentation underscores the need for social action groups to adapt their strategies to meet the needs of the changing environment.

Citizens and social action groups need budget analysis to substantiate policy arguments and strengthen public advocacy initiatives. Budget analysis creates public arguments for policy change, increases the bargaining power of social action groups, and ensures a more equitable distribution of resources by creating opportunities for pre-budget lobbying. While doing budget analysis work, however, it is very important to have some clarity of purpose. Objectives should be clearly defined by social action groups as a lot of time gets wasted in collecting data which is redundant.

The budget process has to be made more inclusive. Anti-poverty programs, for instance, invariably fail to take off the ground because they are designed for the poor by hierarchical government agencies and not by organisations working for the poor. The state and national governments involve the chambers of commerce (like the Associated Chambers of Commerce, ASSOCHAM; and the Federation for Indian Chambers of Commerce and Industry, FICCI), economists, and trade unionists in the budget process, but regrettably leave out NGOs and peoples' organisations from the process.

Budget analysis is assuming increasing importance in an era of *digital* thinking. Numbers are increasingly becoming important in the realm of politics and political discourse. The transition from *ethical* to *digital* thinking is seeing the growing use of facts and figures to win political arguments in one's favour. The language and logic of institutions is changing and unless social action groups adapt their strategies to meet the changing needs, they will inevitably lose out. As policy makers and economists use numbers and figures to 'mystify' and dominate budget discourse, social action groups can use budget analysis techniques to counter their arguments.

Budgets, politics, policymaking, and governance are inter-linked and feed into each other. Politics is based on power relations and budgets are an articulation of the interests of the powerful. Public policies find financial expression in budget documents and budgets are needed to execute a policy. Knowledge of budget analysis techniques enables social action groups to make decision making more inclusive and thereby paves the way for greater accountability and transparency in governance. Powerful interest groups too exert influence on budgetary allocations to various sectors and schemes in ways that benefit the different constituencies they represent.

Budget analysis can be used as a means to sensitise the government to the needs of the poor. This can be done by questioning policies; empowering people by providing

them with budgetary information; and influencing the budgetary process in ways that enhance financial allocations for policies and programs targeting the poor. Budgets can be used, for instance, to question policies. For example, the total national budget outlay for defence is greater than health and education combined. The contrasting allocations can be used as an argument to press for greater allocation for social sector expenditures.

As a certain degree of expertise is required to understand budgets, budgets need to be ‘demystified’ and made intelligible to the ordinary citizen. DISHA in Ahmedabad and Vidhayak Sansad in Mumbai have helped make the budget process more participatory by distributing handouts on budgetary information and analysis written in the local language.

A distinction has to be drawn between budget as data, information, and knowledge. Raw data has to be seen in the context of a particular policy or program and then translated into information. Budgetary information seen from a socio-political or ideological perspective becomes budgetary knowledge, which is crucial to advocacy efforts. For instance, MKSS (Mazdoor Kisan Shakti Sangathan) sees budget information from the perspective of minimum wages for employees of drought-relief works, DISHA will interpret it in terms of tribal welfare, and CBPS (Centre for Budget and Policy Studies) in terms of primary education. While academic institutions have the sophisticated analytical tools to transform data into information, unlike grassroots advocacy organisations, they often lack the socio-political perspective to transform such information into knowledge.

There are two major challenges confronting grassroots advocacy organisations: how to ensure greater participation of people in the budget process; and how to communicate to different categories of people. Dissemination strategies will be different for different categories of people. For instance, the dissemination strategy for the people directly affected by a government scheme or policy is very different from the dissemination strategies employed for the public at large and the decision-making community.

Discussion: Policy Advocacy and Budget Analysis

Social action groups must draw attention to the significant resource transfers that take place outside of the budget process and press for their inclusion. For instance, privatisation of social, public, and community assets do not get reflected in budgets despite impacting the budget process in a vital way. Likewise the interests of 40-60% of the population, which still depends on the 'bio-mass' economy, are seldom kept in mind while formulating budgets. The budget process is, in fact, used to consolidate particular segments of society into vote banks and budgets are a means to distribute the 'spoils of the system' to these favoured sections. It is important for social action groups to be clear at this juncture as to whether they want a share in the spoils of the existing system, or whether they want to work towards changing the prevailing power structure in society. As caste, class, and patriarchal interests impact the budget process from the outside it is important to acknowledge these realities in budget analysis.

Facts and figures lend legitimacy to political debates. They can, at times, be supplemented by case studies to further strengthen arguments. There is a need to explore ways by which different 'cultural modes of communication' can be used to reach out to segments of the population that are illiterate and ensure their participation in the budget process. Knowledge of budgetary facts and figures can give social action groups tremendous bargaining power with policy makers and a significant edge in public debates.

Budgets should be seen in context of the trend towards increasing globalisation and the market economy. Although privatisation has some drawbacks, it cannot be discounted altogether, as one has to bear in mind the emerging realities. National budgets are impacted by global economic trends, so macro-economic considerations have to be taken into account.

Government schemes continue over the five-year plan period for which they have been planned. However, no one looks at the utility of the scheme. Once the government has committed expenditure for a scheme, it is difficult for it to withdraw the scheme even though the scheme may have outlived its utility.

The Comptroller and Auditor General's (CAG) report, the Economic Survey, different department reports and committees, like the Estimates Committee, the Public Expenditure Committee, and the Committee on Public Undertaking, are a source of a good deal of information on budgets.

Rather than working at cross-purposes, it is important to build synergies between the research community, the policy makers, and the grassroots organisations. It is important to keep in mind that different groups have different objectives and approaches. There is no one approach or technique that everyone should follow. Social action groups should keep an open mind to different techniques and approaches. Replication of work done in one state or sector may not be possible in another state or sector, as realities in

different situations may be different. While groups should collaborate on issues and learn from each other, competition and confrontation should be avoided.

PROPOSALS FOR FOLLOW-UP

Networking

- Networking takes place at three levels: networking within the organisation; networking with other groups; and networking with policy makers.
- Networking can facilitate the sharing of budgetary information and data among members. Through networks members can learn from each other and thereby avoid 'reinventing the wheel.'
- Budget networks make policy advocacy initiatives proposed by social action groups more credible and effective.
- Social action groups undertaking issue-based campaigns can use networks to obtain in depth information on issues.
- Members of a budget network need to meet periodically at workshops, seminars, and conferences to exchange views and ideas.
- In addition to establishing firmer contact among members of the network, a web site or list-serve can help keep members posted on the latest in budget work. People and groups not within the network can also access the web site.
- At the regional level, the members of the network can undertake a performance rating of the budget by discussing substantive issues relating to the budget document. The conclusions from the discussions at the regional level can be compiled for review at the national level.
- Before the presentation of the budget, networks can lobby the state government's to influence budgetary allocations to different sectors, schemes, and programmes.
- In addition to helping influence the policy-making community, networks can sensitise politicians and bureaucrats on the growing need of budget analysis work to advance the cause of the poor.
- Networking can be strengthened through newsletters and the media can be used as an effective medium to disseminate information on budget work across the network.
- Establishment of a national-level network of social action groups can strengthen advocacy efforts for increased budgetary allocations for programs and schemes favourable to the poor.

Skill Enhancement

- Training should be need-based and targeted to different constituencies such as journalists and elected politicians. The specific needs of target groups should be kept in mind before imparting training to them.
- Training should include an analysis of both the expenditure as well as the revenue side of the budget. In particular, training should focus on revenue leakage and capital expenditures.
- Grassroots workers should be given training on social or performance audit, as financial audit needs to be supplemented with a performance audit.
- Training should help clarify basic terms related to the budget process. It should be combined with workshops and exposure visits.
- Training programs should include a short hands-on budget appropriation course to help demystify the budget and thereby enable grassroots organisations to obtain access to information from libraries, official records, the Reserve Bank of India, and other sources.
- Training on budget issues can be designed for civil servants and elected representatives in state assemblies, municipal corporations and panchayats. This can assist NGOs and action groups in understanding the disposition and biases of policy makers and politicians.
- There is a need to build capacity for presentation of information at the grassroots level in a way that makes the information more comprehensible and user-friendly.
- Training should also include ways to disseminate information. Finally, an easy-to-access database should be compiled to help meet the needs of grassroots organisations.

Dissemination

- Social action groups use a wide variety of tools and methods for dissemination of information. The dissemination strategy has to be tailored to meet the specific needs of the target audience.
- Social action groups must stress **accuracy, brevity, and clarity** while preparing materials for dissemination.
- Rather than ‘reinventing the wheel,’ the same material can be utilised by various organisations in different ways to reach out to diverse groups of people.

- Street plays, folklore and folk songs, illustrative cartoons and sketches, puppet shows are various mediums through which information can be disseminated to the people at the grassroots.
- While it is easier for NGOs to reach out to organised groups like trade unions and various peoples' organisations, it is much more difficult to reach out to the unorganised groups. Efforts at reaching out to the unorganised masses need to be strengthened. A pioneering effort in this direction has been made by the MKSS through the process of *jan sunwais* (public hearings).
- There is a pressing need to sensitise policy-makers to make the budget more responsive to the needs of the poor.
- As budget analysis requires technical expertise, different organisations need to deal with different aspects of budget analysis, like data collection, analysis, dissemination, and pressurising government to change policy in favour of the poor.
- Dissemination of information can be made cost effective and affordable to the poor by using inexpensive resource materials. Low cost pamphlets published and distributed by MKSS are a good example.

Table 1

Enrollment of children in first standard from 1984-85 to 1997-98		
Year	No. of students enrolled	Difference in comparison with previous year
1984-85	1363346	-
1985-86	1374477	11131
1986-87	1456412	81935
1987-88	1497212	40800
1988-89	1467092	-30120
1989-90	1601100	134008
1990-91	1656102	55002
1991-92	1677195	21093
1992-93	1707078	29883
1993-94	1756484	49406
1994-95	1451929	-304555
1995-96	1387464	-64465
1996-97	1394478	7014
1997-98	1416695	22217

Table 2

Plan and non-plan expenditure on primary education			
			(Rs. In '000)
Year	Plan	Non-Plan	Total
1994-95	181551	8271038	8452589
	(2.15)	(97.85)	(100.00)
1995-96	299621	9573449	9873070
	(3.03)	(96.97)	(100.00)
1996-97	665198	10680290	11345488
	(5.86)	(94.14)	(100.00)
1997-98	1077979	11664837	12742816
	(8.46)	(91.54)	(100.00)
1998-99 (R.E.)	1297080	16385258	17682338
	(7.34)	(92.66)	(100.00)
1999-2000 (E)	1753920	15394152	17148072
	(10.23)	(89.77)	(100.00)

Table 3

Plan and non-plan expenditure on teaching and other services					
Year	Plan	%	Non-plan	%	Total
1994-95(A)	16898	0.20	7750566	91.69	7767464
1995-96 (A)	1100	0.01	8858442	89.72	8859542
1996-97(A)	15810	0.14	9651095	85.07	9666905
1997-98(A)	132337	1.04	10617406	83.02	10749743
1998-99 (R.E.)	150274	0.85	1499852	84.83	15150126
1999-2000 (E)	397090	2.32	13914437	81.14	14311527

Control Bags Analysis (%)						
	Free		Excluded		Captured	
	Non	Rel	Non	Rel	Non	Rel
Amesol	17	7	13	3	24	14
Baggie	12	1	12	14	11	2
Carri	17	8	14	45	33	17
Mitri	15	6	17	7	33	55
Pre	16	5	15	44	15	06

Resource Materials

Centre for Budget Studies, *Essentials of the Budget Process of the State Government* (Mumbai: Vidhayak Sansad). The publication gives a broad overview of the structure and processes of state budgets. It is an exemplary handbook that people can consult or borrow ideas from for putting together a budget guide for their own country or state.

Center on Budget and Policy Priorities, *The International Budget Project* (Washington, D. C.: Center on Budget and Policy Priorities, 1999). The flier gives a brief description and web site of the International Budget Project of the Center on Budget and Policy Priorities based in Washington, D. C. A site map gives the structure and content of the site and the search engine can be used for looking up information pertaining to a specific budget area or topic.

Center on Budget and Policy Priorities, *A Guide to Budget Work: A Systematic Overview of the Different Aspects of Effective Budget Analysis* (Washington, D. C.: Center on Budget and Policy Priorities, September 1999). This guide is the International Budget Project's introduction to the activities and approach an organisation might want to undertake in its first few years of budget work. It also may be of interest to those that have engaged in this work for some time and who are interested in a review of first principles and examples of useful sources.

Center on Budget and Policy Priorities, *The State Fiscal Analysis Initiative: Building Organizational Capacity for State Budget and Tax Analysis* (Washington, D. C.: Center on Budget and Policy Priorities, July 1999). The handbook contains a state-by-state description of 22 state-based research and public education organisations in the United States that together constitute the State Fiscal Analysis Initiative (SFAI). It covers tax- and budget-related issues analysed by SFAI organisations like state budget trends and revenue systems, and welfare reform proposals.

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Jenkins, Rob, and Annie-Marie Goetz, “Constraints on Civil Society’s Capacity to Curb Corruption: Lessons from the Indian Experience,” *IDS Bulletin, Vol. 30, No. 4* (1999). The article deals with the right to information campaign spearheaded by the Mazdoor Kisan Shakti Sangathan, or Workers and Farmers Power Organisation, to obtain access to government information and check misuse of funds intended for the poor in the state of Rajasthan in India.

Mazdoor Kisan Shakti Sangathan, *Working for People, Learning from People* (New Delhi: Bharat Dogra, 1996). The booklet gives a detailed account of the right to information campaign led by the Mazdoor Kisan Shakti Sangathan in Rajasmand and Ajmer districts of Rajasthan for greater transparency and probity in public life.

NCAS, *Understanding the Budget: As If People Mattered* (Pune, Maharashtra: NCAS, 1998). The book attempts to demystify the budget process and analyses the budget from the perspective of the needs and priorities of the poor. It makes a case-by-case study of budget analysis work by DISHA in Gujarat, Vidhayak Sansad in Maharashtra, and the Tamil Nadu Peoples’ Forum for Social Development (TNPFS) experience in Tamil Nadu. Principal contributors to this volume include John Samuel (NCAS, Pune), M.D. Mistry (DISHA, Guajrat), Vivek Pandit (Centre for Budget Studies, Mumbai), Mihir R. Bhatt (Foundation for Public Interest, Ahmedabad), and Atul Sapre (Centre for Development, Research and Documentation, Pune)

Sekhar Sita, and Smita Bidarkar, *City Finances in India: Some Disquieting Trends* (Bangalore, Karnataka: Public Affairs Centre, June 1999). This is a comprehensive analysis of the Report Card Study conducted by the Public Affairs Centre on municipal budgets of city corporations in Ahmedabad, Bangalore, Chennai, Mumbai, and Pune.

Vidhayak Sansad, *Vidhayak Sansad’s Centre for Budget Studies* (Mumbai: Vidhayak Sansad). This is an overview of budget analysis work by Vidhayak Sansad.

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