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Special Issue: Civil Society and Budgets in India

This special issue focuses on budget analysis and advocacy initiatives undertaken by civil society organizations (CSOs) in India that use this work to further their policy and development goals. India is one of the first countries where CSOs started gathering government budget data to strengthen their advocacy for the poor and marginalized and the home of one of the first “budget groups” —CSOs that analyze, monitor, and seek to influence government budgets in order to improve policies, service delivery, and outcomes. In this issue you can learn about the creation of the People’s Budget Initiative and the Budget Praxis Initiative, which seek to increase the level of public participation in the budget process and bring the budget to the people; the procurement and distribution of medicines to address the quality of health care services in Maharashtra; the use and impact of community-based health expenditure assessments; and the importance of producing and disseminating timely budget analysis findings.

India’s government provides relatively good information access and this allows its citizens to use the data to advocate for policies that benefit the less privileged in society. In this issue we profile some recent examples of this work that exist worldwide and strategies that readers can apply to their own context. We have provided contact information at the end of each article to allow readers to follow up on cases that relate to their work or to share information on their experiences with these issues.

Civil Society Budget Advocacy Efforts

Reshaping Budget Advocacy in India by Gyana Ranjan Panda, Centre for Budget and Governance Accountability

Visit the New Website!

The International Budget Partnership has a new [website](#) where you can find tools and resources to influence and monitor public budgets and improve government transparency and accountability in the [Getting Started](#), [Budget Analysis](#), and [Budget Advocacy](#) sections. To learn about what is happening in countries around the world, including details about civil society organizations engaged in budget analysis and advocacy, go to [Who Does Budget Work](#).

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Reshaping Budget Advocacy in India by Gyana Ranjan Panda, Centre for Budget and Governance Accountability

In recent years the Centre for Budget and Governance Accountability (CBGA) has implemented innovative advocacy strategies, with promising results. In September 2009 the CBGA started using data from India's Union Budget 2009-2010 to do cost calculations — comparisons between the costs estimated to meet the government's commitments in various sectors with what was actually allocated in the budget —related to the health, education, agriculture, food security, and rural housing sectors. It used these calculations to assess the impact on poor and marginalized groups like women and children, dalits (scheduled castes) and adivasis (tribals), and minorities. The cost calculations were based on the policy priorities set in the 11th Five-Year Plan and on the 2009 ruling Congress Party Manifesto. The CBGA shared the results of its analysis with the media to raise the public's awareness of the government's social-sector spending.

Concerned over the fact that civil society organizations (CSOs) were not being adequately heard throughout the budget process, several CSOs and members of people's movements,

grassroots groups, national and international development organizations, academia, and the media had formed the *People's Budget Initiative* (PBI) in 2006 to increase their participation in the budget process. As secretariat of the PBI, the CBGA annually publishes the "People's Charter of Demands," in which it lists civil society's budget priorities and analyzes the government's commitments.

The following are examples of the type of analysis undertaken by the PBI. For instance, the government promised in its Manifesto to establish a model school in every block in the country, with one additional model school in every block over the next five years. The total cost of this commitment is Rs 40,620 crore (1 crore = 10 million rupees). [1] Unfortunately, the Rs 12,750 crore allocated in the 11th Five Year Plan falls far short of this target. However, CBGA's research showed that the goal of setting up what would total 6,000 model schools could be met with 10 percent of the total loss of revenue due to tax exemptions granted by the government in one year (approximately Rs 41,809 crore for 2008-2009).

Another example is a look at the commitment to make available to all the Integrated Child Development Services (ICDS) scheme to ensure nutritional security through *Anganwadi* centers (government-sponsored child and mother care centers) and to provide food and preschool education to all children under six years old by 2012. The scheme has been operational since 1975, but research shows that around 46 percent of children under three are underweight, nearly 80 percent of children between six months and 35 months are anemic, and 57 of every 1,000 children die before their first birthday (National Family Health Survey 2005-2006). According to the CBGA, making the ICDS universally available would require an investment of around Rs 43,355 - Rs 75,055 crore — significantly higher than the actual 2010-2011 budget allocation of Rs 8,400 crore.

Reaching Out to Members of Parliament

In the last two budget sessions the CBGA intensified its legislative advocacy. In 2009-2010 CBGA experimented with "door-to-door" advocacy, discussing with more than 100 members of parliament (MPs) different budget and public policy issues. These MPs also endorsed the PBI's appeal to the Union Finance Minister to hold civil society consultations before the Union Budget is tabled.

In 2009 MPs in the lower house in the Parliament of India (the Lok Sabha) quoted the CBGA's *Response to the Union Budget* (RUB) during their discussion on Demands for Grants of the Union Ministries of Agriculture, Human Resource Development and Women and Child Development. The MPs found the CBGA's analysis particularly helpful during parliamentary debates and some have quoted it directly in the general discussion of the Union Budget 2010-2011. In addition, parliamentarians have shown a genuine interest in the CBGA's research, as seen in the questions raised during question hours in Lok Sabha and Rajya Sabha (the lower and upper house of the Parliament of India, respectively). The CBGA also shared its analysis of the Union Budget 2010-2011 with representatives from several national and regional political parties, including the Communist Party of India (Marxist) and the Biju Janata Dal.

Media Advocacy: A Big Leap Forward

The CBGA took a big leap forward in media advocacy, both in print and electronic media, in the run up to the presentation of the Union Budget 2010-2011. *The Times of India* published a seven-part series under the header *Promises to Keep* based on the CBGA's analysis for the People's Charter of Demands. National newspapers like *The Hindu*,

Economic Times, and *Deccan Herald*, and several leading news, feature, and business magazines like *Frontline* and *Outlook Business* also covered stories using the organization's budget analysis. In addition, some TV news channels gave the CBGA's budget analysis unprecedented coverage, which helped the organization's efforts to make the link between the Union Budget's development goals and the quality of life for the less privileged.

[1] A model school is designed based on guidelines established by the Kendriya Vidyalaya system (Central School) to ensure adequate infrastructure and quality education at the national level.

For more information, contact Gyana Ranjan Panda at gyana@cbgaindia.org.

Taking the Budget to the People by Prashant Raymus, Centre for Enquiry into Health and Allied Themes

The Centre for Enquiry into Health and Allied Themes (CEHAT) works on health budgets, financing, and expenditure issues and has developed a database of public health expenditures since 1951 for all of India's states. After creating this database and undertaking critical analysis, the next step was to take this information to the people in a simple, accessible format that could be used –to advocate for strengthening public health services through greater and more effective investments by the state and other public agencies.

The CEHAT's contacts with academics and activists enabled it to promote the effectiveness of budget work as an advocacy tool with a wide range of groups. The first step was to link budget concerns with civil society action. The CEHAT took advantage of its involvement with the Jan Swasthya Abhiyan (the Indian Chapter of the global Peoples Health Movement) to show how advocacy around public budgets could impact a range of issues.

The Jan Arogya Abhiyan and the Right to Food Campaign (Anna Adhikar Abhiyan) called for a demonstration and hunger fast on the eve of Maharashtra's budget presentation in March 2003, which drew over 600 participants from across the state. Prior to this, the CEHAT and Jan Arogya Abhiyan organized a right to health symposium on health care budgets and presented a list of demands to the chief minister and finance minister. The symposium was attended by 80 activists from 50 organizations from throughout Maharashtra, who discussed the basics of the health budget and how to understand and use budgets for advocacy. A campaign strategy was developed, which subsequently contributed to the launch of the Budget Praxis Initiative to bring the budget to the people.

Capacity Building

From 2004 to 2007 capacity-building exercises and workshops were organized across Maharashtra to introduce the basics of the budget process and discuss various social sector expenditures and some of the technical aspects of budget analysis. The goal was to build the participants' budget literacy (i.e., capacity to read, understand, and utilize budgets for analysis and advocacy on local issues). The regional workshops started a snowball effect through which the participants trained their peers, leading to a wider network of actors in the budget advocacy initiative. The workshops also helped the CEHAT to improve its capacity-building efforts and adapt to the needs of different actors, as well as demystify the budget as something complicated and esoteric. The Budget Praxis Initiative's network now has over 40 partner organizations from across the state.

Facilitating Action

From 2007 to 2010 the Budget Praxis Initiative worked to strengthen networking practices in Maharashtra. This was done by directing the groups toward specific applications of budget analysis and reinforcing the skills acquired in previous workshops in order to participate in the budget process at the district and state level.

For example, the CEHAT supported the group from the Amravati district on the issue of tribal and child deaths due to malnutrition in Melghat. The group had compiled information relevant to child deaths and the conditions of public health facilities to include in an affidavit they planned to file with a High Court in Mumbai. The CEHAT offered guidance to collect information and finalize the compilation, which informed the Court about the existing conditions of the public facilities: how they function, their budgets, and the utilization of funds by the state's government. This was done also to counter the affidavits filed by the state's government. The Court directed the principal secretaries of the Government of Maharashtra's Departments of Public Health, Tribal Development, and Women and Child Development to form a group and visit Melghat to examine and report officially on the situation.

Expanding to Other States

The CEHAT took the Budget Praxis Initiative to Madhya Pradesh and Orissa. In Madhya Pradesh, the Sanket Centre for Budget Studies received a two-day training to deepen its understanding of the CEHAT's district budget initiative. In Orissa, several resource centers and networks like the Network for Social Accountability, Bharat Gyan Bigyan Samiti, and Jan Swasthya Abhiyan felt that their analyses at the state level (mostly post-budget) were not enough and decided to consolidate the efforts of grassroots organizations in a civil society budget front.

The CEHAT organized a platform for groups working on different aspects of the budget, in which representatives from 100 organizations from across the state gathered to discuss the problems in the health sector in Orissa. They also prepared a Charter of Demands on the Health Budget to guide the advocacy efforts directed at the new state government.

The convention consistently reminded the ruling political party about the promises it had made during the elections and generated awareness among policymakers about the people's demands. It also concluded that budget advocacy efforts through capacity-building workshops are essential.

In December 2009 a training program was organized to train activists from civil society and the media on "Health Budget Analysis at District Level Governance." More than 40 activists from 14 districts across the state of Orissa participated in this workshop, which was part of an ongoing process to build a vibrant civil society coalition known as "Orissa Budget Solidarity" to hold the government accountable for the development needs of the people of Orissa. Here are some of the lessons learnt:

- District planning and budgets are different for every state, and these differences need to be understood before the training workshops.
- Taking the budget to the people is a gradual process.
- Budgets are not difficult and esoteric.
- Budgets remain a public document and having access to them is not so difficult.

- Doing budget work requires looking across sectors and covering the entire range of development and social issues.
- The lack of easy-to-understand budget information needs to be addressed immediately.
- Budget analysis and advocacy are powerful tools with the potential to redirect policies and programs when used effectively.

For more information, contact Prashant Raymus at prashant@cehat.org or raymusprashant@gmail.com.

Monitoring the Procurement and Distribution of Medicines in the State of Maharashtra by Nilangi Nanal, SATHI Action Center of Anusandhan Trust

The Action Center of Anusandhan Trust (SATHI) was created in 1998 to build the movement for “Health for All” through collective action and research. To achieve this SATHI promotes health care as a fundamental right through various activities, including examining the procurement and distribution of medicines in the state of Maharashtra.

The availability of essential medicines in public health facilities is one of the serious issues affecting the quality of health care services in Maharashtra. It is one of the main reasons for the low utilization of the public health system. The 60th round of National Sample Survey (2004) sought information on the expenditures for medical treatment during inpatient hospital stays. The portion of the total expenditure allocated to medicines is higher in public health facilities than private facilities. However, the money spent out of pocket by patients is very high because of the lack of basic medicines, which indicates a gap in the purchase and/or supply of medicines.

SATHI coordinated a research survey titled *Maharashtra Health Equity and Rights Watch in 10 districts of Maharashtra*. The survey presents information on the cases of illnesses treated on an outpatient basis, as well as those requiring hospitalization, from 1,659 households (8,373 people). One section in the survey focuses on the respondents’ perceptions of the quality of health care services provided by the public health system. More than half (55 percent) complained about the quality and availability of medicines in public health facilities, citing this as one of the main reasons for not seeking treatment from the public health system.

Although there is rudimentary evidence on the availability of basic medicines at the facility level, there is a knowledge gap regarding the procurement system of drugs, the supply chain, and the budget allocations. SATHI conducts research to understand the medicine procurement process and the overall availability of basic medicines at various levels in the rural public health system in Pune district of Maharashtra. The research examines:

- budget allocations for basic medicines in Maharashtra;
- the procurement and distribution systems of basic medicines, focusing on key gaps, bottlenecks, and areas of delay; and
- the availability of basic medicines at select Primary Health Centers (PHCs), according to standard norms.

The study covers two PHCs in Pune, which is one of the five districts where the community-based monitoring (CBM) program has been implemented for the last three years. CBM of health services is a key strategy of the National Rural Health Mission (NRHM) to ensure that the services reach the intended beneficiaries, especially women and children in rural areas. Community monitoring is also an important aspect of promoting community-led action in the health sector and allows for monitoring the availability of essential medicines. Since 2007 three cycles of monitoring have been completed and reveal that the system for the distribution of medicines — from the state to the PHC level — is malfunctioning (e.g., the medicines that are lacking in one district are found in excess in another).

Based on these findings, SATHI decided to focus on monitoring the procurement and distribution system at the state level, but also because this is where officials of the department of health tend to engage in acts of corruption. A major scam was recently exposed in one of the districts in Maharashtra, which drew significant media attention. The bad publicity has made the Procurement Cell of the Health Department overly cautious and reluctant to reveal any information. The numerous anecdotal reports of financial irregularities in the procurement system show how public officials create obstacles throughout the data-gathering process to delay providing access to information. On a positive note, SATHI leads the CBM program under the NRHM in Maharashtra, which enables it to officially access information at the PHC level.

The corruption in the procurement of medicines was raised in a recent legislative assembly session. In response, the minister of health declared that the entire procurement system will be revamped. The procurement of medicines and equipment will now happen at the state and district level, for which the government is planning to establish two warehouses at the state level, eight at the regional level, and 33 at the district level. All of these warehouses will be connected through an online daily stock-reporting system. The new procurement system is under way but it is hoped that the government will soon make the plan for rolling out the system available.

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My Health, My Money: Introducing Community-Based Health Expenditure Assessment by Moumita Ghosh, Centre for Health and Social Justice

The Centre for Health and Social Justice (CHSJ) in India has established its credibility for providing technical and supervisory support to state health systems and civil society organizations involved in community actions in the health sector. The CHSJ successfully developed and supported the implementation of community monitoring within the National Rural Health Mission (NRHM) as a large-scale, effective accountability mechanism (www.nrhmcommunityaction.org). The institution functions as a national resource center for empowering, strengthening, and motivating communities to claim their health rights. Until now, communities were excluded from the planning and resource allocation processes for determining how to meet their immediate health needs — on the premise that they lacked the required expertise and skills to participate effectively. However, high out-of-pocket costs to access health care services is common in India and contributes to the persistently high levels of poverty and decisions not to seek appropriate health care.

On 3-7 March 2010 the CHSJ conducted a training called *Community Assessment of Health Expenditure* to make communities more aware of the high burden of out-of-pocket costs, help them to focus on their own health needs, and facilitate their participation in community-based planning. The 11 participants from three partner organizations in three states received technical information to initiate the process and gain new insights on how to work with their communities. The program included sessions that helped deepen the understanding of the financial aspects of health care provision and the challenges of facilitating community participation in the funding of health care. The training combined theory and practice, leading to a comprehensive plan of action for community health expenditure assessments in specific districts.

The training covered public health spending patterns and the utilization of health services in India and gave a brief background of how the NRHM — one of the most ambitious health programs in the country — was conceived to increase health allocations through a decentralized, community finance approach. The NRHM established norms for flexible financing at the community and facility levels and for local planning. It also introduced decentralized planning to assist local bodies to plan according to their immediate health needs. The program reported that:

- public health expenditure in India is abysmally low at around 1.1 percent of GDP,
- ill-equipped facilities and inadequate health services have led to low utilization,
- people are forced to make out-of-pocket payments to meet their health costs,
- the access to health services is not determined by people's needs but by their ability to pay,
- and a large segment of the population living in poverty lacks quality health services.

The training stressed the importance of active engagement of communities - and its impact on efforts to reduce the financial burden of health care and generate a demand for free health services. Once the context was set, the session described a step-by-step process for communities to assess the formal and informal costs of health care and link health with public funds. The goal was to engage the participants in the planning for and implementation of health resources.

Expenditure Mapping: A Participatory Methodology to Initiate Community Assessments of Health Expenditure

Expenditure mapping can be used to disseminate information on disease burden, service delivery, and utilization patterns, as well as to estimate health expenditure of a particular village. Community representatives, villagers, and service providers are the ideal sources of information for such an exercise. The following describes the steps for the information collation and sharing process.

Step 1: Mapping of the Village – Villagers identify households, health institutions, and the degree of prevalence of different diseases. The map acts as a reference point for understanding the socioeconomic background of the households and the providers, and for identifying those with recent health service experiences.

Step 2: Listing and Prioritizing Diseases by Various Criteria - The next step is to list diseases that are currently present in or have recently affected the community. An initial classification is done based on common symptoms, type of treatment, provider preference, and expenses incurred. It is important to make deliberate choices depending on the

magnitude of the problem in order to avoid having too much information, which can be difficult to organize.

Step 3: Matrix Ranking of Referral Pathways and Expenditure - This step brings out the cost of care according to the provider. A matrix is prepared to illustrate the most prevalent and frequently occurring diseases and range of health facilities. Here the community must rank the facilities in order of preference, prioritization, and further referrals along with the expenditures incurred at various levels. At the end of this exercise the community is expected to have become aware of the different types of health problems and the different costs incurred at different facilities.

Step 4: In-depth Interviews for Specific Costing - A comprehensive list of direct and indirect costs for the mapping exercise is prepared to ensure a complete record of the expenses and illustrate the actual costs of learning.

Consolidation of Field Observations in Assam

The table shows some of the results of the expenditure mapping exercise in the villages of Assam, a Northeastern state of India. Of particular concern is the high level of health spending by poor families and its economic impact. Although these findings were worrisome, they also inspired the community to ask questions.

Health Burden – Provider-specific Variances and Total Cost of Care Borne by a Family

Disease	Village-level Govt. Dispensary		District Level Private Hospital	
	Services	Cost(Rs.)	Services	Cost(Rs.)
Malaria	Registration	5	Travel	1,200
	Medicine	500	Food plus medicine	13,000
	Laboratory Tests	10	Wage loss for 4 days @ 100 per day	400
	Food	500		
	Wage loss for 2 days @100 per day	200		
	Total	1,215	Total	14,600

The primary health centers in Assam were inadequately equipped to provide the necessary services. This often forced patients to travel long distances to other facilities and spend more money. The direct costs for a normal birth may be attributed to the choice of the institution and may vary somewhere between Rs 3,000 and Rs 10,000, depending on whether the facility was public or private. Most of the time the purchase of medicines and other indirect costs end up being an out-of-pocket expense, and villagers often meet these by taking loans at high interest rates of (5-10 percent a month) or resorting to distress sales.

Conclusions

- Community ownership of the public health care system makes it stronger. It also improves service delivery and reduces patients' out-of-pocket expenses.
- Health expenditure mapping is a simple method of exchanging and analyzing information within the community.

- Mapping promotes community empowerment and increases the awareness of the financial dimension of health.
- The combination of theory and field visits is essential to anticipate challenges of any community-based process.
- Community monitoring under the NRHM should include financial monitoring to enable the poor and marginalized to realize their right to health.

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Improving Health Services for Women in Bangalore by Meena Nair, Public Affairs Centre

The Public Affairs Centre (PAC) in Bangalore works to improve the quality of governance in India on areas where citizens and civil society organizations (CSOs) can play a proactive role to improve governance. The Centre is globally known for its pioneering [Citizen Report Cards](#) (CRCs) – benchmarking studies used to improve public services.

The PAC's project, *Monitoring Expenditure and Outcomes to Improve Health Services for Urban Poor Women*, in Bangalore aims to:

- monitor the quality of service delivery and expenditure and outcomes in selected maternity homes managed and operated by the Bruhat Bengaluru Mahanagara Palike, and
- implement public expenditure tracking (PET) interventions in three maternity homes.

In addition to the PET interventions, there will be a survey following the CRC approach and Community Score Cards (CSCs) to understand the existing quality of service delivery. The survey will be conducted in close collaboration with local NGOs who have strong presence on the ground in terms of working with communities on health and other public service issues. This will enhance the capacity of community groups working on health issues to engage with local governments and hold them accountable for the state's finances and public services.

The project targets the staffs of individual maternity homes and community groups, who are the beneficiaries of the homes' services, by creating awareness about their right to access health care facilities. The PAC will also use the findings to develop its organizational capacity and the capacity of other CSOs to conduct such exercises.

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High Spending, Low Achievements: A Midterm Study of the Five-Year Plan in Rajasthan by Nesar Ahmad, Budget Analysis Rajasthan Centre

Based in Jaipur, India, the Budget Analysis Rajasthan Centre (BARC) is a budget analysis and advocacy group in the state of Rajasthan that works at the state and local levels. The BARC recently completed a midterm study of the Eleventh Five Year Plan (2007-2012) of

Rajasthan to evaluate progress at the end of the plan's third year of implementation (2009-2010). It identified infrastructure and human development targets, including:

- lowering the Infant Mortality Rate (IMR) and Maternal Mortality Rate (MMR),
- improving nutritional levels for women and children,
- improving literacy rates for men and women,
- lowering the drop-out rates of school children, and
- narrowing the gender gap in education.

However, by the end of the third year these targets seem far from being met by 2012.

- Only 31 Community Health Centers (CHCs) have been built compared to the goal of 138 CHCs.
- Only 55 Primary Health Centers (PHCs) have been built compared to the goal of 255 PHCs.
- In 2008 the state's IMR was 63 compared to the target of 32.
- In 2009 the MMR was 388 compared to the goal of 148.
- The percentage of institutional delivery barely reached 45 percent compared to the target of a 70 percent increase during the plan's period.

The state's planning department data suggests that during the first two years (from 2007 to 2009) of the plan the government spent all the allocated resources under the annual plans. However, the BARC found that key social sectors like Tribal Development, Women and Child Development, and Development of SC/ST/OBCs or Scheduled Castes (also known as dalits), Scheduled Tribes (tribals), and other castes remain socially and economically disadvantaged, with actual expenditures falling below 100 percent, and in some cases even below 90 percent, compared to the revised allocations for these line items. The allocation for the National Nutrition Mission (under Women and Child Development) remains unspent three years into the plan.

According to recent data provided by the planning department of the state's government in January 2010, the actual expenditure under the plan represented only about 65 percent of the total revised allocations. However, this is due primarily to the elections held last year, which restricted new initiatives and programs by the government due to the code of conduct put in place during elections. [1]

Underspending in Tribal Subplan and Schedules Caste Subplan

The BARC also identified decreasing allocations and spending under subplans for Scheduled Castes and Tribes (SCs and STs). The Planning Commission of India issued guidelines to the ministries of the Union government and all the state governments to ensure that allocations for the development of SCs and STs are proportional to their share in the total population of the state. These are known as Tribal SubPlans (TSP) and Scheduled Caste SubPlans (SC-SP). In most cases, the state governments have not been allocating the amounts legally required. For example, the share of tribal communities in the state of Rajasthan is 12 percent and that of SCs is 17 percent. But the BARC found that the government is allocating no more than four to five percent of the total state plan to TSP and less than two percent to SC-SP. The state planning department claims that the expenditures meet the requirements, based on the assumption that the expenditures made by the various departments are automatically reaching the tribals and scheduled castes. All the departments in the state are supposed to disclose special disaggregated budget line

items or Minor Heads for these two subplans, which has not happened in many of them yet. BARC's analysis is based on the allocations made under these special Minor Heads.

The BARC's Response to the State Budget: Advocacy with the Members of the Legislative Assembly

Last March the state government presented its annual budget for 2010-2011 to the state's legislative assembly. The BARC shared its budget analysis with a leading newspaper in the state, which published it the next day. The BARC also shared its sector analysis reports of the state budget with members of the legislative assembly (MLAs), who used them to inform the debate in the assembly. Based on these reports, the government changed the eligibility criteria for Sambal Gram Yojna, a program designed to increase infrastructure facilities in the villages where more than 40 percent of the population belongs to SCs. [2] The number of villages where this program could be implemented increased from 2,463 to 4,110 villages. However, the budget for 2010-2011 only allocated enough money for 80 villages (the same as the prior year), which barely provides for two percent of the total eligible villages. The issue of underspending under Tribal and Scheduled Caste SubPlans was raised by the BARC at the legislative assembly. In response, the government promised that starting next year all the departments will open the Minor Heads and better data will be available.

The BARC's efforts, in collaboration with other NGOs and people's organizations, to disseminate its research and analysis to the media, civil society, and elected officials have yielded better-informed budget discussions in the legislative assembly. If the government fulfills its promise to open Minor Heads for TSP and SC-SP in all the departments, this will improve the quality of information on the allocations and expenditure made under these two subplans, creating opportunities for effective advocacy to increase allocations and expenditures.

For more information, go to www.barcjaipur.org or contact info@barcjaipur.org

[1] The Election Commission of India imposes a "code of conduct" on the Union and State governments during elections to ensure a fair process. This includes a restriction on initiating new projects by the government, which might influence the voters in favor of the ruling party/ies.

[2] Scheduled Caste people, also known as dalits, represent the lowest rank in the Hindu caste system and are identified as one of the groups by the Indian Constitution for which the government can take special measures to bring development and welfare.

Revenues Forgone and the Impact on Social Sector Budgets: The Case of India by Ravi Duggal, International Budget Partnership

Budget analysis generally focuses on the expenditure side of the budget, often overlooking the revenue side (except, perhaps, when an economy is driven by oil, gas, mineral, or other resource-based revenues). While taxes do receive some attention when there are questions of reducing or increasing tax rates, the composition, character, nature, and depth of the revenues often receive little scrutiny. Thus revenues not collected or forgone through tax cuts, and issues like the equity impact of revenues have been overlooked in mainstream budget analysis. It is time to shift gears and give greater weight to the revenue side of the budget, because expenditure can only happen when there are adequate funds.

Across the Organization for Economic Cooperation and Development countries, as well as in a number of emerging economies where tax revenue-to-GDP ratios range between 30-50 percent, we see more accountable governance, and higher expenditures on social and welfare sectors. This is made possible by adequate revenues — especially those generated by taxes — but also because there is a large tax base, better tax compliance, and minimal tax expenditures (i.e., tax breaks given for desired activities, such as lower property tax rates for businesses that locate in economically depressed areas), or forgone revenues. In most developing countries the opposite is true (i.e., lower tax revenue-to-GDP ratios, smaller and skewed tax base, poor tax compliance, large scale evasion, large tax expenditures and incentives), which leads to inadequate social spending. In 2005 the average tax revenue-to-GDP ratio in the developed world was approximately 35 percent. In developing countries it was equivalent to 15 percent, and in the poorest of these countries the tax revenue was just 12 percent of GDP. The combination of tax avoidance, tax expenditures, and tax evasion are seen as the main constraints on raising revenues in the developing world.

Finally, there is the issue of the impact of tax evasion on developing countries. Evasion by corporations can happen via price distortions or transfer pricing, which result in overpriced imports going into and underpriced exports coming out of developing countries. This shifts incomes to the host countries of the multinational corporations engaging in these tactics, thus reducing revenues within the developing countries. And finally there are the tax haven countries and the Swiss banks that attract tax evasion and shadow economy incomes from developing and developed countries, leading to revenue losses for the state.

The Case of India

In spite of being a rapidly growing economy, India has revenue characteristics of many developing countries. The present tax revenue-to-GDP ratio is a meager 17 percent. This is certainly not adequate to finance social sector budgets, especially in light of India's economic, social, and cultural rights (ESCR) commitments to realize universal access to education, health, housing and social security.

Then why does the Indian government fail to realize adequate tax revenues?

- **Lax Tax Collection** – Adequate efforts are not taken to maximize tax collections. Small businesses and significant numbers of individuals or entities engaged in unregistered or even illegal economic activities evade taxes completely. It is estimated that in India, the underground economy represents at least 60 to 150 percent of the registered (formal) economy. If revenues were collected from this sector through efficient tax administration, at least 50 percent more tax revenues would have been generated.
- **Corrupt Practices** – Revenue and income tax officers, excise inspectors, and customs collectors often facilitate tax evasion by highly connected businesses and individuals. (It is estimated that the equivalent of India's annual GDP is parked in Swiss accounts, and that this money belongs to the business and political elite of India.) This results in huge losses to the state's exchequer.
- **Tax Expenditures** – Fiscal policies and decision-making processes lead to concessions in taxes for particular individuals and businesses. The 2010-2011 Union Budget estimates that for the revenue impact of tax expenditures on the central government alone account for 85 percent of total tax revenues for 2009-2010, and the trend is increasing (see table below). Thus the potential for doubling tax

collections if most of these tax expenditures — especially those related to business activities — are eliminated.

- **Subsidies that Are not Declared as Tax Expenditures** – Organizations registered as Trusts under the Public Trusts Act are exempt from tax payments. A large number of private educational institutions, hospitals, religious institutions, and others operate as trusts and accumulate substantial surpluses. Such institutions are supposed to engage in charity and provide social benefits but in reality most of them don't — representing clear revenue losses for the state.

Table: Revenues Forgone (Tax Expenditures) during 2008-2009 and 2009-2010 Central Government, India (figures are INR crores [1 core = 10 million])

	Revenue Foregone in 2008-09	Revenue Foregone as a per cent of Aggregate Tax Collection in 2008-09	Revenue Foregone in 2009-10	Revenue Foregone as a per cent of Aggregate Tax Collection in 2009-10
Corporate Income-tax	66901	11.08%	79554	12.60%
Personal Income-tax	37570	6.22%	40929	6.48%
Excise Duty	128293	21.25%	170765	27.04%
Customs duty	225752	37.39%	249021	39.43%
Total	458516	75.95%	540269	85.56%

Source: Govt. of India Budget 2010-11

Finally, if India's tax administration were more efficient, disciplined, and ethical, and tax expenditures and other subsidies that do not provide effective social returns are eliminated, it is very likely that India's tax revenue-to-GDP ratios will surpass 35 percent (without increasing tax rates). This would provide the "maximum available resources" to meet the ESCR commitments, in particular universal access to school and college education, healthcare, and housing.

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National Workshop on Social Accountability in India by Om Prakash Arya, Centre for Consumer Action, Research & Training

Last December the Centre for Consumer Action, Research & Training (CUTS CART), a program of CUTS International and the World Bank, jointly organized a two-day workshop titled "Social Accountability in India: Moving from Mechanisms to Outcomes and Institutionalization in Large Scale Public Programmes" in Jaipur, India.

The workshop brought together policymakers, service providers, and citizens to discuss the impacts of social accountability interventions that civil society organizations piloted in public programs like the Sarva Shiksha Abhiyan (SSA) — a flagship scheme for universal education — and the National Rural Employment Guarantee Scheme (NREGS) to determine their potential to be adopted in these types of large-scale public programs. The workshop covered the pilots run in the provinces of Andhra Pradesh, Maharashtra, and Rajasthan and included presentations on how to institutionalize social accountability tools.

The following organizations coordinated the three social accountability pilot interventions.

- The Yashwantrao Chavan Academy of Development Administration pilot sought to achieve better service delivery and health development outcomes in the district of Satara in Maharashtra.
- The Society for Elimination of Rural Poverty sought to improve student enrollment and reduce teacher absenteeism in the districts of Nalgonda and Adilabad in Andhra Pradesh.
- The Consumer Unity & Trust Society sought to improve the public expenditure outcomes of the NREGS in the district of Sirohi in Rajasthan.

The tools used during the pilot interventions (e.g., Citizen Report Card, Community Score Card (CSC), social audits, community monitoring, etc.) illustrate that a small investment in social accountability tools can catalyze development outcomes. For example, the Sirohi budget for 2007–2008 allocated Rs 757 million to NREGS, and CUTS' social accountability intervention cost approximately Rs 1.26 million. This is less than 1 percent of the total district budget for NREGS.

For more information on the workshop, go to <http://cuts-international.org/cart/event-Workshop-Social-Accountability-in-India.htm>.

For more information, contact Om Prakash Ary at opa@cuts.org.

Conference: Towards Sustainable Agriculture: The Way Forward in Rajasthan

The Budget Analysis Rajasthan Centre (BARC) is currently receiving papers and abstracts to be presented in the conference *Towards Sustainable Agriculture: The Way Forward in Rajasthan*. The conference aims to bring together researchers, economists, social activists, and farmers to discuss the current situation of agriculture in Rajasthan. The BARC hopes that the conference will guide the development of effective policies toward sustainable agriculture. The themes for papers and abstract submissions are:

- the role of agriculture in Rajasthan's economy;
- agricultural inputs (i.e., power, water, seeds, fertilizer, and land);
- institutions in agriculture;
- agriculture and trade;
- agriculture and marketing;
- agricultural infrastructure;
- agriculture and allied sectors (i.e., fisheries, livestock, poultry, forestry, and bee keeping);
- agriculture and climate change;
- women and farmers; and
- agricultural policies.

Please submit your papers and abstracts to barcjaipur@gmail.com, or mail them to Coordinator, BARC, P-1, Tilak Marg, C-Scheme, Jaipur, Rajasthan 302005. The deadline for submissions is 20 June 2010.

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