

**BUDGET ANALYSIS
AS
SOCIAL AUDIT**

**Tamilnadu Experiences
1996-2000**

**TAMILNADU PEOPLES' FORUM
FOR SOCIAL DEVELOPMENT**

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BUDGET ANALYSIS AS SOCIAL AUDIT

1. Tamilnadu – A State of Social Contradictions

Tamilnadu is among the relatively more urbanised and industrialised States of India, with a relatively developed infrastructure. Factors such as a progressive reduction in birth rate, abundant skilled manpower, relatively better performance in education and health among the States of India etc. have contributed to the overall economic and social development of the State.

However, the social development scene in Tamilnadu is riddled with many contradictions and negative factors. Development has been very uneven regionally within Tamilnadu. And, more important, the benefits of development have been very unevenly distributed. This, added to the already highly skewed distribution of landholding and assets, has assured that inequality levels have increased over the years. Poverty levels, both in urban and rural areas, have been for long, higher than the all-India averages and only recently have they reached national average levels. The rural-urban disparities too have increased.

The impressive statistics put out by the Tamilnadu government to boast about its performance in the social sector are often misleading. These impressive indicators mask the relative and absolute deprivation of a vast section of people, especially dalits, tribals, traditional fisherfolk, unorganised labour and vast sections of women and children.

On top of it all, since 1991, Tamilnadu has been among the front-line states, set on course for the onslaught of unfettered globalisation and private enterprise. The liberalisation policy and the Structural Adjustment Programme (introduced in 1991) have already resulted in explicit cuts in Govt investment in key areas of social sector.

Hence, the need for an ongoing process of monitoring Govt policies and priorities in the field of social development, from the point of view of the relatively weaker sections of the Tamilnadu population, becomes urgent and crucial.

2. Tamilnadu Peoples' Forum for Social Development (TNPFS)

The Tamilnadu Peoples' Forum for Social Development (TNPFS) was born in the context of the Global Summit on Social Development at Copenhagen in March 1995.

A parallel Peoples' Summit on Social Development in Tamilnadu at Chennai, initiated by some major NGOs in Tamilnadu, brought together more than 100 persons - academics, grassroots activists and representatives of social movements, trade unions, women and dalit organisations, consumer, environment and human rights groups and research institutions, as well as NGOs of varied types. The participants looked deep into the various dimensions of social development in Tamilnadu - of dalits, women, fisherfolk, children, disabled, refugees... as well as on themes such as Health, Education, Environment, Human Rights and Consumer protection.

Since then, TNPFS has tried to intervene as and when required in the field of Social Development in Tamilnadu. Among its significant contributions are:

- **The Tamilnadu NGO Declaration on Panchayat Raj & Decentralised Democracy**, released at a State-level Convention of NGOs in November 1995
- **The Tamilnadu Peoples' Manifesto** - the Forum's "Alternative Programme for Sustainable Development, Democratic and Decentralised Policy and the right to Livelihood in Tamilnadu" - released in May 1996
- **"Peoples' Manifesto Vs Party manifestos (Indian Lok Sabha Elections - 1999"** – A critical appraisal of 6 national and 6 regional parties' manifestos vis-à-vis the genuine needs of masses.

3. Budget Analysis and Policy Priority Cell

TNPFS defines development as a process that changes the power relationships in a society in favour of the poor, at local level. Development should influence the allocation of resources in favour of the poor.

Hence, from the beginning itself, the Forum felt the need for an ongoing process of monitoring Govt. policies and priorities in the field of social

development, from the point of view of the relatively weaker sections of the Tamilnadu population.

And Budget Analysis was perceived as a powerful tool to monitor such a process directly in a measurable and ongoing way. Hence the Forum decided to take up a continuous Social Audit on Tamilnadu, and develop a Budget Analysis and Policy Priority Cell for the task of analysing and monitoring the Tamilnadu State Budget vis-à-vis social development.

The major works of the Budget Cell in the future were visualised as the following:

- a) Influencing State Budget policies and Public Policy.***
- b) Post Budget Analysis and popular dissemination through information networking, advocacy and lobbying.***
- c) Constant monitoring of various facets of social development in Tamilnadu leading to proposals of alternatives in required areas of change.***

The experiences of Dr. Mistry of DISHA in Gujarat in the sphere of Budget Analysis were indeed among the most helpful and crucial of the inspirations for our early work on Budget Analysis in Tamilnadu.

A workshop on Budget Analysis at Madurai in December `95, organised by the TNPFS and conducted by Dr. Mistry, provided the needed basic skills to plunge into our task of budget analysis. On-the-spot experiences and interactions with Mr. Mistry & his team during the 1996 Gujarat Assembly Budget Session provided still further skills to the Forum. And the Budget Cell of the Forum started functioning in February 1996.

February to July 1996 were spent on efforts to familiarise ourselves with the technical details and skills required to undertake the exercise of detailed Budget Analysis. The Cell began the creation of a database, feeding in the computer data regarding the 1995-`96 Tamilnadu State Budget.

Simultaneously background materials on various social sectors of Tamilnadu were collected from secondary sources. We also made the needed contacts with govt bureaucrats as well as political parties to obtain the budget documents. We looked for funds too. NCOS, Belgium, with its local groups monitoring social development in Belgium, promised help and have been helping us.

We also undertook a group study on the previous year's (`95-`96) Tamilnadu budget. We undertook selective analyses of social sectors such as health, education, welfare of scheduled castes and scheduled tribes, fisheries etc.

4. Budget Critiques

Our First Public Exercise: TN 1996-'97 (Revised) Budget

The 1996-'97 Tamilnadu State Budget (Revised), presented to the Assembly in July 1996, was the first major occasion, when the Cell of the Forum had its public exercise.

The Budget Cell identified the following as the basic thrusts for our analysis of the 1996-97 budget:

- 1. Comparison of the Political Manifesto of DMK, the ruling party, and the Budget speech of the CM/Finance Minister**
- 2. Comparison of the 1996-97(Interim) Budget and budget speeches of the previous AIADMK Govt. and the present Budget speeches.**
- 3. Absolute and Relative Budgetary allocations for social service sectors;**
- 4. A deeper study of the section "Introduction of new schemes";**
- 5. An analysis of the component of external aid in the budget.**

An intensive 3-days study session was organized, where the members of the Forum, literally tearing the budget papers to pieces, looked into mysterious documents like the Annual Plan, the Budget Memorandum, and the Demands etc. Six groups were formed to study in detail the various thrust areas. And based on the findings, the final report was prepared.

On 24th July "**The Comments on the Tamilnadu 1996-'97 (Revised) Budget**" was released to the press.

The "Comments" contained the following sections:

- **Some Important Conclusions on the Budget**
- **Policy Statements in Budget Speech: Directly Anti-poor**
- **Manifesto Promises and the Budget Betrayals**
- **Important programmes announced that have no budgetary allocation**
- **15 more Questions we want the Government to answer**

Copies of the "Comments" were distributed to legislators, research institutions, academics, grassroots organisations and the general public. The press gave a good coverage and many acclaimed the step as novel and were happy to publish the discrepancies in the budget, as pointed out in the "Comments".

Since 1996, we have brought out every year (1997-98, 1998-99, 1999-2000, 2000-2001), detailed and comprehensive Critiques of the Tamilnadu Govt. Budget:

Our critiques have been at two levels: general critiques and sectoral critiques.

General Critiques

- ❖ **“The anti- Social Development bias of TN Budget ”
(Comments on Tamilnadu Budget 1997-`98)**
- ❖ **“Tamilnadu Budget 1998-99 – A Peoples’ Critique”**
 - Has the social welfare and growth of the 6 crores-strong Tamil people seriously influenced the Budget?
 - To the concerns of which sections of the people does the Budget give priority?
 - Have the great ideals and promises found in the ruling DMK party’s election manifesto (1996) and the Governor’s address (1998) been truly concretised into due budgetary allocations?
 - How has the new economic policy of the Central and State Govts (privatisation, global integration, dependence on external financial bodies...) shaped the different sections of the Budget?
- ❖ **“Tamilnadu Budget 1999-2000: A Perspective”**
- ❖ **“Yet Another Budget Drama”
(A People’s Perspective on TN Budget 2000-2001)**

Sectoral Critiques

- ❖ **1997-98:** Critiques on 15 specific Demands of different departments of the government
- ❖ **1999-2000:**
 - A critique on Demand 15 (Police)
in collaboration with Peoples Watch (TN)
 - A critique on Demands 18&19 (Medical and Public health)
in collaboration with Campaign against sex selective abortion
 - A critique on Demand 21 (Fisheries)
in collaboration with Coastal Action Network and Ramanathapuram District Fish Workers Trade Union
 - A critique on Demand 21 (Co-operation)
in collaboration with Malaragam
 - A critique on Demand 27 (Rural development)
in collaboration with Malaragam
 - A critique on Demand 28 (Labour)

in collaboration with the Campaign for the Rights of unorganised workers

- A critique on Demand 30 (SCs & STs Welfare)
- A critique on Demand 32 (Housing)
- A critique on Demand 33 (Urban development)
- A critique on Demand 49 (Municipalities)

❖ **2000-2001:**

- A critique on Demand 30 (SCs & STs Welfare)
- Special Component Plan
- Funds for Samathuapuram
- White Paper on dalit vacancies in Govt. depts.
- A critique on Demand 17 (Education)

5. Pre-Budget Lobbying

The presentation of the budget in the State Assembly is always preceded by large-scale behind-the-screen lobbying by various interest groups: traders, industrialists, Govt. employees etc.

While our critiques of the Govt. budgets have been valuable focal points for our lobbying and advocacy work, there had been a growing felt need that we should venture into the complex world of pre-budget lobbying. Hence, over the years we have taken up pre-budget lobbying in a limited way. Much more needs to be done – especially in the area of developing peoples' lobbies!

Our efforts in the sphere of pre-budget lobbying have been:

- **1997-1998: Budget Recommendations**

- The Forum presented a 20-pages long memorandum to the Govt., the planning commission as well as to political parties.
- The Recommendations contained suggestions of a general nature with regard to overall expenditures and revenue patterns of relative importance to the Social Sector. They also contained recommendations of a more pointed nature dealing with individual sectors and departments.

- **1999-2000: Social Development of Dalits and T.N. Govt. Budget**

- With the help of a couple of bureaucrats (especially Mr.Christudoss Gandhi IAS, former Secretary, SC/ST Dept, Govt. of TN), the Forum had a series of sittings in the months of November and December '98 – to attempt a pre-budget lobbying effort, centered around the concept of “Special Component Plan” for dalits in Tamilnadu.

- A major effort of the Budget Cell during 1999 Budget Session was the lobbying around the publication of the booklet "Social Development of Dalits and Tamilnadu Govt. Budget" (in English and Tamil) in February 1999.
 - Major dalit organisations in Tamilnadu as well as committed bureaucrats have highly appreciated the effort.
- **2000-2001: "Social Development in TN – Serious Concerns"**
 - In the year 2000 too, the Forum organized a pre-budget consultation with some of the former civil servants from the Finance dept. etc.
 - The Forum prepared and submitted a 25-pages "Peoples' Memorandum" on the theme, "**Social Development in Tamilnadu – Serious Concerns**". The Memorandum was submitted to the Chief Minister's office, the Finance Secretary, the Budget Secretary as well as to the members of the legislative Assembly.

6. Lobbying During Budget Sessions

- ❖ A press Meet and a Press Release, releasing the Forum's Critique (Though reluctant in the beginning, the mainstream press, including the electronic media, has shown increasing interest in our work and have published our findings)
- ❖ Regular dispatches, questions and analysis on various sectors to selected members of the Legislative Assembly (Our dispatches during the Budget Sessions have been much sought after by the more serious minded legislators as well as the opposition MLAs, and quite a few of the questions raised by them at the Session were based on the findings and study of the Budget Cell.)
- ❖ Dissemination of the material to movements, grassroots groups, trade Unions, organizations closely linked with the work of the Forum...
- ❖ Based on our various initiatives, a distinct possibility now of having a powerful group of a few bureaucrats, legislators, research institutions and civil society organizations at an All-Tamilnadu level has emerged. We hope to develop it during the coming year.

7. Budget Analysis Training

On the request of the Madurai-based Peoples' Education and Action for Liberation (PEAL) trust, the Budget team helped to conduct for the animators a 2-

day session on budget analysis and critique. Given the involvement of PEAL in organising agricultural labour, our analysis was focused on allocations to agriculture, rural development etc. More such requests for training in Budget analysis have been received.

Again, recently, on the request of Action Aid, South India, we introduced the dynamics and skills of budget analysis to the partner organisations of Action Aid from all over South India. On the basis of our interactions, future collaborations between us and the various grassroots organisations have been planned.

8. Budget Analysis & Social Monitoring

Our experience in the field of Budget Analysis has revealed to us the importance of situating our budget work in the context of a wider and on-going social monitoring in the State of Tamilnadu.

This has led us into the following key efforts:

1. Maintaining and constantly updating a data base on the social, economic and demographic aspects of Tamilnadu
2. Monitoring the impact of economic liberalisation and Structural Adjustment Programme on social sectors such as education, health, social security, social welfare etc.
3. Organising sectoral workshops by bringing together research institutions and civil servants along with movements and grassroots organisations, involved in the specific sector, pooling data and experiences in viable forms.
4. An Annual Report on Social Development in Tamilnadu

9. National / International Networking

As part of our works, we have tried to establish and maintain contacts with organizations in India and abroad. **The National Centre of Advocacy Studies (NCAS)**, Pune, has been a pioneer in encouraging and building national network of groups involved in budget analysis and social monitoring. And we work closely with them. The recent publication "Understanding the Budget: As if people mattered" by NCAS has a chapter on "**Budget Analysis: Experience of Tamilnadu.**"

We have been playing active roles at many national level consultations in the field of public policy advocacy. E.g., Marimuthu attended the "**National Workshop on Budget Analysis and Policy Advocacy**" organised by the Ford Foundation in October '99. Cyril Alexander took part in the "**National Consultation of Methodologies of Government Monitoring**" organised by Public Affairs Centre, Bangalore etc.

In the recent effort (in November-December 1999), taken by various State-level budget study groups to come together and work out a strategy for lobbying on the National budget, the work of the Forum, especially on Dalit Budgeting, was taken up for special study and application. We have been invited to present our experiences at the forthcoming Global Conference on Budget Studies, scheduled to be held in Mumbai in October 2000.

The continued financial support of **NCOS, Belgium**, to the work of the Budget Analysis and Policy Priority Cell of the Forum, has been based on common perspectives and concerns. May be, the time has come for us to explore together possibilities of sharing our experiences in the sphere of lobbying in Belgium and Tamilnadu on Budget Analysis.

In the field of Social development Monitoring, we are one of the main groups linked to the Social Watch, Uruguay.

10. Conclusion – Towards the Future

TNPFSD, through its Budget Cell, is seriously committed to continue this process of social auditing. It aims to reverse the process of decision making in the State, so that Govt policy becomes deeply a people-involved process and that the State Budget truly reflects the priorities of people. It will be our effort to do away with the atmosphere of secrecy surrounding the budgetary process. Information is power and TNPFSD would make all efforts to put it back in the hands of people.

ANNEX – I

BUDGET ANALYSIS – An Introduction

Why Budget Analysis?

The Budget, a Pointer

In between elections that come and go, the Govt. Budget is one of the most important annual events in the life of a government. The Budget is the most solid expression of the Government's priorities, performances, decisions and intentions. The Budget is a major instrument by which the Govt. (and the ruling party) balances its intentions with available resources.

- ❖ The Budget has an immediate and measurable impact on the lives of the people of various sectors of economy and society, especially on the poor.
- ❖ Budget allocations change the power relations between the different sections of the economy and society.
- ❖ Successive budgets of a particular govt. (or ruling party) reveal the hidden emphases and thrusts and its long-term vision.

Why budget cannot be left to the government/bureaucrats?

Even the most autocratic government cannot ignore the relatively rigorous process of budget – making and presenting it to the peoples' representatives. It is a constitutional requirement.

Yet, Budget-making is a highly specialised and technical exercise, handled by bureaucrats. It is due to this reason, that the budget-document remains mystified – far from the reach of the masses for which it is intended.

But the budget is too powerful and important an instrument to be left in the hands of bureaucrats and ruling elites. The limits of economists and finance experts in this field are enormous.

Why Budget Analysis?

There are several crucial reasons for Non-governmental voluntary groups. Peoples' organisations and civil society at large to be actively involved monitoring the budget.

- ❖ Lack of public monitoring tends to make the government sluggish and careless in the exercise of budget-making.

- ❖ Budget bureaucracy is impersonal and inhuman, where one-to-one type of contact or response is absent. Those who are the main players in the budgeting can misguide and mislead the process, misuse the rules and policies. They can write between lines what is not meant.
- ❖ The tendency to mystify the budget behind intricate calculations has the danger of vesting undue power in elite bureaucrats, with vast scope for back-door manipulations and corruption by vested interests.
- ❖ Making the govt. accountable, at every level, is a culture that is very lacking among our people, especially at the macro level. “This is our budget and we have a say in it” needs to become widely felt and accepted.

Budget Analysis, Basic Right and Duty of Civil Society

The annual budget, as soon as it is announced, attracts comments from the industrialists and scholars, and the general public too. And that is the end of it.

How many of us, outside politics and administration, take budget seriously? Do we take active and ongoing interest in what happens before the budget, and what happens after it? In other words, do we influence the budgetary allocations when it is in formation and do we ensure use of the allocated resources after the budget?

Do voters let their leaders know what they think about the way the leaders achieve their stated party objectives through the allocation of money?

Budget Analysis focuses on the result, analyses it, and tries to influence the elected body to discuss it in a more informed and pro-poor manner.

The majority of budget analysis is obviously strengthening:

- a) the claims of the poor in the state’s resources and
- b) our understanding of the working of the state machinery.

Public feedback is a measure of democracy. And a more studied, analytical, and well-argued feedback is a measure of a more mature democracy. There should be a mechanism by which “civil society” is able to pro-actively participate in the budget-making exercise as well monitor its working.

An Argument against Budget Analysis

Bureaucrats have a condescending approach: “What do you know? You are not an expert. You do not understand intricacies of fiscal and financial management!”

The answer is: “If people do not know, let them know! Inform them and educate them!” It is, after all, their budget.

There is the need to break the myth of special intellectual powers needed to analyse the budget. De-mystifying the budgeting exercise for the ordinary grassroots groups and individuals and poor people's institutions, closely linked with the struggles of the masses is one of the main objectives of the Budget Analysis exercise.

The exercise can help us, in a significant way, to understand not only the budget, but also the apparatus of the government in concrete terms. The exercise is also intended to measure, in money terms, how serious the government is in its state intentions to remove poverty.

When dealing with the bureaucracy and the political leadership or questioning the Government in the legislature or the serious and prestigious press, it is only facts and figures that count. And what better facts and figures than the Government's very own ones, given in the budget?

Our limited experience in the Budget Analysis has shown to us that a real possibility exists, to pass on the skills and experience of budget analysis to at least one organisation/network in each sector, to monitor and analyse the budget vis-à-vis the respective sector.

Gains of Budget Analysis

Among gains of budget analysis, the following are significant

- ❖ It can lead, in a very systematic and concrete manner, towards improved quality of governance.
- ❖ Such feedback are even more important when there exists almost a monopoly of budget making processes which is highly mystified and
- ❖ Through the competing but parallel process, budget analysis by NGO creates better chances to improved process in the government.

It is the responsibility of the Govt. budgeting agencies themselves to invite and involve citizen groups in the exercise of Budget analysis and priority setting. But it rarely happens. Often it is the lobbies – of business and trade, big institutions...- that influence and get their programmes pushed into the Budget. The people have no say in it.

The trend towards liberalizing the economy lays a new emphasis on finance, budget and cost effectiveness. Then why should it remain a domain of small group of accountants or financial analysts or MBAs? Those interested in demystifying money matters should do budget analysis.

Budget analysis should be seen as public feedback to the government and the party in and out of power.

An exercise in Budget Analysis does not immediately change the budget radically, nor might it result immediately in an alternate budget. But this is precisely what it does in the long term. What it does is to give signals for change. That is the strength of budget analysis and policy priority studies.

The signals that come out of Budget Analysis are neither academic nor merely emotional or partisan. The signals are “actionable”. Hence Budget Analysis is geared towards making government agencies to act, do something, perform.

The results of a Budget Analysis are not mere opinion polls done on the eve of budget for mostly fun and some education. The results come out of a scientific process of budget analysis from known and accepted methods of budgeting.

The budget analysis exercise changes the focus from mere budget provisions or allocations to questions of priorities and social outcomes of the budget. Why is a particular allocation made? What does it do? How? Whom does it benefit?

Budget Analysis reveals the Career Path or Track Record or Performance Record of the Government in power, of the respective ministers, and of the various departments.

Those interested in the political economy of public resource allocation in favour of the poor should do budget analysis.

Limitations of Budget Analysis

- ❖ Collective action for policy influencing on budget allocation is too costly: claiming time, costing money, causing suffering and difficult to organise every year.

Methods of Budget Analysis

The following is not a step-by-step account of what has been done or what needs to be done. This is also not a guideline or a manual. The presentation aims at highlighting some of the significant insights, review of its impact, brief description of the exercise, and other information.

The key questions are:

- ❖ What is done and what is its meaning?
- ❖ How it is done?
- ❖ How is it received? and
- ❖ What is the future?

Several methods are used in this exercise: individual interviews; case studies; material review; survey; and personal observations.

The process consists, basically in

- a) Learning the science and art of budget analysis.
- b) Making our fund of information public, and
- c) Influencing the political and non-political climate of opinion, as well as the decision-makers in the State.

Pre-Budget Analysis

Classifying, analyzing and disseminating the State budget-related information includes:

- ❖ Acquiring budget documents;
- ❖ Understanding them;
- ❖ Reviewing total and departmental allocations;
- ❖ Programme wise expenditure;
- ❖ Beneficiary-wise average cost or allocation;
- ❖ The differences between the actual spending and proposed allocations; and the preparation, presentation, and debate on budget.

Findings: Impact on Whom and How?

The data findings of budget analysis are released to a large number of new agencies and sources but also to:

- ❖ Legislators
- ❖ Ministers
- ❖ Policy makers and Key administrators
- ❖ NGOs and People Organisations
- ❖ Social leaders and Research and academics;
- ❖ Media sources

Interpretation and Use of Data

- ❖ Use judgment in the interpretation of data based on experience, subject studies or new learning.
- ❖ Test the hypothesis through analysis of data;
- ❖ Bring in people from many disciplines, and form teams to review the data;
- ❖ Review current and possibly new or innovative uses of data or findings such as for feature articles, news items or fact-sheets;
- ❖ Think of direct action, follow up collective or legal action;
- ❖ Use skilled analysis to focus on unusual patterns or trends over time, sectors, or constituencies.
- ❖ Identify and use established and acceptable standards of comparison from other States or countries.

Use of Findings

- ❖ **Be clear on your strategy:** Is it to inform or shock or convince the legislators, the public, the media, or the administration that you are analysing budget?
- ❖ **Do not assume instant impact:** Be ready to be ignored or side-tracked. Budget makers are good at ignoring and side-tracking public feedback.
- ❖ **Be clear on the forms of use of findings:** press release, booklets, memos to ministers, briefing to the legislators, datasheets to experts, and what not. Even TV ads or newspaper ads can be planted, if resources permit.
- ❖ **Share the Findings:** One of the ways to disseminate data generated from the analysis is by supporting ongoing publication of the data in reference to other issues that the organization is involved in.
- ❖ **Hold public hearings of the findings:** Both a selectively invited group or popular participation are possible. This can be done sector-wise, constituency-wise, interest-group wise, or as a consultation.
- ❖ **Legal action:** from an interest group is also possible, based on the findings of the budget analysis. It is also possible to contact Joint Committees, Public Accounts Committees, or other constitutional bodies with the findings.

Comparative / Chronological Budget Analysis

Budget analysis can be both

- a) Comparative analysis with other State, Central or local Governments on sectors or groups beyond geographical boundaries e.g., tribals, dalits, women, labour, and
- b) Chronological analysis as to how, over the period, the government is treating certain area of community.

Comparative Budget Analysis

While the analysis itself is adequate to gain immediate gains, budget can also be analysed in comparison. The following could be useful for comparisons:

- ❖ Overt time
- ❖ Across sectors
- ❖ Across constituency or designed regions
- ❖ Over agencies or departments
- ❖ By item or activity
- ❖ By urban or rural settlements
- ❖ By target & beneficiary group

ANNEX-II

BUDGET ANALYSIS FOR TAMILNADU (A Manual)

Sources:

- “An Introduction to Budget 1998-99”, Finance Department, GOTN
- The Tamilnadu Budget Manual (2 vols.), Finance Department, GOTN, 1992 (7th edition)

The Lists:

The Indian Constitution divides the powers between the Central and State Governments, in terms of 3 lists:

1. **Union List**, of areas where the Centre has total power
(E.g. defense, foreign affairs...)
2. **State List**, of areas where the State has full power
(E.g. local government, agriculture, public health...)
3. **Concurrent List**, of areas where both the Centre and the States share power
(E.g. charitable institutions, education, forests...)

In India, there are separate Budgets for the Centre and the States.

The State Budget deals with the financial allocations for programmes for items covered by both the State List and the Concurrent List.

In the case of State, only the expenditures to be incurred by the State supported by the Central Government, figure in the State Budget. (E.g. in an IRDP programme, subsidised by 60% by the Central Government, only the expenses born by the State, i.e., the 40% of the total expense, enters the State Budget calculations).

Methods of Budget:

Incremental System of Budgeting:

It means that the first charge on available resources is that of the expenditure relating to ongoing programmes, and only if resources are available after meeting the expenditure on all the ongoing schemes, the Govt will think of new schemes. This is the system that is usually followed, including in Tamilnadu.

Not very conducive to a developing country like ours, because the requirements of the people and the role of the Government are always evolving and there is a persistent need to have new schemes.

Zero Base Budgeting (ZBB):

A system which continuously reviews all departments to identify wasteful schemes and surplus staff, so that the resources can be used more effectively slowly coming into use.

Structure of Government Accounts

All transactions of the Tamilnadu Government are conducted through one of the following accounts / funds. All the receipts and expenditures of the Government are credited to and met out of the above Funds.

1. **Consolidated Fund of Tamilnadu**
2. **Contingency Fund of Tamilnadu**
3. **Public Account of Tamilnadu**

Consolidated Fund:

The Fund consists of

- all revenues received by the State Government
- all monies received by raising loans or by way of “ways and Means Advances (i.e., short term loans from the Reserve Bank of India)
- all the money received through repayment of loans.

Most of the State Government expenditures are met from this Fund. To incur expenditures under this Fund, the sanction of the State Legislature is required.

The Consolidated Fund has three Divisions:

1. The Revenue Division

a) Revenue Receipts

- Income from taxes and duties
- Fees for services, fines and penalties by the State
- Rents from lands and other proceeds
- Grants-in-aid from the Central Government
- Interests and dividends and miscellaneous receipts

b) Revenue Expenditures

- routine administrative expenditures (Wages, salaries, vehicles, printing...)

2. The Capital Division

a) Capital Receipts

- Sales of Government property
- Disinvestments from Public Sector Units...

b) Capital expenditures

- acquiring concrete and permanent assets (Land, buildings, and equipment)
- payments for reducing recurring liabilities

2. The Debt Division

- Public Debt
 - + Internal loans raised by the State Government
 - + Loans from outside agencies, banks...
 - + Ways and Means advances from the RBI
 - + Loans and advances from the Central Government
- Loans and Advances received and/or recovered by the State
- Inter-State Settlements.

Contingency Fund:

This fund is created for emergency use, providing for unforeseen and unavoidable expenditures, to enable the Executive to incur expenses not covered by the vote of the legislature.

Once the legislature approves a particular expenditure incurred under the fund, the Contingency Fund is recouped with money from the Consolidated Fund for the equivalent amount.

The Tamilnadu Contingency Fund Act 1950 created a contingency fund of Rs 1 crore. The Tamilnadu Contingency Fund Act 1954 fixed the amount at Rs. 75 lakhs. As of August 10th, 1992, the corpus stands at Rs. 150 crores

After 1982, the corpus has been raised and reduced several times

Public Account:

These are funds held by the State in trust for other entities, the Government functioning as a banker. The monies, whose transactions are recorded here, do not really belong to the Government, but have to be paid back to those who deposited them.

- deposits from municipal corporations
- pension fund accumulations of employees' provident fund

- small savings
- reserve and depreciation funds...

Legislative authorisation is not required for payments from the Public Account. (as payments are made only to those to whom payment is required /paid from their own deposits with the govt.)

The Documents

Part – I of Budget:

- Estimates of all the ongoing schemes and the available sources of taxation

Part – II of Budget:

- Estimates of all the new schemes, being introduced during the year

The Budget documents consist, primarily, of 3 basic sets of documents:

1. Demands for Grants

- a) Proposals made by the various departments for appropriation of funds from the Consolidated Fund of the State.
- b) Each demand for grant contains first a statement of the total amount required, followed by details arranged by major heads, minor heads, sub-heads and detailed heads etc.

2. Policy Notes

- a) A document, supportive of the Demand for grants, giving the rationale and purpose of the allocations of the respective programmes and projects.
- b) The document presents the Demand, with all its allocations, but in a summary form.

3. Performance Budgets

- a) A comprehensive operational document, conceived, presented and implemented in terms of programmes, projects and activities with the financial and physical aspects closely interwoven.
- b) Performance budget seeks to present **the purposes and objectives** for which funds are requested, **the cost** of various programmes and activities proposed for achieving these objectives and **quantities data** measuring the work performed or services rendered or **results accomplished** under each programme and activity.
- c) The document deals with the performance of the previous financial year.

Sectors & Heads of Accounts

A Six-tier Classification:

For providing a link between the budget outlays on the one hand and functions, programmes and schemes on the other, as well as for links with the national level etc., Tamilnadu Government uses a six-tier Classification structure:

1. **Sectors** (comprising sub-sectors wherever necessary)
indicate the grouping of the series of broad governmental functions:
 - a) General Services (Defense, Police, General Administration...)
 - b) Social and Community Services (Education, Public Health....)
 - c) Economic Services (functions relating to Agriculture, Industry, power.)
 - d) Grants-in-aid and Contributions (transfer of resources between Centre, Foreign governments, local bodies, and the State)

2. Major Heads (comprising sub-major heads wherever necessary)
indicate the functions of Government such as Agriculture, Education, Police, etc
 - ❖ A four digit code is allotted to the Major head
 - First digit “0” or “1” denotes Revenue Receipts
 - First digit “2” or “3” denotes Revenue expenditure
 - First digit “4” or “5” denotes Capital Expenditure
(4000 denotes Capital Receipt)
 - First digit “6” or “7” denotes Loan Head
 - First digit “8” denotes Contingency Fund & Public Account

3. **Minor Heads** denote the various programmes under each major head
 - ❖ The Budget Code for a Minor Head is a three digit code

4. **Sub-Heads** denote the schemes for developmental expenditure or organisations for non-plan expenditure under each programme minor head

Budget Code	Alphabet code	Blocks
a) Non - Plan	I	AA to IZ
b) State Plan	II	JA to RZ
c) Centrally Sponsored	III	SA to TZ
d) Schemes financed by Autonomous Bodies	V	ZA to ZZ
e) Schemes shared equally between centre & State	VI	UA to YZ

5. **Detailed Heads** indicate the specific objects of expenditure such as salaries, travel expenses etc.

❖ The Budget Code for a Detailed Head is a two digit numeric.

6. **Sub-Detailed Heads** indicate the break-up details under the Detailed Heads, wherever necessary.

❖ The Budget code for a Sub-detailed Head is a one digit numeral.
