

**PRIMER ON CIVIL SOCIETY BUDGET WORK**

CBGA

2007

Centre for Budget and Governance Accountability

# **PRIMER ON CIVIL SOCIETY BUDGET WORK**



**CBGA**

**Centre for Budget and Governance Accountability**  
([www.cbgaindia.org](http://www.cbgaindia.org))



Copyright @ 2007 Centre for Budget and Governance Accountability

Reproduction of this publication for educational or other non-commercial purposes is authorized, without prior written permission, provided the source is fully acknowledged.

Contributors: Siba Shankar Mohanty, Deepak L. Xavier, Pooja Parvati

Editorial Assistance : Praveen Jha, Amitabh Behar, Yamini Mishra, Bhumika Jhamb

Designing and Printing : Kriti Creative Studio, 9873249374



**Centre for Budget and Governance Accountability**

**CBGA**

A-11, Second Floor, Niti Bagh, Khel Gaon Marg, New Delhi - 110 049, INDIA

Phone: +91-11-4174 1285 / 86 / 87 Email: [cbadelhi@vsnl.net](mailto:cbadelhi@vsnl.net)

[www.cbgaindia.org](http://www.cbgaindia.org)





## PREFACE

Budgets play a pivotal role in governance. It is largely seen as an essential tool adopted by the State to deliver a wide range of responsibilities. Government budgets are policies that affect every sector of the economy and every section of the population. Thus, the policy concerns steering the Budget and its implementation find resonance in the day-to-day lives of people.

The role played by the government while not being essentially co-terminus with formulating the budget and providing key guidelines on its implementation, has been diluted gradually. What has been and continues to be a major responsibility of the State has gradually moved from the public domain to private provisioning and administration. This phenomenon merits due concern as continued withdrawal of the State from provisioning for basic services such as education can lead to several social and economic issues, such as inequality, exclusion, and erosion of secular framework of education.

Towards this direction, a primer that also comes in handy as a ready-reckoner on issues related to budgetary provisions and public finance issues is useful, not only for the civil society institutions engaged in budget work and policy advocacy but also for field level functionaries associated with implementing programs on budget and policy advocacy. This document makes an attempt to fill the inevitable gap of providing the information (knowledge) as well as the techniques to be adopted (facilitation tools) to transform knowledge into practice.

The Primer is structured in the following manner: (a) Primer on Civil Society Budget Work and (b) Primer on Budget Analysis: Taking the Case of Elementary Education, as part of the CBGA Manual Series.

The Primer on Civil Society Budget Work goes a step forward in drawing attention to the budget making process and indicative methodology for the civil society engagement in the process. The second manual “Primer on Budget Analysis: Taking the Case of Elementary Education” examines the issues related to financing of elementary education in India. We believe that the success of any budget advocacy initiative lies in its capacity for demystification and democratization. We hope the documents would help numerous activists in comprehending the issues related to Budget and the sectors we are interested in.

We take responsibility for any omission and mistakes in these documents. We would also appreciate any efforts put by our readers to convey us the mistakes and suggestions for any improvement. We also urge our readers to feel free to disseminate the documents in the interest of civil society activism.

– Contributors







# CONTENTS

Chapter 1: How Budgets are made?	1
Chapter 2: Phases in the Budgetary cycle	2
2.1 Formulation Phase	
2.2 Enactment Phase	
2.3 Implementation Phase	
2.4 Auditing Phase	
Chapter 3: Government Budget & the Household Budget	8
Chapter 4: Demystifying Budget Terminology and Processes	16
Chapter 5: Civil Society and Budget Work	35
5.1 Steps for Civil Society Budget Analysis	
5.2 Critical Entry Points for Civil Society Budget Analysis	
References	46





## HOW BUDGETS ARE MADE?

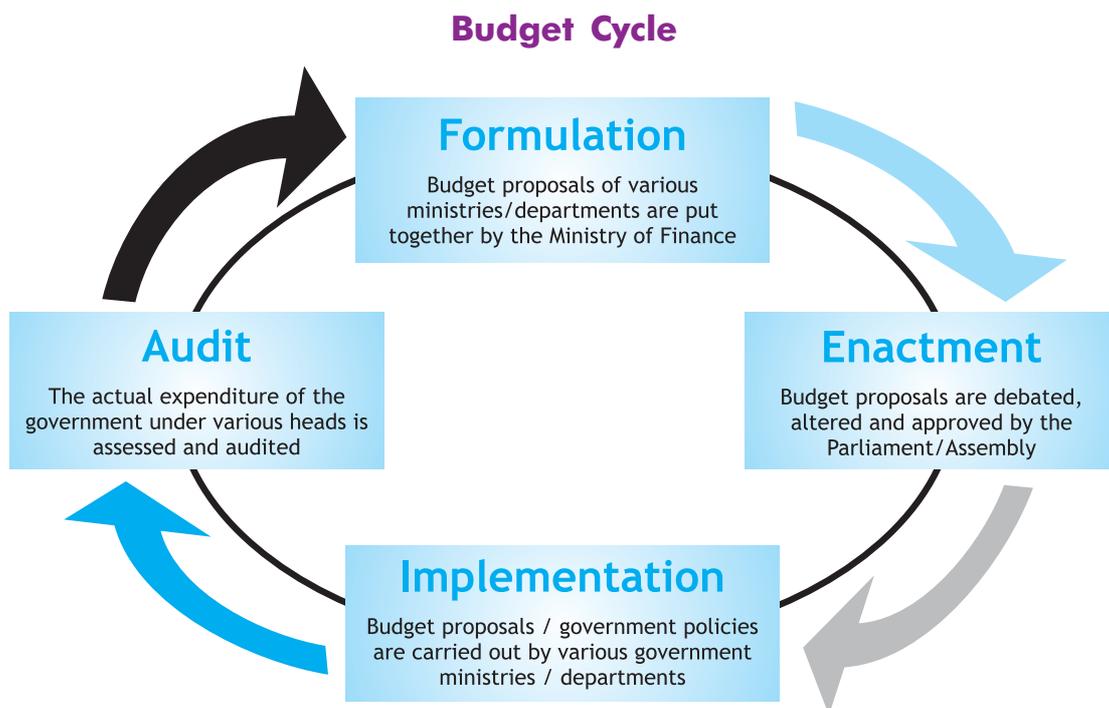
In India, budget draws most attention when the Finance Minister presents the budget in the parliament on the 28<sup>th</sup> of February. This is the point in the year that we see various debates over the budget are established by academia, media, experts, industrialists etc. (no common man's view though). They also give their assessment or judgment on the current budget based on the current budget proposals. This type of analysis is crucial in building expertise on particular issue/subject and can help groups/individuals in identifying key issues upon which they want to focus.

Although this type of analysis has an advantage of providing/supplying information on budgets to various actors when it is required most, this might not be adequate enough to influence the budget or public policies. Hence, we need to explore possibilities of engaging with the budget processes at various stages of the budget cycle. Successful budget work requires both analysis and advocacy that continue throughout the year. The analysis or assessment of budget proposals made by the Finance Minister can help us in identifying important areas for advocacy which might require more focused work later in the budget cycle.

## PHASES IN THE BUDGETARY CYCLE

### WHAT IS A BUDGET CYCLE?

The budget cycle comprises of a series of major events and stages in making budget proposals, and implementing and auditing those proposals. There may be some differences in the timeline of a budget cycle from state to state. However, the budget cycle in India has roughly four stages - formulation, legislative/enactment, implementation and audit.



## 2.1 FORMULATION PHASE

Budget making generally starts in the month of August/September each year. The Budget Division of the Department of Economic Affairs of the Ministry of Finance sends a circular to various Ministries/Departments, requesting them to prepare estimates of expenditure to be incurred by them in the following year. The Ministry, after having received and scrutinized the estimates, undertakes the process of compilation and co-ordination of estimates of expenditure of different Ministries/Departments. Before the expenditure estimates are finalized, discussions take place between the Secretary (Expenditure), Ministry of Finance, and the financial advisors of the Ministries/Departments concerned. However, the Ministry has the final say in regard to all estimates. The Planning Commission scrutinizes the estimates of the Plan outlay of different Ministries/Departments. The Department of Revenue, Ministry of Finance prepares the estimates of revenue. During this period, the Finance Minister remains in close touch with the secretaries of revenue, expenditure, and economic affairs in the Ministry of Finance. The Finance Minister examines the budget proposals prepared by the Ministry and he may make changes in them in consultation with the Prime Minister. The President is also shown the budget. Similarly, the Finance Minister briefs the Cabinet about the budget shortly before it is presented to Parliament.

During the budget preparation and later, only those in the government, the Chief Economic Advisor in the Finance Department who prepares the Economic Survey giving the status of the economy, Reserve Bank of India as the Bankers' Bank, the various Parliamentary Standing Committees which finalize the expenditures of the various ministries and the demands of the departments, research institutions like the National Institute for Public Finance and Policy, New Delhi and finally the Finance Ministry itself which finalize the document are in the know. The processes remain more or less similar at the state level also.

## 2.2 ENACTMENT PHASE

Once the budget is prepared, it has to pass through the following stages in the Parliament/ Assembly:

1. Presentation of the budget by the Finance Minister in both the Houses of Parliament,
2. General discussion on revenue and expenditure proposals,
3. Presentation of demands for grants, and
4. Voting and passing of the Appropriation and Finance Bills.

The budget presented to the House by the Finance Minister is discussed in two stages: the general discussion followed by a detailed discussion, and voting on the demands for grants. During the general discussion, the House is at liberty to discuss the budget as a whole or any question of principle involved therein but no motion can be moved. Immediately after the presentation of the budget, the Finance Minister also presents The Finance Bill for tax proposals as required under Article 265 of Indian Constitution. It is expressly laid down in the Constitution that no tax shall be levied or collected except by the authority of law; in other words, parliament's approval is needed in this regard. The procedure in respect of the Finance Bill is the same as in the case of other money bills in which case Article 110(1) of our Constitution applies.

As regard the demand for grants, Under Article 113 of the Constitution, the financial initiative is the executive's privilege. Only the government can present a demand for grant and not the private members. This is meant for balancing of revenue and expenditure which is the job of the executive. It is noteworthy that when a demand for a grant is presented, the parliament can object to it, refuse it, reduce it but cannot increase it. The demands for grants indicate separately the voted and the charged items of expenditure. Certain items of expenditure have been allowed to be incurred even without the Parliament's vote. This is allowed under Article 112(3) of our Constitution.

After the demands for grants are voted by the Lok Sabha, the Appropriation Bill is introduced, considered, and passed by the Parliament. It incorporates all moneys required to meet (i) charged expenditure, and (ii) grants made by the Lok Sabha. This bill is again passed as a Money Bill. It provides the legal authority for the withdrawal of sums from the Consolidation Fund. Article 114 clearly says that an Appropriation Act has to be passed to withdraw money from the Consolidation Fund of India.

### 2.3 IMPLEMENTATION PHASE

Once the Finance and Appropriation Bills are passed, the Govt. can collect revenue and spend money on approved schemes. Collection of revenue is the responsibility of Revenue Department of Finance Ministry. For direct tax collection we have Central Board of Direct Taxes and for indirect tax collection we have Central Board of Indirect Taxes. The individual Departments/Ministries are informed by the Ministry of Finance about their respective budget allocations. All appropriated amounts lapse at the end of the financial year (except in some cases, for capital

expenditure to be incurred on building assets which could take more than a year). Hence, they have to be spent during the budget year.

Under Article 150 of the Constitution, estimates of receipts and disbursements in the budget have to conform to the accounting classification prescribed by the Comptroller and Auditor General of India. The accounting classification was revised from April 1, 1987.

## 2.4 AUDITING PHASE

In 1976, Controller General of Accounts (CGA) was set up to oversee the department wise accounts of the Union Govt. It works under the Ministry of Finance. Its functions are:

- a) Prescribing the forms of accounts relating to the Union and the State govt.
- b) Laying down accounting procedures
- c) Overseeing the maintenance of adequate standards of accounting by Central Accounts Offices.
- d) Stocktaking of the monthly and annual accounts of the Govt. of India and
- e) Administration of rules under Article 283 of the constitution relating to the custody of the Consolidated Fund of India, the Contingency Fund and the Public Accounts.

It also prepares a condensed form of the Appropriation Accounts and the Finance Accounts of the Union govt. The accounts prepared by CGA are audited by the Comptroller and Auditor General (C & AG) of India. These audited accounts are placed before both the houses of Parliament. Article 149 of the Constitution prescribes duties and powers of the C&AG. Article 151 requires the CAG to present reports relating to the accounts of the Union and the States.

Other than C&AG, we have Parliamentary control over the Budget too. Three committees are constituted by the Parliament in this regard.

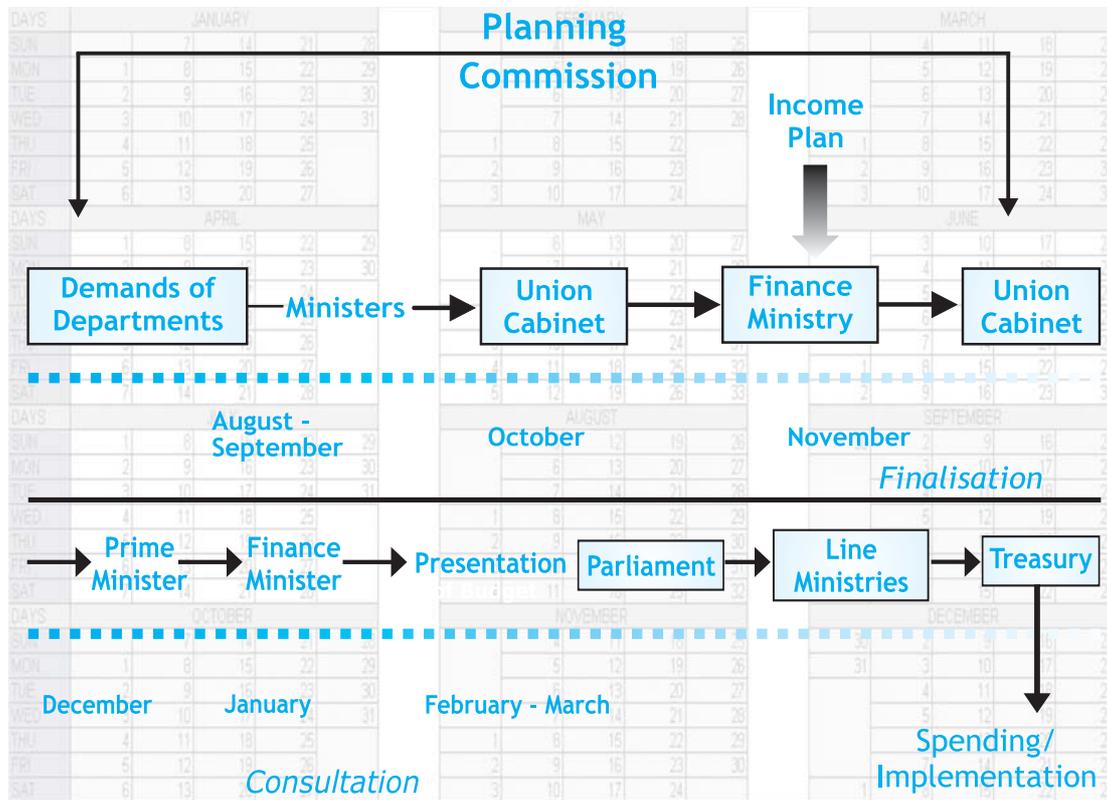
1. **Public Accounts Committee:** It examines the C & AG report and can also look into irregularities which may be brought to its notice or which are of wider public interest.
2. **Estimates Committee:** It examines and suggests ways so that public expenditure is incurred in a judicious manner and that the objectives underlying the plans and schemes are effectively achieved.

3. **Committee on Public Undertakings:** It scrutinizes the reports and accounts of public undertakings, which are being financed out of Consolidated Fund of India. It also studies C & AG report in this regard and suggests economies, improvements in organization/management and production that should be undertaken in various undertakings.

There are a few provisions in the Constitution empowering the Lok Sabha to make any grant in advance, in situation of govt. requiring huge amounts of money urgently. Under such situations, we have Articles 115 and 116, which is applied.

1. **Vote on Account:** (Article 116) It may be sought when a change in govt. takes place shortly before the end of a financial year. It just enables the government to withdraw funds from the Consolidated Fund of India till a regular budget is presented and passed by the Parliament.
2. **Vote of Credit:** When the govt. requires huge amounts of money urgently, in such a situation, the Parliament may grant a sum in gross to the govt. on a vote called a Vote of Credit under Article 116.
3. **Supplementary Budget:** Due to internal or external disturbances the forecasts of the budget may not be accomplished. In such a situation, the govt. presents a supplementary budget to the Parliament. Article 115 of the Constitution applies here.
4. **Excess Grant:** When the govt. incurs expenditure on any service during a financial year in excess of the grant voted by the Parliament, a demand for such excess has to be presented to the house which may vote on excess grant. These cases are brought out in the CAG reports before the Parliament through its report on Appropriation Accounts. Article 115 (1) (b) applies in this regard.

## Budget Calendar and Budget Making



## GOVERNMENT BUDGET AND HOUSEHOLD BUDGET

### SOME GROUP EXERCISES

Let us understand the Government budget. An easy way to do that is to prepare our own household budget.

#### Tasks:

- ◆ Act as a family head
- ◆ Prepare a detailed household budget based on the following assumptions
- ◆ Clearly Articulate the Guiding Principle in Preparation of the Household Budget for the Group
- ◆ Clearly articulate the context, situation under which they are making their financial plans
- ◆ Prepare an item wise list of income and expenditure for the family economy.

### BROAD ASSUMPTIONS

- ❖ Imagine you are a resident of Bhubaneswar City (you can take any city for the purpose)
- ❖ Salaried income
- ❖ Family of five members- husband (40), wife (35), aged mother-in-law (65), daughter (16) and a son (13)
- ❖ Your monthly salary is Rs. 12,000/- (consolidated)
- ❖ Provident fund is available·No other staff welfare benefits
- ❖ Rented house
- ❖ Other Sources of family income can be included (Participants are free to assume the source and amount of income)
- ❖ The family runs with a vision of long term growth of the family economy.
- ❖ It is not necessary that the budget should be within the income constraint but should be realistic

What follows is a set of household budget prepared by participants during a workshop held in Bhubaneshwar during 2006.

## Group Exercise-1

### GUIDING PRINCIPLES

*Spend as per the income*

*More time and resources for education of the children and admitting in government schools*

### INCOME EXPENDITURE STATEMENT

Sources of Income	Amount of Income (in Rs)	Items of Expenditure	Amount to be Spent (in Rs)
Salary	12000	Provident Fund @ 10 %	1200
		House Rent Including Electricity & other charges	2000
		Food including fuel cost	3000
		Clothing @ 3600 per annum	300
		Medicine & Health	750
		Education	2600
		Conveyance including all type of conveyance, outing expenses, taking the mother in law to hospital and so on	2000
		Guest	150
<b>TOTAL</b>	<b>12000</b>	<b>TOTAL</b>	<b>12000</b>
		<b>Details of Education Expenses per month</b> School Uniform for Children@ 2000 per annum +Books @ 2000 for both the children +Examination fees, Saraswati Puja, Picnic etc @ 800 per annum	400
		Stationeries	500
		Pocket money @ Rs. 10 per day per child	600
		Private Tuition	600
		Conveyance and other related expenses	500
			2600

## Group Exercise-2

### GUIDING PRINCIPLES

*Spend as per the given income*

*Long term Vision for strengthening family economy*

### INCOME EXPENDITURE STATEMENT

Sources of Income	Amount of Income (in Rs)	Items of Expenditure	Amount to be Spent (in Rs)
Salary	12000	Provident Fund @ 10 %	1200
		Instalment for the Housing Loan incurred	4500
		Food including fuel cost	3000
		Clothing @ 3600 per annum	300
		Medicine & Health	750
		Education	1400
		Conveyance including all type of conveyance, outing expenses, taking the mother in law to hospital and so on	1300
		Guest	300
<b>TOTAL</b>	<b>12000</b>	<b>TOTAL</b>	<b>12000</b>
		<b>Details of Education Expenses per month</b>	
		School Uniform for Children@ 1400 per annum +Books @ 2000 for both the children +Examination fees, @ 800 per annum	300
		Stationeries	500
		Pocket money @ Rs. 10 per day per child	600
		Private Tuition (Parents give time)	0
		Conveyance and other related expenses (Children go by cycle)	0
			2600

## Group Exercise-3

### GUIDING PRINCIPLES

*Spend as per the requirement*

*Long term Vision for strengthening family economy*

*Emphasis on capacity creation*

### INCOME EXPENDITURE STATEMENT

Sources of Income	Amount of Income (in Rs)	Items of Expenditure	Amount to be Spent (in Rs)
Salary	12000	Provident Fund @ 10 %	1200
Income from selling milk from 2 cows	4800	Instalment for the Housing Loan incurred	5000
		Food including fuel cost	2500
		Clothing @ 3000 per annum	250
		Medicine & Health	500
		Education	3000
		Conveyance including all type of conveyance, outing expenses, taking the mother in law to hospital and so on	1500
Loan for buying a motor cycle for using it in milk selling business	22000	Guest	500
		Cost towards Maintenance of Cows	1800
Selling 3 goats	3000	Purchase of a motorcycle	25000
		Saving	550
TOTAL	41800	TOTAL	41800

Sources of Income	Amount of Income (in Rs)	Items of Expenditure	Amount to be Spent (in Rs)
		<b>Details of Education Expenses per month</b>	
		School Uniform for Children @2000 per annum +Books @ 2000 for both the children +Examination fees, Saraswati Puja, Picnic etc @ 800 per annum	400
		Stationeries	500
		Pocket money @ Rs. 10 per day per child	600
		Private Tuition	900
		Conveyance and other related expenses	600
			3000

#### Reflections from the Group Exercise

- ◆ In our day to day life, we all encounter problems of financial management that is quite similar to in case of government budgeting as well.
- ◆ Most of us are actually aware of several financial strategies that are used by the policymakers while dealing with the financial situations at the state and the national level. However, they term those differently and common people find it difficult to comprehend the same.
- ◆ The items of expenditure and sources of income are quite similar in nature both in case of government budgets and household budgets. However, the terms used by the policy makers are quite mystified and in our family budget we use such terms that are known to us.
- ◆ Given the informal nature of our family economy and the scale of its operation, we generally do not keep records of our monthly budgets. Many of us prepare the budget statements only at our level (the person who earns) and given the patriarchal nature of our family system, we generally do not allow other members of our family to participate in the economic decision making in the family. Governments being representative and being a formal structure, have to keep records of all their budgets and other financial issues.

Even in case of private budgets prepared by NGOs, business firms, the budgets are prepared formally and records are kept.

- ◆ The first task is, therefore, to demystify the terms and processes involved in the government budgets.

However, before going into the discussion of budget terminology and demystification of the Budget Processes, let us spend some time to have a clear comparison between “Government Budget” and a “Family Budget” as described in popular textbooks of ‘Economics’ or ‘Public Finance’

## PRIVATE AND PUBLIC BUDGETS: DISCUSSING SOME MYTHS AND REALITIES

This chapter deals with clarifying certain myths associated with Private and Public Budgets.

**MYTH 1:** It is often propagated in popular textbooks that expectations on income are more clear in case of private budgets and the same is less certain in case of public budget. However, it is a MYTH.

**THE REALITY:** Certainly the sources of income has nothing to do with the budget being private or public in nature. In case of family budgets, if we take the example of the second group exercise mentioned in the earlier Chapter, it is clear that families that do not have a formal source of income can not say with certainty about their expectations on income. People, who are engaged in occupations like agriculture, fishing, trading of perishable items, manufacturing of consumer items etc., can not be very certain about their income flows in advance. This is because, to a large extent, their income flows would depend on a lot of other exogenous factors such as climate, market volatility, tastes and preferences of the consumers, price fluctuations, minimum support price of the agricultural commodities, and purchasing power of the common people and so on. All these are beyond the control of the person in concern.

Similarly, in case of government budgets of developed countries with formal economic relations (like for example the former Soviet Union or developed market economies like USA) with properly functioning governance structures, it is possible to have a clear idea about estimated resources.

**MYTH 2:** It is often said that in case of private budgets, a clear idea about income is made and then the items of expenditure are included. On the other hand, it is also said that in case of public budgets a clear idea about expenditure is made first and then the revenue sources are identified. It is another myth about the distinction between Government and Private Budgets.

**THE REALITY:** Both the country and households being economic units, the strategy of their management depends to a large extent on the external economic situation that sets the context of budget making. Those economic units that are in an advanced stage of their economic development, they spend according to their income. Those which are in the initial stage of their development face a lot of concerns related to capacity creation and their income generating capacity depends on the amount and quality of expenditure they incur on capacity creation. At the subsistence level, it is necessary that the economic unit survives first. It hardly matters whether they prefer to spend according to their income or try to earn as per their requirement. When we make budgets for certain programmes like marriages, building a house, etc, we first make an expenditure assessment within our realistic constraints and then we try to mobilise resources for the same.

**MYTH 3:** Private budget is a household management tool. Public budget is a statement of policy priorities. This is a myth.

**THE REALITY:** In both the cases, budget is a statement of policy priorities only. The only difference is in the scale of operation.

## **GOVERNMENT BUDGET AND PRIVATE BUDGET: SOME VALID COMPARISONS**

---

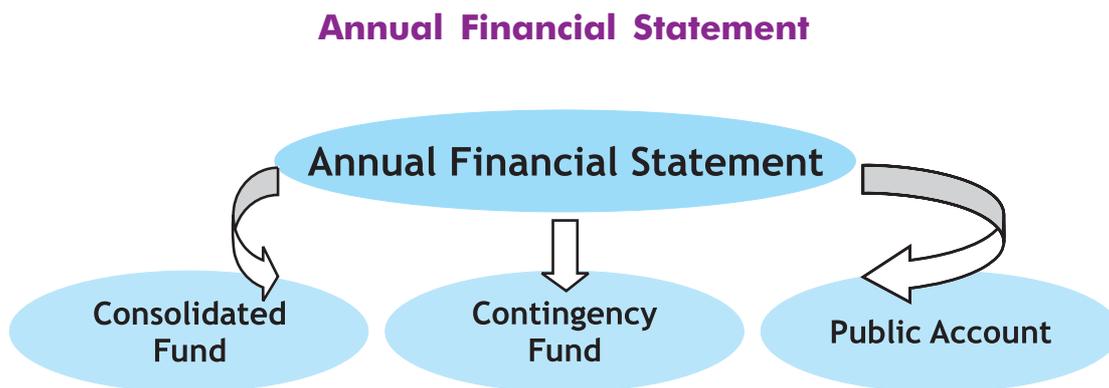
- ◆ In case of both the budgets, deficit leads to debt.
- ◆ Formulation of private budget depends upon present income, wealth stock and other limitations. For public budgets such limitations are flexible depending upon the resource endowments of the economy.
- ◆ Sources of borrowing include both institutional as well as private channels in case of private budgets. In case of public budgets all borrowings are made through institutional channels.

- ◆ Private budgets cannot run on deficit for a long time. Public budgets can take resort to deficit financing for a long time. This is a valid comparison.
- ◆ Motive for private budgeting is maximum private benefit. So, the aim is at attaining a surplus or maintaining a balance. In case of public budgets, the motive is to maximise social and economic welfare of the nation. Therefore, many times deficit is preferred to a surplus or balance.

## DEMYSTIFYING BUDGET TERMINOLOGY AND PROCESSES

As far as the technical presentation is concerned, the Budget of the Government for a particular year is called the Annual Financial Statement (AFS). Along with the Annual Financial Statement, there are some other documents, that we shall discuss later, which are called supporting budget documents.

As presented below, an Annual Financial Statement is presented in three broad parts.



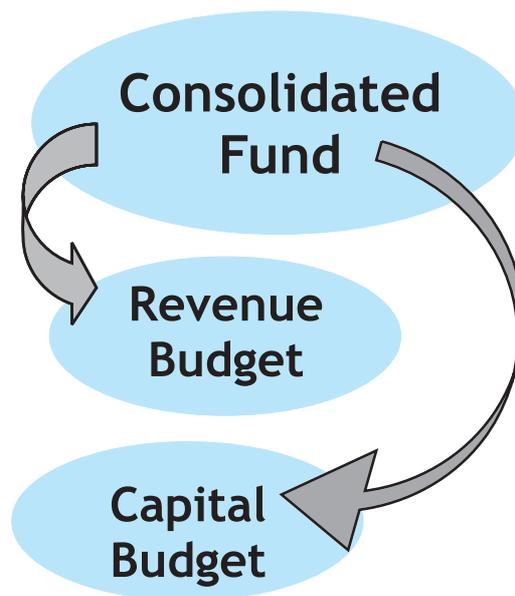
**Consolidated Fund** contains the account of the receipts and disbursements of the government planned for a year. It is considered as the Government's own money for running its business.

**Contingency fund** is an emergency buffer maintained to meet the emergencies. When emergencies occur, the fund is utilized and the buffer is maintained by taking an equivalent amount from the Consolidated Fund.

**Public Account** is the money of the masses and the government is only a custodian of this money. Many of us might have heard of something called 'Provident Fund'.

A person in formal jobs keeps aside a part of his salary as provident fund with the government. Government acts like a banker to this fund and can not use this fund for its usual activities.

For our present concern with relation to budget analysis of education sector, we need to focus on Consolidated Fund only.



Consolidated Fund is classified into two heads;

- (a) The Revenue Account and
- (b) The Capital Account.

Both the accounts contain receipts and disbursements. Therefore, Revenue Account does not mean receipts only.

Revenue Account contains all the current or recurring receipts and disbursements of the government. Capital Account contains all those receipts and disbursements that have a bearing on the asset-liability position of the government. We can clearly link these concepts to our daily life experiences.

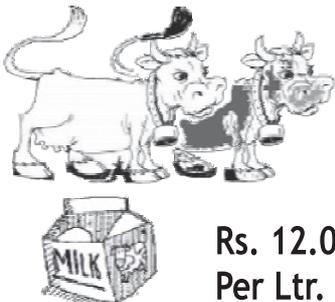
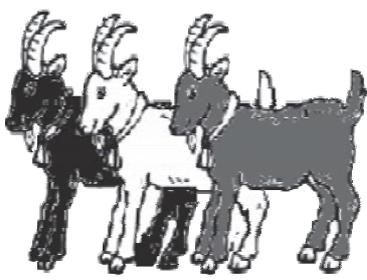
Let us take the example of the Group Exercise - 3

### Monthly Financial Statement of Group-3

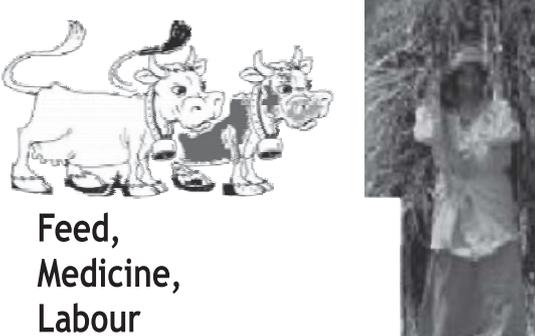
RECEIPT		DISBURSEMENT	
Sources of Income	Amount of Income (in Rs)	Items of Expenditure	Amount to be Spent (in Rs)
Salary	12000	Provident Fund @ 10 %	1200
Income from selling milk from 2 cows	4800	Instalment for the Housing Loan incurred	5000
		Food including fuel cost	2500
		Clothing @ 3000 per annum	250
		Medicine & Health	500
		Education	3000
		Conveyance including all type of conveyance, outing expenses, taking the mother in law to hospital and so on	1500
Loan for buying a motor cycle for using it in milk selling business	22000	Guest	500
		Cost towards Maintenance of Cows	1800
		Purchase of a motorcycle	25000
Income from Selling 3 goats	3000	Saving	550
TOTAL	41800	TOTAL	41800

In a particular month, the household budget presented above shows a receipt of Rs. 41800/- and expenditure of Rs. 41800. In the receipt side, salary and income from selling milk are of recurring nature. Therefore, these are revenue receipts for the household. However, the household takes a loan of Rs. 22000 and thereby increases its liability position. Similarly, the family earns Rs. 3000 by selling 3

goats and doing away with its assets. These are cases of Capital Receipts. In the disbursement side, contributing to the provident fund, purchase of motorcycle and savings are cases of asset building. Repayment of housing loan through installment is a case of reducing the long term liabilities. These are the cases of Capital Disbursements. All other expenses in this household budget are of recurring nature. Therefore, these are Revenue Disbursements. In the above Table, those items shaded in Purple are of capital nature and Grey shaded items are of revenue nature.

<b>HOUSEHOLD BUDGET</b>	
Revenue Receipt	Capital Receipt
 <p>Rs. 12.00 Per Ltr.</p>	
Selling Milk (Recurring)	Selling Goats (Loss of Assets)
<b>GOVERNMENT BUDGET</b>	
Revenue Receipt	Capital Receipt
<b>TAX</b>	<b>LOAN</b>
Tax Collections (Recurring)	Borrowings (Increase in Liability)

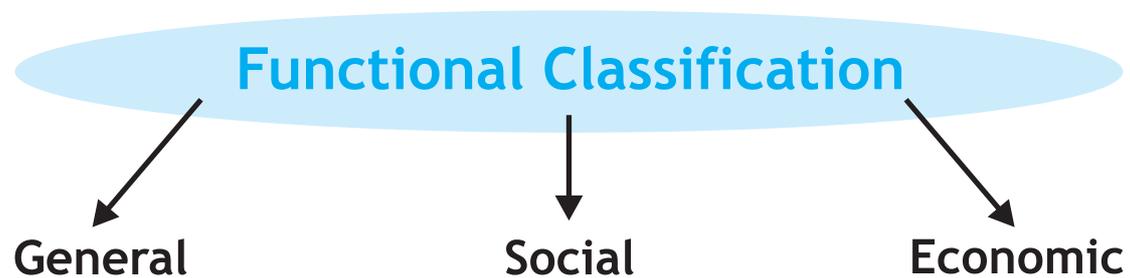
# HOUSEHOLD BUDGET

Revenue Expenditure	Capital Expenditure
 <p>Feed, Medicine, Labour</p>	
Maintenance of Cows (Recurring)	Purchase of Motorcycle (Asset Building)

# GOVERNMENT BUDGET

Revenue Expenditure	Capital Expenditure
<b>Teacher SALARY</b>	<b>School Building</b>
Salary (Recurring)	Building New Schools (Asset Creation)

Before we go into the details of specific revenue and capital account we should remember that in India, Government Budgets follow a 'Functional classification' system. As per the Functional Classification, all the receipts and disbursements are classified into General Services, Social Services and Economic Services heads.

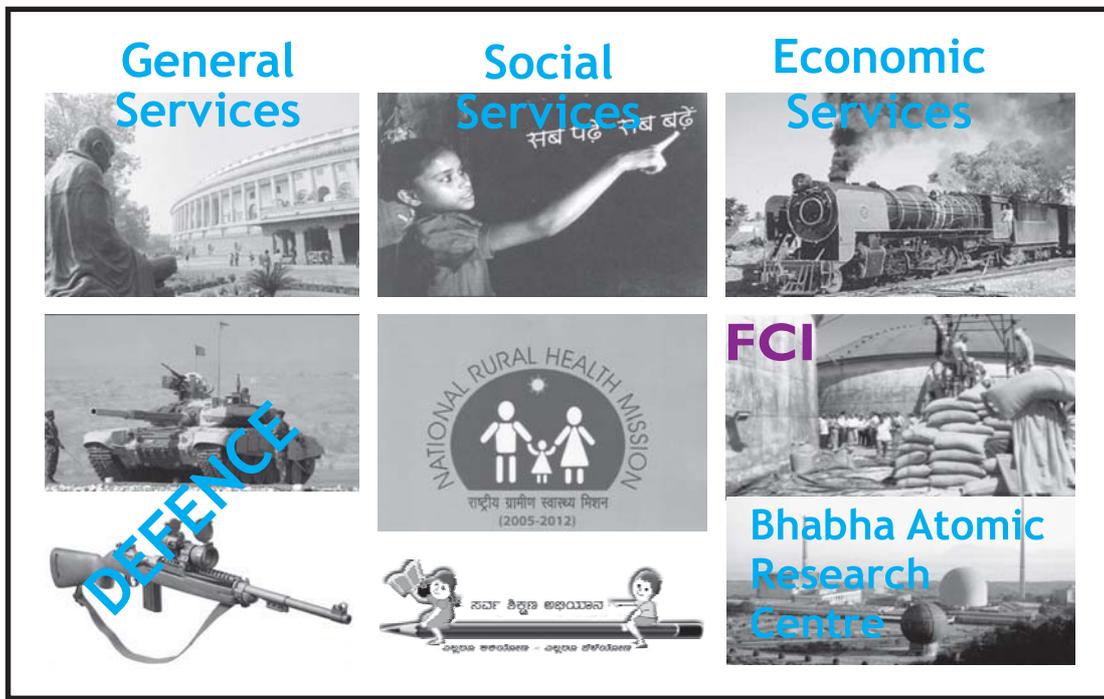


**General Services** are those items that are treated as the administrative expenses of the government. These are the expenses required for maintaining the day to day functioning of the government. In our household, the expenses like house rent, food, conveyance, etc are the examples of general services. In the government budgets, items like public service commission, defence, election expenses, interest payments etc are examples of general services.

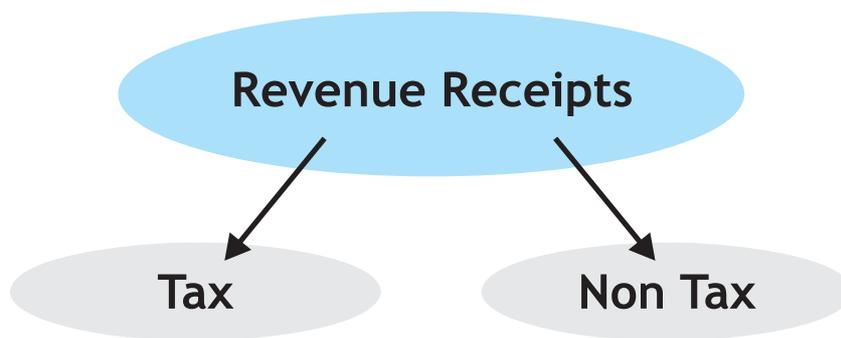
**Social Services** are those activities of the government that are undertaken with a purpose of providing social welfare and improving the human resource in the economy. Expenses on education, health and family welfare etc come under this category. “How much money can be generated from these activities?” are not the criteria while undertaking these activities. In our household, while spending on the education of our children or on the health of our aged mother in law, we do not consider how much we can get from our children or mother in law.

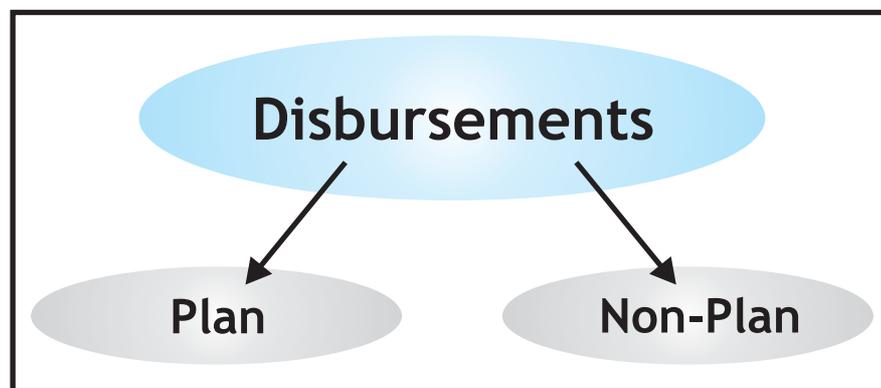
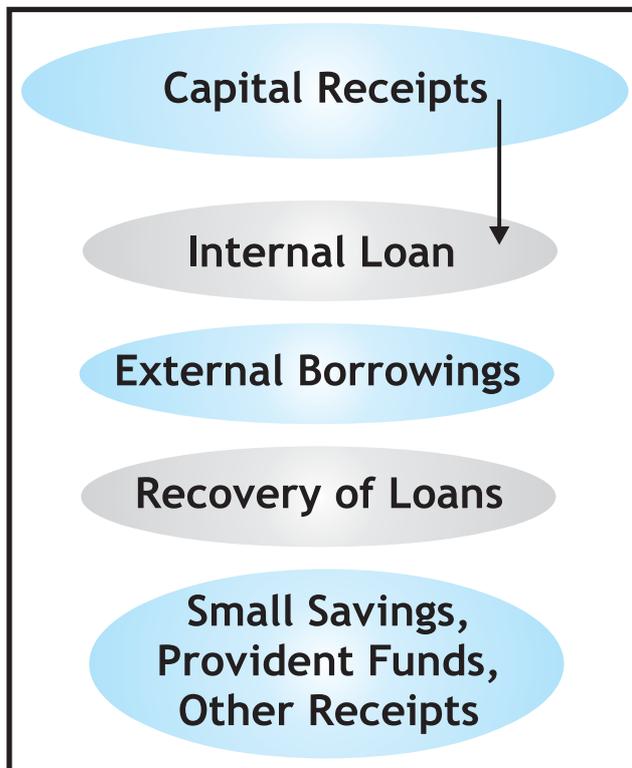
**Economic services** are those activities which are undertaken with a motive of generating income, employment or creating more capacity in the economy. In our household budget, the purchase of a motorcycle for using it to sell the milk, spending on the maintenance of cows etc are examples of economic services as these raise our income, employment or reduce cost of conveyance. In the Government Budget, activities like railways, roads and bridges, agriculture and allied activities, energy, transport and communication etc are examples of economic services.

## Examples of General, Social and Economic Services



Coming back to the Revenue Account again, in the receipts side, there are tax and non-tax revenue receipts.





**Taxes** are compulsory payments made by the individuals and entities to the governments. Taxes are a major source of government revenue. Taxes are divided into direct and indirect taxes. A direct tax is one that is levied on and paid by the same entity. Income tax, profit tax etc are examples of direct taxes. Indirect taxes are levied on a commodity or a service but are eventually paid by the final consumer of that commodity or service. Sales Taxes, VAT, customs duty etc are examples of indirect taxes.

**Non tax revenues** of the government comprise of income of the government from all other sources that are recurring in nature. Dividends and profits from the public sector enterprises, income from railways, fees and service charges of various kinds collected by the government are examples of non-tax revenue.

**Capital Receipts** as per the definition would either result in a loss of assets or in an increase in liability. In budgets of the government we find mention of four different types of capital receipts. Those are, internal loans, external borrowing, recovery of loans, and other receipts.

**Disbursements**, whether listed in revenue or capital accounts, can be plan or non-plan. Expenses that are incurred to comply with the targets of the five year plans as suggested by the Planning Commission in its annual plans are called plan expenses. These are generally incurred to pay for the cost involved in making new initiatives, launching new schemes and so on. All other expenses that are incurred on maintenance of the assets, infrastructure and resources built under plans are called the non-plan expenses.

For example, Sarva Shiksha Abhiyan (SSA) is a Plan Scheme and is supposed to continue till 2010. Till then all the expenses incurred under SSA is Plan expenses. All post 2010 expenses towards maintenance of SSA assets would be non-plan.

## **BUDGET TERMINOLOGY**

**Annual Financial Statement for the Central Government:** The Financial Statement is the main budget document. The Annual Financial Statement gives receipts and expenditure of the government for three consecutive years. Details of actual receipts and expenditure (known as accounts or actual) for the preceding year, revised estimates (RE) for the current year and the causes for such revisions, and the budget estimates (BE) for the ensuing year are given in this document. The estimates of expenditure in the annual financial statement are shown separately for the sums required to meet the expenditure charged upon the Consolidated Fund of India and other expenditure proposed and need to be voted. The AFS presents expenditure and revenue separately for Revenue Account and Capital Account. The Annual financial Statement shows receipts and expenditures of the government the three parts, in which government's account are kept, namely 1. Consolidated Fund, 2. Contingency Fund, and 3. Public Account.

**Demands for Grants:** The Indian Constitution requires that estimates of

expenditure from the Consolidated Fund of India, which required to be voted by the Lok Sabha are submitted in form of Demands for Grants. The demands for grants are presented in the Lok Sabha along with the budget statements. Usually one Demand for Grant is presented in respect of each ministry or department. However, in respect of large Ministries or Departments more than one demand is presented. Each demand normally includes the total provisions required for service, that is provision on accounts of revenue expenditure, capital expenditure, grants to state and Union territory Governments also loans and advances relating to the services.

**Finance Bill:** Proposals in budget regarding the levy of new taxes, modifications in the existing tax structure or continuance of existing tax rates for further period are presented through the Finance Bill. The Finance Bill is presented to the Parliament immediately after the presentation of the budget. A memorandum explaining the provisions in the Finance Bill is also made available.

**Expenditure Budget Volume I:** Expenditure budget volume I gives revenue and capital expenditure of various ministries and departments. The estimates are given under plan and non-plan. It is divided into three parts, viz, Part I-General, Part II-Non-Plan Expenditure, and Part III-Plan outlay.

**Expenditure Budget Volume II:** The expenditure of various ministries and departments are given in detail in the expenditure budget volume II. The estimates made for an scheme/programme are put together and are shown here Major Head wise. The explanations given in Demand for Grants for proposed expenditure under various schemes/programmes are also included in this volume and, wherever needed, brief reasons for the variations in the estimates are also given.

**Receipt Budget:** Receipt Budget provides estimated income (receipts) of the government in detail. Estimates of receipts included in Annual Financial Statement are further analyzed in receipt budget. It gives details of revenue receipts, capital receipts and explains the estimates. Trends of receipts over the years and details of External Assistance received are also included in this document.

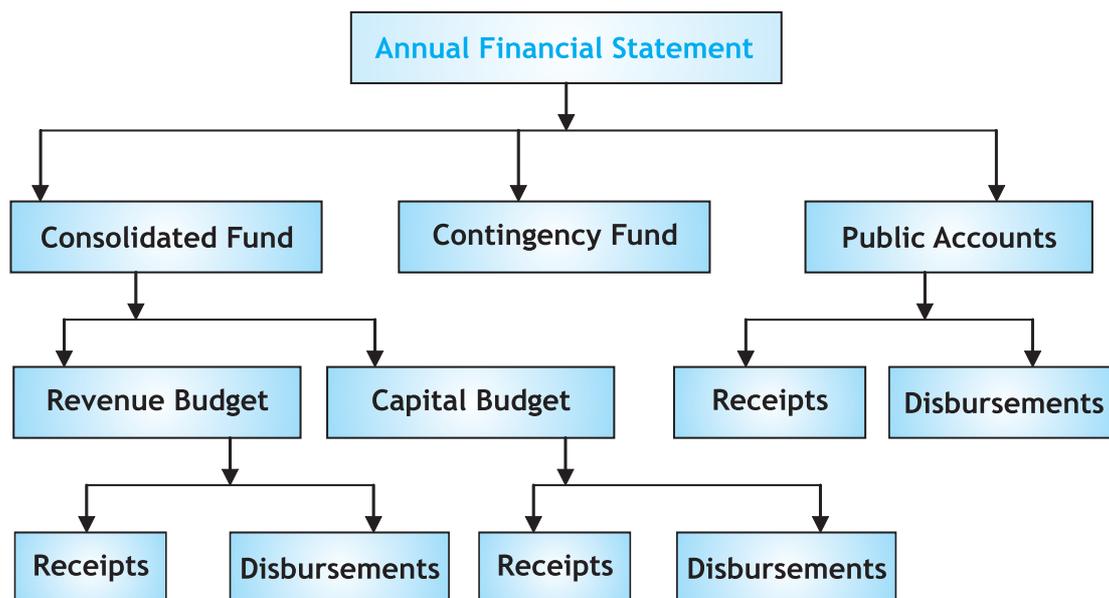
**Detailed Demand for Grants:** The Detailed Demand for Grants is laid on the table in the parliament some time after the presentation of the Budget in the parliament. These Detailed Demands for Grants show further details of the provisions included in the Demands for Grants as also of actual expenditure during the previous year.

**Implementation of Budget Announcement:** Implementation of Budget Announcement is a document indicating the status of implementations of the announcements made in the last year's budget.

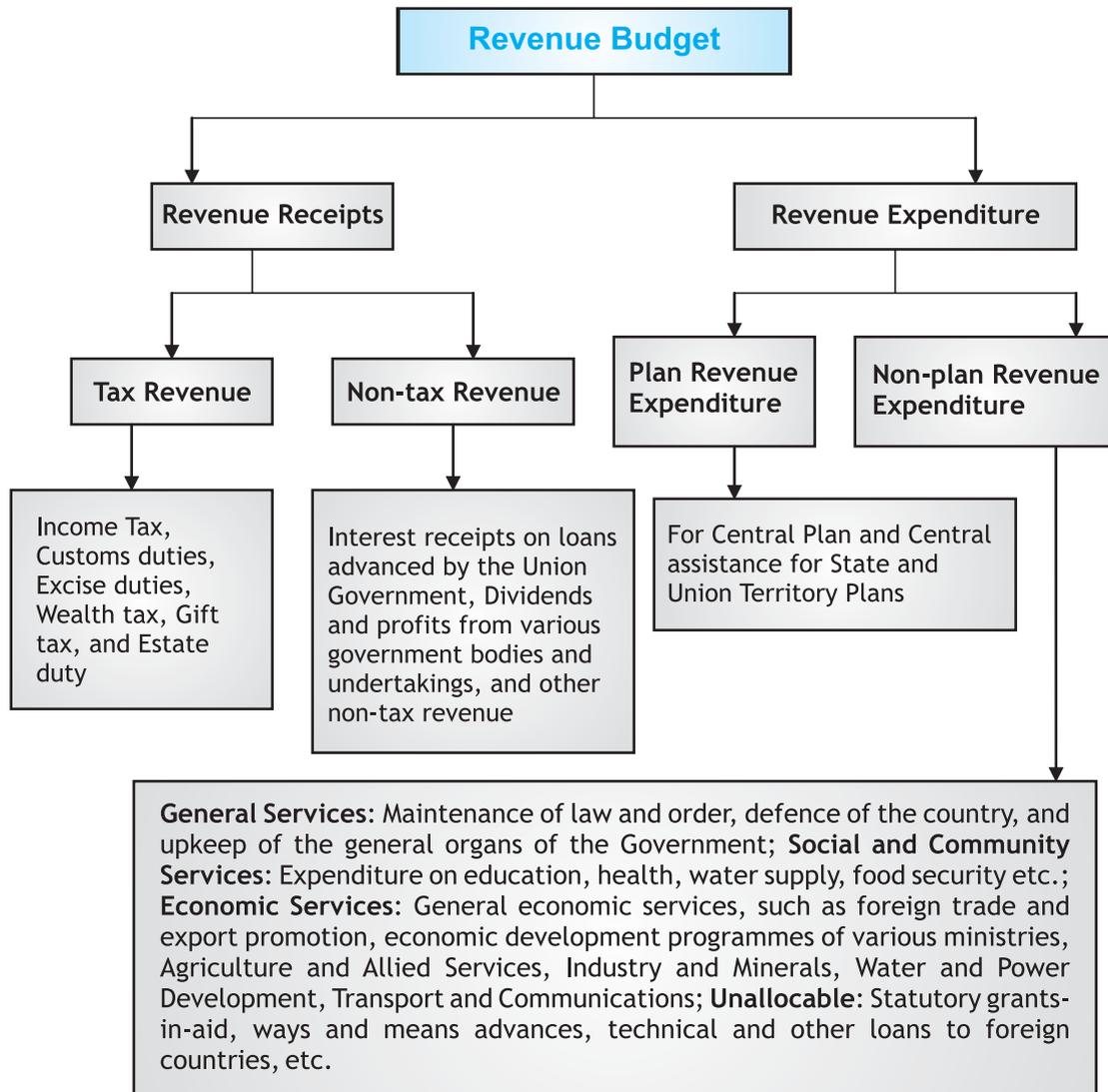
**Outcome Budget:** Recently, the Government also brings out an outcome budget having critical information on achievements and outcomes. However, this is done at a later phase of the year and is not published along with the budget documents.

Though the articles of the Constitution differ for the Union Budget and the State Budgets, the technical aspects, presentation style etc are same in both the cases.

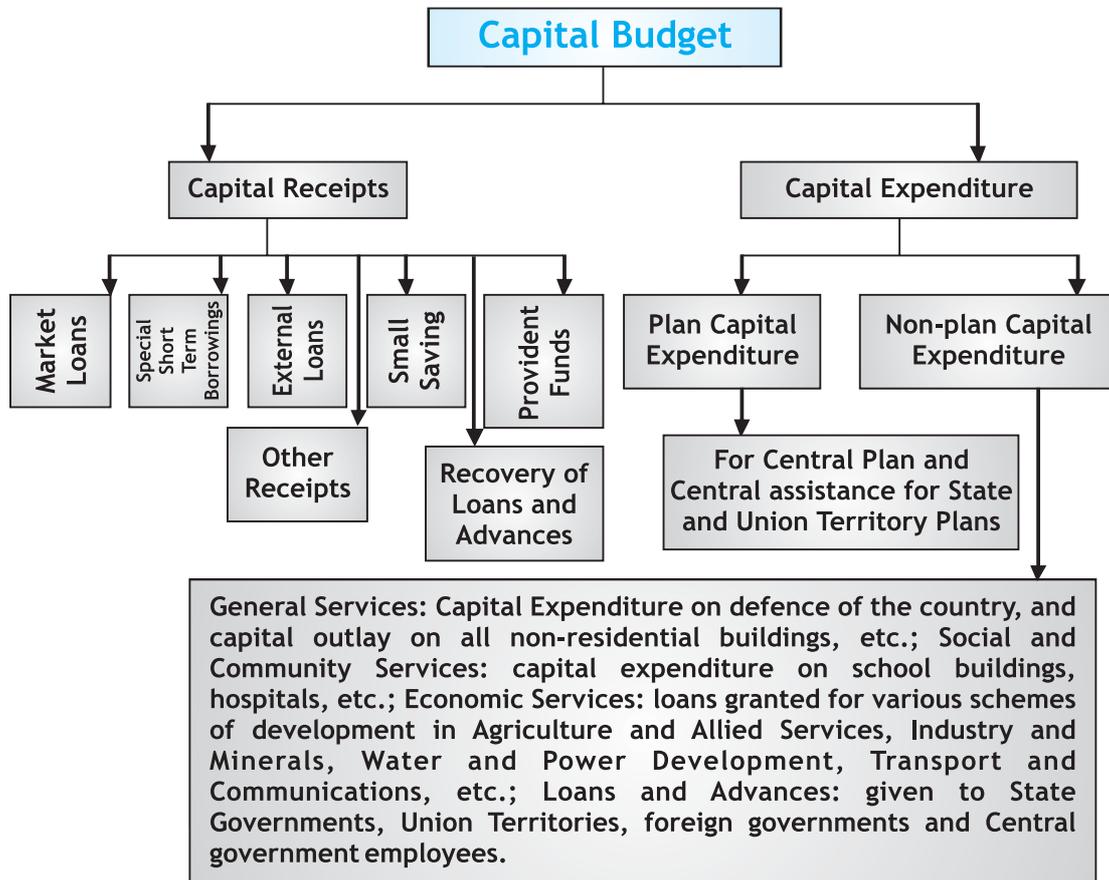
### Structure of the Annual Financial Statement in India



## Structure of the Revenue Budget



## Structure of Capital Budget



## BUDGET DOCUMENTS

### THE UNION BUDGET DOCUMENTS

Budget is usually presented in the parliament/assembly in the last week of February every year. The documents presented contain:

1. Budget Speech of the Finance Minister
2. Annual Financial Statement for the Central Government
3. Demands for Grants by the Ministries/Departments

4. Finance Bill
5. Expenditure Budget Volume I
6. Expenditure Budget Volume II
7. Receipt Budget
8. Detailed Demands for Grants
9. Implementation of Budget Announcement
10. Outcome Budget

## BUDGET ESTIMATES

We generally come across three different types of figures in all the budget documents. Those are, (a) Budget Estimates, (b) Revised Estimates and (c) Accounts

Budget estimates are prepared for the forthcoming year on the basis of the recommendations of the Planning Commission, Finance Commission and the individual ministry's Demand for Grants. These are pure estimated figures.

Revised Estimates are presented for the ongoing year and it encompasses the perception of the policymaker about the possible expenditure after considering the actual expenditure for at least five months.

Accounts are audited actual expenditure incurred on a particular head and is presented in the budget documents after two years.

The budget proposal for the year 2010-11 will be released on 28<sup>th</sup> February of the year 2009-10. In the document, we shall have Budget Estimate for the year 2010-11, Revised Estimates for the year 2009-10 and Accounts for the year 2008-09.

## READING THE BUDGETS

All the major items of expenditure are given a code number. The same codes are followed at State and Panchayat level budgets as well.

**Major Head** This is the main unit of expenditure and receipt or public debt and

loan and advances. It indicates a function of Government such as Agriculture, Education, Police, etc. A four digit number is allotted to each item, the first digit indicating whether the Major Head is a Receipt Head, or Revenue Expenditure Head, or Capital Expenditure Head or Loan Head.

If the first digit is '0' or '1' the major head represents Revenue Receipt,

'2' or '3' represent Revenue Expenditure,

'4' or '5' Capital Expenditure (4000 for Capital Receipt),

'6' or '7' Loan Head and

'8' represents Contingency Fund and Capital Account.

Adding two to the first digit of the Revenue Receipt gives the number allotted to corresponding Revenue Expenditure Head, adding another 2 gives the Capital Expenditure and another 2 the Loan Head of the same account, for example:

The Major Head '0202' represents the Revenue Receipt Head for "Education, Sports, Art and Culture"

So, the Major Head '2202' will represent Revenue Expenditure Head for "General Education"

And the Major Head '4202' will represent Capital Expenditure (Outlay) "Education, Sports, Art and Culture"

The Major Head '6202' will represent Loans for "Education, Sports, Art and Culture"

**Sub Major Head** A two-digit code has been allotted to each Sub-Major Head starting from '01' under each Major Head. Where no Sub Major Head exists its allotted a code '00'. '80' represents Sub-Major Head titled General.

**Minor Head** Minor Head denotes the various programmes under each Major head/ Sub Major Head. The Minor Heads are allotted a three digit code starting from '001' under each Sub-Major Head or Major Head (where there is no Sub Major Head). There are some standard Minor Heads for which codes are reserved, like '001' represents 'Direction and Administration', '003' for 'Training', and '800' 'for' Other Expenditure' etc.

**Sub Head** The Sub Head represents schemes for development expenditure or Organization for Non Plan expenditure under each programme Minor Head.

**Detailed Head / Object Head** Object head represents the Object (e.g. Pay, DA, Rewards, Gratuity, etc.) on which the expenditure is incurred.

## ACCOUNTING PATTERNS

The accounts of the Central Government and the State Governments are to be kept according to these heads. The accounts across the states are uniform at least up-to the minor head level. In this regard the governments have to follow the Government Accounting Rules, 1990 issued by Controller General of Accounts in the Department of Expenditure of the Ministry of Finance on advise of Comptroller and Auditor General of India. A document by Ministry of Finance, Department of Expenditure, Controller General of Accounts, titled "List of Major and Minor Heads of Account of Union and States" Volume I & II gives the list of the Major, Sub-Major and Minor Heads used in the budget. Article 150 of the Constitution describes it very clearly that the accounts of Union and State governments shall be kept in the form prescribed by the President of India on the advise of the Comptroller and Auditor General of India.

Following is an illustration of the accounting for the Major Head '2202', which represents the Revenue Expenditure on 'General Education':

As shown in the table taken from the document "List of Major and Minor Heads of Account of Union and States" Volume I, in the sub sector 'Education, Sports and Culture', 'General Education' is a Major Head for revenue expenditure. (For Revenue and Capital Receipts and Capital Expenditure 'Education, Sports and Culture' itself is a major head, as shown above.) There are 6 Sub Major Heads under this Major Head.

'Elementary Education' represented by 01 is a Sub Major Head. In all the states and union government budgets, revenue expenditure on Elementary Education is represented by 01 under Major Head 2202. There are various Minor Heads under each Sub Major Head. For example, 'Teachers Training' is a Minor Head under Sub Major Head 'Elementary Education' represented by '107'. So, Minor Head 107 under Sub Major Head 01 under Major Head 2202 will represent revenue expenditure on Teachers Training in budgets union and state governments.

## BUDGET CODES RELEVANT FOR EDUCATION SECTOR

MAJOR / SUB-MAJOR HEADS		MINOR HEADS
2202	General Education (1)	
	01 Elementary Education	
		001 Direction and Administration
		052 Equipment
		053 Maintenance of Buildings
		101 Government Primary Schools
		102 Assistance to Non Government Primary Schools
		103 Assistance to Local Bodies for Primary Education
		104 Inspection
		105 Non-Formal Education
		106 Teachers and other Services
		107 Teachers Training
		108 Text Books
		109 Scholarships and Incentives
		110 Examinations
		800 Other expenditure
	02 Secondary Education	
		001 Direction and Administration
		004 Research and Training
		052 Equipments
		053 Maintenance of Buildings
		101 Inspection
		103 Non-formal Education
		104 Teachers and Other Services
		105 Teachers Training
		106 Text Books

MAJOR / SUB-MAJOR HEADS		MINOR HEADS
		107 Scholarships
		108 Examinations
		109 Government Secondary Schools
		110 Assistance to Non-Govt. Secondary Schools
		191 Assistance to Local Bodies for Secondary Education
		800 Other expenditure
	03 University and Higher Education	
		001 Direction and Administration
		102 Assistance to Universities
		103 Government Colleges and Institutes
		104 Assistance to Non-Government Colleges and Institutes
		105 Faculty Development Programme
		106 Text Books Development
		107 Scholarships
		112 Institutes of higher learning
		800 Other expenditure
	04 Adult Education	
		001 Direction and Administration
		101 Grants to Voluntary Organisations
		102 Shramik Vidya Peeths
		103 Rural Functional Literacy Programmes
		200 Other Adult Education Programmes
		800 Other expenditure

MAJOR / SUB-MAJOR HEADS		MINOR HEADS
	05 Language Development	
		001 Direction and Administration
		102 Promotion of Modern Indian Languages and Literature
		103 Sanskrit Education
		200 Other Languages Education
		800 Other expenditure
	80 General	
		001 Direction and Administration
		003 Training
		004 Research
		107 Scholarships
		108 Examinations
		798 International Co-operation
		800 Other expenditure

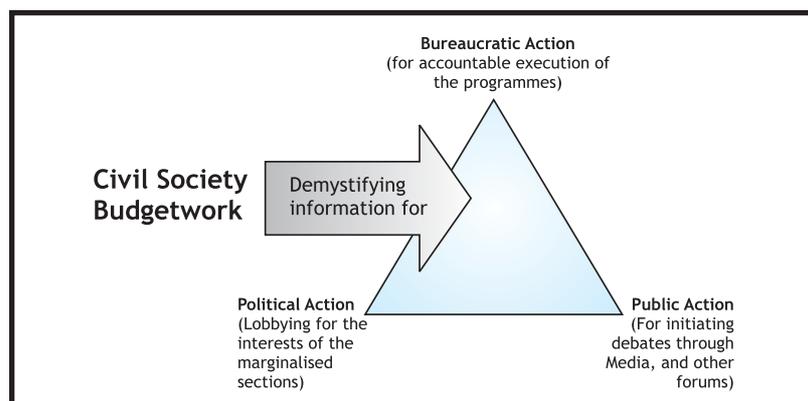
## CIVIL SOCIETY BUDGET WORK

The term “Budget Work” should be viewed as something broader than understanding the “Budget Documents” only. It refers to a proactive engagement of the Civil Society Organizations with the economic policy framework of the government either in whole or for a particular sector. Henceforth, while we deliberately use the term ‘BUDGET’ as a substitute for ‘ECONOMIC POLICY FRAMEWORK’ in which ‘budget documents’ are only instruments of the government and ‘BUDGET WORK’ as a substitute to the ‘PROACTIVE ENGAGEMENT OF CSOs’ in which, ‘budget analysis’ is only an activity.

### Why Civil Society Budgetwork?

- ◆ To make policy makers sensitive to popular needs and concerns
- ◆ Awareness on Government Performance
- ◆ Create Public Pressure on issues of the marginalised sections
- ◆ Engaging institutions of governance to empower the marginalised through advocacy and Capacity Building
- ◆ Strategize the use of knowledge to influence policies

### Box 3: Three Pillars of Action Based Budgetwork



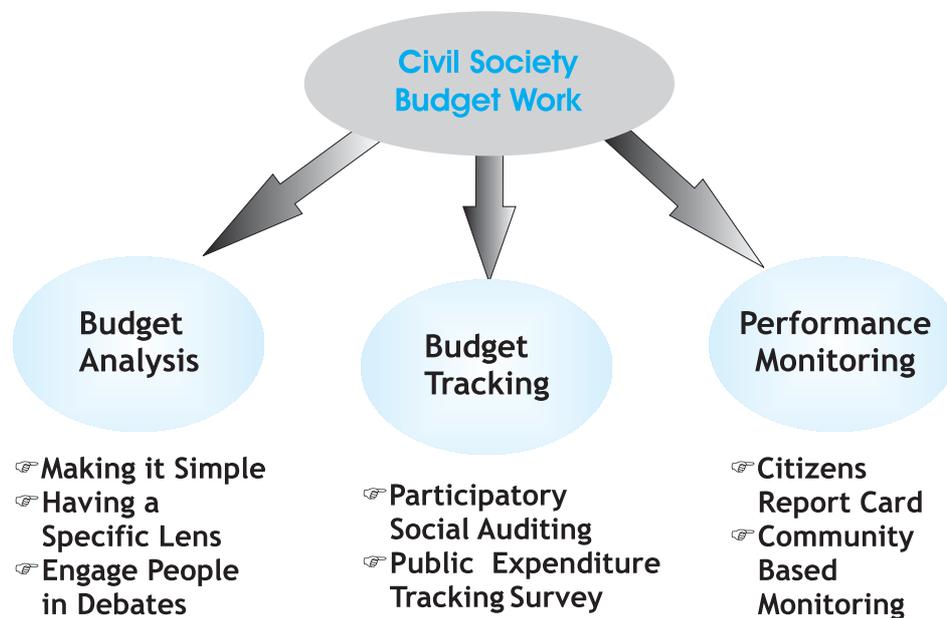
## 5.1 STEPS FOR CIVIL SOCIETY BUDGET ANALYSIS

Even though the following suggest a stepwise methodology, it is merely indicative. Civil Society Budget work is to be framed in the context of socio-political realities. It is aimed that adopting this methodology would enable highlighting some key elements in the process of engaging with economic policies, and not to be seen as the only way to doing the same as budget work is extremely context specific.

Three steps can be identified for Civil Society to undertake Budget Analysis:

1. Budget Analysis
2. Budget Tracking and
3. Performance Monitoring

### Steps Involved in Budget Work Methodology



## STEP-1

### BUDGET ANALYSIS

---

**Make it Simple:** This involves tasks like gathering information and converting it into a more comprehensible format. One can follow the below-mentioned steps.

#### *Obtaining copies of the budget document and other relevant materials*

In case of Union Budget, documents for some recent years are available on the Internet-hard copies of the earlier years are available in state level libraries, or libraries of some renowned institutions like NIPFP, NCERT, NCAER, CDS, etc. Some local MLA or MP can be a good source of information base.

#### *Understanding the government's programmes and priorities*

It is important to gauge the government priorities and compare those with the ideal. In this context, it may be useful to read other relevant materials dealing with financial priorities.

#### *Dissemination*

It is important that the analysis reach the policymakers as well as the common people on whom these policies have a direct impact. We should be extremely careful about the language, form of analysis, methods used and medium for dissemination.

Popularising our analysis among the common people can be a useful tool of political empowerment. One can strategically involve the most vocal people in the community. For example, one can go to the schools and brief the teachers as well as staff regarding budget trends and possible outcomes for the common people.

### FOLLOW UP ACTION

---

It may be accomplished through responding to the queries from bureaucrats, elected representatives, politically active groups and the local media on your analysis promptly and steadily. Regular communication with the village authorities relating to progress made in civil works and the gaps therein may provide a basis for deterrence against corrupt practices.

## HAVING A SPECIFIC LENS (TRIBAL BUDGET, GENDER BUDGET ETC)

Budget analysis is strengthened when a specific issue/group is highlighted and seen in relation to the overall financial policy. Looking at one particular department/ disadvantaged group in a detailed manner is also useful when civil society functionaries focus on certain key sectors/ groups and hence, correlating the financial policies to the beneficiaries becomes relevant. To cite an example, looking at the allocations made for education of the girl child over the years enables trend analysis and clarity on the issue:

## ENGAGE PEOPLE IN DEBATES

In the true spirit of democracy, it is significant to have public debates among the common people on the government resource allocations. While this may seem rhetorical, it has value in terms of localizing the issues and establishing the civil society group's credentials. Some pointers could be:

- ◆ Review budgetary allocations of the previous year and discuss proposals for the forthcoming year.
- ◆ Rank people's demands and seek accountability from the people's representatives.

## STEP - 2

### BUDGET TRACKING

Analysis of budget proposals only reveals the priorities of the government. Once funds are allocated, it is also necessary to track the ways it reaches the people. Some of us must have heard a popular rhetoric of our former Prime Minister Mr. Rajiv Gandhi that only 15 per cent of the central allocation finally reaches people. While the number can be contested, the point emphasized here is about the rampant corruption and leakages existing in the fund flow process. It is therefore necessary to track the financial commitments throughout the process of implementation. Another point of significance is that even in the absence of corruption, it is not necessary that the funds are being utilized properly. A simple mismatch could be that the programmes for flood control not be implemented in deserts; something highlighted time and again by the CAG. In almost every district of our country, we can see many government buildings left abandoned, as the purpose for which they were built could not be met. This is an issue related to

the lack of participatory planning process and information. As active budget advocates, we should be tracking all the government programmes related to our area of interest through its implementation as well. Some of the widely practiced tools of budget tracking are as follows.

Participatory Social Auditing

Public Expenditure Tracking Survey (PETS)

Participatory Social Auditing

Social auditing is a very important step in terms of accountability and making budgets responsive to the needs of those living in poverty. The following steps may be followed while conducting social audits.

## TASKS

***Civil Society and interested NGOs can be brought together*** to address government's transparency and accountability related to public funds allocated for education. (viz. building schools, distribution of textbooks, Mid-Day -Meal, drinking water facilities etc.)

***Field Surveys*** can be conducted to investigate potential discrepancies in what the government claims and experiences of the local residents including parents and children.

***“Right to Information”*** can be used to view the bills, vouchers and attendance sheets from the relevant offices.

Technical details in these official documents ***can be interpreted in simple manner*** as done by the MKSS in Rajasthan in crosschecking stories told in the official documents with the villagers.

***Public hearings*** can be organized inviting everyone, including elected representatives and local government officials, teachers and media.

## PUBLIC EXPENDITURE TRACKING SURVEY (PETS)

In the absence of reliable administrative or financial data, PETS can be employed to track financial commitments. It is a quantitative survey of the supply side of public services. The unit of observation is typically a service facility or local

## Social Audits — The MKSS Way

Against the backdrop of rural Rajasthan, the largest state in India, an organization called the Mazdoor Kisan Shakti Sangathan (MKSS) has, in a little over a decade, developed into one of India's most potent social justice movements. The organization is a union of peasants and workers and has successfully demonstrated the power of information as an effective tool to enable citizens to participate in governance. The MKSS uses innovative forums called public hearings — also called social audits — to facilitate structured and focused discussions among residents on government expenditures of public development funds in their communities.

MKSS-sponsored public hearings have had a significant impact in limiting corruption in public works projects in rural Rajasthan. The success of MKSS social audits has even influenced the state government of Rajasthan to introduce aspects of social auditing within local governance processes. The state government now requires that a social audit be held annually within each village; as part of this process, all village residents must be given an opportunity to vote on a resolution verifying that the projects in their village have been successfully completed. While this process has its limitations, it represents a radical change in the institutional space provided to citizens to *audit* public funds.

Typically, a social audit conducted by the MKSS includes five stages:

**Gathering Information:**

**Collating Information:**

**Distributing Information:**

**The public hearing:**

**Follow-up to the public hearing:**

Excerpts taken from < <http://unpan1.un.org/intradoc/groups/public/documents/un/unpan024549.pdf> >

A social audit is an examination of the accounts of an area by residents. Much like a financial audit, during a social audit, a review is conducted of the 'true and fair' picture of the fund flows in the area. However, a social audit emphasizes the physical examination of the expenditures on development projects by residents of the area who are witness to the actual development work/program, which is a unique strength of the social audit process. In Rajasthan, in village meetings held in ward and gram sabhas, government expenditures on development projects are reviewed by the residents and they pass resolutions after the social audit approving the completion of a project

Taken from, Ramkumar Vivek, "Beyond Democratic Rights and Electoral Reform Campaigns: Challenges facing Non Party Political Movements" available at < [http://www.freedominfo.org/documents/beyond\\_vivek.pdf](http://www.freedominfo.org/documents/beyond_vivek.pdf) >

government. In our specific case, it may be a school, a BRC, a CRC or even an NGO associated with some schemes running in the school. The organization undertaking PETs collects information on quality of facilities, financial flows, services delivered, accountability arrangements etc.

## TASKS

---

- ◆ Determine demand and supply of services
- ◆ Assess the perception of the common users on service delivery.
- ◆ Collect data on budgetary allocations.
- ◆ Determine where and how the allocated sum gets spent
- ◆ Display your analysis in notice boards or posters and keep those in public places.
- ◆ Prepare audiocassettes on talks on such discrepancies and try to broadcast the information through radio channels and public meetings during mela and other village functions.

## STEP - 3

### PERFORMANCE MONITORING OF KEY SERVICES

---

The following can be adopted as tools for performance monitoring

Citizen's Report Card

Community Based Monitoring

### CITIZEN'S REPORT CARDS

---

Citizen's report cards on educational services are survey instruments to tap information on peoples' awareness about government run programmes, access to basic educational services and quality.

Preparation of such report cards involves several steps some of which may be the following.

**Planning and Preparation:** largely involves preparation of case studies and focus group discussions with the common people in the vicinity of the school.

## Statistical and Analytical Groundwork

**Dissemination:** through simple communication tools

**Advocacy and Monitoring:** Facilitation of the findings to the media

## COMMUNITY BASED MONITORING

Community based organizations measure the performance of a government agency by obtaining information about its outputs over a certain period of time and

### ROLE OF DATA

The very foundation of budget work is data and all budget work starts from analysing the data itself. Therefore collection of data for relevant aspect of budget work in which we are engaged is most important. Budget documents are the primary source of data for us. However, it is extremely difficult to extract data from the budget document on tribal development at a very disaggregated level. We may find total expenditure on SC/ST and OBC from the budget document. But for sure we cannot say what is the share of tribals in the budget allocations. Therefore, we may have to take resort to a number of other publications and documents on tribal development. Again, the secondary data may not be sufficient for the purpose of people centred advocacy. We may take resort to collection of primary data also.

Data can be primary and secondary. Secondary data are those available in published documents and sources. All other forms of information in its crude form constitute primary data. One has to gather primary information from the locality/field concerned.

Primary data collection methods include

- ◆ Sampling
- ◆ Preparing Questionnaire
- ◆ Rapid Action Survey
- ◆ Participatory Rural Appraisal
- ◆ Case Study Method

Some of the commonly used data analysis methods are

**Impressionistic Inference**

**Logical Deductions/Inductions**

**Statistical Inferences** based on tools like Aggregates, Averages, Real and Nominal Value, measures of Central Tendency, Measures of Dispersion, Correlation and Regression, etc

comparing this with the publicly declared outputs of that agency. The process to be followed may be along the steps as drawn below.

- ◆ Setting-up indicators for monitoring of performance:
- ◆ Generating credible and sufficient data:
- ◆ Data analysis and comparison with the established indicators:
- ◆ Give feedback of findings to government agencies concerned

**Note:** All the processes discussed here are drawn from the experiences of numerous CSOs engaged in budgetwork. Some systematic inputs have been taken from the following references

## 5.2 CRITICAL ENTRY POINTS FOR CIVIL SOCIETY BUDGET WORK

Refer to Chapter 2 of Primer II on phases of the budget cycle. Four phases of the Budget Cycle were explained. This chapter deals with providing the suggested role to be adopted by functionaries of CSOs/NGOs to effectively integrate budget analysis into their advocacy initiatives.

### PHASE I: FORMULATION PHASE

#### WHAT ROLE CAN WE PLAY AT THIS PHASE?

The formulation of budget usually happens behind closed doors. However, the Finance Minister and the government do have rounds of consultations with various individuals and groups before finalising the budget proposal. There are many institutional (and individual) actors influence various stages of budget cycle, in particular, the formulation stage (see Chart - 3). We can also place civil society organisations as a potential actor that influences budget cycle. But generally the civil society has little or no direct access to budget making and stages that follow after. The budget is hardly formulated from scratch; major parts of it might be anticipated by stakeholders outside the government. This creates an opportunity for CSOs/NGOs/CBOs for analysis and advocacy at the formulation stage. During the formulation of the budget, CSOs/NGOs/CBOs can release analyses on issues/sections of population that ought to be prioritized with the hope of influencing the budget being formulated. There might also be opportunities for us to establish formal and informal contacts with executives at the Finance Ministry and other government ministries/departments.

## PHASE II: ENACTMENT PHASE

---

### WHAT ROLE CAN WE PLAY AT THIS PHASE?

This is the stage of budget cycle that CSOs/NGOs/CBOs find more appropriate and comfortable to provide input. Since public discussion on budget proposals are natural to happen when the budget is presented in the parliament/assembly, this creates ample opportunities for CSOs/NGOs/CBOs to work with media to present their analysis/findings to larger public. Also, CSOs/NGOs/CBOs can organise public meetings to initiate public debate on the budget proposals where they can also share their analyses/findings. This stage is more crucial as it provides most scope for the CSOs/NGOs/CBOs to work with legislatures who actually enact the budget. They can organise meetings for the legislators and present analyses in order to prioritise their demands.

## PHASE III: IMPLEMENTATION PHASE

---

### WHAT ROLE CAN WE PLAY AT THIS PHASE?

Implementation is an executive function. Unless the government/executive comes out with regular updates on status implementation/ expenditure or issues public reports on a regular basis, the role of CSOs/NGOs/CBOs who wish to monitor the implementation or fund flows becomes limited. However, there are a number of innovative tools that various CSOs/NGOs/CBOs have created to promote transparency and accountability. Groups like the MKSS have pioneered in seeking public accountability through social audits and public hearings. CSOs/NGOs/CBOs can engage in monitoring activities to check corruption practices or misuse of public funds/resources. Also, CSOs/NGOs/CBOs can demand budget reforms towards transparent, participatory and accountable governance or budget practices.

## PHASE IV: AUDITING PHASE

---

### WHAT ROLE CAN WE PLAY AT THIS PHASE?

This stage of budget cycle provides a valuable opportunity for CSOs/NGOs/CBOs to assess budget outcomes. It is a stage to culminate rhetoric and seek accountability. CSOs/NGOs/CBOs can obtain information on the effectiveness of particular budget proposal and see if the legislatures and executives respond

appropriately to the findings of audit reports. This is an area of budget cycle where CSOs/NGOs/CBOs have not sufficiently exploited the potential opportunities. Audit reports provide us vital information like misuse of public fund, mal-expenditure, and procurement irregularities etc. CSOs/NGOs/CBOs can spread these information to strengthen their efforts to promote transparent, participatory and accountable governance.



## REFERENCES

Bhatt Mihir R., (2000), “Alternative Budget Analysis: DISHA’s Experience”, Foundation for Public Interest, Ahmedabad.

National Centre for Advocacy Studies, “Resource Kit for People-Centred Advocacy & Campaign Building”, Pune.

TPFSD, “Social Development of Dalits and Tamil Nadu Government Budget: A Critique”, Tamilnadu Peoples’ Forum for Social Development, Tamilnadu.

ISODEC, “Budgeting for People-Centred Development: An Information Resource Including Reports of three workshops on People -Centred Budget Advocacy.

International Budget Projects, “Civic Engagement in Public Expenditure Management-Methods/Initiatives”.



**Centre for Budget and Governance Accountability**

A-11, Second Floor, Niti Bagh, Khel Gaon Marg, New Delhi - 110 049, INDIA

Phone: +91-11-4174 1285 / 86 / 87 Email: [cbadelhi@vsnl.net](mailto:cbadelhi@vsnl.net)

[www.cbgaindia.org](http://www.cbgaindia.org)