What is Budget Analysis

Budget analysis is a tool used by development actors to build public accountability and a pro-marginalised focus into public expenditure management and budget processes. It aims at influencing the allocation of public funds and making them transparent.

Budget analysis entails analysis and assessment of budget from the lens of marginalised sections of population with the objective of prioritisation of public expenditures and collection of revenues in ways that are socially equitable. It can be used for monitoring different stages of the budget process to determine the extent to which policies translate into outcomes. If the substance of the budget becomes increasingly comprehensible to more people, the increased interest and open debates facilitate a better flow of information that can assist the communities to articulate demands and pressure to establish accountability within the public expenditure system.

Some of the most celebrated case studies of social accountability initiatives across the globe include mechanisms dealing directly with the process of public expenditure, that have analysed budgets to make public spending more transparent, accountable and responsive. Some examples of successful budget analysis work are discussed below:

The pioneering work done by Gujarat based civil society organisation, Disha is firmly rooted in a right's based framework. It set the momentum for budget work in India. Disha works with a mandate to promoting social change in favour of forest workers, and focuses on providing data in support of the struggles of labourers and forest dwellers. After Budget is presented, Disha reviews

**Case Study 1** - Gujarat based CSO, Disha's budget arm 'Patheya' studies the State budget to assess how well budget policy and priorities reflect interests of the poor and marginalised, in particular indigenous communities. DISHA's findings in past revealed that state government allocation towards welfare of tribal population in the state was less than 15% as mandated by the law. It strategically publicized its findings and pressurised the government to take up the issue. As a result, the allocations towards the welfare of tribals improved (albeit moderately) and utilisation of allocated funds has improved significantly.
allocations for different beneficiaries, prepares briefs looking at discrepancies between estimated and actual expenditure, disseminates these widely, also sending to legislators for being used in debates in the Legislative Assembly and advocates for change. The analytical work of Disha revealed some disconcerting findings regarding spending for 'tribals'. It used a number of strategies to publicize its findings and pressurised the government to take up the issue. As a result, the allocations towards the welfare of tribals improved moderately, and the implementation of the schemes and utilisation of allocated funds has improved significantly. The latter has been largely due to innovative mechanism developed by Disha. Once the budget is approved, Disha informs the elected local village councillor of the amount allocated for various local projects.

IDASA is one of the earliest global examples of pioneering work on budget analysis. The Children budget unit (CBU), a project within Budget Information Service at IDASA carried out research regarding budgetary allocations for the well-being of children in the country. CBU analysed implementation of various schemes and made recommendations to better design programmes to strengthen child rights. This was done through:

- looking at income/expenditure data to determine the number and percentage of children below poverty line
- examining budgetary provisions towards schemes/programmes for children, implementation of these schemes and monitoring whether allocated funds reach their destination

Case Study 2: The Institute for Democracy in South Africa (IDASA) was known for its work on supporting the consolidation of democracy in South Africa by building civil society and governance institutions. Budget Information Service (BIS) has been a major program within IDASA that provides timely and accessible public policy information on the impact of the budget on poor South Africans. The different units of BIS formed strategic partnerships with social movements in order to expand their effectiveness, made advances for holding the government accountable for use of public budgets, it helped affect changes to allocations and expenditures in various sectors and localities.

Case Study 3: Sikika, a civil society organisation in Tanzania used open budget tools to challenge the rampant abuse of discretionary allowances by government officials. In 2006, Sikika started to issue an annual Health Sector Budget Analysis, which was presented each year at the annual Health Sector Review, an exercise bringing together government, donors, and CSOs. In an attempt to reduce wasteful government spending, Sikika launched a campaign with a coalition of Tanzanian civil society organizations to monitor “unnecessary expenditures” used for slush funds in the ministry budgets. Their expenditure tracking and budget analysis exercises combined with technical assistance and engagement with government officials helped bring this issue to the attention of the national government, including the Prime Minister, as well as the general public.
Purpose

Budget analysis can be put to several uses. An exercise in analysing budgets could lead to the following:

• Influencing budget allocations: by identifying the funding gaps, budget analysis stimulates the need to advocate for increased budgetary provisions for a sector or greater equity in budget allocations.

• Enhancing targeting of funds for disadvantaged groups, including women, children and dalits and advisasis: budget analysis can help empower vulnerable groups by giving voice to their concerns and ensuring that funds address their needs more closely.

• Wider information sharing and public understanding of the budget: budget analysis helps to make citizens aware how budget allocations impact their daily lives. It unpacks the technicalities of budgets, increases their accessibility, thereby increasing transparency in the budgetary process.

• Initiating debates on sector specific implications of budget allocations: A thorough analysis of budget allocations can contribute to public debates on budget issues and what the governments need to deliver with the use of scarce public resources.

• Informing revenue policies: By analyzing the impact of taxes and tax reform on different groups in society, budget analysis can help ensure greater equity in revenue collection

Strengths and Challenges of Budget Analysis work

A good analysis of budget issues requires comprehending the technicalities of budgets, understanding important provisions in the budgets, and the ability to analyse them. All this needs to be handled with political finesse to be able to put it to a meaningful end. These skills can be developed gradually over time. While budget analysis is being increasingly used to assess the government’s investment priorities by those who have analytical thinking ability, however, it is important to keep sight of the challenges this work does confront.

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<tr>
<th>Strengths of budget analysis work</th>
<th>Challenges of budget analysis work</th>
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<td>increases transparency in the budget process</td>
<td>uneven access to information</td>
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<td>enhances budget literacy of civil society at large</td>
<td>budget analysis expertise is often unavailable at civil society level</td>
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<td>promotes improved targeting of budget allocations</td>
<td>lack of follow-up on the part of government on recommendations from budget analysis work</td>
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<td>promotes increased equitable distribution of public spending</td>
<td>participation may be limited to certain few with the desired skill set</td>
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Elements of Budget Analysis

The prerequisite for getting involved with Budget analysis work includes collection, analysis and dissemination of information, mobilisation of public support, advocacy and negotiating for change. The important elements of this work can be listed out as:

- **Capacity to understand and analyse the budget-** You need to understand budget terminology, methods of topic categorization, standardized accounting classification, what document to look at for examining the issues identified. Training and the development of guides and training materials by the organization conducting budget analysis helps build specific skills for this.

- **An understanding of the Ministry, Department and the functioning of the government apparatus that cater to the schemes that are being examined.** It is important to be updated on the policies and funding mechanism meant for the schemes.

- **Carrying out analysis of**
  i) budget allocations and declared policy priorities,
  ii) trends in budget allocations over time (this helps illustrate the government’s commitment to address the issues in a given sector),
  iii) allocations to different groups, regions, sectors

- **Dissemination of information-** An important contribution of Budget analysis work in demystifying the budget technicalities is through producing budget briefs written in a simple easy to understand format. Working with the media to disseminate information is a crucial ingredient in a successful budget analysis work. This includes providing information in a timely manner and cultivating contacts with journalists/media outlets.

- **Building partnerships-** Forging linkages with broad based organisations and networks is important to a successful strategy for influencing government budgets. Such support helps in engaging with like-minded government officials and parliamentarians. Sharing information with coalition members increases the reach of your findings. Oversight bodies such as audit institutions also can be natural, powerful allies, and can serve to open the doors to participate in budget debates.
SIX-STEP FRAMEWORK FOR BUDGET ANALYSIS

**Step 1**
Identify the issues that you want to examine

**Step 2**
You should understand the Ministry, department and administrative apparatus of govt. dealing with the scheme. Have an understanding of design of above schemes

**Step 3**
Example: if education is code 1, primary education is sub-head 01, training under primary education would be 101, which would be further divided into diverse expenditure components like salaries etc.

**Step 4**
Evaluate availability of funds earmarked for that issue. Also study the funds for other components within the education sector for example: look at trends of allocation over time, per unit allocation etc.

**Step 5**
Use bar diagrams, pie charts, graphs, with notes to highlight main points like allocations for the sector, increase/decrease in resources, new items proposed, old schemes discontinued etc.

**Step 6**
Prepare briefs, highlighting, disseminate to relevant stakeholders, Reach out to Legislators before debates in the House, Brief the media

Dissemination, General Advocacy, Monitoring
Budget Analysis Focusing on Union Budget

How to read technical documents in the Union Budget?

The expenditure proposals in the Union Budget are classified either on the basis of Departments that will undertake the specific expenditures for which there are Demand numbers, or on the basis of specific services which are delivered through a particular expenditure for which there are Major Heads of account.

Demand Numbers
The estimates of expenditure for various Ministries/Departments are in the form of Demands for grants. When a Ministry/Department is handling a number of different functions, a separate Demand for each of its major functions is submitted. Each Demand for Grant shows the total amount required for a function during the year showing revenue and capital expenditure separately.

Demand No. Ministry/Department
1 Department of Agriculture and Cooperation
55 Dept. of Elementary Education and Literacy
56 Dept. of Secondary and Higher Education
93 Ministry of Tribal Affairs

Major Heads
Major heads are four digit codes, which have been allotted to specific services delivered by the government—following distinct patterns for revenue receipts, revenue expenditures, capital receipts and capital expenditures.

If the first digit of the major head is "0" or "1" the Head of Account will represent Revenue Receipt, "2" or "3" will represent revenue expenditure, "4" or "5" Capital Account, "6" or "7" Loans and Advances, and "8" or "9" Public account.

Examples of Major Heads:
0401 Crop Husbandry (Revenue Receipt)
2401 Crop Husbandry (Revenue Expenditure)
4401 Capital Outlay on Crop Husbandry (Capital Account)
6401 Loans for Crop Husbandry (Loan and advances account)
2210 Revenue account disbursement for Medical and Public Health
4210 Capital account disbursement for Medical and Public Health
6210 Loans for Medical and Public Health
Various Approaches to Budget Analysis

Budget analysis can be carried out by using any one or more of a wide variety of approaches discussed here:

- **Analysing budget policies** - This would include a thorough scrutiny of the fiscal and economic assumptions on which the budget proposals of the government are based. The process helps understand how is the budget expected to affect the government’s deficit targets, as well as such economic outcomes as inflation, growth, and employment.

- **Sectoral Analysis** - The most common type of analysis undertaken under budget analysis focuses on a particular sector of the economy. The assessment usually involves evaluation of the inadequacy of the allocations made towards the particular sector. This involves a comparison of allocations made for that sector with investments in other sectors. This may also take into account a comparison of spending levels across countries.

- **Analysis through specific lens** - In this, a comprehensive analysis of the extent to which government is using the budget to deliver socio-economic rights of different disadvantaged sections of population is done. In India, government budgets can be assessed from the perspective of a disadvantaged section of the population such as women, children, Dalits, Adivasis, disabled, etc. This involves looking at expenditure towards different programmes and budgetary strategies implemented by the relevant Government Departments.

- **Analysis of trends in budget allocations over time** - This type of analysis illustrates the upward or downward movement of spending levels over a given period or number of years being made towards covering deficits in a given sector. The analysis may even reveal stagnating levels of expenditure in that area for several years.

- **Revenue analysis** - The more commonly carried out budget analysis focuses on social sector expenditures. When undertaking budget analysis, it is important to know that tax policies have an equally important redistributive impact on the society. Such an analysis that focuses on tax and revenue aspects of the budget makes a comprehensive assessment of the impact of tax policies, compares existing level of tax–GDP ratio, and probes tax exemptions. It also covers digging out the extent of revenue loss due to tax evasion practices.
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