

# **Influencing Orissa State Budget in favour of the Poor and Marginalised**

An Evaluation Report

*Submitted by:*

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# Reflections on Budget Analysis in CYSD

## Introduction

The budget work taken up by CYSD is now three years old. This report is meant to be a reflection by an outside practitioner of budget analysis in India of the work done in CYSD. As one who has over the years worked in Orissa on different development issues, I plan to examine this work in the light of the pre-existing situation, and examine what has been achieved. On this base, I will make some recommendation about what seems possible and desirable in the next three years. This report is based on a visit to CYSD between November 2 and 5, 2005 in which I interacted with staff in CYSD, and met with those who have contributed in some way to this work. This paper is *not* an evaluation of impact. It is rather a pointer to where this work can now aim based on the foundation created in the recent past.

The budget work in CYSD is part of CEPRA—the research wing of the organisation. Three persons are concerned with this work. CYSD has deployed a well qualified team which has over the years built up its specific competence in this field.

The focus of the work has been on an analysis of the Orissa state budget, with an emphasis on the social sectors and the poor. To complement this, CYSD has plans to collect data at the district level in 3 of the 5 districts where it has field offices. The idea here is to link local budget work to the work on panchayati raj that CYSD is doing, so that the additional information strengthens both efforts. This programme has brought out several reports that will be discussed below.

## Objectives of Donor Support

These may be summarised as follows:

- To Build Institutional Capacity in CYSD
- Help Demystification of budgets
- Pro-poor bias and increase in social expenditure
- Debate on priorities based on analysed data
- Creation of advocacy network

This report will reflect on the extent to which CYSD has worked on these lines, and what the organisation has achieved. But before doing so, it is necessary to examine the context in which CYSD works—the Orissa context.

## The Context of Orissa

- Orissa is a state with poor Human Development levels. The recent Human Development Report of the state has brought out clearly that even with low average levels of the HDI, there are vast disparities, with absolute levels being dismal in many of the states districts. It is a state in which there is no alternative to the state for the

provision of essential services to the citizens. And over the years the state has not been very successful in reducing disparities of various kinds. In such a situation, the first task of budget analysis is to try and understand what the state has done by way of meeting citizen expectations. What have been its priorities? How have these changed over time? How would CYSD like to influence this process?

- Orissa is a state with no history of civil movements. Unlike say Kerala, the most depressing conditions do not lead to mass protests and agitations in this state. Either the people are passive, with low expectations, or they lack the leadership and vision to channelise their grievances into demands for steps that will improve their lot. Budget analysis is a useful tool for civil society when it gets organised. What exactly can it achieve in Orissa?
- Orissa is a state with a strong, entrenched, and unresponsive bureaucracy. In the districts, it is the Collector who represents all authority. In the state governments, while the members of the Legislative Assembly are important in the political process of governance, many have narrow interests and no vision. The result is that the responsibility for governance falls much more on the civil service in Orissa than in other states where the political masters work towards clear goals with defined political constituencies. For change to happen in Orissa, the civil servants must support it. Working with, and trying to influence, these civil servants is essential in this state.
- This means that any budget work, to be effective in Orissa, must have the long view. A long term determination to work is essential. Three years in this context is a small slice of time. CYSD is prepared to persist over the long haul. This work is a beginning.

#### CYSD's Achievements in Budget Work

In the space of three years, CYSD has made good progress. It is in line with the proposals made to the donor. Specifically,

- A competent team is in place within the research wing of CYSD. It can interact with colleagues working on related issues, and this team can provide them with analysis based on budget data. CYSD has a set of expert advisors upon whose expertise it can draw. The key adviser for the budget work is Dr Bhagwat Patro, who teaches in the University of Berhampur. A retired IAS officer, who has many years of experience in the budget section of the Finance Department, is also an adviser to this team. This is an excellent beginning.
- Co-operation with the Government of Orissa has been established. CYSD has excellent access to the basic data in the Finance Department. This is the raw material for this work, and it is important that this is not an issue of concern.

- The understanding of budget processes has been institutionalised. The team has a clear understanding of how the budget is formulated, of how allocations are made, and how the budget is implemented. The system of accounts recommended by the Comptroller and Auditor General has been internalised and the details of line items etc clearly understood. This is also true of the administrative and legal processes that a budget analysis must comprehend.
- A particularly impressive accomplishment is the development in house of software for the storage and analysis of budget data.
- A number of workshops based on the work done have been organised for different groups of people—from NGOs to panchayat members to citizens.
- Publications are available for review. A list is appended. Particularly useful is the draft on the meaning of budget terms. This will be most useful to all who work with budgets, and not just in Orissa.

#### Review of CYSD's Budget work

For an organization that had an activist agenda, the move to budget work is interesting. Based on the experience of Disha in Gujarat, and with the support of Madhusudhan Mistry, its founder and the pioneer of civil society budget work in India, the aim in CYSD is to use budget information to influence policy in a pro poor direction. Given the extreme levels of poverty in the state, this is as it should be. The objectives of CYSD and the donor match perfectly.

By locating the budget work in CEPRA, CYSD has also shown its commitment to analytical rigor in its work. The team, while small, is competent. In the past three years it has deepened its understanding of budget processes. In budget work, which requires different kinds of skills and aptitudes, CYSD has done well. The economic base in public finance is clear. The accounting base required has been mastered, in the sense that the system of accounts recommended for the states by the CAG has been understood. In fact, I am quite impressed with the Dictionary of Budget Terms that I saw in draft during my visit. It is a useful document. What it requires before publication is editing and some expansion, which I have shared with the team. For example, it is desirable to include the terms and concepts relating to the state finance commission. This Dictionary will be useful well beyond the borders of Orissa.

The long term study of state spending on social services from the mid 1990s to the mid 2000s is a valuable contribution. I know of few studies in other states that have tried such an ambitious exercise. There is a lot of work involved—just to collect all the information is an achievement. The study has shown distortions over this period and provided the base for a public debate in which corrective action can be taken. A study of this kind should be valuable for the Poverty Task Force set up by the Orissa Government. If it has not been shared with them, it should be, and formally.

The study of Orissa's debt is valuable, and carries with it a warning to the government. The report talks of Orissa being on the *brink of insolvency*, when the analysis shows that it already is in a debt trap, having to borrow to pay current requirements and interest on past debt. I do not know why the report takes such a soft line, given the analysis. The report would be even more useful if some steps to correct the situation are discussed.

I realize that options identified may not be accepted by the powers that be. Yet, in identifying the possibilities, a base for public debate, on facts, would be brought about—it does not exist today. For example, what is the potential for improved tax collections? How will the newly introduced VAT affect the state's revenue position? What is the potential for revenue raising in the local bodies? Experience in the past, as in the case of the issue of plastic card driving licenses, has been bad, but it can be argued this was bad administration, not bad planning. Panchayats in other states have improved their own resource position dramatically. The possibilities must be explored in some depth in Orissa, even if this one report may not be the place for it.

Again, the report does not look at the possibility of greater efficiency of expenditure as a part solution. My suspicion is that it should be possible for the state machinery to deliver at least the existing level of services at a lower cost—in other words, as the Americans say, “more bang for the buck”. A study of the unit cost of running a school, or a primary health centre, across districts, is likely to show wide variations within the state. If the goal is set of all districts meeting the unit cost of the most efficient district within the state, a great economy will be achieved. Since the target is for a level of efficiency already achieved within the state, it is not open to the objection that Orissa cannot be compared, for example, to Tamil Nadu. [That could be the second step, when this has been achieved.] And this will set up a concrete basis for an advocacy programme, which will mesh nicely with the goals of CYSD.

The gaps that exist in budget related information below the state level have been identified. For example, CYSD has learned that it is difficult from the state budget to derive figures of allocation at departmental level in the district panchayats. This type of understanding will be useful in both workshops, and in encouraging civil society to use the new Right to Information law for this purpose. While I was visiting CYSD a workshop on how to use the RTI was held, with wide participation. The discussions brought out the need to spread understanding of the RTI and to put pressure on the various arms of the government by using it. It was pointed out that the rules made under the law were rigid and stringent. There is no other way than using the law, and appealing to the Information Commissioners, to move forward. The ground work seems to have been laid—now budget information can be an important way of moving forward. A list of those who attended this workshop is appended.

The newsletter that CYSD brings out is useful in providing information. It should form the basis for extensive discussions in civil society. CYSD may have to make extra efforts to show what can be gleaned by holding meetings in major NGOs after the newsletter is brought out, so that its importance is realized on a wide scale.

One point that all I met were agreed on was that the initiative on gender budgeting has not taken off. CYSD was a partner in this effort which has many institutions involved. One reason could be that gender sensitive data is simply not available. Indirect methods will need to be used in the beginning to move forward. This being the case, CYSD should consider how this can be done in its next phase of work. Working with elected women representatives in the panchayats, and trying to answer their questions and needs may be the way forward. This has the advantage of beginning from the ground up.

CYSD has now moved up the learning curve. However, it appears to me that more is not likely to be achieved by doing more of the same. A change of strategy is probably needed. I now turn to this question.

### Opportunities for CYSD

This section is in the nature of loud thinking. I have met many people who had their own ideas. I had discussions with the CYSD team and I am familiar with what other groups are doing. I have also managed to get some [hazy] ideas about the requirements in this state. What follows then is a set of tentative suggestions that I think CYSD can take up. But they have not been fully thought through and worked out in this short time. More time and work is needed before these ideas can be made concrete. This effort should be led by the CYSD team.

1. Create a Budget Information Service for NGOs in the state. It would be ambitious to cover all aspects of budget work in such a BIS. CYSD can choose to focus on the state level, and build a user friendly state budget data base from which much work can be done. Or it could focus on municipalities or selected district panchayats. It will be difficult to do it all. The software already created may serve as the starting point for this work.
2. Train and create a cadre of budget analysts in civil society. In the long term, unless there are many who are capable of such budget data analysis, it will not be possible to engage in meaningful debate. CYSD can first train master trainers, and then focus on enhancing their capacities over time. A good beginning can be made with college teachers in the districts. The first round effort can be on expenditure tracking at the district level. If needed, the RTI law can be used to access data. This may be a way to bring in local activists into budget work.
3. CYSD, especially in the districts where it has a base, may concentrate on research based advocacy. Issues of tribal welfare, primary education, access to drinking water, maternal health etc are all key issues in Orissa and CYSD has already done work on the social sectors at the state level. Using budget analysis will provide a strong base on which to base debates on alternatives.

In its work programmes, CYSD is already part of a viable network. It is active in areas like right to information, panchayat training etc. A conscious effort to bring in the results of its budget analysis into these activities will enrich both—the programmes and the budget group. It will also mean that the CYSD learn to present the results of its analyses in simple forms. The reports I have read are academic in style—and this is important.

However, if the results are to reach to larger numbers, then other ways of presenting this information must be tried. Experts in communication can be brought in—the approach may learn a great deal from the advertising fraternity. But all this will require patience. For even the NGOs in Orissa, such budget information based debate is new, and may take time to show its relevance.

In particular, CYSD may like to strengthen its work in facilitating decentralised planning by using budget data as an important input at all levels—formulation, implementation, monitoring and social audit. CYSD is already engaged in these activities. This is a suggestion to use budget analysis at the appropriate level as an input into existing efforts. CYSD may decide, on the basis of its work, to submit formal proposals to the next state finance commission. There is great potential, and I think CYSD is well along the path of such integration.

### By Way of Conclusion

CYSD has made an excellent beginning in using budget data for advocacy. In a state like Orissa, which is not only poor and ‘backward’, but where it is often felt that nothing can be done—and so no one attempts it—this becomes all the more important. It is a signal to civil society that concrete work is not only possible, but useful as well. Simple ways of presenting information will help to spread this message.

There is much to be done on the foundation that has been laid. These challenges have been discussed in this note. I am sure CYSD will not be found wanting. I hope that Concern Worldwide will continue to support this activity.

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Appendix 1

List of CYSD Publications:

- A. Budget Watch 1: State Spending on social Services- Orissa 1995-6 to 2003-4
- B. On the Brink of insolvency- Orissa's Public Debt
- C. Tracking benefits of Public Expenditure in Orissa- A Case of Elementary of Education
- D. Making Sense of the Budget- A Handbook on budget Terminology
- E. News letter on Budget making Process.

References in the Media to CYSD's work

Sl.No	Title	Name of the Newspaper	Date
1	State Elementary Education System Should be in the hands of Panchayats	The Dharitri	05/07/2004
2	A major Share of State's Own Revenue is spent for Debt Servicing	THE SAMAJ	03/07/04
3	Alternative Budget of CYSD	The Nutan Barta	01/07/04
4	Declining Social Sector Spending in the State	THE SAMBAD	30/06/04
5	Fress-look Assembly begins Budget Session Today	THE TIMES OF INDIA	30/06/04
6	Orissa Plans to Stay BIMARU- Spends less on Social Sector	The Mid day	01/07/04
7	Social Sector Funds on the Decline over the Years	The Statesman	28/02/05
8	Social Sector Funds on the Decline over the Years	THE SAMAJ	28/02/05
9	Improving fiscal situation of the State	THE SAMAJ	28/02/05
10	More funds should be allocated in state budget for Improving HRD	The Prajatantra	28/02/05
11	Social Sector Funds on the Decline over the Years	The Sambad	26/02/05
12	Workshop on Social Sector Spending in Budget	The Dharitri	26/02/05
13	Workshop on Social Sector Spending in Budget	The Anupama Bharat	26/02/05
14	Ten Percent Decline in Social Sector Spending	THE JAGARANA (HINDI)	28/02/05
15	Less Spending on Social Sector, Reveals Study	The Financial World	01/07/04
16	Regional Workshop at Berhampur University on Pattern of Social Sector Spending	THE SAMBAD	31/09/04

Sl.No	Title	Name of the Newspaper	Date
17	Fiscal Discipline and Resources mobilisation are necessary for development of the state	THE DHARITRI	06/11/05
18	Awareness on Budget Planning, Preparation and Implementation	THE SAMAJ	21/11/05
19	Health and State Budget (The article written by the members of Budget Team)	THE SAMAJ	05/07/05
20	Education and State Budget (The article written by the members of Budget Team)	THE SAMAJ	13/09/05

Source: CYSD

### Appendix 2

#### List of persons met in the course of this work

1. Dr. Sudhakar Panda (Retd. Professor of Economics, Vanivihar)
2. Sri. J.P.Dash (Retd. Budget Officer, GoO)
3. Shri. Panchanan Kanungo Ex- Finance Minister, GoO.
4. Sri. Ambika Nanda (Social Activist, Action Aid)
5. Kasturi Mahapatro, (Open Learning Systems)
6. Lalita Missal ( NAWO)
7. Amrita Patel( Utkal University)
8. Vidya Sagar Pattnaik- Research Officer, RBI

### Appendix 3

A number of activities have been planned during the period. It is observed that the project manages to complete most of the activities as planned earlier. The table below describes the activities planned as per the time line, achieved and variations if any.

Major Activity	Timeline	Achievements/Variations
Data collection	No fixed time line	Most of the budget documents have been collected
Data Analysis	Continuous process	It is going on in right direction
Publication of report on fiscal scenario and social sector spending	June –2004	Published. But there was some late due to factors beyond the control of the project.
Conducting workshop before and after the presentation of the budget	Feb2004, March 2005	2 State level and One regional workshop have been completed

<b>Major Activity</b>	<b>Timeline</b>	<b>Achievements/Variations</b>
Social group analysis-field survey to know expectation of the vulnerable groups	December, 2004	A field study completed in to examine the status of elementary education in Orissa
Publication of Handbook on Budget making process	December, 2004	Completed
Exposure Visit of the budget team	August, 2005	The budget team visited to National Institute of Public Finance And Policy, an apex institution in the area of Public Finance
News Paper Scanning	Continuous process	Going on
Preparation of briefs and write-ups for media	Feb/Mar 2005	Completed
Software Development	June, 2004	Completed
Software training to budget team	July, 2004	Completed
Consultation on Public Fiancé to form an alliance		Completed
Publishing Newsletter	Nov, 2005	Going on