
UNIT 13 STATE BUDGETS: BUILDING BUDGET FROM BELOW

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13.1 INTRODUCTION

It is well recognized that the budget is the most important economic policy instrument of government and, as such, it can be a powerful tool in transforming state, district, municipal and village economies to meet the needs of the people. The budget reflects the choices government makes and is the tool it uses to achieve its economic and development goals. Currently there is a worldwide interest in enabling women to participate in the budget-making exercise.

This Unit, like the project that will follow its framework, is neither critiquing nor informing the budget from a gender perspective. Instead it attempts to construct budgets such that the interests of women and other subordinated groups are safeguarded. The main thrust of this proposal is that gender budgeting is meaningful only if budgetary support is put in the hands of institutions that are representative in character, operate at ground level and are accessible and accountable.

The Unit argues that influencing policy, especially by historically subordinated groups such as women, requires:

- (1) linking economic governance to political governance;
- (2) building fiscal policy direction and fiscal balances from below, working upwards from ground level plans all the way to the national balance sheet;
- (3) re-ordering the larger picture, the political economy paradigm, so as to usher in a pattern of development that is rooted in promoting equity gender concerns. The argument is based on the premise that the primary interest of gender budgeting is to remove poverty, especially women's poverty. It thus focuses on building the space and method which would enable poor women to move themselves out of poverty.

The Unit also argues that it is possible to make such changes in the Indian context due to certain constitutionally mandated arrangements and the capability of women. Women can design and construct fiscal policy. The exercise that is intended to be undertaken, called *building budgets from below*, suggests that a summation of the budgets prepared at local level, pyramided upwards to determine the national budget, is the only method which can really shift the development paradigm (revenue and expenditure) such that gender inequality and the needs of the poor, especially poor women, are accommodated. Thus the exercise is not only about decentralization, but about enabling women to determine fiscal policy at the national and sub-national levels. It is an attempt to upturn the system of budget-making, rather asking to be accommodated within that system. The Unit also suggests that other attempts to achieve these goals, such as through earmarked funds and special programmes for women or through budget scrutiny from a gender perspective, have not delivered the required outcomes.

13.2 OBJECTIVES

After studying this Unit, You would be able to

- discuss the significance of decentralized budgeting process;
- explain the status of state government's budget in India; and

- examine the relationship of state government and local governments budgets with the help of few municipalities in Karnataka and Kerala

13.3 INDIA'S EFFORTS TO DECENTRALIZE GOVERNMENT

An institutional arrangement that puts political power in the hands of women is India's panchayati raj, institutions of local self-government by popularly elected bodies at the village and urban municipal level, with a quota for women as well as for the traditionally oppressed castes and tribes. This constitutional mandate of 1993 added about 3 million elected representatives to the 5000 existing Members of Parliament (MPs) and Members of the Legislative Assembly (MLAs). At the same time, more significantly, it raised the total number of women in formal politics from 400 to 1 million. The Constitution also placed development funds in the hands of these bodies, directing that at least 29 specified functions, and funds for carrying them out, be assigned to them. I regard this as a deepening of democratic development. The intention is:

- to extend the command of governance beyond the central and state levels;
- to include a larger number of persons in governance;
- to introduce accountability through a system of five-yearly elections with a multi-party system to three tiers of government—village, clusters of villages and district;
- to improve social justice through affirmative action, namely, reservation of seats for women and underprivileged castes in the elected local government structure;
- to politicize development, put it back in the hands of the people;
- to accommodate diversity in every way—geographical, ethnic, linguistic, religious as well as historical. This is a necessity in a heterogeneous country such as India.

13.4 REVIEW OF PAST EXPERIENCE

Recent reviews of the progress of implementation of this admittedly unique paradigm of local self-government over a decade show success and road blocks. In terms of success, over 350,000 local institutions have come into existence with about 3 million elected representatives of whom 1 million are women. The National Finance Commission and State Finance Commissions have given financial awards to local self-governing institutions, and the Ministry of Finance has issued

guidelines for budgetary devolution. As for roadblocks, the central and state governments, which allocate huge amounts for economic/social development activities at the local level (especially in regard to the 29 functions mandated by the Constitution for local self-governing institutions), continue to maintain highly centralized control over the entire development programme, budget and sectoral staff—which remain unaccountable to local representative bodies.

In most cases, even where ‘untied’ funds (funds without a design for their expenditure) have been devolved to gram panchayats (GPs), the focus on social sector schemes has been marginal.¹ For example, a study of 17 gram panchayats in Madhya Pradesh (PRIA 2000), reveals that expenditure on any social sector schemes has not been more than 3 percent, although ‘women headed GPs have taken more initiative in social sector.’ The study adds that this ‘does not imply that villagers are not concerned about their health, education and other needs...The reasons behind such skewed expenditure are conditions attached to the grants from the governments.’ Thus funds are not really ‘untied.’ A study of panchayats in Kerala (SAHAYI 2000), where budgetary devolution has been far more extensive than any other state, concludes: ‘Even now most of the powers are exercised by the bureaucrats.’ Although budgets for government dispensaries and primary schools have been transferred to the panchayats, their supervision and administration are still carried out by the concerned government departments.

Check Your Progress Exercise 1

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this U nit.

1. Discuss the government of India efforts to decentralize the government

13.5 THE LARGER PICTURE: MACROECONOMIC CONSTRAINTS

Advocates for gender budgeting need to note the constraints at the macroeconomic and financial levels that restrict the potential for budgets, even under sensitive leadership, to give more than elbow space to new socially sensitive initiatives. Social development and productive avenues for employment and income (economic and financial) are the two most eligible areas for serving

gender-sensitive interests. But previous beneficiaries are firmly entrenched: for example, claims of interest payment on loans contracted by the governments, salaries and allowances of government staff, defence, police and the like. The objective situation is that the revenue and expenditure sides of the budgets have little flexibility or space for accommodating gender sensitivity. This is true both of the central and state budgets. India, for instance, is facing what successive finance ministers have described as 'fiscal crisis' (Singh 1992:A.1; Sinha 2001: A.3). Today in the central budget, for example: Interest payments, salaries, allowances and pensions, defence, internal security, major subsidies, and non-plan grants to States account for about 95 per cent of non-plan expenditure and about 70 per cent of total expenditure. Interest payment is indeed the single largest component of the non-plan revenue expenditure arising out of past borrowings. The budget for 2000-2001 has estimated interest outgoing at Rs. 10,1266 crore. The share of interest payments in the non-plan revenue expenditure is over 44 per cent in 2000-2001. Interest payments are estimated to absorb over 69 per cent of total tax receipts (net to Centre) during 2000-2001. (Sinha, 2001)

The crisis is accentuated as state government finances are also in a disturbing state. According to the Reserve Bank of India (2001): The finances of State Governments have shown signs of deterioration in the nineties as compared to the eighties with the year 1998-99 witnessing a very high gross fiscal deficit (GFD)-GDP ratio taking into account the data of all the State Governments together. (The debt of States as a result has gone up.) Administrative services, pension and interest payments together, account for almost 33 per cent of the total revenue expenditure of all the States in 1998-99 as against 31.5 per cent in 1997-98.

In trying to extricate the situation from this tight corner, one option is to raise additional revenues—both tax and non-tax revenues. But as the Economic Survey, 2000-2001 of the Finance Ministry points out, 'despite significant progress on the tax front, encompassing reduction and rationalization of duty rates is not possible as the tax base continues to be narrow and porous' (Government of India 2001). In the circumstances, state governments are increasingly resorting to market borrowing. The majority (over 90%) of these loans are absorbed by payment of interest on past loans, while relentlessly increasing the volume of national debt. Obviously fiscal management at the macro level is not working out well.

13.6 WHAT ARE THE OPTIONS?

There is a hypothesis that devolving the powers to raise and spend funds to the local level will yield a larger sum of resources than when this operation is conducted at the state level and departmentally. This argument rests on the premise that people will give more if they know that it will flow to them. A related argument is that in a situation of scarce resources for development, especially social development, the only way to secure funds for poverty reduction programmes is to devolve revenue-raising powers to the local bodies. Several currents now favour the notion that domestic resources must be galvanized for development, based on the argument that too much dependence on debt and official development assistance is unhealthy, encroaches on sovereignty and creates dependence, apart from the fact that it will not be forthcoming in the near future. Mobilization of domestic resources was one of the items on the agenda of the United Nations Conference on Financing for Development in 2002.

Gender responsive budgeting can provide a tool to design new financial architecture and a more democratic institutional structure for economic management. The Karnataka Women's Information and Resource Centre, in collaboration with UNIFEM, has designed a module suggesting that devolution of the political economy and its governance has potential for increasing resources for social and economic security for the poor. At a World Bank/UNDP International Conference in New Delhi on Decentralization (2000), it was even argued that local government and district-level political economy management is the best safeguard against the negative impacts of globalization on the poor, and better than financial safety nets which are temporary and one-off efforts.

Check Your Progress Exercise 2

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. How gender responsive tool help to design new financial architecture in the country.

13.7 THE POTENTIAL OF LOCAL INITIATIVES

There is immense potential in unleashing the energies and the resources of the people. This can only be done through the local organizations and that only when they are given the opportunity to design programmes as well as a stake in their success. An example is the experience of 'thrift movements,' which currently consist primarily of women's self-generated self-help groups, but are apparently now being imitated by men. In addition, traditional methods of growing crops, harvesting water, managing forests and so on are revealing how the resource base can be expanded without large expenditures if voice and space and power is given to 'the people.' Therefore the greatest potential for 'new' mobilization is local initiatives.

In India there are provisions for 29 items of development expenditure for the year 2000–2001 in central and state budgets, amounting to Rs. 72,000 crore (equivalent to US\$ 1.5 billion) specially earmarked to be expended at the local level. These items of expenditure relate to local development, though some of the items include salaries of existing staff. If even one-third of this sum of \$1.5 billion is untied from the top, and its use left to the discretion of local bodies, (which have local representatives including women) there could still be qualitative gain in the direction of economic/financial gender sensitive budgeting (See Jain 1994). Unfortunately, despite mandates by the Constitution and the Finance Ministry, there are many programmes which bypass this elected government structure. This is the case, for example, with the latest women's empowerment scheme called Swashakti, as well as the World Bank's social development projects, which set up parallel mechanisms for delivery and for use of these funds. In other words, they are not in the hands of women, in local government.

Two other sources that could be used for reducing gender disparity and strengthening the power of women are taxes and local contributions by local populations for activities taking place in their areas. There are numerous examples of such community contribution—notably in the storage of rainwater for drinking, irrigation and recharging groundwater resources and construction of buildings to house local schools, health centres and other facilities that increase women's access to education, health and social services.

13.8 THE POTENTIAL IN KARNATAKA

Here the experience in Karnataka is relevant. In the earlier phase of decentralization in Karnataka in the 1980s, when substantive powers were devolved along with budgetary resources, the results throughout the state were remarkable. An evaluation committee appointed by government, comprising senior economists and administrators, recorded the all-round

achievements (Krishnaswamy 1989:). Karnataka passed the Karnataka Panchayat Raj Act, 1993, in conformity with the 73rd Constitution Amendment; and conducted elections to village panchayats in December that year. This was the beginning of a three-tier system of local government in Karnataka, making use of the 11th Schedule in the Constitution to decentralize power and functions to panchayat raj bodies at all the three levels.

The Karnataka Panchayat Raj Act provides 33 per cent reservation for women, 33 per cent for Other Backward Classes and 28 per cent for Scheduled Castes and Scheduled Tribes, in keeping with the constitutional provisions. In other words, 94 per cent of the seats are preempted for subordinated groups. In Karnataka, 43 per cent of those elected to village panchayats are women, though the reserve is only 33 per cent. In districts such as Dakshina Kannada, this number goes up to 50 per cent.

Karnataka has introduced a system called 'panchayat jamabandi,' where an audit of accounts and spending on public works is carried out with public participation and the report of the jamabandi is put before the gram sabha village council for further action. All panchayat raj bodies are expected to display large outdoor boards containing information on receipts and expenditure and development works. There are two sources of funds—development funds and taxes. Government gives a statutory development grant of Rs. 3.5 lakhs to every gram panchayat. Of the total plan and non-plan state budget, Rs. 4,589 crores (US \$ 0.98 billion) are devolved to the three-tier panchayat raj institutions—Rs. 1,697 crores for plan and Rs. 2,892 crores for non-plan. The idea is that plan and non-plan schemes at the three levels should be supervised by the elected panchayat bodies to ensure better implementation, public participation and accountability. The powers and functions have been devolved to elected bodies at each level and not to any individual. No elected body is subservient to any other but only to the State Panchayat Raj Act, which specifies the duties, powers and functions of each (*The Hindu*, 3 October 2001).

Tax Revenue

Presently the resources of the panchayats are very lean. The narrow tax base comprises tax and non-tax revenues from obligatory and discretionary sources, although the distinction is not always clear. While the scope for raising tax revenues by local bodies is admittedly circumscribed by utilization of much of the tax potential by the central and state governments; there is considerable untapped potential for raising additional revenues. The National Finance

Commission (2000) pinpoints this potential, saying ‘States legislations provide for levy and collection of certain taxes, fees and tolls.’ The Commission adds, however, that ‘the rules relating to fixation of rate structure are not periodically done and reviewed.’ The Finance Commission has recommended the following measures to supplement the resources of panchayats and municipalities:

a. Land taxes: In many states, either land revenue has been abolished or landholdings up to a certain size have been exempted. However, taxes on land/farm income in some form may be levied to strengthen the resource base of the local bodies. The rate structure should be fixed suitably, keeping in view the present economic conditions.

b. Surcharge on state taxes: Surcharge on land-based taxes and other state taxes/duties may be levied to mobilize resources to augment civic services and improve their quality.

For example, a surcharge of 10 per cent on sales tax, state excise, entertainment tax, stamp duties, agricultural income tax, motor vehicles tax, electricity duties, and the like may give significant additional revenue which could be devolved to the local bodies for improving basic civic services and for taking up schemes of social and economic development.

c. Profession tax: Article 276 of the Constitution provides for levy of a tax on professions, trades, callings or employment for the benefit of the state or local bodies at a rate not exceeding Rs. 2,500 per taxpayer per year. Many states either do not levy this tax or levy it at very low rates. States should levy this tax to supplement the resources of local bodies or they should empower the local bodies to levy it. The first reports of State Finance Commissions (SFCs) have been submitted in all the states (except Bihar) and in some states, second SFCs have been set up. They have taken into account the imbalances between revenues and expenditure responsibilities of local bodies.

These first reports have been successful in creating the concept of a divisible pool between the state and the local, almost similar to the pattern of transfer of central revenue to the states. In at least nine major states, such as West Bengal, Uttar Pradesh, Tamil Nadu, Rajasthan, Kerala, Karnataka, Assam and Andhra Pradesh, the respective SFCs have recommended a certain percentage of the net proceeds of the total tax revenue of the state for transfer to the local bodies. The recommended share to local bodies, however, ranges from as low as 2 per cent in Assam to nearly 40 per cent in Andhra Pradesh. In some other states, certain taxes have been earmarked, a certain percentages of the proceeds from which could be transferred to the local bodies. Some

SFCs have identified innovative parameters for distribution of divisible pool fund among different local bodies in order to ensure horizontal equity.

Taxes on professions, trades, callings and employment under Article 276 have been a traditional source of revenue for the local bodies. Of late, there is however a tendency for the state government to take over such powers from the local bodies. One of the impediments in generating substantial revenue from the levy and collection of this tax is that the upper ceiling (presently, Rs. 2500) is constitutionally fixed. While there is a need for fixing this upper ceiling centrally in order to avoid the charge of double taxation on 'income', constitutional provision for this is not only unnecessary, but also troublesome.

Check Your Progress Exercise 3

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this U nit.

1. What are taxes revenue of panchayats in India?

13.9 THE WAY FORWARD: BUILDING BUDGETS FROM BELOW

Several steps are outlined as a way to move forward. The first is a greater recognition that political and financial devolution is imperative for the future, as well as a last resort, in this financial situation. The second step is to foster autonomous and accountable representative institutions as envisaged by the Constitution, which provides for a minimum representation of one-third for women in each local elected body. The importance of institutions is well stated by Chandni Joshi in the Preface to 'En-gendering the Ninth Five Year Plan of India (1997-2002): 'to sustain and institutionalize a process whereby women can come together themselves to gender-sensitize and gender-audit policies, take decisions, plan programmes and shape attitudes.' The third step is to claim the financial assistance mandated by the Finance Commission and Finance Ministry. Here is where political mobilization and women's voice in administration is crucial. Women's knowledge base is also crucial. The fourth step is for these elected bodies to

develop local area plans for economic development and social justice with wide consultation, as done in Kerala through a people's campaign for planning. This should be done with the aid and advice of voluntary groups where available and a strong political caucus of local women politicians. All-round pressures must be mounted for acceptance of such a demand. The Karnataka Women's Information Resource Centre (a window of the Singamma Srinivasan Foundation) is working with elected women representatives and is engaging them in both making the claim for devolution and preparation of their plans for their area. The fifth step is to convert such plans into schemes that will provide a purposeful tool for securing budgetary changes consistent with the content and priority of the local plans. The sixth step is to pursue vigorously the lead provided by the Eleventh Finance Commission and the follow-up steps evolved and elaborated by the Union Ministry of Finance in the form of 'Guidelines' for raising revenue. The seventh step is to ensure that the pro-women budgetary allocation for any ministry is conditional on their detailing the process employed in formulating the programme (see Joshi 1997) and detailing also the manner and institutional means of implementation.

Some of these steps have already been taken. For example, work has begun on a section of the Karnataka government official document stating that the government's policy towards women and gender budgeting has been incorporated as part of the economic empowerment strategy. In doing this, one municipality (Tumkur) and one gram panchayat (Tikota) were studied to find out how their budgets are prepared and whether they have freedom to utilize available funds according to their priorities. The Karnataka Women's Information and Resource Centre held discussions with elected women representatives and other interested officials. The government has yet to devolve adequate resources and authority and local taxation powers to gram panchayats to enable them to formulate their own budgets. Presently, the government only indicates the amounts provided in its budget at the state level for expenditure on various activities/services in a village. Just as the 73rd Amendment to the Constitution created an elected institution of self-government at the rural village level, the 74th Amendment has provided for similar institutions of self-government in urban areas by way of elected municipal bodies. The municipalities formulate their own budgets.

13.10 BUDGET PROCESS IN A MUNICIPALITY (TUMKUR)

The Karnataka Women's Information and Resource Centre investigated the budget process in Tumkur, and discussed priorities for expenditure with women elected representatives. The process comprises four main stages:

1. The draft budget is prepared by the accounts superintendent of the municipality by December each year, taking into account the available income and expenditure and the anticipated income and expenditure for another three months up to March.
 2. The draft is discussed by the municipal commissioner, the president of the municipality, the Standing Committee president and the accounts superintendent.
 3. Thereafter, the draft is placed before the Standing Committee (consisting of some elected members) for approval.
 4. A portion of the budget is earmarked to the committed works under certain heads. Thereafter, the budget is presented to councillors for final approval, with very little scope for modification.
- Overall, about 1 per cent flexibility is available (i.e., for re-appropriation from one head to another). Revision of property tax is undertaken only once in four years.

The centre held discussions with 13 elected women representatives/councillors. Most of the women are educated and aware of the budget, but they receive no training in understanding or preparing it. Those present, including the woman president, prioritized the amenities required as follows:

I: Civic amenities:

- i.) Water, especially drinking water facilities
- ii.) Sanitation - drainage and toilet
- iii.) Electricity - street lights
- iv.) Construction of roads
- v.) Community halls (in the slum areas too)

II: Job training centres (to include the following courses):

- i.) Tailoring
- ii.) Computer skills
- iii.) Beautician courses
- iv.) T.V. repairs

III: Construction of buildings:

- i.) Anganwadi centres (pre-school centres)
- ii.) Community halls (for discussions on the problems faced by the urban poor)
- iii.) Job training centres

IV: Life-skills training camps (to include the following courses):

- i.) Health and hygiene
- ii.) Family planning
- iii.) Child labour

In addition, all of the councilors suggested that for women, a loan facility should be provided with low interest without asking for surety. Further, the subsidy should be provided not only for scheduled castes and scheduled tribes but for all those who are below the poverty line. They also suggested that there should be a common building/training centre where about 1000 women could be trained in various skills so that they can set up self-employment ventures and income-generating activities. It was mentioned that Asian Development Bank-funded Women's Training Centre is almost completed and will enable women to get trained in various skills.

13.11 BUDGET PROCESS IN A PANCHAYAT (TIKOTA)

Budgets for the village panchayats are funded in two ways: 1) allocation of funds from the state/central governments; and 2) revenue obtained through the local taxes and the annual grant. The action plan for grants is classified into two separate parts. Part I consists of the spill-over works of the previous year, that are to be completed in the current year. Part II consists of the new works that are to be taken up in the current year.

The action plan, prepared using the revenue obtained from levying local taxes, house tax, library tax, is small. All the development works—such as construction/repair of panchayat roads, improvement of drainage systems, drinking water facilities and so on are budgeted in the action plan based on the total revenue obtained. All the administrative expenses, and the salaries of the panchayat staff (apart from the secretary) have to be considered in preparing the budget. The draft action plan is tabled in the meeting consisting of all the members of the panchayat and after making necessary modifications, it is approved and sent to the taluk panchayat for endorsement. Some of the elected women representatives/councillors were aware of the schemes, including those exclusively for women, being implemented at the gram panchayat level, such as Integrated Rural Development Programme (IRDP), Development of Women and Children in Rural Areas

(DWCRA), Training Rural Youth in Self Employment (TRYSEM). Some of the councillors were aware of the sources of budget revenues: namely, house tax, agriculture tax, water tax, electricity charges, besides the government grant of Rs. 2 lakhs. They were also aware that the money was utilized for developmental works. Some complained that the benefits are available to very few people. The secretary stated that they are given according to the targeted number under each programme. Women councillors also observed that the target number should be increased. If training is given with regard to the understanding and preparation of the budget, elected women would be enabled to participate in the budget preparation, giving priority to works needed at the grass-roots level.

13.12 BUILDING FROM BELOW IN KERALA

While budgetary earmarking and special programmes are important, the prior issue is who designs the plans and programmes—which alone can ensure that the budgets and related policies will promote gender and other social objectives. A statewide exercise done in recent years in Kerala developed 3,000 plans from below by representatives of elected panchayats (about 150,000 persons, men and women) with help from hundreds of voluntary resource persons (SAHAYI 2000). The Kerala Government also earmarked 40 per cent of the state budget to finance the local plans.

A recent study brings out the significant success achieved by this planning exercise (ibid.). However, here too, budgetary support did not materialize to fund the elaborately developed local plans because of failure to devolve administrative powers to panchayats and corresponding curtailment of the pre-existing powers of the government department and officials, as noted earlier.

The People's Campaign for the Ninth Plan was one of the initiatives by the government of Kerala to ensure people's participation in grassroots planning. This is in accordance with article 249 G of the Constitution, which gives the panchayats power and authority to formulate and implement plans and projects for economic development and social justice. The primary objective of the campaign has been to motivate and empower local self-governments to take up the new challenge of development planning. It sought to achieve this by mobilizing people

regardless of their political affiliations, religion, caste or gender to help the local governments in all stages of development planning from plan formulation and implementation to maintenance.

During the second phase, a development seminar was conducted in all local bodies. In the third phase, task forces were constituted for all sectors expected to convert the solution suggested in the development seminar into projects/schemes/proposals in a format that would be included in the plan. The task forces were to undertake a detailed review of the suggestions made at the seminar and draw up the project / schemes / proposals, giving them necessary technical, cost-benefit, time frame and other details needed by the State Planning Board.

The fourth phase of the campaign was to formulate the actual plan of local bodies. The last phase was an appraisal of the technical feasibility and financial viability of the projects and plans. Since District Planning Committees (DPCs) did not have sufficient technical expertise, Voluntary Technical Corps (VTCs) were formed for this purpose. One of the positive outcomes of the campaign was the revitalization of gram sabhas. For the first time, the people in the villages came together to discuss their needs and priorities and local level panchayat development plans were prepared on that basis.

The women came up with points which then led to the drafting of a section of the policy document, to include gender budgeting, especially at the village and district levels. The list of recommendations incorporated in the policy document include:

1. There is need for training for elected women representatives to enable them to understand the concept of budget and the preparation of budgets;
2. There is need for training of trainers in the field of budgets;
3. Budget planning should be simplified and taught so as to enable even illiterate elected women representatives to follow the process;
4. There is need to train elected women representatives about their fundamental duties, functions and responsibilities, including budgets;
5. Training enables women representatives to better supervise resource utilization;
6. Just like urban local bodies, gram panchayats should be able to raise their own resources, which is not the case for most of them at present. This requires strict monitoring and accountability. If gram panchayats want more power, they should in turn take up more responsibilities in terms of collecting taxes;

7. There is a need for greater flexibility in allocation of funds, coupled with targets for performance;
8. Material on schemes being implemented should be widely disseminated. Hence there is need for transparency and Right to Information campaigns;
9. Elected women representatives should be given space to voice women's issues so as to enable them to direct additional expenditure to women's needs, such as employment for widows and destitute women, support for deserted women and school dropouts, as well as providing for an honorarium for women elected representatives;
10. There is need to undertake research to understand various aspects of the budget, (the 'is'), and to evolve a meaningful dream budget (the 'ought'), so that the advocacy base for influencing budgets can be developed.
11. Local-level fiscal plans should be summarized by a network of local self governments, including gram panchayats, taluk panchayats (covering about 100 gram panchayats) and district panchayats (covering all taluk panchayats, ranging from 10 to 15 per district) in order to become the state budget. A convention of elected women should place their alternative budget proposals before the finance minister each January before the budget session begins.

The Karnataka Government is partnering with the Karnataka Women's Information and Resource Centre in this project. Elected women representatives have already begun to use the practice of writing government's expenditure on the walls of the office building during their meetings, thus improving accountability. But that is not the same as actually directing the budget.

Check Your Progress Exercise 4

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this U nit.

1. Which institutions decide the tax base for panchayats?

13.13 SUMMING UP

We conclude where we began: that women in political structures need to claim space for developing budgets which capture both requirements and capacities—including the capacity to mobilize human, financial and natural resources—and translate them into humane fiscal management. In other words, economic governance has to be linked to political governance.

13.14 GLOSSARY

Gender equality: Equality of outcomes for women and men. It can be captured in three dimensions: equality in capabilities, as in education and health levels; opportunities to utilise capabilities and earn incomes or have jobs and live to full potential; and agency, which is the ability to influence outcomes.

Medium term expenditure framework (MTEF): A multiyear framework of rolling budgets where forward estimates produced with the annual budget, usually covering another two to four years, serve as the starting point for preparing the following annual budgets.

Gross Fiscal Deficient: When a government's total expenditures exceed the revenue that it generates (excluding money from borrowings). Deficit differs from debt, which is an accumulation of yearly deficits.

13.15 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress Exercise 1

1. An institutional arrangement that puts political power in the hands of women is India's panchayati raj, institutions of local self-government by popularly elected bodies at the village and urban municipal level, with a quota for women as well as for the traditionally oppressed castes and tribes. This constitutional mandate of 1993 added about 3 million elected representatives to the 5000 existing Members of Parliament (MPs) and Members of the Legislative Assembly (MLAs). At the same time, more significantly, it raised the total number of women in formal politics from 400 to 1 million. The Constitution also placed development funds in the hands of these bodies, directing that at least 29 specified functions, and funds for carrying them out, be assigned to them. I regard this as a deepening of democratic development. The intention is: to extend the command of governance beyond the central and state levels; • to include a larger number of persons in

governance; • to introduce accountability through a system of five-yearly elections with a multi-party system to three tiers of government—village, clusters of villages and district; to improve social justice through affirmative action, namely, reservation of seats for women and underprivileged castes in the elected local government structure; to politicize development, put it back in the hands of the people; to accommodate diversity in every way—geographical, ethnic, linguistic, religious as well as historical. This is a necessity in a heterogeneous country such as India.

Check Your Progress Exercise 2

1. Gender responsive budgeting can provide a tool to design new financial architecture and a more democratic institutional structure for economic management. The Karnataka Women's Information and Resource Centre, in collaboration with UNIFEM, has designed a module suggesting that devolution of the political economy and its governance has potential for increasing resources for social and economic security for the poor. At a World Bank/UNDP International Conference in New Delhi on Decentralization (2000), it was even argued that local government and district-level political economy management is the best safeguard against the negative impacts of globalization on the poor, and better than financial safety nets which are temporary and one-off efforts.

Check Your Progress Exercise 3

1. Professional tax, surcharge on land tax and entertainment tax

Check your progress Exercise 4

1. State Finance Commission

13.16 REFERENCES

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13.17 QUESTIONS FOR REFLECTION AND PRACTICE

1. Discuss the macro economic constraints to decentralize the fiscal situation in India.
2. Discuss the efforts of state governments in India to decentralize the financial situation with the help of Municipalities in Karnataka.
3. Explain the government of Kerala effort to decentralize the financial situation.