

K. Seeta Prabhu, *Economic Reform and Social Sector Development. A Study of Two Indian States*. (Strategies for Human Development in India – Volume 3) Sage Publications, New Delhi/Thousand Oaks/London, 2001, 370 p., with index. ISBN: 0-7619-9541-2 (US-Hb) and 81-7829-020-0 (India –Hb)

The impact of the reforms on the social sector in India is a contested issue. Some advocates of the reforms have claimed that one of the important aims of the reform process is to withdraw the state from some of its economic activities, in order to step up expenditures for, and increase state involvement in, the social sector. Opponents of the reforms, on the other hand, have been afraid that expenditures on the social sector and on poverty alleviation would be adversely affected as a result of the reforms. The issue cannot be simply settled, especially not because India has a federal set-up, and social sector expenditure is taken care of by the States for approximately 80 percent. So, one would have to look at trends in central government allocations, but also at trends in the various States.

The book under review does exactly that, and is, thus, a very important and topical book. I can recommend it to everybody with an interest in social sector development in India. The book is a study of social sector development (mainly expenditure) at the central level, and in two States: Maharashtra and Tamil Nadu. The author looks systematically at a) initial conditions, b) macro-economic performance, and c) social sector allocations, which are taken as a proxy for political commitment. She looks both at levels of expenditure (how much, how much as percentage of GDP or NSDP) and at patterns of expenditure (how much of the money goes to real priority areas such as elementary education and public health). In the two States, she also investigates the delivery system in a few case studies, i.e. what is actually available at the village level; who is using these services and what are the users' perceptions about the services.

In a short review like this, I can only mention a few things that come out clearly from this study. First, almost all expenditure on the social sector is revenue expenditure. There is almost no investment of physical infrastructure, such as schools and primary health care centres. In Maharashtra, the percentage on capital investment decreased further during the reform period. Secondly, the central government increased its allocation to the social sector (as percentage of total expenditure) in the reform period somewhat, but the States decreased their allocations. (So, in a way, both advocates and opponents of the reform can claim they are right on the contested issue mentioned above). Third, although the central government directs an increasing proportion of the social sector allocation to basic level facilities, the distribution remains skewed. In both States the social priority ratio (i.e. the ratio of social sector spending that goes to priority areas) is less than the recommended 50% and continues to fluctuate at more or less the same level as before the reform period. Neither Maharashtra nor Tamil Nadu made a special effort during the reform period to increase the level of social sector spending or improve the pattern of its spending. Fourth, since the overall functioning of the delivery system has not improved, it is clear that the situation is very unsatisfactory, and it becomes imperative to give much more priority to social sector development.

How exactly this could be accomplished remains unclear. The book ends with a few implications for social policy, but none of these is about the budget making process. As Mahendra Dev and I have argued elsewhere (CESS Working Paper no. 43, 2002) this process is absolutely crucial. A substantial increase in the allocation for the social sector is only likely to happen when something changes in the budget-making process. There are some very interesting international examples of how a more participatory budget-making process has led

to much higher allocations to the social sector. In India, however, it is a small circle of policy makers that make the budgets. We must therefore fear that, as long as they can get away with low overall expenditures and some ad-hoc schemes here and there, not much is going to change. Let's hope that the UNDP, which co-funded the research for this book and which is Seeta Prabhu's present employer, will now direct some of its attention to this process and especially to how it can be changed.

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