

THE MAKING OF THE BUDGET



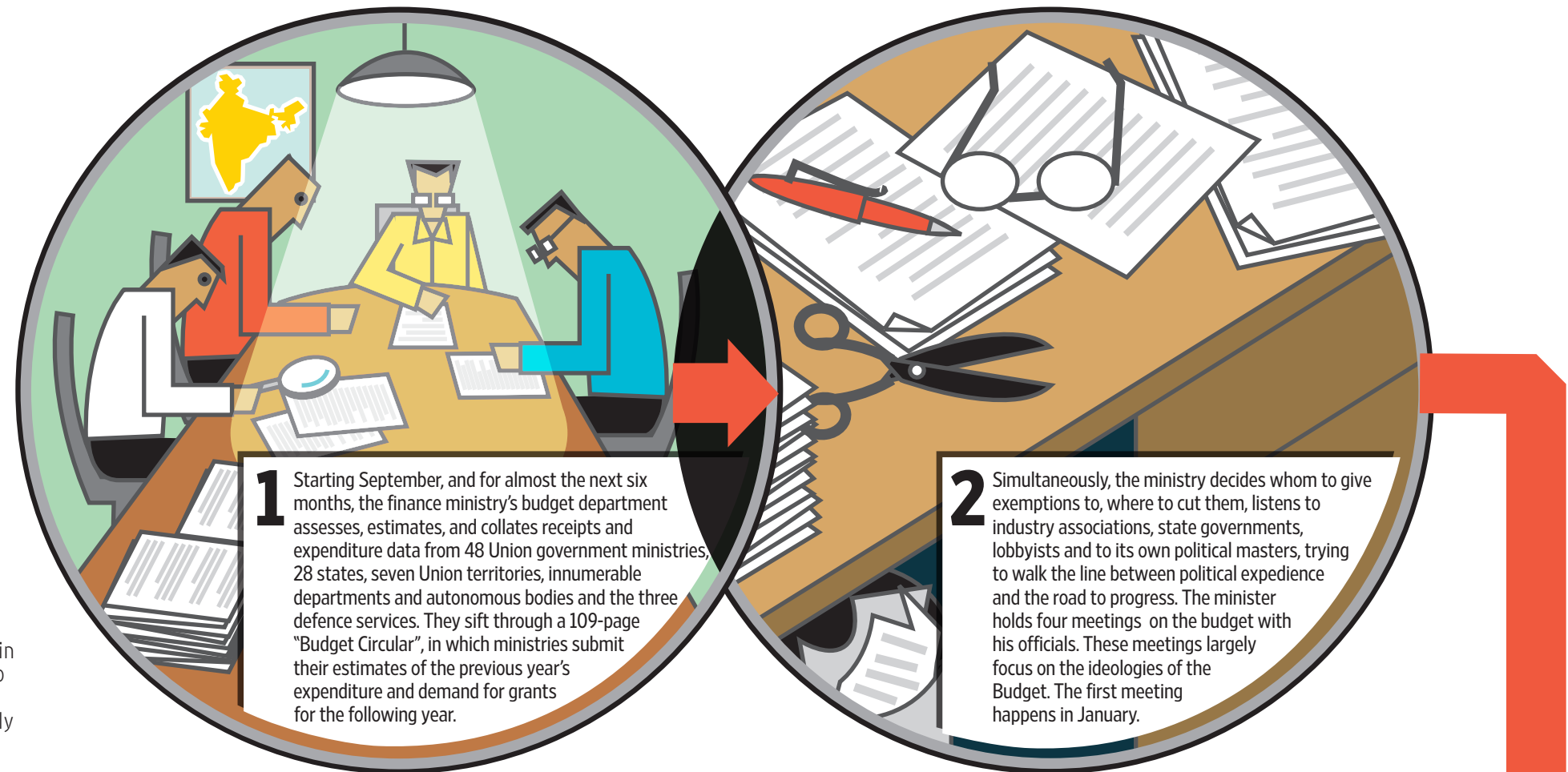
A month from today, finance minister P. Chidambaram will present the Union Budget for 2008-09. The budget document isn't just a statement of its accounts, but also a charter of the government's economic policies. Given that, this is the most awaited policy document in India's economic calendar.

However, behind the document is a long and complex policymaking process. In the first part of a special series on the Budget, Mint presents the various steps involved in creating the budget, the factors and the people involved, as well as highlights from earlier budgets.

"Sir, with these words, I commend the budget to the House." These words, traditionally said at the end of the finance minister's (FM's) budget speech, mark the culmination of perhaps the most concerted planning exercise in the country.

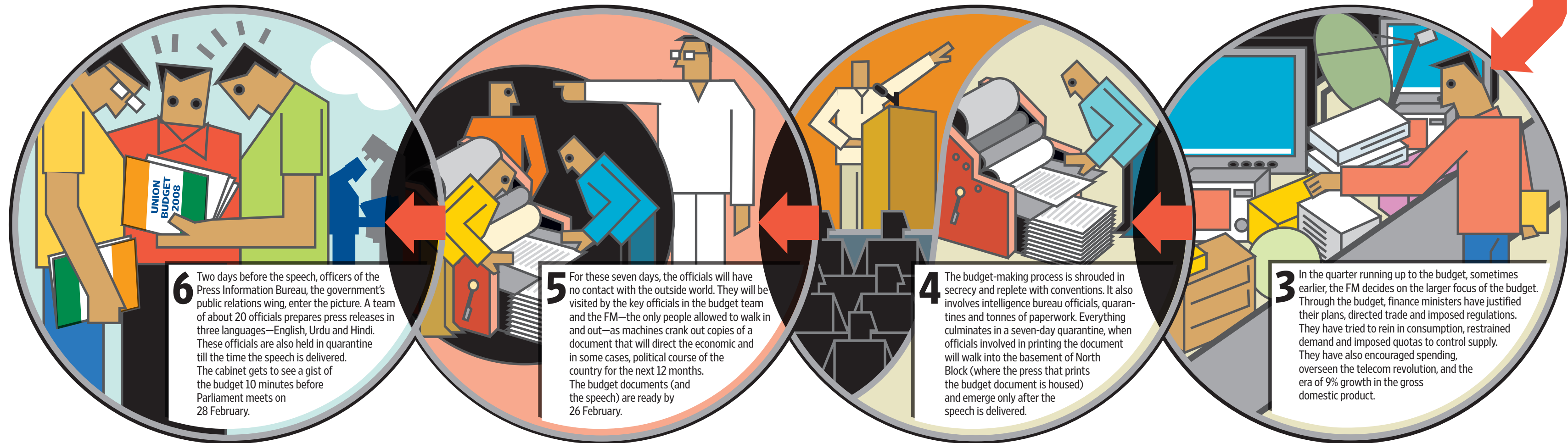
Coming as they do after a six-month effort to balance the country's books, budget speeches have helped chart the country's future direction at the macro-level (such as when Manmohan Singh allowed 51% foreign direct investment in certain sectors in 1991) to the micro, when Morarji R. Desai specified the number of matchsticks (50) that a matchbox could contain in order to get excise exemptions in 1962.

The process of making the budget—as much a statement of intent for the forthcoming year as bookkeeping exercise—usually starts around the month of September, triggering an annual policymaking process that is unmatched in scope and size.



1 Starting September, and for almost the next six months, the finance ministry's budget department assesses, estimates, and collates receipts and expenditure data from 48 Union government ministries, 28 states, seven Union territories, innumerable departments and autonomous bodies and the three defence services. They sift through a 109-page "Budget Circular", in which ministries submit their estimates of the previous year's expenditure and demand for grants for the following year.

2 Simultaneously, the ministry decides whom to give exemptions to, where to cut them, listens to industry associations, state governments, lobbyists and to its own political masters, trying to walk the line between political expedience and the road to progress. The minister holds four meetings on the budget with his officials. These meetings largely focus on the ideologies of the Budget. The first meeting happens in January.



6 Two days before the speech, officers of the Press Information Bureau, the government's public relations wing, enter the picture. A team of about 20 officials prepares press releases in three languages—English, Urdu and Hindi. These officials are also held in quarantine till the time the speech is delivered. The cabinet gets to see a gist of the budget 10 minutes before Parliament meets on 28 February.

5 For these seven days, the officials will have no contact with the outside world. They will be visited by the key officials in the budget team and the FM—the only people allowed to walk in and out—as machines crank out copies of a document that will direct the economic and in some cases, political course of the country for the next 12 months. The budget documents (and the speech) are ready by 26 February.

4 The budget-making process is shrouded in secrecy and replete with conventions. It also involves intelligence bureau officials, quarantines and tonnes of paperwork. Everything culminates in a seven-day quarantine, when officials involved in printing the document will walk into the basement of North Block (where the press that prints the budget document is housed) and emerge only after the speech is delivered.

3 In the quarter running up to the budget, sometimes earlier, the FM decides on the larger focus of the budget. Through the budget, finance ministers have justified their plans, directed trade and imposed regulations. They have tried to rein in consumption, restrained demand and imposed quotas to control supply. They have also encouraged spending, overseen the telecom revolution, and the era of 9% growth in the gross domestic product.