REVIEW
OF
LITERATURE
CHAPTER - II

REVIEW OF LITERATURE

In this chapter, a review of published literature in the sphere the research project has been gathered, reviewed and presented consistent with the objectives of the study under the following heads.

1. Governance
2. Poverty and Welfare
3. Resource Allocation and Deficits

2.1 Governance

Providing information about the governments development spending will bring about a whole lot of transparency in administration and result in a greater participation of the people in the planning process avers Banerjee and Chau, 2004. Some developed countries are already engaged in the transformation of the governance process through increased citizen participation and are attempting to create an open, transparent environment through convergence of information and services. However,
developing economies, especially poor ones, lag far behind. Based on prior literature, the study of Banerjee and Chau, 2004 proposes an evaluative framework for analyzing e-government convergence capability in developing countries and applies it to analyze the prospects of convergence in a few selected developing countries. The results indicate that the quality and range of government information and services vary significantly across the countries, attributed in some measure to the e-leadership capability of the countries. However, they argue that e-leadership may not be able to readily combat social maladies, such as low literacy and awareness of education, required for the meaningful use of information and interaction or economic handicaps, such as living standards that impact on the citizen's ability to procure web-based access; these factors are crucial for e-government convergence.

2.2 Poverty and Welfare

Ravallion and Datt (1995), in their study on poverty observe that higher agricultural yields reduced absolute poverty in rural India, both by raising smallholder productivity and by increasing
real agricultural wages. But gains to the poor were far smaller in the short run than in the long run. Unlike most developing countries, consistent poverty measures for India can be tracked over a long time. Ravallion and Datt used 20 household surveys for rural India for the years 1958-90 to measure the effects of agricultural growth on rural poverty and on the rural labor market and to find out how long it takes for the effects to be felt. They found that measures of absolute rural poverty responded elastically to changes in mean consumption. But agricultural growth had no discernible impact either positive or negative on the share of total consumption going to the poor. For the rural poor, the long-run gains from growth to higher average farm yields, which, benefited poor people both directly and through higher real agricultural wages. In addition, the benefits from higher yields were not confined to those near the poverty line the poorest also benefited. Ravallion and Datt contend that the process through which India's rural poor participate in the gains from agricultural growth takes time, although about half of the long-run impact comes within three years.
The long-run elasticity of the head-count index to farm yield was over 2 per cent of which 40 per cent came through wages. Short-run elasticity was far smaller. Inflation adversely affected the rural poor by eroding their real wages in the short run. Higher agricultural yields reduced absolute poverty in rural India, both by raising smallholder productivity and by increasing real agricultural wages. But gains to the poor were far smaller in the short run than in the long run.

Leal (1999), aver that health service is important for combating poverty. Moreover, it often subsidized by public funds. Public spending on curative health in several African countries, this favour the better off than the poor. Targeting problems therefore cannot be adjusted through subsidies. The constraints in the poor accessing this service should be examined to address why the benefits are not reaching poor.

Fan, Zhang, and Zhang, 2000, indicated that during the past two decades, more than 200 million people has escaped poverty in China, while the total number of poor has not declined in other developing countries. They seek to examine causes behind
China’s successful experience, paying particular attention to government spending. Most previous studies have attributed China’s success to institutional and policy reforms since the late 1970s. Little attention has been paid to the role of government spending in rapid economic growth and poverty alleviation. Using province-level data for 1978-1997, and using simultaneous equation model they estimated the direct and indirect effects of different types of government expenditure on rural poverty and productivity growth in rural China. The model makes it possible not only to rank different types of investment in terms of their effects on growth and poverty, but also to quantify any trade-offs or complementarities that may arise between the achievements of these two goals. The framework also enables us to evaluate the effects of public investment from the regional dimension. The results show that in order to reduce rural poverty, the government should give highest priority to additional investments in rural education and agricultural research, in particular in the western provinces. However, if the government wishes to maximize the returns to growth in agricultural production, then it should target the central region. Given the fact that government is facing a more stringent
budget, this analysis provides policy makers valuable information for effective poverty and growth targeting.

Trueman, Paul Drummond and Hutton, 2001, studied the role of economic evaluation in the efficient allocation of healthcare resources. Whilst economic evidence is undoubtedly useful to purchasers, it does not address the issue of affordability, which is an increasing concern. Healthcare purchasers are concerned not just with maximising efficiency, but also with the more simplistic goal of remaining within their annual budgets. These two objectives are not necessarily consistent.

This paper examines the issue of affordability, the relationship between affordability and efficiency and builds the case for why there is a growing need for budget impact models to complement economic evaluation. Guidance currently available for such models is also examined and it is concluded that this guidance is currently insufficient. Some of these insufficiencies are addressed and some thoughts on what constitutes best practice in budget impact modeling are suggested. These suggestions include consideration of transparency, clarity of perspective,
reliability of data sources, the relationship between intermediate and final end-points and rates of adoption of new therapies. They also include the impact of intervention by population subgroups or indications, reporting of results, probability of redeploying resources, the time horizon, exploring uncertainty and sensitivity analysis, and decision-maker access to the model.

Fan, Huong and Long, 2003 indicated that it is likely that public spending may decline as a part of macro-economic reforms therefore the government is required to do more with less. Information on the relative contributions of various types of public spending will help the Vietnamese government to better target its resources in order to achieve more efficiently the twin goals of economic growth and poverty reduction. The objective of this study is to analyse the impact of various types of government spending on growth and poverty reduction, using provincial level data over the last decade. Government spending reduces poverty through many channels such as agricultural growth and improved non-farm employment. The authors tried to capture all these different effects if the data allow. They then sketch Vietnam's poverty profile, highlighting changes over time,
regional distribution and differences among population groups. A review the trend and composition of government spending, agricultural R&D and infrastructure endowments in Vietnam over the last decade is documented.

Agricultural growth and poverty reduction in Vietnam have been impressive for the last one and half decades. Contributing to this is a series of policy reforms and improvement in technology, infrastructure and education. These improvements are in turn the results of government investments for the past several decades. Using the provincial data on agricultural production, rural non-farm employment, poverty, and government investments, this study develops a simple econometric equation system to estimate the returns of various government investments on agricultural growth and poverty reduction. The results reveal that government investment in agricultural research has the largest poverty reduction impact, followed by telephone, education, roads and electricity. Irrigation investment has the smallest impact on agricultural growth. The ranking of poverty effects of these investment are the exactly the same as effect on agricultural growth. This implies that there is no trade-
off between agricultural growth and poverty reduction when selecting investment priorities. It is clear that government spending has played an important role in agricultural growth and poverty reduction. However, it is worrisome that the government has reduced its investment in these areas. To gain further growth and poverty reduction, the government has to gear up its investment in agricultural research, education and rural infrastructure.

Many policies in India, including economic reform policies, are officially intended to alleviate poverty. Mooij and Dev, 2004, addresses the questions how committed is the Indian government? And to what? By studying India's social spending priorities over the past decade. Looking at the rhetoric in budget speeches, actual expenditure patterns and the process by which budgets are formulated, it finds a widened concept of poverty and a shift away from income and employment programmes to human development. They contend that the budget-making process is not very participatory, and the role of the Finance Ministry has increased. Although the widening of the concept of poverty has positive aspects, within the overall context of
structural adjustment it has facilitated the politically convenient
neglect of other dimensions of income and employment.

Lanjouw and Ravallion (2005) studied the distributional effects
of public spending. Reforms have generally been based on
average rates of program participation by various groups. This
practice can be deceptive because the socioeconomic composition
of participants can change as a social program expands or
contracts. The geographic variation found in 1993–94 household
survey data for rural India is used to estimate the marginal odds
of participating in schooling and antipoverty programs. The
results suggest early capture of these programs by the non-poor.
It is shown that conventional methods for assessing benefit
incidence underestimate the gains to the poor from higher public
outlays and underestimate the losses from cuts.

Owen O'Donnell, et al, 2007, compares the incidence of public
healthcare across 11 Asian countries and provinces, testing the
dominance of healthcare concentration curves against an equal
distribution and Lorenz curves and across countries. The
analysis reveals that the distribution of public healthcare is pro-
rich in most developing countries. That distribution is avoidable, but a pro-poor incidence is easier to realize at higher national incomes. The experiences of Malaysia, Sri Lanka and Thailand suggest that increasing the incidence of pro-poor healthcare requires limiting the use of user fees, or protecting the poor effectively from them, and building a wide network of health facilities. Economic growth may not only relax the government budget constraint on pro-poor policies but also increase pro-poor incidence indirectly by raising richer individuals' demand for private sector alternatives.

2.3 Resource Allocation and Deficits

Kawagoe, 1982, states Indonesia was a poor agricultural state, with a per capita GNP (Gross National Product) of only US $80, the lowest among Asian economies and substantially lower than such African countries as Kenya and Ghana. Agriculture with about 50 per cent of GDP (Gross Domestic Product) and 66 per cent of the labor force was the dominant sector. In the 1970s, however, Indonesia showed rapid economic growth (5 per cent a year). Softened world oil markets brought a slowdown in growth.
in the early 1980s, but growth recovered and per capita GNP in 1994 was US $880, comparable with the Philippines and substantially higher than many South Asian and African countries. Agriculture had only a 22 per cent share of GDP; industry, 41 per cent; and services, 42 per cent. But Indonesia is enormously diverse and some parts of it did much better economically than others. As the country's economy grew, market-based resource transfers helped modernize regional economies, creating the driving force for industrialization. By contrast, government-based resource transfers, in the form of development spending, were more welfare-oriented, favoring the poorer outer islands and did not contribute to industrialization. In other words, two driving forces, government, sustained economic growth and market based transfers, which complemented each other. The oil boom was a bonanza, producing new fiscal revenue, a luxury only oil-exporting countries could enjoy. They noted that oil revenue it is not always a ticket to successful industrialization, as the tragic experiences of such oil-exporting economies as Mexico show.
Mexico's growth rate began to plummet at roughly the same time that its public investment expenditures declined observes Aschauer and Ulrich, 1982. That decline also appears to coincide with a slowdown in the growth of infrastructure capital in the electricity, transport and communications sectors. Because of these parallel developments, many economists have attributed at least part of the blame for the decline in Mexico's growth after 1981 to the decline of public infrastructure investment. The empirical results presented in this report provide only limited support for this argument. They also suggest, in turn, that increases in public investment would not automatically translate into faster output and productivity growth. One reason not to take for granted a positive relationship between more public investment and faster growth is public investment's crowding out effect on private investment. Although the time-series regression results for Mexico all point toward a crowding out coefficient of less than unity, the existence limits the growth impact of public investment by reducing its net effect on capital accumulation. The time-series results also suggest that the economy's total factor productivity growth responds positively to increases in the ratio of public to private investment. In light of
that result, increases in public investment should have a positive net impact on economic growth, despite significant crowding out effects. Chow breakpoint tests indicate, however, that the positive productivity effect appears to have weakened significantly in the past decade. A third reason for questioning a stable relationship is that the impact of increased public investment is likely to depend on how it is financed. The cross-country regressions reported here indicate that a general increase in the public capital stock has a positive impact on growth only if financed through savings generated through lower public consumption expenditures, but not if financed through higher public debt, which implies higher current and future taxation levels. The scope for reducing public consumption expenditures in Mexico is very limited, however, since they are already at rock bottom levels. Therefore, the only way to assure that the public investment program makes a significant contribution to growth is by improving its "quality" through careful attention to its rate of return and complementarity with private capital. In Mexico, the most important reforms to make public investment more productive came from policymakers' recognition of the need to distinguish more clearly between the
roles of the public and private sectors. This led to the privatization of most public enterprises and a reorientation of public investment to a more narrowly focused set of activities. In addition, the government took important steps to strengthen the institutional framework within which the public investment program is determined.

Recent legislation has reduced federal tax rates and provided for indexation of the personal income tax against inflation. These changes are in part designed to reduce the relative size of government in the U.S. economy averred Blackley (1986) in his paper on Causality Between Revenues and Expenditures and the Size of the Federal Budget,. Testing assumptions behind this proposition, this article examines the causal relation between revenue and expenditure changes in explaining federal budget growth. Statistical causality tests reveal that revenue growth generally precedes expenditure growth, confirming that growth in revenue capacity stimulates budget expansion rather than deficit reduction. A tri-variate causal model including GNP, however, suggests that both demand and supply factors are responsible for the budget's growth.
Borders, 1998, acknowledged that government should play a role in the development of human capital, but how government should allocate public funds is unclear. One area of investment, which could directly lead to increases in health status and indirectly affect labor capacity and general economic development in public health. This study describes the relationship between public health expenditures, economic development, and aggregate measures of health status among lower and middle income countries. Measures of health status (infant mortality rates and life expectancy), measures of economic development (per capita income and illiteracy rates), and public health spending as a percentage of gross national product (GNP) were compiled for 36 lower and middle income countries from the 1993 World Development Report: Investing in Health. Infant mortality and life expectancy were used as output variables and per capita income, illiteracy rates, and public health spending/GNP were used as input variables in Cobb-Douglas production functions to estimate elasticity. Regression coefficients from the Cobb-Douglas production function using a log-linear format were used to generate elasticities. This approach was used in the early 1990s to evaluate returns to
public infrastructure spending. Public health spending as a percentage of GNP has a strong relationship with infant mortality. A doubling of public sector spending as a share of GNP was associated with a 20 per cent improvement in infant mortality, though. The impact of public health spending as a percentage of GNP has a weaker relationship with life expectancy. A doubling of public health spending as a percentage of GNP was associated with only a 7 per cent, non-significant, increase in life expectancy. As was the case for infant mortality, per capita income and literacy had greater impacts on life expectancy than public health spending. These results should be viewed with caution. The Cobb-Douglas production models may be misspecified because economic development is an unobservable variable driving both health and other measures of development. Results suggest that public health expenditures have a potentially strong impact on health status. Increased public health spending was associated with substantial decreases in infant mortality. The study fails to explain, though, the exact relationship between public health spending, educational status, socioeconomic status, and health status. It is plausible that increase in health status associated
with public health spending affect educational status and socioeconomic status by raising individuals' capacity to learn and work. The most plausible explanation is that they are related and advocate each other. Another limitation of the study is the public health expenditures data. In addition to limited sample size, estimates of public health spending may or may not include all public health activity. Some countries may include spending on public health in other budgets. Economists widely agree that government spending should be dictated by efficiency and equity. This study finds that government spending on public health can generate substantial returns in health status. Governments faced with limited resources must consider the returns associated with investments in public health along with other options when deciding how to allocate public funds.

Baffes and Shah, 1993 averred that government deficits especially in developing and emerging market economies have been rising at an alarming pace in recent years. Some countries have responded to this fiscal crisis by reducing public spending on infrastructure and human resource development. At the present, policymakers did not appear to have access to any
empirical evidence on the sectoral allocation of public investment and its implications for economic growth. Such evidence, as pointed out by Summers (1991, 1992) is vital in making tough choices on public spending priorities. In the absence of this empirical guidance, Summers suggested that in the developing world at least a prima facie case can be made to protect public investment in critically deficient aspects of infrastructure and female education. According to recent advances in endogenous growth theory, the factors contributing to the cross-country differences in both the level of per capita income and the growth rates are: investment in human capital (Lucas, 1988), knowledge spillovers (Romer, 1989), and investment in physical capital and infrastructure (DeLong and Summers, 1990; Murphy et al., 1989). Looking at the microeconomic aspect of those issues, a number of recent studies have reflected on the productivity of public spending on infrastructure (see e.g. Aschauer, 1989; U.S. Congress, 1991; Shah, 1988, 1992; Berndt and Hansson, 1992; Richards, 1992; Lynde and Richmond, 1993). However, sectoral allocation of public investment (i.e. on infrastructure, human resource development capital, defense capital, etc.) and its implications for economic growth remains largely an unexplored
area of research. This paper takes an important first step in the above direction. Specifically, it employs a flexible production structure methodology where various public and private inputs interact and contribute to national output. Public capital is disaggregated into infrastructure, human resource development and military capital stocks. Based on an analysis of time-series (1965-84) and cross-section (25 countries) data, the paper concludes that public investment in human resource development provides a stimulus for economic growth, whereas the contribution of military spending to economic growth appears to be negative for a substantial number of countries. Thus, the paper finds some empirical support for the development strategy that augur for curtailment of public spending on defense and higher spending on education training and health.

Campos and Pradhan, 1996 paper on how institutional arrangements affect incentives governing the size, allocation, and use of budgetary resources and improve transparency and accountability - binding key players to particular fiscal outcomes and making it costly for them to misbehave. They examined how
institutional arrangements affect incentives that govern the size, allocation, and use of budgetary resources. They use a diagnostic questionnaire designed to elicit the relative strengths and weaknesses of specific systems in terms of instilling fiscal discipline, strategically assigning spending priorities, and making the best use of limited resources. In applying their methodology to a sample of seven countries (Australia, Ghana, Indonesia, Malawi, New Zealand, Thailand, and Uganda), they also examine how donor assistance affects expenditure outcomes. They first compare the far-reaching reforms introduced in Australia and New Zealand, two countries at the cutting edge of institutional reform. In New Zealand, reform focused on achieving general fiscal discipline and getting the best output at the least cost. In Australia, reform focused on strategic priorities and a shift from central to line agencies to identify savings within hard budget constraints. The two countries took dramatically different paths, but both sought to alter the incentives that affect the size, allocation and use of resources, and to improve transparency and accountability, binding key players to particular fiscal outcomes and making it costly for them to misbehave.
Systems in Indonesia and Thailand were reasonably effective in instilling fiscal discipline, but Indonesia seemed to be somewhat better at allocating resources to protect basic social services and alleviate poverty during periods of fiscal austerity. Thailand’s over centralized system did not capitalize on useful information from line agencies and lower levels of government.

Donors play a central role in spending outcomes in the three African countries studied - Ghana, Malawi, and Uganda. Donors provided incentives for short-term fiscal discipline, but the way they imposed spending cuts impeded the prioritizing of expenditures, and multiple donor projects fragmented the budget. Donor conditionality on the composition of expenditures, and donor driven attempts to improve technical efficiency, were ineffective. Lack of transparency and accountability meant that rules were not enforced and budgets were often remade in an ad hoc, centralized way, so that the flow of resources to line agencies was unpredictable.

Briscoe, 1999 made a companion paper in the previous issue of this journal (Briscoe, 1999) describes the changing face of
infrastructure financing in developing countries. This paper deals with the financing of major infrastructure in the water related sectors hydropower, water supply and sanitation, irrigation, and overall water resources management (including the environment). The overall level of investment in water-related infrastructure in developing countries is estimated to be of the order of 65 billion annually, with the respective shares about 15 billion for hydro, 25 billion for water and sanitation and 25 billion for irrigation and drainage. About 90 per cent of this investment comes from domestic sources, primarily from the public sector. Water-related infrastructure accounts for a large chunk—about 15 per cent of all government spending. This heavy dependence on the public sector means that the global 'winds of change' in the respective roles of government and the private sector have major implications for the financing and structure of the water economy. The paper describes how each of the 'sub-sectors' is adapting to these winds of change. First, in recent years competition and private sector provision have emerged as the characteristics of the new electricity industry. This change poses a fundamental challenge to hydro, which, to a much greater degree than thermal, has risks (hydrological, geological,
social and environmental) which are better assumed by the public than the private sector. The future of private hydro, and thus of hydro itself, depends heavily on the ability of the public sector to both share risks with the private sector, and to provide predictable social and environmental rules of the game. Second, the urban water supply sector is in the early stages of equally profound change. In recent years, there has been a dramatic shift towards the private sector, in developed and developing countries alike. An outline of the future shape of a competitive urban water sector is emerging; it is one in which a growing number of private companies will compete with revitalized (and often corporatized) public utilities. Capital will increasingly, come from the private capital markets, with the critical government role being that of light, transparent benchmarking and regulation. Third, the adaptation to the winds of change is least advanced in the public irrigation sector, which has long been characterized by public financing and 'rent seeking' by bureaucracies, politicians and private beneficiaries. It is only in recent years, and only in a few countries, that the irrigation sector has modernized. In these cases, irrigation has become like any other utility, in which accountable, autonomous agencies
provide users with the services the users want. In many instances, farmers have become responsible for the costs of operating and maintaining their systems; in some instances, they are responsible for meeting the full costs of replacement, rehabilitation and new investments. Where these changes have taken place, there have not only been sharp swings in the relative proportion of private and public spending, but there have been dramatic improvements in the efficiency of investment and operation and, in most cases, major positive environmental impacts.

Kerala's development experience according to Kutty (2000) has been distinguished by the primacy of the social sectors. Traditionally, education and health accounted for the greatest shares of the state government's expenditure. Health sector spending continued to grow even after 1980 when generally, the fiscal deficit in the state budget was growing and government was looking for ways to control expenditure. But growth in the number of beds and institutions in the public sector had slowed down by the mid 1980s. From 1986–1996, growth in the private sector surpassed that in the public sector by a wide margin.
Public sector spending reveals that in recent years, expansion has been limited to revenue expenditure rather than capital, and salaries at the cost of supplies. Many developments outside health, such as growing literacy, increasing household incomes and population ageing (leading to increased numbers of people with chronic afflictions), probably fuelled the demand for health care already created by the increased access to health facilities. Since the government institutions could not grow in number and quality at a rate that would have satisfied this demand, health sector development in Kerala after the mid-1980s has been dominated by the private sector. Expansion in private facilities in health has been closely linked to developments in the government health sector. Public institutions play by far the dominant role in training personnel. They have also sensitized people to the need for timely health interventions and thus helped to create demand. At this point in time, the government must take the lead in quality maintenance and setting of standards. Current legislation, which has brought government health institutions under local government control, can perhaps facilitate this change by helping to improve standards in public institutions.
The paper by Schuknecht 2000, studies empirically the fiscal policy instruments by which governments try to influence election outcomes in 24 developing countries for the 1973–1992 periods. The study finds that the main vehicle for expansionary fiscal policies around elections is increasing public expenditure rather than lowering taxes, and public investment cycles seem particularly prominent. Institutional mechanisms which constrain discretionary expenditure policies and which strengthen fiscal control are therefore worthwhile considering to prevent opportunistic policy making around elections.

Zhanga and Zou, 2001, established a negative association between fiscal decentralization and provincial economic growth has been found to be consistently significant and robust in China. For India, however, we have found that fiscal decentralization is positively, and even statistically significantly, associated with state economic growth. The state allocation of public spending in various sectors is broadly consistent with "growth maximizing," whereas increases in the central allocation of its budget among development projects, non development projects, and social and community services by cutting the
center's spending on all other functions can promote regional growth.

The objective of this paper by Fan and Rao, 2003, is to review the trends in government expenditures in the developing world, to analyze the causes of change. Contrary to common belief, it is found that structural adjustment programs increased the size of government spending, but not all sectors received equal treatment. As a share of total government spending, expenditures on agriculture, education and infrastructure in Africa; on agricultural and health in Asia; and on education and infrastructure in Latin America, all declined as a result of the structural adjustment programs. The impact of various types of government spending on economic growth is mixed. In Africa, government spending on agriculture and health was particularly strong in promoting economic growth. Asia's investments in agriculture, education and defense had positive growth-promoting effects. However, all types of government spending except health were statistically insignificant in Latin America. Structural adjustment programs promoted growth in Asia and Latin America, but not in Africa. Growth in agricultural
production is most crucial for poverty alleviation in rural areas. Agricultural spending, irrigation, education and roads all contributed strongly to this growth. Disaggregating total agricultural expenditures into research and non-research spending reveals that research had a much larger impact on productivity than non-research spending.

In this paper, Shell and Ghiglino 2004 investigate the effects of government budget deficit restrictions in a finite horizon model with imperfect consumer credit market. When financial markets are perfect, anonymous lump sum taxes are sufficient to achieve irrelevance of government budget deficit restrictions in the sense that the timing of the taxation is completely indifferent. With imperfect consumer credit markets, strong irrelevance does not hold. A weaker form of irrelevance exists in which the government is able to change its budget deficit in all periods but the magnitude of this change is limited. Weak irrelevance holds in the presence of endogenous credit constraints provided there exists a sufficiently large number of anonymous consumption taxes. These results are used to characterize the optimal tax scheme needed to finance the production of a public good. We
show that for an open set of economies the inclusion of an anonymous consumption tax in a purely anonymous lump-sum scheme increases social welfare.

Zhang and Fan, 2004, studied the competing arguments about the effect of public infrastructure on productivity. They observed that level-based and debate-based regressions often lead to different estimates. To help reconcile this difference, this article applies the method to first test for causality to check for length of lagged relationships and the existence of reverse causality before specifying a final model and deciding the estimation procedure. This approach is illustrated using a panel data set for India. The results show that infrastructure development in India is productive, providing supporting evidence to reverse the trend of declining investment in rural infrastructure.

Abuelafia et al, 2005, the budget process is increasingly considered key for reform efforts to improve fiscal outcomes. In this paper we embark on a political economy analysis of the budget process in Argentina, in the spirit of the IDB project “Political Institutions, Policymaking Processes and Policy
Outcomes” in order to understand who determines budget outcomes in Argentina. In particular, they seek to characterize the institutional framework that regulates the budget preparation, approval, implementation and control and identify which actors are involved both formally and informally in the process at each stage, and seek to understand their incentives and interactions. The President has a de facto role that is much more powerful than what the laws and institutions of the budget process stipulate. However, the rigidity of the budget process, together with other constraints such as macroeconomic shocks, fiscal rules, agreements with International Financial Institutions (IFIs) and the influence of other actors such as governors, legislators and lobbies - have limited the ability of the Executive to substantially modify the budget process. Furthermore, compared with the period of high inflation of 1983-1991, in the past decade we have witnessed dramatic improvements in the institutionalization of the budget process, both in political and administrative terms. These reforms have accompanied a strong improvement in fiscal outcomes in the 1990s compared with the 1980s, and provided some of the tools necessary to limit the depth of the recent crisis and regain macroeconomic stability.
Despite intense calls for safeguarding public investment in Europe, the public investment expenditure, when measured in relation to GDP, has steadily fallen in the last three decades, evoking fears that economic activity may be correspondingly negatively affected was the observation by Straub and Tchakarov, 2006 in their report on Assessing the Impact of Change in Composition of Public Spending: A DSGE Approach. At the same time, however, public consumption in the EU-12 countries has trended up. In this paper, we provide a macroeconomic assessment of the observed change in the composition of public spending in the euro area in a medium-scale two country dynamic stochastic general equilibrium (DSGE) model. First, we analyze the channels through which, both temporary and permanent public investment shocks generate larger fiscal multipliers than exogenous increases in public consumption. Furthermore, we quantify the negative impact of a change in fiscal stance, characterized by a permanent rise in public consumption and a permanent fall in public investment, keeping thereby the overall level of public spending constant. The key message of the paper is that calls for
reversing the observed trend in the composition of public spending are well justified. Infrastructure

Kerr, (2004) study established that India's agricultural growth has been sufficient to move the country from severe food crises of the 1960s to aggregate food surpluses today. Most of the increase in agricultural output over the years has taken place under irrigated conditions. The opportunities for continued expansion of irrigated area are limited; however, so Indian planners increasingly are looking to rainfed, or unirrigated agriculture to help meet the rising demand for food projected over the next several decades. Given that rain fed agriculture should receive greater emphasis in public investments, a key issue is how much investment should be allocated among different types of rain fed agriculture. This paper addresses a wide variety of issues related to rain fed agricultural development in India. It examines the historical record of agricultural productivity growth in different parts of the country under irrigated and rainfed conditions, and it reviews the evidence regarding agricultural technology development and adoption, natural resource management, poverty alleviation, risk
management, and policy and institutional reform. It presents background information on all of these topics, offering some preliminary conclusions and recommending areas where further research is needed. The analysis of agricultural productivity growth is based on district level data covering the Indo-Gangetic plains and peninsular India from 1956 to 1990.