Anwar Shah (ed.). *Public Expenditure Analysis.* Washington, D. C.: The World Bank, 2005. xxxi+256 pages. Paperback. Price not given.

Public Expenditure Analysis is the 7th edition in the "Public Sector Governance and Accountability Series" edited by Anwar Shah. The book attempts to contribute to public sector reforms by improving governance in the public expenditure analysis—to disburse the benefits to grossroots levels in the developing countries. It deals with the intricate issue of equity in both the tax burdens and public spending and evaluates performance of government in safeguarding the interests of the poor and other disadvantaged groups of the society, such as women, children, and minorities. The eight chapters of the book that consist of papers prepared by distinguished authors systematically develop a framework for a right-based approach to citizen empowerment by creating an institutional design with appropriate rules, restraints, and incentives to make the public sector responsive and accountable to the average voter.

Chapter 1 examines the beneficiary of the public programme applying public burden tests. The literature on fiscal incidence has traditionally focused on tax incidence and neglected the issue of expenditure incidence. It attempts to fill in the gap and examines the major methodological issues arising in the measurement of expenditure incidence, that is, how government spending affects the economic position of families and individuals. The chapter focuses on selecting time period, analytical framework, unit of analysis, and an appropriate income measure to make a distinction between the direct effects of public expenditure and the indirect effects through changes in relative prices. Allocation of government expenditures to the selected family unit to help the beneficiaries through transfers is also discussed in this chapter. The chapter includes practical examples of suggested measures from the literature.

A review of the measures of inequality and poverty using poverty reduction tests such as the Lorenz curve analysis, the Gini index, the generalised Gini index, entropy measures of inequality, and Atkinson's inequality measures and their welfare implications is provided in Chapter 2. Estimates based on various indicators of poverty show a significant reduction in poverty, though the rich benefited much more than the poor.

Chapter 3 is concerned with the assessment of government fiscal policies from the equity point of view, which is required to achieve the Millennium Development Goals in the 21st century. The chapter discusses the welfare measures, derives elasticity of income components, develops the welfare index, and deals with the indirect taxes and subsidies, and overviews the Philippine's fiscal system that indicates marginal reforms. It develops a general methodology to access the equity implications of fiscal policies and uses this methodology to access the overall equity of the fiscal system in the Philippines. The author emphasises that the policies that raise the family income have a positive impact on the poor and the policies that raise wages, salaries, pensions and social security benefits, favour the non-poor, and argues that both the taxes on food and some non-food items and private expenditure on health and education are highly regressive. The analysis concludes that the present system in the Philippines is mostly regressive and benefits the rich more than the poor.

Chapter 4 provides a descriptive analysis on the highly sensitive issue of evaluating public pensions and focuses on the development and reform of the pension systems. It identifies the objectives and points out the reasons for the intervention of the government in the pension area, such as redistribution of income towards less-well off retired persons, facilitation of savings at the age of retirement, and coverage of the risk of elderly individuals. The chapter also identifies the various economic costs including fiscal burdens, incentive effects, administrative costs, public sector inefficiency, and unintended redistribution effects. This chapter examines and provides a framework for assessing the public pension plans as safeguards for income security for the elderly and the poor. The authors put forward the lessons from the experiences of developed countries to provide a good basis for evaluating reforms in developing countries to establish a good system of public pensions. It is emphasised that policy-makers should adopt such alternatives as may ensure the stability of their economies and the well-being of the populations, simultaneously.

Chapter 5 discusses the most pertinent issue of gender safeguard and evaluates the experience with the ‘gender budget’ exercises to increase women’s welfare in the decisions of public taxing and spending conducted in Barbados, Israel, South Africa, and Sri Lanka. The potential of the World Bank’s Public Expenditure Reviews (PERs) is utilised as a tool to enhance women’s access to public services such as gender-neutral employment, education, health, and their participation in economic activities. Emphasis is put on the adoption of a selective approach to arrive at concrete policy suggestions to enhance the impact on gender inequality that would improve the country’s health, productivity, and economic growth in line with the World Bank’s PER process.

In Chapter 6, the authors describe a framework for responsive and accountable governance. The chapter shows that top-down hierarchical model is responsible for the failure of these reforms, outlines the common problems in developing-country governments, identifies reform elements and their weaknesses, presents a citizen-centred framework, and highlights the successes of the citizen-centred (bottom-up) governance approach.

This approach provides an environment for responsive, responsible, and accountable governance that can tackle the problem in an efficient manner. The authors argue very rightly that participatory decentralisation directly counters weaknesses related to a top-down, centralised, and inward-looking governance structure that stimulates organisational orientation and incentives in the public sector. It is believed that output-based contracts create incentives for the administrators to focus on results rather than processes, and the accountability mechanism ensures capacity building with result-oriented management and evaluation.

The two authors carry on the theme of citizen-oriented programme discussed in Chapter 6 into the next chapter and critically examine the budgetary practices adopted by developing countries at the local level. Chapter 7 examines the conventional budget processes and formats that frustrate the citizen's ability to contribute to the governance process, as mostly the budgeting and documentation are not citizen-friendly. The analysis outcome ensures consistent and efficient service delivery according to mandate, compares the performance with other local jurisdictions, enables a fair and efficient process of collection of taxes, and helps to keep the debt within a sustainable level. The authors suggest that a citizen-oriented budget should satisfy relevance, readability, responsibility, and reparability. This type of budgeting is relevant at the local level in developing countries.

Chapter 8 is a very important, evidence-based piece on the role of ordinary people in the enforcement of fiscal accountability. It examines the impact of citizen's voice-based mechanism to promote greater public sector accountability in local governance, with practical examples of reforms undertaken by the local and regional governments in the developing countries, especially in South Africa. The very strong message emerging from this analysis is that the system can improve provided the citizens are empowered and have full information regarding the methods and procedures of governance. That will make the government more responsive and accountable to citizens. The findings suggest that a built-in evaluation device, with the monitored and evaluated effect of voice mechanism, generally generates influence on the governments. Participatory voice mechanisms work relatively less effectively in poor areas because the voice of the poor is ignored and/or influenced by special-interest groups.

This book is a timely addition to the literature on public expenditure analysis so as to make fiscal policy a more effective tool in poverty reduction by applying citizen-centred governance approaches in developing countries. The selection of the literature on public expenditure analysis is to be commended. It will be beneficial to students, researchers involved in fiscal management issues, and policy-makers striving to find the most effective fiscal policies with a human touch.

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