

Budget Transparency and Participation

Recommendations to the Fourteenth Finance Commission

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In a formal sense, the Government of India provides considerable transparency in the budget process, but in a substantive sense, public participation is very limited. The Fourteenth Finance Commission has the opportunity to recommend true budget transparency, accountability and participation.

The hallmark of a vibrant democracy is the strength and quality of participation by its citizens. Electing representatives to Parliament and state legislatures every five years is not enough. The real measure of participation is the extent to which citizens are actively engaged in the political process during those five years. In particular, citizens should question representatives continuously and hold them to account. Similarly, elected parliamentarians should perform their oversight duty and hold the executive to account. Public participation in the budget process is especially important, as budgets that reflect the needs and priorities of a country and its people are fundamental to the success of any public policy, particularly policies related to service delivery. To help ensure that services respond to citizens' needs and are of good quality, citizens – the recipients of services – must engage throughout the budget process. Effective engagement in turn, whether at the national or sub-national levels, depends on the citizens' access to timely and relevant information as well as the establishment of formal spaces for participation in the budget process.

India is fairly transparent with respect to its budget on the national level and some opportunities to participate in the budget process do exist. For example, India's score on the 2012 Open Budget Survey (OBS),¹ an independent and comparative study of budget transparency and accountability, was 68 out of 100, giving it an enviable rank of 14 out of the 100, countries participating in the survey. Further, instruments such as citizens' charters, right to information, e-governance, report cards, and social audits have helped strengthen transparency in the functioning

of the government and empowered citizens with information required for a meaningful citizen-government engagement. Yet, given the critical role of transparency, accountability, and participation in ensuring good governance, more can and should be done.

The National Democratic Alliance government has explicitly spelt out its goal of "Development through Good Governance", pledging itself to "Sabka Saath, Sabka Vikas" to re-establish the institutions of democracy. In the president's first speech to the 16th Lok Sabha, the government asserted that this will be achieved through an emphasis on

participative governance, directly engaging the people in policymaking and administration by using emerging technologies like social media...to create a policy environment which is predictable, transparent and fair.

These are great goals and objectives, which if put to practice sincerely can transform governance and strengthen transparency, accountability and participation – and ultimately democracy.

To move towards the goals of strengthening transparency, accountability, and participation, particularly with respect to budgets, there are a few realistic actions that India should take now. First, the government should increase public participation in the budget formulation process and publish a pre-budget statement to facilitate this. Second, the government should strengthen sub-national budget transparency. Third, the government should mandate civil society participation in the planning and budgeting of programmes that directly benefit citizens through service delivery.

The Fourteenth Finance Commission (FFC) represents a significant opportunity to lay the foundation for achieving these objectives. The rest of this note describes these recommendations in greater detail in the hope of encouraging the FFC to pave the way for greater budget transparency, accountability, and participation in India.

Pre-Budget Statement

While citizen participation during all phases of the budget process is important, participation during the formulation stage is of particular significance, because

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it is here that strategic interventions can help shape the budget that is finally placed in Parliament for approval. In many countries, the debate following the tabling of the draft budget in Parliament offers civil society and the legislature the best opportunity to influence the budget. However, in India, few significant changes are made to the draft budget once it is introduced in Parliament; rather, the executive dominates the formulation stage of the budget process, limiting the extent and quality of the pre-budget discussion.

In this context, if the budget is to be representative of the needs and demands of citizens, the pre-budget process must include extensive engagement of civil society as well as legislative members. More specifically, production and active dissemination of a pre-budget statement – which sets out the government’s budget strategy for the coming year and is released at least three to four months² ahead of the draft budget – coupled with formal spaces to seek input from civil society, business, legislative members and media would generate public debate on policies and resources allocation.

Greater opportunities for meaningful public participation during budget formulation would be a natural extension of the steps India has already taken to foster greater transparency and participation in the budget process. For example, India publishes seven of the eight budget documents that international best practices recommends that governments publish in the planning and implementation of their budgets. The pre-budget statement is the only document that India does not produce. Doing so would place India among the company of countries such as Brazil, South Africa, and several of India’s neighbours – including Afghanistan, Cambodia, and Philippines – who currently produce and publish this important document.

Further, much of the information commonly included in pre-budget statements – the government’s fiscal objectives over the medium-term, broad sectoral allocations, and expectations for broad categories of taxes and revenues is already reflected in other budget documents disseminated to the public

later in the year. Providing such information earlier in the year in the form of a pre-budget statement would facilitate greater debate around the government’s budget policies and priorities and help ensure that the outcomes of such discussions might be reflected in the draft budget.

Finally, as a convention/practice the government has already established a process for budget consultations, which takes place in January every year; however, as the Ministry of Finance effectively finalises the budget in December, the opportunity to influence the budget at this stage is limited. Shifting these consultations to October would allow for these discussions to truly have an impact on the budget. Moreover, formal mechanisms for public participation in the national budget process build on the participatory planning and budgeting spaces included in flagship programmes such as the National Rural Health Mission (NRHM) and Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS).

The publication of a pre-budget statement and increased participation may raise concerns that some in the corporate sector could try to exploit the disclosure of sensitive information – such as changes in tax and excise rates – in the pre-budget statement. However, the pre-budget statement need not get into the details of changes in these specific tax rates. Greater participation in the pre-budget process would support more voices in the budget process, which ultimately would facilitate the government’s ability to make better-informed budget decisions.

Sub-National Transparency

In India, the limited civil society engagement with budgets happens mostly during the implementation stage and are confined to expenditure tracking, monitoring and social audit of programme implementation at the micro level, and as a critical analysis/assessment of budget allocations and expenditures at the macro level. At the state and sub-state levels this is constrained because of inadequate and/or poor quality budget information accessible in public domain:

often civil society organisations (CSOs) have to struggle to get even the very minimal budget and expenditure data to facilitate budget/expenditure tracking and monitoring.

In the last two decades, especially post the Right to Information Act as well as significant efforts of the Twelfth and Thirteenth Finance Commissions, substantial progress has been made to increase budget transparency at all levels. One would certainly agree on the fact that an important aspect of budget transparency is the timely availability of locally relevant budgetary information. Disaggregated budgetary information at the district and sub-district levels is often not shared in the public domain. This actually restricts citizens’ engagement in the wider debates and discussions on budgets and its priorities. As mentioned earlier, simply making budget documents and budget information available to citizens does not result in citizens’ engagement with budgets. What is more important is providing relevant, accessible and timely information, which would enable citizens to engage in the budgetary processes. For the citizen what is critically important is to get access to information on “my school”, “my health centre”, “my road”, etc. In this context there has been an increased demand by the community that data which has been collected/collated by using public funds should be made available more readily, and on time, to all for enabling policy debates and to enable participation in the decision-making process so that service delivery and its accountability and governance improve. Section 4(2) of the Right to Information Act, 2005 reads that:

It shall be a constant endeavor of every public authority to take steps in accordance with the requirements of clause (b) of sub-section (1) to provide as much information *suomotu* to the public at regular intervals through various means of communication including internet, so that the public have minimum resort to the use of this Act to obtain information (GOI 2005: 9).

In this regard one very important budget and expenditure information system is the online treasury management system which has a wealth of disaggregated information relevant to the common

citizen provided it is made accessible in a user-friendly way. The earlier finance commissions have played a key role by making appropriate recommendations to make such information available in public domain at the district, sub-district and institution levels. From time to time, the finance commissions have been providing grants (as part of administrative upgradation grants) to the states to facilitate computerisation of treasuries. This process of computerisation of treasuries dates back to the upgradation of standards of administration under the Sixth Finance Commission (1974-79) recommendation. The Thirteenth Finance Commission had also recommended grants to strengthen the database at state, district and local levels (GoI 2009: 224). In line with the recommendation of the Thirteenth Finance Commission, a mission mode project for computerisation of state treasuries in the country, the Government of India had approved a project under the new e-treasury scheme, with an allocation of Rs 625 crore to bring about transparency and to enhance efficiency of the public delivery system. The scheme was supposed to be implemented in about three years beginning 2010-11 fiscal, with a view to support states and union territories to fill the existing gap in their treasury computerisation, upgradation, expansion, and interface requirements, apart from supporting basic computerisation facility. The treasury computerisation project was expected to make budgeting processes more efficient, improve cash flow management, promote real-time reconciliation of accounts, strengthen management information systems (MIS), improve accuracy and timeliness in accounts preparation, bring about transparency and efficiency in public delivery systems, better financial management along with improved quality of governance in states and union territories and above all make this information available in public domain to strengthen public oversight and participation.

In a preliminary attempt to map the status of the online treasury system in the country, we found that all the states have linked their treasury with the web but very few have provided

public access to this information. Only six states, namely, Andhra Pradesh, Odisha, Maharashtra, Madhya Pradesh, Chhattisgarh and Uttar Pradesh have given open access to detailed budget information up to the object head classification, monthly availability of data and district-wise disaggregation of both revenue and expenditures data, at least for a period of 10 years or so. There are a few states like Maharashtra, Odisha and Andhra Pradesh, where online budget and expenditure data is available in the public domain, even at the sub-district and institutional levels through the *Koshwahini*/treasury accounting systems. A few other states also provide substantial information, but overall there is a long way to go to reach a level of transparency and access that makes it easy for ordinary citizens or the local CSOs confident enough to participate in a significant way in the budget process. The Sundaramurti Committee (GoI 2012) has made significant recommendations to this effect.

Civil Society Participation

Further, the devolution of governance has also created participatory spaces for citizen and CSO engagement, especially at the district and sub-district levels. The peoples planning initiative in Kerala, wherein planning and budgeting for about 40% of the development budget is done directly by gram sabhas and other citizen committees is one good example. In Nagaland, the village development committees (VDCs) engage directly with local development and budget allocations. But, these are exceptions.

There are also other opportunities for citizen participation like the programme implementation plans (PIPs) under the NRHM or monitoring committees for various untied funds given to panchayats and to service delivery institutions. But, these opportunities have not been seized, partly for the lack of citizen politicisation, but mostly because of inadequate budget transparency during the formulation phase of the budget. For instance, if citizens could effectively engage with the PIPs and develop need-based plans and budgets, as it happened in Kerala or Nagaland, the budget

formulation process would be injected with vital insights and energy which would result in a budget statement that would truly reflect the needs of the citizens and would consequently strengthen service delivery and have an impact on governance.

Recommendations

The FFC is well within its agenda to facilitate the strengthening of pre-budget transparency and participation through its recommendations. Also the FFC is perched on a historic moment, where across the length and breadth of the country, there is demand for improved accountability and governance, elimination of corruption, reduction in tax expenditures to corporates, significantly greater allocations for social sectors like health, education, food security, scheduled caste and scheduled tribe welfare, and social security. While we may be witness to significant political changes with a new government in place, the FFC also has an opportunity to be the "Change" it wants to see in fiscal transparency and accountability.

A few suggested recommendations for the FFC to consider and suggest appropriate grants to strengthen budget transparency, accountability and participation:

- Recommending the publication and dissemination of a pre-budget statement and related budget information that will increase civil society and legislative participation in formulation of budgets;
- Further, to strengthen the quality of budget information in line with Sundaramurti Committee recommendations, grants would be required for upgrading

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institutions, particularly the treasury management system in the country;

- Developing a rational basis for increased and effective allocation of resources to the social sectors so that the objectives of the programmes are effectively achieved.
- Grants for institutionalised mechanisms with respect to better access to and dissemination of quality budget information at the sub-national level, especially district and sub-district levels.
- Making mandatory civil society participation for planning and budgeting (like PIPs, untied funds, etc) for programmes

which directly benefit citizens through service delivery and benefits.

NOTES

- 1 The open budget survey (OBS) assesses the public availability and comprehensiveness of eight budget documents that international best practice recommends. The OBS for India since its inception in 2006 has been carried out every two years by CBGA, a New Delhi-based policy think tank in collaboration with International Budget Partnership (IBP) (2011), Washington DC CBGA is currently conducting the research for the 2015 Survey.
- 2 As per the international standard, availability of pre-budget statement before three to four months ahead of the presentation of budget in the Parliament/Assemblies would be considered as good practice. For further details, please see guidelines of OBS available at

http://internationalbudget.org/wp-content/uploads/Guide-OBS2012_English-Final.pdf

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