



Transparency in Government Budgets

- Nilachala Acharya and Kanika Kaul

Transparency, accountability and participation have been recognized as the pillars of good governance. The last couple of decades have witnessed a wider global recognition of issues relating to citizen engagement in policy formulation, seeking transparency in the process of policy implementation and fixing accountability for better governance. In addition to a whole range of actors engaged in efforts to strengthen governance, the last two decades have also witnessed active civil society efforts to promote citizen engagement with governance processes. In India, such efforts by civil society have resulted in landmark policy developments

such as the enactment of the Right to Information Act (2005) and the institutionalisation of Social Audits in the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), among others. These measures have redefined the scope of citizen engagement with governance.

Implementation of these mechanisms has helped strengthen transparency in the functioning of the government and empower citizens with information required for meaningful citizen-government engagement. As citizens' engagement with governance processes deepen, questions regarding public expenditure

and government policies and priorities as reflected in its budgets begin to be asked by citizens. However, the extent to which citizens' are able to effectively engage with budgets also depends on the budgetary information that is made available in the public domain. Increased budget transparency can lead to broader public debate in the process of policy formulation. Budget transparency leading to deeper citizen engagement with governance processes is essential to enable citizens to participate in policy making whereby better policy outcomes can be expected. Budget transparency thus is an important prerequisite for accountability and citizens'

* Nilachala Acharya and Kanika Kaul are with Centre for Budget and Governance Accountability (CBGA) a New Delhi based policy research organisation.

engagement in governance processes.

Civil society engagement with government finances has been increasingly focusing on the nature of budgetary information being made available by the government in the public domain. A number of concerns arise with regard to the budget documents and the information provided in these documents when transparency of government budgets is being analysed. For instance, *availability of key budget documents* is an important concern in itself, which are required to enable an analysis of budgets. In the Indian context, most of the relevant Union Budget documents (i.e. in terms of the eight key budget documents as per international practices), except the *pre-budget statement*, are prepared and shared in the public domain. However, at the sub national level, availability of budget documents varies across States and subsequent lower levels of governance.

Likewise, an important aspect of budget transparency is the 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. Additionally, accessibility of relevant information and presentation of budget information in a manner that would enable understanding of such information are other important parameters of budget transparency. Further, time taken for relevant information to be made available in the public domain is also considered a key

indicator of budget transparency. Apart from this, scope for public engagement in different phases of a budget cycle is also considered one of the key indicators of budget transparency.

Transparency in the Union Budget of India

The Open Budget Survey (OBS), an independent and comparative study of budget transparency and accountability, has been analysing budget transparency of "national level budgets" across many countries (including India) every two years since its inception in 2006. The analysis is done through an assessment of eight key budget documents, which should ideally be brought out by every government at the national level. These are: Pre-Budget Statement; Executive's Budget Proposal; Enacted Budget; Citizen's Budget; In-Year Reports; Mid-Year Review; Year-End Report and Audit Report. The latest round of OBS was carried out in 2012, covering nearly 100 countries. Based on

the assessment of this survey, the Union Budget transparency score for India in 2012 has been 68 out of 100. The OBS scores for Union Budget transparency in India since 2006, across the different parameters of transparency, have been as shown in the following Table 1.

From the information given above, it is visible that the budget transparency score for India (limiting only to the Union Budgets of the country) has increased from 53 (out of 100) in 2006 to 68 (out of 100) in 2012, with a slight improvement (one percentage point) from the 2010 round of the said survey, where its score was 67. However, a lot more needs to be done to increase the transparency of the Union Budget of the country. The OBS for the year 2012 provides recommendations that could help improve transparency of the Union Budget of India. These include - drafting and publishing a Pre-Budget Statement; increasing the range of information provided

Table 1: Open Budget Survey (OBS) scores for transparency of Union Budget of India

Parameters for Measuring Budget Transparency (8 Key Budget Documents)	Year			
	2006	2008	2010	2012
Pre-Budget Statement	0	0	0	0
Executive's Budget Proposal	53	64	67	72
Enacted Budget	100	100	100	100
Citizen's Budget	67	67	67	42
In-Year Reports	81	90	83	87
Mid-Year Review	50	25	75	84
Year-End Report	37	40	40	40
Audit Report	52	62	71	71
Overall Budget Transparency Score	53	60	67	68

Note: The OBS scores given in table above are only indicative. For more information and a detailed comparison, across parameters and years, refer to <http://survey.internationalbudget.org/#home>

Source: Compiled by authors from the information available at <http://survey.internationalbudget.org/#profile/IN> accessed on 22 July, 2013.

in the Executive's Budget Proposal, the Year-End Report, Audit Reports etc., and measures for citizens' engagement with the budget process. Of the 100 countries covered in the latest round of the survey, India ranked 14th. The analysis for India had been carried out by Centre for Budget and Governance Accountability (CBGA) in collaboration with International Budget Partnership (IBP).

OBS 2012 also reveals that the national budgets of 77 of the 100 countries assessed fail to meet basic standards of budget transparency. The survey referred to internationally accepted criteria developed by multilateral organisations, such as the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), and the International Organisation of Supreme Audit Institutions (INTOSAI).

Transparency in Budgets of State Governments in India

While the OBS provides

information regarding transparency of the Union Budget, an analysis of budget transparency at sub national levels is also required to arrive at a more comprehensive understanding of transparency of budgets in the country. This is especially significant given the fact that in India, the Union Government carries out only around 50 percent of the country's total budgetary expenditure with the rest of the budgetary expenditure carried out by the sub-national governments. Hence, while analysing budget transparency for the country as a whole, it is important to also include analysis of budget transparency at sub-national governments.

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 budgetary processes.

With this understanding, CBGA,

along with nine other independent civil society groups engaged in budget analysis, had carried out a research study in 2010 - 2011. The study attempted to measure transparency of the State Budgets in 10 states with reference to eight broad parameters.¹ The following Table 2 presents an overall summary of the findings of this study on transparency of the State Budgets in selected states.

From the information presented above, it can be seen that the overall State Budget transparency score for only two states (Gujarat and Madhya Pradesh) crossed 60 percent. The State Budget transparency score of four states (Chhattisgarh, Odisha, Andhra Pradesh and Assam) was between 50 and 60 percent, and for the remaining four states (Jharkhand, Maharashtra, Rajasthan and Uttar Pradesh), the score ranged between 40 and 50 percent.

This assessment of transparency in State Budgets, in the ten selected states, showed that the State Governments need to adopt a wide range of practices / processes to improve public

Table 2: Score Card on Transparency of the State Budgets in Selected States

Parameters / States	Andhra Pradesh	Assam	Chhattisgarh	Gujarat	Jharkhand	Madhya Pradesh	Maharashtra	Odisha	Rajasthan	Uttar Pradesh
Availability of Documents	68	67	65	87	72	68	65	68	80	64
Completeness of Information	75	74	81	85	74	81	77	75	56	69
Facilitating Understanding and Interpretation of Information	51	50	39	65	64	35	70	47	71	42
Timeliness of Information	59	51	77	77	53	84	53	69	25	33
Audit and Performance Assessment	39	29	55	39	23	67	35	31	35	35
Scope for Legislative Scrutiny	50	55	43	55	38	62	41	60	36	36
Practices relating to Budgeting for Disadvantaged Sections	49	44	71	63	37	70	29	43	30	40
Practices relating to Fiscal Decentralisation	24	31	19	24	27	14	17	29	19	29
Overall Budget Transparency Score (in %)	51.8	50.1	56.1	61.7	48.4	60.2	48.3	52.6	44.0	43.5

Source: Compiled from the information available at www.cbgaindia.org, accessed on 22 July, 2013.

1 Details of the study can be accessed at www.cbgaindia.org

access to budget information. Some of the key suggestions in this regard are as indicated below:

- Providing all budget documents for the latest year as well as previous years on the government website, and developing appropriate strategies for making the relevant budget documents available to the public without much difficulty (e.g. making hard copies of such documents available at least in all district headquarters);
- Bringing out a separate statement on implementation of the previous year's budget proposals, a Key / Guide to Budget Documents, and making efforts to improve the accessibility of all relevant budget documents;
- Bringing out a statement on funds received from the Union Government or external agencies, which are routed outside the State Treasury and hence not reflected in the State Budget;
- Improving the coverage and timeliness of the information provided on the State Treasury's month-wise receipts and disbursements;
- Presenting detailed information pertaining to the basis on which departments are showing fund allocations under Scheduled Caste Sub

Plan, Tribal Sub Plan and Women's Component Plan / Gender Budgeting;

- Presenting disaggregated information on devolution of funds from the State Budget to the rural local bodies (RLBs) and urban local bodies (ULBs) at different tiers; and
- Presenting information on the district-wise breakup of allocations and expenditures from the State Budget.

The collaborative study on State Budget transparency took the assessment of budget transparency beyond the Union level to the State level in India; however, even this study does not capture issues of budget transparency at the sub-State level (i.e. at the district and sub-district level). The concerns with low levels of transparency in government finances become a lot more serious when we look at the budgetary information available at the district and sub-district levels in the country.

The Way Forward

Given the disappointing scenario of transparency in government finances in India, particularly relating to transparency of budgets at lower levels of governance, pro-active and timely disclosure of relevant information in an understandable format by the government is called for.

Transparency in government budgets will be most relevant and effective at the sub-district (i.e. block and village) level. Locally relevant budget information will not only draw attention of people, it will also be useful for people in pressurising the government authorities for better delivery of services and implementation of schemes.

Hence, there is a need to promote timely and easy (free of cost) availability of accessible information on government budgets at the sub-district level on a number of aspects such as - amount of funds approved, funds transferred, timing of fund transfers, nodal responsibilities in the government agencies, actual utilisation, physical data on beneficiaries of schemes, and monitoring and audit reports.

Over the last decade, India has made some encouraging progress in promoting transparency in governance processes in general. Since budgets are not merely a statement of receipts and expenditure by a government, but more importantly a reflection of the government's priorities, concerns relating to transparency in government budgets should also be treated with the same seriousness to improve governance in the country.