

Open Budget Survey 2015: What does it say about budget transparency in India?

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The Open Budget Survey (OBS), carried out over a large number of countries biennially by the International Budget Partnership, uses documented evidence and objective criteria to evaluate the extent of transparency in the budgets of national level governments. Its assessment of transparency in budgets focuses on whether the government provides the public with timely and comprehensive access to eight key budget documents that are considered important globally. The OBS 2015, which is the sixth round of this survey introduced in 2006, also evaluates three other important parameters of the overall accountability eco-system of budgets in a country, viz. the opportunities for the public to participate in the budget process and the ability of legislatures and supreme audit institutions to provide effective oversight of government budgets; quantitative assessments of these is a new feature of the biennial survey¹.

The OBS, in its latest round, has surveyed 102 countries on the basis of a set of 140 questions answered by independent research and civil society organisations across these countries. Centre for Budget and Governance Accountability (CBGA), part of this global initiative since 2006, conducted the research for India this time too.

OBS 2015 has examined the following three pillars of budget accountability:

- a) the current state of transparency for the national government's budget (and assigned each of the 102 countries a score on the budget transparency index based on 109 of the 140 questions that examine the amount of budget information that is made available to the public through eight key budget documents);
- b) the degree to which opportunities are provided for public participation in the budget process, i.e. in different stages of the entire budget cycle (a quantitative assessment is made on the basis of 15 questions); and
- c) the strength of the two formal oversight institutions, the legislature and the supreme audit institution (the quantitative assessment of which is dependent on the responses to 16 questions).

Deficiencies in Budget Transparency in South Asia

The performance of the South Asian countries covered in OBS, which includes Bangladesh, India, Pakistan, Afghanistan, Sri Lanka and Nepal, has been found to be 'insufficient'² in terms of budget transparency. Only Bangladesh (56) and India (46) are ahead of the global average of budget transparency score (45). These scores have declined since the earlier round of OBS

¹ For details of methodology, please visit: <http://internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/>

² Countries OBI score is either 20 or less have been considered 'scant or none'; 21 to 40 is 'minimal'; 41 to 60 is 'limited'; 61 to 80 is 'substantive' and 81 and more is 'extensive'. Further, countries scoring between 0 and 60 have been considered as 'insufficient' and those scoring 61 and above have been considered as 'sufficient'.

(released in 2012) for all of these countries partly because the questions used for the assessment have been expanded and the benchmarks of transparency have been deepened.

Since the main focus of the transparency index is on availability of eight key budget documents (as indicated in Table 1), not producing or delaying the publication of even a couple of the required documents adversely affects a country's score on budget transparency.

**Table 1: Public Availability of Eight Key Budget Documents in South Asian Countries
(for the financial year covered in the latest Open Budget Survey)**

Countries	Open Budget Index (Budget Transparency Index) as per the latest round of OBS	1. Pre-Budget Statement	2. Executive's Budget Proposal	3. Enacted Budget	4. Citizens Budget	5. In-Year Reports	6. Mid-Year Review	7. Year-End Report	8. Audit Report
Afghanistan	42	●	●	●	●	●	●	●	●
Bangladesh	56	●	●	●	●	●	●	●	●
India	46	●	●	●	●	●	●	●	●
Nepal	24	●	●	●	●	●	●	●	●
Pakistan	43	●	●	●	●	●	●	●	●
Sri Lanka	39	●	●	●	●	●	●	●	●
<p>Note: Red circle stands for 'Not produced/Published late'; Yellow circle stands for 'Produced for internal use' and Green circle stands for 'Published'.</p> <p>In case of India, the financial year 2013-14 was the reference year for most of these documents, including the Mid-Year Review document and the Year-End Report both of which were published late that year.</p> <p>Source: Compiled from the Report of the OBS 2015, IBP (available at http://survey.internationalbudget.org/#availability)</p>									

Further, many times, lack of comprehensiveness of the budget information also restricts public understanding of budget related issues and constrains their effective engagement with the policy discourse. Hence, the need of the hour is to have robust institutional mechanisms, which would mandate the concerned government authorities to produce the required budget documents with adequate information in a timely manner.

OBS 2015's Assessment of Budget Transparency in India

In case of India, the financial year 2013-14 was the reference year for most of these documents, including the Mid-Year Review document and the Year-End Report both of which were published late that year, and it did not produce one of the eight required documents (i.e. a Pre-Budget Statement); these factors led to a relatively low score of 46 out of 100 for the Union Budget of India. The delay in producing two of the eight required documents in the financial year 2013-14 seems to have been a temporary digression (one of the underlying reasons could

be that the position of Chief Economic Advisor to the Union Ministry of Finance was vacant for more than a year starting from September 2013); both of these documents have been published on time in 2014-15.

The OBS 2015 recognizes some of the unique practices relating to budget transparency in India. For example, the OBS 2015 global report notes that “in India the government has adopted social audits as a means to assess the implementation of the National Rural Employment Guarantee Program in certain states. These processes include public hearings that are typically attended by public officials, local representatives, the media, and residents of the area. Those testifying have uncovered corruption and inefficiency in the utilization of public funds, as well as poor planning within public agencies”.

However, despite such promising initiatives, the scores for the Union Budget of India have been low not just on the budget transparency index (as explained earlier) but also on the indices measuring the performance of countries in two of the other three important parameters of the budget accountability eco-system; the main reason being the absence of institutionalized practices at the level of the Union Government to provide spaces for public participation in the budget process and those for enabling the legislature to perform its budget oversight role very effectively.

The score for public participation for India is not encouraging if one looks at the global average; India’s score of 19 out of 100 (while the global average is 25) indicates the provision of opportunities for the public to engage in the budget process is weak. We may note here that to measure public participation, the OBS assesses the degree to which the government gives scope for the public to engage in the budget process in the different stages of the budget cycle.

The OBS 2015 also examined the extent to which the legislature and the supreme audit institution of India provided effective oversight of the budget. India’s score is 39 out of 100 with respect to the scope for effective oversight by the legislature and 75 out of 100 with respect to the oversight role by the Comptroller and Auditor General of India. These scores are based on the assessment that the legislature provides limited oversight function during the planning and implementation stages of the budget, whereas the supreme audit institution provides adequate oversight of the budget.

It is important to note here that the OBS measures budget transparency at the level of the national or Central governments only. Hence, it is obvious that there are deeper issues of lack of transparency in budgets that need to be studied thoroughly, particularly at the level of sub-national governments.

Key Recommendations for Enhancing Budget Transparency in India

One of the important things highlighted by the OBS 2015 is that the Union Government of India could consider producing a Pre-Budget Statement, which would facilitate public and legislative engagement with the budget in the budget formulation stage. Further, institutionalizing the processes of publishing all of the required budget documents with adequate information in a

timely manner would also help in enhancing transparency. In case of the Union Budget of India, a combination of two documents ('Key to Budget Documents' and 'Budget Highlights') are recognized by the OBS as the *Citizens Budget*; but there is a need for designing and bringing out a proper Citizens Budget that provides the non-technical readers a holistic understanding of the budget in an accessible manner.

With regard to improving public participation in different stages of the budget cycle, there is a need for establishing effective mechanisms like public hearing, social audit, online suggestions, and opening up of legislative discussions etc. Effective discussion on budgetary issues can happen if legislatures are well informed about the nuances in the budget. Hence, to improve the effectiveness of budget oversight role of the legislature, there is need for establishing a Specialized Budget Research Office for the Legislature.

The extent of budget transparency depends a lot on the political will of the government. The OBS 2015 report observes in this regard that "any country, irrespective of geographical location or income level, can establish open and accountable budget systems if the political will exists to do so". There are encouraging examples of such strong political will being exercised in India as well. For instance, since the financial year 2014-15 the Union Budget funds under Central Schemes do not bypass the State Budgets anymore, which is a good practice contributing to enhanced budget transparency in the country; it was initiated (based on the recommendations of the B. K. Chaturvedi Committee) by the UPA II government and it has been retained by the NDA government.

In a welcome move, in January 2015, the present Union Government invited from the general public suggestions and inputs for the Union Budget 2015-16 (over emails to the Union Ministry of Finance). Further, as has been reported very recently, the overall time for the budget making process for Union Budget 2016-17 has been extended by advancing the commencement of this process by two months. Hence, the government could also try to make the Pre-Budget Consultations more substantive this time onwards.

Finally, it is important that budget transparency does not remain confined to the Union Budget, but permeates to the State, district and sub-district levels. The Online Treasury Management System (OTMS), whereby all data pertaining to the fund disbursements from the district and sub-district level treasuries are being updated online and made available publically, should be expanded and strengthened across States.

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