

Fiscal Governance
Reforms at
District Level for
Improving Fund
Flow and
Utilisation in
Development
Schemes

Policy Brief: 7



Strengthening Budget Information Architecture at the District Level

January 2020

Copyright

This document is not a priced publication. Reproduction of this publication for educational and other non-commercial purposes is authorised, without prior written permission, provided the source is fully acknowledged. Copyright@2020 Centre for Budget and Governance Accountability and Tata Trusts.

Authors: Nilachala Acharya, Vijayta Mahendru

Research and editorial inputs: Asadullah, Mampi Bose, Paresh J M, Akhil Rokade, Shruti Yerramilli, Joshua Mathias

Series editors: Poornima Dore, Subrat Das

Designed by: How India Lives (www.howindialives.com)

Cover illustration: Vikram Nayak

Disclaimer

The views expressed in this publication are those of authors; they do not necessarily represent the position of their affiliated organisations.



I. Why We Did It

Availability of information to the public and clarity about functioning of government institutions are essential components of good governance¹. Ideally, budgetary information relating to processes, institutions and actors who receive and expend funds should be available for all levels of governance. In this age of information, there must be an architecture whereby data is compiled, processed and put out in the public domain in a usable format. Easy access to data / information makes the processes of planning, budgeting and monitoring of government initiatives more participatory. It also facilitates discussion towards achieving better impacts of public spending.

In recent years, the importance of districts as units of governance has been gaining ground. The 12th Five Year Plan emphasized on the role of districts to bring about regional parity in development. A comprehensive plan with resource support from the Planning Commission was to be designed for the districts. Following that, NITI Aayog also recognised the crucial role of districts in delivering development outcomes of public spending and underscored the role of District Planning Committees for appropriate planning. It also initiated the Aspirational Districts Programme aimed at achieving developmental parity. To strengthen this process of cooperative federalism in the country, a robust Public Financial Management (PFM) system and strong budget information architecture is the need of the hour.

Centre for Budget and Governance Accountability, in collaboration with Tata Trusts, undertook a project titled 'Fiscal Governance Reforms at District Level for Improving Fund Flow and Utilisation in Development Schemes', whereby the fund flow and fund utilization in 10 development schemes across five districts in four states of India were analyzed over the course of two years. Various channels,

institutions, platforms and actors involved in the flow of funds and maintenance of budget information records were mapped, and the gaps therein were identified. We also suggest policy actions to strengthen the budget information architecture at the district level.

II. What We Found

A. Multiple Channels of Fund Flow

There are multiple channels through which funds flow to a district. These have been mapped to understand their specific roles and responsibilities, so that a better PFM system can be suggested (Figure 1 on Page 4).

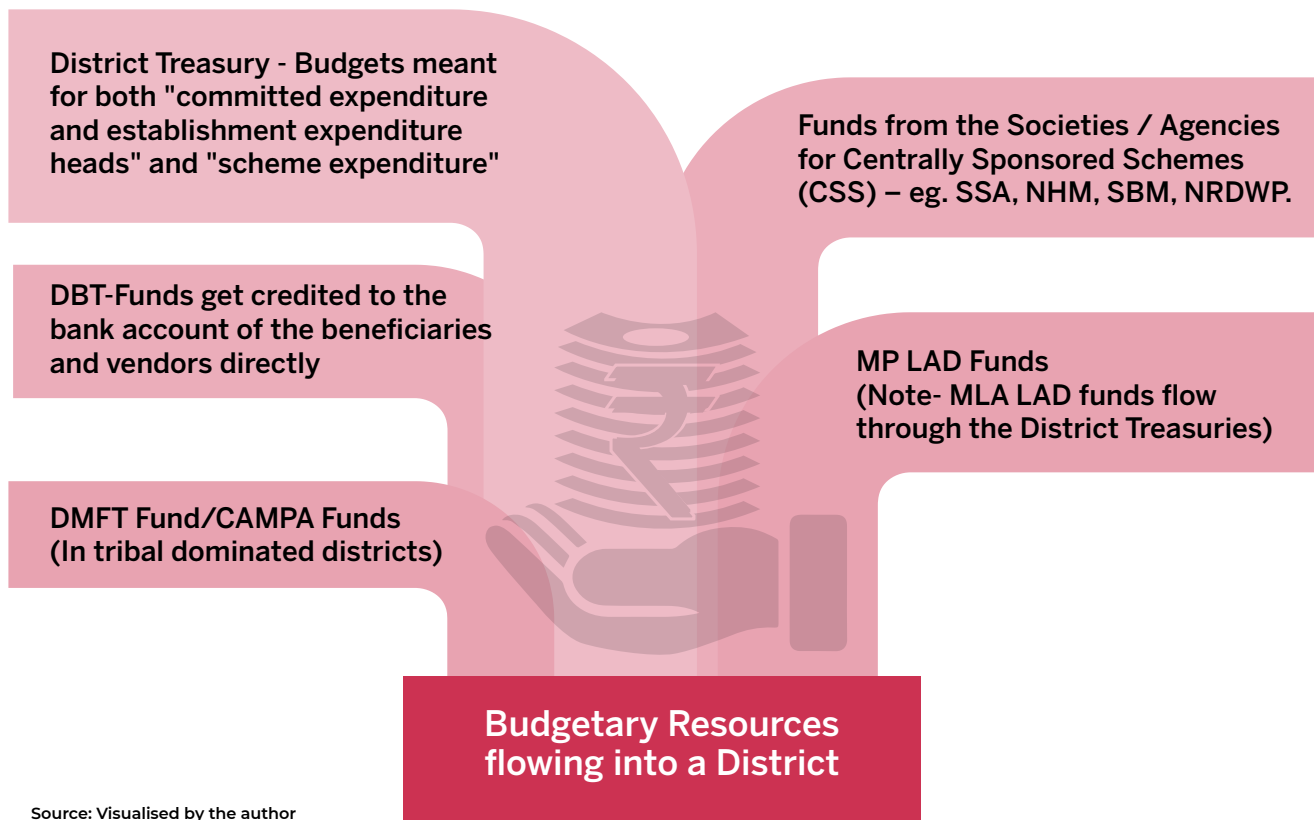
There are multiple channels of fund flow meant for different sectors, purposes and communities. Similarly, there are multiple actors and agencies involved in receiving and spending funds. Due to a lack of coordination among these actors, it is a challenge to calculate the exact quantum of funds meant for a specific sector in a given financial year.

B. Data in a Scattered Form and Reporting in Silos

There are no comprehensive documents to capture the overall fund flow at the district level. To analyse the workings of any government programme, relevant information pertaining to planning, budgeting and physical and financial performances of scheme implementation has to be gathered from various sources. Documents / reports / statements prepared and government orders released by various agencies were examined to map the multiple sources from which budget-related information could be compiled for specific sectors. General practice indicated that partial information on budgetary flows and utilisation are used to prepare sector and scheme specific monitoring reports to fulfil the reporting requirements in an ad-hoc manner.

¹ Fifteenth Report of the Second Administrative Reforms Commission on State and District Administrations, Government of India, Pg. 78.

Figure 1: Channels of Fund Flow to a District



Source: Visualised by the author

A nodal unit at district level, the District Planning and Monitoring Unit (DPMU), is also responsible for producing plan-related documents. This unit is instituted in districts but is characterised by inadequate and overburdened human resources. This along with the dearth of capacity for planning and monitoring hinders effective functioning of the DPMU. Staff recruited to plan, monitor and oversee the implementation of programmes is engaged in a range of other work. As a consequence the core responsibility of the DPMU is not carried out effectively. This has led to deferrals in preparation of annual plans for districts. We were unable to find a comprehensive annual plan document for the year 2018-19 in any of the five project districts. Thus, monthly and quarterly updates prepared for reporting physical and financial performance of schemes were referred to as sources of budget information for the districts.

Information provided through district treasury

portals is an important source of budget information. However, there are concerns with regards to on-time availability, accessibility, comprehensiveness, completeness, and accuracy / reliability of information provided. Moreover, the format in which information is provided by these portals is complicated and therefore limits its usability (Figure 2 on Page 5). It has also been observed that there is limited demand for this information by civil society / citizens.

C. Inadequate (Weak) Infrastructure Base

It has been perceived that none of the five districts are equipped with the infrastructure required to build robust budget information architecture. Some of the issues are:

- Inadequate electricity and internet connections are a major hurdle to regularly update information in the public domain.



Figure 2: Documents / reports / statements and MIS (Management Information System) providing budget information in a district

Plan documents	<ul style="list-style-type: none"> Five-year plan / annual plan Perspective plan / vision document Sector-specific plan Plan for schemes / programmes Regional / area-specific plan Community specific sub-plan
MIS of schemes and department websites	Various scheme MIS, including district web portal
Review meeting reports	<ul style="list-style-type: none"> Reports of review meetings on physical and financial performance Minutes of review meetings
District statistical handbooks	<ul style="list-style-type: none"> Census reports Report on health and nutrition statistics Report on geographical and other socio-economic indicators
DISHA dashboard / district dashboard / NITI Aayog portal	<ul style="list-style-type: none"> Dashboards and web portals for the district NITI Aayog's portal of various themes
Annual / half-yearly / quarterly / monthly reports	<ul style="list-style-type: none"> By line departments Scheme performance reports (including MPLAD and MLALAD funds) By independent / autonomous agencies By district-level nodal bank
Treasury MIS	<ul style="list-style-type: none"> Fortnightly reports on receipt and expenditure Quarterly reports Annual reports
Reports / documents by civil society organisations (development partners)	<ul style="list-style-type: none"> Research study reports Baseline and endline survey reports Monitoring and evaluation reports
Press releases / government orders	<ul style="list-style-type: none"> Various government orders on scheme implementation and other such circulars / notifications Press releases Newspapers / periodicals and Journals

Source: Visualized by the author

- Shortage of technical and regular staff is a crucial aspect according to most district officials. Regular posts either remain vacant or are being filled with ad hoc / contractual staff. Some officials said that contractual staff could not be relied upon in matters related to financial transactions.
- Inadequate budget for contingency and office supplies, including grants for repair and maintenance of physical infrastructure of the office space.
- Lack of funds for regular knowledge upgradation of the existing staff through orientation sessions and capacity-building programmes to develop a sound understanding of scheme guidelines and norms.

These problems get exacerbated in remote and poorer districts. The condition is even worse below the district level.

III. Policy Recommendations

1 Lack of systematic reporting of budgetary data is a major problem at the district level. This system needs to be strengthened by using standardised and consolidated formats. A significant proportion of budget information is available within the system, but in a highly scattered form. Collating information from all the sources, and preparing comprehensive scheme

specific quarterly reports for the district, would help monitor progress of schemes and identify the gaps therein. An entity like DPMU in the districts should be given the responsibility to compile budget-related information from all available sources and prepare reports / documents, which can be used to make evidence-based decisions and formulate priorities for the district.

2 District specific MIS systems and dashboards should be created to keep records and monitor the progress of schemes regularly. These dashboards should facilitate interactions among various stakeholders in the district. Further, both online and offline data repositories should be created to enable prompt policy decisions. The agency should be well staffed with adequate infrastructure base. State government must ensure adequate resources allocated for regular capacity-building programmes for the staff to carry out planning and budgeting at the district level.

3 Interactive platforms and public interfaces on budget-related processes and information can improve public engagement significantly. Awareness programmes should be organised on a regular basis at the level of districts and sub-districts to create demand for relevant data for increasing public participation.



Fiscal Governance Reforms at District Level for Improving Fund Flow and Utilisation in Development Schemes:

Full List of Outputs

Policy Briefs

1. Extent of Fund Utilisation in Social Sector Schemes: Does It Conceal More Than It Reveals?
2. Factors Constraining Fund Utilisation in Social Sector Schemes: An Overview
3. Delay in Fund Flow: Consequences, Causes and Remedies
4. Fund Flow Mechanisms of Centrally Sponsored Schemes in Social Sectors
5. Availability and Capacity of Human Resources for Implementing Social Sector Schemes
6. Rigid Norms and Guidelines Affecting Utilisation of Funds in Social Sector Schemes
7. Strengthening Budget Information Architecture at the District Level

Notes from the Districts

1. District Mineral Foundation Trust (DMFT) Fund-A Potential Source to Address Resource Gaps in Development Schemes: A Case from East Singhbhum, Jharkhand
2. Revolving Fund Mechanism Can Address Problems Relating to Delayed Fund Flow in Schemes: A Case from Krishna, Andhra Pradesh
3. Unspent Funds Utilised by Expanding Beneficiary Coverage: A Case from Balasore, Odisha
4. Coordination Among Multiple Agencies at the District Level Can Deliver Better Results: A Case from East Singhbhum, Jharkhand
5. Enhancing Transparency and Accountability through DISHA Committee Meetings: A Case from Bolangir, Odisha
6. Online Treasury Portals Can Enhance Fiscal Transparency at the District Level: A Case from Chandrapur, Maharashtra

Summary Report

Fiscal Governance Reforms at District Level for Improving Fund Flow and Utilisation in Development Scheme



All outputs are available at www.cbgaindia.org

To know more about Tata Trusts' role and approach to district budgets, visit <https://www.tatatrusts.org/our-work/digital-transformation/data-driven-governance>

About the Project

CBGA and Tata Trusts have carried out a two-year project focusing on fiscal governance reforms needed at the district level to improve fund flow and utilisation in development schemes across sectors. It focused on 10 social sector schemes (viz. SSA, MDM, NHM, ICDS, SBM, NRDWP, MGNREGS, NSAP, PMAY, PMFBY) in five districts across four states: Balasore and Bolangir in Odisha, Chandrapur in Maharashtra, East Singhbhum in Jharkhand, and Krishna in Andhra Pradesh. The project assessed the pace of fund flow, and the extent and quality of fund utilisation in select development schemes in the five districts; it has generated a host of policy suggestions to improve planning and budgeting at the district level, and improve the processes of fund flow and utilisation in social sector schemes.

About CBGA

CBGA is an independent, non-profit policy research organisation based in New Delhi. It strives to inform public discourse through rigorous analysis of government budgets in India; it also tries to foster people's participation on a range of policy issues by demystifying them.



For further information about CBGA's work, please visit www.cbgaindia.org or write at: info@cbgaindia.org

About Tata Trusts

Since inception in 1892, Tata Trusts, India's oldest philanthropic organisation, has played a pioneering role in bringing about an enduring difference in the lives of the communities it serves. Guided by the principles and the vision of proactive philanthropy of the Founder, Jamsetji Tata, the Trusts' purpose is to catalyse development across various sectors. The Trust's work on data driven governance focuses on "strengthening rural & urban decision making systems, and associated stakeholders to leverage data and technology and move towards a more informed and participatory approach to decision making, that supports improved development outcomes for all."



For further information about Tata Trusts' work, please visit www.tatatrusts.org or write at: talktous@tatatrusts.org