

### Positives

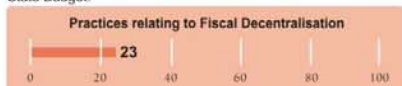
- In a number of States (like Gujarat, Madhya Pradesh, Chhattisgarh and Andhra Pradesh), some of the relevant stakeholders are consulted on Scheduled Caste Sub Plan (SCSP) and Tribal Sub Plan (TSP) during the process of formulation of Five Year Plan and Annual Plans of the State.
- In most of the study States, the Annual Plan document provides information on SCSP and TSP.
- In several of the study States, the State Budget documents also provide information on allocations for SCSP and TSP under various State Government departments.
- In some of the study States, the performance of the government in implementing SCSP and TSP is assessed during the course of a Five Year Plan.

### Negatives

- Although the State Budget documents, in case of most States, provide information on allocations for SCSP and TSP, the government in none of the States is making any effort to explain clearly the basis on which various departments are reporting allocations under SCSP and TSP.
- Several of the study States are not implementing Women's Component Plan or Gender Budgeting. The States like Gujarat, Madhya Pradesh, Chhattisgarh and Assam are bringing out Gender Budgeting Statements.
- Even in the States that are preparing a Gender Budgeting Statement, the government is not making any effort to explain clearly the basis on which various departments are reporting allocations in this Statement.
- States like Maharashtra, Rajasthan and Jharkhand need to take strong measures for presenting more information pertaining to the budgetary strategies for disadvantaged sections of population.

### (viii) Practices relating to Fiscal

**Decentralisation** is the eighth parameter of transparency in the State Budget, which examines whether the State Government follows relevant budgetary practices relating to devolution of funds to Panchayati Raj Institutions and urban local bodies. It emphasises the need for providing disaggregated information on devolution of funds from the State Budget to the rural and urban local bodies at different tiers. It also examines whether the budget documents provide information on the district-wise break-up of allocations and expenditures from the State Budget.



### Positives

- In some of the study States (like Chhattisgarh, Madhya Pradesh, Maharashtra and Odisha), the State Government has constituted the State Finance Commission (SFC) at regular intervals over the last decade.
- In most of the cases, the State Finance Commission holds wide-ranging consultations with relevant stakeholders in the process of formulation of their recommendations.

### Negatives

- In most of the study States, the State Government either does not present the Action Taken Report on the recommendations of the SFC to the legislature, or when it does, it is delayed by more than a year after the submission of the SFC Report.

In most of the study States, the executive does not hold consultations with representatives of the rural local bodies (RLBs) and urban local bodies (ULBs) during the process of formulation of the State Budget.

The budget documents in none of the study States provide disaggregated information on devolution of funds from the State Budget to the RLBs at different tiers (i.e. showing allocations separately for District Panchayats, Intermediate Panchayats and Gram Panchayats).

The budget documents in none of the study States provide disaggregated information on devolution of funds from the State Budget to the ULBs at different tiers (i.e. showing allocations separately for Municipal Corporations, Municipalities and Notified Area Councils).

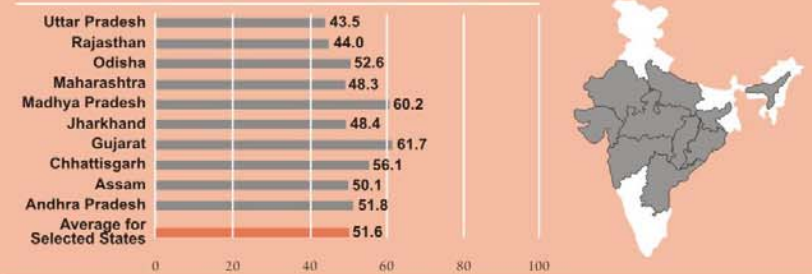
The budget documents in none of the study States provide information on the district-wise breakup of allocations and expenditures from the State Budget (with the exception of Maharashtra, which presents disaggregated information on district-wise breakup of the Plan Budget of the State Government).

### Concluding Observations

The assessment of transparency in State Budgets in India, in the ten selected States, shows that all State Governments need to adopt a wide range of practices / processes to improve public 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;
- 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;
- Bringing out a Key to Budget Documents, and making efforts to improve the comprehensibility of all relevant budget documents; incorporating discussions on policy goals and priorities of the State Government in most relevant documents;
- Bringing out a separate 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;
- Bringing out a separate statement on the estimated amount of revenue foregone by the State Government for reasons such as tax exemptions (e.g. revenue losses due to SEZs);
- Improving the coverage and timeliness of the information provided on the State Treasury's month-wise receipts and disbursements;
- Bringing out an Action Taken Report on the observations of the Comptroller and Auditor General of India on the State Budget;
- Holding consultations with the legislators on the memoranda / demands to be submitted by the State to Finance Commission and Planning Commission;
- 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.

## Transparency in State Budgets in India Summary Fact Sheet



### Summary Scorecard on Budget Transparency in Selected States

Transparency Parameters	Andhra Pradesh	Assam	Chhattisgarh	Gujarat	Jharkhand	Madhya Pradesh	Maharashtra	Odisha	Rajasthan	Uttar Pradesh	Average for Selected States
	Average Transparency Score										
Availability of Budget Documents	68	67	65	87	72	88	65	68	80	64	70
Completeness of the Information	75	74	81	85	74	81	77	75	56	69	75
Facilitating Understanding and Interpretation of the Information	51	50	39	65	64	35	70	47	71	42	53
Timeliness of the Information	59	51	77	77	53	84	53	69	25	33	58
Audit and Performance Assessment	39	29	55	39	23	67	35	31	35	35	39
Scope for Legislative Scrutiny	50	55	43	55	38	62	41	60	36	36	47
Practices relating to Budgeting for Disadvantaged Sections	49	44	71	63	37	70	29	43	30	40	48
Practices relating to Fiscal Decentralisation	24	31	19	24	27	14	17	29	19	29	23
<b>Overall Budget Transparency Score (in %)</b>	<b>51.8</b>	<b>50.1</b>	<b>56.1</b>	<b>61.7</b>	<b>48.4</b>	<b>60.2</b>	<b>48.3</b>	<b>52.6</b>	<b>44.0</b>	<b>43.5</b>	<b>51.6</b>

### Notion of Budget Transparency

Transparency in budgets can be interpreted as public access to information on budgets. The extent and quality of such access (to information) shapes public understanding of government decisions pertaining to budgets, determines the scope for public participation in budget processes and forms the foundation on which the government can be held answerable for budgets.

### Scope of the Analysis

The study focuses on assessing transparency in selected States at the level of State Budgets; it does not refer to budgetary processes at the district or sub-district levels. State-specific situations and factors should be taken into account in identifying the key parameters for assessing transparency in State Budgets in India. The present analysis refers to a set of eight transparency parameters (explained in the subsequent pages) that would necessarily be relevant for the Budgets of all States though this set of parameters might not be adequate to capture all State-specific situations

and factors.

All eight of the parameters of budget transparency have been given equal priority in the calculation of the overall transparency score for a State, and all ten of the selected States have been accorded equal weight in the computation of the average transparency scores for the selected group of States.

With regard to most of the transparency parameters, the study refers to conditions or practices that could be perceived as ideal benchmarks instead of limiting our expectations to the existing conditions and practices. The study emphasises the significance of the legislature, media and general public as key stakeholders and draws attention to budgetary strategies relating to disadvantaged sections of the population and budget practices pertaining to fiscal decentralisation.

A structured questionnaire was administered during the period August to December 2010 to collect the relevant information on the State Budget pertaining to the fiscal year 2009-10.

### Study conducted by:



### In collaboration with:

- Budget Analysis Rajasthan Centre, Rajasthan
- Centre for Rural Studies and Development, Andhra Pradesh
- Centre for Youth and Social Development, Odisha
- Grameen Development Services, Uttar Pradesh
- Life Education and Development Support Trust, Jharkhand
- North East Network, Assam
- Pathay, Gujarat
- Samarthan, Maharashtra
- Sanket Development Group, Madhya Pradesh

### Supported by:

- Ford Foundation
- International Budget Partnership
- International Development Research Centre (Think Tank Initiative)
- Oxfam India

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## Transparency in State Budgets in India

### (i) Availability of Budget Documents / Reports / Statements

Availability of Budget Documents / Reports / Statements is the first parameter of budget transparency, which probes the availability of State Budget documents and other government documents related to the State Budget. Taking into account the Constitutional requirements as well as the requirements of planning, auditing, performance assessment, budgetary strategies for disadvantaged sections, and fiscal decentralisation, the analysis refers to a wide range of documents that need to be produced and made available to various stakeholders by the State Government for every fiscal year.



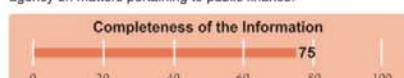
#### Positives

- The study States are bringing out most of the relevant documents related to the State Budget, with some documents being produced only for internal purposes and a few of the relevant documents not being prepared even for internal purposes.
- Most of the State Governments are making an effort to ensure that the budget documents are easily available to the legislators.
- States like Chhattisgarh, Madhya Pradesh and Odisha have most of the documents related to the State Budget on the government website. In case of Chhattisgarh, the budget documents for all previous years, i.e. from 2001-02 onwards, are available on the State Finance Department website.

#### Negatives

- Several of the study States are not bringing out documents like, Key to Budget Documents, reports on executive's assessment of the budget during the course of the fiscal year (like in-year and year-end assessment reports), separate statements on Women's Component Plan or Gender Budgeting, separate statements on funds devolved to rural local bodies (RLBs) and urban local bodies (ULBs), and mid-term appraisal of the Five Year Plan.
- In some of the States, the memoranda or demands submitted to the Finance Commission and the Planning Commission are not available in the public domain. In case of Maharashtra, the 11th Five Year Plan for the State is not available in the public domain.
- States like Uttar Pradesh, Maharashtra and Assam need to take a number of measures with regard to producing additional documents related to the State Budget.
- Many of the study States need to provide all budget documents (for the present and previous years) on the government website. All study States need to develop appropriate strategies for making the relevant documents available to the general public without much difficulty.

(ii) **Completeness of the Information** is the second parameter of budget transparency, and looks at whether the information given in the budget and other related documents provide a complete picture of the fiscal situation of the State. It examines whether the available documents capture different kinds of relevant information such as the magnitude and composition of tax revenue foregone due to tax exemptions; funds flowing from the Union Budget to the State that are routed outside the State Budget; budget allocations as well as audited figures of actual expenditure on the development schemes; submissions made by the State Government to the Union Government or central institutions (like the Planning Commission and Finance Commission); and information on the agreements/Memoranda of Understanding (MoUs) signed by the State Government with the Union Government or any other agency on matters pertaining to public finance.



#### Positives

- In all of the study States, the budget documents for 2009-10 (i.e. reference year for assessment) provide complete

information on government expenditures and receipts during the fiscal year 2009-10 as well as those for 2008-09 and 2007-08. The budget documents for all study States (except in the case of Rajasthan) present a detailed classification of government expenditures and receipts breaking it down in terms of different administrative units (i.e. the government departments) as well as various functions of the government (such as education, health, rural development etc.).

- For the resources transferred from the Union Government to the State, which flow through the State Treasury (e.g. grants in aid, share in central taxes and loans from the Centre), the budget documents in all States present extensive information.
- The budget documents provide complete information about outstanding debt as at the beginning and the end of the fiscal year, including relevant information about the nature and composition of public debt.

• The budget documents in most States present extensive information on the transfer of resources between public sector undertakings and the State Government.

- In most of the States, the government produces all the statements that are required under the disclosure norms of the State's Fiscal Responsibility and Budget Management (FRBM) Act.

#### Negatives

- Except for Madhya Pradesh and Odisha, the budget documents in none of the other selected States provide detailed information on funds received by the State from the Union Government or external agencies, which are routed outside the State Treasury and hence not reflected in the State Budget (e.g. Central funds for a State in MGNREGS, SSA, NRHM etc.)
- The budget documents in none of the selected States provide information on the estimated amount of revenue foregone by the State Government for reasons such as tax exemptions (e.g. revenue losses due to SEZs).
- The budget documents in most of the States do not provide comprehensive information on the implementation of the previous year's budget proposals.
- The budget documents in several States do not present a detailed account of the financial and physical assets held by the State Government; similar is the case with regard to the liabilities of the State Government. In case of some of the States, the budget documents do not present details of expenditures relating to maintenance and repair of capital assets.
- States like Rajasthan, Uttar Pradesh and Assam need to take a number of measures with regard to providing additional information in their State Budgets.

### (iii) Facilitating Understanding and Interpretation of the Information

Facilitating Understanding and Interpretation of the Information, as a transparency parameter, attempts to gauge whether the information provided by the State Government facilitates public understanding of its decisions relating to budgets. The questions pertaining to this parameter look at whether the budget documents help ordinary citizens to easily understand the budget proposals and whether these documents include any discussion of the relevant policy goals or priorities of the State Government.



#### Positives

- In case of all of the study States, the Finance Minister's Budget Speech facilitates a reasonably good understanding of the budget proposals and includes a discussion of the relevant policy goals or priorities of the State Government.
- The Five Year Plan and Annual Plan documents of the States, wherever these documents are available in the public domain, provide comprehensive information relating to the State Budget and the policy priorities of the State Government.

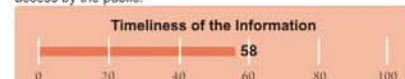
#### Negatives

- Except for the Budget Speech and the Budget Highlights (which again is not produced in several States), none of the other budget documents provides information that would be easily accessible for an interested but non-technical reader.
- With the exception of Budget Speech, Finance Secretary's Memorandum and some of the policy statements being brought

out because of the FRBM Acts, most of the budget documents do not include any discussion of the relevant policy goals or priorities of the State Government.

- Several of the study States do not bring out any Key to Budget Documents, which serves a useful purpose in the States where it is available.

(iv) **Timeliness of the Information** is the fourth parameter adopted for measuring budget transparency, which tries to assess whether the relevant documents are brought out in a timely manner. Some of the questions pertaining to this parameter also examine whether the State Treasury has been computerised and made available on the internet to enable easy access by the public.



#### Positives

- In most of the study States, the executive adheres to the 'budget calendar' in the formulation of the State Budget.
- The State Government, in almost all study States, obtains legislature's approval for the supplementary budget in a timely manner.
- In most of the States, the reports of the Comptroller & Auditor General (C & AG) of India relating to the State Government (i.e. audit and accounts related reports) are made public in a timely manner.
- In Gujarat, Madhya Pradesh, Chhattisgarh, Andhra Pradesh, Maharashtra, Odisha and Jharkhand, the State Treasury has been linked to internet.
- Madhya Pradesh, Chhattisgarh, Gujarat and Odisha perform much better than the other selected States with regard to this parameter.

#### Negatives

- In several of the selected States, the budget circular and the budget calendar (for the next State Budget) are not made available to the public in a timely manner.
- The State Treasury is not linked to internet in some of the States, and, even in those States where it has been linked to the internet there is a lot of scope for improving the coverage and timeliness of the information provided on the State Treasury's month-wise receipts and disbursements.
- States like Rajasthan, Uttar Pradesh and Maharashtra need to improve their practices with regard to this parameter.

(v) **Audit and Performance Assessment** is the fifth parameter, which examines the availability of information pertaining to audit of the State Budget (by the Comptroller & Auditor General of India) and performance assessment by the State Government itself. The questions relating to this parameter try to gauge whether – the State Budgets are audited regularly; the State Budget provides audited figures or provisional figures for the year before the previous year; the State Government brings out performance assessment reports at regular intervals; and, the State Government is following relevant practices pertaining to Outcome Budgeting.



#### Positives

- All reports of the Comptroller and Auditor General of India relating to the State Government, i.e. audit as well as accounts related reports, have been made public consistently (in terms of the time of availability of these reports) over the last three years in all of the study States (except Jharkhand).
- All the study States (except Jharkhand and Rajasthan) are making an effort to bring out Outcome Budgets to present relevant information on the outputs and outcomes of government interventions financed by the budget.
- Madhya Pradesh and Chhattisgarh perform better than the other selected States with regard to this parameter of budget transparency.

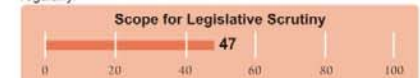
#### Negatives

- The State Government in none of the selected States brings

out an Action Taken Report (ATR) on the observations of the Comptroller and Auditor General of India on the State Budget.

- In most of the study States (except in case of Madhya Pradesh, Chhattisgarh and Rajasthan), the government does not bring out reports on its assessment of the budget during the course of the fiscal year (such as, in-year, mid-year and year-end assessment reports).
- In most of the study States (except in case of Madhya Pradesh, Chhattisgarh and Jharkhand), the government does not bring out any document outlining information on the MoUs, which it has signed over the last one year.

(vi) **Scope for Legislative Scrutiny** is the sixth parameter of budget transparency, which looks at the possibilities for the State Legislature to assess the budget and hold the government accountable. The key concerns raised by this parameter include whether all budget documents are shared with the legislators; which of the budget documents of the State are subject to scrutiny by the legislators; how much time is available for discussion of the budget by the legislators; whether the legislators are informed about the agreements or MoUs signed by the State Government on matters pertaining to public finance; and, whether appropriate committees within the State Legislature (for looking into budgetary matters) are functioning regularly.



#### Positives

- The State Government, in most of the study States, provides budget documents to the legislators for scrutiny at least one month before the beginning of the next fiscal year.
- In all study States, there are appropriate committees within the State legislature to look into the reports of the C & AG of India relating to the State Government (i.e. Public Accounts Committee and Committee on PSUs etc.).
- Odisha also has Departmentally Related Standing Committees within the State legislature to look into the details of the budgetary provisions for various departments.
- In most of the study States, the executive seeks approval of the legislature before shifting funds between administrative units and functional heads during the course of the fiscal year.
- Gujarat, Odisha and Madhya Pradesh perform better than the other selected States with regard to this parameter.

#### Negatives

- In most of the study States, there are no Departmentally Related Standing Committees in the State legislature to look into the details of the budgetary provisions for various departments.
- In several of the States, the government does not present to the legislature any document outlining the MoUs signed over the last one year.
- In most of the study States, the executive does not present to the legislature any document with the details of the funds received by the State Government, which are routed outside the State Treasury.
- In most of the study States, the executive does not hold consultations with the legislators on the memoranda / demands to be submitted by the State to Finance Commission and Planning Commission (except in case of Andhra Pradesh and Odisha where consultations with the legislators have been held for Finance Commission).

(vii) **Practices relating to Budgeting for Disadvantaged Sections**, the seventh parameter of budget transparency, draws attention to the need for every State Government to follow relevant practices relating to budgetary strategies for the development of disadvantaged sections of the population such as women (Gender Budgeting), Scheduled Castes (Scheduled Caste Sub Plan or SCSP) and Scheduled Tribes (Tribal Sub Plan or TSP).

