Background
Governments must be held to account for raising and spending public funds in order to most effectively meet the needs and priorities of the public, especially the poor and vulnerable. Evidence shows that budget processes that inform and engage the public and civil society in decision making and oversight produce better policies, more accountability, and better outcomes. In order to participate fully, the public needs access to timely, comprehensive, and useful information throughout the budget process. As more responsibility for managing public resources is transferred from the central government to subnational government units, access to information and opportunities for civil society and the public to participate in budgeting at this level are crucial. Particularly in India, where there are many highly populated states and a highly devolved budget; in fact, over half of all India’s public expenditures are through state budgets, including a large share of development expenditures on social and economic services.

In 2010 the Centre for Budget and Governance Accountability (CBGA), along with a number of other civil society organizations (CSOs), conducted a study to assess the transparency of and participation in state-level budget processes. The study evaluated not only the public availability of budget documents but also the comprehensiveness and timeliness of such information, the degree of openness in the budget processes, and the degree of public participation.

Methodology
From July 2010 to February 2011, the researchers assessed budget transparency and participation in 10 states in India for the budget year 2009-2010: Andhra Pradesh, Assam, Chhattisgarh, Gujarat, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, and Uttar Pradesh. To perform this study, CBGA developed a survey questionnaire that included 122 questions and nine tables that evaluated eight aspects of budget transparency and participation:

1) the availability of budget documents, reports, and statements, including a wide range of documents that should be produced and made available throughout the budget process; and whether information is available to the public via the Internet;

2) the comprehensiveness of the information – budget documents should contain detailed and complete information, including disaggregated information on revenue and expenditure, audited figures of actual expenditure, agreements between the central...
and state government relating to public finance, tax revenue forgone due to tax expenditures like exemptions and credits, and other relevant information;

3) whether information is presented so as to facilitate understanding and analysis;

4) the timeliness of information disclosure;

5) the availability of audit results and performance assessments;

6) the scope of legislative scrutiny, including whether all budget documents are shared with legislators, and whether sufficient time is available for discussions on the budget;

7) practices relating to budgeting for disadvantaged populations, such as women, scheduled castes, and scheduled tribes; and

8) practices relating to fiscal decentralization, from the Union (central) government to states, and from states to lower levels like Municipalities and Panchayati Raj Institutions.

Researchers from CSOs in each state, who have expertise on their state budgets, completed the questionnaires for their state based on budget documents and interviews with government officials. After the surveys were completed and reviewed by independent experts, the results for each of the eight factors were translated into transparency scores, which were then combined to produce the overall transparency score for each state.

Key Findings

Of the states studied, Gujarat and Madhya Pradesh received the highest total budget transparency scores – 61.7 and 60.2, respectively.¹ Those with the lowest are Uttar Pradesh and Rajasthan, with scores of 43.5 and 44, respectively. The gaps between the best and worst performers are much greater on the scores for each of the eight aspects of budget transparency, ranging from a difference of 14 points to 87 points. These subscores provide a clearer picture of the disparity between states on certain critical characteristics of budget transparency.

With regard to the availability of specific budget documents, not all of the state governments studied make the documents from the most recent and previous years available online or in print. For example, none of the 10 states release a separate statement on the implementation of the previous year’s budget, or a statement on “off budget” funds received from the Union government and external agencies. Another key finding relates to the legislature. Despite the importance of the state legislature in the budget process, many state governments do not hold consultations with legislators on the memoranda and demands submitted to the National Finance Commission and Planning Commission.

The CBGA’s analysis identified some positive examples of state budget transparency. Some states, especially Chhattisgarh, Madhya Pradesh, and Odisha, make most of the key budget documents available on the government website; Chhattisgarh actually has posted budget documents for all of the years since 2001-2002 on the State Finance Department website. In terms of the comprehensiveness of information disclosed, in all 10 states studied, the budget documents provide complete information on government expenditures and receipts not only for 2009-2010 (the period under investigation) but also for 2008-2009 and 2007-2008. In all but two states (Jharkhand and Rajasthan), the state government makes an effort to produce Outcome Budgets that present relevant information on the outputs and outcomes of government interventions financed by the budget.

There are less positive findings on the release of information on how budgets benefit key disadvantaged groups. Most states do not publish a document on the allocation and expenditure targeted at the development of scheduled castes, scheduled tribes, or women. With much of this spending taking place at the state or lower levels of government, it is difficult to adequately hold officials accountable when these governments do not present disaggregated information on funds transferred from the state budget to rural and

¹ All scores are based on a total possible score of 100.
urban local governments. The government in only one state, Maharashtra, makes district-level details of allocations and expenditures available.

The study results highlight gaps in specific aspects of budget transparency that exist in many of the states examined, showing that while some basic information is produced and published in accessible and timely formats, there is much room for improvement to give relevant stakeholders adequate opportunity and information to hold their government accountable.

Dissemination

CBGA compiled the results of the subnational budget transparency assessment of 10 states in India into a detailed report. In addition to this report, CBGA prepared a summary fact sheet with the positive and negative findings of each of the eight aspects of budget transparency assessed, as well as individual fact sheets for each of the 10 states. These documents were released in February 2011 in New Delhi at a national event, which included a discussion of the study and its results with policymakers, academics, researchers, the media, civil society activists, and Union government officials. At the state level, each state (except for Gujarat) organized a release event in their respective state capital where the overall results and state-specific results were released and discussed with a similar set of participants, as well as state government officials. This study received wide media coverage in both local and national news outlets. For further information, including details on their methodology, analyses, and conclusions, visit [http://www.cbgaindia.org/publications_policy_briefs.php](http://www.cbgaindia.org/publications_policy_briefs.php) or contact Nilachala Acharya at nilachala@cbgaindia.org.

### Recommendations

Based on its findings, CBGA recommends that state governments should:

- provide all budget documents for the most recent year, as well as the previous years, on the government website;
- develop appropriate strategies for making the relevant budget documents easily available to the public (at least at the district Head Quarters);
- publish a separate statement on implementation of the previous year’s budget;
- publish a *Key to Budget Documents* and make efforts to improve the comprehensibility of all relevant budget documents;
- publish a separate statement on funds received from the Union government and any external agencies;
- publish a statement on the estimated amount of revenue foregone by the state government due to tax expenditures;
- improve the comprehensiveness and timeliness of the information provided on the state treasuries;
- publish an “Action Taken” report on the observations of the supreme audit institutions of India on state budgets;
- hold broad and deep consultations with the legislators on the memoranda to be submitted by the state to the National Finance Commission and the Planning Commission;
- present detailed information on how administrative departments target and report fund allocations under Schedule Caste Sub Plans, Tribal Sub Plans, and Women Component Plans and Gender Budgeting;
- present disaggregated information on fund transfers from the state to the rural and urban local bodies, separately and for different tiers; and
- present detailed information on the district-level distribution of total state budget allocations and expenditures.
## Transparency Parameters

<table>
<thead>
<tr>
<th>Transparency Parameters</th>
<th>Andhra Pradesh</th>
<th>Assam</th>
<th>Chhattisgarh</th>
<th>Gujarat</th>
<th>Jharkhand</th>
<th>Madhya Pradesh</th>
<th>Maharashtra</th>
<th>Odisha</th>
<th>Rajasthan</th>
<th>Uttar Pradesh</th>
<th>Average for Selected States</th>
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<tr>
<td><strong>Availability of Budget Documents</strong></td>
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<td>70</td>
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<td>85</td>
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<td>81</td>
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<td><strong>Timeliness of the Information</strong></td>
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<td>51</td>
<td>77</td>
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<td>53</td>
<td>84</td>
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<tr>
<td><strong>Overall Budget Transparency Score (in %)</strong></td>
<td><strong>51.8</strong></td>
<td><strong>50.1</strong></td>
<td><strong>56.1</strong></td>
<td><strong>48.4</strong></td>
<td><strong>60.2</strong></td>
<td><strong>48.3</strong></td>
<td><strong>52.6</strong></td>
<td><strong>44.0</strong></td>
<td><strong>43.5</strong></td>
<td><strong>51.6</strong></td>
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