

Budget Training Module for the Civil Society Organizations

[BUDGET TRAINING MODULE BY ODISHA BUDGET AND ACCOUNTABILITY CENTRE (OBAC)]

This module introduces the Civil Society Organizations with the technical and functional aspects of State budget making process. It also helps the CSOs to identify their role in the planning and budgeting process at the ground for participatory budgeting in State

PREFACE

Transparency and public accountability of governance are the hallmarks of democratic polity. Precisely this is lacking in our political system. An important reason of this is lack of transparency and accountability in the delivery systems of schemes and programmes of Government that have allowed corruption to proliferate and remain unchecked. In this context, public argument is the most effective means of involving citizens and social institutions in a more responsive and responsible government to address the governance issues. The best means to start public discourse is through budget analysis and advocacy.

This module is designed with the intention to deepen citizen's understanding on State Budget and its Process. Many people feel intimidated by budget work, assuming that it requires technical skills. This document aspires to provide the civil society organizations, basic information they need to get started with budget work. Educating CSOs on budget priorities and the factors influencing budget, enable them to participate in wider discussion on policy formulation, planning, budgeting and implementation of development schemes/ programmes. It also strengthens poor and marginalized to monitor and advocate for effective public service at the ground.

This induction module strives to project the importance of budget work through the lens of Good Governance. It also establishes the importance of a favourable political environment in order to formulate a pro-poor budget in State. Critical issues in State Budget have also been highlighted along with a defined role of CSOs to incur transparency, accountability in State Budget. This module introduces basic components, budget division and some key budget document to comprehensively draw an idea to advocate for participatory Governance in State. This two days' training module for the Civil Society Organizations aims at capacitated the CSOs on the planning and budgeting process at the ground and to identify their role as the "change agent" towards participatory budgeting for the State. We expect the participants to prepare charter of demands for their respective constituencies and during the preparatory phase of State Budget (formulation period which starts on August every year) it to the Drawing and Disbursing Officer (DDOs) and the legislatures. It also requires a comprehended advocacy planning during the pre and post budget presentation phases, which we believe these two days' training programme will help them with. In a nutshell this module seeks to assist the CSOs to come out with a strategic plan during pre and post budget presentation phases.

Odisha Budget & Accountability Centre (OBAC) of CYSD has been intensively engaged in Budget Analysis, Tracking and Monitoring of Development Programmes for over a decade towards endorsing Participatory Governance in State. OBAC focuses on the areas like resource generation, social sector financing, gender budgeting, development of Scheduled Caste & Scheduled Tribe, agriculture & livelihoods and food security. Thorough its range of publications, OBAC intends to spread budget among people from different walks of life. The centre intensively engaged in capacity building for civil society organizations to deepen their understanding on budget

Team OBAC

Contents

Budget and Good Governance	4
Role of legislatures in Budget Preparation	4
Budget cycle, factors impeding the participatory budgeting and the role of Civil Society Organizations	5
Budget Institutions	5
Critical Issues in Budget Making in Odisha	6
Technicalities of Budget	7
Glimpse of some important Budget Documents:	11
Advocating for a Participatory Budgeting	12
Role of media in Participatory Budgeting.....	12
Session Plan	13

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Budget and Good Governance

Increased transparency, higher degree of qualitative participation and the capacity to exert greater accountability from the service providers, make difference in effectiveness and impact in public service delivery. Empowerment of civil society organizations on State Budget and its process, flagship development schemes/ programmes and flow of budget; allows citizens to make right choices and determine the direction of community, State or even national development policy as a whole. Good governance stands for engaging citizens against corruption and other governance weaknesses through activities comprising access to information about service entitlements and standards prescribed by the law, granting voice to beneficiaries regarding design and implementation of service programmes, providing grievance redress mechanisms and citizens with tools and access to demand accountability from service providers e.g. third party monitoring, public hearings, social audits etc.

Four universally accepted strategies for Good Governance are:

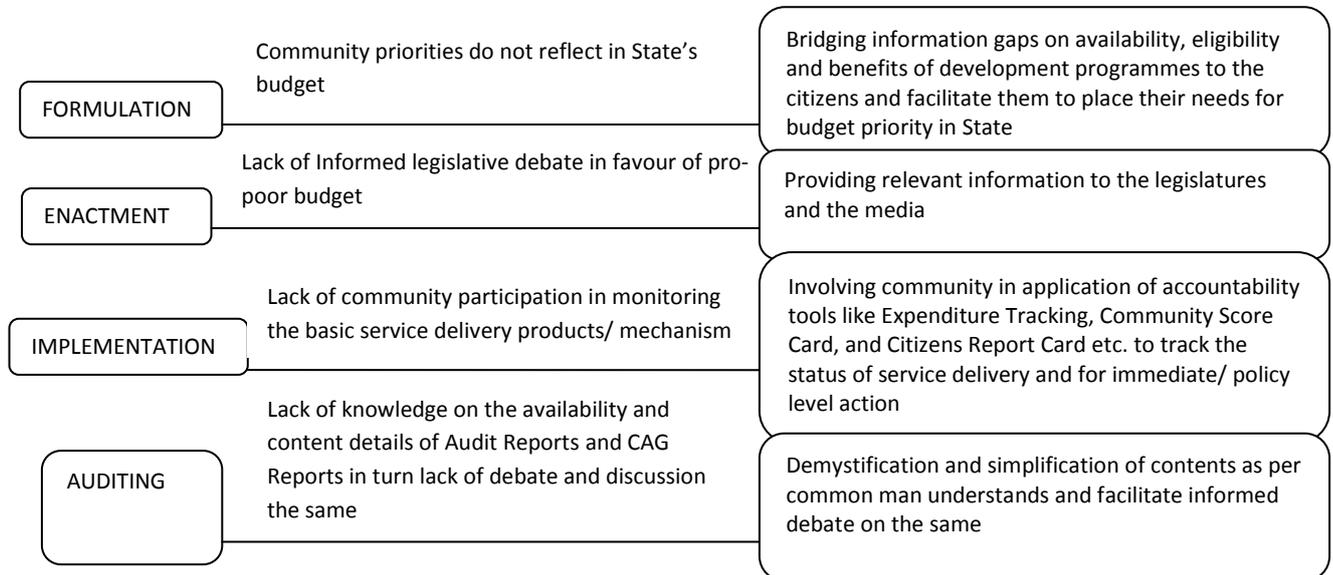
- **Awareness through transparency and information:** Increasing awareness of rights and benefits through transparency of – and access to – information can be either demand invoked and/or service provider initiated
- **Participation through Voice:** Articulating beneficiaries’ voices through consultation in design, implementation, monitoring and evaluation throughout the provision of public services. A continuous flow of information is required on proposed designs as well as on implementation progress. Stakeholders’ views, particularly of direct beneficiaries and users of the services, are sought prior, during and after public service delivery and are part of a feedback process.
- **Accountability through Community Monitoring:** Empowering community members to assert their rights as well as providing them with basic skills to effectively engage with the local, State and national level government officials and policy makers. Capacity building of the communities to participate in all stages of planning and budgeting for public social service delivery and facilitate community mobilization to participate in advocacy and lobbying for improved governance and budgeting process.
- **Responsiveness through Grievance Redress:** Establishing beneficiary feedback and grievance redress mechanisms is an important strategy to exert responsiveness. Systems and procedures are designed to handle and respond to complaints and grievances from beneficiaries/consumers benefitting from the service delivery and from suppliers or contractors of services

Role of legislatures in Budget Preparation

The two most important players in the budget process are the legislature and the executive officers. The political function of the budget results from the fact that the budget proposals offered by the executive body of State Government, have to be approved by the Standing Committees (formed by legislatures from different political affiliations to review and finalize budget for specific departments). Furthermore, during the implementation of the budget at the end of the fiscal periods, officials have to

present report that requires approval by legislative bodies. Elected representatives have significant role to discuss (in Legislative Assembly) and decide the priorities for the people at large.

Budget cycle, factors impeding the participatory budgeting and the role of Civil Society Organizations



Budget Cycle organizations
Factors affecting people's participation
Role of civil society

Budget Institutions

Budget institutions and the budget process fulfil several important functions. These include setting priorities in the allocation of public resources; planning to achieve policy goals; establishing financial control over inputs to ensure compliance with rules; managing operations with fiscal prudence, efficiency, integrity and ensuring accountability to taxpayers. In developing countries like India budget processes and institutions are not yet well enough developed to perform the above-mentioned functions adequately.

Brief overview of the budget institutions are given below:

Central Finance Commission: Constitutional body, reviews the centre-state financial relationship in every five year. It decides the principle of tax sharing and the amount of grants according to changing economic and social conditions.

Comptroller and Auditor General: A statutory organization at central level which audits all expenditure from the revenues of the State Government along with the transactions of the State relating to debt, deposits, sinking funds, advances, suspense accounts and remittance business.

Committee on Public Accounts: Committee on public accounts consists of 12 members from the Legislative Assembly every year. The members are selected based on the principles of proportional representation by means of single transferable votes. A minister cannot be elected as a member of the committee. If a member becomes minister, he/she ceases to be a member from the date from which s/he became a minister. The role of the committee is to examine the accounts showing the appropriation of the sums granted by the Assembly for the expenditure of the Government of Odisha. The committee can also scrutinize the annual financial accounts of the state Government and such other accounts laid before the Assembly as the committee may think fit

Departmentally Related Standing Committees: This committee examines the *Demand for Grants* in detail and provides their suggestion to the government within 15 days of budget presentation.

Estimates Committee: It is a twelve-member committee, having similar membership procedures as for the public accounts committee. Major role of this committee is:

- To report what economies, improvements in organization, efficiency or administrative reform consistent with the policy underlying the estimates may be affected;
- To suggest alternative policies in order to bring about efficiency and economy in administration
- To examine whether the money is well laid out within the limits of the policy implied in the estimates; and
- To suggest the form in which the estimates shall be presented to the assembly

State Finance Commission: The 73rd & 74th Constitutional Amendment Acts which came into effect on April 24, 1993 made provision for the constitution of a State Finance Commission in all states to examine the financial position of local bodies. It also gives recommendations for devolution of financial power to local bodies.

State Planning Board: The state planning board was first constituted in Odisha in June 1962 with Chief Minister as chairman. The board was formed with a view to assist the government in the formulation of plans and in the monitoring and evaluating plan performance. The main functions of the board are to provide short term and long term policy guide lines for formulation of five years and annual plans at the state and district levels, with a view to achieving rapid economic growth and development, to systematically assess the existing stock of material, capital and human resources in the state and suggest the areas of their optimal utilization, to periodically review and evaluate the implementation of various development programmes in the State and in districts.

Critical Issues in Budget Making in Odisha

Some major aspects hinder the budget process in Odisha are:

- Policy Pronouncement vs. Budget Allocation and Budget Utilization:

A wide gap is visible between the policy declarations and the budget - actual budget and the amount of resource reaches to the poor.

- Regional imbalances in fund allocation:

State budget is prepared on department basis. This does not reflect the priorities of regions and districts.

Current allocation pattern does not take into account the disparities in regional development indicators. Robust analysis is required to identify gaps between the actual requirements and the current state of allocation of the backward regions.

- **Absence of Civil Society Participation:** Lack of formally assigned space for the civil society organisations to participate and communicate the needs of grassroots level to the State administration.

- **Lack of Informed debate by the legislature**

The legislators do not possess the skills and information necessary identify the critical needs of the people and bring these in assembly discourse. As a result, the executives act as the sole decision maker on the expenditure priorities of the State.

- **Lack of access to information pertaining to budget and its process:**

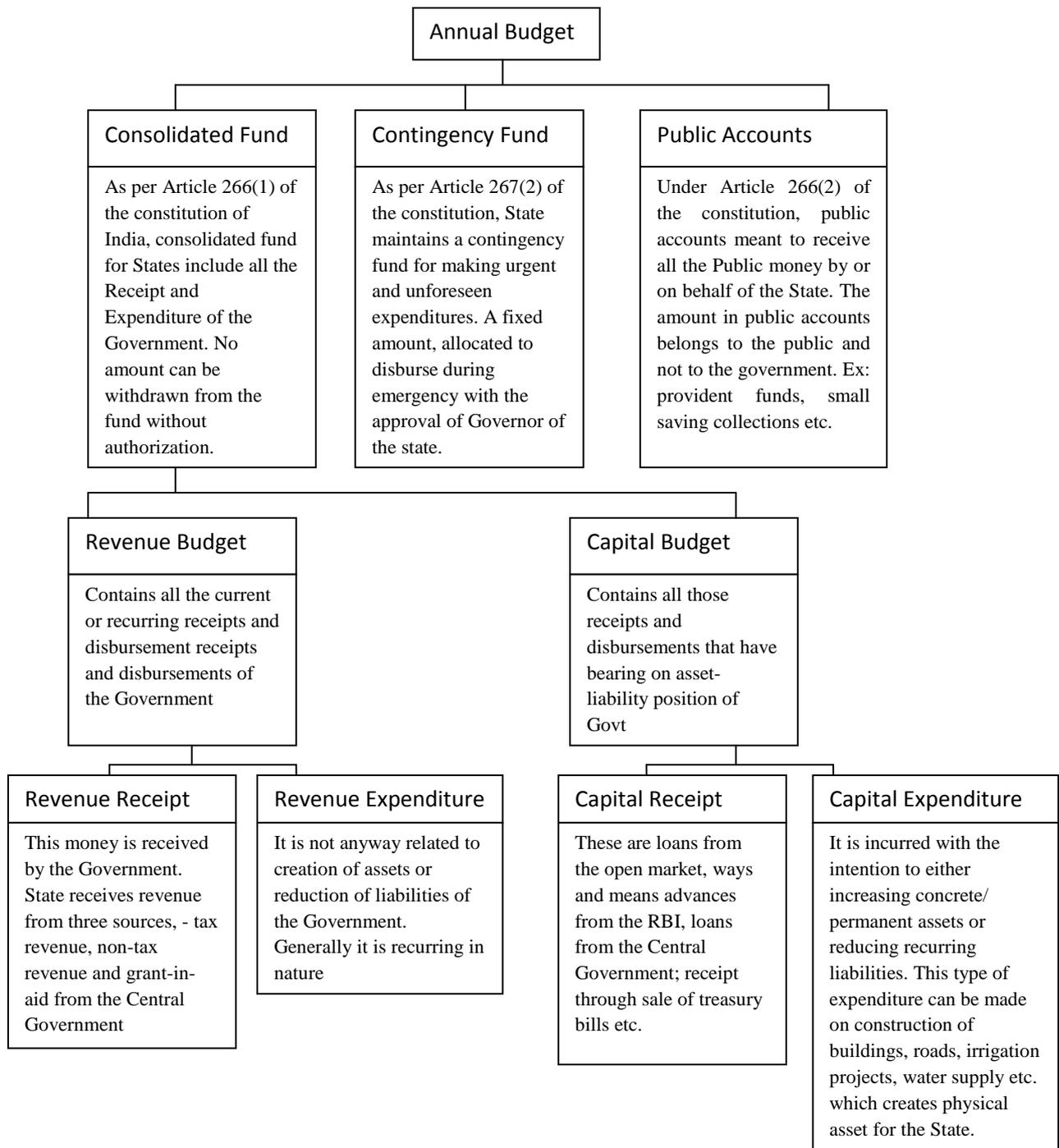
The role of *civil society organisations* is constrained by lack of access to information and the absence of formally or informally designated space for participation in budget related issues. Due the absence of knowledge on the intricacies of the State budget and its process, the intelligentsia do not question the functioning of State's governance. Even *the media*, due to lack of timely and accurate information on budget, fails to provide good and in-depth coverage on critical budget issues that affect the lives of the poor.

Technicalities of Budget

- **Budget Division:**

As per the Constitution of India, State's accounts are maintained in following manner:

- Consolidated Fund
- Contingency Fund
- Public Accounts



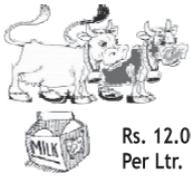
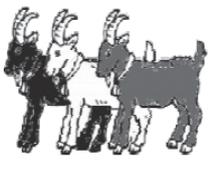
Some examples of Revenue Receipt:

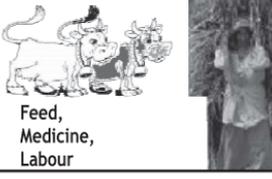
- Interest receipts for Government from loans it had given earlier (no effect on the size of the original asset of government)
- Receipts from Fees/ User Charges imposed by government
- Dividend & Profits from government owned enterprises (no effect on the size of the original asset of government)
- Revenue earned from the various types of Taxes

Some examples of Revenue Expenditure:

- Government pays the interest charges due on a loan from International Monetary Fund (no effect on the size of the original liability of Government)
- Government expenditure on providing subsidies (no effect on assets/ liabilities)
- Government spending on salaries of its employees

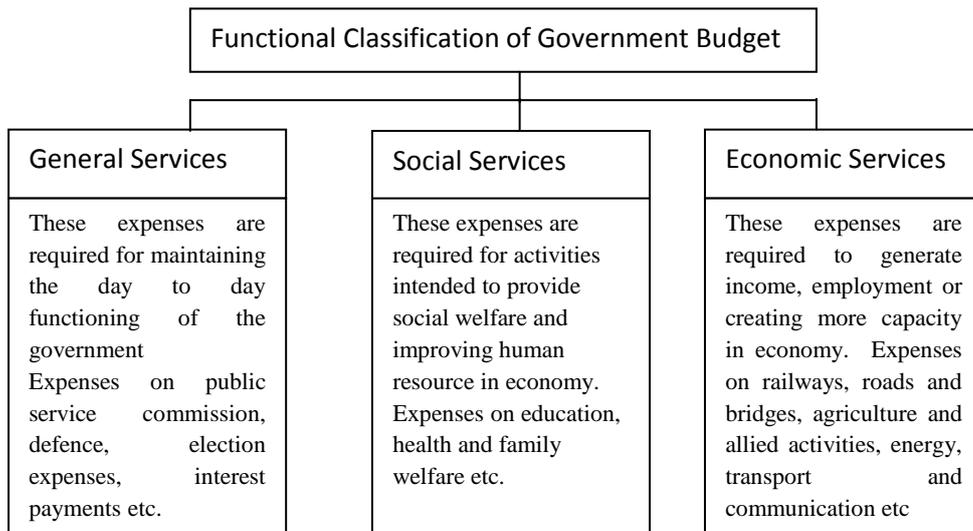
- Government spending on procurement of medicines for its hospitals

HOUSEHOLD BUDGET	
Revenue Receipt	Capital Receipt
 <p>Rs. 12.00 Per Ltr.</p>	
Selling Milk (Recurring)	Selling Goats (Loss of Assets)
GOVERNMENT BUDGET	
Revenue Receipt	Capital Receipt
TAX	LOAN
Tax Collections (Recurring)	Borrowings (Increase in Liability)

HOUSEHOLD BUDGET	
Revenue Expenditure	Capital Expenditure
 <p>Feed, Medicine, Labour</p>	
Maintenance of Cows (Recurring)	Purchase of Motorcycle (Asset Building)
GOVERNMENT BUDGET	
Revenue Expenditure	Capital Expenditure
Teacher SALARY	School Building
Salary (Recurring)	Building New Schools (Asset Creation)

Source: Primer on Civil Society Budget Work, Published by CBGA

- Functional Classification of Budget:



- Disbursement/ Expenditure by Government:

Two types of expenditures are, - Plan Expenditure and Non-Plan Expenditure

- Plan Expenditure**

State Government/ Central Government prepares five-year plans and aims to carry out a number of development activities/ programmes, which are to be achieved within the plan period. Financial provisions are made in each financial year for the execution of the programmes and the expenditure is called the plan expenditure. Plan expenditure is divided into three parts,; State Plan, Central Plan and Centrally Sponsored Plan (CSP)

- **State Plan:** State Government, like Central Government, participates in planning process. There is a State Planning Board in each State. It monitors the functioning of planning machinery in State. State

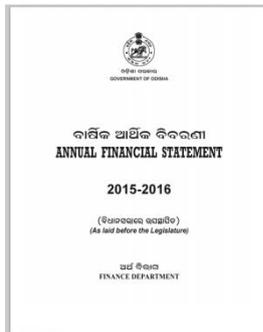
plan is scrutinized by the Centre and then provided with financial resources as per the existing plan finance formulae. All new development programmes are taken up by the State Government normally comes under the State Plan.

- **Central Plan:** Under this plan schemes, the expenditure is made by the State Government and the amount is fully funded by the Central Government. The scheme falls in the functional domain of the Central Government as defined in the Union List.
- **Centrally Sponsored Plan (CSS):** It covers all schemes fully or partially funded by the centre and implemented by the State or State agencies.

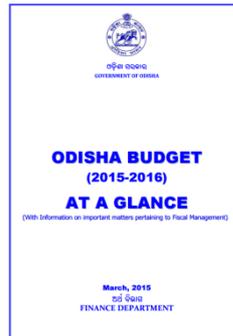
- **Non-plan Expenditure:**

It is recurring in nature and is to be provided for maintenance and functioning of the Government.

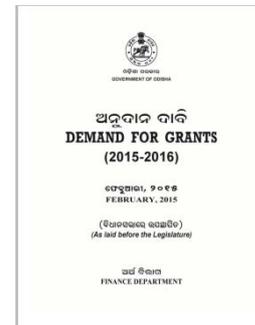
Glimpse of some important Budget Documents:



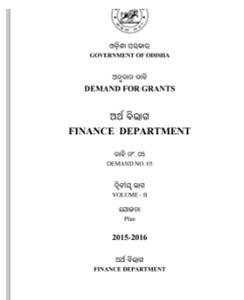
Annual Financial Statement/ State Budget: It covers all transactions of State Government during current financial year, last financial. It also provides budget estimate for the next financial year.



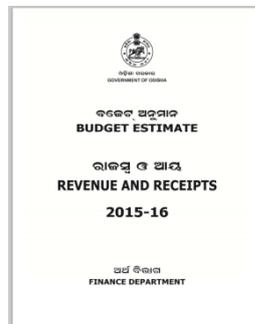
Budget at a Glance: It reflects an overall summary statement of the budget of the State



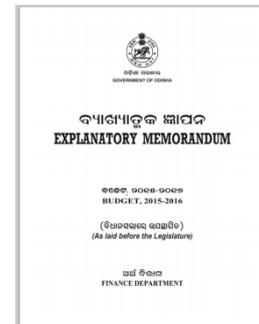
Demand for Grants: This is a proposal made to the legislative assembly on the recommendation of the Governor for expenditure out of the consolidated fund of the State on different services



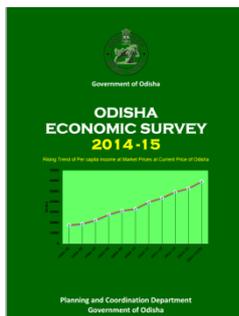
Detailed Demand for Grants: Government also publishes separate Demand for Grants for each department. This document contains information of each department up to detail head level



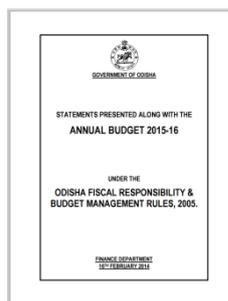
Revenue Receipts: It comprises of proceeds of Taxes (like income-tax, corporation tax, customs, excise, service tax, etc.) and Non-tax revenue of the Government (such as: interest receipts, fees/user charges, and dividend and profits from PSUs)



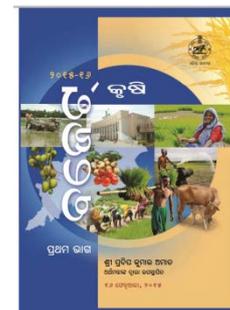
Explanatory Memorandum: This document captures the detail of the opening and closing balance of the State and the schemes in total which are included under State Plan, Central Plan Central Sponsored Plan.



Economic Survey of Odisha: It contains general economic health of the State and focuses on various micro and macro economic sectors with complete statistical data and analysis



Statement as per FRBM act: It overviews the fiscal policy, fiscal strategy for revenue, expenditure and debt restructuring of the State. It also presents the rolling targets of medium term fiscal plan for next three years



Budget Speech: The Finance Minister delivers this speech in Legislative Assembly during annual budget presentation. It contains the budget policy for coming financial year and the achievements of current financial year

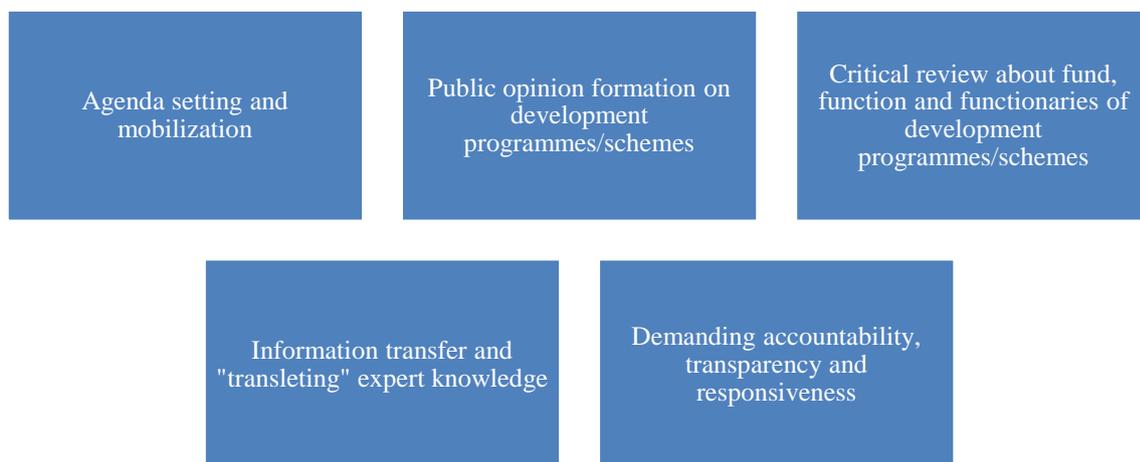
Advocating for a Participatory Budgeting

Advocating for Participatory Governance and budgeting rests on five strategies here in CYSD

- Generating evidence on the ground level issues to Inform, educate and engage community members, public representatives and the media on the rights and entitlements of the poor and marginalized
- Developing citizen leaders to advocate on pro-poor policy formation through awareness generation and sensitization
- Networking and alliance with the like-minded organizations, people’s representatives, media and other citizenry groups to influence the policy makers based on the micro and macro level findings on relevant governance issues. It aims at linking grassroots level findings with the national level forum to create a larger impact.
- Strategic and intensive engagement with govt. institutions both at implementation and policy formulation level

Role of media in Participatory Budgeting

Media has five key roles to play as the forth pillar of democracy towards participatory budgeting in State



Depending on the budget cycle, it is important for the media to set agenda and mobilize people’s participation in terms of submitting their demands to the relevant authority. It acts as a “forth power” alongside the legislature, executive and the judiciary and thus has an important control function. Media can effectively contribute to transparent administration, creating a better understanding of people’s needs and aspirations, voicing their concerns, demanding accountability and eventually building meaningful partnerships between development agencies and communities. Media also comprehensively conveys expert opinion/ information on development issues, policies and its impact on common-man.

Session Plan

DAY 1

9.30-10.00 am	Registration of participants		Registration sheet
Inaugural session (30 minutes)			
Time break up	Sub-topic	Method	Materials required
10.00 -10.30 am	Introduction of participants and facilitator	Ice breaking	
	Ground rule setting	Interactive discussion	
	Expectations of the participants	Interactive session	
	Sharing of Training objectives	Lecture	Program schedule
Session 1: Role of Budget in Ensuring Good Governance in State (1 hour)			
10.30 -11.30 am	Role of Budget in Ensuring Good Governance in State	Lecture by an expert cum discussion	
	Determinants of Good Governance <ul style="list-style-type: none"> • Accountability • Transparency • Participation 		
Session 2: Significance of political function and the role of legislatures in State Budget Making Process) (1 hour)			
11.30 -12.30 am	Significance of political function in Budget	Lecture by an expert cum discussion	
	Role of legislatures in State Budget making process		
Session 3: Budget Institutions : Function and Importance (1 hour)			
12:30 pm -01:30 pm	Critical issues in Budget making process in Odisha	Session by OBAC representative	
01:30 pm - 02:30 pm			Lunch Break
Session 3: Critical Issues in Budget Making in Odisha (1 hour)			
2:30 pm -3:30 pm	State Budget making in Odisha	Session by OBAC representative	Power Point Presentation

Session 4: Role of Civil Society Organizations in Participatory Budget Making in Odisha (1 ½ hours)

3:30-5:00 pm	<ul style="list-style-type: none"> Who are the civil society organizations? 	Group exercise facilitated by OBAC representative	
	<ul style="list-style-type: none"> What are the components of Participatory Budgeting? Role and responsibilities of each civil society organization group 	Group interaction and Group presentation	Chart paper and marker
5:00 -5.30 pm	Session feedback and closing of the day 1 program	Voice vote	

DAY – 2

10.00 -10.30 am	Recapitulation of the previous day's activities	Brief discussion	Chart paper and marker
Session 5: Technicalities of Budget (3 ½ hours)			
10.30-01.30 pm	Introduction to the Budget Making Institutions	Session by OBAC representative	Power point presentation
	Introduction to Budget Documents	Session by OBAC representative	Power Point Presentation
	Budget Division and Functional Classification	Session by OBAC representative	Power point presentation
	Expenditure/ Disbursement by the Govt. <ul style="list-style-type: none"> • Plan Expenditure • Non-Plan Expenditure 	Session by OBAC representative	Power point presentation
01:30 - 02.30 pm			Lunch Break
Session 6: Using Accountability Tools for effective service delivery (1 ½ hours)			
02.30-3.30 pm	Odisha Budget and Its Process and the Role of media	Lecture by an expert cum discussion	Power point presentation
1:30-2:30pm			Lunch
Session 7: Advocacy for participatory governance (30 mins)			
3:30-4.15 pm	Budget analysis and Advocacy by OBAC <ul style="list-style-type: none"> • Gender Budgeting • Tribal Sub Plan (TSP) • Integrated Child Development Scheme (ICDS) 	Session by OBAC representative	Power point presentation
4.15-5.00 pm	Session feedback and validation	Interactive discussion	Feedback form