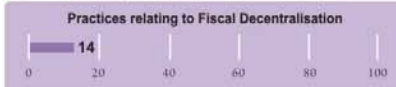


and urban local bodies. It emphasises the need for providing disaggregated information on devolution of funds from the State Budget to the rural and urban local bodies at different tiers. It also examines whether the budget documents provide information on the district-wise break-up of allocations and expenditures from the State Budget.



#### Positives

- The State Government has constituted the State Finance Commission at regular intervals over the last decade.
- The SFC holds wide-ranging consultations with relevant stakeholders such as representatives of both rural local bodies (RLBs) and urban local bodies (ULBs), legislators, civil society groups and academicians in the process of formulation of their recommendations.

#### Negatives

- The SFCs have not submitted their reports in a timely manner.
- The State Government presents the Action Taken Report on the recommendations of the SFC to the legislature, but it is delayed by more than a year after the submission of the SFC Report.
- The budget documents do not provide disaggregated information on devolution of funds from the State Budget to the rural local bodies (RLBs) at different tiers.
- The budget documents do not provide disaggregated information on devolution of funds from the State Budget to the urban local bodies (ULBs) at different tiers.
- The budget documents do not provide information on the district-wise breakup of allocations and expenditures from the State Budget.

#### Good Practices and Gaps in Budget Transparency in Madhya Pradesh

The assessment of transparency in the Budget of Madhya Pradesh has identified a number of good practices and also found some major gaps in terms of ensuring public access to budget information that need to be addressed by the State Government. These are:

##### Good Practices

- All of the budget documents of the State are available on the website of the State Finance Department.
- A separate 'Key to Budget Documents' is produced to facilitate accessibility of the budget information.
- Madhya Pradesh introduced Gender Budget Statement in 2007-08 covering 13 out of a total 52 departments. In 2010-11, the coverage has increased to 24 departments with information on Plan and Non-Plan expenditure for various schemes of the departments that are being reported in the

#### Statement.

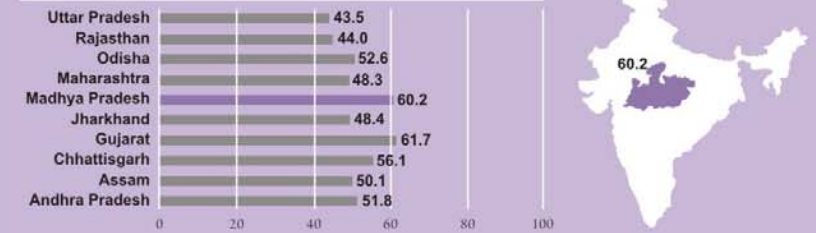
- The State Government brings out separate budget books outlining the allocations and expenditures under SCSP and TSP for all administrative departments.
- The State Government is producing mid-year and year-end review reports on the budget.
- The State Government brings out a separate statement on funds received from the Union Government, which are routed outside the State Treasury and hence not reflected in the State Budget.
- The budget documents include a statement containing extensive information on the implementation of the previous year's budget proposals.
- The budget circular and budget calendar (for the next State Budget) are made available to the public, media and legislators in a timely manner.
- The State Treasury is linked to internet and detailed information on its receipts and disbursements are provided on a monthly basis.
- The budget documents provide information on Women's Component Plan / Gender Budgeting.
- The State Government is bringing out Outcome Budgets explaining the performance of administrative departments.

#### Gaps in Budget Transparency

- Many of the budget documents that are produced and made available to the public do not facilitate any appreciable understanding of the budget proposals.
- The budget documents do not provide information on the methodology adopted in preparing the Gender Budget Statement.
- Information on the rationale for budget allocations shown under SCSP and TSP and the underlying strategies for development of SCs and STs is not shared in the documents related to the State Budget.
- Timeliness in submission of State Finance Commission reports and the State Government's Action Taken Reports must be ensured.
- Not all relevant stakeholders are invited for the pre-budget consultations held by the State Government.
- The executive does not hold consultations with the legislature on the memoranda / demands to be submitted by the State to Finance Commission and Planning Commission.
- The State Government does not release to the public any report on the steps taken to address audit observations (i.e. C&AG's observations on the State Budget).
- The budget documents do not provide disaggregated information on devolution of funds from the State Budget to the RLBs and ULBs at different tiers.
- The budget documents do not provide information on the district-wise breakup of allocations and expenditures from the State Budget.

## Transparency in State Budgets in India Madhya Pradesh

#### Overall Score



#### Summary Scorecard on Budget Transparency in Selected States

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

#### 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

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 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.

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:

Sanket Development Group,  
Madhya Pradesh



#### 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

#### Supported by:

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

#### For details, please contact:

Sanket Development Group:  
bhopal@sanketmail.com  
CBGA: info@cbgindia.org

## Transparency in the State Budget of Madhya Pradesh

**(i) 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.



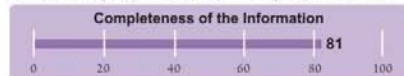
### Positives

- The State Government brings out almost all relevant documents related to the State Budget.
- It does try to ensure that all the budget documents are made available to the legislators.
- It provides all budget documents on the government website.

### Negatives

- Some of the documents like the Finance Bill/Act, memoranda submitted to the Planning Commission and the Finance Commission and the mid-term appraisal of the Five Year Plan are produced only for internal purposes.
- The State Government needs to take additional measures to ensure distribution of all relevant documents related to the State Budget to the various stakeholders.

**(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

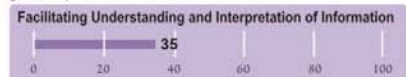
- The budget documents provide complete information on government expenditures and receipts during the fiscal year 2009-10, breaking it down in terms of different administrative units as well as various functions of the government.
- They present extensive information on transfer of resources from the Union Government to the State for the fiscal year 2009-10.
- They also share information on funds received by the State from the Union Government, which are routed outside the State Treasury and hence not reflected in the State Budget.
- The budget documents outline information about the nature and composition of public debt with complete details.

- The State Government produces all the statements that are required under the disclosure norms of the State's Fiscal Responsibility and Budget Management Act.
- The budget documents present details of expenditures relating to maintenance and repair of capital assets.
- The documents include a statement containing extensive information on the implementation of the previous year's budget proposals.
- They present an extensive overview of the transfer of resources between public sector undertakings and the State Government.
- The State Government is bringing out Outcome Budgets explaining the performance of administrative departments.

### Negatives

- The budget documents do not share an account of the physical assets held by the government.
- They do not make available details of the deferred liabilities of the State Government.
- They do not inform about the estimated amount of revenue foregone by the State Government for reasons such as tax exemptions.

**(iii) 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.



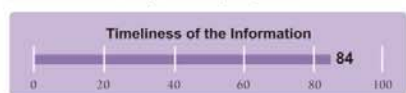
### Positives

- 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 Memorandum of Finance Secretary and the FRBM reports, though technical in nature, provide very useful information on budget proposals and their implementation.

### Negatives

- Budget documents, with the exception of the FM's Budget Speech, Memorandum of Finance Secretary and the FRBM reports, that are produced and made available to the public do not facilitate any appreciable understanding of the budget proposals.
- Apart from the FM's Budget Speech, Five Year Plan and Annual Plan, none of the budget related documents include any discussion of the relevant policy goals or priorities of the State Government.

**(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

- The budget circular and budget calendar (for the next State Budget) are made available to the public, media and legislators in a timely manner.
- The executive adheres to the budget calendar in formulation of the State Budget.
- The State Government obtains legislature's approval for the supplementary budget in a timely manner.
- The State Treasury is linked to internet and detailed information on its receipts and disbursements are provided on a monthly basis.

### Negatives

- Relevant stakeholders get to know about the date of release of the State Budget less than a month before it is presented in the State Assembly.
- Some of the reports linked to the State Treasury, especially those related to district-wise expenditures, are not accessible.

**(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

- The State Government's mid-year assessment report on the budget provides a lot of useful information about the fiscal situation of the State.
- The State Government brings out a document presenting information on the MoUs, which it has signed over the last one year.
- The State Government makes an effort to provide the relevant information on outcomes of government interventions for all those administrative departments that are required to track such information.

### Negatives

- The State Government does not release to the public any report on the steps taken to address audit observations (i.e. C&AG's observations on the State Budget).

**(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 provides budget documents to the legislators for scrutiny at least one month before the beginning of the next fiscal year.
- There are appropriate committees within the State legislature to look into the reports of the Comptroller & Auditor General of India relating to the State Government.
- There are appropriate committees within the State legislature to look into the details of the budgetary provisions for various departments.
- The State Government provides detailed information on funds received from the Union Government, which are routed outside the State Treasury, for legislative scrutiny.

### Negatives

- The State Government does not present to the legislature complete information on the MoUs to be signed by the State.
- The executive does not hold consultations with the legislature on the memoranda / demands to be submitted by the State to Finance Commission and Planning 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).



### Positives

- In the process of formulation of Five Year Plan and Annual Plans of the State, some of the relevant stakeholders are consulted in the preparation of Scheduled Caste Sub Plan and Tribal Sub Plan.
- The State Government provides extensive information on Scheduled Caste Sub Plan, Tribal Sub Plan and Women's Component Plan in the Annual Plan document.
- The budget documents provide useful information on allocations for Scheduled Caste Sub Plan and Tribal Sub Plan across all State Government departments.
- The State Government also brings out a Gender Budget Statement.
- The performance of the State in implementing Scheduled Caste Sub Plan, Tribal Sub Plan and Women's Component Plan is assessed regularly during the course of a Five Year Plan.
- The budget documents provide information on Women's Component Plan / Gender Budgeting.

### Negatives

- Only few of the relevant stakeholders are consulted in the preparation of Women's Component Plan during the process of formulation of Five Year Plan and Annual Plans of the State.
- The State Government does not explain clearly the basis on which various departments are reporting allocations under Women's Component Plan / Gender Budgeting.

**(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