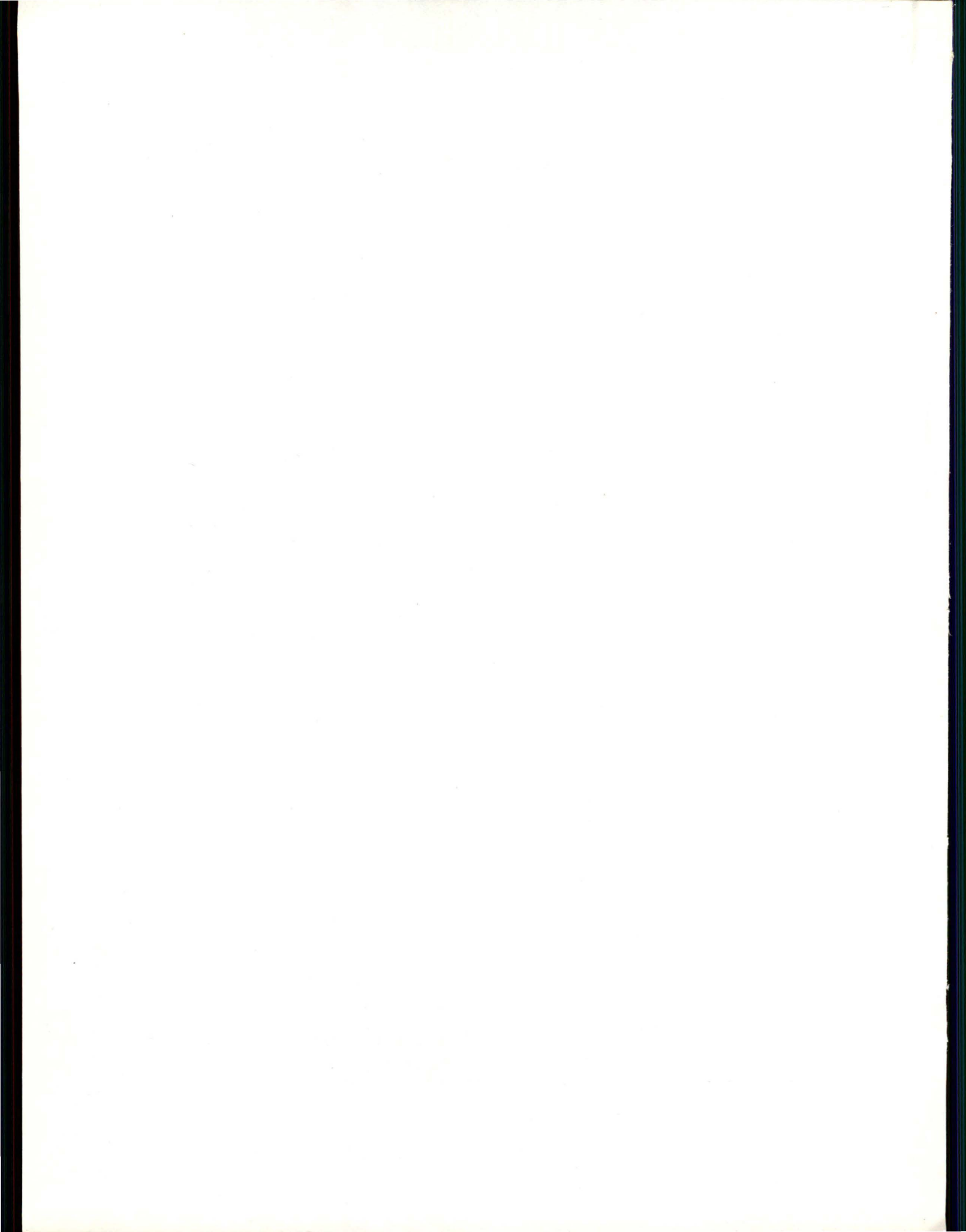


**Report of the
Comptroller and Auditor General
of India**

for the year ended March 2004

**Union Government
Accounts of the Union Government
No.1 of 2005**



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PREFACE

This Report for the year ended March 2004 has been prepared for submission to the President under Article 151 of the Constitution.

The Report includes matters arising from test audit of the Finance Accounts and the Appropriation Accounts (excluding Railways) of the Union Government for the year ended March 2004. The observations arising from the audit of various financial transactions of the Ministries have been included separately in Reports No. 2. Matters arising from audit of some of the Information Technology Systems of the ministries and departments are dealt with in Report No. 3.

Separate Reports are also presented to Parliament for Union Government: Autonomous Bodies (No.4), Scientific Departments (No.5), Defence Services – Army and Ordnance Factories (No. 6), Defence Services-Air Force and Navy (No. 7), Railways (No. 8 and 9), Indirect Taxes - Customs (No. 10), Central Excise (No.11) and Direct Taxes (No. 12 and 13).

UNION GOVERNMENT FINANCES AND ACCOUNTS: 2003-04

HIGHLIGHTS

This Report discusses the finances of the Union Government and trends in the major fiscal indicators over two Plans *i.e.*, VIII (1992-1997) and IX (1997-2002) and the two most recent years. It also contains an analysis of the Appropriation Accounts for 2003-04.

- The year 2003-04 ended with a surplus of Rs. 26,592 crore in the Consolidated Fund of India. There was a deficit of Rs. 22,650 crore in Public Account.
- The revenue deficit in 2003-04 was Rs. 100986 crore while the fiscal deficit amounted to Rs. 80937 crore. The revenue deficit constituted 3.64 *per cent* of Gross Domestic Product while the fiscal deficit amounted to 2.92 *per cent* of GDP.
- The resources of the Union Government in 2003-04 amounted to Rs. 1402736 crore. The non-debt receipts constituted around 30 *per cent* of the total receipts. The balance came from borrowings and Public Account receipts.
- Total non-tax revenue in 2003-04 amounted to Rs. 150518 crore, which constituted 44 *per cent* of the net revenue of the Union Government. This ratio had a moderate positive annual shift rate of 0.62 *per cent* in its relative share during 1985-2004, though there was a deceleration in its relative share in recent years.
- The total disbursement of the Union Government increased from an average of Rs. 433716 crore during the VIII Plan (1992-1997) to Rs. 1395329 crore in 2003-04. The average annual trend of growth of disbursement during 1985-2004 at 11.79 *per cent* was; however, lower than the rate of growth of GDP, which in the same period averaged 14.14 *per cent*.
- Revenue expenditure continued to be the dominant component of the total expenditure and its share increased from an average of 78.88 *per cent* during the VIII Plan to 86.83 *per cent* in 2003-04. Relative share of the capital expenditure and loans and advances declined from an average of 21.12 *per cent* during VIII Plan to 13.17 *per cent* in 2003-04.
- The share of plan expenditure in total expenditure remained nearly stagnant during 1985-2004. As against a long-term average of 23.02 *per cent* of total expenditure during 1985-2004, its share only moderately improved to 24.13 *per cent* in 2003-04.

- The overall expenditure of the Union Government on social services increased from an average of Rs. 6903 crore during the VIII Plan (1992-1997) to Rs. 24,593 crore in 2003-04. The long-term trend rate of growth in expenditure on social services was 15.17 *per cent* (1987-2004).
- Aggregate fiscal liabilities-GDP ratio peaked during 1991-92 when it reached 65.43 *per cent* of GDP. This ratio decelerated to an average of 60.72 *per cent* during the VIII plan (1992-1997) and further to an average of 59.08 *per cent* during the IX Plan (1997-2002). In the recent two years, while the ratio of fiscal liabilities to GDP increased to 62.69 *per cent* in 2002-03, it decelerated in the current year to 59.87 *per cent*, close to the long- term trend levels
- The ratio of fiscal liabilities to revenue, non-debt and uncommitted receipts had a positive shift rate during 1985-2004. The trend rate of growth of fiscal liabilities exceeded the rate of growth of these above parameters. Average ratio of fiscal liabilities to non-debt receipts increased from 446 *per cent* during the VIII Plan (1992-97) to 453 in 2002-03. It, however, declined to 390 *per cent* in 2003-04.

Chapter 1

UNION GOVERNMENT FINANCES – AN OVERVIEW

1.1 This chapter provides a broad perspective of the finances of the Union Government during 2003-04 and analyses critical changes in the major fiscal aggregates during 1985-2004.

1.2 Table 1.1 summarises the position of the finances of the Union Government, covering its receipts, disbursements, deficits and borrowings (need and its accommodation) in the current year (2003-04).

Table 1.1 Summary of the current year's operation

(Rupees in crore)

Receipts		Derived Parameters		Disbursements	
Consolidated Fund of India (CFI)					
Revenue Receipt	339100	Revenue Deficit	Revenue Expenditure	440086	
Misc. Capital Receipts	16953	100986	Capital Expenditure	35401	
Recovery of Loans	69827	Fiscal Deficit	Loans and Advances	31330	
Total Non-Debt Receipts	425880	80937	Total Expenditure	506817	
Public Debt	538492	Surplus in CFI	Public Debt	430963	
Total CFI	964372	26592	Total CFI	937780	
Public Accounts					
Small savings	256531		Small savings	266475	
Reserves & Sinking Fund	21903		Reserves & Sinking Fund	19397	
Deposits	66457		Deposits	56714	
Advances	24865	Deficit in Public Account	Advances	24529	
Suspense account	-1064		Suspense account	22413	
Remittances	441	-22650	Remittances	2255	
Total Public Account	369133	Increase in Cash	Total Public Account	391783	
Opening Cash	3465	3942	Closing Cash	7407	
Public Account Surplus (Demand)		-22650	Deficit in (CFI)+ Increase in Cash		
Incremental Liabilities (Supply)		109834	Surplus of (Debt+ Small Savings+ RF+ Deposits)		
Incremental Liabilities (Demand)		109834	FD+ Increase in Cash +Net Disbursement of (Advances+ Suspense+ Remittances)		

1.3 The year 2003-04 ended with a surplus of Rs. 26,592 crore in the Consolidated Fund of India. There was a deficit of Rs. 22,650 crore in Public Account as the disbursements exceeded the receipts. Though the fiscal deficit amounted to Rs. 80,937 crore, fresh liabilities amounted to Rs. 109,834 crore. After meeting the fiscal deficit, these were used for meeting the resource

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needs for additional disbursement under suspense/remittances etc and increases in the cash balances.

Box 1.1 : Union Government funds and the Public Account	
<p>Consolidated Fund All revenues received by the Union government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled "The Consolidated Fund of India" established under Article 266 (1) of the Constitution of India.</p>	<p>Contingency Fund Contingency Fund of India established under Article 267 (1) of the Constitution is in the nature of an imprest placed at the disposal of the President to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Parliament. Approval of the legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.</p>
<p>Public Account Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the connected disbursements are also made therefrom.</p>	

1.4 Union Budget presents three sets of figures: (a) actuals for the preceding year, (b) revised estimates for the current year, and (c) budget estimates of the forthcoming year. The nearness of the actuals to the budget estimates indicates the quality of fiscal marksmanship. Several reasons account for the departure of the actual realisation from budget estimates. It may be because of unanticipated and random external event, or methodological inadequacies that may lead to under or over estimation of expenditure or revenue at the budget stage or it may at times be considered prudent to be conservative. Actual realisation of revenue and its disbursement depend on a variety of factors, some endogenous and others external, a fair degree of certitude, however, is always comforting. Table 1.2 provides a summary of budget estimates and actuals for some important fiscal parameters.

Table 1.2: Union Government Finances 2003-04 - budget and actuals

(Rupees in crore)

	Budget Estimates	2002-03 Actuals	2003-04		Deviation from Budget	Deviation* Per cent
			Actuals	Budget Estimates		
1	Total Receipts of the Union	1084328	1333505	1106118	227387	20.56
2	Revenue Receipts	299826	339100	324172	14928	4.60
	Tax revenue	160144	188582	187769	813	0.43
	Non-tax revenue	139682	150518	136403	14115	10.35
3	Miscellaneous Capital receipts	3151	16953	13200	3753	28.43
4	Recovery of Loans and Advances	38745	69827	20523	49304	240.24
5	Public Debt receipt	435371	538492	491836	46656	9.49

Budget Estimates	2002-03 Actuals	2003-04		Deviation from Budget	Deviation* Per cent
		Actuals	Budget Estimates		
6 Public Account Receipts	307235	369133	256387	112746	43.97
7 Total Disbursement of the Union	1086211	1329563	1106118	223445	20.20
8 Revenue Expenditure	409591	440086	440676	-590	-0.13
9 Capital Expenditure	30497	35401	42947	-7546	-17.57
10 Loans and Advances	36222	31330	32785	-1455	-4.44
11 Repayment of Public Debt	339677	430963	367079	63884	17.40
12 Public Account Disbursement	270224	391783	222631	169152	75.98
13 Revenue Deficit	109765	100986	116504	-15518	-13.32
14 Fiscal Deficit	134588	80937	158513	-77575	-48.94

* Deviation is estimated as (Actuals- Budget Estimates)/Budget Estimates x 100

1.5 Revenue receipt exceeded the budget estimates by 4.6 *per cent* and better realisation of non-tax receipts contributed to this performance. Tax receipts as a whole were generally on target. Revenue expenditure was also maintained at the budgeted levels. Improved growth of revenue receipts resulted in a decline in revenue deficit. Actual revenue deficit was about 13 *per cent* less than the budget figures. A more than 240 *per cent* increase in recovery of loans and advances compared to the budget figures led to sharp reduction in fiscal deficit. This, however, should be viewed as a one time realisation because it leads to an equal reduction in assets base of the Union government. A decline in capital expenditure and loans and advances relative to the budget estimates also contributed to the reduction in fiscal deficit. Public account, which was expected to be in a surplus in the budget, actually turned out to be in deficit as disbursements exceeded the budget estimates by 76 *per cent*. On the whole, while fiscal marksmanship was evident on revenue receipts and revenue expenditure side, deviations in other parameters relative to the budget estimates were quite significant.

Union Government Finances 1985-2004 - Some Key Parameters

Box 1.2 : Managing Funds : Constitutional Provisions

Article 266 (3) of the constitution of India provided that "No moneys out of the CFI or the Consolidated Fund of State shall be appropriated except in accordance with the law and for the purposes and in the manner provided in the Constitution". This provision read with **Articles 112 and 114**, culminated in the Appropriation Act after the Demands for Grants of financial year are voted by the Lok Sabha, and the connected Appropriation Bill is passed by the Parliament and assented to by the President of India. Also, Sections 2 and 3 of the Appropriation Act provide as under:

From out of the CFI, there may be paid and applied sums not exceeding those specified in column 3 of the Schedule amounting in the aggregate towards defraying the several charges which will come in course of payment during the financial year in respect of the services specified in column 2 of the Schedule.

The sums authorized to be paid and applied from and out of the CFI by this Act shall be appropriated for the services and purposes expressed in the Schedule in relation to the said year.

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1.6 Figures for revenue and fiscal deficits as indicated/derived from the Finance Accounts have continued to be different from those being depicted in Budget at a Glance and some of the papers accompanying Budget Documents. This difference has been due to inclusion/exclusion of some of the transactions on revenue and expenditure side. While these are indicated in the accompanying documents of Budget papers, it may nonetheless be important to indicate these upfront. Table 1.3 below provides the difference in revenue and fiscal deficit as indicated/derived in Finance Accounts and as depicted in Budget at a Glance along with the necessary reconciliation transactions.

Table 1.3: Reconciliation of Revenue and Fiscal Deficit as in Finance Accounts and in Budget at a Glance

	2000-01	2001-02	2002-03	2003-04
Deficits as per Finance Accounts				
Revenue Deficit	86611	110303	109765	100986
Fiscal Deficit	120874	155833	134588	80937
Deficit as per Budget at a Glance				
Revenue Deficit	85234	100162	107880	98262
Fiscal Deficit	118816	140955	145072	123272
Difference in the two Figures				
Revenue Deficit	1377	10141	1885	2724
Fiscal Deficit	2058	14878	-10484	-42335
Factors Explaining the Differences				
Securities Issued to RBI/UTI/IDBI/Others (Revenue Account)	1377	10141	1885	2724
Securities Issued to IIBI/IFCI/RBI (Capital Expenditure)	52	4737	384	-110
Securities issued to IMF	629		1011	1262
Redemption of Securities issued to NSSF			-13765	-46211
Combined Effect	2058	14878	-10485*	-42335

* Difference due to rounding Summary of balances

1.7 A detailed analysis of the Union Government's finances covering revenue receipts, expenditure, fiscal imbalances and fiscal liabilities are contained in Chapters 2 to 5 of this Report. An overview of the key parameters is presented below.

Summary of balances

1.8 Statement 12 of the Finance Account provides a summary of cumulative outcome of the Government finances in terms of availability and use of resources. This statement read with statement 5 of the Finance Account is akin to a Balance Sheet of the government. Table 1.4 provides the summary of the government finances during 1985-86 and 2003-04, the base year of the analysis and the current year.

Table 1.4: Summary of Balances of Government Finances

(Rupees in crore)

Resource Use				Resource Availability			
	As on 31st March		CARG*		As on 31st March		CARG*
	1986	2004			1986	2004	
Capital Outlay	62064	433722	11.41	Internal Debt	71039	1141706	16.68
Loans & Advances	61766	254712	8.19	External Debt	18153	46124	5.32
Resource Use in terms of Functions				Small Savings	36859	241349	11.00
Social Services	3032	18064	10.42	Other Obligations	11433	92376	12.31
Agriculture & Allied	5596	9797	3.16	Fiscal Liabilities	137484	1521555	14.29
Irrigation and Energy	9122	55853	10.59	Cash Balances	-107	-7407	26.54
Industry & Minerals	32931	69646	4.25	Suspense Balances	-1260	-27960	18.79
Transport & Communication	19198	95709	9.34	Remittances	-1273	-3245	5.34
Other Economic Services	3012	67324	18.84	Advances	-511	-2840	10.00
Total Economic Services	69859	298329	8.40	Contingency Fund	50	50	0.00
Others	12219	175919	15.97	Availability of Funds	134383	1480153	14.26
Loans to States	38720	196123	9.43	Resource Gap	-10553	-791719	27.11
Total Assets	123830	688434	10.00	Resource Use	123830	688434	10.00

(*Cumulative Annual Rate of Growth)

1.9 While the net availability of funds of the Union government increased at an annual rate of 14.26 *per cent*, assets of the government comprising the capital expenditure and loans and advances increased at an average rate of 10 *per cent* only. On an average a negative spread in the growth of availability and use of resources was observed. Within the assets, capital expenditure, or the capital formation by the government directly witnessed a relatively higher growth during 1985-2004. "Loans and advances", which is akin to capital formation through its parastatals increased at an average rate of 8.19 *per cent*. Investment or assets formation in agriculture and allied activities and industry and minerals recorded a much lower growth during this period. Investment in social services grew at 10.42 *per cent*. Expenditure on other economic services, which included investment/accommodation to financial institutions, had a moderately high growth. The other component, which grew faster than the average growth, was the expenditure on general services and others, including public works and defence. Resource gap measured as a difference between net availability of funds and resource use increased from around eight *per cent* of net funds availability as on 31 March 1986 to over 53 *per cent* as on 31 March 2004.

Box 1.3 : Reporting Parameters

Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt, and revenue and fiscal deficits have been presented as percentage to the GDP at current market prices. The New GDP series with 1993-94 as base as published by the Central Statistical Organisation and indicated in Economic Survey 2003-2004 has been used.

For tax revenue, buoyancy estimates are given. The buoyancy indicates the responsiveness of a tax to percentage changes in the tax base. Here, buoyancies have been calculated with reference to the GDP series mentioned above.

For most series a trend growth during 1985-2004 has been indicated. Further, trend growth over the VIII Plan (1992-97) and the IX Plan (1997-2002) has also been indicated. While calculating these growth rates the first year of the Plan has been taken as the base year to estimate inter Plan growth rates. This process eliminates the "low base bias" of the year immediately preceding the plan. Annual growth has been indicated for the two most recent years, i.e. 2002-03 and 2003-04.

For most series, ratios with respect to GDP have also been indicated. As in the case of growth rates, average ratios have been used for the period 1985-2004 and Plan periods separately for the VIII and IX Plans. Annual ratios of the two most recent years have also been indicated.

For per capita expenditure on Social and Economic services, mid- year estimates of population as given by National Accounts Statistics, 2004 have been used. For converting the expenditure at 1993-94 prices GDP deflators (at market price) have been used.

Revenue Receipts

1.10 Table 1.5 indicates the rate of growth and relative share as percentage to GDP of the tax, non-tax and total revenue receipts (net of share of the States in Union taxes) during 1985-2004, the VIII and IX Plans (1992-1997 and 1997-2002 respectively) and the two most recent years.

Table 1.5: Key Parameters of the Union Government Revenue Receipts

(per cent)

Period	Gross Tax Revenue		Non-Tax Revenue		Total Revenue of the Union		GDP Growth
	A	B	A	B	A	B	
1985-2004	12.66	9.12	13.85	5.89	13.14	12.59	14.14
VIII Plan (1992-1997)	15.89	9.32	14.66	5.94	15.61	12.71	16.54
IX Plan (1997-2002)	9.00	8.68	8.00	6.06	8.12	12.40	10.43
2002-03	15.61	8.76	6.58	5.66	13.02	12.14	8.21
2003-04	17.61	9.17	7.76	5.43	13.10	12.23	12.25

A: - Rate of growth

B: - Relative Share as percentage to GDP

1.11 It would be observed that the average annual trend rate of growth of revenue receipts (including the tax and non-tax receipts) was comparatively lower than the growth of GDP. There was a deceleration in the growth rates during the IX Plan (1997-2002), though these picked up in the current year. The ratio of tax receipts to GDP declined from a trend average of 9.32 *per cent*

during the VIII Plan (1992-1997) to 9.17 *per cent* in 2003-04. Total revenue receipts of the Union as percentage to GDP also declined to 12.23 *per cent* in the current year from an average of 12.71 *per cent* during the VIII Plan (1992-1997). The non-tax revenue of the Union Government also recorded a lower trend growth and its share relative to GDP declined to 5.43 *per cent* in the current year. While the average rate of interest on loans and advances was maintained above the average cost of borrowings, return on investment and recovery of user charges from social and economic services remained poor.

1.12 Tax revenue (inclusive of the States' share) of the Union witnessed a buoyancy of 0.895 during 1985-2004 indicating that for each percentage point increase in GDP, increase in tax revenue was only 0.89 *per cent*. While direct taxes had a buoyancy greater than one, lower buoyancy of indirect taxes (both customs and excise duties), that accounted for nearly three fourths of the total tax revenue, resulted in overall lower buoyancy for the gross tax receipts.

Expenditure

1.13 The Union Government's total expenditure (Table 1.6) also reflected a similar position. Rate of growth of total expenditure declined from a long-term average of 12.47 *per cent* (1985-2004) to 8.86 *per cent* during the IX Plan (1997-2002) and further to 6.40 *per cent* in the current year. Total expenditure-GDP ratio also declined from a trend average of 19.81 during 1985-2004 to 18.28 *per cent* in the current year. Capital expenditure witnessed significant volatility, but average annual growth of this component of expenditure remained lower. Current year, however witnessed a significant acceleration in growth of capital expenditure. Relative to GDP, its share fluctuated but the rate of shift in its relative share was negative. This was also true of loans and advances. There continued to be a non-plan revenue deficit since 1990-91.

Table 1.6: Key Parameters of the Union Government Expenditure

(*per cent*)

Period	Revenue Expenditure		Capital Expenditure		Loans and Advances		Total Expenditure	
	A	B	A	B	A	B	A	B
1985-2004	14.12	16.12	7.21	1.64	6.28	2.05	12.47	19.81
VIII Plan (1992-1997)	14.64	15.51	-8.44	1.89	11.91	2.26	11.87	19.66
IX Plan (1997-2002)	10.40	16.36	9.22	1.37	-3.42	1.84	8.86	19.56
2002-03	9.06	16.59	-2.55	1.23	-6.19	1.47	6.92	19.29
2003-04	7.45	15.88	16.08	1.28	-13.51	1.13	6.40	18.28

A: - Rate of Growth

B: - Relative Share as percentage to GDP

Fiscal Imbalances

1.14 Fiscal imbalances not only continued to be persistent but were significant in volume. There was an increase in the revenue deficit/GDP ratio from an average of 2.80 *per cent* during the VIII Plan (1992-1997) to an

average of 3.95 *per cent* during the IX Plan (1997-2002). Fiscal deficit-GDP ratio also increased from an average of 6.04 *per cent* during the VIII Plan to an average of 6.25 *per cent* during the IX Plan. There was, however, a moderate improvement in these parameters in the last two years. Reduction in the ratio of revenue and fiscal deficit to GDP was quite significant in the current year. Fiscal deficit declined to a level less than 3 *per cent* of GDP. A negative growth of fresh loans and advances and an accelerated growth of over 80 *per cent* in recovery of past loans contributed to this decline in fiscal deficit ratio. Relatively higher growth of revenue receipts would, however, be needed to sustain this improvement otherwise it may become a one-shoot phenomenon. The more disturbing trend, however, was a continuous increase in the ratio of revenue deficit to fiscal deficit. Revenue deficit as a percentage to fiscal deficit increased from an average of 46.26 *per cent* of fiscal deficit during the VIII Plan (1992-1997) to over 100 *per cent* in 2003-04. (Table 1.7)

Table 1.7: Ratio of Revenue and Fiscal Deficit to GDP

(per cent)

Period	Revenue Deficit	Fiscal Deficit	Revenue Deficit as % to Fiscal Deficit
1985-2004	3.53	5.90	59.77
VIII Plan (1992-1997)	2.80	6.04	46.26
IX Plan (1997-2002)	3.95	6.25	63.26
2002-03	4.44	5.45	81.56
2003-04	3.64	2.92	124.77

Fiscal Liabilities

1.15 The broad parameters of the aggregate fiscal liabilities of the Union Government are presented in Table 1.8 below.

Table 1.8: Characteristics of the Union Government Fiscal Liabilities

(per cent)

Period	Rate of Growth of Total Liabilities*	Total Liabilities/GDP Ratio <i>(per cent)</i>	Average Rate of Interest	Ratio of Debt Repayment** / Debt Receipts <i>(per cent)</i>	Ratio of Assets to Liabilities
1985-2004	14.33	60.10	7.85	95.01	53.35
VIII Plan (1992-1997)	12.48	60.72	7.91	93.10	57.68
IX Plan (1997-2002)	11.85	59.08	9.06	94.70	50.90
2002-03	10.62	62.69	8.90	97.87	44.78
2003-04	7.20	59.87	8.28	105.33	41.48

* Public Account liabilities since 1999-2000 exclude the liabilities on account of small savings to the extent of securities issued to NSSF by State Governments.

** Debt repayment includes the principal and interest paid during the period

1.16 During 1985-2004, aggregate fiscal liabilities of the Union Government remained a little over 60 *per cent* of GDP. Though the rate of growth in aggregate liabilities indicated a decelerating trend, the ratio of

liabilities to GDP did not benefit from this deceleration as in the later period GDP growth itself witnessed a deceleration in nominal terms. In the current year, however, a moderate growth in aggregate fiscal liabilities relative to GDP and a primary surplus, for the first time in the last thirty years led to a decline in ratio of fiscal liabilities to GDP by 2.82 percentage points. The average rate of interest on the outstanding liabilities continued to move upwards from an average of 7.91 *per cent* during the VIII Plan (1992-1997) to an average of 9.06 *per cent* during the IX Plan (1997-2002). There was a deceleration in average interest rate to 8.28 *per cent* in the current year, but due to a large debt overhang, any significant decline in average interest rate consequent upon its general southward trend is still to occur. Further, nearly the entire gross debt receipts were used for debt redemption, including the principal and interest, net flows turned negative in the current year. Larger revenue deficit was also eroding the assets back-up for the aggregate liabilities of the Union Government, which had declined to a little over 41 *per cent* by 2003-04.

1.17 Table 1.9 indicates the position of unreconciled balances for the last five years. The net cumulative variation was narrowed to Rs. 25 crore as on 31st March 2004. The unreconciled balances were mainly due to (i) non-receipt/delayed receipt of bank scrolls; (ii) non-receipt/delayed receipt of clearance memos and inter-government adjustments and (iii) mistakes in statements/misclassification in accounts remaining unreconciled.

Table 1.9: Unreconciled Balances

(Rupees in crore)

Year	Deposits with RBI		
	According to Finance Accounts	According to RBI	Difference
1999-2000	2661	2223	438
2000-01	3858	3623	235
2001-02	5353	5144	209
2002-03	3470	3531	61
2003-04	7412	7387	25

1.18 The Reserve Bank of India (RBI) is the banker of the government and other authorised public sector banks function as the RBI's agents while handling government transactions. In government books, certain transactions of receipts and payments, which cannot be booked to a final head of account due to lack of information about their nature or for other reasons, are booked in intermediate heads of account known as 'suspense heads' pending their final classification. Table 1.10 presents outstanding balances under suspense heads as on 31 March 2004. The quality of maintenance of accounts needs to be improved to ensure that the balances in the suspense heads are kept to the bare minimum and the reasons are suitably indicated in the Finance Accounts at respective places.

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Table 1.10: Outstanding balances under major suspense heads

(Rupees in crore)

Heads of account	Net Balance as on 31 March				
	2000	2001	2002	2003	2004
(a) Suspense (PAO Suspense)	Cr. 281.11	Dr. 318.75	Dr. 565.12	Dr. 1145.03	Dr. 1170.86
(b) Suspense Accounts (Civil)	Dr. 794.84	Dr. 506.94	Dr. 289.94	Dr. 650.41	Dr. 682.75
(c) Suspense Accounts (Postal)	Dr. 93.97	Dr. 100.99	Cr. 7.47	Dr. 172.12	Dr. 509.10
(d) Suspense Accounts (Defence)	Dr. 111.11	Cr. 628.67	Cr. 643.73	Cr 360.24	Dr. 304.40
1. Suspense Accounts (Railways)	Dr. 175.26	Dr. 372.79	Dr. 568.02	Dr 565.96	Dr. 857.58
2. Suspense Accounts (Telecom)	Dr. 1563.57	Dr. 923.75	Dr. 658.92	Dr 660.30	Dr. 680.91
3. Public Sector Bank Suspense	Dr. 806.43	Dr. 586.55	Cr. 51.91	Dr 537.48	Dr. 2524.20
4. Suspense Account for purchases abroad	Dr. 1895.20	Dr. 1675.43	Dr. 697.45	Dr 501.07	Dr. 473.31
5. Reserve Bank Suspense (HQ)	Cr. 173.52	Cr. 172.20	Cr. 172.26	Cr 173.20	Dr. 72.69
6. Reserve Bank Suspense (CAO)	Dr. 67.85	Dr. 38.64	Cr. 8.69	Cr 20.75	Cr. 246.06
7. Cash settlement Suspense	Dr. 222.18	Dr. 224.53	Dr. 206.97	Dr 228.80	Dr. 233.20
8. Discount sinking fund	Dr. 794.94	0	0	0	0
9. Others	Dr. 837.62	Dr. 1208.25	Dr. 1196.73	Dr 1182.14	Dr. 1174.62
Total	Dr. 6908.34	Dr. 5155.75	Dr. 3299.09	Dr. 5089.12	Dr. 8437.56

1.19 Adverse balances arise largely due to accounting errors or accounting situations arising out of rationalisation of the classification of accounts or administrative re-organisation, which break up one accounting unit into many. For example, against the accounting head of any loan or advance, a negative balance will indicate more repayment than the original amount advanced. The Union finance accounts for the year 2003-04 indicated 49 cases of adverse balances, as shown in **Appendix-IA**. Out of these, six balances became adverse during the year 2003-04. Out of 43 old cases, two balances have been adverse since 1976-77 (prior to departmentalisation of accounts) and 41 balances from 1986-87 to 2002-03. The Controller General of Accounts stated in November 2004 that all items under adverse balances were under investigation and action was being taken in stages to liquidate the balances. It would be desirable to provide suitable explanatory memoranda in the Finance Accounts about the specific nature of the transactions leading to the adverse balances and progress of clearance in each case to improve the quality of accounts.

1.20 Table 1.11 shows that there were large outstanding balances under the minor heads 'cheques and bills' in the Finance Accounts for 2003-04, which had the effect of overstating the government cash balance.

Table 1.11: Outstanding balances under minor heads "Cheques and Bills" 2003-04

(Rupees in crore)

1. Pre-audit cheques	Cr.	0.52
2. Pay and Accounts Offices Cheques	Cr.	6298.50
3. Departmental Cheques	Cr.	107.74
4. Treasury Cheques	Cr.	4.62
5. IRLA Cheques	Cr.	0.59
6. Telecommunication Accounts Office Cheques	Cr.	998.03
7. Postal Cheques	Cr.	3767.10
8. Railway Cheques	Cr.	1439.05
9. Defence Cheques	Cr.	3625.45
10. Electronic Advices	Dr.	1.71

1.21 The head "Cheques and Bills" in the accounts is an intermediary accounting device for initial record of transactions, which are eventually to be cleared/withdrawn. Under the scheme of departmentalisation of accounts, payment of claims against government is made by the Pay and Accounts Officers (PAOs) of different Ministries/Departments by cheques drawn on branches of the RBI or PSU Banks accredited to the Ministry/Department. When claims are preferred in the appropriate bill form to the PAO/Departmental Officer, the payment is authorised through issue of cheques, after exercising the prescribed checks and recording of pay order by the PAO/Departmental officer. At the end of each month, the major head 8670-Cheques and Bills is credited by the total amount of the cheques delivered. On receipt of date-wise monthly statement and monthly statement of balances from Public Sector Banks and RBI Central Accounts Section, Nagpur, the head '8670-Cheques and Bills' is minus-credited and credit is afforded to 8658-108-PSB Suspense or 8675-101 Deposit with Reserve Bank-Central Civil, as necessary.

Chapter 2

RESOURCES: TRENDS AND COMPOSITION

Resources of the Union Government: 2003-04

2.1 Revenue and capital are the two streams of receipts that constitute resources of the Union Government. Revenue receipts consist of tax revenue, non-tax revenue, grants-in-aid and contributions. Capital receipts have two components—the debt receipts, which create future repayment obligations and the miscellaneous capital receipts, which constitute proceeds from disinvestment and recoveries of loans and advances, leading to reduction in the actual or potential assets base. Table 2.1 below presents a summary of total resources of the Union Government, which amounted to Rs. 1402,736 crore for the year 2003-04. Non-debt receipts constituted around 30 *per cent* of the total receipts. The balance were either to be assigned to the states or were in the nature of borrowings and public account receipts.

Table 2.1: Resources of the Union Government

		<i>(Rupees in crore)</i>
I	Revenue Receipts	404,866
II	Capital receipts	994,405
	a. Miscellaneous Receipts	16,953
	b. Recovery of Loans and Advances	69827
	c. Debt receipts	538,492
III	Public Account Receipts	369,133
Total Receipts		1399,271
Opening Cash Balances		3,465
Total Availability of Resources		1402,736

Note: Revenue receipts include Rs 65,766 crore being the share of taxes and duties assigned to the States and not reflected in the Union Government's Finance Accounts.

Trends in resources

2.2 Overall resources of the Union Government increased at a trend rate of 13.12 *per cent* during 1985-2004. Notwithstanding the variation in the growth rate during different plan periods, trend growth remained lower than the rate of growth of GDP. Accrual of gross resources to the Union grew by 14.87 *per cent* per annum during the VIII Plan (1992-97), immediately after the initiation of the process of economic reforms. However, during the IX Plan (1997-2002), annual trend growth decelerated to 7.02 *per cent*. In the first two years of the X Plan (2002-03 and 2003-04), there was a reversal of trend and the rate of growth of total receipts outstripped the GDP growth.

2.3 The current year (2003-04) witnessed significant acceleration in the rate of growth of all the components of total receipts. Non-debt capital receipts more than

doubled compared to the previous year largely due to implementation of the debt swap scheme. Under the scheme the states were allowed to retire loans taken from the Central Government bearing interest rate of more than 13 *per cent*. The retirement of high cost loans was funded through additional market borrowings and a specified percentage of small savings collections. This was also due to increase in the realisation through disinvestment from Rs. 3149 crore in 2002-03 to Rs. 16632 crore in 2003-04. There was also a significant acceleration in rate of growth of debt receipts, accruals from public accounts and revenue receipts. Total receipts, as a result of this acceleration in its components grew by around 23 *per cent*, compared to a growth of 12.25 *per cent* for the GDP. (Table 2.2)

Table 2.2: Components of receipts: Trends

(Rupees in crore)

Period	Revenue Receipts	Capital Receipts			Total Receipts	Gross Domestic product
		Non- Debt Receipts	Debt Receipts	Accruals in Public Account		
1985-2004	182225	15957	252014	136120	586316	1213863
VIII Plan (1992-1997)	157991	9373	164326	102117	433807	1035315
IX Plan (1997-2002)	282019	17430	427187	210498	937134	1914401
2002-03	355948	41896	435371	307235	1140450	2469564
2003-04	404866	86780	538492	369133	1399271	2772194
Average Annual Rate of Growth (per cent)						
1985-2004	13.12	13.94	10.10	14.47	11.79	14.14
VIII Plan (1992-1997)	15.41	0.01	15.98	14.43	14.87	16.54
IX Plan (1997-2002)	8.58	18.24	2.22	13.76	7.02	10.43
2002-03	11.89	71.85	-0.30	18.88	9.91	8.21
2003-04	13.74	107.13	23.69	20.15	22.69	12.25

2.4 Table 2.3 depicts the relative share of various components of resources. Over a longer term (1985-2004), except for the debt receipts, the other three components had a positive shift in their relative shares. However, while the relative share of revenue receipts peaked during the VIII Plan, share of debt receipts peaked during the IX Plan. The non-debt receipts and accruals in public account peaked during the first two years of the X Plan. Relative share of revenue receipts after reaching its peak during VIII Plan (1992-1997) at 36.42 *per cent* drifted southwards in later years averaging little over 30 *per cent* during the IX Plan (1997-2002) and further to 28.93 *per cent* in 2003-04. Debt receipts witnessed a negative shift in their relative share during this period. Despite these shifts in relative shares of the four components of gross resources of the Union Government, the ratio between debt receipts inclusive of accruals in public account and non-debt receipts (revenue receipts and other non-debt receipts) was generally stable at two thirds and one third. Notwithstanding a surge in miscellaneous capital receipts and recoveries of loans and advances comprising the non-debt receipts, their overall share was 6.2 *per cent*. (Table 2.3)

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Table 2.3: Relative shares of different components of total receipts

(per cent)

Period	Revenue Receipts	Capital Receipts			Total Receipts
		Non- Debt Receipts	Debt Receipts	Accruals in Public Account	
1985-2004	31.08	2.72	42.98	23.22	100
VIII Plan (1992-1997)	36.42	2.16	37.88	23.54	100
IX Plan (1997-2002)	30.09	1.86	45.58	22.46	100
2002-03	31.21	3.67	38.18	26.94	100
2003-04	28.93	6.20	38.48	26.38	100
Average Annual Rate of Shift in the shares					
1985-2004	1.18	1.92	-1.52	2.39	

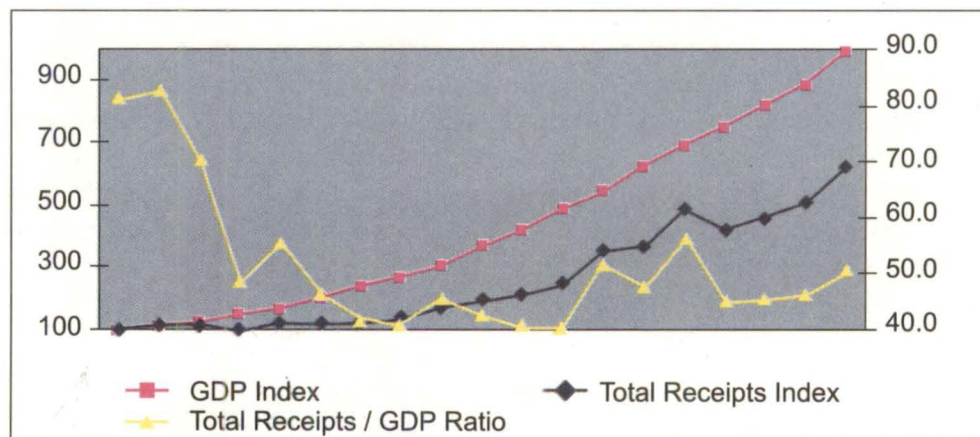
Access to resources relative to GDP

2.5 Increase in the access to resources as income increases is natural because the base itself has enlarged. More important, however, is the increase relative to GDP. While the long-term trend average of the ratio of overall resources to GDP was 48.30 per cent (1985-2004); this declined to an average of 41.90 per cent during the VIII Plan (1992-1997). Total receipts- GDP ratio increased to an average of 48.95 per cent during the IX Plan (1997-2002) and further to 50.48 per cent in the current year. However, notwithstanding the improvement in recent years, overall receipts- GDP ratio and three of its four components had a negative trend average annual shift relative to GDP (Table 2.4). If the total receipts and GDP are set to 100 in 1985-86, total receipts in 2003-04 would be only 620 as against a value of 997 for GDP. (Graph 1)

Table 2.4: Receipts as percentage to GDP

(per cent)

Period	Revenue Receipts	Capital Receipts			Total Receipts
		Non- Debt Receipts	Debt Receipts	Accruals in Public Account	
1985-2004	15.01	1.31	20.76	11.21	48.30
VIII Plan (1992-1997)	15.26	0.91	15.87	9.86	41.90
IX Plan (1997-2002)	14.73	0.91	22.31	11.00	48.95
2002-03	14.41	1.70	17.63	12.44	46.18
2003-04	14.60	3.13	19.42	13.32	50.48
Average Annual Rate of Shift in the shares					
1985-2004	-0.89	-0.17	-3.54	0.29	-2.05



2.6 In the Finance Accounts, the receipts and disbursements particularly those relating to public debt and public accounts, appear on gross basis and, therefore, indicate a much greater draft of the government on national resources. Accommodations by way of Ways and Means Advances (WMA) and 14-day Treasury Bills are, by their very nature, short-term measures and provide a cover for temporary mis-matches. These are self-liquidating and their inclusion in debt receipts unnecessarily inflates the figures. Similarly, accrual in public account, which is akin to a banking operation by government, on gross basis, may absorb the gross numbers without providing actual access. While to some extent this may also be true for other debt receipts as bulk of these receipts are for debt rollover, it indicates the need for a structured borrowing strategy. In view of this it may be necessary to net the impact of WMA and 14-day Treasury Bills operations of the government on its resources to arrive at its effective draft. Table 2.5 indicates the impact of this netting on total receipts, and the ratio of total receipts to GDP for the last six years. Net draft of the Union Government declines by 20-25 percentage points consequent upon such neutralisation.

Table 2.5: Revised Receipts and its share to GDP

(Rupees in crore)

Year	Revenue Receipts	Non-Debt Capital Receipts	Debt Receipts	Net Receipts of WMA	Net Receipts from Treasury Bills	Net Public Account Accruals	Total Receipts	Total Receipt/ GDP (Per cent)
1998-99	254369	19063	131819	1042	-880	40942	446355	25.64
1999-00	298076	14274	132556	-2060	-4440	23345	461751	23.84
2000-01	307724	18924	152146	4413	1340	25123	509670	24.39
2001-02	318121	24379	187523	-219	-1553	42364	570615	25.00
2002-03	355948	41896	206830	-5176	3134	37011	639643	25.90
2003-04	404866	86780	297096	0	1626	-22650	767718	27.69

Revenue Receipts: Movement of Major Aggregates

2.7 Revenue receipt with its broad components of tax and non-tax receipts is the most important source of revenue as no future payment obligations are created in accessing these receipts. Overall revenue receipts of the Union Government (net of the states' share from its gross tax collections) increased at an average annual rate of 13.14 *per cent* during 1985-2004. There was, however, a sharp deceleration in the average annual rate of growth from an average of 15.61 *per cent* during the VIII Plan (1992-1997) to 8.12 *per cent* during the IX Plan (1997-2002). Trend rate of growth of revenue receipt was also lower compared to the trend growth of GDP as indicated by a negative shift rate in its share relative to GDP during this period. (Table 2.6)

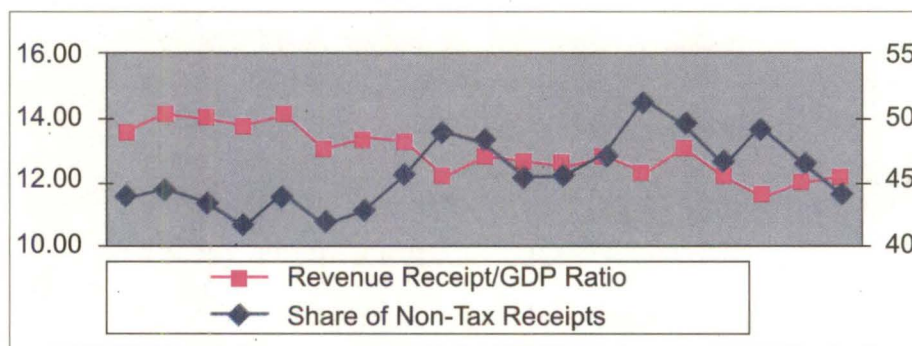
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Table- 2.6: Composition & trends of Revenue Receipts

(Rupees in crore)

Period	Gross Tax Revenue	States' share in Taxes	Net Tax Revenue	Non Tax Revenue	Net Revenue of the Union	Share of Non-Tax Revenue (per cent)	Net Revenue as per cent to GDP
1985-2004	110731	29374	81357	71493	152850	46.77	12.59
VIII Plan (1992-1997)	96533	26391	70142	61459	131601	46.70	12.71
IX Plan (1997-2002)	166087	44622	121465	115933	237397	48.84	12.40
2002-03	216266	56122	160144	139682	299826	46.59	12.14
2003-04	254348	65766	188582	150518	339100	44.39	12.23
Average Annual Rate of Growth (per cent)							
1985-2004	12.66	12.99	12.54	13.85	13.14	0.62	-0.87
VIII Plan (1992-1997)	15.89	14.41	16.47	14.66	15.61	Average Annual Rate of Shift (in per cent)	
IX Plan (1997-2002)	9.00	11.05	8.25	8.00	8.12		
2002-03	15.61	6.21	19.32	6.58	13.02		
2003-04	17.61	17.18	17.76	7.76	13.10		

2.8 Non-tax revenue constituted 47 per cent of the net revenue of the Union Government. This ratio had a moderate positive annual shift rate of 0.62 per cent in its relative share during 1985-2004, though there was a deceleration in its relative share in recent years.



2.9 The last two years witnessed acceleration in rate of growth of gross tax collections and also in the part of the collections retained by the Union. Gross tax collections increased by 17.61 per cent in 2003-04 as against a growth of 15.61 per cent in 2002-03 and a negative growth a year earlier. The share of the taxes assigned to the States also witnessed a higher growth in 2003-04 and was in line with the increase in gross collections. Non-tax revenue, however, continued to witness a moderate growth in most recent two years.

Major Taxes: Relative Performance

2.10 The relative performance of different taxes changed significantly over the years (Table 2.7) with Corporation tax recording the highest trend growth of 18.90 *per cent* during 1985-2004.

Table 2.7: Components of Tax Revenue (gross)

(Rupees in crore)

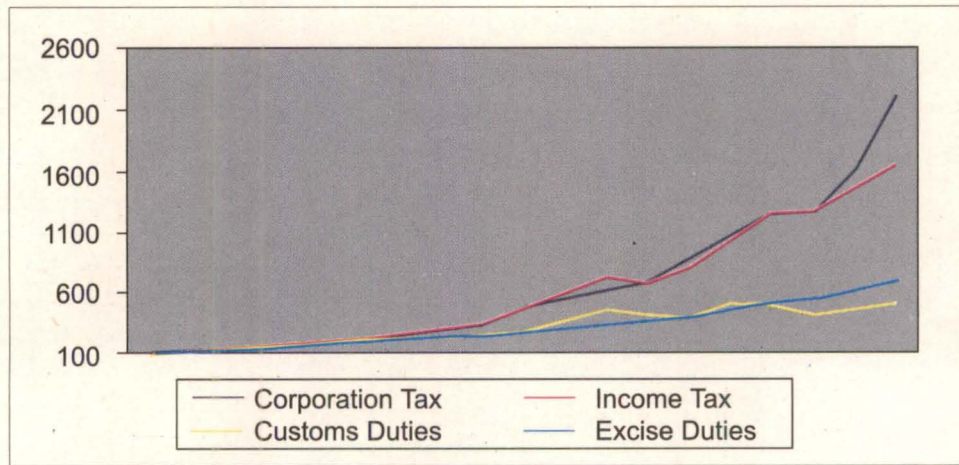
Period	Total Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax	Others
1985-2004	110731	18784	15675	30178	42109	1365	2620
VIII Plan (1992-1997)	96533	13567	12575	30273	37014	465	2639
IX Plan (1997-2002)	166087	29508	25353	43418	60838	2317	4653
2002-03	216266	46172	36866	44852	82310	4122	1944
2003-04	254348	63562	41387	48629	90774	7891	2105
Average Annual Rate of Growth (<i>per cent</i>)							
1985-2004	12.66	18.90	17.58	9.32	11.17 *		6.73
VIII Plan (1992-1997)	15.89	21.71	24.72	18.00	10.45 *		-2.50
IX Plan (1997-2002)	9.00	17.15	18.58	1.61	11.41	19.19	-30.18
2002-03	15.61	26.12	15.19	11.38	13.44	24.83	-16.28
2003-04	17.61	37.66	12.26	8.42	10.28	91.44	8.28

*Service Tax was introduced in 1994-95

2.11 In the years following the economic reforms, there were significant changes in structure of taxes. Wider coverage, broad base and moderate rates became the cornerstone of the new tax regime. There was also a shift from commodity-based taxation to less distortionary income based taxation. This shift was expected to improve tax compliance, tax buoyancy and finally the tax-GDP ratio. During the VIII Plan (1992-1997), rate of growth of tax receipts increased to an average of 15.89 *per cent*, over three percentage points higher than the trend growth during 1985-2004. Accelerated growth in income, corporation tax and customs duties contributed to this increase. There was, however, a deceleration in the average annual growth of these three taxes/duties during the IX Plan (1997-2002). While a decline in the rate of growth in customs duties was expected in view of lowering of duties, this was not fully compensated by increase in the rate of growth of other taxes. Even the introduction of service tax in 1994-95, which provided additional revenue, could not sustain the growth rates during this period. If the gross collections from the major taxes in 1985-86 are set at 100, collection index would be 2219 for corporation tax, 1648 for income tax, 701 for excise duties and only 510 for customs duties. Acceleration on the collections particularly of the corporate and income tax came in the post reform period.

2.12 In 2003-04, buoyant receipts from corporation and service tax, grew by 37.7 and 91.4 *per cent* respectively, and gross tax collections recorded a growth of 17.61 *per cent*. Increase in service tax was both due to change in the rates as also the increase in the coverage of services. There was, however,

deceleration in rates of growth of income tax, customs duties and excise duties.



2.13 Indian tax statistics do not generate any data as yet on tax expenditures (revenue forgone in tax exemptions and the like), although these by any reckoning are quite substantial. Total duties forgone under various export promotion schemes alone were estimated to have averaged over 60 per cent of total customs duty collected during 2000-2004¹.

Tax Buoyancy

2.14 Three major factors that affect tax collections are the tax base, the tax rate and tax compliance, including the effectiveness of tax administration. Though the legal bases for various direct taxes differ and are too complex to be determined effectively due to exemptions and other concessions, GDP is considered the best proxy tax base. While there is no defined measure of tax compliance, it depends on the effectiveness of tax administration and three relevant proxy factors are speed of assessment, collection of arrears and enrolment of the potential taxpayers for tax assessment. Tax compliance is both voluntary and enforced. Voluntary compliance, however, is also dependent on effectiveness of the enforcement machinery apart from effective and deterrent penalties. Tax rates for income and corporation taxes have generally been stable in the medium term.

2.15 The buoyancy coefficients indicate the percentage increase in the tax revenue following a one per cent increase in the GDP or the tax base. Besides the base, higher buoyancy may also be due to change in the tax rates and its coverage. While a buoyancy of greater than one is desirable, a buoyancy of less than one indicates that the collection from the concerned tax has not kept pace with the change in the base. Table 2.8 indicates the buoyancy of major taxes during 1985-2004 and also during the VIII and IX Plan periods together with the buoyancy of the most recent two years.

¹ Union Government- Indirect Taxes- Customs (Report No 10 of 2005), Comptroller and Auditor General of India.

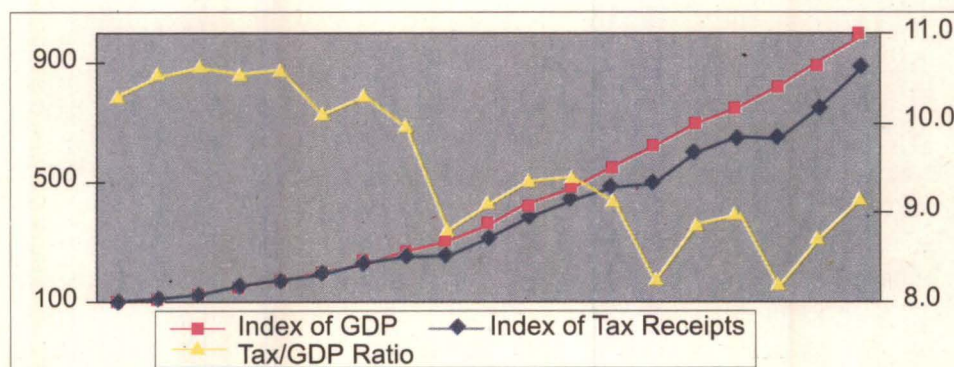
Table 2.8: Buoyancy of Major Taxes

Period	Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties
1985-2004	0.895	1.337	1.243	0.660	0.790
VIII Plan (1992-1997)	0.961	1.313	1.495	1.088	0.632
IX Plan (1997-2002)	0.863	1.644	1.781	0.154	1.094
2002-03	1.901	3.181	1.850	1.386	1.637
2003-04	1.438	3.074	1.001	0.687	0.839

2.16 As would be evident from the table above buoyancy coefficients have fluctuated across the taxes and over plans. While the overall buoyancy of two important direct taxes, viz., the corporate tax and income tax exceeded one, for the two important commodity taxes, viz., the customs and excise duties it was significantly below one. While this was partly due to changing structure of the Union taxes, buoyancy of gross tax collections during 1985-2004 was also significantly lower than unity. In the current year also, while the income tax collections barely managed to grow at par with the GDP growth, rate of growth of collections from customs and excise duties fell significantly short of the GDP growth.

Tax-GDP Ratio

2.17 The other indicator of adequacy and effectiveness of government's resource mobilisation efforts and its extent of realisation of the tax potential is the tax- GDP ratio. Table 2.9 gives the trends of this ratio over the Plans and on an annual basis for the most recent two years. Overall tax-GDP ratio declined from an average of 9.32 per cent during the VIII Plan (1992-1997) to 9.17 per cent in 2003-04. The average annual rate of shift in this relative share was (-) 1.29 per cent during 1985-2004. The tax-GDP ratio had declined to a low of 8.15 per cent in 2001-02 and despite a recovery in the current year; it was still below the average of the VIII Plan. If the gross tax receipts and GDP in 1985-86 are set at 100, index of tax receipts at 888 in 2003-04 was lower than the GDP index of 997.



2.18 A decline in the ratio of customs and excise duty collection to GDP contributed to the overall decline in tax- GDP ratio over this period. The ratio of customs and excise duty collections to GDP declined from an average of 2.92 and

3.58 *per cent* during the VIII Plan (1992-1997) to 1.75 and 3.27 *per cent* respectively in 2003-04. A negative shift in their share relative to GDP largely contributed to an overall negative shift in gross tax collections. Corporate and income tax collections relative to GDP witnessed improvement and had a positive shift rate.

Table 2.9: Tax/GDP Ratio of Major Taxes (per cent)

Period	Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax
1985-2004	9.12	1.55	1.29	2.49	3.47	0.11
VIII Plan (1992-1997)	9.32	1.31	1.21	2.92	3.58	0.04
IX Plan (1997-2002)	8.68	1.54	1.32	2.27	3.18	0.12
2002-03	8.76	1.87	1.49	1.82	3.33	0.17
2003-04	9.17	2.29	1.49	1.75	3.27	0.28
Average Annual Rate of Shift in the shares						
1985-04	-1.29	4.18	3.02	-4.22	-2.60	

Non-Tax Revenue

2.19 Non-tax revenues of government could be considered as being composed of two components: income from its sovereign functions like judiciary, police, currency and coinage, etc., and arising from its assets/investments either as intermediation returns or dividend or user charges. While the revenue from sovereign functions, financial intermediation and investment are in terms of actual realisation, income from social and economic services is on gross basis and is not netted of the operating costs of service delivery. Further, dividend income also includes the surplus transferred from the Reserve Bank of India and is more akin to seigniorage² rather than investment related. Notwithstanding the limitations of non-tax revenue with regard to the amount that should actually be reckoned as income/revenue of the government, the accruals from this source contributed around 44 *per cent* of the current revenue of the Union. Aggregated non-tax revenue on gross basis grew at an average rate of 13.85 *per cent* during 1985-2004 (Table 2.10).

2.20 Non-tax revenue from dividends and profits (inclusive of surplus transferred from the Reserve Bank of India) was the component growing the fastest at an average rate of 25.88 *per cent* during 1985-2004. However, in the current year, revenue from this source actually declined by 0.33 *per cent*. This was largely due to decline in the surplus transferred from the Reserve Bank of India from Rs. 10320 crore in 2002-03 to Rs. 8834 crore in 2003-04. The current year also witnessed a further deceleration in the rate of growth of interest receipts to 4.34 *per cent*, compared to the trend rate of 14.90 *per cent* during 1985-2004. A significant increase in the revenue from economic services largely contributed to the growth in non-tax revenue in the current year.

² Seigniorage is non-inflationary increase in money stock.

Table 2.10: Non Tax Revenue- Trends

(Rupees in crore)

Period	Total Non-Tax Revenue	Interest Receipts	Dividends and Profits	Social Services	Economic Services	Sovereign & Other Functions
1985-2004	71493	20885	6926	480	36836	6366
VIII Plan (1992-1997)	61459	16791	4969	606	33100	5993
IX Plan (1997-2002)	115933	34526	11555	572	60257	9023
2002-03	139682	44705	21230	424	60663	12660
2003-04	150518	46645	21160	449	68156	14108
Average Annual Rate of Growth						
1985-2004	13.85	14.90	25.88	3.62	12.46	11.29
VIII Plan (1992-1997)	14.66	14.32	30.01	10.93	15.54	2.87
IX Plan (1997-2002)	8.00	13.00	21.19	-21.24	2.25	13.16
2002-03	6.58	5.81	22.79	42.76	2.28	6.29
2003-04	7.76	4.34	-0.33	5.90	12.35	11.44

2.21 Relative shares of the various components of non-tax revenue witnessed significant changes during 1985-2004 (Table 2.11). The share of interest receipts and dividends put together increased to an average of 40 *per cent* during 1997-2002. The share of these components further increased to 45 *per cent* in 2003-04. Revenue from dividends and profits had witnessed an increase in their relative share at an average annual rate of 10.56 *per cent*. Shift rate was also positive from interest receipts, while social and economic services and revenue from sovereign and other functions of the government had a negative shift rate during 1985-2004. The relative share of receipts from economic services declined from an average of 53.86 *per cent* during the VIII Plan (1992-1997) to 45.28 *per cent* during 2003-04. Part of this decline in relative share was due to cessation of revenue from telecommunication as the departmental undertaking was corporatised. Their revenue, which earlier formed part of the Consolidated Fund, became revenue of the newly created corporate entity. Railways contributed to nearly two thirds of the revenue from economic services. Overall contribution of social services in non-tax revenue was insignificant.

Table 2.11: Relative Share of Components of Non-Tax Revenue

(per cent)

	Total Non-Tax Revenue	Interest Receipts	Dividends and Profits	Social Services	Economic Services	Sovereign & Other Functions
1985-2004	100.00	29.21	9.69	0.67	51.52	8.91
VIII Plan (1992-1997)	100.00	27.32	8.09	0.99	53.86	9.75
IX Plan (1997-2002)	100.00	29.78	9.97	0.49	51.98	7.78
2002-03	100.00	32.00	15.20	0.30	43.43	9.06
2003-04	100.00	30.99	14.06	0.30	45.28	9.37
Average Annual Rate of Shift in the shares						
1985-04		0.92	10.56	-8.98	-1.22	-2.25

Non-Debt Capital Receipts

2.22 Non-debt capital receipts consist of miscellaneous capital receipts (disinvestment) and recovery of loans and advances. Table 2.12 gives the details of non debt capital receipts from disinvestment and recovery of loans and advances given by the Union Government to State and Union Territory governments, foreign governments, government corporations, non-government institutions and government servants. This table also indicates the budget estimates and actual realisation of the proceeds from disinvestment along with actual recovery of loans and advances of the Union Government. The actual realisation of disinvestment receipts during 2003-04 was 126 per cent of the Budget estimates against the achievement of 17 to 26 per cent during the preceeding four years 1999-00 to 2002-03. The recovery of loans exceeded the budget targets significantly during 2002-03 and 2003-04 mainly due to implementation of debt-swap scheme announced by the Union Government to facilitate the States retiring their high-cost debt.

Table 2.12: Realisation from Disinvestment & Recovery of Loans

Year	Disinvestment			Recovery of Loans		
	Budget Estimates	Actual Realisation	Per cent Realisation	Budget Estimates	Actual Realisation	Per cent Realisation
	<i>(Rupees in crore)</i>			<i>(Rupees in crore)</i>		
1991-92	2500	3038	121.52	6778	7001	103.29
1996-97	5000	380	7.60	8184	8696	106.26
1998-99	5000	5369	107.38	11560	13189	114.09
1999-00	10000	1723	17.23	13337	12551	94.11
2000-01	10000	1870	18.70	15839	16799	106.06
2001-02	12000	3028	25.23	17488	20733	118.56
2002-03	12000	3149	26.24	20080	38745	192.95
2003-04	13200	16632	126.00	20523	69827	340.24

2.23 Other capital receipts consist of market borrowing and accruals in the public accounts, which are debt creating in nature and are discussed in later chapters.

Chapter 3

APPLICATION OF RESOURCES: EXPENDITURE

3.1 The Union Government raises resources to perform its sovereign functions, maintain its existing network of delivery of social and economic services, extend the network of these services through capital expenditure and investments and discharge its debt servicing obligations. The government applied total resources of Rs. 1395,329 crore that it mobilised during 2003-04 to disbursements as shown in Table 3.1.

Table 3.1: Application of Resources

(Rupees in crore)

I	Resources available		1402,736
II	Application of Resources		1395,329
	a.	Repayment of Debt	430,963
		Internal Debt	405,519
		External Debt	25,444
	b.	Discharge of liabilities on Public Account	391,783
		Small Savings and Provident Fund	266,475
		Reserve Fund	19,397
		Deposits and Advances	81,243
		Others	24,668
	c.	Actual Expenditure	506,817
		Revenue Expenditure	440,086
		Capital Expenditure	35,401
		Loans and Advances	31,330
	d.	Share of the States in taxes	65,766
III	Closing Cash Balances		7,407

3.2 The repayments of debt and discharge of public account liabilities (Rs. 822,746 crore), interest payments (Rs. 128,114 crore) and assignment of mandated portion of its gross tax receipts to States (Rs. 65,766 crore) took away nearly 72 per cent of its total resources. Government was, therefore, left with only about 28 per cent of its gross mobilisation to spend on its current activities.

Total Disbursement

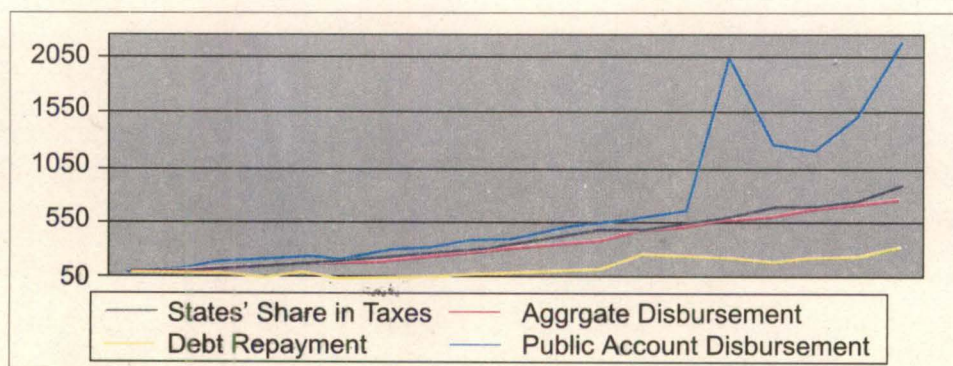
3.3 Aggregate disbursement of Union Government has four major components: actual expenditure; mandatory transfer of the proceeds from Union taxes to the States; repayment of debt and disbursements from public accounts. The relative movements across these expenditure groups are indicated in Table 3.2.

Table 3.2: Components of Total Disbursement

(Rupees in crore)

Period	Actual Expenditure	States' share in taxes	Repayment of Debt	Disbursement in Public Account	Total Disbursement	GDP (Market Price)
1985-2004	240451	29374	193456	122671	585952	1213863
VIII Plan (1992-1997)	203539	26391	126525	77261	433716	1035315
IX Plan (1997-2002)	374502	44622	310011	207404	936539	1914401
2002-03	476310	56122	339677	270224	1142333	2469564
2003-04	506817	65766	430963	391783	1395329	2772194
Average Annual Rate of Growth (in per cent)						
1985-2004	12.47	12.99	9.18	17.19	11.79	14.14
VIII Plan (1992-1997)	11.87	14.41	20.90	14.32	14.84	16.54
IX Plan (1997-2002)	8.86	11.05	-2.34	22.05	7.00	10.43
2002-03	6.92	6.21	5.58	25.06	10.25	8.21
2003-04	6.40	17.18	26.87	44.98	22.15	12.25

3.4 Total disbursements of the Union Government increased from an average of Rs. 433,716 crore during the VIII Plan (1992-1997) to Rs. 1395,329 crore in the current year. The average annual trend growth during 1985-2004 at 11.79 *per cent* was, however, lower than the rate of growth of GDP, which in the same period averaged 14.14 *per cent*. Average annual growth rates during the VIII and IX Plans were also lower than GDP growth rates. The most recent two years, however, witnessed reversal of this trend and rate of growth of total disbursements exceeded the GDP growth. Trend growth rates of the three components of total disbursements, viz., actual expenditure, states' share in the Union taxes and debt repayment were lower than GDP growth. Disbursements from public account, however, had a trend growth higher than the growth of GDP. If all the four components of total disbursement in 1985-86 are set to 100, the index of the component of repayment of debt would have a value of 321 as against a value of 2170 for disbursements from public account. The other two components, actual expenditure and States' share in Taxes would have a value of 767 and 880 respectively. (Graph 1)



3.5 The relative share of the four components of aggregate disbursement showed wide fluctuation both on year-to-year basis and over Plan periods. (Table 3.3) Actual expenditure (indicating the expenditure on current operations covering revenue and capital expenditure and loans and advances) had a moderate positive rate of shift in its relative share during 1985-2004. Share of actual expenditure, however, reached its peak of 46.94 *per cent* during the VIII Plan (1992-1997) and since then witnessed a decelerating trend relative to other components. Its share declined to 36.32 *per cent* in the current year. Though the long-term trend of relative share of expenditure on debt repayment was negative, during the IX Plan (1997-2002), it had nearly converged to the trend. Share of expenditure on disbursements from public account indicated a long-term trend of 20.94 *per cent* during 1985-2004. Relative share of this component had initially declined to 17.81 *per cent* of aggregate disbursements during the VIII Plan (1992-1997) but later increased to an annual average of 22.15 *per cent* during the IX Plan (1997-2002) and further to 28.08 *per cent* in the current year- 2003-04.

Table 3.3: Disbursement Components: Relative Share

<i>(per cent)</i>				
Period	Actual Expenditure	States' Share in Taxes	Repayment of Debt	Disbursement from Public Account
1985-2004	41.04	5.01	33.02	20.94
VIII Plan (1992-1997)	46.94	6.08	29.17	17.81
IX Plan (1997-2002)	39.99	4.76	33.10	22.15
2002-03	41.70	4.91	29.74	23.66
2003-04	36.32	4.71	30.89	28.08
Average Annual Rate of Shift in their Relative Shares				
1985-2004	0.60	1.07	-2.34	4.83

Expenditure: Main Aggregates

3.6 Table 3.4 presents a summary of the actual expenditure of the Union government (excluding repayment of debt and disbursement from public account, which are discussed separately in the chapter on Fiscal Liabilities) and the observed trend growth rates over the Plan periods.

3.7 **Appendix-III-A** presents the figures of actual expenditure and its three sub-components during the last 19 years since 1985-1986. Revenue expenditure continued to be the dominant component of the total expenditure and its share increased from an average of 78.88 *per cent* during the VIII Plan to 86.83 *per cent* in 2003-04. Its relative share had a positive shift rate of 1.47 *per cent per annum* during 1985-2004. As against this, relative share of capital expenditure and loans and advances declined from an average of 21.12 *per cent* during the VIII Plan to 13.17 *per cent* in 2003-04. Revenue expenditure of the Union Government (net of the States' share in taxes) increased at an

average annual rate of 14.12 *per cent* during 1985-2004. Capital expenditure and loans and advances, however, grew at a lower rate of 7.21 and 6.28 *per cent* respectively during this period. The average annual trend growth of the actual expenditure, which included all these three components, was 12.47 *per cent*. Capital expenditure witnessed a contraction during the VIII Plan (1992-1997) and recorded a negative growth. Average annual growth recovered to 9.22 *per cent* during the IX Plan (1997-2002). In the current year also there was a recovery in capital expenditure and it recorded a growth of 16.08 *per cent*. Loans and advances, however, depicted a different picture with rate of growth turning negative during the IX Plan and also in the recent two years.

Table 3.4: Expenditure Components

(Rupees in crore)

Period	Revenue Expenditure	Capital Expenditure	Loans & Advances	Total Expenditure	Revenue Expenditure/ Total Expenditure	Others/ Total Expenditure
1985-2004	195669	19856	24927	240451	81.38	18.62
VIII Plan (1992-1997)	160541	19550	23447	203539	78.88	21.12
IX Plan (1997-2002)	313109	26234	35159	374502	83.61	16.39
2002-03	409591	30497	36222	476310	85.99	14.01
2003-04	440086	35401	31330	506817	86.83	13.17
Average Annual Rate of Growth						
1985-2004	14.12	7.21	6.28	12.47	1.47	-5.10
VIII Plan (1992-1997)	14.64	-8.44	11.91	11.87	Average Annual Rate of Shift (<i>per cent</i>)	
IX Plan (1997-2002)	10.40	9.22	-3.42	8.86		
2002-03	9.06	-2.55	-6.19	6.92		
2003-04	7.45	16.08	-13.51	6.40		

Expenditure: Plan and Non-Plan

3.8 The Finance Accounts provide a further disaggregation of expenditure into plan and non-plan. Plan expenditure normally relates to incremental development expenditure on new projects or schemes and involves both revenue and capital expenditure. Non-plan expenditure, on the other hand, is normally devoted to maintaining the levels of services already achieved. However, in both plan and non-plan expenditure, a faster increase in capital expenditure relative to revenue expenditure is considered qualitatively more desirable as it leads to the extension of the social and economic infrastructure network and capital formation by the Government. Table 3.5 presents the growth and composition of Plan and non-Plan expenditure of the Union government.

Table 3.5: Components of Expenditure - Plan & Non plan

(Rupees in crore)

Period	Plan				Non Plan			
	Total	Revenue	Capital	Loans	Total	Revenue	Capital	Loans & Advances
1985-2004	55352	31356	9015	14981	185100	164313	10842	9945
VIII Plan (1992-1997)	48190	26749	8350	13061	155348	133792	11170	10386
IX Plan (1997-2002)	78595	47090	10132	21373	295907	266019	16102	13786
2002-03	111471	71570	14643	25258	364839	338021	15854	10964
2003-04	122281	78638	16913	26730	384536	361448	18488	4600
Average Annual Rate of Growth (per cent)								
1985-2004	10.45	14.26	4.44	8.21	13.16	14.09	10.60	1.96
VIII Plan (1992-1997)	7.53	11.48	-4.45	7.28	13.24	15.27	-11.36	18.27
IX Plan (1997-2002)	13.49	14.50	4.56	15.71	7.63	9.69	13.12	-29.30
2002-03	6.36	16.08	30.52	-20.90	7.09	7.68	-21.03	64.08
2003-04	9.70	9.88	15.50	5.83	5.40	6.93	16.61	-58.04

3.9 The share of plan expenditure in total expenditure remained nearly stagnant during 1985-2004. As against a long-term average of 23.02 *per cent* of total expenditure during 1985-2004, its share only moderately improved to 24.13 *per cent* in 2003-04. This seemingly stable share, however, conceals the inter year and inter plan variations at aggregate plan and at its sub component levels. The rate of growth of plan expenditure witnessed an acceleration of nearly six percentage points during the IX Plan (1997-2002), from an average of 7.53 *per cent* per annum during the VIII Plan (1992-1997) to 13.49 *per cent*. This acceleration was across its three sub components. Though the long-term trend growth of non-plan expenditure was relatively higher, deceleration in rate of growth was observed during the IX Plan and the first two years of the X plan.

3.10 Both for plan and non-plan expenditure, the revenue component remained not only the most predominant, but it was also relatively the most buoyant throughout 1985-2004. The share of revenue component in plan expenditure, which averaged 56.65 *per cent* during 1985-2004 increased to 64.31 *per cent* in 2003-04. Its share in non-plan expenditure increased from a trend average of 88.77 *per cent* during 1985-2004 to 94 *per cent* in 2003-04. Plan expenditure of capital nature and plan loans and advances recorded a much lower trend growth relative to its revenue component. Plan capital expenditure, however, gained significant acceleration in 2002-03 and 2003-04.

Buoyancy of Expenditure

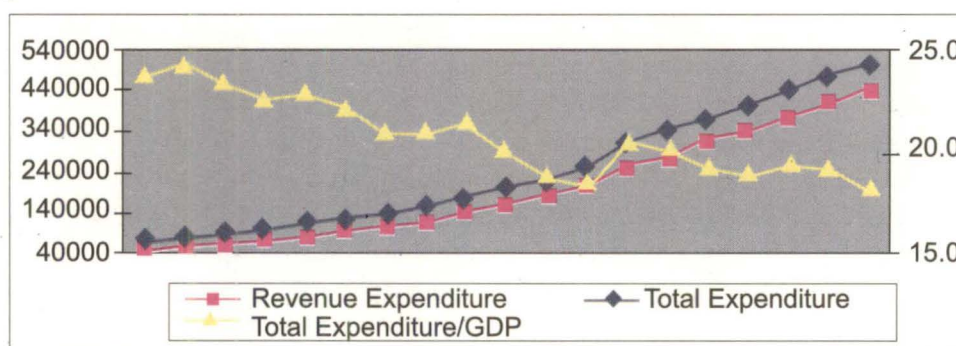
3.11 More important than the growth in nominal expenditure or its absolute volume is the buoyancy of its various components relative to the base. Table 3.6 below provides the buoyancy of various components of expenditure relative to revenue receipts and GDP. Relatively high buoyancy of revenue

expenditure compared with total expenditure both with regard to GDP and revenue receipts indicated that moderation in rate of growth of total expenditure was achieved largely by squeezing capital expenditure and/ or loans and advances. Buoyancy of capital expenditure with GDP and revenue receipt has been close to 0.5 as against the buoyancy of one or above for revenue expenditure. Similarly, buoyancy of the non plan expenditure both with regard to GDP and revenue receipts has been higher relative to the buoyancy of plan expenditure.

Table 3.6: Buoyancy of Expenditure- (1985-2004)

Type of expenditure	With GDP	With Revenue Receipt
Plan Expenditure	0.739	0.796
Non-Plan Expenditure	0.931	1.003
Revenue Expenditure	0.999	1.076
Capital Expenditure	0.510	0.550
Loans and Advances	0.444	0.479
Total Expenditure	0.882	0.950

3.12 Lower buoyancy of total expenditure with respect to GDP is also reflected in deceleration in the ratio of the total expenditure to GDP. Overall expenditure- GDP ratio declined from a peak of 24.4 *per cent* in 1986-87 to 18.3 *per cent* in 2003-04. The total expenditure-GDP ratio also had a negative annual shift rate of 1.5 during 1985-2004. If the revenue and total expenditure and revenue receipts in 1985-86 are set to 100, the index of these parameters in 2003-04 would be 1014, 767 and 896 respectively. This clearly indicates that the revenue expenditure during this period grew faster than the revenue receipts and also relative to the total expenditure. Absolute figures of revenue and total expenditure along with the total expenditure GDP ratio are depicted in the graph below.



Revenue Expenditure: Trend and Components

3.13 A significant part of revenue expenditure is mostly committed. Interest payments, pensions, salary & wages and most of the grants-in-aid to States/Union Territories fall in this category.

3.14 Table 3.7 gives the expenditure incurred on various components of revenue expenditure in terms of its major object-wise classification. All the components of revenue expenditure had a double-digit trend growth during 1985-2004. Average annual rate of growth of these components, except grants to States and pensions, was also relatively higher during the VIII Plan (1992-1997). Deceleration in growth rates during the IX Plan (1997-2002) was particularly pronounced for salary & wages and other revenue expenditure. Rate of growth of interest payments also witnessed moderate deceleration during IX Plan. In the first two years of the X Plan (2002-03 and 2003-04), rate of growth of interest payments declined further, largely due to a general decline in interest rates for the internal loans. Expenditure on salary and wages of Central Government employees, including employees in defence and departmental undertakings, after recording a growth of 33.84 per cent in 1997-98, consequent upon the implementation of Fifth Pay Commission's recommendation, tapered off. Notwithstanding the wage increases in the post Pay Commission years, the trend growth of this component of revenue expenditure was lower than the GDP growth.

Table 3.7: Revenue Expenditure and its Components

(Rupees in crore)

Period	Revenue Expenditure	Salary	Interest Payments	Pensions*	Grants to States	Others
1985-2004	195669	25924	54617	8720	22394	84014
VIII Plan (1992-1997)	160541	21620	44280	5661	20630	68351
IX Plan (1997-2002)	313109	42783	91102	15852	32423	130949
2002-03	409591	45696	124573	19085	42136	178101
2003-04	440086	47612	128114	20702	47320	196338
Average Annual Rate of Growth (per cent)						
1985-2004	14.12	11.93	17.57	17.03	11.30	13.52
VIII Plan (1992-1997)	14.64	12.10	17.44	15.65	5.60	16.55
IX Plan (1997-2002)	10.40	5.25	14.90	17.07	11.06	8.34
2002-03	9.06	2.53	9.11	0.80	1.55	13.87
2003-04	7.45	4.19	2.84	8.47	12.30	10.24

* includes Miscellaneous General Services

Note:- The expenditure on salary in this and other tables is as given by the Pay Research Unit of the Department of Expenditure for the Civilian Staff and as indicated for the defence non civilian persons by the Defence Department. For 2002-2003 and 2003-04, the salary expenditure for the Civilian staff is based on Revised Estimates as given in the Budget as actual figures are still awaited.

3.15 It is necessary to study the composition of revenue expenditure in terms of committed and other liabilities and their relation over time with the revenue expenditure and revenue receipts. Table 3.8 provides these details. Committed expenditure here includes interest payments, salary and wages, pensions and miscellaneous expenditure.

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Table 3.8: Share of Committed Revenue Expenditure to Revenue Expenditure, Revenue Receipts and Non-Debt Receipts

Period	Revenue Expenditure			Revenue Receipts			Non-Debt Receipts		
	Interest	Others	Total	Interest	Others	Total	Interest	Others	Total
1985-2004	27.91	17.71	45.62	35.73	22.67	58.40	32.35	20.52	52.87
VIII Plan (1992-1997)	27.58	16.99	44.57	33.65	20.73	54.38	31.41	19.35	50.76
IX Plan (1997-2002)	29.10	18.73	47.83	38.38	24.70	63.08	35.75	23.01	58.76
2002-03	30.41	15.82	46.23	41.55	21.61	63.16	36.45	18.96	55.41
2003-04	29.11	15.52	44.63	37.78	20.15	57.93	30.08	16.04	46.12
Average Annual Rate of Shift in their Relative Shares									
1985-2004	3.02	-0.92	1.29	3.91	-0.06	2.16	3.74	-0.23	1.99

Note: Both revenue receipts and revenue expenditure are net of States' share in various taxes.

3.16 Total committed expenditure as defined above relative to revenue expenditure, revenue receipts and non-debt receipts (revenue receipts and non-debt capital receipts combined) had a positive shift rate indicating a general increase in their relative shares. But this positive shift rate in committed expenditure relative to the three parameters was due to the interest payments. Staff related expenses, which included salary & wages and pension had a negative shift rate in their relative shares.

Management of Subsidies

3.17 In any welfare state, it is not uncommon to provide subsidies/subventions and transfer payments to disadvantaged sections of the society and for merit goods¹. If the impact of the subsidies is in lowering the price of goods or inputs, which in turn makes these products affordable to target groups or/and encourages/facilitates greater production, such subsidies may be welfare-stimulating. Table 3.9 presents a picture of the subsidies, which the government provided explicitly during the VIII and IX Plans and in the last two years on major items.

Table 3.9: Explicit Subsidies in the Union Government Budget

Period	Food and Sugar	Fertilizers	Export Promotion	Others*	Total subsidies	(Rupees in crore)	
						Subsidies ^(A)	Subsidies ^(B)
Average Annual Values							
VIII Plan (1992-1997)	4976	6088	571	1834	13469	1.32	8.55
IX Plan (1997-2002)	11199	11376	552	2964	26091	1.36	8.33
2002-03	24176	7790	493	11549	44008	1.80	10.74
2003-04	25160	8521	712	10575	44968	1.62	10.22

(A) As a percentage of GDP

(B) As a percentage of Revenue Expenditure

* Others include Petroleum subsidy, Interest subsidy, compensation for exchange loss etc.

¹ Primary education, health and family welfare and public distribution of essential commodities are examples of merit goods.

3.18 In absolute terms, explicit subsidies increased from an average of Rs. 13,469 crore during the VIII Plan (1992-1997) to an average of Rs. 26,091 crore during the IX Plan (1997-2002). Relative to GDP, subsidies marginally increased from 1.32 *per cent* during VIII Plan (1992-97) to an average of 1.36 *per cent* during the IX Plan (1997-2002). There was, however, an upsurge in subsidy payments in 2002-03 and an increase of over 38 *per cent* was recorded. This was largely due to an increase in subsidy on food and fertilizers. In the current year, while overall subsidies increased by little over two *per cent*, subsidy on food and fertilizers continued to grow faster. Subsidies and committed expenditure put together reached 55 *per cent* of total revenue expenditure and over 70 *per cent* of revenue receipt. As *per cent* to GDP, these expenditures together were 8.71 *per cent* of GDP.

3.19 In addition to explicit subsidies, the Union Government also bears expenditure in the nature of implicit subsidies. Budgetary support to financial institutions and Banks, inadequate returns from its investment in PSUs and inadequate recovery of user charges from the social and economic services that are provided by the government, fall in the category of implicit subsidies. Table 3.10 below gives the return on investment and outstanding advances and user charges as percentage to revenue expenditure for social and economic services.

Table 3.10: Return on Investment and Advances and Recovery of User Charges (as a percentage of revenue expenditure for Social and Economic Services)

(per cent)

Period	Advances	Investment	Social Services	Economic Services
1987-2004	12.84	4.88	4.87	53.48
VIII Plan (1992-1997)	11.23	2.35	9.57	57.22
IX Plan (1997-2002)	14.15	5.30	3.59	55.80
2002-03	15.11	8.83	2.03	43.07
2003-04	15.91	9.84	1.91	45.27
Average Annual Rate of change in returns				
1987-2004	4.71	12.58	-11.32	-1.06

(Recovery of user charges is revenue receipts from social and economic services as per cent to their revenue expenditure)

3.20 Average rate of return on government's investment (based on opening stock of investment) increased from an average of 2.35 *per cent* during the VIII Plan (1992-1997) to 9.84 *per cent* in 2003-04. This return is, however, based on book value of investment and not the net worth or market capitalization. Average rate of interest on its advances (opening balances) also increased from 11.23 *per cent* to 15.91 *per cent* during the same period. Though there was no implicit subsidy on government's financial intermediation as average rate of interest received exceeded the interest cost on its borrowings, trend rate of return on government's investment at 4.88 *per cent* fell significantly short of the rate of interest (8.28 *per cent*) on

government's borrowings. However, the rate of return on investment witnessed a significant acceleration and had a positive shift rate of 12.58 *per cent* during 1987-2004. At the current levels these exceeded the cost of raising resources. In social and economic services, recovery rates (revenue receipt/revenue expenditure) witnessed a decelerating trend. In economic services, which largely comprised earnings from railways, revenue receipts could meet only 45 *per cent* of revenue expenditure in 2003-04. Recovery rates also had a negative shift rate and had declined from 57.22 *per cent* during the VIII Plan (1992-1997) to 43-45 *per cent* in the recent two years. Deceleration in recovery of user charges was particularly sharp for social services and it declined from an average of 9.57 *per cent* during the VIII Plan (1992-1997) to 1.91 *per cent* in 2003-04. In both the social and economic services, revenue receipts fell short of the revenue expenditure, which is akin to the operating expenses. There was, therefore, no return on capital at charge or cumulative capital expenditure incurred on creation of this infrastructure.

Expenditure on Social and Economic Services

3.21 In terms of activities, overall expenditure could be considered as being composed of general services (which include administration and defence), social services and economic services. The latter two categories are also considered developmental in nature. Table 3.11 below indicates the trends in expenditure on social services and its various components.

Table 3.11: Expenditure (Revenue and Capital) on Social services - Trends and Composition

(Rupees in crore)

Period	Social Services	Education	Health	Water Supply	Information	Labour Welfare	Others
1987-2004	10550	4369	1485	1819	795	532	1550
VIII Plan (1992-1997)	6903	2696	901	887	986	465	968
IX Plan (1997-2002)	15998	6457	2227	3217	568	768	2761
2002-03	21810	9846	3164	4044	1170	764	2822
2003-04	24593	10965	3907	4669	1219	823	3010
Average Annual Growth Rate (per cent)							
1987-2004	15.17	15.30	15.84	24.10	0.00	10.10	19.01
VIII Plan (1992-1997)	19.61	16.02	11.39	35.64	12.93	9.52	36.63
IX Plan (1997-2002)	7.96	11.38	19.15	12.90	0.00	10.68	25.93
2002-03	33.94	30.10	7.04	1.46	0.00	-9.34	-30.23
2003-04	12.76	11.37	23.48	15.45	4.19	7.72	6.66

Note: Due to change in major heads, etc., expenditure on social services (Education, Sports, Art and Culture, Health and Family Welfare, Water Supply, Sanitation and Housing, Information and Broadcasting, Labour and Labour Welfare, others.) in 1985-87 has been omitted.

3.22 The overall expenditure of the Union Government on social services increased from an average of Rs. 6903 crore during the VIII Plan (1992-1997) to Rs. 24,593 crore in 2003-04. The long-term trend rate of growth in expenditure on social services was 15.17 *per cent* (1987-2004). There, however, was a sharp deceleration in these rates during the IX Plan and compared to the earlier plan, the squeeze was nearly 12 percentage points (from average annual growth of 19.61 *per cent* during the VIII Plan to an average of 7.96 *per cent* during the IX Plan). Within social services, expenditures on education, health and water supply and sanitation (including housing and urban development) were relatively buoyant. In the current year also, expenditure on health and water supply showed higher buoyancy.

3.23 The expenditure on components of economic services is indicated in Table 3.12 below.

Table 3.12: Expenditure (Revenue and Capital) on Economic Services- Trends and Composition

(Rupees in crore)

Period	Economic Services	Agriculture & Allied	Rural Development	Energy	Industry & Minerals	Transport	Posts	Telecom	Others
1987-2004	85893	13892	4110	6317	9241	31815	2577	7737	10204
VIII Plan (1992-1997)	69161	9665	3263	3061	7229	24246	1598	8417	11682
IX Plan (1997-2002)	121107	20048	5146	10158	12294	44714	3937	13554	11256
2002-03	154041	31101	11737	12118	13965	60415	5416	3486	15803
2003-04	166058	32911	12174	13664	16761	64379	5681	3102	17387
Average Annual Growth Rate (Per cent)									
1987-2004	11.72	15.95	25.09	11.25	7.68	11.90	14.15	6.61	7.59
VIII Plan (1992-1997)	9.35	14.89	81.37	4.36	2.17	9.22	13.62	26.75	-9.69
IX Plan (1997-2002)	6.36	18.28	2.79	1.23	8.78	14.26	19.11	-27.41	-5.55
2002-03	8.98	9.92	89.64	-28.90	4.40	5.69	4.82	-6.77	52.20
2003-04	7.80	5.82	3.72	12.76	20.02	6.56	4.89	-11.02	10.02

3.24 The overall expenditure on economic services increased from an average of Rs. 69,161 crore during the VIII Plan (1992-1997) to Rs. 166,058 crore in 2003-04. The annual trend rate of growth of expenditure on economic services was 11.72 *per cent* during 1987-2004. As in the case of social services, average annual growth rates witnessed deceleration during the IX Plan (1997-2002). This deceleration of 3-percentage points was relatively moderate for economic services. There were wide inter-year and inter services variations in the growth rates. Expenditure on agriculture and allied activities (including irrigation and flood control), rural development and postal services were relatively buoyant. However, in case of rural development, rate of growth of expenditure sharply declined from an average of 81.37 *per cent* during the VIII Plan (1992-1997) to an average of 2.79 *per cent* during the IX Plan (1997-2002). The growth of expenditure after being buoyant in 2001-02 and 2002-03 further slipped to 3.72 *per cent* in the current year. In energy

sector also, significant deceleration in growth was witnessed during the IX Plan, though a pick up in current year is visible after a negative growth in 2002-03. Negative growth in expenditure on telecommunication during the IX Plan and in the recent two years was expected consequent upon the corporatization of the operations of the department.

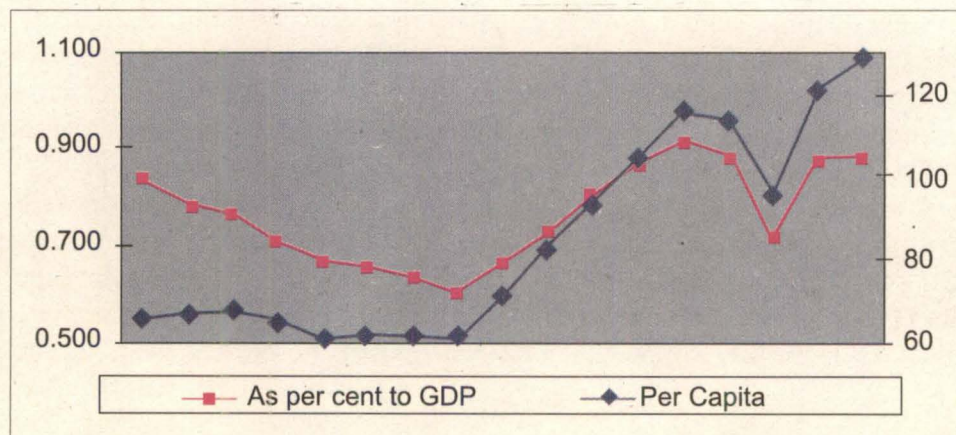
3.25 It is more important to look at the expenditure on social and economic services relative to GDP as that indicates the relative priorities assigned to these sectors and within these broad groups, priority given to a specific sector. Expenditure of the Union Government on social and economic services averaged 7.30 *per cent* of GDP during 1987-2004. It, however, declined to 6.88 *per cent* of GDP in 2003-04. Expenditure on selected economic and social services relative to GDP is indicated in Table 3.13.

**Table 3.13: Expenditure on Social and Economic Services (Revenue and Capital)
Relative to GDP**

(per cent)

Period	Social Services				Economic Services				
	Total	Education	Health	Others	Total	Agriculture & Rural Development	Energy	Transport	Others
1987-2004	0.80	0.33	0.11	0.36	6.50	1.36	0.48	2.41	2.25
VIII Plan (1992-1997)	0.67	0.26	0.09	0.32	6.68	1.25	0.30	2.34	2.79
IX Plan (1997-2002)	0.84	0.34	0.12	0.38	6.33	1.32	0.53	2.34	2.14
2002-03	0.88	0.40	0.13	0.36	6.24	1.73	0.49	2.45	1.57
2003-04	0.89	0.40	0.14	0.35	5.99	1.63	0.49	2.32	1.55
Average Annual Rate of Shift in Relative Share									
1987-2004	1.15	1.27	1.74	0.73	-1.88	2.82	-2.29	-1.72	-4.67

3.26 Expenditure on social services (excluding loans and advances in this sector) had a positive shift rate in their share relative to GDP during 1987-2004. Positive shift rate was also observed for two most important social services- education and health. However, despite a positive shift rate, overall allocation to social sectors was less than one *per cent* of GDP. Expenditure on social services relative to GDP and on per capita basis at 1993-94 prices is indicated in the graph below:



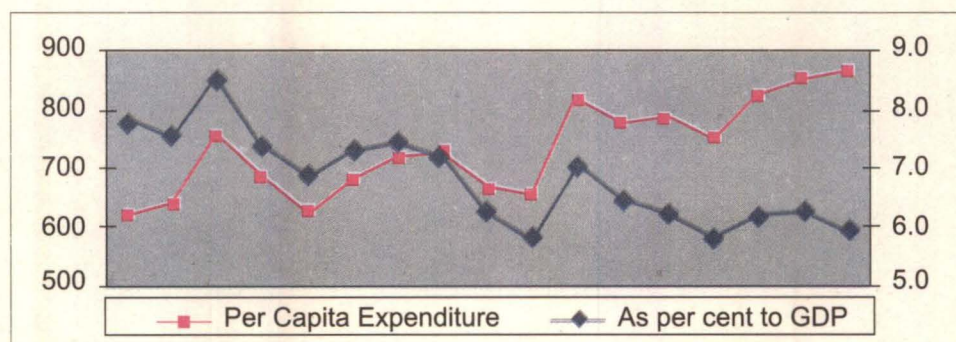
3.27 Expenditure on economic services had a negative rate of shift in their share relative to GDP. Overall share of expenditure on economic services relative to GDP declined from an average of 6.68 *per cent* of GDP during the VIII Plan (1992-1997) to 5.99 in 2003-04. Within economic services, transport, energy and other economic services had a negative rate of shift in their relative share. In case of agriculture and rural development, the share of their combined expenditure improved from an average of 1.25 *per cent* of GDP during the VIII Plan (1992-1997) to 1.63 in 2003-04.

3.28 Another way of looking at the expenditure on social and economic services is to analyse these in terms of expenditure per person. Table 3.14 below presents per capita expenditure on selected social and economic services at 1993-94 prices. To neutralise the inflationary impact and to make the expenditure series comparable over years, expenditure on social and economic services has been deflated by GDP deflator.

Table 3.14: Per Capita Expenditure on Social and Economic Services (Revenue and Capital) (In Rupees at 1993-94 prices)

Period	Social Services				Economic Services				
	Total	Educ- tion	Health	Others	Total	Agriculture & Rural Development	Energy	Trans- port	Others
1987-2004	85	35	12	38	735	141	54	271	270
VIII Plan (1992-1997)	68	27	9	32	693	126	31	243	293
IX Plan (1997-2002)	105	42	14	48	795	164	68	291	272
2002-03	121	55	18	49	855	238	67	335	215
2003-04	129	58	21	51	874	237	72	339	226
Average Annual Rate of Increase (per cent)									
1987-2004	4.92	5.04	5.53	4.48	1.78	6.65	1.35	1.94	-1.12

3.29 Per capita expenditure of the Union Government on social services at 1993-94 prices increased from an average of Rs. 68 during the VIII Plan (1992-1997) to Rs. 129 in 2003-04. Average annual rate of growth in per capita expenditure on social services was 4.92 *per cent* during 1987-2004.



3.30 In the case of economic services, per capita expenditure at constant 1993-94 prices increased from an average of Rs. 693 during the VIII Plan (1992-1997) to Rs. 874 in 2003-04. Per capita expenditure on economic services and expenditure on these services relative to GDP is also depicted in the graph above. Average annual trend rate of growth of per capita expenditure during 1987-2004 was 1.78 *per cent*. The expenditure on agriculture and rural development had the highest growth of 6.65 *per cent*, while energy and transport sectors recorded only a moderate growth.

Chapter 4

DEFICITS: MANAGEMENT OF FISCAL IMBALANCES

4.1 The annual budget indicates three types of deficits, *viz.* revenue, fiscal, and primary. This chapter discusses the nature and magnitude of these deficits, their trend over time and the manner of financing these deficits. Deficits arise because of imbalances in revenue and expenditure. These imbalances could be transient or structural. In the Indian context, fiscal imbalances have both been large and persistent. Besides the size and regularity, its composition, in particular that of the revenue deficit that finances current consumption has also been a cause of concern. Formulation of fiscal rules in the context of macroeconomic activity essentially involves setting of rules regarding the size of deficit that could be incurred to finance expenditure.

4.2 Revenue deficit is the excess of revenue expenditure of the Government over its revenue receipts. It represents net dis-saving of the Government and its shift to present consumption. The revenue deficit leads to increase in borrowings without corresponding capital/asset formation. Borrowings resorted to meet revenue deficit, therefore, do not have any assets back up and create an asset liability mismatch. Because of these properties, the revenue deficit is considered generally less desirable. Section 4(1) of Fiscal Reforms and Budget Management (FRBM) Act 2003, accordingly provides that the Union Government shall take appropriate measures to reduce fiscal deficit and revenue deficit so as to eliminate revenue deficit by 31 March 2009.

4.3 Trends in revenue deficit and some of its key parameters are indicated in table 4.1 below.

Table 4.1: Revenue Deficit and its parameters

(Rupees in crore)

Period	Revenue Receipt	Revenue Expenditure	Revenue Deficit	Revenue Deficit as per cent of		
				GDP	Revenue Receipt	Revenue Expenditure
1985-2004	152850	195669	42819	3.53	28.01	21.88
VIII Plan (1992-1997)	131601	160541	28941	2.80	21.99	18.03
IX Plan (1997-2002)	237397	313109	75711	3.95	31.89	24.18
2002-03	299826	409591	109765	4.44	36.61	26.80
2003-04	339100	440086	100986	3.64	29.78	22.95
Average Annual Rate of Growth (Per Cent)						
1985-2004	13.14	14.12	18.22	3.58	4.49	3.60
VIII Plan (1992-1997)	15.61	14.64	10.88	Average Annual Rate of Shift in Relative Share		
IX Plan (1997-2002)	8.12	10.40	17.29			
2002-03	13.02	9.06	-0.49			
2003-04	13.10	7.45	-8.00			

4.4 Overall revenue deficit of the Union Government increased from an average of Rs. 28941 crore during the VIII Plan (1992-1997) to Rs. 100986 crore in 2003-04. The average annual rate of growth of revenue deficit was 18.22 *per cent*. A negative spread between the trend growth of revenue receipts and revenue expenditure contributed to the surge in revenue deficit. In relation to GDP, revenue deficit increased from an average of 2.8 *per cent* of GDP during the VIII Plan (1992-1997) to 3.64 *per cent* in 2003-04. The average annual rate of shift in the share of revenue deficit to GDP was 3.58 *per cent*. As a proportion of revenue receipt, revenue deficit increased from an average of around 22 *per cent* during the VIII Plan to 29.8 *per cent* in 2003-04. During 1985-2004, on an average, revenue receipts fell short of revenue expenditure by around 28 *per cent*. The shortfall increased to 41.6 *per cent* in 2001-02. As proportion to revenue expenditure, revenue deficit averaged 21.88 *per cent* during 1985-2004, indicating the proportion of revenue expenditure that was debt financed.

4.5 In the last two years, however, there was a decline in revenue deficit. In the year 2003-04, decline was of the order of eight *per cent*. The ratio of revenue deficit to GDP, revenue receipt and revenue expenditure also got moderated because of this decline. These two years witnessed a positive spread of over four *per cent* between revenue receipt and revenue expenditure. A relatively buoyant revenue receipt and moderately growing revenue expenditure facilitated the decline in revenue deficit and decline in its ratio relative to the major fiscal aggregates. The rate of decline of revenue deficit needs to be accelerated for the Government to be able to meet the objective of zero revenue deficits by March 2009 as set out in the FRBM Act.

Fiscal Deficit

4.6 The fiscal deficit is the excess of total expenditure of the Government over its non-debt receipts (revenue receipts, miscellaneous capital receipts and recovery of loans and advances). Fiscal deficit normally represents the net incremental liabilities of the Government or its additional borrowings. The shortfall could be met either by additional public debt (internal or external) or by the use of surplus from public account. Fiscal deficit trends along with the trends of the deficit relative to key fiscal parameters are indicated in table 4.2.

4.7 Notwithstanding a decline in the fiscal deficit in 2002-03 and 2003-04, the overall fiscal deficit increased from an average of Rs. 62565 crore during the VIII Plan (1992-97) to Rs. 80937 crore in 2003-04. The trend rate of growth of fiscal deficit was 10.25 *per cent* during 1985-2004. A moderate positive spread between the rate of growth of non-debt receipts and total expenditure lead to relatively lower increase in fiscal deficit, compared to these fiscal aggregates. The rate of growth of fiscal deficit was also lower than the rate of growth of GDP. The ratio of fiscal deficit to GDP, therefore,

declined from an average of 6.04 *per cent* during the VIII Plan (1992-97) to 2.92 *per cent* in 2003-04. The average annual rate of shift in its share was (-) 3.4 *per cent*. The average annual rate of shift in the proportion of fiscal deficit to non-debt receipts and total expenditure was also negative. A sharp decline in the fiscal deficit and in its ratios to the three fiscal parameters in 2002-03 and 2003-04 was due to a surge in non-debt capital receipts. Miscellaneous capital receipts particularly from the disinvestment of PSUs and recovery of loans and advances were buoyant during these two years. The debt swap scheme which facilitated pre payment of part of the Union Government loans, which attracted a rate of interest of 13 *per cent* or more, by the States contributed mainly to higher recovery. Further, since the required financial accommodation was provided through market loans, fresh disbursements of loans fell short of the recoveries.

Table 4.2: Fiscal Deficit and its Parameters

(Rupees in crore)

Period	Non-Debt Receipts	Total Expenditure	Fiscal Deficit	Fiscal Deficit as per cent to		
				GDP	NDR	Total Exp.
1985-2004	168807	240451	71644	5.90	42.44	29.80
VIII Plan (1992-1997)	140973	203539	62565	6.04	44.38	30.74
IX Plan (1997-2002)	254827	374502	119675	6.25	46.96	31.96
2002-03	341722	476310	134588	5.45	39.39	28.26
2003-04	425880	506817	80937	2.92	19.00	15.97
Average Annual Rate of Growth						
1985-2004	13.33	12.47	10.25	-3.40	-2.72	-1.97
VIII Plan (1992-1997)	14.51	11.87	6.42	Average Annual Rate of Shift in Proportions		
IX Plan (1997-2002)	8.74	8.86	9.00			
2002-03	17.97	6.92	-13.63			
2003-04	24.63	6.40	-39.86			

4.8 It is not uncommon for the governments to run fiscal deficit and borrow funds for capital/assets formation or for creation of economic and social infrastructure. These assets created through such borrowings could pay for themselves by generating an income stream. The capital formation may also increase the overall income generating capacity of the economy, directly or indirectly, and may enlarge the tax base. Further, in a situation where infrastructure becomes a binding constraint for growth, such capital formation by the government could make acceleration of growth more feasible. It may, therefore, be necessary to analyse various components of the fiscal deficit. If bulk of fiscal deficit is for sustaining capital expenditure or for providing financial accommodation to entities for capital formation, such deficits may be considered desirable upto a point. Table 4.3 below provides the movement of components of fiscal over plan periods and the most recent two years.

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Table 4.3 Components of Fiscal Deficit (per cent)

Period	Revenue Deficit	Net Capital Expenditure	Net Loans and Advances
1985-2004	59.77	24.28	15.96
VIII Plan (1992-1997)	46.26	28.25	25.49
IX Plan (1997-2002)	63.26	19.53	17.20
2002-03	81.56	20.32	-1.87
2003-04	124.77	22.79	-47.56
Average Annual Rate of Change			
1985-2004	7.23	-4.25	

4.9 Revenue deficit continued to be the dominant component of fiscal deficit, accounting for nearly 60 per cent of it during 1985-2004. The proportion of revenue deficit in overall fiscal deficit increased from an average of 46.26 per cent during the VIII Plan (1992-1997) to 81.56 per cent in 2002-03. The ratio of revenue deficit - fiscal deficit had a positive shift rate of 7.23 per cent during 1985-2004. During 2003-04, revenue deficit exceeded the fiscal deficit for the first time by around 25 per cent. Net capital expenditure (capital expenditure- capital receipts) accounted for less than a quarter of fiscal deficit during 1985-2004. It also had a negative shift rate of 4.25 per cent. Fiscal deficit financed around 16 per cent of net loans and advances. In 2002-03 and 2003-04, recovery of loans and advances exceeded the issue of fresh loans and the surplus actually financed part of the fiscal deficit. Continuous use of borrowed funds for meeting current expenditure not only indicated erosion in assets back up, it made capital expenditure (inclusive of loans and advances) as variable of adjustment. Scarce borrowed resources could only be partly allocated for capital formation.

Primary Deficit

4.10 While fiscal deficit represents the need for additional resources in general, a part of such resources may be needed to finance interest payments. Interest payments represent the expenditure of past obligations and are independent of current allocative priorities. To look at the imbalances of the current nature, these payments may need to be separated and deducted from the total imbalances. Primary deficit, which represents the current imbalances net of interest payments, averaged Rs 17027 crore during 1985-2004, though it witnessed a decelerating trend. In 2003-04, there was a primary surplus as interest payments exceeded the fiscal deficit. In relation to GDP, primary deficit declined from an average of 1.77 per cent during the VIII Plan (1992-1997) to 0.41 per cent in 2002-03. It later turned positive in 2003-04. Trends in primary deficit and its parameters are indicated in table 4.4 below.

Table 4.4: Primary Deficit and its Parameters

(Rupees in crore)

Period	Revenue Deficit	Fiscal Deficit	Interest Payments	Primary Deficit	Primary Revenue Balances	As per cent of GDP	
						Primary Deficit	Primary Rev. Balances
1985-2004	42819	71644	54617	17027	11798	1.40	0.97
VIII Plan (1992-1997)	28941	62565	44280	18285	15339	1.77	1.48
IX Plan (1997-2002)	75711	119675	91102	28573	15391	1.49	0.80
2002-03	109765	134588	124573	10015	14808	0.41	0.60
2003-04	100986	80937	128114	-47177	27128	-1.70	0.98
Average annual trend rate of growth (per cent)							
1985-2004	18.22	10.25	17.57		13.40	-12.40	-0.64
VIII Plan (1992-1997)	10.88	6.42	17.44		Average Annual Rate of Change		
IX Plan (1997-2002)	17.29	9.00	14.90				
2002-03	-0.49	-13.63	9.11				
2003-04	-8.00	-39.86	2.84				

4.11 Interest payments of the Union government exceeded the revenue deficit all these years indicating that current revenue receipts were inadequate to meet even the revenue expenditure net of the payments for the past obligations. However, the primary revenue balances which averaged 1.48 per cent of GDP during the VIII Plan (1992-1997) declined to 0.98 per cent of GDP in 2003-04. (Primary revenue balances had declined to 0.60 per cent of GDP in 2002-03). Relative to revenue receipts, primary revenue surplus declined from an average of 11.66 per cent during the VIII Plan (1992-1997) to eight per cent in 2003-04.

4.12 Improvement in primary deficit from an average of 1.77 per cent of GDP to (-) 1.7 per cent of GDP in 2003-04 clearly indicates that in 2003-04 non-debt receipts were adequate to meet the expenditure incurred in that year, including the capital expenditure and loans and advances net of interest payments. However, that was largely due to increase in recovery of loans and not because of any acceleration in revenue receipts. Recovery of loans or accrual of miscellaneous capital receipts indicate a decline in assets base of the government and at best could be viewed as a limited temporary option.

Chapter 5

MANAGEMENT OF FISCAL LIABILITIES

5.1 Internal debt, external debt and other liabilities are the three sets of liabilities that constitute the Union Government debt. Internal and external debts constitute public debt and are secured under the Consolidated Fund of India. Internal debt includes market loans, special securities issued to Reserve Bank of India and National Small Savings Fund, compensation and other bonds and other rupee securities. External debt represents the loans received from foreign governments and bodies. The other liabilities of the government arise more in its capacity as a banker rather than a borrower or a trustee. These borrowings or accruals are not secured under CFI and are shown as part of public account. All these liabilities, however, are obligations of the government.

5.2 Government incurs these liabilities to meet its resource requirements for repayment of debt; discharge of liabilities on the public account, capital expenditure and such other current expenditure requirements as may remain uncovered by revenue and non-debt capital receipts.

Aggregate Fiscal Liabilities: Trends and Composition

5.3 Table 5.1 presents aggregate liabilities of the government including internal debt and external debt reckoned both at the current rate of exchange and at the historic rate (the rate at which the debt was originally contracted) and the Public Account during 1985-2004. Annual total liability in terms of its composition is indicated in **Appendix-V-A**.

Table 5.1: Aggregate Fiscal Liabilities- Trends & Composition

(Rupees in crore)

Period	Internal Debt	External Debt at Historic Rates	Public Account*	Total liabilities (at historic rates)	External Debt (at Current Rates)	Total liabilities (at current rates)
1985-2004	401904	44448	203602	649954	124038	729544
VIII Plan (1992-1997)	272725	49206	218152	540082	137732	628609
IX Plan (1997-2002)	655942	61703	292049	1009694	183073	1131064
2002-03	1020689	59612	331419	1411720	196068	1548176
2003-04	1141706	46125	333725	1521556	184203	1659634
Average annual Rate of Growth (per cent)						
1985-2004	16.81	6.95	10.79	14.19	11.88	14.33
VIII Plan (1992-1997)	14.13	5.95	14.80	13.62	5.88	12.48
IX Plan (1997-2002)	25.42	6.77	-7.05	12.80	5.05	11.85
2002-03	11.79	-16.68	15.65	11.06	-1.92	10.62
2003-04	11.86	-22.63	0.70	7.78	-6.05	7.20

Depiction of external debt at current rate of exchange in finance accounts commenced from 1991-92. Earlier data of external debt at current exchange rate have been taken from Reserve Bank of India to complete the series.

* Public Account liabilities since 1999-2000 exclude the liabilities on account of small savings to the extent of securities issued to National Small Savings Funds (NSSF) by State Governments.

5.4 Aggregate fiscal liabilities increased from an average of Rs. 628,609 crore during the VIII Plan (1992-1997) to Rs. 1659,634 crore in 2003-04. Average annual trend rate of growth of these liabilities was 14.33 *per cent* during 1985-2004. Internal debt was not only the most predominant component of the aggregate liabilities, accounting for around two thirds of these in 2003-04, but was also the fastest growing component with its growth averaging 16.81 *per cent*. Public account liabilities had the lowest growth of 10.79 *per cent*. These two components, which in terms of the origin are domestic liabilities, constituted around 89 *per cent* of the aggregate liabilities in 2003-04. Share of these two components in aggregate liabilities also improved from an average of 78 *per cent* during the VIII Plan (1992-1997) to the current level. External liabilities at current exchange rate constituted a little over 11 *per cent* of the aggregate liabilities in 2003-04 and grew at an average annual rate of 11.88 *per cent*. Aggregate liabilities showed deceleration in their growth rates. Average annual rate of change in the growth rates of fiscal liabilities was (-) 4.67 *per cent* during 1985-2004. External liabilities at historic rate, though grew at a lower rate, were only of accounting interest as repayment obligations of this debt are to be met at the current rate of exchange only.

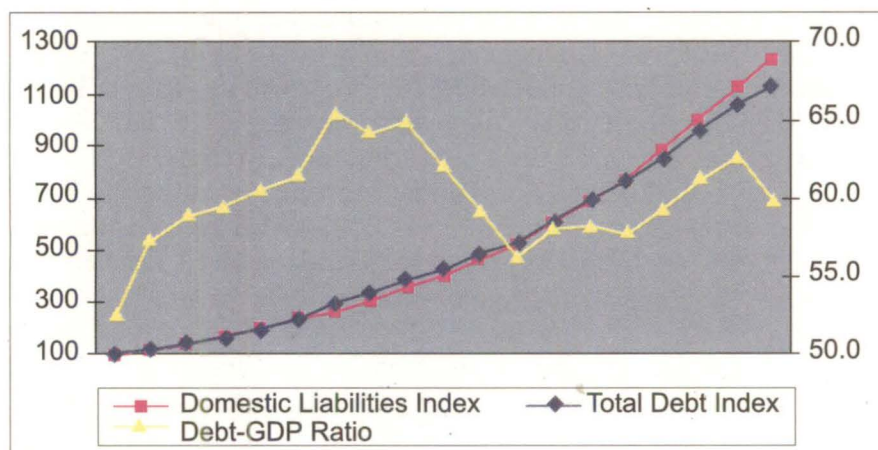
Fiscal Liabilities relative to GDP

5.5 Table 5.2 gives the aggregate fiscal liabilities of the Union Government relative to GDP. Aggregate fiscal liabilities-GDP ratio peaked during 1991-92 when it reached 65.43 *per cent* of GDP. This ratio decelerated to an average of 60.72 during the VIII Plan (1992-1997) and further to an average of 59.08 *per cent* during the IX Plan (1997-2002). In the recent two years, while the ratio of fiscal liabilities to GDP increased to 62.69 *per cent* in 2002-03, it decelerated in the current year to 59.87 *per cent*, close to the long-term trend levels. The long-term tendency of the ratio of fiscal liabilities to GDP ratio was of acceleration with an average annual rate of shift of 0.17 *per cent* during 1985-2004. Average annual rate of shift in the ratio of internal debt- GDP at 2.34 *per cent* largely contributed to this moderate acceleration in debt- GDP ratio.

Table 5.2: Fiscal Liabilities Relative to GDP

Period	Internal Debt	External Debt at Historic Rates	Public Accounts	Total liabilities	<i>(per cent)</i>	
					External Debt at Current Rates	Total liabilities
1985-2004	33.11	3.66	16.77	53.54	10.22	60.10
VIII Plan (1992-1997)	26.34	4.75	21.07	52.16	13.30	60.72
IX Plan (1997-2002)	34.26	3.22	15.26	52.74	9.56	59.08
2002-03	41.33	2.41	13.42	57.16	7.94	62.69
2003-04	41.18	1.66	12.04	54.89	6.64	59.87
Average Annual Rate of Shift in Relative Shares						
1985-2004	2.34	-6.29	-2.94	0.05	-1.98	0.17

5.6 If various components of fiscal liabilities in 1985-86 are set to 100, the index value of internal debt, external debt and total liabilities in 2003-04 would be 1607, 691 and 1137 respectively as against the index of GDP at 997. Movement of aggregate and domestic liabilities and overall debt-GDP ratio during 1985-2004 is indicated in the graph below.



5.7 It would be appropriate to look at the aggregate fiscal liabilities relative to the revenue receipts of the Union Government. This ratio is considered as a better indicator of debt stock because it is directly related to the resources that are available for its servicing and redemption. Table 5.3 gives the ratio of outstanding fiscal liabilities as a percentage of the non-debt receipts, revenue receipts and receipts after providing for the committed liabilities.

Table 5.3: Outstanding Fiscal Liabilities as a percentage of Non-Debt Receipts, Revenue Receipts and Uncommitted Receipts

Period	Non-Debt Receipt	Revenue Receipt	Uncommitted Receipt
1985-2004	432	477	1147
VIII Plan (1992-1997)	446	478	1047
IX Plan (1997-2002)	444	476	1290
2002-03	453	516	1401
2003-04	390	489	1163
Average Annual Rate of Shift in Relative Shares			
1985-2004	0.88	1.05	3.70
Average Annual Rate of Growth			
1985-2004	13.33	13.14	10.26

Note:- Non-Debt Receipts are Revenue Receipts (net of the States' share in taxes) and non-debt capital receipts. Uncommitted receipts are the Revenue Receipt (net of the States' share in taxes) minus the committed liabilities of salary, pensions and interest payments.

5.8 The ratio of fiscal liabilities to revenue, non-debt and uncommitted receipts had a positive shift rate during 1985-2004. The trend rate of growth of fiscal liabilities exceeded the rate of growth of above three parameters. Average ratio of fiscal liabilities to non-debt receipts increased from 446 *per cent* during the VIII plan (1992-97) to 453 in 2002-03. It, however, declined to 390 *per cent* in 2003-04, because of accelerated recovery of loans and advances. In case of the ratio of aggregate fiscal liabilities to revenue receipts and its uncommitted component, the average annual rate of shift was positive and directly related to the difference in their trend growth rates relative to aggregate fiscal liabilities.

Debt Sustainability

5.9 Fiscal liabilities are considered sustainable if the government is able to service the stock of these liabilities over the foreseeable future and debt-GDP ratio does not grow to explosive proportions. A necessary condition for stability is the Domar's Debt Stability Equation. It states that if the rate of growth of economy exceeds the rate of interest on the debt, the debt GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. In a situation where the rate of interest is higher than the rate of growth of output, the debt GDP ratio would continue to rise unless the primary balances turn positive. The sustainability of debt is also examined in relation to the inter-temporal budget constraints; sustainability rests on whether the past behaviour of revenue, expenditure and fiscal deficits could be continued indefinitely without any adverse implications or response from lenders. As such, the question of sustainability of debt involves consideration of whether Ponzi Financing has been used as a debt management strategy. The solvency or the overall budget constraints also require that initial debt stock equals the present discounted value of primary surplus in future. The equality of the current debt and present value of surplus do not necessarily imply that debt is ultimately re-paid or even that debt is ultimately constant. All it implies is that debt ultimately grows less rapidly than the interest rate. Debt stabilisation can take place in one of two possible ways. If the nominal growth rate of the economy exceeds the nominal rate of interest on domestic debt, which can happen under financial repression, stabilisation of domestic debt is possible while still running a primary deficit (even in excess of monetisation). But if the nominal interest rate exceeds the growth rate, the primary deficit must be sufficiently less than monetisation for debt stabilisation to be possible.

5.10 Debt sustainability has been examined in terms of some of the following parameters:

- Rate of interest in relation to GDP growth or Domar gap
- Rate of Interest and the growth of debt in terms of debt satisfying inter-temporal budget constraints
- Application of borrowed funds in terms of assets back up for the liabilities
- Net availability of funds from the gross borrowings after payment of principal and interest

5.11 The average interest rate (nominal) on total debt over time, as indicated in Table 5.4 remained lower than the rate of growth of GDP at the market

prices during 1985-2004. However, the spread declined from an average of 8.63 *per cent* during the VIII Plan (1992-1997) to an average of 1.37 *per cent* during the IX Plan (1997-2002). The spread between GDP growth and interest rates became negative in 2002-03 but recovered later to a positive 3.97 *per cent* in 2003-04.

5.12 Average interest rates on fiscal liabilities, however, moved in a narrow range. Average annual rate of interest on external debt was 2.84 *per cent* during 1985-2004. It decelerated from an average of 3.07 *per cent* during the VIII Plan (1992-1997) to 1.60 *per cent* in 2003-04. For the domestic liabilities (public debt and public accounts) the average rate of interest was 10.42 *per cent* during the IX Plan (1997-2002), which got moderated to 9.24 *per cent* in 2003-04. The deceleration in average rate of interest on domestic liabilities started in 2000-01 and in the last four years witnessed a decline of 155 basis points (the peak rate of interest was 10.79 *per cent* in 1999-2000). The decline in interest rate was only moderate as the overhang of debt remained significant. Average rate of interest on debt and Domar gap is indicated in table 5.4.

Table 5.4: Average interest rate on fiscal liabilities

(per cent)

Period	Internal Liabilities	External debt	Aggregate Liabilities	Rate of growth of GDP	Interest Spread
1985-2004	9.01	2.84	7.85	14.14	6.29
VIII Plan (1992-1997)	9.37	3.07	7.91	16.54	8.63
IX Plan (1997-2002)	10.42	2.51	9.06	10.43	1.37
2002-03	10.03	2.13	8.90	8.21	-0.69
2003-04	9.24	1.60	8.28	12.25	3.97
Average Annual Rate of growth					
1985-2004	2.30	-2.27	2.23		

*Average interest rate is = Interest paid/Outstanding Liabilities at the beginning of the year*100*

5.13 Two factors are identified as contributing to the fiscal liabilities-GDP ratio. One is the cumulated effect of the primary deficit and the other, the cumulated effect of the difference between growth rate of GDP and interest rates. Since for most part of 1985-2004, average rate of interest on Union Government liabilities was below the rate of growth of GDP, nearly two thirds of impact of cumulated primary deficit was absorbed by this positive gap. The situation underwent a change in 2002-03 when the spread between GDP growth and interest rates became negative, which led to an increase in fiscal liabilities-GDP ratio, more than the primary deficit- GDP ratio would warrant. In the current year, GDP growth was higher than the interest rates resulting in a part of the incremental liabilities getting absorbed by the domar gap. The relationship between the primary deficit-GDP and debt-GDP ratio along with the domar gap is indicated in table 5.5.

Table 5.5: Increase in Debt-GDP ratio and primary deficit

Period	Increase in Debt GDP Ratio	Cumulative Primary Deficit- GDP Ratio	Average Annual Domar Gap
1985-2004	7.36	41.39	6.29
VIII plan (1992-97)	-9.11	9.78	8.63
IX Plan (1997-2002)	2.10	7.74	1.37
2002-03	1.36	0.41	-0.69
2003-04	-2.82	-1.70	3.97

5.14 It is not uncommon for the government to borrow funds for creating capital assets or for making investment. Though in government accounting system comprehensive accounting of the fixed assets like land and buildings etc., owned by government is not done to create a kind of a balance sheet, accounts do capture and provide the assets created out of expenditure incurred. Government's investment, outstanding loans and advances and cumulated capital expenditure could be considered as its assets. The ratio of these assets to its aggregate fiscal liabilities could be considered as a surrogate measure of quality of its application of borrowed funds.

Table 5.6: Buoyancy of assets and Ratio of Assets to Liabilities

(Rupees in crore, Ratio and Growth rates in per cent)

Period	Aggregate Liabilities	Aggregate Assets	Ratio of Assets to Liabilities	Annual Growth of Liabilities	Annual Growth of Assets	Buoyancy of Assets
1985-2004	729544	389247	53.35	14.33	10.38	0.72
VIII Plan (1992-1997)	628609	362555	57.68	12.48	10.31	0.83
IX Plan (1997-2002)	1131064	575689	50.90	11.85	8.28	0.70
2002-03	1548176	693286	44.78	10.62	4.20	0.40
2003-04	1659634	688434	41.48	7.20	-0.70	

5.15 The ratio of assets to liabilities witnessed a secular decline from an average of 57.68 *per cent* during the VIII Plan (1992-97) to 41.48 *per cent* in 2003-04. Average annual rate of shift in this ratio was (-) 3.46 *per cent* during 1985-2004. By 2003-04, nearly 60 *per cent* of the union government liabilities had ceased to have assets back up. Overall rate of growth of assets not only remained lower than the rate of growth of liabilities, the spread between these growth rates was also widening. Buoyancy of the assets to liabilities also declined from 0.83 during the VIII Plan (1992-1997) to 0.40 in 2002-03. In 2003-04, aggregate assets actually declined due to accelerated recovery of the loans and advances, while liabilities continued to grow.

5.16 Another issue in debt sustainability is the ratio of the debt redemption to total debt receipts. A higher ratio would indicate that to the extent debt receipts were used in debt redemption, there was less net accrual of resources. Table 5.7 gives the ratio of debt redemption to debt receipts during 1985-2004 and over VIII and IX Plan periods along with the information of the two most recent years.

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Table 5.7: Ratio of Debt redemption to Debt Receipts

Period	Debt Receipts	Debt Repayment		Debt Repayment (1) / Debt Receipts	Debt Repayment (2) / Debt Receipts
		Principal (1)	Principal+ Interest (2)		
<i>(Rs in crore) (Annual Average)</i>				<i>(per cent)</i>	
1985-2004	348540	276532	331149	79.34	95.01
VIII Plan (1992-1997)	266443	203787	248066	76.48	93.10
IX Plan (1997-2002)	530341	411106	502208	77.52	94.70
2002-03	623645	485764	610337	77.89	97.87
2003-04	811010	726131	854245	89.53	105.33

Debt receipt and payments are average of the years indicated and net of Ways and Means Advances.

5.17 The debt sustainability issues have also been discussed by the Finance Commissions. The Ninth Finance Commission observed that ultimately the solution to the Government debt problem lies in borrowed funds – (a) not being used for financing revenue expenditure; and (b) being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy in general which may result in increase in government revenue. The Eleventh Finance Commission suggested that debt sustainability could be significantly facilitated if the incremental revenue receipts could meet the incremental interest burden and the incremental primary expenditure. Table 5.8 indicates the resource gap as defined above for the VIII and IX Plans and for the two recent years. It would be observed that during 1985-2004, incremental revenue receipts fell short of meeting the incremental revenue expenditure by about a quarter. This gap increased to over 45 per cent during the IX plan (1997-2002). In the last two years, however, due to a moderate growth in expenditure and moderation in interest rates, there was a positive gap.

Table 5.8: Shortfall of incremental revenue receipts to meet incremental revenue expenditure and interest payments

Period	Incremental				Resource Gap
	Receipts	Non-interest Revenue Expenditure	Interest Expenditure	Total Expenditure	
1985-2004	16737	15338	6700	22038	-5301
VIII Plan (1992-1997)	16887	13589	6576	20166	-3279
IX Plan (1997-2002)	18621	23212	10939	34151	-15530
2002-03	34547	23609	10400	34009	538
2003-04	39274	26954	3541	30495	8779

Cash Management

5.18 With Union Government entering into an agreement with Reserve Bank of India in 1994, a system of automatic monetisation of budget deficit was phased out in 1997. Effective from April 1997, a new scheme of Ways and Means advances (WMA) was introduced to facilitate the government to

overcome the temporary mismatches in its cash flows. This system had demanded greater skill in debt management and also cash management. While there was a need to avail WMA on a continuous basis, the system seems to have stabilized. There were no outstanding WMA balances at the end of the years 2002-03 and 2003-04. (Table 5.9)

Table 5.9: Ways and Means Advances

(Rupees in crore)

Year	Opening Balance	Addition during the Year	Discharge during the Year	Outstanding Ways and Means Advances
1999-00	3042	124972	127032	982
2000-01	982	131300	126887	5395
2001-02	5395	170953	171172	5176
2002-03	5176	118961	124137	Nil
2003-04	Nil	96615	96615	Nil

Unutilised Committed External Assistance

5.19 As on 31 March 2004, unutilised committed external assistance was of the order of Rs. 64,521 crore. Much of the unutilised external assistance was for projects in the infrastructure sector (details in **Appendix-V-B**). Table 5.10 shows the year wise unutilised committed external assistance.

Table 5.10: Unutilised Committed External Assistance

(Rupees in crore)

Year	Amount
1999-2000	56917
2000-01	56920
2001-02	62565
2002-03	67365
2003-04	64521

5.20 Commitment charges on un-drawn external assistance are to be paid on the amount of principal rescheduled for drawal on later dates. As there is no distinct head in the accounts for reflecting the payment of commitment charges, it is shown under the head 'interest obligation'. Table 5.11 indicates charges paid to various bodies/governments during 1999-2004 as commitment charges for rescheduling of drawal of assistance at a later date. This points to continued inadequate planning resulting in avoidable expenditure in the form of commitment charges amounting to Rs. 93.15 crore in 2003-04.

Table 5.11: Commitment Charges

(Rupees in crore)

Year	ADB	France	Germany	IBRD	Total
1999-2000	15.71	0.36	0.37	25.33	41.77
2000-01	13.52	0.27	0.19	26.25	40.23
2001-02	12.84	0.22	0.76	34.64	48.46
2002-03	26.45	0.19	0.95	39.60	67.19
2003-04	38.23	0.02	8.99	45.91*	93.15

Source: External Assistance Brochure 2002-2003. *includes IDA assistance

Growth in Contingent Liabilities of the Union Government

5.21 Contingent liabilities of the Union Government arise because of its role in promoting investment and in reducing the credit risk for investors, especially in those activities where the nature of investment is characterised by long gestation periods. While guarantees do not form part of debt as conventionally measured, in the eventuality of default, this has the potential of aggravating the debt position of the government. The issue of guarantees assumes significance in the context of the growing investment needs for infrastructure, participation by the private sector in such projects and its increasing probability of being invoked. In exchange risk guarantees provided for Resurgent India Bonds and India Millennium Deposits there was substantial financial outgo from the government receipts. Table 5.12 gives the position regarding the maximum amount of guarantees and sums guaranteed and outstanding at the end of the financial year during 1999-2004.

Table 5.12: Guarantees Given by Union Government

(Rupees in crore)

Position at the end of the year	Maximum amount of guarantee	Sums Guaranteed Outstanding	External Guarantees Outstanding	External Guarantees Outstanding as % to sums Guaranteed Outstanding
1999-2000	144438	83954	47663	56.77
2000-01	135678	86862	55664	64.08
2001-02	168712	96859	57006	58.65
2002-03	174487	90617	51097	56.39
2003-04	184420	87780	50328	57.33

5.22 Total outstanding guarantees were 6.7 per cent of GDP and 54 per cent of the revenue receipts that accrued to the union. These guarantees, however, do not include the volume of implicit contingent liabilities in the nature of open-ended pension payments.

5.23 Ministries/Departments of the government are required to levy guarantee fee at the rate of one per cent on internal and 1.2 per cent on external borrowings as per the instructions of the Union Government. Guarantee fee is to be levied on the date of guarantee and thereafter on 1 April every year. Where the guarantee fee is not paid on due date, it should be charged at double the normal rate.

Table 5.13: Guarantee Fee

(Rupees in crore)

Year	Sums guaranteed outstanding			Guarantee fee due			Total guarantee fee received	As per cent to total outstanding guarantee
	Internal	External	Total	Internal	External	Total		
1999-2000	36291	47663	83954	363	572	935	280	0.33
2000-01	31197	55664	86862	312	668	980	542	0.62
2001-02	39853	57006	96859	399	684	1083	484	0.50
2002-03	39520	51097	90617	395	613	1008	491	0.55
2003-04	37452	50328	87780	375	604	979	401	0.46

5.24 As a result of the sharp rise in debt servicing, an overwhelming proportion of the total disbursement out of the CFI is charged on the Fund, i.e., it is not subject to vote by Parliament. In 2003-04, out of a total disbursement of Rs. 937780 crore, only 36 *per cent* was voted by the Parliament. Of the total disbursement, 64 *per cent* was applied towards debt service obligations, i.e., loan repayment and interest payment.

Chapter 6

APPROPRIATION ACCOUNTS 2003-04: INTRODUCTION

Constitutional provisions

6.1 Soon after the Lok Sabha passes the demands for grants under Article 113 of the Constitution of India, the Government introduces an Appropriation Bill under Article 114 to provide for appropriations out of the Consolidated Fund of India (CFI). The Appropriation Act passed by the Parliament authorises the Government to appropriate specified sums from the CFI for specified services. The Parliament can also sanction supplementary or additional grants by subsequent Appropriation Acts in terms of Article 115 of the Constitution. The Appropriation Acts include the disbursements, which have been voted by the Parliament under various grants in terms of Articles 114 and 115, and the disbursements, charged on the CFI in terms of Article 112 (3) as well as Article 293 (2) of the Constitution. The Government prepares Appropriation Accounts every year indicating the details of gross amounts on various services actually spent by Government vis-à-vis those authorised by the Appropriation Acts.

6.2 The Controller General of Accounts (CGA) prepares the Appropriation Accounts in respect of 96 grants and appropriations of civil ministries. The Ministries of Defence and Railways and the Department of Posts prepare the Appropriation Accounts of their respective grants. The Comptroller and Auditor General of India submits four different Appropriation Accounts pertaining to different sectors of activities of the government, viz. Civil, Defence, Posts and Railways, along with his Report under Article 151 of the Constitution, to the President every year, who causes them to be laid before Parliament. Details of demands for grants and appropriations of various Ministries during 2003-04 were as follows:

Sector of activity	Number of demands for grants/appropriations
Civil	96
Defence Services	6
Postal Services	1
Railways	16
Total:	119

6.3 This Report contains audit observations on the Appropriation Accounts (Civil, Postal and Defence Services), including an analysis of expenditure in excess of allocation requiring regularisation by Parliament, unspent provisions requiring explanation, irregular and injudicious re-appropriations, supplementary provisions made without requirement by some Ministries, unrealistic budgeting, deficient control by Pay and Account office and detailed observations in respect of the Ministries selected for in-depth examination.

For facility of better appreciation of the sectoral features, all grants relating to Civil departments, Posts and Defence appropriation have been dealt with comprehensively.

A summary

6.4 Table 6.1 gives the total provision (both charged and voted) and disbursement during 2003-04. **Appendix-VI-A** presents the details of the summary of Appropriation Accounts of Civil Ministries/Departments, Postal, Defence Services and Railways.

Table 6.1: Provision and Disbursements during 2003-04

Departments	Total Provision	Disbursements	Unspent provision
Civil	818603	830989	(+ 12386
Posts	5936	5784	152
Defence Services	67859	62429	5430
Railways	77205	75737	1468
Grand Total	969603	974939	*(+ 5336

(Rupees in crore)

* Excess

6.5 The net excess of Rs. 12386 crore was due to excess expenditure of Rs 42190 crore under seven grants and unspent provision of Rs. 29804 crore in the grants pertaining to Civil ministries/departments. Out of the overall excess expenditure of Rs. 42190 crore, Rs. 42183 crore was on account of pre-payment of high cost external loans under grant no. 37-Repayment of Debt. Out of the overall unspent provision of Rs. 29804 crore, Rs. 185 crore was on account of less than the budgeted payment of interest on 364 days treasury bills. Excluding this, the gross unspent provision was Rs. 29619 crore.

6.6 There were net unspent provisions in 201 sections and excess in seven sections under the grants/appropriations relating to Civil ministries, unspent provision in four sections of Posts, unspent provisions in 11 sections and excess in one section of Defence Services and unspent provision in 22 sections and excess in 13 sections of Railways. **Appendix-VI-B** presents an abstract of the details.

Charged and Voted disbursement

6.7 **Appendix-VI-C** contains the details of the disbursements actually made against approved demands (grants and appropriations) of the Civil ministries for the years 1992-2004. During these years, 66 to 77 per cent of the total disbursements for the Civil ministries was charged on the Consolidated Fund of India.

6.8 During 2003-04, the total disbursements of Rs 830989 crore under Civil ministries were Rs. 113037 crore higher than the total disbursement of Rs 717952 crore during 2002-03. It had increased by 308 *per cent* from Rs. 203576 crore in 1992-93. The charged disbursements increased by 345 *per cent* from Rs. 134672 crore in 1992-93 to Rs. 599889 crore in 2003-04 and voted disbursements increased by 235 *per cent* from Rs. 68904 crore to Rs. 231100 crore over the same period. The charged disbursements of Civil ministries during 2003-04 were mainly on account of Interest payments (Rs. 128114 crore, which was three *per cent* higher than Rs. 124573 crore for 2002-03), repayment of debt (Rs. 430963 crore), transfers to State and Union Territory governments mainly on account of block grants, loans for State plan schemes, loans for rural electrification etc. and constituted 72 *per cent* of the total disbursements.

6.9 Since charged disbursements are not subject to vote by Parliament, effectively the scope of financial control by Parliament is limited to about 28 *per cent* of the total disbursement in the civil ministries. However, viewed against the background of the total disbursements from the CFI (gross - Rs. 974939 crore), the percentage of charged disbursements was 62 *per cent* (Rs. 599968 crore) (including Post, Defence & Railways).

Disbursements

6.10 The details given in **Appendix-VI-D** would indicate that major parts of disbursements on grants-in-aid to State/Union Territory governments, capital outlay and investments, were made in the month of March 2004. Since the funds released in March to various organisations cannot be constructively spent during the year, it is not possible to conclude whether these funds were applied during the same year for the purpose for which they were authorised. The reasons attributed by the Department of Development of North Eastern Region (Grant No. 27) in January 2005 were delay in approving funds by Planning Commission in August, late review/finalisation of budgeting ceiling by Ministry of Finance in December-January and slow progress of work due to heavy rain etc. The rush of expenditure was attributed by the Ministry of Human Resources Development (Grant No. 58) to the bunching of releases in last month of the financial year. It added that the position was now being monitored by the Secretary (WCD) in weekly meetings with the senior officers for avoiding this practice. Ministry of Statistics and Programme Implementation (Grant No. 87) stated that directions had been issued to all divisional heads to avoid the practice of incurring expenditure in the last month of the financial year.

Chapter 7

APPROPRIATION ACCOUNTS 2003-04: AN ANALYSIS

Excess disbursements over grants/appropriations

7.1 Article 114(3) of the Constitution provides that no money be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article. Further, General Financial Rule (GFR) 71 stipulates that no disbursements be made which might have the effect of exceeding the total grant or appropriation authorised by Parliament for a financial year except after obtaining a supplementary grant or an advance from the Contingency Fund. Table 7.1 contains the summary of total excess over the authorisation from the CFI. During 2003-04, there was an excess disbursement of Rs 421901976292 (i.e. Rs 42190.20 crore) in seven segments of seven grants/appropriations in Civil ministries, Rs 1175.28 crore under -13 segments of nine grants/appropriations of Railways and Rs. 37.50 crore in one segment of one grant in Defence. These are detailed in Table 7.2 and require regularisation under Article 115 (1) (b) of the Constitution.

Table 7.1: Summary of excess disbursements over grants/appropriations

		<i>(In Rupees)</i>			
		Civil	Railways	Defence	
<i>Voted</i>	Revenue	39785153	7532852538	375027533	
	Capital	14302652	4117206239	-	
<i>Charged</i>	Revenue	20517240	79408223	-	
	Capital	421827371247	23364713	-	
No of Grants/ Appropriations		7	9	1	
Total excess		421901976292	11752831713	375027533	434029835538

Table 7.2: Details of excess disbursement over grants/appropriations

Sl. No	Grant/ Appropriation	Rupees	Contributory reasons as stated by Government
Civil:			
Revenue (Voted)			
1.	15-Department of Telecommunication	Grant Expenditure Excess	39432800000 39472585153 39785153
			Due to payment of commuted value of pension/gratuities to the employees absorbed in BSNL/Payment of compensation under Universal Service obligation etc.

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Sl. No	Grant/ Appropriation		Rupees	Contributory reasons as stated by Government
Revenue (Charged)				
2.	39 Pensions	Grant	127400000	Due to receipt of more claims than anticipated relating to pensionary charges in respect of High Court Judges
		Expenditure	147358401	
		Excess	19958401	
3.	52-Cabinet	Grant	1900000	Due to payment made on a court decree
		Expenditure	2458839	
		Excess	558839	
Capital (Voted)				
4.	16-Department of Information Technology	Grant	589000000	Due to meeting expenditure for the benefit of North Eastern Region and Sikkim and also on account of fluctuation in conversion rate of foreign currency
		Expenditure	601859171	
		Excess	12859171	
5.	27-Department of Development of North Eastern Region	Grant	702100000	Due to meeting of committed liability towards Air Port Authority of India and additional requirement of funds for housing for North Eastern Council Staff/Guest House
		Expenditure	703295395	
		Excess	1195395	
6.	67-Ministry of Personnel, Public Grievances and Pensions	Appropriation	6000000	Due to increase in the rate of building material, after framing the estimates, for the construction of Lal Bhadur Shastri National Academy of Administration
		Expenditure	6248086	
		Excess	248086	
Capital (Charged)				
7.	37-Repayment of Debt	Grant	3887803200000	Due to pre-payment of loan and exchange rate fluctuation
		Expenditure	4309630571247	
		Excess	421827371247	
Defence Revenue (Voted)				
8.	24-Defence Ordnance Factories	Appropriation	9315400000	Due to shortfall in issues to the Services in respect of ammunition and Ordnance Equipment and Factory items under deduct head.
		Expenditure	9690427533	
		Excess	375027533	

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Sl. No	Grant/ Appropriation		Rupees	Contributory reasons as stated by Government
Railways:				
Revenue (Voted)				
9.	14-Appropriation to Funds – DRF, DF, Pension and CF	Grant Expenditure Excess	9897000000 105786181059 6816181059	Details are in Report No 8 of 2005 (Railways)
10.	15-Dividend to General Revenues	Grant Expenditure Excess	33154100000 33870771479 716671479	-do-
Revenue (Charged)				
11.	3-General Superintendence & Services	Appropriation Expenditure Excess	523000 1947035 1424035	-do-
12.	7-Repairs & Maintenance of Plant & Equipment	Appropriation Expenditure Excess	71000 92996 21996	-do-
13.	8-Operating Expenses- Rolling Stock and Equipment	Appropriation Expenditure Excess	1164000 1286059 122059	-do-
14.	9-Operating Expenses – Traffic	Appropriation Expenditure Excess	1067000 1552568 485568	-do-
15.	10-Operating Expenses – Fuel	Appropriation Expenditure Excess	0 761370417 76137047	-do-
16.	11-Staff Welfare and Amenities	Appropriation Expenditure Excess	575000 1792518 1217518	-do-
Capital (Voted)				
17.	16-Assets- Acquisition, Construction and Replacement-Special Railway Safety Fund	Grant Expenditure Excess	11900015000 13186151856 1286136856	-do-
18.	16-Assets- Acquisition, Construction and Replacement - Capital	Appropriation Expenditure Excess	191766090000 194597159383 2831069383	-do-
Capital (Charged)				
19.	16-Assets- Acquisition, Construction and Replacement - Capital	Appropriation Expenditure Excess	80000000 96345841 16345841	Details are in Report No 8 of 2005 (Railways)
20.	16-Assets- Acquisition, Construction and Replacement – Railways Funds	Appropriation Expenditure Excess	9926000 16944381 7018381	-do-

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Sl. No	Grant/ Appropriation	Rupees	Contributory reasons as stated by Government
21.	16-Assets- Acquisition, Construction and Replacement – OLWR	Appropriation Expenditure Excess	26000 26491 491
			-do-

7.2 The details of excess disbursements as also other details relating to grants of the Railways are mentioned in Report No. 8 of 2005 of the CAG.

Deficient expenditure control by Pay and Accounts Offices

7.3 According to the provisions of Annexure A to note 3 under Rule 66 of GFR, it is an important part of the function of the Accounts Offices to see that no payment is made in excess of the budget allotment under any sub-head or primary unit of appropriation. In cases where the existing provision is not sufficient to cover the payment, Pay and Accounts Office (PAO) can make payment only on receipt of an assurance in writing from the head of the department controlling the grant that necessary funds to accommodate the disbursements will be provided by issue of re-appropriation orders etc. Test check of head-wise appropriation accounts for the year 2003-04 revealed 56 cases of 19 grants and appropriations where the PAOs of the ministries made payments of Rs. 55728.50 crore in excess of the available provisions though the Department did not issue re-appropriation orders adequately to accommodate the final excess expenditure over the available provisions, indicating deficient expenditure control by the PAOs. A few sub-heads under which the excess of Rs. two crore or more occurred are given in **Appendix-VII-A**.

Unspent Provision of Rs. 100 crore or more

7.4 Unspent provisions of more than Rs 100 crore, which need a detailed explanatory note to the Public Accounts Committee, occurred in 46 cases pertaining to 38 grants and one appropriation during 2003-04. Large unspent provisions were in areas like agriculture, fertiliser, food and public distribution, women and child development, petroleum and natural gas, family welfare, surface transport and highways and power. The unspent provisions were attributed by the ministries/departments to some of the schemes failing to take off. **Appendix-VII-B** indicates the details of the unspent provisions.

Surrender of unspent provision

7.5 According to the provisions of GFR 69, unspent provisions in a grant or appropriation are to be surrendered to government as soon as these are foreseen without waiting for the last day of the year. Unspent provision should also not be held in reserve for possible future excess. During 2003-04, under 201 segments of 96 grants/appropriations of civil ministries, there was an

unspent provision of Rs. 29803.84 crore. This was offset by excess under seven segments of six grants and one appropriation resulting in a net excess of Rs.12386.35 crore.

The amounts surrendered are shown in Table 7.3.

Table 7.3: Details of unspent provision and surrender

(Rupees in crore)

	Net unspent provision	Amount surrendered	Amount surrendered on last date	Amount not surrendered
Revenue				
Voted	15962.12	14852.02	7145.23	1110.10
Charged	4739.42	5233.82	5227.64	-
Total: Revenue	20701.54	20085.84	12372.87	-
Capital				
Voted	7265.22	6942.94	2276.46	322.27
Charged	(+ 40353.11)	8994.01	8992.61	-
Total: Capital	(+ 33087.89)	15936.95	11269.07	-
Grand total	(+) 12386.35	36022.79	23641.94	-

7.6 Under the grants pertaining to Department of Economic Affairs, Interest Payment, Transfer to State and Union Territory Governments, Appropriation-Repayment of Debt, Ministry of Petroleum and Natural Gas, Department of Tourism, Lakshadweep and Defence, the amount surrendered exceeded the unspent provision. **Appendix-VII-C** gives the details.

Re-appropriation of funds

7.7 For disbursements, a grant or appropriation is distributed by sub-heads or standard objects under which it is accounted. The competent executive authorities can approve re-appropriation of funds between primary units of appropriation within a grant or appropriation before the close of the financial year to which such grant or appropriation relates. Re-appropriation of funds should be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilised in full or that unspent provision can be effected in the unit of appropriation.

7.8 Test check of appropriation accounts with reference to re-appropriation orders for 2003-04 revealed that heavy re-appropriations of funds were made between the different primary units of appropriation defeating the original purpose / activity as authorised by Parliament. A few cases, where heavy re-appropriations of funds took place, were in Agriculture (Rs. 555 crore),

Department of Fertiliser (Rs. 1088 crore), Department of Commerce (Rs. 367 crore), Ministry of Environment and Forest (Rs. 411 crore), Transfers to State and UT Governments (Rs. 4346 crore), Department of Heavy Industries (Rs. 541 crore), Department of Elementary Education and Literacy (Rs. 508 crore), Department of Drinking Water Supply (Rs. 300 crore), Department of Road Transport & Highways (Rs. 337 crore), Department of Rural Development (Rs. 956 crore), and Department of Space (Rs. 342 crore).

Injudicious re-appropriation to sub-heads

7.9 Test check of the accounts revealed that in seven cases relating to six grants/appropriations re-appropriations aggregating Rs. 40.88 crore were injudicious, as the original provision under the sub-heads to which funds were transferred by re-appropriation were more than adequate. A few cases exceeding Rupees two crore are given in **Appendix-VII-D**. Consequently, the final savings under the sub-heads were more than the amount re-appropriated to these sub-heads.

Injudicious re-appropriation from sub-heads

7.10 In six sub-heads of five grants/appropriations as indicated in **Appendix-VII-E**, there were injudicious re-appropriations aggregating to Rs. 148.88 crore wherein the final disbursement under each of these cases was more than the original provision before re-appropriation. In each of them, the excess over the final provision after re-appropriation from these heads was more than the amounts re-appropriated.

Irregular re-appropriation

7.11 The Ministry of Finance had issued instructions that any re-appropriation order issued during the year which had the effect of increasing the budget provision by more than 25 *per cent* or Rupees one crore, whichever was more, under a sub-head, should be reported to Parliament along with the last batch of supplementary demands. In exceptional cases, any order of re-appropriation issued by the ministries/departments after presentation of the last batch of supplementary demands, exceeding the above limit requires prior approval of the Secretary/Additional Secretary, Department of Expenditure.

7.12 Test check of appropriation accounts for 2003-04 revealed that there were 483 sub-heads/cases under 74 grants/appropriations to which re-appropriation in excess of Rupees one crore was made. Out of these, in 263 sub-heads/cases involving 62 grants/appropriations, the re-appropriation exceeded 25 *per cent* of the budget provision; and, were required to be reported to Parliament through the last batch of supplementary demands for grants. Only in 68 cases, such re-appropriations were reported to Parliament.

Re-appropriation without prior approval of Secretary (Expenditure)

7.13 All re-appropriations which would have the effect of increasing the budget provision by Rupees one crore or more under a sub-head should be made only with the prior approval of Secretary (Expenditure) even if the amount re-appropriated is within 25 per cent of the provision covered under the limit governing re-appropriation mentioned in the preceding paragraph. In the cases mentioned in Table 7.4 prior approval of Secretary (Expenditure) was not obtained for re-appropriations exceeding Rupees one crore.

Table 7.4: Cases where prior approval of Secretary (Expenditure) was not obtained for re-appropriation

<i>(Rupees in crore)</i>					
Sl. No.	No. and name of grant	Major Head	Sub-head		Amount
1.	43 - Indirect Taxes	2037 - Customs	Sea Customs- Major Ports	O: S: R:	125.56 40.25 2.27
2.	-do-	-do-	Directorate of Revenue Intelligence	O: S: R:	23.51 1.00 1.05
3.	-do-	2038 - Union Excise Duties	Inspection	O: S: R:	17.50 9.93 2.60
4.	-do-	-do-	National Academy of Customs, Excise and Narcotics	O: R:	8.25 1.10
5.	-do-	-do-	Directorate General Central Excise Intelligence	O: S: R:	13.75 0.19 1.32
6.	-do-	-do-	Commissionerates (Including Field Offices)	O: S: R:	647.17 32.98 9.76
7.	-do-	4059- Capital Outlay on Public Works	Acquisition of ready built accommodation	O: S: R:	15.00 0.01 1.28
8.	47 - Department of Indian System of Medicine and Homoeopathy	2210 - Medical and Public Health	Grants to Central Council for Research in Homoeopathy	O: S: R:	8.50 0.01 1.23
9.	-do-	-do-	Grants to Central Council for Research in Unani Medicine	O: S:	16.00 1.88
10.	-do-	3601 - Grants-in- aid to State Governments	State Drug Testing Laboratories/Pharmacies	O: S:	3.00 5.70
11.	-do-	-do-	Setting up of ISM wing in district hospitals	O: S:	2.00 2.32

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Sl. No.	No. and name of grant	Major Head	Sub-head		Amount
12.	56 - Department of Elementary Education and Literacy	2202 - General Education	Sarva Shiksha Abhiyan	O: S: R:	1929.58 350.00 431.07
13.	87 - Ministry of Statistics and Programme Implementation	2553 - MPs Local Area Development Scheme	Grant Assistance	O: S: R:	1580.00 100.00 2.00

O = Original Provision S = Supplementary R = Re-appropriation

Utilisation of supplementary grants

7.14 The position of original and supplementary grants obtained under Civil ministries and percentage of supplementary provision to the original provision from 1997-98 onwards is given in **Appendix-VII-F**. Details of supplementary grants (civil) obtained during 2003-04 are given in Table 7.5

Table 7.5: Supplementary grant obtained during 2003-04 in Civil ministries
(Rupees in crore)

Section	Amount
Voted	
Revenue	15888.42
Capital	1862.50
Loans and Advances	1516.62
Charged	
Revenue	4743.53
Capital	4.32
Public Debt	21701.79
Loans and advances	1115.19
Total	46832.37
Number of grants/appropriations	81
Supplementary provision obtained but not utilised	
12 grants (17 cases)	Rs. 2044.46 crore

Unnecessary supplementary grant

7.15 In 17 cases relating to 12 grants as detailed in Table 7.6, while supplementary provisions aggregating to Rs 2044.46 crore were obtained during 2003-04 in anticipation of higher expenditure, the final expenditure was less than even the original grants/appropriations. The entire amount of supplementary provision was unnecessary pointing to deficient budgeting.

Table 7.6: Unspent provision more than supplementary grant/ appropriation

(Rupees in crore)

Sl. No.	Grant/appropriation	Original provision	Supplementary grant obtained	Actual disbursements	Unspent provision
Revenue – Voted					
1.	8-Department of Fertilisers	13455.97	520.99	12395.73	1581.23
2.	12-Department of Commerce	1669.35	205.64	1514.70	360.29
3.	29-Ministry of Environment and Forests	1099.14	30.46	1011.93	117.67
4.	31-Department of Economic Affairs	4381.12	288.88	2586.26	2083.74
5.	35-Transfer to State and Union Territory Government	26184.64	371.00	26140.06	415.58
6.	51-Ministry of Home Affairs	697.30	32.64	680.90	49.04
7.	54-Other expenditure of Ministry of Home Affairs	754.11	20.03	736.25	37.89
8.	76-Ministry of Road Transport and Highways	5611.19	4.28	5466.01	149.46
9.	90-Department of Culture	543.72	6.74	537.97	12.49
10.	103-Department of Youth Affairs and Sports	431.04	55.03	419.56	66.51
Revenue Charged					
11.	12-Department of Commerce	0.20	0.20	0.18	0.22
12.	32-Currency, Coinage and Stamps	2.10	0.16	1.66	0.60
Capital Voted					
13.	29-Ministry of Environment and Forests	25.45	5.01	24.26	6.20
14.	51-Ministry of Home Affairs	20.50	3.05	16.77	6.78
Capital Charged					
15.	35-Transfer to State and Union Territory Government	25196.92	500.00	24746.27	950.65
16.	53-Police	342.35	0.25	27.16	315.44
17.	76-Ministry of Road Transport and Highways	5.30	0.10	4.12	1.28
Total			2044.46		

Unrealistic estimation of expenditure/ revised estimates

7.16 While obtaining supplementary grants, the Ministries/Departments reported to Parliament large amounts of additional requirement for different purposes under the schemes/activities shown in Table 7.7 but they were finally unable to spend not only the entire supplementary grants or parts thereof but

also the original budget provision in certain cases. The Ministry of Company Affairs (Grant No. 44) attributed (November 2004) the savings to non-progress by newly created body (CCI) due to unforeseen circumstances arising as a result of prolonged judicial intervention. The reply is not tenable as it was irregular on the part of the Ministry to obtain large supplementary grant without anticipating the sequence of events. The Union Public Service Commission (Grant No. 74) attributed (November 2004) the saving to provision of additional funds for unanticipated contingencies so that financial constraints did not inhibit successful conduct of examination. The reply indicates the inability of the Commission to anticipate actual expenditure realistically.

Table 7.7: Statement showing supplementary/additional funds to sub-heads

(Rupees in crore)

Sl. No.	Grant No. & Name	Major Head/ Sub-Head	Original provision	Supplementary provision	Actual disbursement	Unspent provision	Reasons
1.	37-Repayment of Debt	6002.00.221-Loans from Oil Producing & Export Council Special Funds	19.99	56.18	18.62	57.55	Non-materialisation of pre-payment of Loan.
2.	43-Indirect Taxes	2037.00.102.01-Sea Customs – Major Ports	227.53	22.98	214.62	35.89	Non-filling of vacant posts/ delay in finalisation of proposal of revision of rent and hiring of premises.
3.		2037.00.102.05-Directorate of Revenue Intelligence	23.51	1.00	22.95	1.56	Non-finalisation of pending reward cases.
4.		2038.00.001.06-Directorate General Central Excise Intelligence	13.75	0.19	13.45	0.49	do
5.	44-Department of Company Affairs	3475.00.800.56-Competitions Commission of India (CCI)	0.45	6.00	0.52	5.93	Non-filling of vacant Posts.
6.	60-Ministry of Labour	2230.01.102.08-Plan Schemes of Directorate General of Factory Advice Services (DGFASLI)	0.90	0.01	0.37	0.54	Saving was due to vacant posts.

(Rupees in crore)

Sl. No.	Grant No. & Name	Major Head/ Sub-Head	Original provision	Supplementary provision	Actual disbursement	Unspent provision	Reasons
7.	74-Union Public Service Commission	2051.00.101.02- Expenditure on Examinations and Selections	17.97	0.11	17.60	0.48	Less number of personal talk/Interview Boards and less expenditure on payment to candidates and supervisors.
8.	90-Department of Culture	4202.04.104.01 Buildings	-	1.00	0.03	0.97	Non-compilation of the drawings for construction project.
9.		4202.04.108.01- Buildings	-	1.50	-	1.50	Due to transfer of funds from the Ministry of Urban Development to Ministry of Culture.

Postal Services (Grant No. 14)

7.17 Persistent savings were noticed under Capital Section of grant No. 14 having only one head i.e. 'Mechanisation and Modernisation of Postal Services' for the last three years 2001-02 to 2003-04 as per details in Table 7.8.

Table 7.8 Persistent unspent provision under capital (voted) section

(Rupees in crore)

Year	Budget provision & supplementary	Actual expenditure	Unspent provision	Percentage
2001-02	107.38	51.92	55.46	52
2002-03	128.56	41.54	87.02	68
2003-04	129.18	48.16	81.02	63

7.18 The reasons advanced by the department for savings under the Revenue (voted) and Capital (voted) sections for 2003-04 were as under:

Table 7.9 : Savings in Grant

(Rupees in crore)

Grant No.14	Total grant or appropriation	Actual expenditure	Savings	Contributing reasons as stated by the Department of Posts
Revenue (Voted)	5806.50	5735.88	70.62	<ul style="list-style-type: none"> - Less achievement of targets for imparting training anticipated under the Plan Segment - Lesser submission of bills than anticipated. Expenditure was less than anticipated due to non-receipt of claims.

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Grant No.14	Total grant or appropriation	Actual expenditure	Savings	Contributing reasons as stated by the Department of Posts
				<ul style="list-style-type: none"> - Non-receipt of bills under Machinery and Equipment, Professional Services and economy measures. - Non-finalisation of the procedure of reimbursement of railway claims for 2003-04 and its approval by the competent authority. - Less expenditure under salaries and professional services than anticipated - Non-receipt of claims as per expectations. - Delay in award of work for staff quarters at PTC, Mysore and Vadodara. - Non-starting of new projects due to land dispute. - Non-approval of Ministry of Finance for procurement of MMS vehicle and non-receipt of final bill.
Capital (Voted)	129.18	48.16	81.02	<ul style="list-style-type: none"> - Non-fructifying of payment of advance cheque to DGS&D, belated placing of supply orders for procurement of computers, under utilisation of funds by some circles etc., under "Mechanisation and Modernisation of Postal Services"
Total	5935.68	5784.04	151.64	

Defence Services (Grant Nos. 21, 22, 23, 24 and 26)

7.19 Scrutiny of Appropriation Accounts of Defence Services disclosed a persistent trend of unspent provision during the years 2001-04 under voted segment of five grants as per details in Table 7.10.

Table 7.10: Persistent unspent provision

(Rupees in crore)

Grant No Sub-Major/ Minor Head	2001-02	2002-03	2003-04	Reasons for unspent amount given in Appropriation Accounts
21- Defence Services- Army				
109- Inspection Organisation	6.13	11.48	32.89	Less expenditure on Foreign Travel and proofing due to lesser production at Ordnance Factories.
110-Stores	278.07	62.63	198.30	Non-materialisation of certain supplies, imported Oil/Lubricants, electronic stores and slippages in supplies of ammunition by Ordnance Factories.
800-Other Expenditure	47.60	19.12	11.87	Adoption of economy measures in respect of conservancy charges and telephone bills.
22- Defence Services-Navy				
111-Works	17.64	19.33	20.24	Non-submission of electricity & water bills by Electricity Boards/Municipalities, delay in approval for Dredging in Kochi.
23- Defence Services- Air Force				
110- Stores	130.27	6.75	93.15	Delay in overhauling of Air frames/Aero-engines, delay in supplies of repair stores and non-receipt of items as per delivery schedule.
111- Works	5.71	19.82	23.15	Non-execution of certain works, non-payment of certain supplementary bills and saving in electricity tariff due to energy conservation.
800- Other Expenditure	10.97	7.82	6.94	Adoption of economy measures and reduction in rental and tariff bills of telephone.
24-Defence Ordnance Factories				
110- Stores	40.93	173.20	31.18	Delay in materialisation of payment transactions with the bank, non-receipt of stores and un-expected outstanding recovery from a firm
800- Other Expenditure	14.24	43.51	24.22	Less expenditure on electricity and water/consumables and contingent requirements of factories.
26- Capital Outlay on Defence Services				
05- Research & Development Organisation				
111- Works	16.58	8.45	15.23	Non-materialisation of certain commitments against a special scheme.

7.20 The persistent trend of large unspent provisions in the aforesaid heads of grants is indicative of over-estimation of the requirement of funds by Ministry of Defence.

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Table 8.3: Unrealistic budgeting

(Rupees in crore)

Sl. No.	Major Head/Sub-head	Total provision	Actual expenditure	Savings	Percentage of savings
2001-02					
Revenue Section					
1.	2885.01.800.01 Grants to Industrial Credit & Investment Corporation of India	62.90	30.08	32.82	52
Capital Section					
2.	4885.01.190.03 Subscription to the Share capital of Industrial Finance Corporation of India	400.00	-----	400.00	100
2002-03					
Revenue Section					
3.	2416.00.800.01 Grants to National Bank for Agricultural & Rural Development (NABARD)	111.55	10.96	100.59	90
4.	2885.01.800.06 Grants to Small Industrial Development Bank of India	54.95	16.90	38.05	69
5.	3052.80.800.01 Subsidy towards Interest differential acquisition of ships by SCICI	0.31	-----	0.31	100
6.	3475.00.111.01 Payment of MOV* Accounts towards exchange loss arising out of Resurgent India Bonds	936.95	273.62	663.33	71
7.	3475.00.800.29 Industrial Credit Investment Corporation of India	34.73	1.55	33.18	96
8.	3475.00.800.55 Exchange loss on India Millennium Deposits	446.44	100.59	345.85	77
Capital Section					
9.	5466.00.202 Subscription to International Development Association	3.75	-----	3.75	100
10.	5466.00.203 Investment in the Asian Development Bank	10.00	1.51	8.49	85
11.	6885.01.190.02 Industrial Credit and Investment Corporation of India	1.00	-----	1.00	100

Review of Selected Grants

Sl. No.	Major Head/Sub-head	Total provision	Actual expenditure	Savings	Percentage of savings
2003-04					
Revenue Section					
12.	2235.60.800.01 Payment to Life Insurance Corporation of India for Community Based Universal Health Insurance Scheme	70.00	----	70.00	100
13.	3475.00.111.01 Payment of MOV* Accounts towards exchange loss arising out of Resurgent India Bonds	288.57	----	288.57	100
14.	3475.00.800.29 Industrial Credit Investment Corporation of India	35.64	----	35.64	100
15.	3475.00.800.55 Exchange loss on India Millennium Deposits	423.90	----	423.90	100
Capital Section					
16.	4885.01.190.10 Subscription to the Share Capital of Industrial Development Bank of India	772.98	----	772.98	100
17.	5466.00.201 Subscription to the International Bank for Reconstruction and Development	116.20	----	116.20	100
18.	6885.01.190.03 Industrial Finance Corporation of India	1573.00	----	1573.00	100

* MOV- Maintenance of Value Account

Unnecessary Supplementary Grants

8.6 While obtaining a supplementary grant, the Ministry has to keep in view the resources available or likely to be available during the year and exercise due caution while forecasting its additional budgetary requirement of funds. Resort to supplementary demands should only be made in exceptional and urgent cases.

In the following cases, although supplementary provisions were obtained in anticipation of higher expenditure, no expenditure was incurred. This indicates lack of monitoring and expenditure control.

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Table 8.4 Unspent Supplementary Grants

(Rupees in crore)

Year	Major Head	Provision	Actual Disbursement	Unspent provision
2001-02	4885.01.190.03	S 400.00	--	400.00
	Subscription to the Share Capital of Industrial Finance Corporation of India	R (-) 400.00		
2002-03	2416.00.800.01	O 100.00	10.96	100.59*
	Grants to National Bank for Agricultural & Rural Development (NABARD)	S 11.55		
		R (-) 100.60		
	2885.01.800.02	S 18.94	--	18.94
Grants to Industrial Finance Corporation of India				
6885.01.190.02	Industrial Credit and Investment Corporation of India	S 1.00	--	1.00

* Against the original provision of Rs.100 crore, actual disbursement was Rs.10.96 crore only resulting in supplementary grant remaining unutilised.

Surrender of unspent provision

8.7 Rule 69 of the General Financial Rules provides that unspent provisions in the grant or appropriation are to be surrendered to the Government as soon as these are foreseen without waiting for the end of the financial year. Unspent provision should also not be held in reserve for any possible future excess. Test check revealed that contrary to the rules, the Ministry every year surrendered unspent provisions towards the end of the financial years. The details of amounts surrendered during 2001-04 are as follows:

Table 8.5: Surrender of Unspent Provision

(Rupees in crore)

Year	Unspent provision		Amount surrendered		Date of surrender
	Revenue	Capital	Revenue	Capital	
2001-02	8.51	731.36*	4.63	98.83	31.3.2002
2002-03	1224.11	22.34	1208.72	21.99	31.3.2003
2003-04	1165.64	2427.04	1157.25	2427.03	31.3.2004

* During 2001-02 there was notional net excess expenditure of Rs.731.36 crore under the Capital Section of the grant which was due to transfer of the outstanding balances of National Industrial Credit portfolio from the books of RBI to Government of India. The excess expenditure was purely technical and was on account of interest accrued and premium paid upfront by RBI (book adjustment) which did not entail any cash outgo. Though this amount was booked in the accounts under loans to Industrial and Financial Institutions, supplementary demand was obtained for the principal amount of loan only which resulted in notional excess expenditure.

Rush of expenditure

8.8 Rush of disbursement, particularly in the closing month of the financial year is to be regarded as a breach of financial regularity and should be avoided.

Contrary to this, large disbursements were made in the month of March. A few instances are given below:

Table 8.6: Rush of Expenditure

(Rupees in crore)

Year	Major Head	During the year	During March (Percentage)
2001-02	2075 – Miscellaneous General Services	125.00	125.00 (100)
	2552 – North Eastern Areas	1.50	1.50 (100)
	3465 – General Financial and Trading Institutions	300.00	300.00 (100)
	3475 – Other General Economic Services	1403.40	996.25 (71)
	4552 – Capital outlays on North East Areas	7.00	7.00 (100)
	5465 – Investments in General Financial & Trading Institutions	1300.00	1300.00 (100)
	6885 – Other Loans to Industries and Minerals	4443.05	4039.45 (91)
2002-03	2075 – Miscellaneous General Services	125.00	125.00 (100)
	2885 – Other outlays on Industries and Minerals	52.02	48.11 (92)
	3465 – General Financial and Trading Institutions	2449.00	1612.08 (66)
	5465 – Investment in General Financial & Trading Institutions	770.00	770.00 (100)
	6416 – Loans to Agricultural Financial Institutions	100.00	100.00 (100)
	6885 – Other loans to Industries and Minerals	524.84	521.17 (99)
2003-04	2235 – Social Security & Welfare	235.37	205.57 (87)
	2416 – Agricultural Financial Institutions	27.36	9.23 (34)
	3475 – Other General Economic Services	69.81	36.18 (52)
	6416 – Loans to Agricultural Financial Institutions	1.08	1.08 (100)

Deficient internal audit system

8.9 The Internal Audit Wing (IAW) is responsible for conducting internal audit of all the three departments of Ministry of Finance viz. Department of

Revenue, Department of Expenditure and Department of Economic Affairs. There are 259 units under the jurisdiction of IAW as of 31 March 2004, including 223 units relating to the Department of Economic Affairs to which Grant No. 33 relates. The following table indicates the total number of units planned for audit and units audited during the last three years.

Table 8.7: Shortfall in audit of units

Year	Units	
	Planned	Audited
2001-02	153	148
2002-03	187	182
2003-04	136	129

Test check of the Audit Control Registers revealed that the Inspection Reports were issued after three to six months of the completion of audit as under:-

Table 8.8: Delay in issue of Inspection Reports

Time gap in issue of Inspection Reports	Number of units		
	2001-02	2002-03	2003-04
Within one month	23 (17)	22 (19)	24 (19)
1 to 2 months	49 (41)	29 (24)	44 (38)
2 to 3 months	32 (27)	36 (36)	18 (13)
3 to 6 months	22 (16)	54 (43)	32 (24)
above 6 months	11 (10)	15 (13)	8 (8)
Total	137 (111)	156 (135)	126 (102)

Figures in brackets refer to Department of Economic Affairs.

Scrutiny of the Inspection Reports of the Department of Economic Affairs revealed that the Internal Audit Wing audited only the transactions generated through the drawing and disbursing offices. Formulation of budget, expenditure control, excess expenditure, unspent provision, monitoring and implementation of schemes etc. were not commented upon in the Inspection Reports which could have served to give timely warning signals on crucial aspects.

Grant No. 57 Department of Secondary and Higher Education (Ministry of Human Resource Development)

Introduction

8.10 The Department of Secondary and Higher Education is one of the three constituent Departments of Ministry of Human Resource Development. Its main function is to formulate educational policy, to coordinate and determine standards in higher education including research, to expand and develop technical education to improve quality of text books, to administer scholarships and other schemes, to foster and encourage studies and research in Sanskrit and other classical

languages, and to co-ordinate its functions with the programmes of assistance and other activities of UNESCO.

Overall Position

8.11 The budget provision, actual disbursements and unspent provision under voted portion of the grants during the last three years are shown below:

Table 8.9: Overall Position

(Rupees in crore)

Year	Total provision		Actual disbursement		Unspent provision (Percentage)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2001 – 2002	4414.76	0.02	4292.42	-	122.34 (3)	0.02 (100)
2002 – 2003	4905.23	0.01	4613.96	-	291.27 (6)	0.01 (100)
2003 – 2004	4956.58	0.01	4740.30	-	216.28 (4)	0.01 (100)

Rush of expenditure during the month of March of the financial year

8.12 As per rule 69 of General Financial Rules, rush of disbursements, particularly in the closing months of the financial years, is to be regarded as a breach of financial regularity and should be avoided. Contrary to this, disbursements ranging from 24 to 100 percent of the total disbursements were made during the months January – March as per details given below :

Table 8.10: Rush of Expenditure

(Rupees in crore)

Year	Major Head	Disbursements	
		Total during the year	During March (percentage)
2001-02	2203- Technical Education	1185.46	479.27 (40)
	2204- Sports and Youth Services	0.60	0.21 (35)
	2552- North Eastern Areas	14.26	7.59 (53)
	3601- Grants-in-aid to State Governments	272.58	176.92 (65)
2002-03	2203- Technical Education	1365.55	664.42 (49)
	2204- Sports & Youth Services	0.79	0.64 (81)
	2552- North Eastern Areas	15.00	4.50 (30)

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Name of Scheme	Year	Expenditure	Unspent provision	Contributory reasons stated by the Department
Free Education for Girls	2001-02	Nil	1.00	Due to non-finalisation of the scheme.
	2002-03	Nil	0.90	-do-
	2003-04	Nil	1.00	-do-

Unspent provisions under sub-heads

8.15 Scrutiny of the Appropriation Accounts for the years 2001-04 revealed that there were large unspent provisions under various sub-heads which were indicative of unrealistic budgeting and slackness in implementing the schemes/activities of the department/Ministry (**Appendix-VIII-D**).

Unrealistic budgeting

8.16 According to Rule 53 of the General Financial Rules, Ministries/departments are required to prepare their estimates keeping in view the trends of disbursements during the previous years and other relevant factors like the economy instructions issued by the Ministry of Finance.

Scrutiny of the Appropriation Accounts revealed that under various sub-heads, provisions remained unutilised during the period 2001 -04 and were re-appropriated to other heads defeating the original purpose for which the budget provisions were passed by the Parliament. A few cases are given in **Appendix-VIII-E**.

Surrender of unspent provision

8.17 Ministries/Departments are required to surrender the unspent provisions as soon as these are anticipated so that such amounts can be used for other sectors. However, the Department surrendered unspent amounts and that too partially on the last day of the financial year during 2001-04 as indicated below:-

Table 8.12: Surrender of Unspent Provision

(Rupees in crore)

Year	Unspent provision		Amount surrendered		Date of surrender
	Revenue	Capital	Revenue	Capital	
2001-2002	122.34	0.02	115.14	0.02	31.03.2002
2002-2003	291.27	0.01	283.24	0.01	31.03.2003
2003-2004	216.28	0.01	209.13	0.01	31.03.2004

Injudicious re-appropriation of funds

8.18 Re-appropriation of funds to the following sub-heads was injudicious as the original provision under the sub-heads found to be more than adequate.

Consequently, the final savings under the sub-heads were more than the amount re-appropriated to these heads.

Table 8.13: Injudicious re-appropriation

(Rupees in crore)

Sl. No.	Year	Head	Total Grant	Actual expenditure	Saving
1.	2001-02	2202.02.004.02	O 0.20	-	0.22
		Promotion of Science Laboratories	R 0.02		
2.	2002-03	2202.80.798.04	O 0.10	0.02	0.11
		Deputation and Delegation to UNESCO Conference etc	R 0.03		
3.	2002-03	2202.80.001.09	O 3.38	3.33	0.26
		Educational Institutions Abroad	R 0.21		
4.	2003 -04	2203.00.112.35	S --	-	0.50
		Indian Institute of Information Technology, Design and Manufacturing at Kanchipuram	R 0.50		
5.	2003-04	2203.00.112.36	S --	-	0.50
		Indian Institute of Information Technology, Jabalpur	R 0.50		

Excess expenditure over appropriation/re-appropriation

8.19 According to Annex 'A' to Note 3 under Rule 66 of General Financial Rules, it is an important part of the function of the Accounts officer to see that no payment is made in excess of the budget allotment under any sub-head of primary unit of appropriation. In cases, where the existing provision is not sufficient to cover the payment, the Pay and Accounts Office (PAO) can make payment only on receipt of an assurance in writing from the Head of the Department controlling the grant, that necessary funds to accommodate the disbursement will be provided by issue of re-appropriation orders, etc. Test check of head-wise appropriation accounts for the years 2001-2004 revealed that in the following cases the PAO of the Ministry made payments in excess of the available provisions though the department did not issue any re-appropriation orders to accommodate the final excess expenditure over the available provisions. Non-exercising internal control mechanism resulted in poor expenditure control.

Table 8.14: Excess expenditure over appropriation/re-appropriation

(Rupees in crore)

Year	Sub - Head	Provisions original/ re-appropriation	Actual expenditure	Final excess expenditure
2001-02	2202.80.798.04 Deputation and Delegation to UNESCO Conference etc.	O 0.16 R (-) 0.08	0.14	0.06

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Year	Sub – Head	Provisions original/ re-appropriation	Actual expenditure	Final excess expenditure
2002-03	2202.80.004.01 Indian Council of Social Science Research	O 39.75 R (-)4.69	35.15	0.09
	2202.80.107.05 National Scholarship Scheme for Union Territories without Legislature	O 0.05 R 0.04	0.02	0.01
	2202.80.107.12 Indian Scholars going abroad against scholarships offered by Foreign Government Organisations	O 0.80 R (-) 0.35	0.46	0.01
2003-04	2202.80.798.04 Deputation and Delegation to UNESCO Conference etc	O 0.40 R (-) 0.06	0.37	0.03
	2203.00.800.01 Asian Institutes of Technology, Bangkok	O 0.25 R 0.08	0.20	0.03

Injudicious release of Plan grant to IIT, Guwahati resulting in unspent balance of Rs. 45.84 crore

8.20 Rs. 60 crore was released to IIT, Guwahati as Plan grant for the year 2003-04 in three instalments of Rs. 5.00 crore, Rs. 15.00 crore and Rs. 40.00 crore. Additionally, the Institution also had Rs. 37.07 crore as unspent balance of the previous year. At the end of the financial year 2003-04, the Institution had unutilised balance of Rs. 45.85 crore. The Plan grant released, in first and second instalments (Rs. 5.00 crore + Rs. 15.00 crore) and previous years unspent balance (Rs. 37.07 crore) totalled Rs. 57.07 crore which was sufficient for meeting the expenditure of Rs. 51.23 crore for the entire year. This clearly indicates that the release of third instalment of Rs. 40.00 crore was injudicious and resulted in blocking of funds. This aspect should have been taken into account while budgeting and the trend of large unspent balances should have been arrested.

Utilisation certificates

8.21 As per Rule 150 of General Financial Rules, the certificates of utilisation of grants are required to be submitted by the sanctioning authority to the Controller of Accounts. The purpose of furnishing the certificates is to ensure that the grants had been utilised properly and for the purpose for which they were sanctioned and where the grants were released with certain conditions, the prescribed conditions had been fulfilled.

Scrutiny of records pertaining to utilisation certificates for the grants released during 2000-01 and 2002-03 by the Department of Secondary and Higher Education revealed that 1878 utilisation certificates pertaining to Rs. 3842.45 crore were outstanding as of October 2004, as detailed below:

Table 8.15 : Awaited Utilisation Certificates

(Rupees in crore)

Name of the Department sanctioning Grants-in-aid	Period/Year of sanction of grant	Due		Received		Outstanding	
		UCs	Amount	UCs	Amount	UCs	Amount
Department of Secondary and Higher Education	2000-01	1701	3733.86	1379	3677.68	322	56.18
	2001-02	1755	3943.31	1075	2318.89	680	1624.42
	2002-03	882	2172.46	6	10.62	876	2161.85
	Total	4338	9849.63	2460	6007.19	1878	3842.45

In the absence of utilisation certificates, it could not be ascertained if the grants were actually utilised for the purpose for which they were sanctioned.

Internal Audit

8.22 The Internal Audit wing of the Ministry of Human Resource Development functions under the administrative control of the Chief Controller of Accounts of the Ministry and is responsible for conducting internal audit of the units under this Ministry which inter-alia includes, Department of Education, Department of Culture, Department of Youth Affairs and Sports, Department of Women & Child Development, Ministry of Social Justice & Empowerment and attached subordinate offices/Autonomous Bodies under these Departments. Currently there are 189 units under the jurisdiction of Internal Audit wing including 27 units pertaining to the Department of Elementary Education and Literacy. Only 10 units had been inspected by this wing during 2001-04 as shown below:-

Table 8.16: Functioning of Internal Audit

Year	Total no. of units		Units actually inspected		Percentage of units inspected
	Regular audit	Special audit	Regular audit	Special audit	
2001-02	27	8	2	8	7.4
2002-03	27	12	3	12	11.11
2003-04	27	2	5	2	18.5

Note: Special audit includes the number of NGO's/PSU's/Autonomous Bodies which were audited on special request of the Ministry.

Thus, the position of internal audit of the Department of Education was not satisfactory with only 7.4 percent to 18.5 percent of the units being audited annually. Keeping in view the large amount of funds handled by the Department and its range of activities, there is an urgent need to establish/make the internal audit system effective for keeping a watch over the quantum, flow, regularity, propriety and economy of expenditure.

Grant No. 64- Ministry of Non-conventional Energy Sources

Introduction:

8.23 The Ministry of Non-conventional Energy Sources supports the implementation of a broad spectrum of programmes covering the entire range of new and renewable energies.

Overall position

8.24 The overall position of budget provisions, actual disbursements and unspent provisions under the voted portion of the grant for last three years is given in Table 8.17.

Table 8.17: Overall position

(Rupees in crore)

Year	Total Provision		Actual disbursement		Unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2001-02	420.13	195.86	307.51	195.85	112.62	0.01
2002-03	499.49	130.05	298.31	130.02	201.18	0.03
2003-04	505.13	125.04	299.29	82.04	205.84	43.00

Persistent Unspent Provision

8.25 There were persistent unspent provisions exceeding Rs 100.00 crore under Revenue Section during the last three years. The unspent provision increased from Rs 112.63 crore during 2001-02 to Rs 248.84 crore in 2003-04. Such large unspent provisions were pointed out in the Reports of the Comptroller and Auditor

General of India during earlier years also. However, no steps have been taken by the Ministry to arrest the trend.

Rush of expenditure

8.26 As per note 3 below Rule 69 of General Financial Rules, rush of expenditure particularly in the closing months of the financial year shall be regarded as a breach of financial regularity and should be avoided. Contrary to this, large disbursements were made in the last quarter of the financial year. A few instances are given below:

Table 8. 18: Rush of expenditure during last quarter

(Rupees in crore)

Year	Major Head	Disbursement		
		During the year	During last quarter	Percentage of expenditure during last quarter
2001-02	2501- Special Programmes for Rural Development	0.33	0.28	85
	2810- Non-conventional Sources of Energy	267.95	167.49	63
	3601- Grants-in-aid to State Governments	23.40	12.02	51
	4810- Capital outlay on Non-conventional Sources of Energy	27.15	13.53	50
2002-03	2501- Special Programmes for Rural Development	0.14	0.14	100
	2552- North Eastern Areas	45.52	36.50	80
	2810- Non-conventional Sources of Energy	223.66	155.22	69
	3601- Grants-in-aid to State Governments	14.14	13.68	97
	3602- Grants-in-aid to Union Territory Governments	5.14	3.97	77
	4810- Capital outlay on Non-conventional Sources of Energy	35.02	17.50	50
	6810- Loans for Non-conventional Sources of Energy	95.00	65.00	68
2003-04	2810- Non-conventional Sources of Energy	265.51	184.97	70
	3601- Grants-in-aid to State Governments	20.83	14.26	68
	3602- Grants-in-aid to Union Territory Governments	2.04	1.76	86.
	4810- Capital Outlay on Non-conventional Sources of Energy	40.04	20.00	50
	6810- Loans for Non-conventional Sources of Energy	42.00	42.00	100

Surrender of unspent provision

8.27 Rule 69 of the General Financial Rules provides that unspent provision in a grant or appropriation are to be surrendered to the Government as soon as these are foreseen without waiting for the end of the financial year. Unspent provision should not be held in reserve for any possible future excess. Test check revealed that contrary to this rule, the Ministry every year surrendered unspent provisions towards the end of the financial years. The details of amounts surrendered during 2001-04 are given below:

Table 8. 19: Surrender of unspent provision (voted)
(Rupees in crore)

Year	Unspent Provision		Amount Surrendered		
	Revenue	Capital	Revenue (Percentage)	Capital (Percentage)	Date of surrender
2001-02	112.62	0.01	104.05 (92)	-	31.3.2002
2002-03	201.18	0.03	186.90 (93)	-	31.3.2003
2003-04	205.84	43.00	194.61 (95)	43 (100)	31.3.2004

Excess expenditure over appropriation/re-appropriation

8.28 According to provisions of Annexure A to Note 3 below Rule 66 of General Financial Rules, it is an important part of the function of the Accounts Officer to see that no payment is made in excess of the budget allotment under any sub-head or primary unit of appropriation. In cases where the existing provision is not sufficient to cover the payment, Pay and Accounts Officer (PAO) can make payment only on receipt of an assurance in writing from the head of the department controlling the grant that necessary funds to accommodate the disbursements will be provided by issue of re-appropriation orders etc. Test check of head-wise appropriation accounts for the year 2003-04 revealed that in the following cases the PAO of the Ministry made payments in excess of the available provisions though the department did not issue any re-appropriation orders to accommodate the final excess expenditure over the available provisions. Non-enforcement of this internal control mechanism resulted in poor expenditure control. A few instance are given below:

Table 8.20 : Excess expenditure over appropriation/re-appropriation
(Rupees in crore)

Year	Sub-Head	Provision		
		Original/Re-appropriated	Actual expenditure	Final excess expenditure
2003-04	2810.01.103.04- National Bio-Energy Board	O 0.50 R (-)0.16	2.54	2.20
	2810.02.102.02- Demonstration and Technology	O 36.00 R (-)0.48	36.36	0.84
	2810.60.800.12- State Nodal Agencies	O 0.50 R 0.43	0.96	0.03

Injudicious re-appropriation of funds

8.29 According to Rule 72(2) of the General Financial Rules, re-appropriation of funds shall be made only when it is known that transferred funds will not be utilised in full or that savings can be effected in the appropriation for the said unit. Test-check of head-wise appropriation accounts for the year 2003-04 revealed that re-appropriation to the following sub-heads was injudicious as the original provision under the sub-heads from which the funds were transferred by re-appropriation was not adequate. Consequently, the final excess under the sub-heads were more than the amount re-appropriated from these heads. Few instances are given below:

Table 8.21: Injudicious re-appropriation
(Rupees in crore)

Year	Sub-Head	Original(O) Re-appropriation (R)	Actual Expenditure	Excess
2003-04	2810.01.103.04- National Bio-Energy Board	O 0.50 R (-) 0.16	2.54	2.20
-do-	2810.02.102.02- Demonstration and Technology	O 36.00 R (-) 0.48	36.36	0.84

Unrealistic Budgeting

8.30 Rule 53 of the General Financial Rules provides that the ministries/ departments should prepare their estimates keeping in view the trends of disbursements during the previous years and the economy instructions issued by the Ministry of Finance from time to time. Scrutiny of head-wise Appropriation Accounts for the years 2001-2004 revealed that under the following sub-heads the entire provision remained unutilised.

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Table 8.22: Unrealistic budgeting

(Rupees in crore)

Year	Sub-Head	Original Provision	Unspent provision
2001-02	2810.02.102.04- Solar Thermal Power Generation	20.00	20.00
	2810.02.102.09- GEF grant for ISCC Project	92.00	92.00
	2810.03.004.01- Assistance to Wind Power Generation Programme	0.25	0.25
2002-03	2810.02.102.09- GEF grant for ISCC Project	50.00	50.00
	2810.03.004.01- Assistance to Wind Power Generation Programme	0.75	0.75
	2810.60.800.19- Technology Commercialisation Fund	3.00	3.00
	2810.60.800.22- National Project on Clean Energy Service for Rural Areas	0.92	0.92
	3601.03.218.01- Small Hydro Power Programme	2.00	2.00
	3601.04.220.01- National Project on Clean Energy services for rural areas	0.40	0.40
2003-04	2810.02.102.04-Solar Thermal Power Generation	5.00	5.00
	2810.02.102.09-GEF grant for ISCC Project	90.00	90.00
	2810.60.600.07-Geo-Thermal Energy	2.00	2.00
	2810.60.600.08- Ocean Energy	3.00	3.00

Persistent unspent provision

8.31 Persistent savings in the grant as shown in the table are indicative of deficient budgeting or shortfall in performance.

Table 8.23: Persistent unspent provision

(Rupees in crore)

Sl. No	Sub-Head	2001-02		2002-03		2003-04	
		Provision	Unspent provision (percentage)	Provision	Unspent provision (Percentage)	Provision	Unspent provision (Percentage)
1.	2810.02.102.04- Solar Thermal Power Generation	20.00	20.00 (100)	10.00	9.98 (100)	5.00	5.00 (100)
2.	2810.02.102.09- GEF grant for ISCC Project	92.00	92.00 (100)	50.00	50.00 (100)	90.00	90.00 (100)
3.	2810.03.004.01- Assistance to Wind Power Generation Programme	0.25	0.25 (100)	0.75	0.75 (100)	0.50	0.25 (50)
4.	2810.60.600.07- Geo Thermal Energy	1.50	1.34 (89)	2.00	1.30 (65)	2.00	2.00 (100)
5.	2810.60.600.08- Ocean Energy	0.50	0.48 (96)	4.00	3.90 (98)	3.00	3.00 (100)
6.	2810.60.798.04- Marketing Development and Export Promotion Assistance	1.00	0.99 (99)	1.50	1.49 (99)	0.25	0.25 (100)
7.	3601.04.216.01- Solar Thermal Energy Programme	0.05	0.05 (100)	0.03	0.03 (100)	0.03	0.03 (100)
8.	3602.04.215.01- Solar Thermal Energy Programme	0.05	0.05 (100)	0.02	0.02 (100)	0.02	0.02 (100)

Deficient internal audit system

8.32 Pay and Accounts Office of the Ministry of Non-conventional Energy Sources is not conducting the internal audit of the Ministry. The formulation of budget appropriation and re-appropriation of funds etc. was not thus examined by internal audit which resulted in a large number of persistent irregularities.

Grant No. 98 - Department of Urban Development

(Ministry of Urban Development and Poverty Alleviation)

Introduction

8.33 The Ministry of Urban Development and Poverty Alleviation comprises two Departments namely (i) Department of Urban Development and (ii) Department of Urban Employment & Poverty Alleviation.

The Department of Urban Development is entrusted with the formulation of broad policy and monitoring of programmes in the areas of urban development, urban water supply and sanitation, besides planning and coordination of urban transport matters. The Department is also responsible for construction and maintenance of Central Government buildings, including residential accommodation.

Overall position

8.34 The overall position of budget provisions, actual disbursements and unspent provisions under the voted and charged portion of the grant for the last three years is as under:-

Table 8.24: Overall position

(Rupees in crore)

Year	Total provision		Actual disbursement		Unspent Provision/Excess expenditure	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2001-02	661.40	1359.29	623.91	1361.90	(-) 37.49	(+) 2.61
2002-03	785.80	1886.28	691.88	1829.22	(-) 93.92	(-) 57.06
2003-04	795.60	2241.48	775.60	2126.10	(-) 20.00	(-) 115.38

There were persistent unspent provisions under both revenue and capital sections of the grant for the past three years. Audit examination revealed that on several activities expenditure could not be incurred as estimated. This suggests not only poor budgeting but also shortfall in performance and deficiencies in implementation of various schemes

Necessary steps need to be taken to make the budgetary exercise more realistic minimising large scale variations between the estimates and actuals with a view to gainfully utilise the scarce resources for meeting the urgent demands of other sectors.

A few sub-heads under which the entire provisions remained unutilised and also exceeded Rupees two crore during the years 2001-2004 are given in **Appendix VIII-F**.

Persistent savings

8.35 According to Rule 63 of the General Financial Rules, ministries/ departments are required to prepare their estimates, keeping in view the trends of disbursements during the previous years and other relevant factors like economy instructions issued by the Ministry of Finance. Scrutiny of the Appropriation Accounts for the period 2001-04 revealed that there was persistent under-utilisation of provisions under some heads whereas under other heads there was excess expenditure during these years, which indicated unrealistic budgeting, deficient financial management and slackness in implementing the schemes. Details of some sub-heads are given below:

Table 8.25: Persistent unspent provision during the last three years
(Rupees in crore)

Sl. No.	Sub-head	2001-02	2002-03	2003-04
1.	2215.02.191.03- Pilot Project on Solid Waste Disposal near Airport in selected Cities	5.00 *(100)	5.00 (100)	4.01 (80)
2.	2552.00.800.14- North Eastern Areas – provision for the Projects/ Schemes for the benefit of North Eastern Region and Sikkim	37.67 (91)	--	--
3.	4216.01.700.11- Capital Outlay on Housing – Medical and Public Health	--	7.66 (87)	5.58 (65)
4.	4216.01.700.34- Employment	--	4.51 (81)	4.00 (67)

* (Percentage)

Schemes affected by unspent provision

8.36 Some of the important schemes affected by provisions remaining unspent are discussed in the succeeding paras.

(i) Pilot Project on Solid Waste Disposal near Airport in selected Cities

Bird hits are among the major causes of air crashes in our country leading to the loss of defence aircraft and invaluable lives. An inter-ministerial Joint Sub-Committee constituted by the Ministry of Defence recommended providing of proper sanitation facilities, including solid waste management and drainage to overcome the bird menace in the selected 10 airfields of Indian Air Force. The budget provision, actual disbursement and unspent provision during 2001-04 for the above scheme were as under:

Table 8.26: Unspent provision

(Rupees in crore)

Year	Sanctioned Provision	Actual Disbursement	Unspent Provision
2001-02	5.00	Nil	5.00
2002-03	5.00	Nil	5.00
2003-04	5.00	0.99	4.01

The Ministry attributed the unspent provisions to non-receipt of approval, feasibility report, ceiling imposed and less requirement of funds. This was indicative of provisions being made without taking into consideration factors like stages of finalisation of schemes, time required in obtaining sanction from competent authorities and other problems in implementation of scheme etc.

(ii) Low Cost Sanitation Scheme for Liberation of Scavengers

The centrally sponsored scheme of Urban Low Cost Sanitation for Liberation of the Scavengers started from 1980-81 initially through the Ministry of Home Affairs and later on through the Ministry of Social Justice and Empowerment. From 1989-90, it came to be operated through the Ministry of Urban Development and Poverty Alleviation. The main objective of the scheme was to convert the existing dry latrines into low cost pour flush latrines and to provide alternative employment to the liberated scavengers. Analysis of the budget provision and actual disbursement revealed that increasingly large proportions of the allocations remained unspent during 2001-03 as detailed below:

Table 8.27 : Unspent provision

(Rupees in crore)

Year	Sanctioned Provision	Actual Disbursement	Unspent Provision (Percentage)
2001-02	39.80	10.00	29.80 (75)
2002-03	29.80	4.80	25.00 (84)

Utilisation of only 16 to 25 *per cent* the targeted outlay of the scheme indicated lax implementation leading to non-achievement of the aims and objectives of this scheme.

Excess expenditure over appropriation/ re-appropriation

8.37 In accordance with the provisions contained in Annexure-A to Note 3 under Rule 66 of General Financial Rules, it is an important function of the Accounts Offices to ensure that no payment is made in excess of the budget allotment under any sub head or primary unit of appropriation. In cases where the existing provision is not sufficient to cover the payment, Pay and Accounts Office (PAO) can make payment only on receipt of an assurance in writing from the head

of department controlling the grant that necessary funds to accommodate the disbursement would be provided by issue of re appropriation orders etc. Test check of head-wise appropriation accounts during the years 2001-04 disclosed that in the following cases the PAO had made payments in excess of sanctioned provision though the department did not issue any reappropriation order to accommodate the final excess expenditure over the sanctioned provision, indicating ineffective expenditure control by the PAO.

Table 8.28: Excess Expenditure over appropriation/re-appropriation

(Rupees in lakh)

Sl. No.	Major Head and Sub-head	Original (O) Supplementary (S) Re-appropriation (R)	Actual Expenditure	Excess (+)
2002-03				
1.	4216.01.700.32- Capital Outlay on Housing-Survey of India	O 100.00 S 1.00 R (-) 63.00	60.54	22.54
2003-04				
1.	2215.01.004.01- Pilot Project for feasibility Study and evaluation system	O 25.00 R (-) 20.50	7.50	3.00
2.	2216.01.700.02- Construction	O 25.00 R (-) 17.50	10.21	2.71

Surrender of unspent provision

8.38 Surrender is a budgetary device by which the portion of grant or appropriation not utilised by the spending department is communicated to the Ministry of Finance and accepted by the latter, for being reallocated to any other sector. Rule 69 of the General Financial Rules provides that unspent provisions in a grant or appropriation are to be surrendered to the Government as soon as these are foreseen without waiting for the end of the financial year. Unspent provision should also not be held in reserve for any possible future excess. Test check revealed that contrary to the rule, the Ministry surrendered unspent provisions every year towards the end of the financial year despite approval of the Revised Estimates in the month of January. The details of amounts surrendered during 2001-04 are given in the following Table.

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Table 8.29 : Surrender of unspent provision

(Rupees in crore)

Year	Date of approval of Revised Estimates	Date of surrender	Amount surrendered
2001-02	9.1.2002	31.3.2002	44.90
2002-03	Not given	31.3.2003	117.18
2003-04	31.12.2003	31.3.2004	105.98
		31.3.2004	1.37
		31.3.2004	0.94

Unrealistic Budgeting

8.39 Rule 53 of the General Financial Rules provides that Ministries/ Departments should prepare their estimates keeping in view the trends of disbursements during the previous years and other relevant factors like the economy instructions issued by the Ministry of Finance etc. Scrutiny of the Appropriation Accounts for 2001-04 revealed that under the following sub-heads the entire provision remained unutilised which was re-appropriated to other heads.

Table 8.30: Unrealistic budgeting

(Rupees in crore)

Sl. No.	Sub-head	Total Provision/ Re-appropriation	Reasons advanced by the Ministry
2001-02			
1.	2215.02.191.03- Pilot Project on Solid Waste Disposal near Airport in Selected Cities	5.00	Non-receipt of approval from Expenditure Finance Committee and Cabinet Committee on Economic Affairs
2.	2217.05.800.11- Rejuvenation of culturally significant cities	1.00	Non-requirement of funds
3.	4216.01.700.33- Capital Outlay on Housing-Non Conventional Energy Sources	0.50	Reasons not given.
4.	7601.04.312.01- Loans and advances for implementation of Integrated Development of Small & Medium Town Scheme	1.00	Non-receipt of proposal for grant of loan from the ongoing towns

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Sl. No.	Sub-head	Total Provision/ Re-appropriation	Reasons advanced by the Ministry
2002-03			
5.	2215.01.800.01- Water Supply and Sanitation- Monitoring and Management Information System	0.50	Reasons not given
6.	2215.02.191.03- Pilot Project on Solid Waste Disposal near Airport in Selected Cities	5.00	Ceilings imposed by M/o Finance and Company Affairs at RE stage and less requirement of funds
7.	2217.05.800.11- Rejuvenation of Culturally Significant cities	1.00	-do-
8.	2217.05.800.12- Urban Information System	0.50	-do-
9.	2217.05.800.13- Pooled Finance Development Fund	0.50	-do-
10.	2217.05.800.14- City Challenge Fund	0.50	-do-
11.	2552.00.800.14- Provision for the projects schemes for the benefit of North Eastern Region and Sikkim	1.00	Non-receipt of proposal from State Governments
12.	4216.01.700.33- Capital Outlay on Housing-Non Conventional Energy Sources	0.50	-do-
13.	7601.04.312.01- Loans and advance for implementation of Integrated Development of Small and Medium Town Scheme	1.00	Ceilings imposed by M/o Finance and Company Affairs at RE stage.
2003-04			
14.	2217.05.800.13- Urban Development-Pooled Finance Development Fund	0.50	Reasons not given
15.	2217.05.800.14- City Challenge Fund	0.50	-do-
16.	2552.00.800.14- Provision for the project for the benefit of North Eastern Region and Sikkim	1.00	Non-requirement of funds
17.	7601.04.312.01- Loans and advance for implementation of Integrated Development of Small and Medium Town Scheme	1.00	For meeting the requirement in the revenue section of the grant.

Unnecessary supplementary grant

8.40 In some cases supplementary provisions had been obtained in anticipation of higher expenditure, but the final expenditure was less than even the original provision. The entire amount of supplementary provision was, thus, unnecessary. A few such cases are shown below:

Table 8.31: Unspent provision more than supplementary provision

(Rupees in lakh)

Sl. No.	Head/Sub-head	Original Provision	Supplementary Provision	Actual Disbursement	Unspent Provision
2001-02					
1.	2052.00.090.28: Secretariat General Service-Secretariat-Urban Development	1583.00	1.00	1537.07	46.93
2.	Total Major Head '4216' : Capital Outlay on Housing (Charged)	417.00	60.00	365.72	111.28
2002-03					
3.	4216.01.106.03: Urban Development - Construction	8900.00	1.00	8651.35	249.65
4.	4216.01.700.32 Survey of India	100.00	1.00	60.54	40.46
2003-04					
5	4216.01.106.03: Urban Development-Construction	9200.00	2.00	8467.98	734.02

The unnecessary supplementary grant resulting in savings of Rs. 734.02 lakh at (Sl. no. 5) was attributed by the Department to less requirement of funds and slow progress of work. The reply is not tenable as the requirement of funds should have been assessed realistically considering the progress of work at the time of obtaining supplementary grant.

Injudicious re-appropriation of funds

8.41 Re-appropriation of funds to the following sub-heads was injudicious as the original provision under the sub-heads was more than adequate. Consequently, the final savings under the sub-heads were more than the amount re-appropriated to these heads.

Table 8.32: Injudicious re-appropriation of funds

(Rupees in lakh)

Subheads		Provision	Actual Expenditure	Saving
2001-02				
2216.01.700.05	Housing: Govt. Residential Buildings: Other Housing: Machinery and Equipment (Charged)	O 18.00 R 0.50	17.60	0.90
2002-03				
4216.01.700.07	Capital Outlay on Housing: Govt. Residential Buildings: Other Housing: Home Affairs	O 200.00 R 160.00	197.54	162.46

Rush of expenditure

8.42 Rush of disbursements, particularly in the closing month of the financial year, is to be regarded as a breach of financial regularity and should be avoided. Contrary to this, expenditure incurred during the month of March in past three years under the major heads as shown in table below ranged between 28 per cent and 100 per cent of the total expenditure.

Table 8.33: Rush of expenditure

(Rupees in crore)

Major Head			Total Expenditure	Expenditure in March (Percentage)
2001-02				
1.	2217	Urban Development	16.16	6.92 (43)
2.	2552	North Eastern Areas	3.58	3.58 (100)
3.	3601	Grants-in-aid to State Governments	191.71	73.25 (38)
4.	4216	Capital Outlay on Housing	193.77	66.84 (34)
5.	4552	Capital Outlay on North Eastern Areas	78.91	39.54 (50)
2002-03				
1.	2215	Water Supply and Sanitation	127.81	52.69 (41)

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Major Head			Total Expenditure	Expenditure in March (Percentage)
2.	2217	Urban Development	13.45	5.77 (43)
3.	4216	Capital Outlay on Housing	151.21	50.69 (34)
2003-04				
1.	3601	Grants-in-aid to State Governments	304.38	122.36 (40)
2.	4216	Capital outlay on Housing	144.87	41.90 (29)

Chapter 9

MANAGING GOVERNMENT FINANCES: A GENERAL EVALUATION

Summary Indicators of Fiscal Performance

9.1 This chapter presents a summarised position of government finances over 1985-2004, with reference to certain key indicators that help in assessing the adequacy and effectiveness of available resources, highlighting the areas of concern, and capturing important facets of government finances. Fiscal parameters of the Union Government have broadly been grouped under four major components and for each component sets of indicators have been conceived to assess the fiscal developments over time. The four major components are resource mobilisation; expenditure management; management of fiscal imbalances and management of fiscal liabilities.

Resource Mobilisation

9.2 Eight indicators are included under this major component to capture the adequacy of resources, growth of these resources and returns on past investments, financial intermediation and capital expenditure incurred to date. The revenue receipt -GDP ratio indicates the adequacy of the present flow of resources for the provision of current services. Revenue receipts comprise both tax and non-tax receipts as well as recovery of user charges for social and economic services provided by the government. The second indicator of adequacy of resources is the tax-GDP ratio, a sub-set of the revenue receipts. This ratio indicates the government's access to such resources for which there is no direct service provision obligation. Revenue and tax buoyancy indicate the pace of resource mobilisation efforts. The other four are indicators of return on past investment and recovery of user charges. Table 9.1 summarises the movement in value of these indicators over 1985-2004, the VIII and IX Plans (1992-1997 and 1997-2002) and the two most recent years.

Table 9.1: Indicators of Resource Mobilisation

	1985-2004	VIII Plan (1992-1997)	IX Plan (1997-2002)	2002-03	2003-04
Revenue Receipt/GDP	12.59	12.71	12.40	12.14	12.23
Tax Receipt/GDP	9.12	9.32	8.68	8.76	9.17
Revenue Buoyancy	0.93*	0.94	0.78	1.59	1.07
Tax Buoyancy	0.90*	0.96	0.86	1.90	1.44
Return on Advances	12.84 [#]	11.23	14.15	15.11	15.91
Return on Investment	4.88 [#]	2.35	5.30	8.83	9.84
User Charges Recovery-Social Services	4.87 [#]	9.57	3.59	2.03	1.91
User Charges Recovery-Economic Services	53.48 [#]	57.22	55.80	43.07	45.27

* Revenue and Tax buoyancy coefficients are in ratios. [#] Pertains to 1987-2004

9.3 Compared to the values during the VIII Plan (1992-1997), the ratio of revenue receipt and tax collections to GDP was lower in 2003-04. Though there was an improvement in revenue and tax buoyancy in the last two years, this needs to be sustained. Buoyancy coefficients of both these variables were less than one during the VIII and IX Plan periods but acceleration in this was observed in the last two years. There appeared a positive improvement in return from investment and loans and advances, but recovery of user charges witnessed significant decline over the years. Resource mobilisation efforts, therefore, presented a somewhat mixed picture.

Management of Expenditure

9.4 In expenditure management, eleven indicators were identified to capture its growth and quality. Plan expenditure, capital expenditure and development expenditure are indicators of the quality of expenditure. The parameters of ratio of expenditure to GDP and buoyancy (with reference to revenue receipt) indicate relationship of expenditure with GDP and its responsiveness to changes in these parameters. Per capita expenditure on social and economic services indicates access provided for these services and their spread. Values of these parameters over the defined time frame are indicated in Table 9.2.

Table 9.2: Indicators of Expenditure Management

	1985-2004	VIII Plan (1992-1997)	IX Plan (1997-2002)	2002-03	2003-04
Total Expenditure/GDP	19.81	19.66	19.56	19.29	18.28
Revenue Expenditure/Total Expenditure	81.38	78.88	83.61	85.99	86.83
Plan Expenditure/Total Expenditure	23.02	23.68	20.99	23.40	24.13
Capital Expenditure/Total Expenditure	8.26	9.61	7.00	6.40	6.98
Development Expenditure/ * Total expenditure	41.35	42.24	40.40	39.96	40.10
Committed Expenditure/Revenue Expenditure	45.62	44.57	47.82	46.26	44.63
Committed Expenditure/Revenue Receipt	58.40	54.38	63.08	63.16	57.93
Per Capita Expenditure-Social services (1993-94 prices, Rupees)	85 [#]	68	105	121	129
Per Capita Expenditure- Economic Services (1993-94 prices, Rupees)	735 [#]	693	795	855	874
Buoyancy of Total Expenditure with Revenue Receipts (Ratio)	0.95	0.76	1.09	0.53	0.49
Buoyancy of Revenue Expenditure with Revenue Receipts (Ratio)	1.07	0.94	1.28	0.70	0.57

* Development expenditure is total expenditure on social and economic services. Total expenditure excludes loans and advances.

Pertains to 1987-2004

9.5 As in the case of parameters on resources mobilisation, movement of parameters relating to expenditure also presented a mixed picture. Capital expenditure witnessed a contraction over time, development expenditure declined, plan expenditure remained stable and revenue expenditure increased.

There was an increase in committed expenditure on salary, pensions and interest payments both relative to revenue receipt and revenue expenditure during the IX Plan, though in the current year a positive improvement was noticed. While there was a sharp deceleration in buoyancy of revenue expenditure and total expenditure relative to revenue receipt in 2002-03 and 2003-04, trend average for the IX Plan (1997-2002) showed deterioration compared to the average buoyancy during the VIII Plan (1992-1997). There was, however, an increase in the per capita expenditure on social and economic services at 1993-94 prices.

Management of Fiscal Imbalances

9.6 Five indicators were identified to capture management of fiscal imbalances. These included the ratio of revenue, fiscal and primary deficit to GDP, the ratio of revenue deficit to fiscal deficit and the balance from current revenue (BCR). Though deficits are essentially the outcomes of the government's policy with regard to its receipts and expenditure, they serve as useful proxies for fiscal health. The Fiscal Responsibility and Budget Management (FRBM) Act of 2003 has also mandated government to take appropriate steps to eliminate revenue deficit by 31 March 2008 and thereafter build adequate revenue surplus. The values of these parameters over the specified periods as mentioned above are indicated in Table 9.3.

Table 9.3: Indicators of Management of Fiscal Imbalances

	1985-2004	VIII Plan (1992-1997)	IX Plan (1997-2002)	2002-03	2003-04
Revenue Deficit/GDP	3.53	2.80	3.95	4.44	3.64
Fiscal Deficit/GDP	5.90	6.04	6.25	5.45	2.92
Primary Deficit/GDP	1.40	1.77	1.49	0.41	-1.70
Revenue Deficit/Fiscal Deficit	59.77	46.26	63.26	81.56	124.77
Balance From Current Revenue (BCR) (Rupees in crore)	-11463	-2191	-28622	-38195	-22348

9.7 The ratios of deficits to GDP and the ratio of revenue deficit to the fiscal deficit indicate vulnerability of Union finances. Finances become vulnerable to the extent that fiscal deficit is not used for creating assets, as there is no addition to the repayment capacity and no asset back up for the liabilities incurred. This ratio increased from an average of 46.26 *per cent* during the VIII Plan (1992-1997) to 124.77 *per cent* in 2003-04. It was for the first time that revenue deficit exceeded fiscal deficit. There was a moderate improvement in the ratio of fiscal deficit to GDP. A significant decline in fiscal deficit-GDP ratio in the current year needs to be seen in the context of a massive recovery of past loans and advances. A decline in this ratio through an increase in revenue receipt would indeed be more desirable. Complete elimination of revenue deficit as mandated by the FRBM Act 2003 may need greater efforts. For the first time in over 30 years, there was a primary

revenue balance equal to 1.7 *per cent* of GDP in the current year. Balance from current revenue indicates the non-plan revenue balances. If these are positive, there is to that extent, funding of plan expenditure from the current revenue. BCR turned negative in 1990-91 and continued to be so thereafter.

Management of Fiscal Liabilities

9.8 Sustainability of debt is the key issue in the assessment of government finances. The higher the debt to GDP ratio, larger is likely to be the cost at which the government is able to borrow. Average rate of interest, difference between the interest rate and GDP growth (referred to as Domar gap) and the ratio of assets (utilisation of borrowed funds) to fiscal liabilities are important indicators of debt management. Debt redemption inclusive of interest as percentage of borrowing also indicates the degree of autonomy in utilising available resources for current applications. The higher this ratio, the lower is the amount available from borrowings for application for current services. Values of the eight indicators of management of fiscal liabilities are indicated in Table 9.4 below.

Table 9.4: Indicators of Management of Fiscal Liabilities

	1985-2004	VIII Plan (1992-1997)	IX Plan (1997-2002)	2002-03	2003-04
Fiscal Liabilities/GDP	60.10	60.72	59.08	62.69	59.87
Average Interest Rate-Internal Liabilities	9.01	9.37	10.42	10.03	9.24
Average Interest Rate-Total Liabilities	7.85	7.91	9.06	8.90	8.28
Debt Repayment/Debt Receipt	95.01	93.10	94.70	97.87	105.33
Ratio of Assets to Liabilities	53.36	57.68	50.90	44.78	41.48
Fiscal Liabilities/Revenue Receipt	477	478	476	516	489
Domar Gap	6.29	8.63	1.37	-0.69	3.97
Buoyancy of Assets	0.72	0.83	0.70	0.40	

9.9 Trends in parameters relating to the management of fiscal liabilities also present a mixed picture. The debt- GDP ratio after getting consolidated during the IX Plan (1997-2002) witnessed a sharp increase in 2001-02 and 2002-03. However, the ratio got moderated in the current year due to a lower growth of fiscal liabilities relative to GDP. While the interest rate on fiscal liabilities increased during the IX Plan, a deceleration was observed in the recent years. However, due to a larger overhang of debt Government could not avail of the full benefits of moderation in the interest rate. The domar gap remained positive except during 2002-03. The ratio of assets to liabilities declined from an average of 57.68 during the VIII five year plan to 41.48 in 2003-04 indicating that around 60 *per cent* of the aggregate fiscal liabilities of the Union Government did not have any assets back up. Assets were also growing at a lower rate than the fiscal liabilities. In 2003-04 there was in fact a

decline in the Government assets. Overall buoyancy of assets during 1985-2004 was 0.72 indicating that for each one *per cent* increase in liabilities, assets had grown only at 0.72 *per cent*. Buoyancy of assets continued to decelerate over the years. There was a complete rollover of debt and debt redemption including the interest payments exceeded debt receipts in 2003-04.

9.10 As resources available for application for current services have depleted relative to GDP, it is critical that these are used with optimal efficiency. These inefficiencies result from the inability to use the resources in time, delaying projects and programme implementation rigidities like lapsing of funds and opacities in budget proposals. These and other issues pointed out elsewhere in this Report call for various measures of reform in government finances and accounts, including budgetary operations of the government.



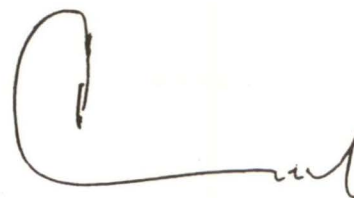
(Dr. A.K. BANERJEE)

Director General of Audit
Central Revenues

New Delhi

Dated 8 April 2005

Countersigned



(VIJAYENDRA N. KAUL)

Comptroller and Auditor General of India

New Delhi

Dated 13 April 2005



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APPENDIX-IA
(Refers to Paragraphs 1.19)
Adverse Balances

(Rupees in thousands)

Sl. No.	Head of Account (Major/Minor)	Balance (As on 31 March 2004)	Period from which balances became adverse
Statement No. 13			
1.	8121-00-108 Staff Benefit Fund (Railway Strategic Lines)	Dr. 307	2002-03
2.	8443-00-110- Deposits of Police Fund	Dr. 3254	1996-97
3.	8443-00-118- Deposits of fees received by Govt. servants for work done for private bodies	Dr. 7248	2001-02
4.	8448-00-104 Fund of Insurance Association of India	Dr. 2.91	Pre 1976-77
5.	8550-00-101- Forest Advances	Cr. 18282	1997-98
6.	8679-00-115 Accounts with Govt. of other countries	Dr. 27928	2002-03
Statement No. 14			
7.	6002-202 Loans from the Federal Austrian Government	(-) 1666408	1997-98
8.	6002-203 Loans from the Government of the Kingdom of Belgium	(-) 1748858	1996-97
9.	6002-204 Loans from the Government of Canada	(-) 16603591	1999-00
10.	6002-206 Loans from the Government of Demark	(-) 5077395	1999-00
11.	6002-207 Loans from the European Economic Community	(-) 154793	2001-02
12.	6002-208 Loans from the Govt. of France	(-) 8963943	2001-02
13.	6002-212 Loans from the Government of Italy	(-) 6321835	2001-02
14.	6002-216 Loans from the International Bank for Reconstruction & Development	(-) 43788197	2003-04
15.	6002-218 Loans from Kuwait Fund for Arab Economic Development	(-) 3223064	1994-95
16.	6002-220 Loans from the Government of Netherlands	(-) 33298223	1996-97
17.	6002-221 Loans from the Organisation of Petroleum Exporting Countries Special Fund	(-)38800	2003-04
18.	6002-223 Loans from the Government of Swiss confederation and Swiss Bank	(-) 632714	2001-02
19.	6002-224 Loans from Saudi Fund for Development	(-) 839126	1994-95
20.	6002-226 Loans from the Agency for International Development U.S.A.	(-) 37755327	1995-96
21.	6002-227 Loans from Government of USA under PL-480 Convertible Local Currency Credits	(-) 7342563	1995-96

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Sl. No.	Head of Account (Major/Minor)	Balance (As on 31 March 2004)	Period from which balances became adverse
22.	6002-228 Other miscellaneous Loans from the Government of U.S.A.	(-) 1239853	1998-99
23.	6002-230 Loans from the Government of Russian Federation	(-) 408774	1998-99
24.	6002-233 Loans from the Government of Sweden	(-) 5023733	2003-04
25.	6002-242 Loans from the Government of Australia	(-) 165145	2003-04
26.	6002-251 Loans from the Government of Spain	(-) 1296870	2002-03
Statement No. 15			
27.	6202-03-800 Other Loans	(-) 1876	1986-87
28.	6215-02-800 Other Loan	(-) 15012	2001-02
29.	6225-01-800 Other Loans	(-) 755	1994-95
30.	6245-01-101 Gratuitous Relief	(-) 805	1986-87
31.	6245-02-101 Gratuitous Relief	(-) 2157	1997-98
32.	6401-00-800 Other Loans	(-) 13357	1986-87
33.	6402-00-102 Soil Conservation	(-) 5251	1995-96
34.	6403-00-800 Other Loans	(-) 6428	1994-95
35.	6425-00-108 Loans to other co-operatives	(-) 762495	2003-04
36.	6515-00-102 Community Development	(-) 356	1986-87
37.	6515-00-103 Rural Works Programmes	(-) 1	1986-87
38.	6701-60-800 Other Loans	(-) 4	1988-89
39.	6851-00-102 Small Scale Industries	(-) 10568	2001-02
40.	6859-00-190 Loans to Public Sector and other undertaking	(-) 102292	2002-03
41.	6860-00-800 Other Loan	(-) 22	1994-95
42.	7052-02-101 Loans to S.D.F.C	(-) 1041786	2001-02
43.	7053-00-190 Loans to Public Sector and other undertaking	(-) 341587	2002-03
44.	7601-00-05 Loan for Special Plan Scheme (Jharkhand)	(-) 3	2001-02
45.	7601-01-102 Loans for Non-Plan Scheme (Uttaranchal)	(-) 301112	2003-04
Statement No. 16			
46.	8001-00-104 Cumulative Time Deposits	(-) 288135	1994-95
47.	8002-00-101 Post office certificates	(-) 6857146	1999-00
48.	8002-00-103 Treasury Saving Deposit Certificates	(-) 6962	Pre 1976-77
49.	8002-00-104 Defence Saving Certificates	(-) 137549	1988-89

APPENDIX-III-A
(Refers to Paragraph 3.7)
Total Expenditure of Union Government
(Rupees in crore)

Year	Revenue	Capital	Loans & Advances	Total
1985-86	49032	8900	13805	71737
1986-87	57911	10991	13431	82333
1987-88	65895	10523	13794	90212
1988-89	76415	11340	15205	102960
1989-90	90138	13399	17370	120907
1990-91	102964	13387	20708	137059
1991-92	116091	13911	18703	148705
1992-93	132794	20586	17619	170999
1993-94	152317	24650	21874	198841
1994-95	177699	19266	23898	220863
1995-96	198302	17544	24810	240656
1996-97	226372	15704	29035	271111
1997-98	277732	20225	35471	333428
1998-99	300456	25200	46594	372250
1999-00	343195	29023	27359	399577
2000-01	342647	25426	27761	395834
2001-02	375582	31295	38614	445491
2002-03	409591	30497	36222	476310
2003-04	440086	35401	31330	506817

APPENDIX-V-A
(Refers to Paragraph 5.3)
Total liability of the Union Government

(Rupees in crore)

Year	Internal Debt	External Debt		Public Account		Total Liability	
		At historical rate	At current rate	Small Savings, Provident Fund etc.	Reserve Fund & Deposits	At historical rate	At current rate
1976-77	14458	8611	*	7709	2830	33608	*
1977-78	18996	8985	*	9130	3062	40173	*
1978-79	19855	9373	*	10756	3499	43483	*
1979-80	24319	9964	*	12486	3445	50214	*
1980-81	30864	11298	*	13953	3633	59748	*
1981-82	35653	12328	*	16578	3626	68185	*
1982-83	46939	13682	*	19887	4364	84872	*
1983-84	50264	15120	*	23874	6003	95261	*
1984-85	58537	16636	*	29705	8563	113441	*
1985-86	71039	18153	*	36859	11433	137484	*
1986-87	86312	20299	*	44928	15006	166545	*
1987-88	98646	23223	*	54528	19165	195562	*
1988-89	114498	25746	*	68536	20991	229771	*
1989-90	133193	28343	*	87065	19592	268193	*
1990-91	154004	31525	*	107107	21922	314558	*
1991-92	172750	36948	109608	121500	23464	354662	427322
1992-93	199100	42269	120813	136802	23752	401923	480467
1993-94	245712	47345	127798	160355	24556	477968	558421
1994-95	266467	50928	142389	192222	28993	538610	630071
1995-96	307869	51249	148583	213435	33680	606233	703567
1996-97	344475	54239	149077	239042	37919	675675	770513
1997-98	388998	55332	161442	291867	42097	778294	884404
1998-99	459696	57254	177934	333261	41595	891806	1012486
1999-00	714254	58437	186075	172212	47508	992411	1120049
2000-01	803698	65945	190017	186592	58535	1114770	1238842
2001-02	913061	71546	199897	213449	73133	1271189	1399540
2002-03	1020689	59612	196068	251293	80126	1411720	1548176
2003-04	1141706	46125	184203	241349	92376	1521556	1659634

* Current rate of exchange is not available.

APPENDIX-V-B
(Refers to Paragraph 5.19)
Unutilised external assistance – Sector-wise

(Rupees in crore)

Sl. No.	Sector	Unutilised external assistance at current rate
1.	Power	16822.79
2.	Roads	14573.74
3.	Social	7190.02
4.	Urban Development	9077.41
5.	Water Resources Management	5270.73
6.	Agriculture and Rural Development	3874.39
7.	Environment and Forestry	1479.25
8.	Infrastructure sector (General)	1614.90
9.	Others	2115.43
10.	Railways	509.25
11.	Energy (Non-conventional)	832.67
12.	Structure adjustment/Fast disb.	447.00
13.	Health	429.99
14.	Industry and Finance	178.34
15.	Infrastructure sector (Telecom)	96.00
16.	Energy sector	8.06
17.	Fertilizer	0.63
18.	Coal	0.38
	Total	64520.99

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APPENDIX-VI-A
(Refers to Paragraph 6.4)
Authorisation and Disbursements

(Rupees in crore)

Nature of disbursements	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual disburse- ments	Unspent provision
A - Civil					
Voted					
I. Revenue	208340.36	15888.42	224228.78	208266.66	15962.12
II. Capital	19634.00	1862.50	21496.50	16584.44	4912.06
III. Loans and Advances	7085.76	1516.62	8602.38	6249.22	2353.16
Total	235060.12	19267.54	254327.66	231100.32	23227.34
Charged					
IV. Revenue	143833.47	4743.53	148577.00	143837.58	4739.42
V. Capital	35.74	4.32	40.06	25.96	14.10
VI. Public Debt	367078.53	21701.79	388780.32	430963.06	*(+)42182.74
VII. Loans and Advances	25762.72	1115.19	26877.91	25062.38	1815.53
Total	536710.46	27564.83	564275.29	599888.98	*(+)35613.69
Grand Total	771770.58	46832.37	818602.95	830989.30	*(+)12386.35
Recoveries in reduction of disbursements			12557.20	12868.21	
Total Net Provision			806045.75		
Total Net Disbursement				818121.09	
B - Posts					
Voted					
I. Revenue	5595.33	211.17	5806.50	5735.88	70.62
II. Capital	129.17	0.01	129.18	48.16	81.02
Total	5724.50	211.18	5935.68	5784.04	151.64
Charged					
III. Revenue	0.02	0.20	0.22	0.18	0.04
IV. Capital	-	0.23	0.23	0.20	0.03
Total	0.02	0.43	0.45	0.38	0.07
Grand Total	5724.52	211.61	5936.13	5784.42	151.71
Recoveries in reduction of disbursements			85.50	103.91	
Total Net Provision			5850.63		
Total Net Disbursement				5680.51	

*Excess

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(Rupees in crore)

Nature of disbursements	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual disbursements	Unspent provision
C - Defence Services					
Voted					
I. Revenue	46651.19	238.04	46889.23	45554.27	1334.96
II. Capital	20942.46	-	20942.46	16856.00	4086.46
Total	67593.65	238.04	67831.69	62410.27	5421.42
Charged					
III. Revenue	15.34	2.14	17.48	12.19	5.29
IV. Capital	10.30	-	10.30	6.61	3.69
Total	25.64	2.14	27.78	18.80	8.98
Grand Total	67619.29	240.18	67859.47	62429.07	5430.40
Recoveries in reduction of disbursements			312.39	276.41	
Total Net Provision			67547.08		
Total Net Disbursement				62152.66	
D - Railways					
Voted	75630.77	1519.66	77150.43	75676.23	1474.20
Charged	40.66	14.12	54.78	60.49	*(+) 5.71
Total	75671.43	1533.78	77205.21	75736.72	1468.49
Recoveries in reduction of disbursements			24045.93-	23911.20	
Total Net Provision			53159.28		
Total Net Disbursement				51825.52	
Total Voted	384009.04	21236.42	405245.46	374970.86	30274.60
CFI Charged	536776.78	27581.52	564358.30	599968.65	* (+) 35610.35
Grand Total CFI	920785.82	48817.94	969603.76	974939.51	* (+) 5335.75
Total recoveries in reduction of expenditure				37159.73	
Total CFI as per Finance Account				937779.78	

* Excess

Note: In demands for grants, provision for the charged disbursements is called appropriation and for voted disbursements, it is called grant.

CFI: Consolidated Fund of India

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APPENDIX-VI-B
(Refers to Paragraph 6.6)
Net Unspent Provision in Grants/Appropriations

(Rupees in crore)

Grants and Appropriations affected	Unspent provision		Excess		Net unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
A - Civil						
Voted	15966.10	7266.64	3.98	1.43	15962.12	7265.21
No. of grants	90	63	1	3		
Charged	4741.47	1829.63	2.05	42182.74	4739.42	(+)40353.11
No. of Appropriations	36	12	2	1		
B - Posts						
Voted	70.62	81.02	-	-	70.62	81.02
No. of grants	1	1	-	-		
Charged	0.04	0.03			0.04	0.03
No. of Appropriations	1	1				
C - Defence Services						
Voted	1372.46	4086.46	37.50	-	1334.96	4086.46
No. of grants	4	1	1	-		
Charged	5.29	3.69	-	-	5.29	3.69
No. of Appropriations	5	1				
D - Railways						
Voted	2057.13	582.08	753.29	411.72	1303.84	170.36
No. of grants	13	1	2	1	-	-
Charged	2.54	2.03	7.94	2.34	*(+) 5.40	*(+) 0.31
No. of Appropriations	5	1	6	1	-	-

* Excess

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**APPENDIX-VI-C
(Refers to Paragraph 6.7)
Proportion of Charged and Voted Disbursements under Civil Ministries**

(Rupees in crore)

Sl. No	Year	Authorisation			Disbursements			Percentage of	
		Voted	Charged	Total	Voted	Charged	Total	Voted	Charged
1.	1992-93	74367	141321	215688	68904	134672	203576	34	66
2.	1993-94	88069	203866	291935	82497	188621	271118	30	70
3.	1994-95	94380	254781	349161	87054	216958	304012	29	71
4.	1995-96	96720	282079	378799	90196	231831	322027	28	72
5.	1996-97	107583	313320	420903	96316	280355	376671	26	74
6.	1997-98	145613	486038	631651	132239	452232	584471	23	77
7.	1998-99	139083	504105	643188	139488	468679	608167	23	77
8.	1999-2000	157780	512075	669855	148642	453196	601838	25	75
9.	2000-01	173677	530530	704207	160753	405289	566042	28	72
10.	2001-02	218136	481679	699815	201574	473950	675524	30	70
11.	2002-03	230649	547152	777801	213833	504119	717952	30	70
12.	2003-04	254328	564275	818603	231100	599889	830989	28	72

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APPENDIX-VI-D
(Refers to Paragraph 6.10)

Rush of Expenditure during the month of March 2004

(Rupees in crore)

Sl. No.	Description of the Grant and Major Head	Total expdr under major head	Expdr in March	Percent-age of expdr in March to total expdr
1 – Department Agriculture and Co-operation				
1.	2401 – Crop Husbandry	1294.57	607.63	47
2.	2425 – Co-operation	42.36	17.51	41
3.	6425 –Loans for Co-operation	76.56	27.62	36
3 – Department of Animal Husbandry and Dairying				
4.	4405 – Capital Outlay on Fisheries	8.91	7.82	88
5 – Atomic Energy				
5.	4859-Capital Outlay on Telecommunication and Electronics Industries	7.00	2.00	29
6.	5401-Capital Outlay on Atomic Energy Research	252.50	72.05	29
6 – Nuclear Power Schemes				
7.	2801-Power	1261.09	504.17	40
8.	4801-Capital Outlay on Power Projects	1293.28	328.23	25
7 – Department of Chemicals & Petro Chemicals				
9.	2852 – Industries	42.45	17.87	42
10.	4857 – Capital Outlay on Chemicals & Petro Chemical Industries	1.50	1.50	100
11.	6856 – Loans for Petro Chemical Industries	0.87	0.37	43
8 – Department of Fertilizers				
12.	3475 – Other General Economic Services	520.98	520.98	100
13.	6855 – Loans for Fertiliser Industries	438.90	104.18	24
9 – Ministry of Civil Aviation				
14.	7053 – Loans for Civil Aviation	11.04	4.54	41
10 – Ministry of Coal				
15.	2230 – Labour and Employment	29.38	8.38	29
11 – Ministry of Mines				
16.	4853 – Capital Outlay on non-ferrous mining and Metallurgical Industries	114.10	94.09	82

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Sl. No.	Description of the Grant and Major Head	Total expdr under major head	Expdr in March	Percent-age of expdr in March to total expdr
12 – Ministry of Commerce				
17.	2407 – Plantations	416.64	253.91	61
18.	5453 – Capital Outlay on Foreign Trade and Export Promotion	349.84	167.12	48
13 – Department of Industrial Policy and Promotion				
19.	2852 – Industries	141.05	56.01	40
20.	2885 – Other Outlay on Industries and Minerals	106.53	43.57	41
21.	3475 – Other General Economic Services	29.76	8.25	28
22.	4059 – Capital Outlay on Public Works	19.99	12.48	62
16 – Department of Information Technology				
23.	2250-Other Social Services	0.27	0.11	41
24.	2852-Industries	286.62	113.21	40
25.	3453-Foreign Trade and Export Promotion	6.54	5.34	82
26.	4859-Capital Outlay on Telecommunications and Electronic Industries	9.83	3.58	36
27.	5475-Capital Outlay on Other General Economic Services	50.36	24.08	48
17 – Department of Consumer Affairs				
28.	5475 – Capital Outlay on Other General Economic Services	0.63	0.24	38
27 – Department of Development of North Eastern Region				
29.	2070-Other Administrative Services	4.43	1.06	24
30.	2885-Other Outlays on Industries	15.40	15.40	100
31.	3601-Grants-in-aid to State Governments	785.00	184.80	24
32.	7601-Loans and Advances to State Governments	87.22	21.62	25
28 – Ministry of Disinvestment				
33.	3451 – Secretariat Economic Services	47.42	12.08	25
29 – Ministry of Environment and Forests				
34.	2406-Forestry & Wildlife	358.04	105.96	30
35.	3435-Ecology and Environment	386.06	130.88	34

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Sl. No.	Description of the Grant and Major Head	Total expdr under major head	Expdr in March	Percent-age of expdr in March to total expdr
36.	4406-Capital Outlay on Forestry & Wildlife	7.48	3.10	41
37.	6406-Loans for Forestry & Wildlife	5.00	2.00	40
30 – Ministry of External Affairs				
38.	2061-External Affairs	1805.06	405.07	22
39.	2070-Other Administrative Services	22.15	16.45	74
40.	4059-Capital Outlay on Public Works	22.34	10.98	49
41.	4216-Capital Outlay on Housing	14.25	11.15	78
31 – Department of Economic Affairs				
42.	2075-Miscellaneous General Services	1.47	1.46	100
43.	3054-Roads and Bridges	866.00	866.00	100
44.	3475-Other General Economic Services	177.41	169.11	95
45.	3605-Technical and Economic Cooperation with other Countries	119.40	65.29	55
32 – Currency, Coinage and Stamps				
46.	2046-Currency, Coinage and Mint	586.47	190.28	32
47.	2047-Other Fiscal Services	244.74	83.36	34
48.	4047-Capital Outlay on Other Fiscal Services	17.25	4.07	24
35 – Transfers to State and Union Territory Governments				
49.	2075-Miscellaneous General Services	50.00	50.00	100
41 – Department of Revenue				
50.	4059-Capital Outlay on Public Works	43.00	43.00	100
42 – Direct Taxes				
51.	4059-Capital Outlay on Public Works	12.68	5.38	42
52.	4075-Capital Outlay on Miscellaneous General Services	1.63	0.90	55
43 – Indirect Taxes				
53.	4047-Capital Outlay on Other Fiscal Services	15.19	8.94	59
54.	4216-Capital Outlay on Housing	10.28	5.94	57

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Sl. No.	Description of the Grant and Major Head	Total expdr under major head	Expdr in March	Percent-age of expdr in March to total expdr
45 – Ministry of Food Processing Industries				
55.	2405 – Fisheries	13.70	8.70	64
56.	2408 – Food Storage and warehousing	47.55	18.64	39
46 – Department of Health				
57.	3601-Grants-in-aid to State Governments	278.29	131.44	47
58.	3602-Grants-in-aid to Union Territory Governments	2.47	1.34	54
59.	3606-Aid, Materials and Equipments	25.18	12.44	49
60.	4210-Capital Outlay on Medical and Public Health	241.78	84.54	35
47 – Department of Indian System of Medicine and Homoeopathy				
61.	3602-Grants –in-aid to Union Territory Governments	0.12	0.12	100
49 – Department of Heavy Industry				
62.	6860-Loans to Consumer Industries	25.88	19.66	76
50 – Department of Public Enterprise				
63.	2852-Industries	9.16	2.73	30
51 – Ministry of Home Affairs				
64.	2250-Other Social Services	1.28	0.91	71
65.	3601-Grants –in-aid to State Governments	85.43	47.30	55
66.	4059- Capital Outlay on Public Works	16.31	8.01	49
53 – Police				
67.	3601-Grants –in- aid to State Governments	1106.95	751.46	68
68.	4055-Capital Outlay on Police	1319.09	673.44	51
69.	7601-Loans and Advances to State Governments	24.48	13.98	57
54 – Other Expenditure of Ministry of Home Affairs				
70.	2070-Other Administrative Services	6.79	2.42	36
71.	2250-Other Social Services	0.58	0.52	90
72.	3053-Civil; Aviation	20.00	4.45	22
73.	3601 Grants –in-aid to State Governments	410.13	192.22	47

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Sl. No.	Description of the Grant and Major Head	Total expdr under major head	Expdr in March	Percent-age of expdr in March to total expdr
56 – Department of Elementary Education and Literacy				
74.	3602-Grants-in-aid to Union Territory Governments	4.23	1.87	44
58 - Department of Women and Child Development				
75.	2235-Social Security and Welfare	168.78	41.64	25
59 - Ministry of Information and Broadcasting				
76.	2205-Art and Culture	3.20	1.23	38
77.	4220-Capital Outlay on Information and Publicity	9.53	8.35	88
60 - Ministry of Labour				
78.	4250-Capital Outlay on Other Social Services	0.01	0.01	100
62 - Ministry of Law and Justice				
79.	2014-Administration of Justice	22.04	7.84	36
80.	2015-Election	449.55	147.14	33
81.	3601-Grants-in-aid to State Governments	89.37	46.50	52
82.	3602-Grants-in-aid to Union Territory Governments	5.92	2.92	49
67 - Ministry of Personnel, Public Grievances and Pension				
83.	7601-Loans & Advances to State Governments	9.00	4.50	50
68 – Ministry of Petroleum and Natural Gas				
84.	4802- Capital Outlay on Petroleum	319.36	319.36	100
69 - Ministry of Planning				
85.	3475-Other General Economic Services	12.22	3.10	25
70 - Ministry of Power				
86.	2801-Power	1435.44	451.01	31
76 - Ministry of Road Transport and Highways				
87.	3451 Sectt. Economic Services	35.19	5.89	17
88.	3054-Roads & Bridges	3952.28	3685.47	93
89.	3055-Road Transport	34.55	15.92	46
90.	3601-Grants-in-aid to State Governments	1434.73	369.99	26
91.	7075-Loans for Other Transport Services	289.78	174.94	60

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Sl. No.	Description of the Grant and Major Head	Total expdr under major head	Expdr in March	Percent-age of expdr in March to total expdr
78 - Department of Land Resources				
92.	2506-Land Reforms	0.25	0.25	100
80 - Department of Science and Technology				
93.	5425-Capital on Other Scientific and Environmental Research	15.61	8.97	57
94.	5455-Capital Outlay on Meteorology	39.43	19.30	49
82 - Department of Bio-Technology				
95.	3425-Other Scientific Research	257.59	63.66	25
83 - Ministry of Shipping				
96.	3051 - Ports & Light Houses	353.56	241.67	68
97.	2852-Industries	12.39	12.28	99
98.	3056- Inland water Transport	85.09	33.89	40
99.	5051 Capital Outlay on Ports and Light Houses	47.43	17.03	36
100.	5052 Capital Outlay on Shipping	3.62	1.79	49
101.	5075- Capital Outlay on Inland Water Transport Service	1.09	1.09	100
85 - Ministry of Social Justice and Empowerment				
102.	2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	57.45	25.51	44
103.	3601-Grants -in-aid to State Governments	811.45	312.45	39
104.	3602-Grants -in-aid to Union Territory Governments	4.42	1.40	32
105.	4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	89.62	86.26	96
86 - Department of Space				
106.	3402-Space Research	1372.70	356.84	26
87 - Ministry of Statistics and Programme Implementation				
107.	5475-Capital Outlay on Other General Economic Services	3.70	2.30	62

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Sl. No.	Description of the Grant and Major Head	Total expdr under major head	Expdr in March	Percent-age of expdr in March to total expdr
88 - Ministry of Steel				
108.	2852 Industries	1047.15	972.45	93
89 - Ministry of Textiles				
109.	3453 Foreign Trade and Export Promotion	0.61	0.20	33
110.	3601 Grant-in-aid to State Governments	118.73	70.63	59
111.	4851 Capital Outlay on Village and Small Industries	7.27	7.27	100
90 - Department of Culture				
112.	2205-Art and Culture	521.84	127.53	24
113.	2251-Secretariat Social Services	13.87	3.52	25
114.	3601-Grants-in-aid to State Governments	2.26	1.41	62
91 - Department of Tourism				
115.	3452 -Tourism	165.15	49.60	30
116.	5452 -Capital Outlay on Tourism	223.31	88.29	40
92 - Ministry of Tribal Affairs				
117.	4225-Capital Outlay on Welfare of Schedules Castes, Scheduled Tribes and Other Backward Classes	17.29	15.42	89
93 - Andaman & Nicobar Island				
118.	2203-Technical Education	6.86	2.83	41
119.	2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	2.10	1.13	54
120.	3052-Shipping	140.80	47.66	34
121.	4055-Capital Outlay on Police	6.29	1.67	27
122.	4059-Capital Outlay on Public Works	10.61	6.20	58
123.	4405-Capital Outlay on Fisheries	1.63	1.29	79
124.	4408-Capital Outlay on Food Storage and Warehousing	1.05	0.53	50
125.	4711-Capital Outlay on Flood Control Project	4.01	1.30	32

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Sl. No.	Description of the Grant and Major Head	Total expdr under major head	Expdr in March	Percent-age of expdr in March to total expdr
126.	4801-Capital Outlay on Power Projects	5.74	5.03	88
127.	5052-Capital Outlay on Shipping	60.00	15.72	26
128.	5053-Capital Outlay Civil Aviation	12.76	6.20	49
99 - Public Works				
129.	4059-Capital Outlay on Public Works	144.21	52.27	36
130.	4885 Capital Outlay on Industries and Minerals	3.93	1.51	38
131.	5052-Capital Outlay on Shipping	6.26	2.10	34
132.	5455 Capital Outlay on Meteorology	7.04	3.16	45
101 - Department of Urban Employment and Poverty Alleviation				
133.	2052 -Secretariat General Services	2.73	1.18	43
134.	2215 Water Supply & Sanitation	24.27	24.27	100
135.	3475 - Other General Economic Services	4.01	3.04	76
136.	3602 Grants- in- aid to Union Territory Governments	1.91	1.53	80
102 - Ministry of Water Resources				
137.	2705 - Command Area Development	2.57	2.07	81
138.	2711 -Flood Control and Drainage	101.09	21.93	22
139.	3601 - Grants-in-aid to State Governments	161.04	145.47	90
140.	4702 - Capital Outlay on Minor Irrigation	2.89	2.64	91
141.	4711- Capital Outlay on Flood Control Projects	1.78	1.61	90
103 - Department of Youth Affairs and Sports				
142.	2204-Sports and Youth Services	297.16	142.20	48
25 - Defence Services - Research and Development				
143.	2080-Defence Services- Research & Development	2710.91	640.77	24
26-Capital Outlay on Defence Services				
144.	4076-Capital Outlay on Defence Services	16862.61	5916.06	35

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APPENDIX-VII-A
(Refers to Paragraph 7.3)

Statement showing cases of expenditure without adequate re-appropriation of fund (excess of Rupees two crore and more)

<i>(Rupees in crore)</i>				
Sl. No.	Sub-head	Provision	Actual expenditure	Final excess expenditure
Civil				
12-Department of Commerce				
1.	Trade Representation - Trade Commissioners	O R	65.59 2.66	70.90 2.65
30-Ministry of External Affairs				
2.	Ministry of External Affairs	O R	128.92 R(-)22.32	109.43 2.83
3.	Special Delegations	O R	3.95 11.25	18.97 3.77
4.	Aid to Bhutan	O R	644.00 52.00	701.34 5.34
5.	ITEC Programme	O R	30.50 10.39	45.13 4.24
6.	External Affairs	O R	35.00 R(-)24.00	14.25 3.25
31-Department of Economic Affairs				
7.	Payment to Railways	O S R	1213.43 0.01 14.66	1327.81 99.71
34-Interest Payments				
8.	Interest on Market Loans	O S R	66558.00 650.22 1438.78	68764.56 117.56
9.	Discount on Treasury Bills- 91 Days Treasury Bills	O R	310.00 103.00	417.46 4.46
10.	Interest on Gold Bonds, 1998		--	17.03 17.03
11.	14 Days Treasury Bills	O R	160.00 30.00	208.69 18.69
12.	Compensation and Other Bonds	O R	2611.89 420.56	3417.67 385.23
13.	Bonds against Iraq Exports	O	17.91	42.44 24.53
14.	Interest on Loans from the IBRD	O R(-)	676.48 121.93	570.36 15.81
15.	Interest on Loans from Asian Development Bank	O R(-)	355.90 97.29	283.18 24.58
16.	Other State Provident Funds	O R	977.46 4.52	996.68 14.70
17.	State Railway Provident Fund	O R	737.94 (-)3.23	745.68 10.97

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(Rupees in crore)

Sl. No.	Sub-head		Provision	Actual expenditure	Final excess expenditure
18.	Special Securities issued to Nationalised Banks	O R	1887.00 33.63	1931.87	11.24
19.	Bonus for undisbursed Pay of India Ranks	O R	50.03 13.37	66.41	3.01
20.	Interest on Deposits Scheme for Retiring Government employees	O R	80.00 5.00	97.08	12.08
21.	Railway Depreciation Reserve Fund	O R	66.81 66.15	150.28	17.32
22.	Badarpur Thermal Power Station Depreciation Reserve Fund	O R	97.43 (-) 8.47	91.95	2.99
23.	Interest on Railway Development Fund	O R	0.04 6.83	18.99	12.12
24.	Railway Pension Fund	O R	49.31 24.59	82.42	8.52
25.	Deposits of Public Sector Undertakings	O R	185.00 100.00	318.28	33.28
35-Transfer to State and Union Territory Governments					
26.	Assistance to States from National Calamity Contingency Fund for Calamity of severe nature		--	1587.42	1587.42
27.	Special Non Plan Assistance		--	2.00	2.00
37-Repayment of Debt					
28.	Ways and Means Advances	O R	160000.00 R(-)106463.00	96615.00	43078.00
29.	14 Days Treasury Bills	O R	110922.00 22790.00	143155.35	9443.35
30.	9% Relief Bonds 1999	O R	554.88 (-)32.19	532.76	10.07
42-Direct Taxes					
31.	Charges transferred from Income Tax	O	117.69	129.20	11.51
32.	Charges Transferred from Income Tax	O	78.02	85.65	7.63
46-Department of Health					
33.	Grants to National Institute of Mental Health and Neuro-Science, Bangalore	O R	38.50 6.00	46.70	2.20
59-Ministry of Information Broadcasting					
34.	Ministry of Information and Broadcasting	O R	15.22 (-)0.10	18.92	3.80
60-Ministry of Labour					
35.	Education	O R	34.72 (-)0.42	39.06	4.76

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					<i>(Rupees in crore)</i>
Sl. No.	Sub-head		Provision	Actual expenditure	Final excess expenditure
68-Ministry of Petroleum & Natural Gas					
36.	Freight Subsidy on Retail products for far flung Areas	O	246.00	58.74	8.32
		R	(-) 195.59		
76-Ministry of Road Transport and Highways					
37.	Maintenance by Roads Wing	O	689.54	714.63	20.84
		S	4.25		
38.	Road Maintenance	O	51.82	63.04	4.46
		R	6.76		
39.	Road Works Under BRDB	O	373.66	411.22	26.89
		R	10.67		
40.	Road Works under BRDB	O	17.50	24.50	2.00
		R	5.00		
41.	Works Under BRDB	O	356.40	510.67	20.69
		S	0.01		
		R	133.57		
81-Department of Scientific and Industrial Research					
42.	Administration	O	166.00	185.00	20.00
		R	(-)1.00		
43.	Research Schemes Scholarship and Fellowships	O	57.00	68.00	13.00
		R	(-) 2.00		
44.	Intellectual Property and Technology Management	O	17.00	20.00	3.00
Defence					
21-Defence Services Army					
45.	Pay and Allowances of Army	O	11553.35	11578.05	163.96
		R	(-) 139.26		
46.	Transportation	O	983.25	1220.55	55.27
		R	182.03		
47.	Works	O	2285.19	2545.91	10.84
		R	249.88		
48.	Rashtriya Rifles	O	1122.13	1113.78	91.65
		R	(-) 100.00		
22-Defence Services Navy					
49.	Pay and Allowances of Navy	O	789.99	762.64	7.53
		R	(-) 34.88		
24-Defence Ordnance Factories					
50.	901 to 904 - Deduct Recoveries for Supplies to Army, Navy and Air force etc.	O	(-) 6050.30	(-)5698.15	104.27
		S	238.04		
		R	9.84		
25-Defence Services - Research & Development					
51.	Works	O	183.24	185.77	5.16
		R	(-) 2.63		

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<i>(Rupees in crore)</i>					
Sl. No.	Sub-head	Provision	Actual expenditure	Final excess expenditure	
26-Capital Outlay on Defence Services					
01-Army					
52.	Heavy and Medium Vehicles	O	114.72	361.68	37.25
		R	209.71		
53.	Other Equipments	O	3973.11	3431.42	84.84
		R	(-) 626.53		
54.	Construction Works	O	1214.83	935.85	25.67
		R	(-) 304.65		
03-Airforce					
55.	Other Equipments	O	1069.80	1092.06	13.20
		R	9.06		

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APPENDIX-VII-B
(Refers to Paragraph 7.4)

Details of unspent provision exceeding Rs 100 crore under a grant/appropriation

(Rupees in crore)

Sl. No.	Grant No. and Controlling Ministry	Amount of unspent provision
Civil		
Revenue -Voted		
1.	1-Department of Agriculture and Co-operation	161.94
2.	6-Nuclear Power Schemes	205.49
3.	8-Department of Fertilizer	1581.23
4.	10-Ministry of Coal	208.24
5.	11-Ministry of Mines	262.60
6.	12-Department of Commerce	360.29
7.	18-Department of Food and Public Distribution	2732.76
8.	29-Ministry of Environment and Forests	117.67
9.	31-Department of Economic Affairs	2083.74
10.	33-Payments to Financial Institutions	1165.64
11.	35-Transfer to State and Union Territory Governments	415.58
12.	39-Pension	104.73
13.	42-Direct Taxes	160.56
14.	48-Department of Family Welfare	791.31
15.	57-Department of Secondary Education and Higher Education	216.28
16.	58-Department Women and Child Development	549.51
17.	64-Ministry of Non-conventional Energy Sources	205.84
18.	68-Ministry of Petroleum and Natural Gas	1568.12
19.	70-Power	422.51
20.	76-Ministry of Road Transport and Highways	149.46
21.	80-Department of Science Technology	203.12
22.	85-Ministry of Social Justice and Empowerment	191.47
23.	89-Ministry of Textiles	164.69
24.	102-Ministry of Water Resources	152.35
Revenue Charged		
25.	34-Interest Payments	290.50
26.	35-Transfer to State and Union Territory Governments	4317.55
27.	92-Ministry of Tribal Affairs	118.38
Capital - Voted		
28.	5-Atomic Energy	174.65
29.	18-Department of Food and Public Distribution	256.56
30.	19-Ministry of Defence	139.77
31.	32-Currency, Coinage and Stamps	139.47
32.	33-Payments to Financial Institutions	2427.04
33.	36-Loans to Government Servants etc	241.94
34.	43-Indirect Taxes	223.63
35.	59-Ministry of Information and Broadcasting	137.41
36.	70-Ministry of Power	1337.41
37.	76-Ministry of Road Transport and Highways	957.19
38.	83-Ministry of Shipping	265.62
39.	98-Department Urban Development	113.59

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(Rupees in crore)

Sl. No.	Grant No. and Controlling Ministry	Amount of unspent provision
Capital - Charged		
40.	1-Department of Agriculture and Cooperation	555.96
41.	35-Transfer to State and Union Territory Governments	950.65
42.	53-Police	315.44
DEFENCE		
Revenue - Voted		
43.	21-Defence Services - Army	538.40
44.	22-Defence Services - Navy	178.50
45.	23-Defence Services - Air Force	622.34
Capital - Voted		
46.	26-Capital Outlay on Defence Services	4086.46
RAILWAYS		
Revenue - Voted		
47.	4 - Repair and Maintenance of Permanent Works	239.59
48.	5 - Repair of Maintenance of Motive Power	187.98
49.	7 - Repair of Maintenance of Plant and Equipment	147.52
50.	8 - Operating Expenses - Rolling Stock and Equipment	198.47
51.	9 - Operating Expenses - Traffic	433.54
52.	13 - Provident Fund, Pension and other Retirement Benefits	481.81
Capital - Voted		
53.	16 - Railway Funds	308.51
54.	16 - Railway Safety Fund	266.82

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APPENDIX-VII-C
(Refers to Paragraph 7.6)

Instances of cases where the amounts surrendered were more than the unspent provision
(Rupees in crore)

Sl. No	Grant/Appropriation	Total unspent provision	Amount surrendered
Civil			
Revenue-Voted			
1.	31-Department of Economic Affairs	2083.74	2110.81
2.	68-Ministry of Petroleum and Natural Gas	1568.12	1576.42
3.	91-Department of Tourism	1.39	1.49
4.	97-Lakshadweep	25.03	25.55
Revenue Charged			
5.	34-Interest Payments	290.50	789.89
Capital-Charged			
6.	35-Transfers to State and Union Territory Governments	950.65	952.65
7.	37-Repayment of Debt	*	7166.25
Defence Services			
Revenue-Voted			
8	21-Defence Services Army	538.40	571.45
9	25-Defence Services-Research & Development	33.22	35.05

* excess expenditure of Rs. 42182.74 crore.

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APPENDIX-VII-D

(Refers to Paragraph 7.9)

Significant cases of major Re-appropriations which were Injudicious on account of non-utilisation

(Cases of re-appropriation of amount more than Rupees two crore only mentioned)

(Rupees in crore)

Sl. No.	Number and nature of grant	Major head	Sub-head	Amount of re-appropriation to the sub-head	Final unspent provision under the sub-head after re-appropriation
Civil					
1.	11-Ministry of Mines	2853-Non-ferrous Mining and Metallurgical Industries	Administrative Support	2.46	4.68
2.	43-Indirect Taxes	2037-Customs	Sea Customs- Major ports	2.27	16.99
3.	43-Indirect Taxes	2038-Union Excise Duties	Commissionerates (including field offices)	9.76	21.37
4.	89-Ministry of Textiles	2851-Village and Small Industries-Handloom Industries	Design and Technical Upgradation	2.26	7.51
Defence Services					
5.	21-Defence Services -Army	2076-Defence Services-Army	Other Expenditure	2.77	11.87
6.	22-Defence Services-Navy	2077-Defence Services-Navy	Works	19.17	20.24
Posts					
7.	-do-	3201-Postal Services	Training	2.19	3.06
				40.88	

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APPENDIX-VII-E
(Refers to Paragraph 7.10)

**Cases of re-appropriation from sub-heads under which the final expenditure was in excess
of the balance provision**

(Rupees in crore)

Sl.No	Number and nature of grant	Major head	Sub-head	Amount of re-appropriation from the sub-head	Amount of excess under the sub-head after re-appropriation
	30-Ministry of External Affairs	Technical & Economic Co-operation with other Countries	SCAAP Programmers	0.76	1.97
2.	34-Interest payments	2049-Interest Payments	State Railway Provident Fund	3.23	10.97
3.	81-Department of Scientific and Industrial Research	3425-Other Scientific Research	Administration	1.00	20.00
4.	-do-	-do-	Research Schemes Scholarship and Fellowship	2.00	13.00
Defence Services					
5.	21-Defence Services -Army	2076-Defence Services -Army	Pay and Allowances of Army	139.26	163.96
6.	25-Defence Services-Research and Development	2080-Defence Services -Research and Development	Works	2.63	5.16
				148.88	

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APPENDIX-VII-F
(Refers to Paragraph 7.14)
Position of Original and Supplementary Grants/Appropriations

(Rupees in crore)

Year	Provision	Revenue		Capital					Total
		Voted	Charged	Voted		Charged			
				Capital	Loans & Advances	Public Debt	Capital	Loans & Advances	
1997-98	Original	94519	97177	9907	6258	227229	8	25150	460248
	Supplementary	30641	62	3507	781	130735	4	5673	171403
	Percentage	32	0.1	35	12	58	50	23	37
1998-99	Original	109434	105200	18600	6724	359080	16	29687	628741
	Supplementary	3329	32	43	953	-	23	10068	14448
	Percentage	3	0.03	0.23	14	-	144	34	2
1999-00	Original	118638	121084	18582	5638	360893	107	17963	642905
	Supplementary	12780	8438	1545	597	-	16	3573	26949
	Percentage	11	7	8	11	-	15	20	4
2000-01	Original	132204	153591	14185	5775	354767	25	21216	681763
	Supplementary	19672	19	486	1355	-	6	906	22444
	Percentage	15	-	3	23	-	24	4	3
2001-02	Original	158814	131178	20389	5215	285150	35	21339	622120
	Supplementary	20256	13	3842	9620	40628	1	3334	77694
	Percentage	13	-	19	184	14	3	16	13
2002-03	Original	183815	140769	18672	4914	321155	23	26842	696190
	Supplementary	18187	12	684	4376	56787	1	1564	81611
	Percentage	10	-	4	89	18	4	6	12
2003-04	Original	208340	143833	19634	7086	367079	36	25763	771771
	Supplementary	15888	4744	1862	1517	21702	4	1115	46832
	Percentage	8	3	9	21	6	11	4	7

Appendix-VIII-A
(Refers to paragraph 8.3)
Statement of excess expenditure over sanctioned provision

(Rupees in crore)

Sl. No.	Sub-head	Excess expenditure			Reasons for excess expenditure
		Sanctioned provision	Actual expenditure	Excess expenditure	
Year 2001-02					
1.	Major Head – “3465” – General Financial & Trading Institutions				
	Assistance to Unit Trust of India	229.18	300.00	70.82	To meet shortfall between assured re-purchase prices and NAV in respect of US-64
2.	Major Head – “3475” – Other General Economic Services				
	Exchange loss on India Millennium Deposits	0.01	370.21	370.20	Requirement of more amount for Government contribution towards exchange loss in Millennium Deposits.
3.	Major Head – “6885” – Other loans to Industries and Minerals				
	Small Industrial Development Bank of India	1345.19	2172.80	827.61	More requirement for transferring NIC-LTO Loans.
	Industrial Development Bank of India	643.29	1157.02	513.73	More requirement for transferring NIC-LTO loans.
	Industrial Finance Corporation of India	5.56	403.97	398.41	Loan contribution by Government towards investment in securities to be issued by Industrial Finance Corporation for enhancing its equity.
2002-03					
4.	Major Head – “5466” – Investments in International Financial Institutions				
	Investment in securities	12.75	21.17	8.42	Requirement not framed at Budget Estimate Stage.
2003-04					
5.	Major Head – “2235” – Social Security & Welfare				
	Payment to Life Insurance Corporation of India for Pension Plan for Senior Citizens	30.01	45.00	14.99	Additional Interest Subsidy to Life Insurance Corporation of India
6	Major Head – “3475” – Other General Economic Services				
	Housing Development Finance Corporation	1.01	32.79	31.78	Additional expenditure towards exchange risk liability in respect of repayment of a loan of IBRD availed of by HDFC.
	Industrial Development Bank of India	0.01	28.77	28.76	Payment to Industrial development Bank of India on account of exchange variation under

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(Rupees in crore)

Sl. No.	Sub-head	Excess expenditure			Reasons for excess expenditure
		Sanctioned provision	Actual expenditure	Excess expenditure	
					Exchange Risk Administration Scheme.
7.	Major Head – “5466” – Investments in International Financial Institutions				
	Investment in the Asian Development Bank	6.52	40.68	34.16	Additional investment in maintenance of value payment to Asian Development Bank towards.
8.	Major Head – “6416” – Loans to Agricultural Financial Institutions				
	Loans to National Bank for Agricultural and Rural Development	0.01	1.08	1.07	Passing through of external loans to NABARD.

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Appendix-VIII-B
(Refers to paragraph 8.3)
Statement of Unspent Provision

(Rupees in crore)

Sl. No.	Sub-head	Unspent Provision			Reasons for unspent provision
		Sanctioned provision	Actual expenditure	Unspent Provision	
2001-02					
1.	Major Head – “2552” – North Eastern Areas				
	Projects/Schemes for the benefits of North Eastern Regions & Sikkim	7.00	1.50	5.50	Less participation in North East Development Finance Corporation equity Fund. Though North East Development Finance Corporation had projected for higher utilisation under North East Finance Schemes, there was much less demand by Individual Entrepreneurs/ North East Development Finance Corporation hence the savings.
2.	Major Head – “2885” – Other outlays on Industries & Minerals				
	Grants to Industrial Credit and Investment Corporation of India	62.90	30.08	32.82	Less claims for reimbursement of external aided grants.
3.	Major Head – “3475” – Other General Economic Services				
	Payment of MOV accounts towards exchange loss arising out of Resurgent India Bonds	1179.94	771.10	408.84	Less requirement for the amount for payment of MOV account towards exchange loss arising out of Resurgent India Bond than anticipated at the time of framing the budget.
4.	Major Head – “4885” – Other capital outlay on Industries and Minerals				
	Subscription to the share capital of Industrial Finance Corporation of India	400.00	----	400.00	Entire provision remained unutilised due to decision to re-appropriate it to Major Head-6885, since the release was contribution by the Government towards Investment in debentures to be issued by IFCI for enhancing its equity.
5.	Major Head – “6885” – Other loans to Industries and Minerals				
	Industrial Investment Bank of India	680.26	148.87	531.39	Less requirement for transferring of NIC-LTO loans as reported by the RBI/ Banking Division.
2002-03					
6.	Major Head – “2416” – Agricultural Financial Institutions				
	Grants to National Bank for Agricultural & Rural Development (NABARD)	111.55	10.96	100.59	Decision to give loan assistance by obtaining a supplementary in the final batch and receipt of less claims for reimbursement.
7.	Major Head – “2885” – Other outlays on Industries & Minerals				
	Grants to Industrial Credit and Investment Corporation of India	51.23	33.74	17.49	Less claims for reimbursement from Industrial Credit & Investment Corporation of India anticipated.

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Sl. No.	Sub-head	Unspent Provision			Reasons for unspent provision
		Sanctioned provision	Actual expenditure	Unspent Provision	
	Grants to Industrial Finance Corporation of India	18.94	-----	18.94	Entire provision remained unutilised due to non-receipt of any claim from ICICI for reimbursement of external aid, which could not be anticipated at the time of finalisation of Revised Estimates/ Supplementary.
	Grants to Industrial Development Bank of India	4.25	1.31	2.94	Less claim for reimbursement from IDBI than anticipated.
	Grants to Small Industrial development Bank of India	54.95	16.90	38.05	Less claim for reimbursement from SIDBI than anticipated.
8	Major Head – “3475” – Other General Economic Services				
	Payment of MOV Accounts towards exchange loss arising out of Resurgent India Bonds	936.95	273.62	663.33	Less requirement for payment of maintenance of value account towards exchange loss arising out of resurgent India Bonds.
	Industrial Credit and Investment Corporation of India	34.73	1.55	33.18	Claim submitted by ICICI for exchange loss in respect of foreign lines of credit was very less.
	Exchange loss on India Millennium Deposits	446.44	100.59	345.85	Less requirement for payment of maintenance of value account.
9.	Major Head – “5466” – Investments in International Financial Institutions				
	Subscription to International Development Association	3.75	-----	3.75	Entire provision remained unutilised because no demand has been received from International Development Association.
	Investment in the Asian Development Bank	10.00	1.51	8.49	Less demand from Asian Development Bank not anticipated at the time of framing budget estimates.
10.	Major Head – “6885” – Other loans to Industries and Minerals				
	Industrial Credit and Investment Corporation of India	1.00	-----	1.00	No claims having been received from ICICI for reimbursement of external loans which was not anticipated at the time of obtaining supplementary.
2003-04					
11.	Major Head – “2235” – Social Securities & Welfare				
	Payment to Life Insurance Corporation of India for Community Based Universal Health Insurance Scheme.	70.00	-----	70.00	Entire provision remained unutilised due to non-receipt of demand from Life Insurance Corporation of India.

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(Rupees in crore)

Sl. No.	Sub-head	Unspent Provision			Reasons for unspent provision
		Sanctioned provision	Actual expenditure	Unspent Provision	
12.	Major Head – “2885” – Other outlays on Industries and Minerals				
	Grants to Small Industries Development Bank of India	46.00	23.08	22.92	Receipt of less claims for reimbursement from SIDBI than anticipated under the NEF Scheme.
13.	Major Head – “3475” – Other General Economic Services				
	Payment of MOV Accounts towards exchange loss arising out of Resurgent India Bonds	288.57	-----	288.57	Entire provision remained unutilised due to appreciation of the Rupee against US Dollar
	Industrial Credit and Investment Corporation of India	35.64	-----	35.64	Entire provision remained unutilised as no demand was received from Industrial Credit and Investment Corporation of India.
	Exchange loss on India Millennium Deposits	423.90	-----	423.90	Entire provision remained unutilised due to favourable exchange rate variation.
14.	Major Head – “4885” – Other Capital outlay on Industries & Minerals				
	Subscription to the share capital of Industrial Development Bank of India	772.98	-	772.98	Entire provision remained unutilised as it was decided by the Government to provide grant to Industrial Investment Bank of India for restructuring its liabilities.
15.	Major Head – “5466” – Investments in International Financial Institutions				
	Subscription to the International Bank for Reconstruction & Development	116.20	-----	116.20	Entire provision remained unutilised as Government decided to convert India's maintenance of value obligations in Special Dollar denominated notes.
16.	Major Head – “6885” – Other loans to Industries and Minerals				
	Industrial Finance Corporation of India	1573.00	-----	1573.00	Entire provision remained unutilised as it was decided by the Government to disburse equivalent amount as grant instead of loan for restructuring of Industrial Finance Corporation of India.

During 2001-02 there was notional net excess expenditure of Rs. 732.23 crore under the Capital Section of the grant which was due to transfer of the outstanding balances of National Industrial Credit portfolio from the books of RBI to Government of India. The excess expenditure was purely technical and was on account of interest accrued and premium paid upfront by RBI (book adjustment) and did not entail any cash outgo. Though this amount was booked in the accounts under loans to Industrial and Financial Institutions supplementary demand was obtained for the principal amount of loan only which resulted in notional excess expenditure.

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Appendix-VIII-C
(Refers to Paragraph 8.13)
Non – utilisation/re–appropriation of entire funds
Entire budget provision remained unutilised

(Rupees in crore)

Sl. No.	Major head / Sub – head	Total provision/ Amount re-appropriated/ surrendered
2001-02		
1.	2203.00.800.03 Technology Development Mission	8.00
2.	2203.00.800.13 Research and Information Services	3.00
3.	2203.00.800.14 Students Counseling and Development Programme	3.00
2002-03		
1.	2202.02.110.08 Vocationalisation of Education	5.00
2.	2202.05.102.04 Appointment of Language Teachers	10.35
3.	2203.00.112.24 Direct Central Assistance to the Central Institutions and Regional Engineering Colleges and State Engineering Colleges	27.00
4.	2203.00.800.03 Technology Development Mission	7.20
5.	2552.00.800.14 Provision for Projects/Schemes of North Eastern States and Sikkim	215.11
2003-04		
1.	2202.02.800.38 Information and Communication Technology in Schools – Grants to Union Territories without Legislature	5.00
2.	2203.00.112.24 Direct Central Assistance to the Central Institutions And Regional Engineering Colleges and State Engineering Colleges	30.00
3.	3601.04.172.02 Information and Communication Technologies in Schools	94.00
4.	3601.04.172.04 Access and Equity	3.50
5.	3602.04.179.02 Information and Communication Technologies in Schools	2.00

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**Appendix- VIII-D
(Refers to Paragraph-8.15)
Unspent provision**

(Rs. in thousands)

Sl. No.	Name of Sub-head	Total provision	Actual disbursement	Unspent provision	Reasons advanced by Ministry
2001-2002					
	Major Head-2202 General Education				
1.	Vocationalisation of Education:- Grants to the Voluntary Organisations	0.50	0.35	0.15	—
2.	Promotion of Science Laboratories – Grants to Voluntary Organisations	1.25	0.91	0.34	—
3.	Integrated Education for disabled children	0.20	0.12	0.08	—
4.	Expenditure on Seminars, Committee Meeting etc. TA/DA to Non-Official Members	0.35	0.18	0.17	—
5.	Grants and Expenditure on National Book Development Council and Book Promotional Activities	0.50	0.36	0.14	—
6.	Financial Assistance to National Research Professors	0.45	0.04	0.41	—
7.	Language Development: Direction & Administration: Directorate of Hindi	5.01	3.80	1.21	Saving was due to non filling up of vacant posts.
8.	Grants to Deemed Sanskrit Universities – Rashtriya Sanskrit Sansthan CBSE and NGO's	2.50	1.47	1.03	—
9.	General : Direction & Administration Educational Institutions Abroad	3.72	2.47	1.25	Saving was due to non-filling up of vacant posts and slow pace of expenditure.
10.	Organising Seminars and workshops on copy right Matters	0.90	0.72	0.18	—
11.	Financial Assistance on Intellectual Property Right	2.80	0.79	2.01	—
12.	Scholarship: National Scholarship at Secondary Stage for talented children from Union Territories without Legislature	0.02	--	0.02	—
13.	National Scholarship Scheme of Union Territories without Legislature	0.02	--	0.02	—
14.	Indian Scholars going abroad against scholarships offered by Foreign Govt./Organisations	0.70	0.16	0.54	Savings was due to unwillingness of selected candidate to avail the fellow ship and pending of the proposal of enhancement of fellow ship amount in the Ministry of Finance

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Sl. No.	Name of Sub-head	Total provision	Actual disbursement	Unspent provision	Reasons advanced by Ministry
15.	Strengthening of External Academic Relation	0.10	0.02	0.08	—
16.	Re-organisation of INC Library into a full fledged Documentation and Reference Centre for UNESCO Publication in India	0.08	--	0.08	—
17.	Holding of meetings of Committee/ Conference and organisations of exhibition in furtherance of UNESCO's aims and objectives	0.10	0.01	0.09	—
18.	Strengthening of Voluntary organisations engaged in UNESCO's programmes and activities	0.03	0.01	0.02	—
	Major Head: 2203 Technical Education Polytechnics:				
19.	Grants for Quality Improvement Programme - Community Polytechnics	52.90	32.46	20.44	Saving was due to availability of unspent balance with the Community Polytechnics
20.	Other Expenditure : Asian Institute of Technology, Bangkok	0.18	0.05	0.13	—
	Major head 3601 Grants in aid to State Government				
21.	Technical Education – Assistance to Non-Government Technical College & Institutes: Revision of Pay scale of Teachers of Technical Institutions- Assistance to Institutions/Cells in States	85.00	42.39	42.61	Saving was due to receipt of less eligible proposals from the State Governments
	2002-03				
	Major Head -2013 Council of Ministers				
22.	Department of Secondary Education and Higher Education	0.03	0.01	0.02	—
	Major Head 2202 General Education				
23.	Vocationalisation of Education – Grants to the Voluntary Organisation	1.00	0.22	0.78	Saving was due to non consideration of new proposals for approval in view of the revision of the scheme
24.	Integrated Education for Disabled Children	0.20	0.13	0.07	—
25.	Expenditure on Seminars, Committee Meeting etc. TA/DA to Non-official Members	0.35	0.23	0.12	—
26.	Scheme for Studies Seminar/ Evaluation etc. for Implementation of Education Policy	0.81	0.52	0.29	—

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Sl. No.	Name of Sub-head	Total provision	Actual disbursement	Unspent provision	Reasons advanced by Ministry
27.	Scheme for Intellectual Property Education, Research and Public Outreach	2.52	1.88	0.64	Saving was due to receipt of less numbers of proposals
	Scholarships:				
28.	National Scholarship at Secondary Stage for talented Children from Union Territories without legislature	0.06	--	0.06	—
	Other Items	0.01	--	0.01	—
29.	Re-organisation of the INC Library into a full-fledged- Documentation and Reference Centre for UNESCO Publication in India	0.09	--	0.09	—
30.	Holding of meetings of Committee/ Conference and organisation of Exhibition in furtherance of UNESCO's aims and objectives	0.09	0.01	0.08	—
	Major head -2203, Technical Education				
31.	Other Expenditure : Asian Institute of Technology, Bangkok	0.25	0.10	0.15	—
	Major head-3601 Grants-in-aid to State Governments				
32.	General Education – Scholarships – Scholarship for Talented Children from Rural Areas at Secondary stage	2.55	--	2.55	Saving was due to non-receipt of proposals from some State Governments
33.	Sports and Youth Services – Physical Educations – Promotion of Yoga	0.20	0.02	0.18	—
34.	Secondary Education – Other Grants: Vocationalisation of Education	41.50	11.34	30.16	Saving was due to adjustment of unspent balance laying with the State Governments.
	Major Head-3602 Grants in Aid to Union Territory Governments				
35.	National Scholarship Scheme	0.20	--	0.20	—
36.	Scholarship for Talented Children from Rural Areas at Secondary Stage	0.09	--	0.09	—
37.	Development of Sanskrit Education	0.89	0.02	0.87	Saving was due to non-receipt of proposals from Union Territory Governments.
2003-2004					
	Major Head'2002' General Education				
38.	Vocationalisation of Education grants to the Voluntary Organisation	1.50	0.03	1.47	Saving was due to non-consideration of new proposals for approval in view of the revision of scheme

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Sl. No.	Name of Sub-head	Total provision	Actual disbursement	Unspent provision	Reasons advanced by Ministry
39.	Integrated Education for Disabled Children	0.20	0.16	0.04	—
40.	Access & Equity – Grants to Voluntary Organisations	15.00	5.92	9.08	Saving was due to non-consideration of fresh proposals
41.	Commission for Scientific and Technical Terminology	3.50	2.71	0.79	Saving was due to less number of academic programme/ tours conducted and non-holding of meeting as the post of Chairman vacant for more then two month.
General :					
42.	Direction and Administration – Educational Institutions Abroad	4.36	3.38	0.98	Saving was due to less requirement and availability of unspent balance lying with the institute.
43.	Scheme for Intellectual Property Education, Research and Public Outreach.	2.80	2.19	0.61	Saving was due to receipt of less number of Government Proposals.
44.	Indian Scholars going abroad against scholarship offer by Foreign Government/ Organisations.	0.66	0.50	0.16	—
45.	Strengthening of External Academic Relation	0.50	0.29	0.21	—
46.	National Awards to Teachers	1.35	1.03	0.32	—
Major head 2203: Technical Education Polytechnics:					
47.	Grants for Quality Improvement Programme – Community – Polytechnics	72.00	20.63	51.37	Saving was due to non-finalisation of the Scheme by Expenditure Finance Committee and availability of unspent balance with the community Polytechnic.

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Appendix - VIII-E
(Refers to Paragraph-8.16)
Unrealistic budgeting under Sub-heads

(Rupees. in crore)

Sl. No.	Major head/Sub head	Total provision	Amount Re-appropriated to other heads	Percentage of re-appropriation
	2001-02			
1.	2202.02.110.02 Population Education Project	3.50	2.35	67
2.	2202.02.110.04 Assistance to agencies for strengthening Culture/ Art/Value in Educational Institutions implementing Innovative Programmes	9.30	7.37	79
3.	2202.05.103.07 Grants to Rashtriya Ved Vidya Pratisthan	3.00	2.34	78
4.	2203.00.112.19 Sant Longowal Institute of Engineering and Technology	14.69	7.69	52
5.	3601.01.186.01 Revision of Pay Scales of Teachers of Technical Institutions – Assistance to Institution/Cells in States	85.00	42.00	49
6.	3601.03.161.03 Financial Assistance for Modernisation of Madras Education	10.00	8.00	80
7.	3601.03.162.02 Development of Sanskrit Education	7.00	3.80	54
8.	3601.04.179.02 Educational Technology Programme	4.70	4.68	100
	2002-03			
1.	2202.02.110.04 Assistance to agencies for strengthening Culture /Art/Value in Educational Institutions Implementing Innovative Programmes	8.10	6.08	75
2.	2202.02.110.07 National Open School	13.50	8.17	61
3.	2202.02.800.33 Integrated Education for Disabled Children Voluntary Organisations	12.70	7.20	57
4.	2202.02.800.41 Quality Improvement in Schools – Grants to Voluntary Organisations	7.95	4.75	60
5.	2202.03.102.01 Establishment of National University (IGNOU)	62.30	30.31	49
6.	2202.05.103.11 Grants to Deemed Sanskrit Universities – Rashtriya Sanskrit Sansthan CBSE and NGOs	2.25	2.05	91
7.	2203.00.105.04 Grants for quality Improvement Programme – Community Polytechnics	65.00	33.97	52
8.	2203.00.112.16 National Institute of Industrial Engineering Mumbai	12.50	6.00	48

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Sl. No.	Major head/Sub head	Total provision	Amount Re-appropriated to other heads	Percentage of re-appropriation
9.	2203.00.112.17 National Institute of Foundry and Forge Technology, Ranchi	9.15	5.51	60
10.	3601.03.157.01 Scholarships for Talented Children from Rural Areas at Secondary stage	2.55	2.54	100
11.	3601.03.157.02 National Scholarship Schemes	4.25	4.02	95
12.	3601.04.172.02 Information and Communication Technologies in Schools	89.50	79.20	88
13.	3601.04.179.03 Integrated Education for disabled Children	18.50	9.65	52
14.	3601.04.180.01 Vocationalisation of Education	41.50	26.86	65
2003-04				
1.	2202.02.110.04 Assistance to Agencies for Education in Human Values	9.00	6.00	67
2.	2202.02.800.39 Access & Equity – Grants to Voluntary Organisations	15.00	8.00	53
3.	2202.03.102.01 Establishment of National University (IGNOU)	68.00	51.44	76
4.	2202.05.103.07 Grants to Rashtriya Ved Vidya Pratisthan	3.00	2.00	67
5.	2203.00.001.04 All India Council for Technical Education (AICTE)	130.00	80.00	62
6.	2203.00.105.04 Grants for quality Improvement Programme – Community – Polytechnics	72.00	51.06	71
7.	2203.00.112.09 Indian Institute of Management	74.73	39.68	53
8.	2203.00.800.03 Technology Development Mission	8.00	7.80	98
9.	3601.03.157.01 Scholarships for Talented children from Rural Areas at secondary stage	2.81	2.79	99
10.	3601.03.157.02 National Scholarships Scheme	4.75	4.63	97
11.	3601.04.172.03 Quality Improvements in Schools	18.25	12.66	69
12.	3601.04.180.01 Vocationalisation of Education	47.00	39.93	85

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Appendix-VIII F
(Refers to Paragraph 8.34)
Unspent Provision exceeding Rupees One Crore

(Rupees in crore)

Sl. No.	Sub-head	Total Provision (O + S)	Actual Expenditure	Unspent Provision / Saving	Percentage of savings
2001-02					
1.	2215.02.105.04 Water Supply & Sanitation-Low Cost Sanitation for liberation of Scavengers	39.80	10.00	29.80	75
2.	2215.02.191.03 Pilot Project on Solid Waste Disposal near Airport in Selected Cities	5.00	Nil	5.00	100
3.	2216.01.700.03 Housing-Maintenance & Repairs(Charged)	15.94	13.31	2.63	16
4.	2217.80.001.02 Urban Development-Urban Transport Planning	6.63	0.88	5.75	87
5.	2552.00.800.14 North Eastern Areas-Provision for the Projects /Schemes for the benefit of North Eastern Region and Sikkim	41.25	3.58	37.67	91
2002-03					
1.	2215.01.101.01 Extension of AUWSP to small Towns	143.00	121.95	21.05	15
2.	2215.02.105.04 Low Cost Sanitation for Liberation of Scavengers	29.80	4.80	25.00	84
3.	2215.02.191.03 Pilot Project on Solid Waste Disposal near Airport in Selected Cities	5.00	Nil	5.00	100
4.	2217.80.001.02 Urban Transport Planning	4.99	1.46	3.53	71
5.	2217.80.800.11 Urban Mapping Scheme	5.00	0.40	4.60	92
6.	3601.04.309.03 Mega city Scheme-Infrastructure Development	124.50	119.50	5.00	4
7.	3601.04.312.02 Central Assistance for Integrated Development of Small & Medium Town	102.50	85.43	17.07	17
8.	4216.01.106.03 Urban Development-Construction (Voted)	89.01	86.51	2.50	3
9.	4216.01.700.06 Capital Outlay on Housing-Finance (Revenue)	55.05	32.26	22.79	41
10.	4216.01.700.11 Medical & Public Health	8.79	1.13	7.66	87

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Sl. No.	Sub-head	Total Provision (O + S)	Actual Expenditure	Unspent Provision / Saving	Percentage of savings
11.	4216.01.700.17 Lok Sabha / Rajya Sabha	7.75	3.98	3.77	49
12.	4216.01.700.34 Employment	5.60	1.09	4.51	81
13.	4552.00.800.15 Provision for the Projects /Schemes for the benefit of North Eastern Region and Sikkim	89.00	76.00	13.00	15
2003-04					
1.	2215.01.101.01 Extension of AUWSP to Small Towns	140.00	131.56	8.44	6
2.	2215.02.191.03 Pilot Project on Solid Waste Disposal near Airport in Selected Cities	5.00	0.99	4.01	80
3.	2216.01.700.03 Housing-Maintenance & Repairs (Charged)	16.32	12.84	3.48	21
4.	2217.05.800.12 Urban Information System	5.00	0.65	4.35	87
5.	4216.01.106.03 Urban Development-Construction (Voted)	92.02	84.68	7.34	8
6.	4216.01.700.06 Finance (Revenue)	46.65	31.10	15.55	33
7.	4216.01.700.07 Home Affairs	3.50	1.43	2.07	59
8.	4216.01.700.05 Audit	20.00	9.40	10.60	53
9.	4216.01.700.11 Medical and Public Health	8.60	3.02	5.58	65
10.	4216.01.700.34 Employment	6.00	2.00	4.00	67
11.	4552.00.800.15 Provision for the Projects/Schemes for the benefit of North Eastern Region and Sikkim	159.00	92.00	67.00	42

GLOSSARY

- 14 days auction Treasury Bill** : A scrip of 14 days duration introduced from June 1997. Auction for this instrument is held weekly at a pre-determined cut off price.
- 14 days intermediate Treasury Bill** : A scrip of 14 days duration introduced from June 1997, to enable the State Government, commercial banks and other specific bodies to invest their temporary surplus funds.
- 364 days auction Treasury Bill** : An instrument of borrowing introduced from April 1992 of the duration of 364 days. Auction for this instrument is held fortnightly at a pre-determined cut off price.
- 91 days auction Treasury Bill** : An instrument of borrowing introduced from January 1993. Auction for this instrument is held weekly at a pre-determined cut off price.
- Ad hoc Treasury Bill** : A scrip of 91 days duration created by RBI in its favour on behalf of Union Government, as and when the cash balance of the Government fall below the level of Rs 50 crore. Whenever the Government's cash balance had a surplus, *ad hoc* were cancelled in such amounts to maintain the agreed level. This scrip was discontinued from 1 April 1997.
- Appropriation** : Appropriation means assignment to meet specified expenditure of funds included in a primary unit of appropriation
- Appropriation Accounts** : Appropriation Accounts present the total amount of funds (original and supplementary) authorised by the Parliament in the budget grants under each voted grants and charged appropriation *vis-a-vis* the actual expenditure incurred against each and the unspent provisions or excess under each grant or appropriation. Any expenditure in excess of the grants requires regularisation by the Parliament.
- Appropriation Act** : When appropriation bill has been passed by the Parliament, it is presented to the President. After the assent by the President to the bill, it becomes an Act.
- Appropriation Bill** : As soon as may be after the grants under article 113 have been made by Lok Sabha, a bill to provide for the appropriation out of the Consolidated Fund of India of all money required to meet (a) the grants so made by Lok Sabha (b) the expenditure charged upon Consolidated Fund of India but not exceeding in any case the amount shown in the statement previously laid before the Parliament is introduced.
- Capital Expenditure** : It consists of payment for acquisition of assets, investment in shares, and loans and advances given by the government.
- Capital Receipts** : Capital receipts comprise loans raised by the government from the public, borrowing from the Reserve Bank of India and loans taken from foreign governments, recoveries of loans by the government, proceeds of disinvestments etc.

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- Charged Appropriation** : Sum required to meet expenditure 'Charged' on Consolidated Fund under Article 112 (3) of the Constitution is called charged Appropriation.
- Consolidated Fund of India (CFI)** : The fund constituted under Article 266 (1) of the Constitution of India into which all receipts, revenues and loans flow. All expenditure from the CFI is by appropriation: voted or charged. It consists of two main divisions namely Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Public Debt and Loans, etc.).
- Contingency Fund of India** : Parliament has by law established a Contingency Fund in the nature of an imprest into which is paid from time to time such sums as may be determined by such law, and the said fund is placed at the disposal of the President to enable advances to be made by him out of it for the purpose of meeting unforeseen expenditure pending authorisation of such expenditure by Parliament by law under Article 115 or Article 116 of the Constitution.
- Debt service** : Payments to creditor(s) of matured principal and of interest. It, usually, includes service charges, etc.
- Demand for Grants** : Demand for Grants is for gross amount of expenditure to be incurred and shows recoveries to be taken in reduction of expenditure separately by way of foot notes, presented to Parliament at two levels. The main Demands for Grants are presented by the Ministry of Finance along with the Annual Financial Statement. The detailed Demands for Grants are laid on the table of Lok Sabha by the concerned ministries a few days in advance of the discussion of respective ministry's demand in that House.
- : As the Demands for Grants are for gross expenditure and the Annual Financial Statement gives the net amount to be expended under each head, the total of the two should be reconciled after adjustment of the recoveries taken in accounts in reduction of gross expenditure.
- Excess Grant** : In cases, where expenditure in individual 'segment' of grant/appropriation, i.e. Revenue (Charged), Revenue (Voted), Capital (Charged) and Capital (Voted) exceeds the authorisation as such, the grant/appropriation is termed as excess grant.
- External Debt** : Debt contracted by the Government from abroad, mostly in foreign currency viz., loan from World Bank, IBRD, IDA, etc.
- Fiscal Deficit** : It is the excess of total expenditure including loans net of repayments over revenue receipts and non debt capital receipts. It also indicates the total borrowing of the government, and the increment to its outstanding debt.

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GDP at factor cost	:	Gross domestic product at factor cost measures GDP at the cost of the factors used to produce it, i.e. At the incomes earned by those factors. It is obtained from the GDP at market prices by deducting indirect taxes and adding subsidies.
GDP at market Prices	:	Gross domestic product at market prices indicates the value of all final expenditure on the goods and services produced within the country. It is equal to the value of all final goods and services produced in the country in a given period. The evaluation can be done at current prices or at prices prevailing in a base year.
Internal Debt	:	Internal Debt comprises regular loans from the public in India, also termed 'Debt raised in India'. It is confined to loans credited to the Consolidated Fund.
M3	:	This is broad money defined as the sum of currency with the public, demand deposits and time deposits with the banks, and 'other' deposits with the RBI.
Major Head	:	The main unit of classification in accounts is known as Major Head. A four digit code has been allotted to the Major Head, the first digit indicating whether the major head is a Receipt head or Revenue expenditure head or Capital expenditure head or Loan head.
Minor Head	:	Three digit code has been allotted to the Minor Head starting from "001" under each sub Major head/Major head (where there is no sub major head).
New Service	:	Government has prescribed certain financial limits for different categories of expenditure through re-appropriation, beyond which the expenditure constitutes 'New service/New instrument of service'.
Original Grant	:	The amount provided for any service in the Annual Financial Statement in a financial year is called original grant or appropriation.
Primary Deficit	:	Fiscal deficit minus interest payments gives primary deficit. It can be interpreted as the excess of non interest expenditure of the government over its revenue receipts and non debt capital receipts.
Public Account	:	All moneys other than those included in the Consolidated Fund, received by or on behalf of Government of India are credited to the Public Account of India [Article 266 (2) of the Constitution of India]. It includes transactions relating to 'debt' other than those included in the Consolidated Fund of India. Public Account transactions are not subject to vote/appropriation by Parliament and the balances are carried forward.
Public Debt (of India)	:	Borrowing by the Government of India internally as well as externally.
Re-appropriation	:	Means the transfer of funds from one Primary unit of appropriation to another such unit.
Reserve Money	:	This is the monetary base. It is the sum of net RBI credit to government, RBI's claims on commercial and cooperative banks, RBI's credit to the commercial sector, net foreign exchange of the RBI, government's currency liabilities to the public <i>minus</i> the net non-monetary liabilities of the RBI.

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- Revenue Deficit** : This is equal to the excess of revenue expenditure over revenue receipts.
- Revenue Expenditure** : This is meant for normal running of governments' maintenance expenditures, interest payments, subsidies and transfers etc. It is current expenditure which does not result in the creation of assets. Grants given to State governments or other parties are also treated as revenue expenditure even if some of the grants may be meant for creating assets.
- Revenue Receipts** : These include proceeds of taxes and duties levied by the government, interest and dividend on investments made by the government, fees and other receipts for services rendered by the government.
- Stock** : A form of Government security held as stock certificate and not transferable by endorsement and delivery but by executing a transfer deed and by registering the transfer in the books of the Public Debt Office.
- Supplementary Grant** : If the amount authorised by any law made in accordance with the provisions of Article 114 of the Constitution to be expended for a particular service for the current financial year is found to be insufficient for the purpose of that year or when a need has arisen during the current financial year for the supplementary or additional expenditure upon some 'new service' not contemplated in the original budget for that year, Government is to obtain supplementary grants or appropriations in accordance with the provision of Article 115 (1) of the Constitution.
- Surrender of unspent provision** : Departments of the Central Government are to surrender to the Finance Ministry, before the close of the financial year, all the anticipated unspent provisions noticed in the grants or appropriations controlled by them. The Finance Ministry is to communicate the acceptance of such surrenders, as are accepted by them to the Audit Officer and/or the Accounts Officer, as the case may be, before the close of the financial year.
- Tap Treasury Bill** : A scrip of 91 days duration by which Government borrows money. This scrip was intended for investment by commercial banks of their surplus. This scrip was discontinued from 1 April 1997.
- Treasury Bills** : An instrument issued by the Reserve Bank of India on behalf of the Union Government to raise short term loans intended to fill transient resource gaps.
- Unspent provision** : When expenditure falls short of budget provision, it results into unspent provision.
- Voted Grant** : Sum required to meet other expenditure for which vote of Parliament is required under Article 113 (2) of the Constitution is called voted grant.